

# EIR

Executive Intelligence Review

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\$10.00

Kissinger "decoupling" gains in European elections  
LaRouche: Mexico corruption 20 years behind U.S.!  
KGB's Futurists meet to take U.S. back to Dark Age

**Why U.S. strategic interest  
lies with the debtors' cartel**



# EIR Special Reports

## 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 was part of a larger long-term operation by the man who has been characterized as acting as Moscow's unpaid ambassador. The report includes dossiers on the top Kissinger-linked people in government, including Bud McFarlane, Brent Scowcroft, Lawrence Eagleburger, and Helmut Sonnenfeldt. Essential for understanding current battles over National Security Council, Defense, and State Department policy.

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Under conditions of an imminent international debt default crisis, the Swiss-based Bank for International Settlements, the Volcker Federal Reserve, and the New York money center banks led by Citibank, Chase Manhattan, and Morgan, have prepared emergency legislation to cartelize the U.S. banking system. Their aim is to shut down thousands of U.S. regional

banks, and place top-down control over U.S. credit under a handful of financial conglomerates which are modeled on the turn-of-the-century Morgan syndicate and created by "deregulation." This cartel will impose economic austerity on the United States, slashing the defense budget, and giving the Federal Reserve Board the power to dictate reduced levels of industrial production, wages, prices, and employment.

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# EIR

## From the Managing Editor

Much of what we're emphasizing this week will hardly even appear in the major national media, but then, we're used to the "competition" catching up with us very late—like the *Wall Street Journal*, which on June 22 suddenly discovered that the Ibero-American debt is about to bring on a banking crash, and devoted six pages to the subject, admitting some of the things *EIR* has been saying for months.

The key developments are the very fast moves toward decoupling of Western Europe from the United States, signaled by the dismal charade around the "Nunn amendment" in the U.S. Senate, the alarming outcome of the June 17 Europarlament elections, and the Cartagena meeting of Ibero-American debtors, where *EIR* founder LaRouche's "Operation Juárez" was in the foreground.

What the major media are deliberately covering up is the fact we need a different U.S. foreign policy fast, because the United States is heading into strategic and economic disaster. We've dispatched our correspondents around the world to get our subscribers the information they need to help us change things:

From **Cartagena**, Caracas bureau chief Carlos Méndez and Bogotá correspondent Javier Almario dispatched the reports on the debtors' conference which arrived just in time to appear in the cover story (page 18).

From **Buenos Aires**, Ibero-American editor Dennis Small and analyst Cynthia Rush have put together a report on the background to Argentina's now-famous rebuff to the International Monetary Fund, and the devastation which IMF conditionalities have unleashed in that country (page 25).

From **Wiesbaden**, *EIR*'s intelligence staff assembled the story on the European elections, which herald the possible arrival of the Communists to power in Italy. See the *International* lead and the Bonn, Italy, and Paris columns, plus a background story on Holland.

As this issue reaches subscribers, *EIR*'s editors will be attending the July 3-4 Washington, D.C., conference of the Schiller Institute, the new think-tank which will give "patriots and world citizens" an alternative institution to the Council on Foreign Relations, Aspen Institute, and other architects of the current foreign policy follies.

We hope to see many of you there!

*Susan Johnson*

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**Notice to Subscribers:** *EIR* will be taking its usual Fourth of July holiday next week. The next issue, Vol 11, No. 27, will be dated July 17 and will reach subscribers two weeks hence.

## Special Report



NSIPS

The children of Ibero-America have no hope for the future without Operation Juárez, a plan for solving the debt crisis and launching industrial development authored by Lyndon LaRouche. Shown are youngsters in a Bogotá slum.

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**Correction:** The "Elephants and Donkeys" column in *EIR's* June 12 issue, page 60, erred in reporting that former Democratic Party chairman Robert Strauss and White House chief of staff James A. Baker III are "both millionaire Houston lawyers." Strauss is in fact a *Dallas* lawyer. The source for the information on Baker's background in our column was an article in *New Solidarity* newspaper, by John Hoefle.

## BIS orders retrenchment of U.S. financial power

by David Goldman and Laurent Murawiec

After three months of prodding by the Bank for International Settlements (BIS) and the West German Bundesbank's chief Karl-Otto Pöhl, the U.S. banks have begun to write off Latin American loans. On Monday, June 18, the Comptroller of the Currency issued stiff new guidelines requiring banks to report past-due loans for the second quarter and write the interest income down in the third quarter.

These moves were dictated by European banking interests, and pressed through at last weekend's annual meeting of the BIS. The Europeans expressed their extreme dissatisfaction with what they termed "the hysterical fixation of American bankers on quarterly dividends which lead them to lend money to debtors to allow the latter to 'repay' interest in time to escape the 90-day clause of non-performance." This, they have argued in speeches, articles, and private discussions, "prevents the setting up of any long-term solution to the debt crisis."

The Europeans are using their control over American banks' liabilities funding overseas to force the Americans into a head-on confrontation with the debtors' club meeting June 21-22 in Cartagena, Colombia.

The American Treasury's tough stance against the Argentines, who have refused to bow to International Monetary Fund conditions, as well as the insistence that the banks take their losses in order to preempt Argentine bargaining power, was also a product of the weekend BIS meeting. The decision of the Reagan administration to cancel a \$300 million loan

guarantee to Argentina "is wholly justified," said BIS chairman Fritz Leutwiler, who caused a few arms to be twisted and broken in Washington and Lower Manhattan to achieve this result. He told the BIS annual press conference that "this American decision took place after consultation among central banks"—which means that the BIS dictated the policies and Uncle Sam obeyed.

After this, most U.S. banks announced they wouldn't wait for the third quarter but would begin to write down the interest on the loans immediately. Manufacturers Hanover announced it is immediately taking at least a \$25 million loss in the second quarter on interest that is already past due from Argentina, that is, writing off all the interest more than 90 days overdue by Argentina—in advance of June 30, whether Argentina decides to pay or not.

If Argentina does not pay on June 30, Manny Hanny will write off another \$15 million, for a total \$35 million in lost interest, which will lower their earnings by 37%. Crocker National Bank will probably take a flat loss for the quarter by doing the same. In fact, the Comptroller's regulations might even force banks to write down many *domestic* loans which are more than 90 days past due. Banks that may take big losses due to the comptroller's new guidelines include Bank of America, Security Pacific, and Continental Illinois as well.

In summary, the BIS argument to the American banks amounts to, "take your losses and we will continue to fund

you.” Clearly the Europeans do not expect the debtors to be put off indefinitely, which is to say that they do not expect to fund the American banks indefinitely. The new round of write-offs, far from stabilizing the banks’ position (as the stock market appeared to believe on June 20), merely sets up the next round of bank runs.

“The biggest problem is yet to come—when the [Argentine] loans become 180 days overdue, in July,” a senior administration official said June 20. “Under the law, the banks have to start taking actual losses on assets, on the asset side of the balance sheet. Then it’s not just some interest income being lost, but the actual assets being written down. Then the markets could get worried.

“Right now, many of these loans are 160, 170 days overdue on interest. Argentina needs the \$500 million to get those loans back down below the 90-day overdue interest mark. So if this is not done, the interest arrearages can quickly mount up from 170 to 180 days overdue.”

### **Between the devil and the debtors’ cartel**

“It is clear that the European financial community will dictate the next several months of financial policy,” a top adviser to the Reagan White House commented in mid-June. American banks have funded the \$100 billion p.a. current-account deficit this year largely by borrowing on the Euro-dollar market, shifting from net providers of funds to the offshore market to net borrowers in a sudden and dramatic turnaround.

The next step is already being aired by *Mittleeuropa*’s bankers: broaching an idea originally emitted by Swiss National Bank number three man Markus Lusser, Bundesbank head Pöhl said in a speech in Zürich on June 18 that he had “great sympathy for the idea of [creating] a secondary market for bank claims against debtor countries. Admittedly, this procedure would bring about an ‘hour of truth’ but it would smooth up new ways to get rid of the 90-day clause.” Slyly, Pöhl added that this would allow a “soft landing” for the overvalued dollar, rather than the “market overshooting” result in case it were not done.

An official at the Swiss National Bank elaborated on the proposal, which was first issued by that bank’s Markus Lusser: “These measures would force the banks to price their assets realistically, at what level the market would bear. It would force the banks to take other measures—the American banks would have to retrench quite a bit to do that.”

A Dutch banker spelled out that creating a secondary market for bank and syndicated claims to be traded at a discount would not only establish the “true market value of the assets and market creditworthiness of the debtors,” thus settling both the fate of borrowers and creditor banks alike, but also recreate “the situation before 1914 when bonds were the main international financial instrument.” The *Times* of London had recently editorialized on the virtues of the pre-

1914 system “which absorbed defaults very well without an IMF and without summits.” In short, a return to the “free market” underpinned by gunboat diplomacy.

As cash-strapped and deposit-starved U.S. banks would rush to realize their assets, they would sell non-performing claims—still IOUs representing original par value—as well as high-yield assets in order to create liquidity, and thus yield their power to exact interest and principal from debtors, while the U.S. Treasury and Federal Reserve—the power of the U.S. government—would be used to bash the debtors over the head, to the benefit of the new claim-holders.

Since May 11, a massive retrenchment of U.S. bank funding and lending has been under way. U.S. banks are virtually quarantined on the international interbank markets. “Banks, especially American ones, have to fund themselves for these loans placed in non-accrual. But they cannot float CDs, deposits with them are not being rolled over, and credit lines are being cut down or cancelled. They must revert to the domestic market, and retrench, especially since what they need is to recapitalize, restore the health of their balance sheets,” a London merchant banker said. At the Swiss National Bank, a senior official said: “Already Swiss banks, and the Germans too, enjoy much finer terms than U.S. banks on the interbank market—which they use for highly profitable arbitrage, relending to U.S. banks. But they differentiate—you don’t lend to *any* American bank these days.”

### **Preparing for the worst**

The *Mittleeuropäer* clearly do not believe that such measures will produce stability. On the contrary, Swiss banks are quietly redenominating their dollar assets in their own currency, insulating their claims from any tempest in the dollar sector, to be ready for a dollar collapse.

The continuing unraveling of Continental Illinois is a possible trigger for such a collapse. One fear among bank analysts is the possibility that Continental Illinois might have to sell off its bad assets piecemeal, at whatever the market will bring. In the case of its Ibero-American debt exposure, this would lead directly to the state of affairs advocated by the Swiss and West German central banks. Some regional banks have already sold off significant amounts of Brazilian and Mexican paper in London, on the quiet, at roughly 60 cents on the dollar.

Were Continental to attempt to sell off Brazilian or Mexican loans now, they might bring considerably less—perhaps as little as the 20% to 30% that the Swiss National Bank’s Lusser suggested. In this event the other money-center banks would have no choice but to write their portfolios down to this level, eliminating their stockholders’ equity at one stroke.

To postpone this threat, the Federal Deposit Insurance Corporation is reportedly ready to dump \$4.6 billion into any institution willing to buy up the bank’s bad loans at face value.

According to a Dow-Jones news service item June 22, the Federal Reserve Board and the Federal Deposit Insurance Corporation (FDIC) are considering a massive \$4.6 billion loan and loan-guarantee plan to assist the sale of all or part of the troubled Continental Illinois Bank.

Reportedly, the Fed would lend \$2.6 billion to a new banking concern to purchase \$4 billion of Continental Illinois problem loans, admitting in effect that the portfolio was worth only 35% of its stated value.

For legal reasons, the Fed loan would be guaranteed by the FDIC, which would also place \$500 million of new equity into Continental Illinois, on top of the \$1.5 billion already committed, bringing the total to \$4.6 billion.

### Set-up for catastrophe

Preparations for the squeeze against American banks formally began on May 6, at the international central bankers' conference hosted by the New York Federal Reserve Bank. As the Swiss daily *Neue Zürcher Zeitung*, reported the counsels of the central bankers: "The European creditor banks are inclined to long-term solutions and are increasingly dissatisfied with American banks. So far, the U.S. banks have only accepted short-term reschedulings . . . in order the better to control the debtors. For the sake of uninterrupted and punctual debt service payment . . . the Americans propose [the lending of] fresh credits to an extent that has become uncomfortable to many Europeans. The behavior of the Americans is to a large extent conditioned by the existing banking laws and, to name it, by the pressure of shareholders which in turn forces the banks to offer the highest possible dividends. . . ."

Days after the central bankers' meeting came to a close, and after U.S. interest rates had been increased by 0.5%, the Continental Illinois panic started.

Summing up the whole affair, an Austrian central bank spokesman stated early in June: "The question is simple: Uncle Sam must pay. U.S. banks behave ridiculously. They have to take their losses, that's all. And if they have to change their laws, let them change their laws. If they have to forego dividends, so be it. If they have to reorganize themselves and some to go belly-up, to merge or be acquired, let it be."

Fritz Leutwiler himself sounded the attack in a resounding interview to the German weekly *Die Zeit* on June 1. Asked whether interest capitalization would not conflict with U.S. legislation, he answered: "This is a problem for American banks. But it is not unsolvable. It is a political question: How fast can the Americans change their regulations. We cannot expect that the whole world hang on the peg of the 90-day clause. . . . American banks are today more vulnerable."

The Swiss think they have a deal with the Russians, so that they can get away with collapsing the United States and survive themselves. But they won't survive a U.S. banking collapse, and besides—they don't realize they're next on the Russian shopping list.

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## Documentation

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### 'The U.S. government says no negotiation'

*Excerpts from replies to questions made during an interview with a senior Reagan administration official involved in the formulation of debt policy:*

What we have here is unfortunate brinksmanship. The U.S. government says there is no room for negotiations with a country like Argentina which forces its own unilateral ideas on the IMF, instead of going with the mandate of the IMF. It's not a matter for negotiation, no one tells the IMF what to do.

There is tremendous pressure on [Citibank's] Bill Rhodes [head of Argentina coordinating committee] from the IMF and Treasury, *not* to give a deal to Argentina. Volcker feels that the IMF must take the lead, and not the other way, as a precedent. The banks are going to have to play ball with the IMF, Fed, and Treasury. The banks have to go along with the old law of the IMF first, and they are therefore unwilling to be seen cooperating with Argentina.

Argentina has polarized the situation in Latin America. No one can be seen [bank nor official] caving in to them. The banks will not loan them the money to pay the interest.

The banks are willing to take it as a loss. They will just let it get 90 days overdue and take losses on interest income. They were willing to do it on March 30, and the markets know it and won't over-react.

The biggest problem is yet to come—when the loans become 180 days overdue, in July. Under the law, the banks have to start taking actual losses on assets, on the asset side of the balance sheet. Then it's not just some interest income being lost, but the actual assets being written down. *Then* the markets could get worried.

Right now, many of these loans are 160, 170 days overdue on interest. Argentina needs the \$500 million to get those loans back down below the 90-day overdue interest mark. So if this is not done, the interest arrearages can quickly mount up from 170 to 180 days overdue.

Then the *real* cracks in the banking system start, when banks have to begin looking at 180-day losses.

That's why they want to crack the Argentina problem now. People want to treat it as an Argentina problem, to isolate Argentina, to not allow it to be a precedent in its treatment of the IMF to any other country. Argentina is going to get isolated by de Larosière's approach to Mexico. What we may have to do is write Argentina totally off, and bail out Mexico and later Brazil.

# Citibank changes mean cartelization of the U.S. banking system

by Kathy Burdman

The announcement June 19 that computer whiz-kid John Reed succeeds Walter Wriston as chairman of Citicorp in August signals a sharp step-up in the cartelization of the U.S. banking system. The Swiss and London-based European banking elite apparently intend Citibank to be one of the sole survivors of the coming U.S. banking crash, absorbing hundreds of other "losers."

Reed's principal qualification is that he is the only one among Citibank's current top management who knows nothing whatever about banking. The implication is that Citibank intends to cease to be a bank, but will become a vulture feeding on the remains of American banking.

Another hint of planned protection for Citibank, Washington sources say, is that retired Citicorp chairman Wriston may well be "kicked upstairs" to become the next U.S. Secretary of the Treasury. Secretary Donald Regan, as *EIR* has been predicting, has so identified himself with the idiot line of "there is no debt crisis" that he will be first to be sacrificed when a banking crash hits. Wriston, the man Washington insiders identify as Regan's puppeteer, will assume the position.

It is not that Citibank is better placed to survive a crash of developing-sector debt values than its colleagues. On the contrary: Citibank's loans to Argentina top \$1.3 billion, and the bank will likely take a \$20 million or more second quarter loss there alone. Citi's loans—all rotten—to Brazil, Mexico, and Venezuela total \$4.6 billion, \$3 billion, and \$1.5 billion officially reported. Including so-called short-term credits which Citibank does not report publicly, its Brazil exposure is equal to 2.6 times its entire shareholders' capital.

It will be, as Mr. Reed told the National Association of Urban Bankers June 21, because everybody else goes, and Citibank is bailed out by the Federal Reserve. As Reed put it, "many banks will disappear" in the near future as "radical technological changes transform banking into a new industry."

The recently proposed solutions for Continental Illinois—victim of a \$15 billion run by the same European banking circles during May which brought down the bank—are illustrative of what is eventually planned for the U.S. banking system as a whole. In a solution first proposed by

the Belgian investment banker Baron Lambert, owner of the Drexel, Burnham, Lambert investment bank in New York, Continental would be separated into a "bad bank" and a "good bank." The "bad bank" would take all Conti's bad loans, and be auctioned off at huge losses on the dollar. The "good" would survive.

Federal Deposit Insurance Corporation chief William Isaac showed to what extent Washington accepts this logic, in June 22 testimony before the Senate Banking Committee. Since banks' cost of funds has ratcheted upward, they require more deregulation to offer different financial services and compete with the "financial supermarkets."

In essence, under the Swiss-based Bank for International Settlements (BIS) plan, the U.S. banking system is to be transformed into a colonial-style investment banking system, strictly domestic, to curtail credit. Instead of thousands of commercial banks, which create credit—including international credit to the Third World and to expand U.S. trade—it will be dominated by "non-banks," the financial supermarkets such as Shearson Lehman American Express which have agglomerated recently.

These non-banks, including a streamlined Citibank, will enjoy a two-tier credit system. On the one hand, to bail them out, they will receive cheap credit backing from the U.S. Federal Reserve. But interest rates to the U.S. economy will remain high, as the non-banks keep their prime rate to U.S. industry, and service charges to U.S. consumers, much higher and more profitable.

## End of American System

Only those commercial banks which can rapidly shed their international banking functions, and become more like "non-banks," led by Citibank, will survive, absorbing others as they fail. Like Citibank, their primary function will be to electronically "process" credit for the U.S. domestic market, on a nationally cartelized scale. As Reed put it in his speech, "banks must jump on the technological bandwagon or they will be swept aside. . . the banking industry isn't moving fast enough. We must become a paperless processing business."

This will destroy the vestiges of America's postwar world economic dominance. U.S. banks, slated to take heavy losses on their entire international lending portfolios (see page 4), will be forced to massively withdraw from international markets. The FDIC and the Federal Reserve will become the dumping ground for their international portfolios.

The announcement that U.S. banks would have to take major losses came on June 18, days after Swiss-linked House Banking Committee chairman Fernand St Germain (D-R.I.) roasted the Comptroller of the Currency over its handling of the Conti Illinois crash. St Germain, whose office works closely with the BIS, had raked Comptroller C. Todd Conover over the coals the first week in June for "bailing out" Continental Illinois Bank and not forcing the bank to admit its losses in bad loans sooner. "There has got to be a re-regulation of the big commercial banks, they have gotten out of hand with their bad assets," St Germain's office complained to a journalist.

Following the hearings, the Comptroller issued stiff new guidelines requiring banks to report past-due loans rigorously, on an up-to-the-minute basis, for the second quarter, and write the interest income down in the third quarter.

Under the BIS scenario, those U.S. banks led apparently by Citibank which survive the coming crash will do so by similarly hiving off most of their rotten international loans into a "bad bank," which will be auctioned at fabulous losses. As Swiss National Bank executive Markus Lusser told a journalist, "U.S. banks should begin to sell off their non-performing international portfolios at whatever discount the world markets will bear." West German central bank chief Karl Otto Pöhl similarly elaborated on June 21 that he wants to foster "a secondary market for bank claims against debtor countries," into which market U.S. banks would have to liquify their bad international paper.

Following such an experience, it would not be likely that any U.S. bank would do significant international lending again—exactly the Europeans' desired result. Survivors would be the "good"—i.e., U.S. domestic—portfolios of which ever banks are favored by the Europeans as a vehicle for establishing a new domestic U.S. banking system.

### Looting the consumer

Hypothetically, Citibank's domestic operations would be such a surviving "good" bank, becoming in effect through deregulation, an investment bank.

The U.S. banks are to be kicked out of the international markets and relegated to the area which John Reed has made the most important profit center at Citibank—colonial looting of the U.S. consumer market. In effect, U.S. consumers, who will pay double digit rates for declining services and scarcer mortgages, will become the new "Third World" banking profit center for the megabanks and non-banks.

Citibank has already expanded massively into every imaginable non-bank, investment-banking function. On June

19, the day Reed was elevated, Citibank also announced it has formed an investment banking group to actually buy up Conrail, the nation's largest commuter railroad. Citibank organized a group of investors which made a \$1 billion bid for the railroad, up for sale by the U.S. Department of Transportation, and also offered to forego \$1.2 billion in tax credits Conrail has acquired, a total offer of \$2.2 billion to the government.

John Reed's career has been devoted to setting up a nation-wide electronic banking system whose major profit comes out of overcharging the American consumer. Reed was the office boy for Wriston's plan, architected at the New York Council on Foreign Relations, to dump international lending and go for the pockets of American consumers. As Wriston told *Fortune* magazine in September 1982, there are over \$1.2 trillion in consumers deposits in the United States, mostly in other banks and in savings and loans.

"Willie Sutton said he robbed banks because that's where the money is," Wriston noted. "I see that \$1.2 trillion out there, and I don't see any number that looks like that anywhere else."

Reed spent the years since 1977 establishing a vast electronic banking network in New York and 20 other states for Citibank to carry out Willie Sutton's advice. In 1977, Reed mailed 20 million Visa, Mastercharge, and other credit cards across the country and Citicorp, out of its runaway South Dakota headquarters, overnight became the nation's No. 2 bank credit-card company.

During 1979-80, Reed's domestic consumer division lost Citibank over \$300 million, due to a massive infrastructure expenditure and advertising efforts to capture the consumer. The losses were papered over by looting profits from Latin American debtors, then paying double-digit interest rates. Now that the Latin debts have gone sour, the idea is to reverse the situation.

So Citicorp and other "non-banks" that follow the model will be pulling out of world lending for good. "The future of Citicorp obviously lies in the U.S. consumer business," said Dean Witter analyst Lawrence W. Cohn of Reed's appointment. "The appointment of John Reed embodied the technological and retail thrust of the bank," said Keefe, Bruyette & Woods' James J. McDermott Jr.

Reed is more than Wriston's errand-boy, however. He is also a top European oligarchical representative, the only U.S. banker on the corporate board of Britain's Prince Philip's World Wildlife Fund, the central planning body for the European elite's Bilderberger group. The World Wildlife Fund has done the premier studies on how to use cheap technology to control and reduce population growth around the world.

Control over a credit system such as that of the United States via an electronic banking network such as Citibank's will go a long way toward ensuring much more expensive and scarcer credit for American industry, farmers, and home building.

# Sri Lanka faces economic holocaust

*Sri Lanka demonstrates the grave danger of accepting incompetent IMF formulas, writes Susan Maitra from New Delhi.*

Sri Lankan President Junius Richard Jayawardene was in Washington for meetings with President Reagan and other U.S. officials during the week of June 18. The head of state was seeking increased economic aid for his IMF-beleaguered island nation.

Periodic violent riots and a continued state of tension between Tamil and Sinhalese ethnic groups for almost a year have pushed Sri Lanka's economy closer to the edge of collapse. After enjoying relative calm and a superficial prosperity in the late 1970s, Sri Lanka has once again become economically stagnant—a fact which is adding fuel to the discontent among a large section of the population.

Sri Lanka, a nation of 15 million people located in the Indian Ocean 21 miles south of the subcontinent, has the distinction of having the highest literacy level—82%—of any south Asian nation. The population consists of two major ethnic groups, the Tamil Hindus who mostly live in the northern part of the island, and make up 20% of the population, and the Sinhala Buddhists. These two groups are mixed with less than a million Christians and Muslims. Like all British colonies, the island's economy was built on land-based raw commodity produce such as tea, rubber, and coconut. Referred to as the "emerald island" because of its lush, green hills and valleys, Sri Lanka was known in the Raj days for its large plantations and picturesque vacation spots. In fact, the word serendipity was derived from one of Sri Lanka's ancient names, Sri Deep, or beautiful island.

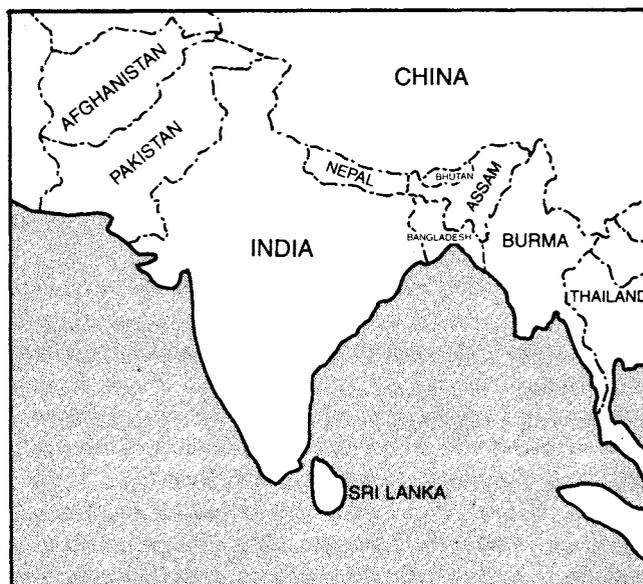
## Stagnation and socialist rhetoric

Independence came to Sri Lanka, then called Ceylon, in 1948 without the usual mass movements which were the hallmark in the Indian subcontinent, with the result that the British legacy was hard to erase from the social and financial structures. The island's post-independence economic structure remained the same as before; even the British holdings were left untouched. The new nation's economic policy followed the same pattern woven by the British Raj. Industrialization and land reform, the two most important political decisions, were discussed but not implemented. Meanwhile,

a group of Sri Lankans emerged in the tradition of the British feudalists atop a pile of wealth amassed by selling traditional plantation products.

The first significant change in this pastoral scene came in the 1960s when a new class of Sri Lankans came to power uttering "socialist" rhetoric. This was the government of the Sri Lankan Freedom Party (SLFP), led by Mrs. Sirimavo Bandaranaike. From the outset the SLFP was chauvinist Sinhalese, as their slogan of "Sinhalese Only" indicated. The SLFP called for extensive social welfare programs. Production and distribution were put under tight state control and the backward manufacturing sector was made even more inefficient when severe governmental restrictions were implemented on import of raw materials, capital-intensive equipment, and spare parts. As a result, industries became further incapable of absorbing new employment, and investment prospects became gloomier than ever.

In 1977, President Jayawardene's United Nationalist Party (UNP) swept into power following a landslide majority. A



new economic policy began to emerge. The UNP introduced a 10-year economic restructuring program designed to reduce state control, encourage private investment and enterprise, and push for an open-market economy. Initial measures included tax concessions to foreign investors, a currency devaluation of 46% against the U.S. dollar, a reform of interest rates involving a substantial rise in deposit and loan rates, relaxation of import and exchange controls, and the abolition or reduction of consumer subsidies.

### The economic bubble bursts

Initially the economy responded favorably to these measures. Over 1978-82, real GNP grew at an annual average rate of 6.2%, which resulted in an increase in real per-capita income of 4.4%. The level of investment, which was only 14% of GNP in 1977, the last year of Mrs. Bandaranaike's SLFP rule, stood at 30% by 1982. The unemployment rate, helped by a large-scale migration of Sri Lankan workers to oil-rich Middle Eastern states, declined sharply from 24% to 13%.

The increased growth rate was the result of better performances in the traditional sectors as well as in the manufacturing sector, the latter constituting only a tiny fraction of the small economy. Agricultural production rose by 4% annually between 1978-82, compared with the 2% rise over 1971-77, manufacturing production by 5.3% compared with 1% in the earlier period. Similar encouraging results were also noted in the construction and services sectors.

Among the agricultural products, paddy (threshed, unmilled rice), a traditional import item, did better than the tree-crop (tea, coconut, and rubber). Hopes were raised in 1979 that Sri Lanka would soon be able to attain self-sufficiency in rice production.

Over the four-year period 1978-82, the heyday of Sri Lanka's economic growth, the economy flourished by virtue of exploitation of the traditional products for export. In 1982, tin, rubber, and coconut covered more than 40% of the entire cultivable land, and accounted for 47% of total export earnings.

But in the 1981-82 fiscal year, two things happened that jolted the Sri Lankan government and dashed the newly puffed hopes. First, a steep fall in agricultural product prices occurred in the world market under conditions of worldwide recession. Second, for the first time in four years, a drop in output of the traditional products was recorded. In 1982, production of tea fell by 11%; it was the lowest amount produced in 10 years. The rubber crop showed a marginal increase over 1981. Although coconut production showed a rise, it was not enough to cover the other losses.

The collapse of Sri Lanka's export income and a subsequent rise in the trade imbalance put a massive inflationary pressure on the economy. Jayawardene, who had committed

himself to developing a "quick buck" economy in the style of Singapore and Hong Kong, was left with no choice but to borrow more money at a high interest rate to cover the trade imbalance. But along with the expensive money came the IMF *diktat*.

### Enter the IMF

On the one hand, the IMF pressured Jayawardene to liberalize imports further and mobilize Sri Lanka's labor force for a cheap manual-labor-based production-for-export drive. On the other, the IMF demanded a reduction in the annual budget deficit, a cut in development outlays to slow capital-intensive infrastructure projects, and a rise in the bank interest rate to curb inflation. This policy was adopted *in toto*, and the Sri Lankan economy headed immediately toward a crisis.

No doubt, Jayawardene's earlier "Hong Kong" model policy pushed Sri Lanka firmly into the IMF grip. In 1977, the country's foreign debt was U.S.\$780 million. Today, it stands close to \$2 billion. Excluding the IMF transactions, the debt service ratio in 1982 was 9.5%; by 1983, it had risen to 15.2%, and is officially forecast to rise to 17.7% by 1985. On present indications, the projection may be conservative.

Meanwhile, the IMF, citing these figures as danger signals, has pressed the Sri Lankan government to intensify

## Tamil-Sinhalese conflict: a legacy of British rule

The legacy of years of conflict between the two major ethnic groups of Sri Lanka, the Tamils and the Sinhalese, is tearing the island-state apart. Along with communal hatred and violence came more recently the Tamil demand for a separate state—*Eelam*. Terrorist actions directed by the separatists against the Army were countered by the authorities, almost all of whom are Sinhalese, with equal or even greater brutality, propelling the conflict into newer, more intractable directions.

Behind the clash lies a history distorted by British colonial policy. As in many other nations in Asia and elsewhere, the British rulers created ethnic problems in Sri Lanka to prolong their rule. Sri Lanka has perhaps the longest colonial history of any Asian nation, being conquered first by the seafaring Portuguese, then the Dutch, and finally the British in 1815. It was not until 133 years later, in 1948, that the British

implementation of its austerity policy *diktat*. The IMF also urged the government to devalue the Sri Lankan rupee once again to enhance competitiveness of Sri Lankan products on the world market.

In this process, the economy has become increasingly dependent on consumer and other product imports, thus further widening the balance of payments gap.

It is not as if the government did not try to buck the IMF. The authorities believe further imposition of austerity prescribed by the IMF will provoke mass unrest and nationwide industrial strikes, and have said so out loud. At the 1980 Paris meeting of the Aid to Sri Lanka Consortium, Finance Minister Ronnie de Mel exploded in anger at the scale of cuts demanded in Sri Lanka's five-year investment program. Sri Lanka tried vainly to resist the IMF pressure to devalue. Last July, the rupee was allowed to depreciate by 5% against the U.S. dollar. In mid-September, the IMF approved a standby credit of SDR 100 million over the period through July 1984.

### What went wrong?

From the outset, it was clear that Jayawardene's plan to implement the IMF prescription was based more on the desire to give the Sri Lankan economy a face-lift than on sound economics. The basic problem with the economy, the reason it cannot sustain a prolonged growth, was never properly

understood. Therefore, the crucial infrastructural development on which every sound economy is based was virtually ignored. The only exception was a short-term effort on the government's behalf to expedite the Mahaveli irrigation and power scheme, which was in any case abandoned when it ran into criticism from the IMF and World Bank.

The areas where the Sri Lankan economy is most handicapped are electrical power, development of basic industry, and training of skilled manpower to adopt advanced technology for increasing the productive capacity of labor. The 1982 figures show that the total installed electricity generation capacity of Sri Lanka was 561 MW—even less than the generating capacity of one medium-size power plant. Of total energy consumed on the island, about 55% is provided by firewood—a policy bound to lead to large-scale deforestation. Petroleum accounts for 32% of energy consumed, and the balance is met with the help of hydropower. Petroleum, all of it imported, is burnt to generate 70% of all commercial energy.

By 1982, higher world oil prices were taking up 20% of total import expenditures. The four hydropower stations, which would have been long since completed had it not been for IMF interference, would add another 466 MW peak power to the system by 1986.

At the present time, the Sri Lankan government is far

finally departed from the Asian island.

Sri Lanka's history can best be traced to the fifth or sixth century B.C., the period of the final migration to the island, whose ancient name was *Sinhadipa* (Island of the Lion). According to early chronicles, the Sinhalese who came from Sinhapura in Bengal were Aryan. In all probability the Dravidians, who hail from southern India, were already on the island. While the Sinhalese brought along with them Buddha's teachings and began calling the island *Dhammadipa* (Island of the Buddhist teachings), the Tamils were Saivite Hindus. In spite of religious differences, the Sinhalese maintained close connections with the neighboring Dravidians and the Sinhala elite took wives and skilled artisans from the Tamil kingdoms in India.

Sri Lanka's earlier history does not show any conflict between the two ethnic groups. The seeds of discontent were planted only in the British days, fostered by the plantation economy itself. Those among the local peasants—most of whom were Sinhalese—who had any lands of their own from which to make a living refused to work under the oppressive conditions of the plantations. In response, the British brought in debt-ridden laborers from nearby Tamil Nadu to work on the plantations where conditions were so bad that at least one-

fourth of the laborers died within a few years. At the same time, the British moved to dispossess the Sinhala peasants from their lands in a steady expansion of the hated plantation system.

By the early 20th century, the British began to openly exacerbate communal tensions to prevent the Sinhalese and Tamils from combining to start a liberation struggle. The tactic involved demonstrative pampering of the Tamil minority. The Tamils became the favored recipients of British missionary zeal; they were helped to advance in education and came to virtually monopolize administrative posts. They also controlled a majority of the professions—medicine, accounting, academia, engineering, and law. It was during this period that the Sinhalese began emphasizing their Sinhalese Buddhist identity, with a heavy anti-Tamil bias.

Since 1948, the Sinhalese have reasserted themselves strongly. The Tamils have steadily lost civil, statutory, and linguistic rights—including adult franchise—through measures such as the Sinhala Citizenship Act of 1948 and the Sinhala Enfranchisement Act of 1949. In 1956, the "Sinhala Only" Act was passed, declaring Sinhala the only official language of the nation and prompting the closing of Tamil schools in Sinhala-dominated areas.

from adopting an energy development program based on exploitation of commercial nuclear power, although Sri Lanka does possess thorium, the fissile material India is pioneering as a fuel for commercial nuclear reactors.

If Jayawardene's energy planning looks bad, there is general unanimity that his industrial policy is even worse. Until 1977, Sri Lanka's manufacturing sector consisted largely of import-substitution industries protected by high tariffs and subject to strict import and foreign exchange controls. Jayawardene quickly removed the controls and opened the economy up, but he had no programmatic concept of what type of investment was needed for sound economic development. The basic engineering and manufacturing sector, the key to increased agricultural output, was virtually ignored. Petroleum and chemical products, which account for 50% of total output, and food and beverages, which account for 20% of total output, continue to dominate the industrial sector. In addition, goaded by the export-promoting IMF, Jayawardene has introduced a gimmick to make foreign exchange by exploiting cheap labor.

Jayawardene's gimmick, a trick tried unsuccessfully by many developing nations in recent years, is to create so-called Investment Promotion Zones under the authority of the Greater Colombo Economic Commission. The purpose was to attract foreign investments by making cheap labor available. This would provide employment to 25,000 Sri Lankans at a meager wage, on the one hand, and generate foreign exchange by selling the assembled products on the other. But devaluation of the rupee, which increased import costs, and a glut of similar products from other developing nations on the world market, turned Jayawardene's plan into a cruel fantasy. The nation's workforce, meanwhile, remains as unskilled as before.

### The real danger signals

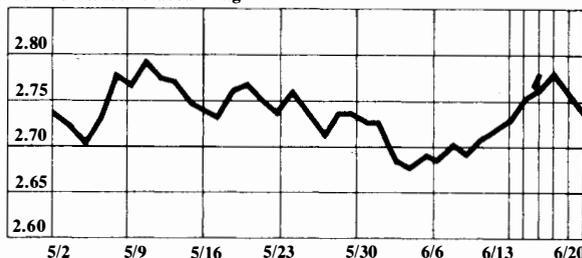
The increasing trade imbalance and decreasing development financing have already created a large cadre of unemployed and discontented workers. Among the elite, there is a fear that if the government continues failing to meet expectations of better living standards and more jobs, the country will be torn apart. Their fear is well founded upon the experience of the 1971 riots, when the trade union militants joined hands with the extreme left and forced the former regime to call in foreign troops to suppress the armed insurgency.

The 1983 July riots between the Tamil secessionists and chauvinist Sinhalese have already had a direct effect on the economy. The "quick buck" tourism is not, however, the only victim. The greater problem arose with the uncertainty that foreign investors have faced since then. The 1983 riots have put at least 100,000 workers out on the streets as 17 factories around the Colombo region ground to a halt. There are indications, further, that some private Indian capital will be withdrawn from Sri Lanka in light of the increasing financial risk.

## Currency Rates

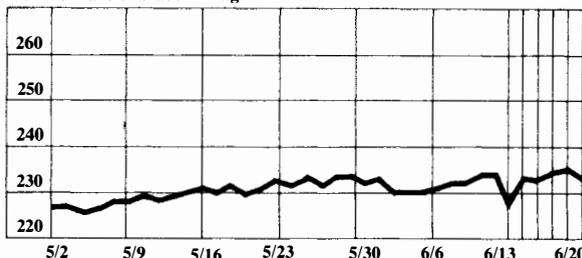
### The dollar in deutschemarks

New York late afternoon fixing



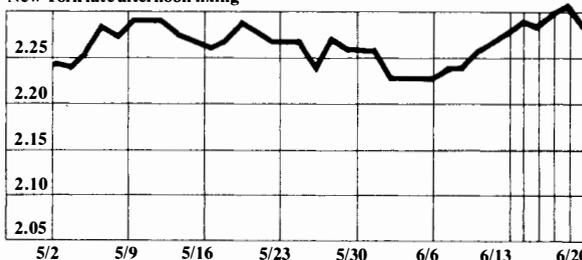
### The dollar in yen

New York late afternoon fixing



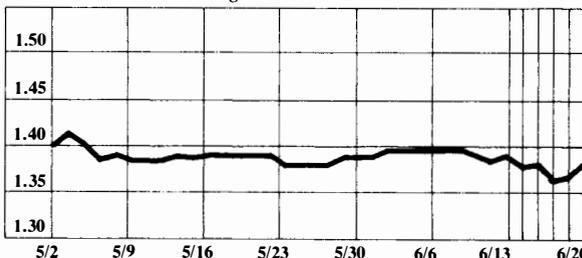
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



# Comecon: New phase of imperial looting

by Edith Vitali

Heads of state representing the Soviet-dominated economic bloc, the Council for Mutual Economic Assistance (CMEA, or Comecon), met in Moscow from June 12 to 15, their first summit since April 1969. The CMEA's sole purpose is to streamline the economies of the smaller Eastern European countries according to the needs of Big Brother—particularly now that the Soviet economy is rapidly being transformed into a war economy and military “surge production” has become the rule of the day. This was the main order of business at the summit.

The strongest tie holding this economic bloc together—besides Soviet troop divisions—is the dependency of countries like Hungary, Poland, Czechoslovakia, and East Germany on Soviet raw materials, above all oil. They have been providing the U.S.S.R. with modern industrial equipment and food products in turn. The question of Soviet oil supplies has become a permanent dispute in recent years, since the Soviets prefer to sell oil on the world market in exchange for hard currencies, rather than being paid in the Comecon's transfer rubles. Oil deliveries to Comecon countries have stagnated or grown too slowly compared to domestic demand.

## Subordination made explicit

One of the documents produced at the summit, “Declaration on the basic directions of the further development and deepening of economic and scientific-technological cooperation among the CMEA member countries,” for the first time makes this linkage explicit. If the Eastern Europeans wish to receive more oil from the Soviet Union, the text says, they first have to “create the economic conditions” inside the Soviet Union so that she will be able to export these raw materials and fuels to them. How? The Comecon members as of June 15, 1984 commit themselves to make their own industries so efficient that they can “provide the products which the Soviet Union needs, in particular agricultural and industrial consumer products, certain types of high-quality construction materials, machines, and equipment, the technology of which compares to the world level.” In other words, the Soviet Union now wants more of those competitive products which the Eastern Europeans used to sell on the world market to get hard currency.

In return, the Soviet delegation at the summit promised to establish a new mechanism for calculating oil prices. Up to now, the price has been fixed as an average of the previous

five years' world market prices. As a result, when the world oil price began to collapse at the end of the 1970s, the Soviet price for Comecon customers tended to be higher. Leonid Zamyatin, the summit spokesman, announced at a press conference that in the future, prices will be “closer to the world market level.” That might look reassuring for the moment, but as Western experts see it, the Soviets already “predict” that the world oil price will rise again sharply, as a consequence of the Iran-Iraq war, which Russia fuels by sending arms to both sides.

The summit declaration also calls for elaborating a program covering science and technology policies for the next 15 to 20 years. Results of this cooperation are supposed to benefit the machine tool sector, especially in the fields of electronics, microprocessors, and robot technology. As the London *Daily Express* summarized it: “Soviet generals are particularly anxious that the satellites' sophisticated electronics industries should supply the high-tech defence equipment they are finding it increasingly difficult to get from the West.”

## Intimidation and wooing

Not-so-subtle wooing of the most obedient Comecon leaders veiled the Soviets' tightening grip on the economies of Eastern Europe, while carrot-and-stick tactics were extended to Western Europe also. Czechoslovak state and party leader Gustav Husak is definitely ranked highest in the hack order established by the Soviets. This ideological “hardliner,” whose country since 1968 has steered an isolationist, autarchist policy away from the West, was the only one among the foreign heads of state to be awarded the highest Soviet medal, the Lenin Order. Meanwhile, the meeting between Soviet head of state Konstantin Chernenko and East Germany's Erich Honecker resulted in a joint declaration condemning the alleged “activation of the most right-wing, revanchist circles” in West Germany. On the other hand, the second summit declaration on “Maintaining Peace and International Economic Cooperation” attempts to woo the Western European countries which are supposedly victims of “U.S. economic aggression.” Washington is trying to “weaken competitors, drive them out of the world markets,” and subject them to “artificially high interest rates.”

The declaration also exploits the international debt crisis and the growing rift between Latin America and the United States. Believe it or not, according to this document, the Soviet Union is the true champion of peace and a new world economic order. For a country that is notoriously reluctant to give any economic aid to the Third World (apart from military deliveries), the point is obviously to achieve the biggest propaganda effect without paying a penny. Thus the document charges that the arms race, “instigated by the United States,” is the main culprit for underdevelopment. In addition, the declaration urges the West to extend credits to Third World countries in compensation for damage done to them by “imperialist looting.”

## Africa starves, Russia stockpiles

*The Soviets are importing U.S. grain in order to maximize investment in their current military buildup!*

The latest projections of the World Food Council show that the Soviet Union will import 31.5 million metric tons of grain this year, and 33 million metric tons next year. These amounts represent over 16% of the current level of the annual world grain trade. If just half of the amount of Soviet grain imports went to Africa in emergency food aid, the worsening starvation there could be rolled back.

However, a look behind the grain statistics shows how deliberately both the African starvation policies and the Soviet grain imports are being guaranteed by key food-cartel companies steering Washington policies.

The Soviets are importing significant quantities of grain from the West in order to deploy maximum economic effort and resources directly into their military mobilization. Much of the grain imports is going into civil-defense food storage and meat production for long term freezer-locker storage. The Soviets are making no serious attempts to increase grain output to the level required for emergency aid and long-term contribution to the world food supply.

Starvation in Africa has reached holocaust proportions. Over 150 million people, resident in 22 nations, are facing desperate shortages, even death. The U.N. Food and Agriculture Organization and other institutions are calling for emergency aid, but even their demands—set much lower than required for adequate nutrition—are not being met.

At the same time, massive U.S. grain acreage has been taken out of production over the past two seasons, threatening to create selected food shortages in the United States itself by 1985-86. This month, the new 1985 acreage reduction program was announced, with cash premiums offered to farmers who sign-up before the November elections. The world grain stockpiles are at severe security risk levels.

In an interview in *Pravda* the week of June 18, Soviet Prime Minister Konstantin Chernenko blames the capitalist nations for the "bitter exploitation of the developing sector." Chernenko praised the Soviets' "untiring, and one can say without exaggeration, energetic battle for stopping the arms race . . . helping to shift the huge material resources freed in this way . . . for aiding the people of the developing countries."

Soviet propaganda cynically blames Western "imperialist" nations for world starvation, without any mention of the exact individuals and food cartels (Cargill, Inc., Continental, Bunge, Louis Dreyfus, Andre, and others) which are both supplying grain to the U.S.S.R., withholding emergency aid to Africa, and cutting U.S. and European farm production.

The current U.S. Undersecretary of Agriculture, Daniel Amstutz, personally supervises all U.S. grain exports and acreage-reduction programs. He came into the administration in 1983, just before Henry Kissin-

ger started his climb back into the government by taking the chairmanship of the Bipartisan Commission on Central America, and serves U.S. farm and foreign interests like "the fox guarding the henhouse." Amstutz was with Cargill, Inc. for 25 years, specializing in international commodity brokering, and set up the commodities branch of the Goldman, Sachs brokerage house, which specializes in looting schemes in Third World nations.

In May Amstutz traveled to Moscow and guaranteed the Soviets all the grain imports they want. A month later, Amstutz went to Addis Abbaba, Ethiopia, for the 10th World Food Council meeting, and pompously said that the United States was doing everything it possibly could to aid Africa. He complained that "rapid population growth has all but wiped out production gains in many parts of the developing world."

The current round of high Soviet grain imports began in 1980, the same year the Soviet Union began their practice of keeping annual harvest information secret. The very first large-scale Soviet grain imports began during the early 1970s, when Henry Kissinger was Secretary of State. The Soviet imports—whether from the United States, Argentina, Canada or other exporting nations, have been guaranteed by the international grain cartels whose personnel and financing centers interconnect with political networks promoting "special relations" with the Soviets, including a Western nuclear freeze and the "reshaping" of NATO to decouple it from the United States.

Helping the Soviets with food technology and stock improvement have been the cartel company W.R. Grace, and Dr. Armand Hammer, the long time Soviet asset who, along with Cargill, Inc., now dominates U.S. beef processing, which he calls "the oil of the 80s."

## The dollar's last rally?

*The worsening liquidity squeeze is good for the dollar's short-term performance and bad for the continuing existence of U.S. banking.*

On June 22, the dollar was fixed in Frankfurt at 2.7868 Deutsche marks, up sharply from DM 2.7573 the previous day. The dollar's strength has variously been attributed to the administration's announcement that Gross National Product was growing at a 5.7% annual rate during the second quarter and related expectations of continued "overheating" in the American economy.

All that is nonsense. The dollar is momentarily strong because the Fed has gritted its collective teeth in the face of a global liquidity crisis which, among other things, has driven the overnight interbank rate (Federal funds) to around 12% during the week ended June 22, against about 8.5% in the corresponding week of May.

The London interbank rate for six-month money, the benchmark rate for international lending, stood at 12.75 on Friday, the highest in two years. This is what British banking sources describe as a "prohibitive rate," i.e., one that prevents borrowing. Not all American banks, after the Continental Illinois disaster, can find funds at any price, and those who do pay substantially more than the listed rate. The Eurodollar interbank market, which contracted about 5% in the immediate aftermath of the Chicago bank's problems, has contracted further since, through steady bleeding of deposits.

It also means that the Latin American debtors, whose interest costs carry a "spread" above the interbank rate, now pay 14% or over. This simple fact has forced the hands of the debtor na-

tions, who cannot pay and must band together, whether they prefer to or not.

American banks, meanwhile, have been scourged from London and must fund themselves, to a rising extent, in their own interbank market, pushing domestic rates up towards the "prohibitive" rates charged in the offshore market.

Under the circumstances, a large number of dollar debtors, especially in Western Europe, prefer to liquidate their own currencies to obtain dollars required for interest payments, rather than pay the prohibitive rate to borrow dollars. The worsening liquidity squeeze is very good for the dollar's short-term performance and very bad for the continued existence of the American banking system.

For obvious political reasons, the Federal Reserve does not want to open the monetary floodgates quite yet; this would be to admit that the banking crisis is out of control. It would send the wrong signal (from the Fed's vantage point) to the debtors in particular. The fact that money supply grew above the Fed's target range as of the June 21 Federal Reserve announcement is extraordinary proof that the Federal Reserve is putting huge amounts of money into the system, nonetheless. Under conditions of "flight to quality," fear itself produces a measure of contraction of the monetary aggregates, as depositors leave the banking system in favor of Treasury bills. The sharp growth of money supply shows how hard the Fed is working the pump.

Still, the contraction of Eurodollar

deposits is clearly more rapid than the Fed's action, as the rising interest rates show. They also show that the Fed's restrained largesse is not sufficient to prevent major new institutional disasters, either in the form of runs against American banks, or write-offs of large chunks of foreign debt, or both.

The latter have probably been postponed until July and August, when much of Argentina's debt will exceed 180 days' arrears, and banks will have to write it off. Whatever the pretext for the next crack, time is running out for the Fed's monetary stoicism. *The Fed will print, and print wildly, to save the American banking structure. If it delays until the last moment, a further rise in the dollar and a sharp fall of bond and precious metals prices might emerge.* But the dollar's strength, under such circumstances, would be short-lived as a tuberculosis victim's last flush of energy.

This much is the content of the just-issued annual reports of the Bank for International Settlements and the Organization for Economic Cooperation and Development, which warn the United States of a withdrawal of foreign capital and a precipitous fall of the dollar.

David Henderson, OECD chief economist, told wire services June 21 that the U.S. payments deficit has sustained the recovery, because international capital markets have been willing to finance the U.S. current account shortfall. But Henderson warned, "The absolute numbers for both deficits are very large, larger than the world has seen before."

Henderson warned that the result might be "a sudden decline in the dollar on the foreign exchange markets, which could cause U.S. authorities to tighten monetary policies to prevent a resurgence in inflation, destroying the so-called recovery," Henderson concluded.

# Business Briefs

## U.S. Industry

### Cincinnati plant closes to break union

When Lunkenheimer Company of Cincinnati, Ohio, closed its doors June 19, three days ahead of its scheduled shutdown, it was reported throughout Cincinnati that it would not be long before the 122-year-old valve plant would reopen—but without unionized labor.

The firm's parent corporation, Condec, has sold the factory to a group of investors who terminated the members of United Steelworkers Local 1728. Salaried employees were retained by the company.

Lunkenheimer once employed 2,000 people, and as recently as 1979 was the fifth-largest valve manufacturer in the nation. But in its 17 years of ownership of the factory, Condec invested virtually nothing in modernization or maintenance, ensuring that the antiquated plant would never be competitive.

The plant's new owners are planning to hire workers at \$7 an hour, with few benefits and no union protection, slashing wage costs in half.

## Japan

### Japanese fight developing over budget cuts

Masayuki Fujio, chairman of Japan's ruling Liberal Democratic Party's (LDP) Policy Affairs Research Council, came out on June 21 against the national finance ministry's plan to impose an across-the-board negative-growth ceiling on budget requests for fiscal 1985.

The government and the LDP cannot fulfill their responsibility for the Japanese people under a uniform ceiling, Fujio stated, which would cut funding for vital economic sectors at the same level as less important government functions. Fujio was speaking at a council meeting on the budget. Representatives from seven LDP groups, including construction, agriculture and fisheries,

and transportation, stated their unanimous opposition to the ministry's proposed budget austerity.

A top official of the Ministry of International Trade and Industry, said the same day that the ministry has begun to review three possible investment tax reductions as one measure to guarantee adequate budgets to promote development of advanced technology. The ministry has to consider, the official said, how to use tax reductions and treasury investments in addition to securing budgetary appropriations for the development of advanced technologies in the context of the rigid "negative ceilings" expected on budgetary requests for FY85.

The taxation being reviewed is that for new energy development, new technology for small- and medium-sized enterprises, and the construction of "Technopolis," high-technology oriented cities of industrial plants, research institutions and housing areas.

## U.S. Labor

### Mine Workers head wants end of labor law

United Mine Workers President Richard Trumka called June 21 for the repeal of the landmark labor law of the 1930s, the Wagner Act. In testimony before the House Subcommittee on Labor-Management Relations, Trumka stated that the act has perpetrated a "cruel hoax" on workers, because it permits employers to flout the law for years before having to suffer any penalties.

In the 1930s Great Depression, the Wagner Act was the centerpiece of legislation designed to end the industrial warfare tearing apart the nation. The act was a critical step in protecting America's labor force, ensuring the rights of workers to unionize, engage in collective bargaining, and to strike.

Now, Trumka is de facto joining his anti-union opponents in demanding the end to the Wagner Act, with no prospect in sight of anything better replacing it.

When asked by the subcommittee if that might mean returning to the turmoil of the

1930s, Trumka replied: "At least we would go into the battle free to swing with both arms, instead of with both arms tied behind our back."

## Great Projects

### Japan seeks funding for Panama Canal project

Japan's foreign ministry decided June 21 to seek appropriation of about 200 million yen (\$860,000) for FY85 to promote a project to construct a second Panama Canal, according to Jiji press.

The funds will be used to send officials to a Japan-United States-Panama joint feasibility study group to be set up in the next fiscal year, and a preliminary survey by the Japan International Cooperation Agency.

## Ibero-America

### Jack Kemp to 'defend' Argentina

Representative Jack Kemp (R-N.Y.), spokesman for radical free-enterprise policies and Swiss-based financial interests in Congress, has decided to defend Argentina. In the June 20 *Congressional Record*, Kemp is quoted as saying:

"The IMF . . . seeks to repay old debts by squeezing even more from the already impoverished people who seek only jobs and security for their families. . . . We need to help nurture democracy and prosperity in Argentina, as they are but a symbol of the many friendly nations who look to us for leadership, friendship, and the right kind of help."

"The right kind of help" is unrestricted foreign capital, which must be allowed, Kemp says, to buy up the country.

"Those who negotiate for us do not use this lever [of foreign capital]," Kemp complains. "Instead of insisting that nationalized industries be placed in the free markets,

the IMF insists that imports be limited." Kemp calls for the capital markets and industry in the Third World to be "opened to all investors—while retaining full political control for the sovereign power."

During the previous week, Kemp defended Lane Kirkland and the AFT-CIO-run Project Democracy apparatus, which has been deployed in Latin America to halt motion toward development of a debtors' cartel.

### **Food Crisis**

## **German newsletter covers Club of Life campaign**

*Agra-Europe*, West Germany's most important newsletter on agricultural policies, covered the Club of Life emergency food campaign and LaRouche Democrats Don Scott and Billy Davis's Bonn press conference on the world food and farming crisis in its issue dated June 18.

Under the headline "Industrialized Nations Accused of Wrong Development Policy," *Agra-Europe* wrote:

"The activities of the Food and Agriculture Organization of the United Nations (FAO), of the Western industrialized nations, and of private institutions to stop the hunger in the world were strongly criticized at a [Bonn] press conference of the Club of Life. This organization, its spokesmen stated, fights for the preservation of human life and supports the ideas of the U.S. politician Lyndon H. LaRouche. The spokesmen said that the conventional aid programs for the poorest countries of the world are inadequate and wrongly conceived. To stop the hunger in the world, the Club of Life representatives demanded a massive expansion of the emergency food shipments to the Third World, with immediate relief for Africa. They emphasized that these nations' infrastructure would have to be built up immediately, so that the food shipments could be brought to the starving people, rather than having the population rounded up into camps to be fed.

"American farmers participating in the press conference also reported on agricul-

ture in the United States. The situation of American farmers has deteriorated dramatically in the last 10 years, and their indebtedness had increased by the factor of 10 in that period. Drawing the parallel to the situation in the European Community, Don Scott, Democratic congressional candidate in Ohio's 7th C.D., declared that the crisis in U.S. agriculture will soon be hitting Western European farmers. But European agriculture, Scott warned, will collapse far more rapidly than it did in the United States."

*Agra-Europe* has previously criticized the U.S. Department of Agriculture's destructive Payment-in-Kind program.

### **Adam Smith's Legacy**

## **Argentine monetarist tied to U.S. fundamentalists**

A source at the Heritage Foundation in Washington, D.C. revealed on June 19 that the Foundation is working with the members of a "free market organization" in Argentina who were trained by Prof. Hans Sennholz of Grove City College in Pennsylvania, a leading U.S. proponent of the radical monetarism of the so-called Vienna School, and an in-house economist for prominent U.S. Christian fundamentalist organizations.

Sennholz, the Heritage source said, is "a disciple of the theories of [Ludwig] von Mises and [Friedrich] von Hayek," the foremost theorists of the Vienna School. It was the economic policies of the United States' most prominent Vienna School monetarist, Milton Friedman, which totally destroyed the economy of Chile.

An ongoing *EIR* investigation has identified Professor Sennholz as an editor of the magazine *Christian Economics*, the in-house journal for organizations associated with Washington, D.C.'s Religious Roundtable, an umbrella group for Christian fundamentalist groups. Both Sennholz's activities and those of the Roundtable (formerly known as the Christian Freedom Foundation) have been funded extensively by Philadelphia's Pew family, the family interest behind Sun Oil.

# Briefly

● **GEORGE SHULTZ**, U.S. Secretary of State, told the *Christian Science Monitor* on June 17 that Latin Americans are to blame for their nations' excessive foreign debt. The problem, he says, is they became too used to the "easy life"; now they will have to face up to the consequences of their actions, a process that is now being carried out with some "success."

● **THE SOVIET UNION** is offering companies and state agencies in Argentina's provinces cheap credit and advantageous financial deals to buy as much grain as possible, a Peronist deputy on the Foreign Relations Committee of the Chamber of Deputies of Argentina, told *EIR* on June 17. Several states have already made separate grain deals with the Soviets. The Soviets have offered to construct a group of granary facilities along the coast to facilitate exporting Argentine grain.

● **IRVING TRUST** could now be bought for only \$400 million, one-third of its nominal capital according to a Swiss insurance source in New York. The bank's building and associated land are worth \$300 million by themselves. He says that six fronts for the same takeover group have each bought just under 5% of the stock (the level at which the purchase would have to be declared to the SEC) in preparation for a takeover.

● **SEN. DALE BUMPERS** (D-Ark.) co-sponsored a bill to set up a secondary market for bank loans guaranteed by the federal Small Business Administration (SBA). The Senate adopted the bill by a voice vote June 22, according to UPI. The bill would allow SBA-guaranteed loans to be pooled for resale to institutional investors such as insurance companies and pension funds, Bumpers stated. A similar measure was adopted by the House earlier in July.

## Why U.S. interest lies with the debtors' cartel

by Gretchen Small

*Based on reports filed from Cartagena by EIR correspondents Javier Almario and Carlos Mendez.*

The foreign and finance ministers of 11 Ibero-American nations, including the continent's top four debtor countries, concluded a two-day meeting in Cartagena, Colombia June 22 with the announcement that they have created a permanent regional commission to deal with the foreign debt—a body which they are demurely declining to call a debtors' cartel. The Statement of Consensus issued by the ministers denounced the austerity conditionalities of the International Monetary Fund and called instead for a strategy favoring "production and employment." And in a striking demonstration of support for Argentina, which is currently locked in a ferocious battle with the international financial mafia, the participating countries agreed to hold their next meeting in Buenos Aires before the next annual meeting of the IMF—or sooner if "some extraordinary event makes it necessary."

The results of the meeting sent shock waves through the ranks of those bankers who had been contemptuously referring to the debtors as a cartel of beggars, vagabonds, and braggadocios. Fritz Leutwiler, the outgoing chief of the Bank for International Settlements, had declared smugly on June 18 that "the debtor cartel will not happen. . . . I can tell you in confidence that Paul Volcker is going on a fishing trip for the next fortnight. And I shall be on holiday. That means that nothing will happen."

For two days, the ministers and their aides denied repeatedly that there ever was, is, or will be, the intention to form a "debtors' cartel." Instead, the phrases "negotiating commission," "liaison committee," or "Contadora-style consultative mechanism" dominated discussion. And at the end, the regional "mechanism" was left unnamed.

Three principal tasks are assigned to the regional mechanism: to coordinate information and experience on individual country debt negotiations; to coordinate with other developing countries on these vital economic matters; and to initiate a



As Ibero-American government ministers meet in Cartagena, a strike wave is sweeping the continent. The austerity conditionalities of the creditors' cartel have driven the debtor countries to the breaking point, and an outraged population is holding a pitchfork to every government leader. Shown is a mass rally in Mexico City on Sept. 3, 1982, in celebration of the nationalization of Mexico's banks by then-President José López Portillo.

dialogue with the governments of the Western industrialized nations on the need for a total overhaul of the international financial system.

Indeed, the nations of Ibero-America have now established the basis jointly to defend their populations from further economic destruction—as the beginning of an effort to restore industrial growth to the West as a whole. The action comes not a moment too soon, given the global military-strategic crisis and the fact that the economies of the Western world are hovering on the brink of a new depression. The formation of this debtors' "non-cartel" presents an opportunity to save both the dollar and the world economy from collapse, if the United States and other governments of the advanced sector take heed.

Circulated widely at the conference were copies of *Operation Juárez*, the document written by Lyndon LaRouche in August 1982 which recommended the formation of an Ibero-American debtors' cartel to shock the United States government into realizing the urgency of the economic crisis, and to force it to adopt the monetary and other reforms that are in America's own interest.

In the month before the summit, 30,000 Ibero-American trade unionists, industrialists, students, politicians, and other citizens had signed an "Open Letter to the Presidents of Ibero-America," calling for the adoption of LaRouche's Operation Juárez to turn the region into an economic superpower. Circulated by members of the Mexican and Andean Labor Parties, as well as by supporters from Argentina, Belize, and Brazil, the Open Letter had been reprinted in leading news-

papers in Mexico, Venezuela, Colombia, and Peru in the days before the Cartagena meeting.

### Call for a new monetary system

Colombian President Belisario Betancur, who hosted the conference, underlined in his keynote address the strategic context of the debt fight: "The service of Latin America's foreign debt has become so burdensome that it threatens the stability of the international monetary system and the survival of the democratic processes in many countries. We do not forget that the great European war of 1939 had economic causes. . . . That is why I think that it is no exaggeration to say that the solution of the Latin American debt crisis is an essential ingredient for world peace."

The roots of today's crisis, he said, can be found in the exclusion of the formerly colonial world from the Bretton Woods Conference in 1944 which shaped the postwar monetary system, a conference dominated by the "theoretician of the imperial model," John Maynard Keynes.

"The debt problem has ceased to be a simple financial problem, and is no doubt now a question of grand international politics," stated the President. "We desire a very solid international financial system which will allow the vigorous development of developing countries, to raise the quality of life of their peoples and be able to pay the debt.

"Colombia wants an international community that understands its obligations to protect the political, economic, and social stability of our nations, because the effects of chaos could extend to the creditor countries."

The ministers agreed. Point 16 of the Statement of Consensus states: "We adhere to the President of Colombia's call for the creation of an international financial system which would permit vigorous growth of the developing countries to raise the living standards of their peoples."

### **Defying the bankers' blackmail**

The conference was called by the presidents of Brazil, Mexico, Argentina, and Colombia, in a May 19 joint communiqué warning that rising interest rates threatened to end the debtors' capacity to continue to meet debt payments, requiring immediate action by North and South alike.

Instead of cooperation, however, this call was met with renewed efforts by the bankers to pick off the individual debtor countries and divide the members of the emerging cartel. The finance ministers of almost every attending country complained every step of the way to Cartagena that "nothing could be accomplished" at the meeting, since case-by-case debt negotiations were proceeding nicely. Mexico and Brazil were promised special "stretch-outs" and lowered interest rates as "rewards" for their agreement to implement the IMF's demands—as long as they stayed out of any joint debtors' initiative. Argentine newspapers working with the U.S. embassy in Buenos Aires began repeating the line that "Brazil and Mexico would sell Argentina out."

Betancur countered the blackmail pressure from the banks in his opening speech. "Some private banks have resolved to attack us, including going to the extreme of threatening us if we served as hosts," he said. But although Colombia's own debt problems are not as extreme as others, Betancur explained, his government held to its determination to host the meeting because of the situation of the rest of Latin America. "We feel ourselves to be part of a broader community of Latin America, which we watch impoverishing itself daily."

Statements followed from nearly every minister in attendance decrying the creditors' blackmail against Colombia as a threat to each of them.

Every government leader in Ibero-America feels the growing pressure of a population enraged at the economic collapse under the IMF regime. The Swiss gnomes and the British financial wizards failed to recognize that national leaders could not let their nations disintegrate under the weight of the foreign debt.

The strike wave of the past months sweeping Ibero-America is intensifying daily. As the ministers meet, labor federations in Honduras, Argentina, and Peru announced imminent general strikes. Forty thousand steel workers at the Brazilian National Steel Company went on strike for the first time in 50 years the day the conference opened. Teachers in all federal universities, bank clerks, and public sector workers in Brazil have initiated strikes or protest actions against a national wage law imposed upon the country by the IMF. Peru has been reduced to "ungovernability" by its attempt to be the "showcase" of obedience to the IMF, leading to widespread rumors of a military coup in the wings.

Local trade unions in Cartagena reminded the ministers of that explosive reality, as 200 trade unionists demonstrated outside the conference, with banners demanding "No to the IMF, or Submission Forever," "We Support Operation Juárez," and "Moratorium Now!"

### **The principle of equity**

The Statement of Consensus signed at Cartagena rejects the basic criteria of every neo-colonialist scheme floated yet by the creditors.

The case-by-case strategy, the benefits of which Mexico and Brazil were supposed to have received, was rejected. "The foreign debt problem of the developing countries cannot be resolved exclusively through dialogue with the banks, the isolated action of multilateral financial institutions or the mere behavior of the marketplace," states Point 10 of the document. "General policy lines on restructuring and financing which will serve as guidelines for the individual negotiations of each country must be defined and accepted."

Debt negotiations must be informed by the "principle of equity," the document states, recognizing "the special quality which sovereign countries have as debtors to the international financial community." Conditionality of the IMF and other international institutions "which automatically punish developing countries' credit ratings and which prevent the granting of new financing, must be eliminated."

The "debt-for-equity" schemes promoted by Henry Kissinger and associates—according to which debtors turn over their resources and industrial assets to the creditors—was dispensed with in Point 15: Direct foreign investment "could play a complementary role" in aiding development, "so long as it adheres to the policies and legislation of the countries of the region," but its contribution "to the solution of external imbalances is limited, and therefore foreign investment could not be a decisive element in the solution of the foreign debt problem."

Subsumed then to these overall criteria are the specific demands on debt negotiations: the urgent need to lower interest rates, to eliminate fees and commissions, to extend lengths of payment, and to fix a ceiling upon the amount of export income dedicated to debt service to a "reasonable proportion" of earnings.

The regional mechanism announced in the document's final section sets into motion proposals first outlined in the Quito Declaration of Ibero-American leaders in January of this year. On the simplest level, the mechanism is to serve as a kind of debtors' clearinghouse of information and coordination on continuing separate negotiations of countries with their creditors.

But the decision to hold the next meeting of the group in Argentina indicates the real power of the "non-cartel." Argentina's creditors have initiated a credit boycott against the country, unless it submits to the IMF's austerity demands, and are now speaking of a showdown in which the government of an isolated Argentina could be overthrown.

# Betancur: 'World now looks to us'

*Colombian President Belisario Betancur delivered the keynote speech which we excerpt here at the Cartagena meeting of the foreign and finance ministers of Ibero-America on June 21.*

The service of Latin America's foreign debt has become so burdensome that it threatens the stability of the international monetary system and the survival of the democratic processes in many countries. We do not forget that the great European war of 1939 had economic causes, such as the disastrous macro-economic management which unleashed the Great Depression. . . . That is why I think that it is no exaggeration to say that the solution of the Latin American debt crisis is an essential ingredient for world peace. . . .

We have not come here to avoid our obligations, but to seek ways to fulfill them better. And we deserve to be believed, because we gave proof of our intentions recently, in the case of a sister country. . . .

Keynesian analysis continues to be useful today, although Keynes erred in maintaining that developing countries could contribute nothing to the Bretton Woods Monetary Conference, and in complaining (in a letter of May 30, 1944) about the "lamentable error" that there were Latin American delegates present. It may be that the present crisis could have been prevented in 1946, had other working mechanisms been created.

With all his intelligence and vision, Keynes, the theorist of the imperial model, pointed to ours as third-rate countries, therefore without the right to an opinion on matters affecting the colonial powers; this was a period—which has not altogether disappeared—when we were considered "tramps" and "beggars," according to a certain American leader. . . .

Over the last 300 years the world has been subjected to a number of financial crises of international scope. . . . The question which arises at this point is: Is the international financial system prepared to deal with the present crisis? . . .

The adjustment programs of the International Monetary Fund do not necessarily maintain high levels of employment and real wages among its member nations, as established by the statutes of that institution. It should be clear . . . that the

possibility of further drastically cutting imports no longer exists, and that the growth of exports must be one of the basic instruments for improving the structure of our foreign trade sectors. On the other hand, the maintenance of inflow to the region is obviously essential. Latin America has become a net exporter of capital, while highly industrialized nations such as the United States are importing resources from the rest of the world. . . .

The United States . . . recently asserted that the foreign debt problem would not affect the stability of its banks, nor of its financial system. Yet it would be absurd to persist in such a claim after a wave of rumors recently endangered two of its most important financial entities, and the stocks of almost all of them continue to drop. And no matter how unpopular it may be to rescue the banks, it would be beneficial to make use of this recent experience to show American public opinion that the stability of its financial system affects the interests of all, and that that stability will be undermined by rumors—and perhaps by facts—if the problem of the debt is not steered, once and for all, onto a suitable course. The presence of our governments here attests to a fact which we have not created, but which neither we nor anyone else can hide any longer: The debt problem has ceased to be a simple financial problem, and is no doubt now a question of grand international politics.

We desire a very solid international financial system which will allow the vigorous development of developing countries, to raise the quality of life of their peoples and be able to pay. . . .

It has been assumed until now that each country must emerge from the morass by adjusting its economy to the recipes of the International Monetary Fund, and receiving more generous terms from the creditor banks. What we are learning now is that that alone is not enough, that it is indispensable that the authorities of the industrialized countries, where the banks are based, understand that their economic policies may undermine, and indeed are undermining, the enormous sacrifices of adjustment undertaken by our peoples, and that they accept the responsibility for it. . . .

As regards the World Bank . . . it is essential that this type of credit not become an obstacle to developing the national industries, and especially the capital goods-producing industries, of developing countries. . . .

It is clear that it is better today to have partners than creditors, because partners never demand dividends except when there are profits, and because partners cannot suddenly bring or take away their capital, under the impulse of more or less wrong actions. . . .

This is a moment in which we have the obligation and the capability not to be like the contemplative chorus of the Greek tragedies, but to become the protagonists of our own destiny, supporting the efforts of men of good will throughout the world, to make their passage through this world the more noble. That world now looks to us, with the hope that we shall not frustrate its expectations.

## Cartagena Statement of Consensus

1. The foreign and finance ministers of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Dominican Republic, Uruguay, and Venezuela met in Cartagena on June 21 and 22, 1984. . . .
7. They declared that the Latin American debt problem largely stems from drastic changes from the conditions under which those debts were originally contracted, especially in regard to liquidity and interest rates. . . . These changes, which came from the industrialized countries and were outside the region's ability to determine, prove the co-responsibility of debtors and creditors. . . .
10. They reiterated that it is the responsibility of each country to conduct negotiations on its foreign debt. At the same time, they warned that recent experience shows that the foreign debt problem of the developing countries cannot be resolved exclusively through dialogue with the banks, the isolated action of multilateral financial institutions, or the mere behavior of the marketplace. Thus, general policy lines on restructuring and financing which will serve as guidelines for the individual negotiations of each country must be defined and accepted.
12. They also recognize that said guidelines must envision the concept of equity in the distribution of the costs of economic reordering. The adjustment process must be symmetrical and equitable for it to be effective. Sustained expansion of the world economy requires changes in the economic policies of some industrialized countries. They called for the urgent adoption by these countries of policies to keep stimulating their economies with the reduction of interest rates and without prejudicing anti-inflationary goals. . . .
15. They declared that direct foreign investment could play a complementary role in providing capital and contributing to technology transfer, job creation, and export generation, so long as it abides by the policies and legislation of the countries of the region. However, its contribution in terms of foreign exchange to the solution of external imbalances is limited, and therefore foreign investment could not be a decisive element in the solution of the foreign debt problem.
16. They adhered to the President of Colombia's call for the creation of an international financial system which would

permit vigorous growth of the developing countries to raise the living standards of their peoples.

### Proposals

18. The foreign and finance ministers decided to propose:
  - A. Adopting measures leading to the drastic and immediate reduction of nominal and real interest rates on the international markets, which should be a basic goal of the greatest efforts of the governments of the industrialized countries. . . .
  - D. Put into practice temporary measures to soften the impact of high interest rates, such as a compensatory window at the IMF, official loans at concessionary rates for that purpose, extending payment terms; although it is warned that these mechanisms have only limited usefulness, since they simply postpone the problem.
  - E. That in renegotiations, each country's debt profile and capacity for economic recovery and payment be taken into account and terms and grace periods be substantially improved. . . .
  - G. Foreign debt renegotiations should not commit more than a reasonable proportion of export income, compatible with preserving adequate living standards and internal productive activity and considering the unique characteristics of the economy of each country.
  - H. Creditors' demands that the commercial risk of the private sector be indiscriminately and involuntarily transferred to the public sector must be eliminated.
  - I. Regulatory rigidities of some international financial centers which automatically punish developing countries' credit ratings and which prevent the granting of new financing must be eliminated. Recognition of the special quality which sovereign countries have as debtors to the international financial community and adaptation of operant codes to that quality.
  - J. Reactivation of credit flows to the debtor countries—now virtually suspended in many cases—and the urgent renewal of short-term credits to finance trade and other operations needed by said countries. . . .
  - M. Revision of the IMF's conditionality criteria in the following aspects:
    - i) Priority must be placed upon the growth of production and employment, taking into account the specific economic, political, and social circumstances of each country.
    - ii) Fiscal and balance of payment targets should exclude the impact of increases in international interest rates beyond those foreseen by the stabilization program, so as not to reduce public investment or imports below reasonable levels.

- iii) Changes in agreed-upon monetary targets must be made to absorb unexpected increases in inflation rates. . . .

### Consultation and monitoring

- 19. In order to carry out the guidelines and proposals expressed in this Statement of Consensus, to facilitate a dialogue with the creditor countries, to continuously examine the international economic conjuncture, and to evaluate the implementation of the initiatives posed, the foreign and finance ministers resolved to maintain a mechanism of regional consultation and monitoring. This mechanism will be open to participation by the other countries of the region.
- 20. They agreed that it would serve to:
  - i) Facilitate regional exchange of information and experience, and support requests for technical aid on debt, financing, and related questions.
  - ii) Promote contact with other developing countries outside the region.

- iii) Promote dialogue with the governments of the creditor countries and, in a proper mode, with multilateral financial institutions and the international banks.

- 23. They expressed their willingness to meet with the governments of the industrialized countries to reflect together on the multiple aspects and economic, social, and political consequences of Latin America's foreign indebtedness, taking into account the need to seek a solution for the excessive burden this imposes and to create favorable conditions for the development of the indebted countries and the sustained expansion of world economy and trade, safeguarding the interests of all those involved.
- 24. They agreed to hold another meeting to evaluate the actions deriving from the Cartagena Statement of Consensus in regard to debt financing and related issues. This meeting will take place in Buenos Aires before the next annual meeting of the IMF and IBRD [World Bank], or at the moment when some extraordinary event makes it necessary.

## 'We can't wait any longer for a solution'

*EIR interviewed several of the foreign ministers at Cartagena to sound out their views on the debt crisis.*

### Venezuelan Foreign Minister Isidro Morales Paul:

**EIR:** There is a persistent rumor in financial circles that interest rates will increase to about 20%. What are the debtor countries planning to do in this respect?

**Morales Paul:** This is one of the issues we have to take on in order to make the creditors understand that the indefinite growth of interest rates will become a snow ball that could smash all of us.

**EIR:** What do you think about Bolivia's declaration of a debt moratorium?

**Morales Paul:** It seems to have been a step resulting from very complex and difficult conditions that we cannot analyze hurriedly. It is the case of a sovereign country that, having reached a certain point, sees itself forced to make a decision of this nature. Each country has its own characteristics and I don't think that this solution can be applied for all countries.

**EIR:** The creditors have launched Henry Kissinger's proposal of paying the debt with state enterprises. What do you think of this proposal?

**Morales Paul:** I entirely disagree with that proposal; it would mean a return to the conditions under which our countries were living 50 years ago.

### Chilean Foreign Minister Jaime del Valle:

**EIR:** It is said in financial circles that interest rates will keep rising until the end of this year.

**Del Valle:** This shows that it is absolutely impossible for our countries to continue paying the debt with this amount of interest. A total inability to pay the debt would be the result.

**EIR:** You mean that the increase in the interest rates would cause a forced moratorium?

**Del Valle:** An obligatory moratorium, since there would be no country, whatever its good will, that could pay.

### Colombian Foreign Minister Rodrigo Lloreda Caicedo:

**EIR:** All those who have come here have said that this is not a meeting to constitute a debtors' cartel. Why is there such an insistence on the subject? Could it be that they are afraid of the creditors' reprisals?

**Lloreda Caicedo:** No, we are not afraid of any reprisals; this is merely a meeting in which the creditor countries are going to be asked to help the debtor nations. This help should come right now; it cannot wait for six months or a year, it must be right now. Otherwise who knows what could happen.

# Colombian labor: 'We pay or eat'

*Government representatives meeting in Cartagena, Colombia, were greeted by 200 demonstrators from local trade unions, carrying four-meter-long banners reading "Moratorium Now!" "No to the IMF!" and "We Support Operation Juárez!" The presidents of the UTC and the CTC trade union federations in the state of Bolivar circulated copies of the following "Open Letter to the Foreign and Finance Ministers of Ibero-America."*

*Colombian television, which covered the demonstration on the evening news, reported that "we are accustomed to seeing here meetings of ministers and businessmen, but we have never seen the population mobilize itself for a meeting of this type. The Cartagena population came out to demand that the rich pay the debts, and an end to the International Monetary Fund."*

*Some 30,000 Ibero-American unionists and other citizens had earlier signed a call for the immediate implementation of Lyndon LaRouche's "Operation Juárez" proposal as the solution to the economic crisis. The petitions were presented in Cartagena at a press conference.*

Cartagena, June 20, 1984

Gentlemen:

As we interpret the thinking of thousands and thousands of workers who make up the Ibero-American labor movement, we wish to inform you that the present economic and financial crisis has reached the point where *either we pay or we eat*.

The nations of this continent must join Bolivia in its decision not to pay one more penny of foreign debt. The \$350 billion owed by Ibero-America has been paid many times over through brutal cuts of our standard of living and consumption, and shameless looting of our natural resources.

Therefore we celebrate the fact that the governments of Mexico, Argentina, Brazil, and Colombia have called for a summit of debtor nations, to seek joint action before the insatiable usury of the international financial institutions.

We hope, gentlemen, that the resolutions adopted at this meeting will rise to the level required by history. The bankers wish to divide our countries in order to lop off our heads afterwards, one by one. The "incentives" they are offering to Mexico, Brazil, and Colombia in exchange for abandoning the debtors' union which in fact has already been established, has no other purpose than to divide us.

The bankers have begun to bludgeon Argentina, which they want to make a bloody example. Colombia and others will follow. We face a *second Malvinas war*, and on this occasion there must be no hesitation. Either we unite to declare a moratorium on foreign debt, through which we may force the collective renegotiation of that debt in order to obtain new credit for economic expansion, or we shall perish as we continue to apply the International Monetary Fund's conditionalities, which include: reduction of imports, budget cuts, wage increase ceilings, elimination of transportation subsidies, tax increases, public service hikes, etc.

Instead of the "pick and shovel" programs which we have had up to this point, we require great projects, such as a second interoceanic canal, a canal system around the Magdalena River, the agricultural development of the Rio de la Plata basin, a high-technology steel complex in the Colombia-Venezuela border area, exploitation of the iron deposits in Brazil's Grande Carajas, large-scale development of nuclear power plants in Mexico, Brazil, Argentina, Colombia, etc.

It is such projects which will give us skilled and stable jobs. But we know that the main obstacle to carrying them out are the conditionalities imposed by the international banking system. Ibero-America has been for centuries merely a great pantry of raw materials and agricultural produce. It is time now that we produce our own machine tools, that we mechanize agriculture and integrate the continent by means of railways and canals which unite the great waterways.

Without delay, then, gentlemen, you must proceed to drop the *debt bomb* against the creditors who plunder us. This is what a true patriot would do. This is what Benito Juárez did in Mexico in 1861, when he declared a moratorium on Mexico's foreign debt. If you proceed according to the requirements of the present situation, you may be sure that the entire population of Ibero-America will be with you; otherwise, besides going down in history as traitors, you shall be overtaken by events which nobody can now stop: In very short order the foreign debt shall cease to be paid, because people prefer to live than to honor their own death.

Sincerely,

Anatolio Renals, president, Worker's Union of Bolivar (Utrabol, UTC)

Apecides Alvis, president, Worker's Federation of Bolivar (Fetrabol, CTC)

# Will the bankers' strategy to isolate Argentina backfire?

by Susan Welsh

In the face of Argentina's refusal to accept the International Monetary Fund's (IMF) prescription for destroying its economy, the international banks are moving to isolate Argentina and make of it a brutal example of what happens to a country that defies the "creditors' club." The issue is not whether Buenos Aires defaults on its debt payments due June 30, but rather the creditors' determination to maintain the IMF dictates at all cost.

In so doing, the banking mafia has forced Argentine President Raul Alfonsín into a corner from which there is only one exit: to lead the brewing nationalist rebellion against IMF destruction of the country, committing the country instead to a course of booming high-technology industrial development. *EIR's* correspondents on the scene report that, without such dramatic actions, Argentina stands on the brink of social disintegration, and even dismemberment as a nation.

The drive to isolate Argentina was set into motion with U.S. Treasury Secretary Donald Regan's June 15 announcement that the United States had canceled a Treasury loan guarantee on loans by other Ibero-American nations to Argentina. U.S. commercial banks followed suit, as on June 18 the Argentina Bank Coordinating Committee, led by Citibank's senior vice-president William Rhodes, rescinded an expected \$125 million loan offer to Argentina, which was to have helped the country update its interest payments at the end of June.

Threatening to overthrow the government if Alfonsín does not yield to the IMF, Federal Reserve chairman Paul Volcker wrote in a commentary published in the *Journal of Commerce* June 19: "Democracy is not likely to flourish in the midst of accelerating inflation and economic isolation."

The threat was further spelled out by *New York Times* columnist Leonard Silk on June 20: "There is a growing recognition that what is economically required in Argentina may be politically impossible for the government to deliver." The IMF, he said, "is carefully avoiding any possible accusation that it is driving Argentina to the breaking point, but a breaking point could be approaching, for if the Alfonsín government does not restore order to its economy, the inflation may accelerate and itself cause a breakdown of the society."

These threats are aimed as much at the rest of Ibero-America as at Argentina. The key question for the continent now is whether the debtors will unite behind the Alfonsín government to prevent the realization of Volcker's scenario. Volcker and company in turn run the risk that too heavy-handed use of the creditors' club will backfire, forcing the debtors to band together and forging Argentine unity.

Indications are that this is exactly what is now occurring in Argentina. Alfonsín's response to the threat to Argentina's existence as a nation came in a television broadcast June 20. "We will not accept measures that affect the wages of the most needy," he said. "We do not want our economy managed with recessive methods; we will meet our commitments with effort and sacrifice proportional to the capacity of the different sectors. . . . *We will be severe with those who, from within or without, seek to disturb the march of democracy* [emphasis added]." He added, in a warning to restive military layers who may be thinking about a coup, that the armed forces are the "military power of the constitution" and are under the command of the presidency.

Volcker's statements also drew an angry reply from Peronist leaders in Argentina. "We have heard statements from a foreign official which sound to me like threats of destabilization," stated Juan Labake, a leading member of the newly-created Peronist Supreme Command, to the Buenos Aires daily *Clarín* on June 20. Argentina "will suffer very harsh pressures from the outside" because of its position against the IMF. "We must prepare ourselves to resist, united as a nation," Labake said. *Clarín* added that while Labake was careful not to mention any names, it was Volcker's declaration that he had in mind. Volcker was speaking of any nation which attempted to break with the "international institutions," the paper reported.

Labake was one of the architects of the June 7 Multiparty Statement, signed by the government and the heads of 17 opposition parties, which committed the government and opposition policies to combat the IMF jointly with the rest of Ibero-America so that Argentina could industrially develop and expand its population. The statement called for wage increases, strengthening the trade unions, demographic growth, and high-technology economic development.

## The choice confronting Alfonsín

President Alfonsín must stick by the principles of this Multiparty Statement, or the consensus achieved among political forces in the country will quickly evaporate. The international financial oligarchy and its local henchmen are pushing for just this to occur. On the morning of June 18, Alfonsín met with the head of the Club of Paris, Jean-Michel Camdessus, who arrived to deliver a letter from the heads of the 14 industrialized countries who make up the creditors' cartel. The letter demanded that Argentina go back to the program the IMF is demanding, which includes wage reductions and a halt in Argentina's once-ambitious full-cycle nuclear power program, in order to pay interest on the nation's \$44 billion foreign debt.

Back in April, those in the government who were listening to special debt adviser Raul Prebisch appeared willing to accept a tough IMF austerity program. Prebisch owes his career and allegiance to the British banking establishment in particular, and while demanding lower interest rates, was quite willing to trade off the sovereignty of the nation for a stretchout in debt payments. He held up Lazard Frères' Felix Rohatyn's reorganization of New York City finances, which stripped the city of essential services to pay the banks, as a model for Ibero-America. New York was placed under rule of a bankers' committee which still rules to this day, nearly 10 years after the "temporary financial crisis."

A secret "progress report" on talks between Prebisch and IMF boss Jacques de Larosière that was leaked April 5 said that both sides had agreed to cut Argentina's fiscal deficit from 18% to 6% of Gross National Product, to implement an exchange rate policy that would "stimulate exports" (meaning accelerated currency devaluation), to hike domestic interest rates to "stimulate savings," to scale back scheduled wage increases, and so on. But massive popular resistance to cuts in living standards and the IMF, getting institutional support from the principal opposition party, the Peronists, aborted that deal.

## Near the breaking point

By late April, the Radical government faced a serious loss of power. The collapse of the economy and attempts to break labor's resistance to that, the attacks on Argentina's independent nuclear program in the attempt to satisfy international pressures, the spread of pornography in a permissive atmosphere defended by some Socialists within the government—all had placed the government on a confrontation course with the Catholic Church, military, and labor.

The effects of economic collapse have been felt in every institution. Budget cuts which left the military without the means to provide food to all the nation's soldiers increased military restiveness against the democratic government. In some provinces, soldiers are sent off base at 11 a.m., and return to base only in the evening, because there is no food

to feed them. Some 3,000 non-commissioned officers have reportedly asked for retirement, because their salaries are not enough to live on. The Army is stalling on letting them leave! Engineers and technicians at the military's national industries are being replaced by incompetent economists and sociologists.

Cuts in federal support for the provinces have led to talk of secession from the republic in both the north and south. The Soviet Union is feeding this movement with offers to make separate credit and trade deals with provincial oligarchical interests. The government has spent more on TV extravaganzas for the province of Buenos Aires than it has budgeted for the provinces, one representative of a southern state reported.

The visit of Mrs. Isabel Peron in late May halted the slide towards disintegration. Pulling together a new leadership command within the Peronist Party, Mrs. Peron offered the government Peronist support—if it accepted the nationalist program for developing the country and its population which the Peronists put forward. That initiative led to the signing of the Multiparty Pact June 7, establishing the programmatic basis upon which national unity could be preserved.

Now positive steps to reactivate the economy are desperately needed. A mass strike wave is sweeping the country which even the union leadership is not fully able to control. On June 18, the Peronist-run opposition CGT labor federation announced that it would call a general strike within a week if President Alfonsín did not grant further wage concessions and protection to labor by June 22. The central demand, in addition to local issues affecting each union, is an increase in the basic minimum wage, which is now below that necessary to cover family food costs.

The CGT put forward a broad program to reverse the economic decline as the basis for negotiations with the government on reversing the looming government-labor confrontation, including 1) expansion of the domestic economic program, 2) lowering of interest rates, 3) nationalizing of banking deposits, and 4) resisting the International Monetary Fund. On that basis, negotiations began which have postponed the immediate threat of a strike. The June 22 plenary of the national and regional organizations of the CGT ended without a strike vote.

But while no strike was decided upon, approximately 2.7 million workers are already on strike slowdown, or pre-strike alert in the greater Buenos Aires region alone—some 63% of the workforce in the area where most of the Argentine population is concentrated. Now in motion are the metalworkers, commercial workers, textile workers, construction workers, and the oil workers, and several labor federations of state-sector workers.

But as CGT leader Saul Ubaldini stated June 19, "a dramatic shift in economic and social policy" is needed for the government to be able to meet the needs of its population.

# Lyndon LaRouche on the current importance of the Monroe Doctrine

Soviet and other propaganda channels into Ibero-America have lately conducted an escalated campaign of attempted defamation against the 1823 U.S. Monroe Doctrine. The general thrust of this attempted defamation is to argue that the colonialistic and imperialistic qualities of the 19th-century filibusterers and Presidents Theodore Roosevelt's and Woodrow Wilson's applications of the "Roosevelt Corollary" are inherent in Secretary of State John Quincy Adams's original draft of the Doctrine.

In a 6,000-word policy declaration released by The LaRouche Campaign throughout the American continent on June 8, Democratic presidential candidate Lyndon H. LaRouche, Jr. shows why the arguments of these defamers are false, and why the republics of the Americas must rally together to revive the Monroe Doctrine today.

The forces to re-establish the principles of a community of sovereign republics have been greatly strengthened by the LaRouche campaign against Henry Kissinger, LaRouche points out. Now it is necessary to fight for the concrete measures which will implement that doctrine, and take away the power of the oligarchical families who have succeeded in subverting that doctrine for so much of the last century.

"The kernel of Secretary Adams's argument," writes LaRouche, "a principle valid for today, was that the United States shared implicitly a community of republican principle with the forces of the emerging, sovereign republics of Ibero-America, and that the United States did not share such a community of principle with the United Kingdom. Adams argued, that instead of degrading itself to the disgraceful status of a 'cock-boat in the wake of a British man-of-war,' the United States must affirm its common interest with the emerging states of Ibero-America whether or not the United States possessed immediately the military power to enforce that common interest against the assorted or combined power of Britain and the Holy Alliance powers, that the United States must commit itself to enforce its policy of common interest with the Ibero-American states as soon as the United States acquired sufficient power to do so, and until that time must subscribe to nothing contrary to such principles.

"Two cases from 19th-century history are of outstanding

significance on this account. At the time of the 1812–15 war with Britain, the United States navy fought to secure to the Buenos Aires republic the territory called the Malvinas Islands, islands which were in the possession and inhabited occupation of Buenos Aires at the time the Monroe Doctrine was promulgated. Under proper reading of U.S. law, those islands are the territory of Argentina to the present date. The Monroe Doctrine has never been repudiated by any lawful procedure of the U.S. government, and is reaffirmed by the Treaty of Rio, which is still U.S. law.

"The British navy seized the Malvinas islands by force during the course of the 1830s, and expelled the inhabitants of those islands. Yet, in terms of unrevoked U.S. law, those islands remain the territory of Argentina to this day.

"The most brutal demonstration of the correctness of John Quincy Adams's argument against a treaty with Britain was the British-led invasion and conquest of Mexico during the period of the 1861–65 civil warfare in the United States. Britain led in an action which imposed upon Mexico a foreign puppet-government whose practices against the people of Mexico prefigured the war crimes and other crimes against humanity of the Nazi regime's practices in occupied portions of Europe during the 1938–45 period.

"It was because of the latter atrocity of the British government and its accomplices, that I gave the title *Operation Juárez* to my August 1982 book outlining the basis for collaboration between the United States and the republics of Ibero-America in circumstances of the presently worsening worldwide financial collapse. The affection between President Abraham Lincoln and Mexico's President Benito Juárez expresses the essence of the Monroe Doctrine. Only the public figures whom the patriots of the Ibero-American states could trust as an adherent of the Monroe Doctrine are those public figures who honor in practice the fierce nationalistic republicanism of Mexicans in the tradition of Juárez's struggle against British-led atrocities during the term of Lincoln's Presidency. Whether such a U.S. public figure's admiration of President Benito Juárez is efficient or not, is best demonstrated today by that figure's public acknowledgment of Argentina's claims to its Malvinas Islands territory."

## The opposing faction

But there is a difficulty with applying this policy, LaRouche acknowledges, because the United States “has frequently abandoned and violated its own Monroe Doctrine in policy of practice. . . . The cases of Presidents Theodore Roosevelt and Woodrow Wilson are exemplary. Similarly, we must regret the U.S. policy of practice toward Ibero-America under Presidents Lyndon Johnson, Richard Nixon, and Jimmy Carter, and regret the continuation of Henry A. Kissinger’s influence upon the Ibero-American policy of practice of the Reagan administration, as well as the dismal hand of Kissinger and his accomplices in the policies of the Nixon, Ford, and Carter administrations.”

Essentially, there have been two opposing, principal factions of interest within the United States, LaRouche argues—one, typified by Secretary Adams and President Lincoln, and the opposing faction represented by Teddy Roosevelt, Woodrow Wilson, and Henry A. Kissinger.

“Today, within the United States, these two, opposing currents are typified by my presidential candidacy, the present-day expression of the faction of Secretary Adams and President Lincoln, on the one side, and the forces allied with the Trilateral Commission and Kissinger Associates, Inc., the anti-Monroe Doctrine, ‘neo-colonialism’ faction, on the opposing side,” LaRouche points out. There is, of course, only a relatively small portion of the citizenry explicitly attached to one, or another, of these currents. The majority of the citizenry is indifferent or unaware, although its organic commitment to republican moral philosophy could be brought to the fore by conditions of exceptional crisis.

The deepening strategic crisis and the financial crisis provide the concrete opportunity for eliminating the Kissinger version of the Monroe Doctrine, LaRouche argues.

## Symptoms of a new turn

LaRouche then analyzes the process put into effect by his presidential campaign in both its qualitative, and quantitative, dimension.

Quantitatively, The LaRouche Campaign has counted the votes which the corrupt Democratic party machine has stolen, coming to the conclusion that between 15 and 35% of the votes cast in states where LaRouche was running in the presidential primary were cast for LaRouche. Such a vote, under conditions where the major media and the Democratic National Committee were evincing vocal, even violent, opposition to LaRouche, demonstrates a growing popular revolt against “established authorities,” and a growing perception of crisis.

Qualitatively, the series of 10 half-hour national television broadcasts brought forward another significant response from the electorate: *fear* that LaRouche’s perception of the crisis might be correct.

This fear has always been there, LaRouche notes—expressing itself as the withdrawal of the individual citizen from

educating himself and involving himself in national and international policy issues. What is new is that citizens are now feeling the necessity to act politically, and thus must admit, and confront, that fear.

“These reported and otherwise implicit developments around the LaRouche campaign must be interpreted in light of the leading thematic feature of that campaign,” LaRouche continues, “the self-identification of the campaign with opposition to the policy-making of Henry A. Kissinger and his circles. Massive and continued polling of U.S. citizens on their reactions to the anti-Kissinger campaign show the following results. Approximately 60% of the population expresses anger against Kissinger, and also considers Kissinger a leading issue of national political life. Approximately 12% more have significant dislike for Kissinger, but do not consider him to be a leading issue in the election-campaign process. Twenty-eight percent either support Kissinger or express indifference to the subject of Kissinger, with the majority of this 28% among that special sector of the professional and clerical strata whose identity is not scientific-engineering.”

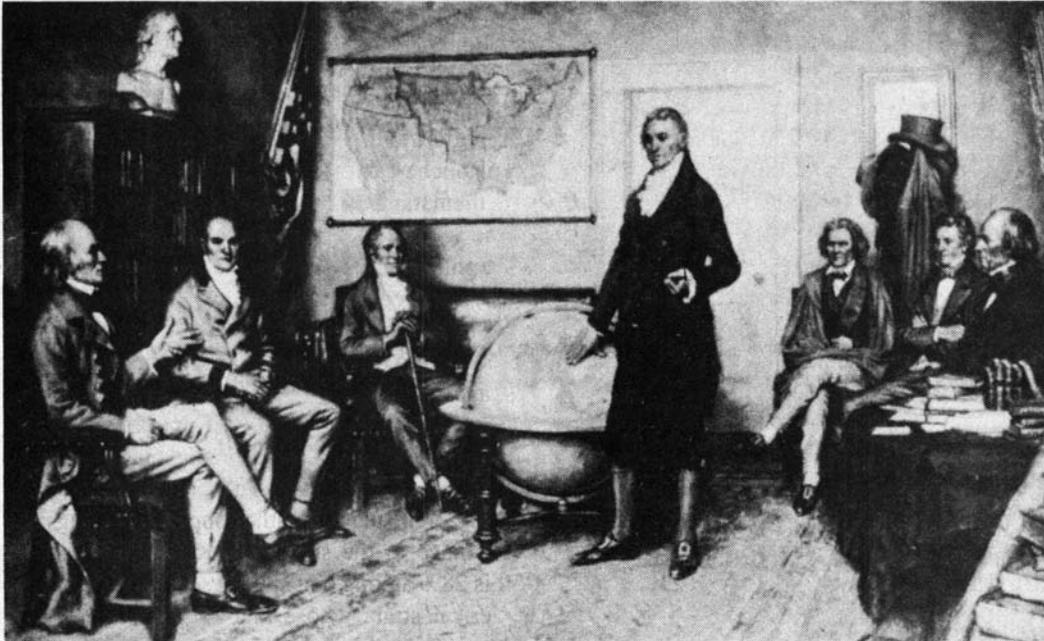
“Kissinger’s prominence depends on de facto indifference of the majority of citizens to the realities of national policy-making,” LaRouche concludes. “Once the citizens begin to react realistically to national-policy issues, the prevailing hostility to Kissinger (approximately 72%) erupts either automatically or is readily induced. Since Kissinger exemplifies the philosophical world-outlook hostile to the Monroe Doctrine, it is fairly said that the possibility of reviving Secretary Adams’s view of that Doctrine within the United States correlates more or less exactly with the emergence of a broad, popular movement against Kissinger and what he represents.”

## Why the doctrine was subverted

LaRouche then outlines the historical fight leading up to the Monroe Doctrine between 1766 and 1814 in the context of the longterm battle between republican and oligarchical forces.

“As the leading republican of Germany, historian, poet, and dramatist Friedrich Schiller, stated the point, the entirety of the principal conflicts within European history from approximately 600 B.C. must be understood as the continuation of the conflict between the republicanism of Solon of Athens and the oligarchism of the sodomy-ridden slave society of Lyncurgan Sparta,” LaRouche argues. “Only if the United States’ wars against Britain are examined against the background of the conflicts between republican Athens and oligarchical Sparta, is it readily possible to understand the profound premises for the 1823 Monroe Doctrine.”

The modern form of the classical republicanism of such figures as Solon and Plato, LaRouche points out, is Western European Judeo-Christian culture, especially in the famous injunction of the 28th verse of the First Chapter of Genesis:



*President James Monroe and his cabinet debating the Monroe Doctrine in 1823. Secretary of State John Quincy Adams, the architect of the policy to keep European colonial powers out of the Western Hemisphere, is pictured at the far left. Painting by Clyde O. Deland.*

Be fruitful and multiply, and replenish the Earth and exert dominion over all things within it. It is the direct consequence of this fact that Western Judeo-Christian culture puts emphasis on the development of the individual personality, and creating the opportunities for that personality to employ its powers fruitfully for good.

“This emphasis upon the individual personality, and upon the submission of society to service of that principle, is the kernel of that which distinguishes the republicanism of Western European Judeo-Christian culture,” he continues. “That is our precious heritage” of both the predominantly Catholic countries of South America and of the predominantly Protestant United States “which we must work to perfect and to defend, at any price required by that obligation.”

After 1815 and the Congress of Vienna, however, it was the oligarchical adversaries of the Judeo-Christian heritage who took over. The oligarchy functions by families, “families whose principal functions within society are income from various forms of parasitical looting, according to the principle of usury, and also control of a priesthood.”

How have these families succeeded in suppressing the republican heritage? LaRouche asks. “The chief weapons they have employed . . . have been financial usury and cultural warfare. Simple usury, ground-rent accumulations, and speculation in primary commodities as well as financial paper, as well as slavery and drug-running, have been their customary sources of accumulation of wealth. For this purpose, control over the national banking of the United States, and control over taxation policies, have been those intrusions into government through aid of which they have been able to loot governments and their populations.

“Their practices in cultural warfare may appear more

subtle at first glance, but are in fact more potent in the longer term than the mere accumulation of financial power: by cultural warfare, these families destroy the populations’ will to defend themselves against the looting.”

It is this will to fight for republican principles, LaRouche concludes, that is essential to reviving the Monroe Doctrine as a bastion against oligarchism.

### **Emergency measures required**

As he points out in his concluding section, LaRouche has already elaborated the concrete measures that would put the principles of the Monroe Doctrine into effect. These are as outlined in his national television broadcast of June 1 (published in *EIR* June 12), and would establish anew the U.S. currency according to the prescriptions of the U.S. Constitution, as well as establish a continent-wide debt reorganization that would promote needed capital goods exports to the Ibero-American nations.

“Without the measures of monetary reform indicated, no solution to the present worldwide spiral of financial collapse is possible, and therefore no satisfactory solution to the state of present relations among the United States and the republics of Ibero-America,” LaRouche writes.

“The essential thing is to take concrete actions which set into motion the broadest possible mass movements of our nations and peoples, in jealous support of the principle that the affairs among states must be ordered by republican principles. . . . That mass movement must be, in principle, a revival of the Golden Renaissance’s work, a revival of that great movement, once led by Benjamin Franklin, whose existence and energy brought into being the republics of the Americas.”

# Kissinger 'decoupling' gains in European elections

by Rainer Apel and Nora Hamerman

Henry Kissinger and his comrades in Moscow won a victory June 17 that most Americans undoubtedly didn't notice. That victory occurred in the European parliamentary elections, where the anti-American, pro-Moscow forces won significant gains. The electoral results in Germany, Denmark, France, Britain, and Italy show a conclusive picture—advances for the Nazi-Communist forces of the radical "right" and radical "left" in every major country of NATO.

Thus less than two weeks after the 40th anniversary of D-Day brought President Reagan to Normandy to renew pledges of American commitment to the old continent's defense, the Western Alliance that emerged from the defeat of Nazism was on the verge of crumbling. The blame for this lies squarely with those, such as Kissinger and his business partner, Lord Peter Carrington, who have worked to block the one policy that could ensure Europe's defense and reverse the economic depression engulfing the West—an "arms race" based on the new strategic doctrine centered on beam-weapons defense, proclaimed by President Reagan on March 23, 1983.

It is no mere coincidence that the weekend after the European elections Carrington, who has organized a conspiracy of foreign ministries to threaten to split from NATO over the U.S. beam-defense policy, formally took office as NATO secretary-general, nor that the same week was chosen by Kissinger-crony Sen. Sam Nunn (D-Ga.) for his provocative attempt to legislate a reduction in U.S. military commitment to Western Europe (article, page 50).

These moves fit into the scenario Kissinger put forward in a notorious March 5 *Time* magazine article, to "Europeanize" NATO by cutting U.S. troop levels. Under this scenario, Western Europe will soon be a de facto satellite of the Soviet bloc—coupling the unparalleled economic power of the Eu-

ropean Community to the Warsaw Pact war machine in a single, Kremlin-ruled superpower.

The parties that gained most in the major nations were the KGB-penetrated West German Greens, the racist French National Front, the British Labour Party, and the Italian Communist Party. If these forces succeed in carrying out the plans for social chaos which they now advocate, they will accelerate the process of severing Western Europe from the United States, and turning it over to Soviet hegemony.

Most dramatic was the success of the Italian Communist Party, which became the dominant party in that country. While the PCI does not have a very significant lead over the Christian Democracy, its victory increases its power to make an electoral deal with that section of the Christian Democracy that has been groveling before Moscow. That section is led by Giulio Andreotti, the first European foreign minister to join with the Soviet government in calling for an end to the U.S. beam-weapons program. Hiding behind the skirts of the "conservative" Christian Democrats, the Italian Communists are well placed to dictate foreign policy in a key NATO country.

In Great Britain and Denmark, the Social Democrats who have been carrying on a love fest with the Soviets scored major gains in an atmosphere in which America-bashing is becoming a national sport.

## Barometer of shifts in electorate

Under conditions of a severe and worsening economic crisis and the undeniable threat of Soviet advances on the continent, the usually ho-hum European elections this spring became a battleground for ideas. The continent-wide race to elect representatives from the 10 European Community countries to sit in the European Parliament in Strassburg is not

decisive in itself, since that institution is relatively impotent. Western Europe is still ruled by national governments of sovereign states, despite the efforts of various "European federalists" and "regionalists."

Now, the results of the June 17 vote are being read as a barometer of radical shifts in the electorate that could shift those national governments in the near term.

The votes clearly represented a protest against the austerity regimes in power, and the emerging coalition will make use of that to sow confusion and discord. Growing labor unrest, strike waves, and budgetary deficits, coupled with plans for brutal austerity against steel, shipbuilding, construction, textiles, and agriculture will provide enough pretexts for those who want to paralyze the European Community.

The case was proven already on June 18, one day after the elections, when the European Trade Union Congress announced solidarity and possible strike support actions throughout Europe for the striking German metalworkers for June 19 and June 26.

These moves towards mounting social unrest on the labor and farmer front, which threaten West Germany now, form a pattern throughout the rest of Europe—documented by the losses for all governing parties.

- The British Conservatives who, under Prime Minister Margaret Thatcher, have sought a head-on confrontation with industrial labor in Britain, lost 16 of their 63 seats in the European Parliament to the opposition left-wing Labour Party.

- In France, the two government coalition parties, the Socialists and the Communists, lost about 11% of the vote together, while the bourgeois opposition bloc gained. But the big winner of the French vote was Jean-Marie Le Pen, whose National Front (not even founded by the time of the last European elections of 1979) tallied a shocking 11% with a populist program mixing racism, xenophobia, anti-abortion, and anti-Europe platforms (see article, page 32).

- In Denmark, the same picture as in France: The People's Movement Against Europe came out of the vote as the strongest party of all, and although the participation of a decidedly anti-European movement in the European elections is an absurdity in itself, the movement will occupy 5 of the 16 seats Denmark has in the European Parliament.

- In the Netherlands, the governing Christian Democrats lost several percent to the oppositional Socialists, and the ecologist Greens gained one seat in the European Parliament.

- In Belgium, the Greens won two seats, and the right-wing separatist Flemish Nationalists won another two of the country's total of 24 seats.

The Italian Communists profited from the emotional sympathy wave whipped up around the sudden death of their party secretary-general Enrico Berlinguer, who died one week before the election day. For the first time since they entered elections as a parliamentary party in 1945, the Communists overtook the traditionally biggest party in Italy, the Christian Democrats, who lost more than 5% of their 1979 vote levels

to fall below 34% and slightly below the Communists' total.

Since all the other five coalition parties in the government of Socialist Premier Bettino Craxi lost votes, too, this erosion of public confidence in the government is generally expected to lead to early new elections in Italy. Any new government in Italy would either include the Communists, or be dependent on their good will to an extent never before seen in postwar politics.

## German crisis

In West Germany the results were equally alarming, despite the fact that the leading Nazi-Communist party in that country, the Free Democratic Party, suffered a crushing defeat. Coming up rapidly on the political horizon was the Green, or environmentalist, party, which soared to a level of 8.5%; with the addition of several allied smaller parties, they would have tallied 10%.

The Greens are not about to take over Germany themselves, but, with their rabidly anti-American line, they are moving rapidly into alliance with the country's second major party, the Social Democrats, throughout West Germany. The Christian Democratic government is about to be profoundly shaken by the loss of its partner in the FDP, as well as by the strike wave spreading throughout the country. SPD spokesmen are already predicting a new government by December, most likely in alliance with the pro-Moscow, neo-Nazi Greens.

The liberal Free Democratic Party has been in a crisis ever since its chairman, current foreign minister Hans-Dietrich Genscher, forced them out of their longstanding coalition with the Social Democrats and into a coalition with the now governing Christian Democrats on Oct. 1, 1982. The party's vote percentage has fallen from 10.6% in the national elections of 1980 to 5.2% in the national elections of March 1983, and in all state-level elections held since then, they have fallen below the mandatory 5% threshold required by German election laws for entry to parliaments. The European elections confirmed this trend, with the Free Democrats fielding no more than 4.8% in spite of heavy transfers of "sympathy votes" from the Christian Democratic constituency.

Germany's Chancellor Helmut Kohl is now faced with the inconvenient fact that his government majority depends on a coalition partner which has failed all elections in the past 15 months, that is, a partner no longer existing as a parliamentary factor in German politics. Kohl's Christian Democrats lost 3.2% on June 17, which is another indicator of the growing unpopularity of his austerity government.

The defeat is balanced out only by the 3.4% loss which the opposition Social Democrats suffered—most of it going to the Green Party. The Green Party got 8.2% and established themselves as the third factor in German politics. They will send four terrorists among their seven deputies to the newly-elected European Parliament, one of them being Brigitte Heinrich, a former logistics officer for the Baader-Meinhof Gang of terrorists.

# France: the left's surprising vote losses

by Claude Albert

In contrast to most other European election patterns, the governing Socialist-Communist coalition in France was badly defeated in the June 17 European parliamentary elections. Whereas the ecologist-pacifists gained ground in Germany, Holland, Belgium, England, and Denmark, a very strong anti-government reaction has left François Mitterrand's coalition with barely more than 30% of the total French vote.

Most spectacular, of course, was the sudden emergence into national prominence of the party led by Jean Marie Le Pen, the National Front. A very marginal political force previously, the National Front received slightly over 11% of the ballots cast in what can only be analyzed as an unquestionable radicalization of the population over the past year.

An ex-Legionnaire and paratrooper, Le Pen crystallized very strong and widespread discontent over the government's austerity policies, its internal security fiascos (protection of terrorists, for example), as well as the serious ambiguities of its military policy at home and abroad (for example, Chad). Over the past 12 months, this discontent had reached rather extraordinary proportions within professional military circles, parts of the police, and among the middle classes and workers most affected by the government's austerity policies. Hence the extraordinarily large vote for Le Pen, who used coarse and volatile sloganeering—including a large dose of racism—in his campaign.

In reality, however, the large vote for the National Front indicates less a strong upsurge of rage and irrationalism in the population than the failure of the neo-Gaullist RPR party of Jacques Chirac to mobilize the population around higher ideas which the constituency that voted Le Pen otherwise would have rallied to. Although there have been periodic surges of the radical right in France during this century, it has never represented a majority phenomenon. The radical and revolutionary right of the 1920s and 30s—the fascist Action Française, the Ligues, etc.—were but a small minority and certainly much more ideologically cohesive than the present day, very heterogeneous Le Pen coalition. Boulang-

ism, an extreme anti-German chauvinist movement named after General Boulanger, the leading French revanchist following the defeat of France by Germany in the 1870s, itself was proven ultimately to have been weak. In more recent history, the Algerian-based O.A.S. (Secret Army Organization) represented a real threat to the French state and republic, but reflected, again, a small if extremely well-organized and radicalized group within a larger population in favor of maintaining Algeria under French rule.

At least at present, Le Pen is not precisely of this mold, although the Socialist Party and others attempted to use these images to rally their electorate. Le Pen is a primitive nationalist who does not dominate the forces which gave him 11% of the vote.

The Socialist Party itself promoted Le Pen in the hope that the National Front would weaken the other opposition parties. In a much more devious way, the French Communist Party (PCF) also sought to promote Le Pen with the aim of sharpening the latent social and racial conflicts which persist in urban and semi-urban working class areas. So, while the PCF promoted radical leftism and Islamic fundamentalism among immigrant workers, it also, covertly, transferred votes to the National Front in earlier elections hoping that widespread conflict would incapacitate France. As far as the Socialists are concerned, their gamble failed miserably. It remains to be seen if the Communist calculation succeeds in creating greater social disorder.

Together, the large opposition parties and the National Front total well over 50% of the vote while the governing parties represent less than 30%. Although present in the European parliament, Le Pen's national power will be limited by other opposition forces. It is only under conditions of extreme economic crisis that the radical right could become more than an expression of severe discontent and become an actual threat to the republic.

Le Pen has recently attempted to dilute the more violent and extremist characteristics of his campaign, including the disgusting racial overtones of his policies, so as to gain respectability. He has affirmed the need for strong European and NATO defense and other obvious items of that type.

As far as the RPR and Giscard's UDF, the other major opposition party, are concerned, a new strategy will be required. The completely empty, idea-less policies they have been following must be discarded or they will fare badly in the 1986 and 1988 elections. Socialist President François Mitterrand, meanwhile, will be forced to reorganize his government if he wishes to maintain any credibility at all.

The Le Pen vote thus indicates that a critical mass of discontent has been reached and that all actors on the political scene will have to take that into account. For the moment Le Pen is a symbol of discontent, not a real power. Under conditions of real crisis and no leadership, however, a real force, a potentially dangerous force, could emerge.

# The Dutch defense policy: much ado about nukes

Special to *Executive Intelligence Review*

*The Dutch government will soon hold a "bilateral summit" meeting in Moscow, apart from its NATO partners, to discuss Holland's reluctance to deploy U.S. nuclear missiles in Western Europe. The Dutch Ministers of Agriculture and Transportation have already been in Moscow, discussing "prospects for cooperation" with, among others, Deputy Premier Gaidar Aliyev, one of those in Soviet ruling circles most responsible for Soviet destabilization and sabotage in the Middle East.*

*Holland is a trouble-spot in the shaky NATO alliance and has been for some time. Months ago, when Jesse Jackson was first putting together his presidential campaign, he and his anti-American nuclear-freeze rhetoric were warmly welcomed, not just by the terrorist government of Muammar Qaddafi, but by Holland's Queen Beatrix, who met with him during his tour of Europe. On that trip, Jackson also met with members of the West German Green Party and the violent squatters of West Berlin.*

*In May, the Dutch government made a unilateral decision not to station U.S. cruise missiles until 1988—the first time a NATO member nation has backed away from carrying out the Alliance's missile deployment as scheduled.*

*The author of the in-depth analysis below is a representative of the circles in Holland which are actively opposing the Soviet-steered Nuclear Freeze movement and Kissinger's effort to "decouple" Western Europe from the United States.*

*The author describes how factions of the Christian Democratic party are in collusion with the socialist parties in the wrecking operation against the Atlantic Alliance. This is relevant not only for Holland: The political process put under a microscope here resembles in important ways a similar process in larger European countries—not only Italy, where the Christian Democrats are moving toward sharing power with the Communist Party, but also Germany, where Christian Democratic Chancellor Kohl and his party colleague Defense Minister Wörner have made broad concessions to the "peace" movement.*

*—The Editors.*

A Martian who was sent to Holland to make a report on the defense policy would soon discover that there is only one central issue on the mind of both politicians and public: the question of whether or not to station 48 American cruise missiles at Woensdrecht air force base in the south of the

country. This, however, would be the easiest part of the mission. According to a Dutch defense expert it would be far more difficult to ascertain what is really going on. Even a very clever Martian would need some time to make anything of the Dutch political scene.

In the House of Representatives, or Lower House, a bewildering number of parties, 13 in all, clamor for attention (see box). Some are denominational parties representing the large number of religious groups to be found in the country. The largest of these, the CDA or Christian Democrats, was founded in the late 1970s by merging the former Catholic party, the Christian Historical Union (CHU) and the Anti-Revolutionary Party (ARP). Contrary to its name, the ARP was certainly not the least progressive the three.

This merger lies at the root of much of the trouble. The ARP party members are in general opposed to nuclear weapons, which some of them call "an insult to God's creation." Consequently there is no clear party line on nuclear weapons. Quite a number of the 43 seat-strong Christian Democrats (5 to 11) are opposed to nuclear weapons. As they support the other points of the party program they call themselves "loyalists," while the others who hold an opposing view call them "dissidents," making Holland the only country where you can be "loyalist" and "dissident" at the same time. And then there are what might be called the "true dissidents": the Christian Democrats who left the party over the nuclear issue and formed their own small parties, such as the EVP and one called the Scholten-Dijkman Group.

Of the non-religious parties, the Labor Party (PvdA) is by far the most important. With 47 seats, it is the largest party in the country but is not part of the present Christian Democratic/Liberal coalition government. It is opposed to the deployment of cruise missiles, wants to reduce the commitment of the Dutch forces in NATO's theatre nuclear forces, and also favors a cut in defense spending. The third-largest party (36 seats) is the Liberal Party. The Liberals want to maintain a strong defense and support the agreed NATO stance on conventional and nuclear forces.

The other non-religious parties range from the far left (communists and socialist-pacifists) to the far right. At the latter end of the spectrum one finds, surprisingly, the Centrum or Central Party, which is often accused by other parties of neo-Nazi tendencies.

The lack of a political consensus on defense matters, and especially nuclear weapons, is of course a clear reflection of the present lack of social cohesion within Dutch society. This is a fairly recent phenomenon. Although Holland had a tradition of neutralism, World War II changed that abruptly. Holland became a staunch supporter of NATO and not so very long ago Dutch society was a byword for a somewhat stodgy conservatism. There are probably several reasons for this change. By the end of the 1960s the ravages of World War II had been repaired and the Dutch economy was flourishing as never before. In this period of economic well-being—partly attributable to the Marshall Plan—everything seemed possible in the widest conceivable sense. A new generation, prosperous and with no clear recollection of the war, took over and pledged the construction of a new society.

Gradually the old institutions gave way to the new. The noisy student revolt against what they saw as an obsolete hierarchical structure overcame the protests of their more experienced tutors and marked the beginning of a period of change and educational experiment within the universities. As the older politicians yielded up their positions, experiments got under way in other sectors of Dutch society as well. Laws were modified, as were the sanctions for criminal and other offenses. Social security provisions proliferated because the economy could afford it, and because moreover the traditional work ethic had lost much of its force with the decline in the authorities of the churches.

In those days of flower power, protest became almost a way of life. Taking part in demonstrations, whether against the war in Vietnam, anti-abortion laws, nuclear weapons and

## The political hydra

The Dutch political system is a curious amalgam of three larger parties and a multitude of smaller ones. In the most important political body, the House of Representatives or Lower House, the 150 delegates represent a total of 13 parties. These parties are:

Parties	Seats
Partij van de Arbeid (PvdA, Labor) .....	47
Christen Democratisch Appel (CDA, Christian Democrats—center) .....	43
Volkspartij voor Vrijheid en Democraties (VVD, Liberals) .....	36
Democraten '66 (D'66, Democratic party) .....	6
Pacifistisch Socialistische Partij (PSP, Pacifists—left-wing socialists) .....	3
Staatkundig Gereformeerde Partij (SGP, Religious right-wing) .....	3
Communistische Partij van Nederland (CPN, Communist Party) .....	3
Politieke Partij Radicalen (PPR, Religious left-wing) .....	2
Reformatorische Politieke Federatie (RPF, Religious right-wing) .....	2
Groep Scholten-Dijkman (Religious anti-nuclear splinter group) .....	2
Centrumpartij (extreme right) .....	1
Gereformeerd Politiek Verbond (GPV, Religious right-wing party) .....	1
Evangelische Volkspartij (EVP, Religious anti-nuclear splinter group) .....	1

As no single party enjoys a clear majority most governments are a coalition of the three—and sometimes four—largest political parties. General elections are held at four-year intervals, or sooner if the coalition collapses over an important political issue. After each general election, a senior politician is appointed by the Queen to try to form a new government (“formateur” in Dutch), or, if the election results show no clear preference of the voters for one of the possible combinations, to take stock of the differences of opinion on the divisive political issues (an “informateur”). In the latter case the forming of a new government tends to be a lengthy affair stretching over months rather than weeks. Although the deliberations of the “formateur,” the “informateur,” and the representatives of the different political parties are supposed to be secret, all the main actors show a tendency to leak selective information to the press. Meanwhile meetings of party cadre or party leaders give their views on stumbling blocks in the negotiation process. Though presented with conviction, these pronouncements are generally of a somewhat ambiguous nature. On the one hand, the speaker must be sure that he conveys a clear signal of the seriousness of the party line on a particular issue. On the other hand, however, he must keep his options open in order to maintain a strong bargaining position. When finally, after much plotting and counterplotting and secret and not-so-secret meetings of party officials, agreement is reached between two or three parties, there is still one final hurdle to be cleared: the formation of a government policy accord spelling out in some detail the plans and policies of the new government. When the accord is signed the new government can be sworn in and its plans implemented in the next four-year period. That is, of course, if the coalition holds together and does not come to grief on differences in the interpretation of a particular issue of the accord.

nuclear energy, industrial pollution or the expansion of airfields, was tantamount to marching in the vanguard of progress and those who stayed at home risked being labeled conservative. Politicians who were not publicly in sympathy with these movements were regarded as backward, right-wing and opposed to the "real progress" demanded by "the people," and consequently lost popular support. Others, even those who knew that a world without hunger and war could not emerge from a simple formula, jumped on the bandwagon and with feigned enthusiasm placed themselves at the head of the marches in the hope of picking up a few votes. What they did in reality, however, was to give political sanction to mass protests and thus to undermine the normal parliamentary process.

Given this lack of social and political cohesion it came as no surprise that on Dec. 12, 1979, when NATO took its "dual track" decision on cruise and Pershing missiles, the Dutch Christian Democrats/Liberal coalition did not commit itself to the deployment of 48 cruise missiles on Dutch territory. In an official statement, the first of the many "footnotes" which were to dent the Alliance's sense of unity, the Dutch came out in support of the military and political reasons on which the decision was based, but stated that they would take a decision on deployment "in December 1981 on the basis of the criterion of whether or not arms control negotiations have by then achieved results."

That date came and went. A new Labor/Christian Democratic/Democrats '66 coalition was unable to reach agreement on nuclear weapons. The only point the coalition partners could agree upon was that they would take no decisions on cruise deployment at all, much to the chagrin, incidentally, of the rank and file of the Labor Party who had expected a "no deployment" decision. When this coalition fell apart in 1982 through differences of opinion on economic policies—cuts in government spending in order to curb inflation—the leader of the new Christian Democratic/Liberal coalition, Ruud Lubbers (Christian Democrats), promised that a decision would be taken in June 1984. This was the final date allowing for the necessary construction operations at Woensdrecht air base in the preparation for the scheduled deployment in the spring of 1986.

Meanwhile the protests of the peace movement, an uneasy consortium of radical left wingers, muddle-headed anti-Americanists and people with a genuine concern for peace and environment, reached a new pitch. On Nov. 23, 1983, for instance, about half a million people marched in the Hague in protest against the cruise missiles. The peaceful character of this demonstration was not emulated in later actions by so-called peace activists, who tried to block the traffic to and from the air base. Against the background of these protests—and with polls indicating that a majority of the population was against deployment—tensions mounted as June 1984 approached. In the coalition there were conflicting views. Defense Minister Job de Ruiter (CDA) appeared to be against deployment, while Foreign Minister Hans van

den Broek of the same party wanted to implement the NATO decision, as did the Ministers of the Liberal Party.

Prime Minister Ruud Lubbers seemed to hover in between. He tried to break the deadlock by proposing various alternative basing schemes ranging from the outright danger-

## The Dutch military

The active duty manpower level of the Dutch armed forces is about 110,000, of which 50% are conscripts. In a conflict, the wartime strength will be more than double that number since over 150,000 reservists can be recalled for active duty.

Most of the naval forces are assigned to NATO. The Royal Netherlands Navy has over 40 surface combatants and submarines plus some 25 helicopters. In addition, the naval air arm has nine maritime patrol aircraft, some of which are dual capable. Mine countermeasures are enhanced by the introduction of new "minehunters." Units of the Marine Corps are part of the AMF and conduct exercises in Norway on a regular basis.

The Royal Netherlands Army has earmarked one Army Corps of nine brigades (three armored and six mechanized) for the defense of its sector in the North German Plain. The units are in the process of being fitted out with modern Leopard 2 tanks and new armored personnel carriers. Nuclear capabilities include a Lance battalion, a howitzer battalion, and an atomic demolition ammunition mission team. Territorial Army units will guard land lines of communication and critical installations. Army units (with reinforcement of marines and air force personnel) serve in Lebanon and Sinai.

The Royal Netherlands Air Force supports NATO with 18 dual capable F-16 strike aircraft, 90 F-16 and NF-5 ground attack aircraft, and 18 RF-16 reconnaissance aircraft. The air force also operates 2 Nike and 11 Hawk air defense missile squadrons. Nike is to be replaced by the Patriot missile.

A new 10-year budget plan was published in 1984. The budget estimates are based on a real annual growth of 2% from 1984 through 1987 and of 3% thereafter. The diminished growth of the budget—3% was the target—means serious trouble for the services. Procurement plans have had to be altered and operating expenditures curtailed. The changes have not so much affected the procurement of major weapon systems as the items that are needed to attain a balanced force structure, such as electronic warfare equipment, ammunition, spare parts and so on.

ous to one or two bordering on the ridiculous. As most of these alternatives were unacceptable to the Liberal Party, the chance that the cabinet would fall increased; not a very agreeable prospect for the coalition partners. New elections with nuclear weapons as the main issue would probably benefit the Labor Party, making the chance of a return to government for the Liberals very slim indeed. It would also entail a reversal of the economic policies of the present coalition. The rewards of the austerity measures, such as wage cuts in the civil service, which are slowly becoming discernible in the form of increased economic activity, would then be lost too.

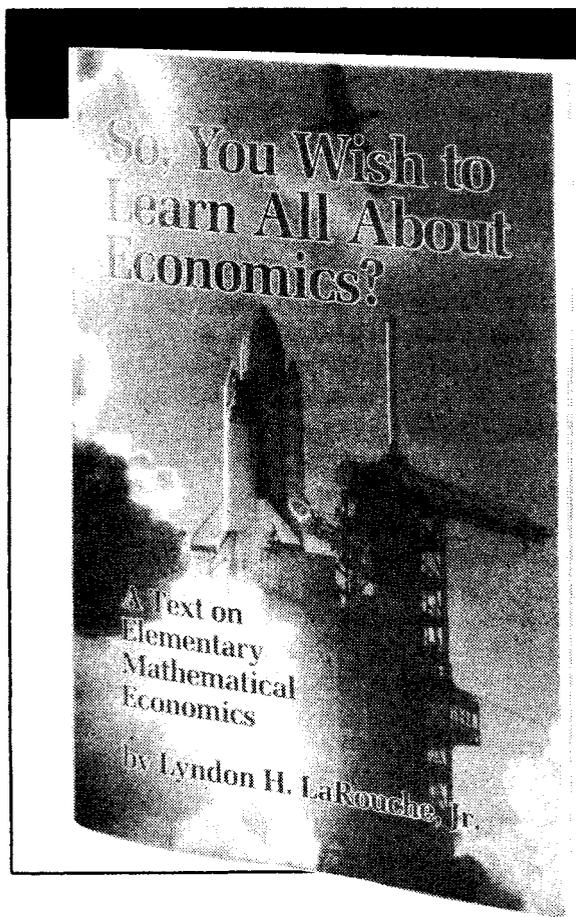
This explains why the compromise reached on June 1 in Mr. Ruud Lubber's coalition government may very well be the best that could be achieved. An unqualified decision to go ahead might have brought down the government, as might also a disguised "no" against deployment. The text of the decision—which is open to different interpretations however—boils down to this: The Dutch government will take a decision on deployment on Nov. 1, 1985. If by that time an arms control agreement has been reached with the Soviet Union, a fair share of the total number of missiles that are allowed under the terms of the treaty will be deployed in the Netherlands. In the absence of such an agreement the Netherlands will deploy the scheduled 48 weapon systems if the Soviet Union increases the number of SS-20 missiles beyond the limits reached on June 1, 1984. With this decision Dutch officials have for the first time formally agreed to accept the

missiles under NATO's 1979 plan, but it is also the first time a NATO nation has backed away from carrying out the deployment as scheduled. Under the original schedule the first missiles would have arrived in 1986. Now they can only be deployed some two years later.

If the process of reaching agreement within the cabinet was difficult, the government still had to clear the even more formidable hurdle of parliamentary approval. But in the two-day debate the prime minister successfully defended the government position. Some 20 amendments were defeated, although one amendment of the opposition was supported by seven delegates of the Lubbers/CD party.

Mesmerized by the nuclear debate, politicians had little time or inclination to discuss the matters of conventional forces. Holland has a professional navy and air force and a sizable army. The cadre/militia system of the army permits rapid expansion in wartime. Most of the forces are assigned to NATO (see box p. 35).

The territorial army will secure the land lines of communication of the allied forces and guard important military installations, using mobilizable infantry brigades, infantry and ranger battalions and National Reserve units. The latter are volunteer forces who train in their spare time. The number of people volunteering for these units is remarkably high, as is also the number of volunteers for units serving in Lebanon and Sinai. This together with the fact that the number of conscientious objectors has gone down could well be a sign that the mood is changing in Holland.



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# Will Iran's mullahs survive the summer?

by Thierry Lalevée

Ruhollah Khomeini's Islamic Republic of Iran is facing what is probably its most serious crisis since its creation in February 1979. Isolated internationally as never before, even during the 1979-80 hostage crisis, Iran now faces serious problems on numerous fronts: the inability to mount a new and successful offensive against Iraq, and an internal economic crisis of disastrous proportions.

At the root of both problems has been Iraq's successful targeting of the Iranian oil terminal in the Kharg Islands, which for several months has prevented any significant exports of Iranian oil. Although a cease-fire between Iraq and Iran was reached on June 12 and is so far being respected, at least in the Gulf, few companies are yet daring to buy Iranian oil. Japan remains the only steady client, but has made no secret of its intent to buy elsewhere as soon as it can. Iran is left with \$5-\$6 billion in rapidly diminishing foreign reserves and \$6-\$10 billion in debts to various governments and companies.

## What 'final offensive'?

Iran's troubles are compounded by an effective international boycott on the sale of weapons to Iran which has driven prices of weaponry through the ceiling. Selling weapons to Iran at all has become a very risky business for most dealers. Whatever the price Iran's religious and military officials can offer, they still end up with weapons of lesser quality than the Iraqis have. No one is interested in selling to Iran jet fighters of the Super-Etendard, MiG or Mirage quality, which Iraq has in abundance from France and the Soviet Union. Even the Soviet Union decided recently that its best bet for exercising control over Iran was to tell its East-bloc allies to keep the mullahs on a short leash by not selling them too many weapons. At most, spare parts will be sold to Iran, to maintain its 50 or 60 remaining jet fighters (Iraq has more than 300). With such a limited air cover, even the half-million-man human wave Iran planned to unleash against Iraq has little, if any, chance to break through the Iraqi lines. Iraq has artillery, tanks, jet fighters, as well as bombs—including some 5,000 cluster bombs delivered from Chile, whose effects on a human wave would be horrendous.

The mullahs boasted after the last unsuccessful offensive in March that the next one would be the "final and successful offensive." Certainly they cannot afford another failure, but can they afford to have several hundred thousand increasingly restive volunteers waiting on the southern front, under the increasing heat of summer? To boost the morale of the troops, radio and newspaper accounts daily describe the supposedly joyful throngs of volunteers going to the front. Few, in fact, ever reach it. To lessen the logistical problems of feeding such a massed army during the religious fasting month of Ramadan, most volunteers are sent to training camps all over the country, then paraded from one city to another. President Khomeini's speech on June 20 in front of some 4,000 volunteers gave a hint of the predicament of the leadership; instead of trying to mobilize the troops for battle, he declared that "we do not go around looking for wars. . . . Nobody should think that we want war." He did not omit the ritual call for the overthrow of Iraq's Saddam Hussein, but the spirit of conviction was lacking.

Most of Iran's population is now preoccupied with the economic crisis and particularly the food shortages. The official distribution of meat, according to the latest reports, allocates no more than half a chicken per family per month! This means starvation for many; for those few who still have a job, it means going to the black market controlled by the mullahs and the revolutionary guards to buy food at astronomical prices. The situation may be kept under control for a time, especially during Ramadan, but there is no change in sight.

The crisis has resulted in desperate political infighting among the top layers of the mullaharchy. On one side are the military leaders who think that an attack against Iraq's Kurdistan could be more fruitful than an offensive in the south; opposing them are the mullahs who want to "liberate" the Iraqi Shi'ite city of Kerbala above all other considerations. The Army is also seeking to reestablish the leadership it had over the revolutionary guards (Pasdarans), before the recent creation of a "Ministry of Pasdarans" led by Hojitesillam Hashemi-Rafiqdust. And though none among the military are saying so publicly, some are secretly advocating an end to the war. The anticipated death of Khomeini has become a lively subject of discussion, as the senile dictator is kept alive by Swiss doctors who give him perhaps five hours a week of lucidity. Khomeini's official successor is the equally senile Ayatollah Montazeri, but there are signs that the real successor will be Speaker of the Parliament Hoj. Rafsanjani, a mullah known for his opportunism who has maintained intelligence contacts with both Israel and the United States, through his export/import business.

Rafsanjani is widely viewed as the mullah who could end the war while maintaining the structures of the Islamic Republic. To do so, he will have to act soon. Otherwise, the present crises provides the best ammunition yet to deal the mullahs a final blow—if Iran's true patriotic forces can seize the chance.

# Picking up the pieces in India's Punjab

by Susan Maitra from New Delhi

While the Indian army is still occupied with mopping up terrorists in Punjab following "Operation Blue Star"—the code name used for the army assault on the Sikh Golden Temple—the country is slowly coming to grips with the gory details daily coming to light of an insurgency movement that was directed at separating Punjab from the rest of India. Prime Minister Mrs. Indira Gandhi and President Zail Singh have launched a powerful campaign to "heal the wounds" and present what has happened in the proper perspective. However, voices of dissent, particularly of those eager to make political gains out of a tragedy, can be heard trying to portray the extremist-run uprising as a battle between the Sikh minority and the Hindu majority.

Following the army action that killed the Sikh fundamentalist Samt Jarnail Singh Bhindranwale, along with many other extremists and army personnel within and outside of the Sikh shrine at Amritsar, a great deal of debate has been raised in this country analyzing the course of action taken by the government. While most of the analysts, Sikh and Hindu alike, agree that the government had no other choice under the circumstances, some have squarely condemned the government action as unnecessary and certain to create confusion and polarization between Hindus and Sikhs. More than 1,000 Sikh soldiers belonging to the Indian army, instigated by a few among them, left their barracks to join their brethren "defending the Sikh community." Another case in point is the outburst of a well-known Sikh journalist, whose home is reportedly stacked with pornographic materials; he promptly returned a high award from the President of India in protest against the army action. It is evident that some, like this journalist, are using the emotionally charged atmosphere to gain a political footing in the Sikh community which they never had before.

## Virus of opportunism

Such irresponsible and entirely opportunistic behavior has also become commonplace among some political opposition leaders. Their tactic at this point is to implore the government to withdraw the army—although it is exceedingly clear that a large number of insurgents are still at large in the distant villages and congested cities of Punjab and neigh-

boring states. They are also pressing the government to begin a "dialogue" immediately with the Akali Dal leaders—the same leaders who quietly supported the arms build-up and killing both inside and outside the Golden Temple, or looked the other way.

The five major opposition parties have called once again for a "political solution" in the Punjab. Among these "peacemakers" are most of the communist parties, whose record on matters of national interest and integrity is dubious. The Communist Party of India (Marxist) originated in the cause of defending China in its war against India in the 1960s. The Communist Party of India (CPI) distinguished itself in the late 1940s, right after independence, by directing an insurgency in Andhra Pradesh to separate part of the state from India.

So far, the Akali Dal leaders—many of whom were inside the Golden Temple complex while the extremists were carrying out the armed fortification, and who witnessed the reign of terror of the last ten months and the build-up of fiery rhetoric in support of Bindranwale's murderous intent—have failed to condemn the terrorist movement, even though they were virtually rescued from the Golden Temple where the extremists held them literally as hostages and simultaneously exploited their political clout. These leaders have joined the voices now trying to polarize the situation. One of these so-called moderate voices is Prakash Singh Badal, who was arrested in February in the act of burning the Indian Constitution with great fanfare in front of the Indian Parliament; he had managed to stay away from the Golden Temple. Badal has demanded that the President—who belongs to the Sikh religion caste—as well as Sikh ministers, members of Parliament, members of state assemblies, and old Sikhs holding appointed and elective positions resign in protest against the army action.

## The foreign hands

A great deal of activity has also been observed abroad, particularly among the Sikh secessionists based in Great Britain, the United States, and Canada. The British Broadcasting Corporation (BBC) has seized the opportunity to echo the tradition of the Raj's days, fanning the flames of ethnic and communal conflict in service of balkanizing the subcontinent. The BBC gave its airwaves to the demented "Khalistan" leader Jagjit Singh Chauhan, to broadcast his message that a commando squad has been formed to eliminate the Indian Prime Minister, her son, and the President. In spite of Indian government protests, no action has yet been taken by British authorities against Chauhan.

Meanwhile, a wealthy Washington-based Sikh, Ganga Singh Dhillon, who is deeply involved in the secessionist movement and a personal friend of Pakistani President Zia ul Haq, is actively mobilizing liberal Democrats such as Sen. Alan Cranston to form yet another anti-India lobby among the politicians in the United States.

It is also clear that other London-based secessionists such as the Naga leader Phizo and the so-called Jammu and Kashmir Liberation Front, as well as Muslim fanatics run by Libya's Qaddafi, Algeria's Ben Bella, and the Nazi-linked Swiss banker now based in Libya, François Genoud, are consolidating their collaboration with Chauhan and other secessionists. This crowd's British gurus, such as Neville Maxwell, are providing the litany of historical and sociological justifications for Punjab's secessionist struggle, and India's "inevitable" fragmentation.

### Facts speak for themselves

Be that as it may, the facts that have come to light in recent days in the wake of Operation Blue Star speak for themselves. It has become clear to the Indian citizenry that the so-called Sikh resistance had nothing to do with the Sikh community. Inside the Golden Temple under the very eyes of the Akali Dal leaders, the terrorists had amassed a huge supply of arms. The army has reported that it has collected 49 light machine guns with Chinese and Pakistani markings, 2 German rocket launchers, 2 medium machine guns, 74 self-loading rifles, three hundred and seventy-two .302 recoilless rifles, 34 carbines, many other small weapons, and a large quantity of ammunition. A large stock of drugs, such as white heroin, brown heroin, and opium, has also been discovered. The Akali leaders had also witnessed the systematic maiming and killing of innocents—anyone who defied the terrorists' orders—inside the holiest of holy shrines. Such activity was not confined to the Golden Temple, but took place in many other temples and villages throughout the Punjab countryside.

There is a broad understanding within Punjab and outside the state that the way ahead is defined by new requirements. First, these nests of terrorists and their weapons stockpiles must be cleaned up once and for all. Second, the Akali Dal leaders must explain why they allowed the secessionist movement to grow and flourish and to take such a deadly form. Without fulfilling these two conditions, any discussion of a "political solution" with the Akali leaders is not only fruitless but also extremely dangerous for the nation.

Both Prime Minister Gandhi and President Zail Singh have clearly stated the government's intentions in this matter. The President himself visited the Golden Temple immediately following Operation Blue Star to offer his prayers, and then addressed the nation emphasizing that "never again should we allow such circumstances to develop which create disunity among us." Prime Minister Gandhi, who has since met with the opposition leaders, local press and foreign journalists, has repeatedly called for "healing the wounds."

When asked by a Radio Canada interviewer how such a process of healing would start, Mrs. Gandhi said: "It has to come from the people themselves. We can only help it along and see when something is happening that is hampering it. We can only see how we can remove the obstruction. But basically, it has to come from the people."

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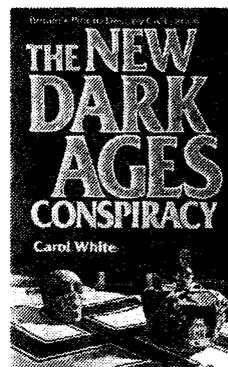
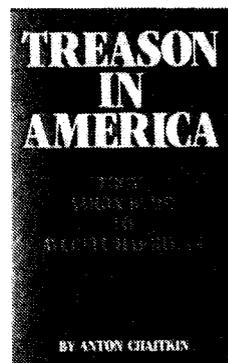
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# Mexico's corruption industry is twenty years behind the U.S.A.'s

by Lyndon H. LaRouche, Jr.

There just isn't much good, old-fashioned Yankee patriotism to be found around Washington, D.C., these days. Take, for example, draft U.S. defense legislation being written in the Soviet Embassy, top Democratic Party officials insisting that President Ronald Reagan needs moral education by Moscow, and, now, columnist Jack Anderson insisting that even notoriously underdeveloped countries such as Mexico are way ahead of the United States in the corruption department.

As a good, old-fashioned Yankee patriot, I object. I insist that Mexico couldn't even make it to the semi-finals in competing with the United States in the corruption department. Of course, some Mexicans proudly insist that their country is pretty far advanced in the corruption derby, but the fact is, most of the serious corruption inside Mexico is imported from places such as Houston, Los Angeles, Las Vegas, Washington, and Montreal. Compared to the United States, Mexico's corruption industry is strictly underdeveloped.

Jack Anderson has been hoodwinked. Before he went to print with his latest round of fairy-stories about corruption in the Mexican Presidential Palace, Anderson ought to have checked his sources more carefully. I don't wish even to imply that Jack Anderson is any shade of communist, but the fact is, the rumors about Mexican corruption published in his column come originally from top-level Soviet agents inside Mexico: the top levels of the open political alliance between the Communist Party of Mexico (PSUM) and the Soviet agents in the Nazi party of Mexico, the National Action Party (PAN).

Don't blame Jack Anderson too much. He has a very limited staff of researchers, and has admitted pretty frequently that most of the contents of his widely circulated newspaper column come to him as "leaks" from informants inside government and lobbying circles in Washington, D.C. Most of the nationally syndicated columnists secure their published stories the same way; the famous Drew Pearson's successor, Jack Anderson, is only the most successful of the whole collection of such folk. Sometimes, Anderson's column carries facts pretty close to the truth, like Anderson's exposure of the U.S. government's corruption in framing up an inno-

cent U.S. senator, New Jersey's Harrison Williams. Sometimes, the leaks he publishes are pretty much garbage: It all depends upon the source of the leaks.

As we said, the story Anderson's column is peddling about alleged corruption in Mexico's presidential palace comes originally from the rumor mills of the Nazi-Communist alliance in the Mexican opposition parties, and circulates around Washington through official and semi-official circles tied up with Henry A. Kissinger.

Up to a point, that entire leak is morbidly amusing. The point is, the worst case of straightforward corruption in Washington, D.C., right at this moment is the fact that the entirety of U.S. policy toward all of Ibero-America since October 1982 has been run for the private interests of the clients of a firm called Kissinger Associates, Inc. Today, numerous officials of government dealing with U.S. monetary and economic policies toward Ibero-American states are acting as agents of Kissinger Associates, Inc. Anyone filled with good, old-fashioned *Yanqui* pride would insist that there's not a country in Ibero-America which could match the case of Kissinger Associates, Inc. for monstrous corruption in the highest places of government.

The U.S.A. is way ahead of most Ibero-American countries in another pretty important category of political corruption: election fraud. The cases of the 1960 and 1976 presidential elections are pretty famous. It has been proven that in the 1984 Democratic Party primary elections in such states as Pennsylvania, Maryland, and New Jersey, the percentile of the total vote fraudulently counted was between 10% and 20% in each case. Investigation has proven that the kinds of voting machines and computer counting of votes used in most elections are designed to facilitate undetectable kinds of fraud in the counting of votes cast. It is a fact now being fought in the U.S. Federal courts, the decisions of judges in election-fraud cases interpret the law so that no fraudulent election can be challenged unless the plaintiffs have signed confessions of a sufficient number of election officials to prove that the amount of fraud confessed to and proven by corroborating evidence is large enough to overturn the entire result of the

election. As long as such lower-court decisions are upheld, there is no law against vote-fraud in the United States.

So much for popular democracy in the United States: We're not quite up to the level of Adolf Hitler's notorious plebiscite in Germany, but we're getting pretty close, the way trends have been running in recent years. As a proud Yankee, I challenge Mexico to prove it has produced enough fraud to overtake the United States' political processes in the international corruption Olympics.

The first widely circulated version of alleged fraud by the government of Mexico's President José López Portillo erupted at the time President López Portillo cracked down to stop looting of the Mexican economy by flight-capital speculators. Some of the fellows in Texas, California, and elsewhere who lost profits in that crack-down began stamping around and hooting that President López Portillo's action was a "communist-inspired" interference with "free enterprise." As López Portillo's successor, President Miguel de la Madrid, moved in against drug trafficking along the U.S.A.-Mexico borders, the accusations of corruption against him began to erupt pretty loudly from the same circles which had earlier accused President López Portillo of "communist inspiration" and massive personal corruption. Then, when the government of Mexico said some pretty plain words of opposition to Henry A. Kissinger's policies, the rumors of corruption in Mexico's Presidency began to be thunderous; after that, Jack Anderson's column unleashed its campaign against Mexico.

### The map of corruption in Mexico

Naturally, there is significant corruption inside Mexico. Look at the map. The map shows the known centers of drug-trafficking into the United States from Mexico. The map also shows the political centers inside Mexico which either are, or have been until recently, under the political domination of the anti-government alliance of PSUM and PAN. Worse, the drug-trafficking into the United States from these points is the logistical base used to support Mexico-based terrorists targeting the United States. Worse, elements of the U.S. State Department and FBI have been caught red-handed in political support of the PAN's efforts to overthrow the present government of Mexico, and FBI-steered attacks on the special anti-drug task force headed by Vice-President George Bush have had the effect of aiding the Mexico-based drug trafficking and terrorist infrastructure against the Vice-President's task force.

Those facts were available to columnist Jack Anderson, but somehow, Anderson's column ignored those facts. The facts show that the most important financial corruption of governmental processes in Mexico comes from the United States: which is not the story which Jack Anderson is committed to circulating at this present time.

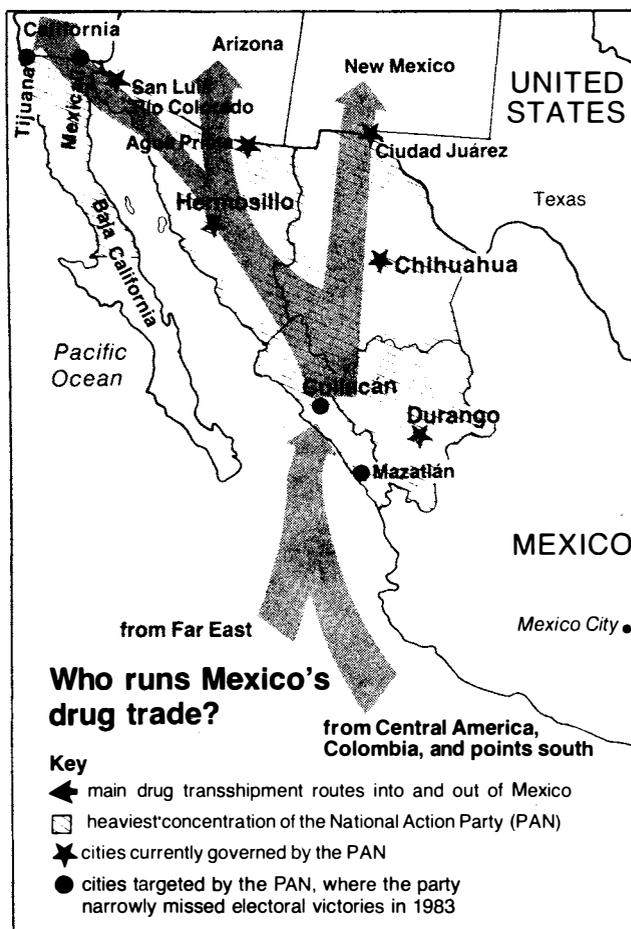
Naturally, there is political corruption in every country in the world today, and not all of the important corruption in Mexico originates from among the accomplices of Henry A.

Kissinger and AFL-CIO President Lane Kirkland's AIFLD network. There is direct, and indirect corruption from Moscow, too.

The most important, and dangerous form of corruption from Europe is an echo of Soviet intelligence services' collaboration with the Nazi international's channels, through channels tied to the well-known "former Nazi," Conchello, and the famous right-wing journalist, Jose Pérez Stuart. These channels date from pre-Nazi times, back to the time of the British-backed Hapsburg dictator, the "Emperor" Maximilian. Out of the bloody opposition to the Mexico constitution of President Obregón, there emerged in Mexico that curiously overlapping bifurcation of anti-Obregonista currents intersecting the famous Lombardo Toledano, defining the strange Nazi-Communist overlap which has dominated opposition politics in Mexico to the present date.

The anti-Semitic qualities of this species of oppositionist in Mexico is typified by the recent threats delivered against me from these quarters, as allegedly "that dirty Jew from Philadelphia." I don't happen to be Jewish, but in such a connection, I wear the bestowed appellation, "Jew," as a badge of honor.

To many, especially ordinary citizens whose ideas of



Nazism come from an overdose of Hollywood movies, the very name, "Nazi-Communist," seems a contradiction in terms. To the uneducated, "fascism" is the ultimate in "anti-communism." For reasons implicit in the most authoritative documentation on fascism, from the inside, Dr. Armin Mohler's *The Conservative Revolution in Germany*, in origins Communism and Fascism are twins, consistent outgrowths of the allied "Young Europe" and "Young America" radical organizations of Giuseppe Mazzini and Italy's Propaganda 1 freemasonic lodge.

There is a crucial distinction between the variety of Communism associated with Karl Marx and fascism. The core of the distinction is Marx's adherence to the policy of scientific and technological progress. Remove that point of distinction from within Marxism, and the Marxist is transformed lawfully and quickly into a fascist. The "National Bolsheviks" of Weimar Germany are an example of this, as was the Gregor Strasser wing of the Nazi Party, and the Russophilic Dostoevskyan faction associated with Nazi "cultural philosopher" Alfred Rosenberg. Wherever "blood and soil" cults, such as "nativist" and "integrist" cults, become the cause for which the self-styled "oppressed" oppose the alleged "oppressors," self-styled "communism" becomes pure fascism.

The case of the origins of the fascist international's Sendero Luminoso terrorist cult in Peru, an outgrowth of the profascist leadership of the old Communist Party of Peru, is an example of this. The ideology of sometimes Communist, sometimes Trotskyist muralist Diego Rivera of Mexico, is another example of the basis for the "Nazi-Communist" phenomena in actually and putatively oppressed nations such as those of Ibero-America.

As the cases of Col. Walter Nikolai, Klaus Barbie, and Richard Sorge variously typify the point, the Nazi intelligence apparatus was deeply penetrated by persons and circles strictly defined as Nazi-Communist during the 1930s and World War II. Today, as the bragging confessions of former Nazi Lt.-Gen. Otto-Heinz Remer and Ahmed Huber attest, and as the networks of the international-terrorism-linked head of the Nazi International today, former Swiss Nazi accomplice of Allen Dulles, François Genoud, corroborate, the hard core of the Nazi and allied fascist networks today is dominated by the Soviet intelligence services.

In addition to the putatively "leftist" origins of numerous among today's Nazi-Communist alliances, such as the PSUM-PAN alliance against the Mexican presidency today, the essential origins of modern fascism, Nazism included, are to be found in the philosophy of Henry A. Kissinger's adopted spiritual mentor, the Holy Alliance's anti-U.S.A. Prince Metternich. The variety of feudalistic, self-styled "conservatism" of Metternich, and of Metternich's admiring student, Kissinger, is the essence of modern fascism, as the former Nazi Waffen-SS volunteer, Dr. Armin Mohler, has ably and conclusively documented this fact.

In the case of Mexico, and the Caribbean generally, the

political association which controls most of the heroin, marijuana, and cocaine trafficking into the United States is the Nazi International of Bolivia's Klaus Barbie et al. These Nazis thereby control most of the U.S. dollar-denominated "underground economies" of the Caribbean region, down into Bolivia, through Peru and Colombia, and are the inner core of the political factions allied with Kissinger Associates, Inc. against the present governments of Mexico, Colombia, and Bolivia, for example. This network includes not only Nazi and allied fascist organizations endemic to Europe and the Americas; the Nazi drug trafficking includes key Syrian-Lebanese families representing the Nazi Abwehr's Syrian PPS and allied Middle East circles. Naturally, these circles are closely allied with the "recreational-drug lobby" inside the United States, and penetrate even nominally Jewish circles through channels of the Franco-Swiss-Italian fascist networks penetrating deeply into the Israeli and U.S. elements of the fascist "new right" linked to the "Temple Mount" insurgency against Israel itself. These nominally pro-Israeli, millenarian, new-right elements are allied with Kissinger and Ibero-American Nazi-Communists in military-political operations in the region.

The alliance between the pro-fascist Communist Party of Mexico (PSUM) and the anti-Semitism-ridden, former Mexican ally of Adolf Hitler, the Maximilian Hapsburg tradition of the PAN, echoes the underlying principles of fascism's "conservative revolution," the modern version of the feudalistic faction's determination to eradicate the ideas of the U.S.A.'s American Revolution—the sovereign nation-state and scientific and technological progress—in favor of the neo-Malthusian, world-federalist varieties of "post-industrial society" variously promoted today by the Hapsburg Pan-European Union, the pro-genocide, racist Club of Rome, and the followers of the British style of fascism among the followers of Bertrand Russell, "science affliction's" H.G. Wells, and the Lucifer-worshipping cults of Russell's, Wells's and Aldous Huxley's notorious leading accomplice, Aleister Crowley. Within our own, excellently corrupted United States, this includes the "spoon-bending" "psychotronics" cults centered upon the orbit of Soviet-penetrated Esalen Institute and the "open conspiracy" cults of Stanford Research Institute's Willis Harman, Soviet-intelligence-infected cults deeply penetrating our nation's prominent scientific laboratories and our military and defense establishments.

There is a certain kind of natural affinity, embodied in a blending of Metternichian-Kissingerian "conservatism" and weird, theosophical cults, between the indicated sort of massive corruption in the United States and the Nazi-Communist varieties of corruption imported to the Kissinger-allied political-opposition forces within Mexico.

Therefore, at present, all patriotic *Yanquis* must insist that relative to the United States itself, Mexico is very, very backward in the progress of its national political-corruption industry.

## Labor movement under attack

*The pro-IMF forces in Mexico are targeting the alliance between the government and labor.*

**M**exican trade union leaders on June 8 handed a "letter of intent" to Labor Minister Arsenio Farrell Cubillas, demanding salary increases to counter high inflation and warning that the country's economic crisis will worsen unless urgent measures are taken to fend off the pressures from foreign banks.

"The persistent capital flight, the fall in the international prices of our main export products, and the increase in interest rates by the financial community, have placed Mexico in a very vulnerable situation, because of the lack of decisive actions toward an independent, democratic, popular, and nationalist development," the declaration said. "This obliges Mexico to change our financial relations with the international financial community."

The document was signed by representatives of the Workers' Congress, formed by the powerful National Confederation of Workers (CTM), the Revolutionary Confederation of Workers and Peasants (CROC), the Revolutionary Confederation of Mexican Workers (CROM), the Revolutionary Congress of Workers (CRT), and the Workers' Revolutionary Confederation (COR).

The letter was written at the height of a pitched battle in Mexico against the International Monetary Fund's (IMF) austerity conditionalities. Three weeks before, our bureau in Bogotá, Colombia, had reported that CTM leader Fidel Velázquez, the "grand old man" of Mexican labor, had sent a message to the Ibero-American re-

gional labor confederation ORIT calling for an urgent meeting to discuss the indebtedness of all Ibero-American countries. If ORIT does not do it, he said, "the CTM will."

After the unions' document was delivered to the authorities, a campaign of blackmail against the CTM began, with the aim of splintering the labor movement.

The target is not just organized labor itself, but also the government of President de la Madrid, which has begun to turn away from acceptance of the IMF's conditionalities and toward continental integration—the debtors' club. It is the traditional strong link between Mexican labor and the government which had allowed de la Madrid to survive the onslaught by the IMF. Now the IMF's agents are out to knock this pillar from under the government.

Here is how the battle unfolded: Alberto Juárez Blancas, a leader of the CROC, abruptly declared that his union did not agree with the content of the document which it had signed, and had not known of its full contents.

Then Juárez Blancas accused Velázquez of seeking to impose his own views on the rest of the labor movement and distorting the main point of the document—the need to counter the policies of the international banking mafia. Juárez Blancas receives his orders from Labor Minister Farrell Cubillas, an associate of Education Minister Jesús Reyes Heróles, the architect of Mexico's political opening to the Nazi-Communist alliance formed

to destroy the ruling PRI party.

The press immediately joined the fray, saturating public opinion with reports of the fracturing of the organized labor movement.

The reality is that all over the continent, labor leaders who are supporting the idea of a debtors' cartel are under fire. In Mexico, people like Farrell Cubillas and Reyes Heróles—who tried to destroy the labor movement at least three times in the last 18 months—are doing their best to boost their own political positions and force President de la Madrid to abandon his new policy orientation toward Ibero-American integration.

Countering these moves, Fidel Velázquez declared, first, that the CROC and any union organization affiliated to the Workers' Congress that starts a political rebellion should be brought before the Honor and Justice Commission of the Congress, and second, that "there are no conflicts within the hard core of the Workers' Congress, but rather an irresponsible little bunch that is lending its services to destabilize the workers' movement."

He added emphatically: "The CTM is not worried about the CROC; compared with us they have no importance. Some are saying that they are the second union federation in the country, but when an elephant and an ant walk together, it is of course the ant which is the smallest, isn't it?"

De la Madrid sought to counter speculation about a rupture between the government and the unions, and met publicly in Guadalajara, Jalisco, with representatives of both the CTM and CROC. The President issued a call for a reinforcement of the government-labor alliance: "We should communicate our points of view and present propositions, and be conscious of the difficult international and domestic reality which we face," he said.

## Israel's long month of crisis

*Strikes on the eve of national elections reflect a 1,000% inflation rate, and no coherent economic policy from the Likud or Labor.*

Maybe Israel's July 23 national elections will not take place, an observer recently remarked. "Politicians and voters may go on strike." The joke may be no joke at all. Several weeks ago, the national elections were actually threatened when the clerks at the Ministry of Interior in charge of the upcoming voter registration went on strike.

Israel's labor situation has never been so wild. Every day, Israel sees close to 50% of its labor force on strike. In the last two weeks, no less than 15 different labor sectors struck for one, two, or more days. Radio and television were off for at least four days when technicians struck. On June 13, David Kimche, director of the Israeli Foreign Ministry, was prevented by a strikers' blockade from delivering a note of protest to Rome over a meeting the previous day between the Italian Foreign Minister and Yassir Arafat. He had to telephone the Italian ambassador.

More serious have been the repeated strikes at schools and universities, in hospitals and pharmacies, the postal and telecommunications services, and, for the past two weeks, gas distributors.

Most demands are similar and concern rapidly declining wages and standards of living of all Israeli workers. According to Yugal Hurvitz, former finance minister under Menachem Begin and candidate on the list of the small centrist Ometz Party, Israel's inflation will soon be running at an incredible annual rate of 1,000%, an inflationary spiral which can only

be compared to 1923 Weimar Germany.

That such a wave of strikes is exploding only a few weeks before national elections is obviously not by chance. Shamir's Likud government and Finance Minister Cohen-Orgad are playing a demagogical game, denouncing the secretary general of the Histadrut, Kessar, for using the electoral climate to pressure the government to give in to trade union demands. However true, the government is not addressing Israel's deep economic crisis.

Following the advice of Friedmanite monetarists, Cohen-Orgad boasted in front of the Israel-U.S. Chamber of Commerce June 14 that "Israel is on the road to recovery." He claimed that such a "recovery" has been under way ever since "the collapse of bank shares last October. Confirmation has been coming from the most objective source in the world—the international banking community, which has not reduced its credits to Israel since then."

He didn't say how such credits were being used. As a recent American scientific delegation discovered, they are certainly not going into Israel's real economy: its industries and science and technological research. On June 14, the *Jerusalem Post* published a letter from one Professor A. Axelrod of the U.S. Institute of Mental Health protesting against the severe cut in research: "As a scientist with experience of the long and laborious process that starts in the classroom and finally ends in scientific achievement, I feel com-

pelled to bring your attention to the grave consequences for Israel's economy and security that a continuation of [budget cuts] would entail. Any break in the continuing process of scientific education and research will have an impact for years to come. . . ."

Nonetheless, the Likud government's only "economic" plan rests on the fact that until America's November elections, it has enough leverage on the U.S. President to squeeze out billions in aid. What will happen once a President is elected, and is under no electoral pressures, is an issue no one wants to consider yet. Even the Labor Party is avoiding the issue in its public platform, merely stressing that cuts in unnecessary "political and military operations" such as the occupation of southern Lebanon would help Israel's economy.

Though polls now indicate the Labor Party will win the elections, nothing is certain. Indeed, Labor needs at least 52% of the vote to win, while Likud needs only some 45%, with the rest being the marginal but decisive right-wing parties. The next few weeks of campaigning will get very rough, as the Likud and its right-wing allies will seek to use the strikes to their own advantage, radicalizing some parts of the population and the army on a "law-and-order" basis. Agudat Ysrael, a religious party, is introducing bills in the Knesset to outlaw strikes in specific cases.

An ungovernable situation could be the electoral outcome if Israel's entire political and economic conditions are not rethought carefully. Friedmanite monetarism and American economic aid do not constitute pillars of a competent economic policy. Great projects that might "make the desert bloom" do constitute a competent economic policy, and also the basis for Arab-Israeli peace.

## **The beginning of the end of Genscher**

*His Free Democrats failed to qualify for seats in the European parliament, and the predicted party revolt has begun.*

**A**midst all the sad news on the outcome of the European parliamentary elections from all of Western Europe, there was one piece of good news: The Free Democrats of Henry Kissinger's junior partner in Bonn, Foreign Minister Hans-Dietrich Genscher, fell short of the 5% threshold required to qualify for seats in the next European Parliament. That is a good piece of bad news for those wanting to "decouple" Europe from the U.S.A.

Hans-Dietrich Genscher has been the European point-man for Kissinger's policy of "decoupling." He has also been the leading European opponent of President Reagan's beam-weapon defense initiative, portraying it as an anti-European defense policy and, therefore, all the more reason Europe should decouple, beginning with statements prior to last December's NATO foreign ministers meeting.

The catastrophic dimension of the meager 4.8% the Free Democrats polled on election day can only be grasped if one takes into account that at least 1.5-2.0% of even that total was due to "sympathy votes" from among the Christian Democratic constituency. That is the way the Christian Democrats of Chancellor Helmut Kohl helped the Free Democrats survive in the national elections of March 6, 1983, in an atmosphere of general public rage at party chairman Genscher's betrayal of the SPD coalition government in September 1982.

Christian Democrats helped Genscher and his liberals to live on, but the public rage also lived on. In

every state-level election since, the Free Democrats have missed by 1-2% the mandatory 5% threshold required for parliamentary seats under German election law. This meant that Chancellor Kohl, in forming a coalition with Genscher's party, had coupled himself to a corpse. It did, however, permit Hans-Dietrich Genscher to continue at the foreign ministry in his decoupling plot with Henry Kissinger.

However, the situation has changed drastically for Genscher in recent weeks. Public opinion polls and the low public interest in the Free Democratic campaign indicated ahead of time that election day, June 17, would become a disaster mark. In addition, the expected trial of his liberal cabinet colleague, Economics Minister Otto Count Lambsdorff, on charges of bribe-taking, tax evasion, and illegal party funding practices, prompted Genscher to propose an amnesty for all party-funding cases. Calculating that the Christian Democrats, many of whom might be on trial on similar charges soon, would be interested in such an amnesty, Genscher made an attempt to force the amnesty package through parliament in order to get Lambsdorff off the hook.

But this was not to be. Free Democrats noticed that a new storm of public rage was brewing against the amnesty project, and thus against the party as a whole. All party sections vowed to oppose and halt the plan; Genscher was forced to dump the initiative.

In addition, he felt compelled to announce that he would resign the par-

ty chairmanship by no later than spring 1986 in order to ensure his re-election at the party's convention June 1. Again, Genscher underestimated the shift of opinion in the party membership, for he was re-elected with an unprecedentedly low 61% of the vote.

Ironically, his operation to maintain the chairmanship clearly signaled to the public that Genscher's political days are now numbered. That is what makes the vote against the Free Democrats on June 17 the beginning of the end for him. The Free Democrats did not have to look for a scapegoat for the election debacle: It was clear to everyone that the disaster's name was "Genscher." The evening of election day, the word was already going out that he might not be able to remain party chairman into 1986, that he even might not be staying at the foreign ministry much longer.

On June 18, two of the 16 Free Democratic Party sections' leaders (Hamburg and Schleswig-Holstein), issued public statements that Genscher should draw the appropriate conclusions from the election disaster, and resign the chairmanship by the end of 1984.

The Free Democrats of Germany are not the smartest of politicians, and more than 500 cases of illegal party funding, tax evasion, and bribery under investigation by the German courts concern this party alone. The party has campaigned for legalization of "soft" drugs, has defended terrorists and violent demonstrators from public prosecution, and has shown other trademarks of organized crime influence. But if the party succeeded in getting rid of Genscher, they would do a great service to Germany and to the Western Alliance as a whole. Getting rid of Hans-Dietrich Genscher would have inevitable repercussions for Kissinger himself.

### POE returns show vast potential

*Their vote was small but impressive, since they ran in only 10 departments but received votes in 40.*

**R**unning in its first nationwide elections, the French Parti Ouvrier Européen, Lyndon LaRouche's co-thinker organization in France, received 17,684 votes for European parliament. Its program: No decoupling of Europe and the United States; European security based on neutron-bomb and beam-weapon deployments; and support for the Ibero-American "debtors' cartel" and a reorganization of the international monetary system.

The POE got only 0.08% of the whole of France, but its vote potential proved itself to be far greater. It spent a mere \$55,000 in a country where filing fees are exorbitant, sufficient only to place its name on 10 departments out of 95. Parties are requested to fund the printing of their own ballots, and it is estimated that to have run nationwide would have cost \$500,000-\$600,000.

Significant is the fact that some voters in other departments managed to get a POE ballot by their own means; not only did the party get between 800 and 3,000 votes in each of the 10 departments where it campaigned, but also surprisingly high votes in places where it did not. All-told, votes were cast for the POE in 40 departments.

The 17,000 votes in the 10 targeted departments amounted to 0.4% of the votes of those regions. The breakdown: Paris, 1,258 (0.18%); Paris far-suburbs Yvelines, 1,431 (0.35%), and Hauts-de-Seine, 1,302 (0.28%); Bouches-du-Rhone, which is the region of the industrial zone and port of Marseille, 897 (0.15); Rhone with the

large industrial and trade city of Lyons and its industrial suburbs, 1,294 (0.29); Loire-Atlantique, which includes the harbor of Nantes and the shipyards area including Saint-Nazaire, 805 (0.22%); Seine-Maritime, Normandy, with the industrial port of Le Havre and the agricultural areas around Rouen and Dieppe, 2,610 (0.61%).

Puy de Dome, whose large cities are Clermont-Ferrand, Le Puy, and Le Creusot in the central Auvergne mountains, was a big surprise with its 908 votes (0.4%), because the POE did not campaign there except for a three-minute TV interview, a radio interview, and an article in the local newspaper, *La Montagne* (which mentioned that the family of Jacques Cheminade, the head of the POE slate, comes from the area).

But the most striking was the vote for the POE in the northeastern region of Lorraine, one of the French steel-producing areas. Under the Socialist government's steel plan, the region will lose 20,000 jobs. The POE received 2,120 (0.92%) in Meurthe-et-Moselle, and 4,301 (1.35%) in Moselle. In addition, the party has been campaigning in Moselle, Metz, and Thionville in city council elections.

In other places where the POE had no ballots and no campaign except some press coverage, such as Var, a department on the Mediterranean coast, some 237 unexpected POE votes were cast; the two departments of Corsica recorded 40 votes, and Belgian-border northern departments of Nord

and Pas-de-Calais, the other heavy industrialized region of steel and coal whose main city is Lille, reported 141 POE votes.

In elections such as these, people tend to feel free to express their "feelings" through their votes, and are less worried about voting for a "winner" because they don't attach much importance to the European Parliament. They used these elections to express rage against existing institutions and policies. Not only did the extreme right-wing racist demagogue Jean-Marie Le Pen get 11% of the vote, but there were plenty of other ways to express discontent with eight or nine so-called "tiny slates," from the extreme-left to the so-called *poujadists*, the shopkeeper-populists.

What is striking is that in the midst of this wave of "rage voting" (close to 20% of the total), the POE supporters voted for ideas, for a programmatic solution to the strategic, economic, and financial crises. It was not a vote of protest, but a vote for a new defense of the Western alliance and a new monetary system.

The real outcome is a shift in perceptions of the population, that the POE is an established and growing political institution in France. Taking advantage of media coverage it received, including in the big Paris dailies, the party has embarked on an ambitious chapter-building campaign throughout France in preparation for the next round of elections. Most of its candidates have already declared themselves candidates for the March 1985 *Cantonales* (regional councils) elections.

Most interesting, Jacques Cheminade will challenge comeback-minded former French President Valéry Giscard d'Estaing in Giscard's home town, Chamalières, for a National Assembly seat.

## The PCI is the major party!

*The Communists' victory was aided by elements in the Christian Democracy who want to "decouple" from the Atlantic Alliance.*

**T**he Italian Communist Party (PCI) is now the major party in Italy. In the European parliamentary elections of June 17, for the first time ever, the Christian Democracy (DC) was surpassed by the Communists, who are now in a position to impose their will in domestic and foreign policy. The PCI got 33.3% of the votes, almost 5% more than in 1983, while the DC remained at 33%.

The PCI victory represented an unprecedented shock for the Italian population. The Christian Democrats' shield (the symbol of the party) was unable to defend Italy from the long-prepared onslaught of the Communists. The nightmare of the PCI *sorpasso* was suddenly a brutal reality.

Italy's future is now precarious, a situation worsened by the fact that the Communist victory was even promoted by pro-Soviet forces inside the DC, led by Foreign Minister Giulio Andreotti. Though the concrete potentiality for a Communist victory was clear, the Christian Democracy refused to make this an issue; on the contrary, Andreotti and other DC leaders campaigned on empty and ridiculous slogans calling for European integration. The PCI, on the other side, used everything as an issue, including the body of PCI secretary Enrico Berlinguer who died suddenly a few days before the elections. They succeeded in transforming the funeral of their leader into a national brainwashing. Even the neo-fascist leader, Giorgio Almirante, was received at the PCI

central office to present his condolences. Italy is now without any form of leadership inside the official parties capable of resisting Soviet demands and influence.

Fiorella Operto, secretary of the Partito Operaio Europeo (POE), which is known throughout Italy as the "American party" for its campaigning on behalf of President Reagan's beam-weapon program, released a statement immediately after the election, calling on Italians to react now to the results.

"There is the immediate danger of a Communist dictatorship in Italy. Such a dictatorship could take place with or without tanks, as in Prague in 1968. The Christian Democratic leaders, manipulated by Henry Kissinger, are responsible for their own defeat. With the Andreotti-PCI agreement, every citizen knew that a vote for the DC was a vote for the PCI. The domestic picture and the international position of Italy, both established by Alcide De Gasperi, have been destabilized."

Alcide De Gasperi, the founder of the Christian Democracy during the anti-Fascist resistance, succeeded in an immense effort to prevent Italy from remaining "neutral" in the postwar period, de facto in the Soviet orbit. It was his visit to the United States in 1947, and his agreement with the American leadership, that saved Italy from a Communist takeover then.

The historic elections conducted immediately after the signatures were placed on the Italo-American agree-

ment of 1948, established the Christian Democracy as the largest Italian Party and as the guarantor of the alliance with Washington. De Gasperi had to fight not only the Communist Party, but also the Communist sympathizers inside his own party, factions represented today by Andreotti.

The European parliamentary elections of June 17 were only the last act of the tragedy that has destroyed the Christian Democracy as a credible Atlantic party. Now the party of De Gasperi is in the hands of his enemies.

What is being cooked up at this moment is a new government led by Andreotti, a government that would be supported by the Communists, and so, subject to the demands of the Communists. Andreotti will prepare for early elections in November. The months before the elections will be used to break down, piece by piece, what remains of the Atlantic Alliance.

"The increase of the Communist vote," the statement by Operto says, "would have been unthinkable without the machinations of Henry Kissinger and Lord Carrington and the other pushers of 'decoupling.' May the danger of a Communist takeover wake up President Reagan from his electoral pragmatism. The American President must reshape U.S. foreign policy along the lines proposed by the distinguished economist and presidential candidate Lyndon LaRouche."

The words of Fiorella Operto have a special importance at the moment. The POE leader is leaving Italy for a visit to the United States, at the head of a delegation of Italian military officers, politicians, and scientists who will be in Washington on July 4 for the foundation of the Schiller Institute, the new foreign-policy think-tank being spearheaded by Helga Zepp-LaRouche to save and rebuild the Atlantic Alliance.

# International Intelligence

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## **British defense expert hits anti-beam lobby**

Air Vice-Marshal Stewart Menaul, a leading British strategic analyst, denounced the opponents of a U.S. Strategic Defense Initiative in a letter to the London *Times* published June 21.

Menaul's letter is part of a brisk debate in the British press on the U.S. ballistic missile defense program, which erupted after the U.S. Army conducted a successful missile intercept for the first time on June 11. A *Times* editorial endorsing the U.S. program was received with a storm of criticism, including from defense analyst Lawrence Freedman.

Menaul wrote: "Your excellent leader [editorial] of June 13 is attacked by Prof. Lawrence Freedman who, not for the first time, displays a lack of knowledge of developments in modern high-technology systems that has totally confused his appreciation of the changes that are taking place in concepts of military doctrine and strategy for the 1990s.

"He claims that there is a lack of enthusiasm for the Strategic Defence Initiative. This is not my experience, talking to informed scientists, as opposed to those who want arms control at any price—the Russian price.

"Ballistic missile defence (BMD) is now within the state of the art in the form of a layered defence system, using conventional kinetic energy, laser and particle beam weapons. If Americans do not continue with their strategic defence initiative, the Russians will most assuredly press ahead with theirs. . . . The United States SDI programme offers the prospect of assured survival in place of the utterly irrational strategy of Mutual Assured Destruction, dreamed up by McNamara, but never accepted by the Soviet Union."

Referring to the ABM treaty, Menaul stated: "The United States had already decided to consign her Safeguard system to the storeroom, while the Russians continued to deploy a relatively effective system called

Galosh around Moscow. In the years since 1972, they have improved and expanded the system in contravention of the 1972 ABM treaty.

"Defensive weapons systems which do not kill people or destroy property are to be preferred to the never-ending spiral of offensive systems which do both. Professor Freedman does not seem to realize that a future war would be totally different from the last one, using totally different weapons in four environments instead of three, and different strategy and tactics."

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## **Greenie Jungk: 'Belief in progress shattered'**

Robert Jungk, introduced to the World Futures Society conference in Washington, D.C. on June 13 as the "father of the European peace movement," stated that the Greenies' main accomplishment is that "the whole notion of scientific and technological progress has been deeply shattered in Europe" by their actions. "We are bringing into being a new paradigm," he said.

According to Jungk, who is based in Salzburg, Austria, "The whole movement was started in large part by the churches in Holland. Their wonderful work has resulted in the Parliament decision to postpone the stationing of cruise missiles in Holland. This will now happen in one country after another."

Jungk founded the "Mankind 2000" movement in the late 1960s and has cooperated for the past decades with leading neo-Nazis and environmentalists in building the European Green movement.

Jungk's speech followed one by Charlene Spretnak, who has just published a book on Petra Kelly and the German Green Party, *Green Politics*. Spretnak attacked "the patriarchal system deriving from the Indo-EurAsian conquests of Europe" as the root cause of "militarism and war." She said, "This has taken us away from our embeddedness in nature, away from the bountiful mother. . . . We are possessed by archetypal images of the Father slaying the Son,

like when the Great Father sacrificed Jesus."

She concluded by citing fascist philosopher Nietzsche to justify her contention that "we have to move into a post-patriarchal and economical-ecological consciousness if we are to have peace."

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## **Will Italy repeat the mistakes of the 1920s?**

A leading Italian daily, *Il Tempo*, warned June 20 in a front-page editorial that because of the pro-Soviet policy of Foreign Minister Giulio Andreotti, "Europe and Italy are being decoupled from the United States. Italy is being pushed, step by step, towards the other empire, the Soviet Empire."

The editorial pointed out that every major Italian party tried to underplay the recent commemoration of Italy's liberation from Nazi fascism—by American troops.

"Nobody wanted to remember the role played by the American Army, and the many American lives sacrificed to give back to Italy a democratic regime." The Italian neo-fascist party, the MSI, and the Communist Party are "in an open process of rapprochement" based on shared hatred of the United States, the article said. "Italians have always been fascinated by brute force. The Italians were fascinated by the force of Hitler, whom they did not like. Today, the immense military deployment of the Soviets provokes a similar intimidating fascination. It would be tragic if, during the same century, Italians made the same mistake twice."

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## **PAN opposes Mexican Labor Party registration**

The neo-Nazi National Action Party (PAN) held a press conference on June 18 to announce the PAN's intention to oppose the Federal Electoral Commission's registration of the Mexican Labor Party (PLM), charging that the PLM is a "grouplet" and a "sect of Lyndon H. LaRouche."

The controversy over the PLM registra-

tion reached new heights with a column in the Mexico City daily *El Sol* the same day. The paper argued that the government plans to register the PLM in order to halt the growth of the PAN, a task for which the PLM is well suited, said the paper, because it is "a right-wing party of the North American sort, or maybe rather of the monied Sonora or Sinaloa sort." Sonora and Sinaloa are the two northern states of Mexico, PAN strongholds.

The PLM, which has campaigned for Mexico industrialization and the "Operation Juarez" debtors cartel now in formation in Ibero-America, has successfully prevented the PAN from scoring electoral victories in a number of northern-state areas, and exposed PAN involvement in both terrorism and drug-running.

### ***Chernenko hails West's economic troubles***

In an interview to the Soviet paper *Pravda*, Konstantin Chernenko indicated the Soviets' interest in using the current economic crisis to destabilize the West and decouple the United States from its allies. Unemployment and inflation are problems characteristic of the "capitalist system," the Soviet leader stated. The U.S. prescription is to "let the rich become richer, and the poor poorer." This gives rise to "intra-imperialist contradictions," as the United States unloads its economic problems on its allies.

Chernenko also cited "bitter exploitation" of the developing countries by the capitalist countries, "above all the U.S.A.," which has led to "deepening the gap between rich and poor countries. Here the arms race unleashed by Washington and her NATO allies has a most immediate effect."

Denouncing the West's "political two facedness" for offering the Soviets' negotiations, while aiming new U.S. missiles at her, Chernenko declared that before the U.S.S.R. would return to any negotiations, the United States would have to drop its "ultimatum conditions for negotiations." What "ultimatum" he was referring to was not made clear.

While the United States was accused of practicing "state terrorism" against Grenada, Lebanon, and Nicaragua, special venom was reserved for the U.S. beam-weapon defense program. "The whole world recognizes the acute urgency" of halting what he called "the militarization of space." The American rulers are striving to place "the most fantastic types of armament into space and to achieve military supremacy this way."

### ***Moscow hosts National Council of Churches***

The Moscow Patriarchate and priests of the Russian Orthodox Church have just hosted a delegation of 266 American church leaders, whose trip was sponsored by the National Council of Churches, host to a Russian Church delegation to the United States last month.

During the Russians' visit here, they successfully demanded that their American counterparts devote full energy to killing the U.S. beam-weapons program.

During two weeks in the U.S.S.R., the U.S. delegation saw 14 cities and received thousands of words of coverage in the Soviet press, which quoted the visitors as supporting world peace and praising Soviet freedom of religion. The delegation visited Russian Orthodox, Roman Catholic, Lutheran, Pentecostal, and Baptist services. One representative said that he had been under a misconception that the Russian Orthodox Church was "moribund."

The group also met with Georgii Arbatov, head of Moscow's U.S.A.-Canada Institute and the coordinator of the worldwide peace movement for the Soviet intelligence services. Russian Orthodox Metropolitan Antony of Leningrad told the U.S. group that the Russians and Americans are "in the same boat" and should not let the boat "capsize in the abyss of military catastrophe."

The nuclear-freeze movement was launched at a conference addressed by Moscow Patriarch Pimen in September 1982. Since then, U.S. and European churches have been Moscow's foremost collaborators in the effort to build-down Western defenses.

## ***Briefly***

● **A FRENCH** delegation at Geneva talks, led by former defense minister François de la Gorce, has proposed a "multilateral dialogue to obtain a controlled limitation of the new anti-ballistic technologies." But U.S. delegate Alan Romberg derided an "agreement which would leave the U.S.S.R. owning the only anti-satellite system in the world."

● **HELMUT KOHL**, the West German Chancellor, is in Hungary "to attempt to maintain East-West contact despite the strained relations between the two superpowers." "The present silence in relations between the major powers makes the visit particularly significant," said a Bonn official.

● **OLIVETTI** president Carlo De Benedetti, quoted in the Italian Communists' *Unita*, declared himself "very satisfied" with the results of the June 17 European Parliament elections. The vote in Italy gave the Communists a 33.4% plurality. De Benedetti, a close friend of Henry Kissinger, believes that Communist influence in an Italian government will permit deeper "post-industrial" austerity.

● **GEORGETOWN'S** Center for Strategic and International Studies is "predicting" a U.S. military invasion of Ibero-America. A CSIS study suggests that "instability" in Peru and Ecuador, "civil conflicts" in Colombia, and "resistance to democracy" in Venezuela, will prompt gradual U.S. troop withdrawal from Europe and redeployment "out of NATO" into South America.

● **THE EAP** electoral slate in West Germany, scored impressive European-parliament vote totals in industrial areas, exceeding even those recorded by its French co-thinkers. The slate was headed by Helga Zepp-LaRouche, who had appeared on TV to warn of the danger of Soviet domination. In North Germany, EAP candidate Böhnke, a trade-union official in the food industry, won 3% of the vote.

## Kissinger's friends wreak havoc in Washington

by Nancy Spannaus

Henry Kissinger, the man Moscow has counted on most to undermine the defenses of the United States, was not personally active in Washington, D.C. the week of June 18, but everywhere you looked, you could see the damage caused by his friends. In fact, it is only thanks to the cumulative effect of the series of television interventions by Democratic presidential candidate Lyndon H. LaRouche, Jr. that U.S. Senators who work with Kissinger and the KGB did not succeed in further gutting the U.S. Strategic Defense Initiative, or passing a proposal to massively cut U.S. troops in Europe.

Dominating the final week of debate over the Defense Authorization Bill in the U.S. Senate, was the "Nunn amendment," a Kissingerian proposal to withdraw 90,000 U.S. troops from Europe by 1990 unless the Europeans increased their defense spending more rapidly. Nunn's cosponsor, William Roth of Delaware, actually re-inserted excerpts from Kissinger's March 5 *Time* magazine piece on decoupling into the *Congressional Record*.

Although they had failed to pass a further reduction in the budget for the Strategic Defense Initiative the previous week, the Kissingerian crowd did not stop moving on that front either. On June 19, the "National Campaign to Save the ABM Treaty" announced a campaign to defeat the development of beam-weapons systems, including "prevent[ing] any [scientific or technological] discovery which will endanger the ABM treaty."

In addition the Senate voted up "sense of the Senate" resolutions for the President to submit two languishing arms-control treaties to them for ratification, and that he resume efforts to ban "all test explosions of nuclear weapons for all time." While these treaties, the 1974 Threshold Test Ban Treaty and the 1976 Peaceful Nuclear Explosion Treaty, will have no immediate effect, they are helpful in stiffening Moscow's dangerous resistance to negotiating on the only terms

that could bring world peace—the joint development of the Strategic Defense Initiative.

### Nunn's 'test for Europe'

Nothing made the Anglo-Soviet lobby happier than the Senate fight over the Nunn-Roth amendment, one of the centerpieces of the Kissingerian deal with the Soviets to pull U.S. troops out of Europe.

The Nunn-Roth proposal mandated the withdrawal of 90,000 U.S. troops by 1990, should Europe fail to comply with a series of spurious demands for spending increases for the so-called "conventional defense" of Europe. This proposal precisely mirrors that of Kissinger and Irving Kristol—both of whom argue that Europe is indefensible in a nuclear war, and thus have written off Europe as part of U.S. strategic interests. Passage would have resulted in advancing the self-fulfilling prophecy of the Kissingerians: having kicked the Europeans in the teeth, the Kissinger crowd would then have remarked how ungrateful Europe is for U.S. attentions.

On June 20, after a strong mobilization by the White House to corral as many Republicans as possible, the Senate defeated the Nunn bill by 55-41. But it then proceeded to vote up a substitute resolution by Sen. William Cohen of Maine, who declared that he was substantially in agreement with Nunn, but disagreed on its tactical approach. The Cohen resolution, passed with a vote of 94-3, specifies that the United States should freeze troops levels at 326,414 after 1985, unless the Secretary of Defense certifies to Congress that NATO allies are making the necessary military improvements.

The debate on both resolutions reflected the alarming progress which the neo-isolationist friends of the KGB have made since the *Time* magazine article of March 5. Petty complaints about budgetary matters dominated the discourse,

as Senators totally incognizant of U.S. dependence on Europe for strategic defense babbled on.

Within days of the vote the Kissingerian columnists had begun to use this new grist for their mill. Most effusive in praise for Nunn was *Washington Post* columnist Stephen S. Rosenfeld, who, in a column entitled "Putting the Test to Europe," described the Nunn proposal as "the foreign policy event of the decade." Attacking Europe as "schizophrenic" and "fluttering," Rosenfeld writes: "Nunn's contribution to this confused scene is to provide a place where this latter-day Archimedes can stand while he moves an awfully important piece of the Atlantic world."

Rosenfeld was speaking for the entire faction of Aspen Institute decouplers, the crew that now has one of its primary spokesmen, Lord Peter Carrington, firmly ensconced as head of NATO. A British source close to Carrington put it this way: "Nunn has raised the right issue at the right time. We are in the midst of a global diplomatic revolution, a global shift in power that is the biggest shift in power relations since World War II. . . . Because of the massive American commitment to anti-ballistic missile system defenses, the issue has been joined: Europe must decide what it wants to do. What I foresee is that within five years, NATO will no longer exist. Continental Europe will become an armed neutralist camp, and, for balance-of-power reasons, we in the United Kingdom, will form an Anglo-Soviet Alliance. . . ."

This defeatist view is more blunt than Kissinger's, but it is a precise reflection of the direction Kissinger, Carrington, and the Aspen crowd have been talking about for two years now. The perspective is to have the United States "turn to the Pacific," and "become a seapower," thus de facto abandoning its logistical and political base to be a superpower! It is such strategic catastrophe, not just the question of pennies for guns, which is at stake in the Nunn debate.

### **Saving mutual suicide**

As some members of the Reagan administration understand, the actual means for saving the Atlantic Alliance lies with the expansion of the Strategic Defense Initiative into a cooperative venture between Europe, the United States, and Japan. President Reagan has so far been able to preserve the SDI program, and he has deployed the head of the program, Gen. James Abrahamson, on an admirable speaking tour to explain and build support for the program. Once the program is appropriately off the ground, proposals like that of Senator Nunn and Trilateral Commission member Roth can be ruled out.

Hence the attention of the KGB-Kissinger crew, to make sure that that never happens.

On June 19 a new blue-ribbon committee was set up for this purpose, one intended to be so prestigious that its members include both Mr. Soviet Handler W. Averell Harriman, and Mr. Eastern Establishment McGeorge Bundy among its bevy of foreign policy establishment veterans. At the founding press conference, former arms control negotiator Gerard

C. Smith announced that "The danger of President Reagan's March 23 announcement [for a research program for beam weapons defense] is its emphasis on nationwide defense, and the defense of population. . . . We *must* live with the threat of mutual suicide. We have no alternative."

A closer look at the list of signatories to the new committee indicates why they are so upset about the "defense of population." Most are tried and true members of the genocide lobby going back to the Vietnam war, and are now devoting practically full time to eliminating births, and encouraging deaths, in the nonwhite regions of the world.

The 46 friends of the KGB include: former president Jimmy Carter; Robert McNamara; Dean Rusk; Morton Halperin; Gen. Maxwell Taylor; Ellsworth Bunker; William Colby; Rev. Theodore Hesburgh; Pugwash scientists Kosta Tsipis and Jack Ruina; and many more.

Smith and his co-speaker John Rhinelander, a legal adviser to the U.S. delegation at SALT, went out of their way to defend the Soviet Union's violations of the ABM treaty—in order to keep the blame fixed on Reagan for the deteriorating international situation. The 1972 ABM treaty, negotiated by Henry A. Kissinger, succeeded in getting the United States to dismantle its only anti-missile defense system, while allowing the Soviets to forge ahead with both offensive and defensive systems. When this was pointed out by attendees at the press conference, Rhinelander and Smith did not hesitate to apologize for the Soviets. We just don't know what their intentions are, Rhinelander argued, after acknowledging that the Soviets have phased-array radars pointed over the U.S. Pacific Northwest!

The Campaign to Save the ABM Treaty is mostly a propaganda campaign at present. Its authors emphasize that its main aim is to prevent the testing of the Talon Gold program in 1985, the program which will test components of laser tracking systems needed for an anti-missile defense.

### **Not over the hump yet**

An overview of the entire \$291 billion defense authorization bill which passed the Senate this week indicates that it is by and large intact as the President put it forward. The President was able to hold overall cuts to the level of \$14 billion, and won the most crucial vote on maintaining a significant spending level for the SDI research.

To the degree that the President held the line, he has Lyndon LaRouche to thank. It was LaRouche who took to the airwaves to expose Soviet embassy interference in preparing anti-satellite resolutions in the Congress, and the KGB-kook contamination of anti-SDI "conservatives" such as Gen. Danny Graham. The atmosphere was thus created in which Senators began to refer to the freezenik bills as "written in the Soviet embassy."

Ensuring that these scandals stick will be a critical task for U.S. patriots as the defense budget moves into negotiations with the House, and further discussions. And above all, that traitorous Henry Kissinger must be kept out of Moscow.

# KGB's futurists meet to take U.S. back to the Dark Ages

by Mark Burdman

Under the banner of the fifth conference of the World Future Society, leading KGB-linked terrorists, world-federalists, genocidalists, and mystics met at the Washington Hilton Hotel June 10-14 to map out what conference organizers described as an "action-oriented, grassroots" national campaign throughout the United States to undermine U.S. national security and the power of the United States as a sovereign nation-state. If this sounds like a gathering the Soviet KGB would have an interest in, you're absolutely right.

The five-day get-together was held under the shadow of strategic events which, in combination, presented new dilemmas for the "futurists": As they congregated to plan new campaigns against the U.S. beam-weapon program, the American government on June 11 announced a successful testing of an extremely accurate anti-ICBM missile. By mid-week, the British press was citing an older poll that showed upwards of 80% of Americans behind President Reagan's commitment to develop a workable anti-ballistic missile system to defend the United States.

Having failed to derail this commitment to national security and scientific and technological progress head-on, the Society, whose national directors include Soviet agents of influence such as former U.S. Secretary of Defense Robert McNamara and Washington lawyer Sol Linowitz, focused on alternative strategies. These strategies happen to correspond to the favorites of the Soviet secret intelligence service—financial warfare, terrorism, and "psychic" warfare.

Following recent marching orders from Soviet author Fyodor Burlatskii of *Literaturnaya Gazeta* magazine and other KGB propagandists to use the global economic crisis to unravel the United States and bring down the Reagan administration, the "futurists" mapped out ways to force the United States into a new "one-worldist" order in which national security policies would be sacrificed.

At the same time, world-federalist fanatics at the event invoked an upsurge of international terrorism, including nuclear terrorism, to "frighten" policy-makers and populations into accepting a "world central government." One such psychopath, J. Francis Leddy of the World Association of World

Federalists, called for a "short atomic war" to obtain this global restructuring.

On a more esoteric level, the Washington Hilton was from June 10 to 14 the site of recruitment of operatives into the Soviet psychological warfare campaign against the West through the agency of the "psychic warfare" and "cosmic consciousness" brainwashing movements. In the limelight during the five days was Carol Rosin of the D.C. Institute for Security and Cooperation in Outer Space (ISCOS), notorious throughout D.C. as the go-between for the Soviet embassy to author defense legislation for the U.S. Congress. She and her coven of witches and moon-worshipping mystics used sexual manipulation and repeated appeals to irrational "dreams and fantasies" to ego-strip attendees into psychological dependence on the Soviet intelligence masters behind the "futurist" movement.

Perhaps most indicative of the flora and fauna behind such escapades was the celebration of the genocidalist Club of Rome International as the "prototype planetary network" for "futurists" to model themselves after. Not only were the Soviets in on the Club of Rome from its founding, in the person of the son-in-law of the late Prime Minister Kosygin, Dzhermen Gvishiani; Club of Rome president Dr. Alexander King confessed in corridor discussions to working closely with the Soviet Academy of Sciences to achieve "new means of international organization." In public, he declaimed that "the nation-state is one of the greatest evils of our times."

## What are the futurists?

For all the talk of "the future" at World Future Society events, "futurism" has always been used as a social manipulation tool by the same kind of "theosophist" social engineers who control the Soviet KGB today.

In ancient Greece, "futurism" was the practice of the "oracle" at the Temple of the God Apollo at Delphi, who would "foretell" future events based on knowing what the rulers of culture and politics intended to make happen. Today, many "futurists" openly call their method "delphic." Futurist propaganda is otherwise replete with paeans to the

belief-structures associated with Sufism, Taoism, gnosticism, and other forms of "Oriental" irrationalism going back to the pre-Pleistocene period.

In this century, the hoaxster who first called for a "science of the future" was H. G. Wells, whose vision, as exemplified in *The Time Machine*, was for a new dark age in which an elect few would control the secrets of science and would keep the (dramatically reduced in number) masses of humanity in perpetual ignorance.

During the 1920s, "futurism" became an artistic-cultural movement for decadent elites who would form the core of idea-creators for the Nazi-fascist and Bolshevik-Communist movements. The post-World War II progenitors of the new "futurism," such as Geneva's Denis de Rougemont and France's Bertrand de Jouvenel, had been passionately committed worshippers of fascism during the interwar years, disagreeing only with Hitler's strident use of "national" as opposed to "universal" fascist themes.

De Rougemont, like Wells and others before him, has a deep-seated geopolitical commitment to working with a new Byzantine-Russian empire to destroy the Western Judeo-Christian belief in science and technology, and, to that end, to poison the United States with the culturally decadent ideas of the postwar European oligarchy. In September 1983, de Rougemont's European Society of Culture sponsored a secretive conference in Trieste, Italy, to propound the irrational ideas of Nazi-progenitors like Richard Wagner and Friedrich Nietzsche as the basis for defining the West's cultural matrix over the next decades.

In a 1983 book, *The Future within Ourselves*, de Rougemont identified the "Western myth of Prometheus" as the main enemy of the "futurist" movement. He praised as an alternative the gnostic Earth-Mother-worship cults of the 12th-century Cathars, whose pagan theories nurtured the Nazi and other blood-and-soil cult movements of this century. De Rougemont concluded that the "least vulnerable" and "most appropriate" model for the future of the human race would be the Longo Mai commune movement based today in Switzerland, and reputed to be a primary spawning and safehousing network for terrorism.

### **The 'Aquarian Conspiracy' hoax**

In the 1960s, de Rougemont, fellow Swiss cultist C. G. Jung, and other irrationalist cultural engineers resolved to program a long-term "paradigm shift" in the belief-matrix of Americans. Through the agency of California's Stanford Research Institute and Esalen Institute in particular, this became popularized as the "Aquarian Conspiracy."

Under the guidance of Soviet-linked project director Dr. Willis Harman of SRI (who was one of the key operatives in attendance at the June 10-14 Washington Hilton event), the idea was to program a new "image" of American life, away from the belief in scientific and technological progress and industrial development, to belief in "post-industrial" eco-

nomic systems and "neo-medieval" or "neo-feudal" forms of global political organization obliterating national sovereignties.

Despite all the inundations of the United States with drugs, rock music, and the "counterculture," that program has in crucial respects failed.

Strategic Defeat No. One for the futurist-Aquarians was the victory of Ronald Reagan over Jimmy Carter in 1980, as an expression of patriotism and rejection of deindustrialization by the electorate.

Strategic Defeat No. Two, and much more devastating for the futurist-Aquarians, was President Reagan's March 23, 1983 speech initiating an ambitious U.S. space-based ABM defense program. This robbed the futurists of their efforts to monopolize the space issue from a cultist, science-fiction standpoint.

Strategic Defeat No. Three, and potentially of the greatest significance for the futurist-Aquarians, has been this year's emergence of a national candidates' movement and substantial electoral base supporting the industrial progress and technological-development policies of Lyndon H. LaRouche. It was poetic justice that on the night of the concluding conference day June 14, many of the futurists remaining in the Washington area watched LaRouche on television denouncing former U.S. Defense Intelligence Agency chief Lt.-Gen. Daniel Graham for having expedited the Soviet KGB's "psychic warfare" and anti-beam-weapons campaigns.

These setbacks have forced the futurist-Aquarians toward a more "sober" effort to influence policies of government and to build a mass-based social-political movement, relative to the circus-like atmosphere of earlier World Future Society conferences, such as the extravaganza in Toronto, Canada, in 1980.

### **'Moment of opportunity'**

One repeated theme that this correspondent and his informants monitored at the Washington, D.C., event was that the international debt crisis offered a "moment of opportunity" to force the U.S. government to comply with world-federalist demands to give up national sovereignty. A leading world-federalist, active with the U.S. Quakers and with intimate ties to the Communist Party U.S.A., admitted privately: "I don't focus much on the question of national defense these days when I discuss Reagan's 'Star Wars' policy. Rather, I approach it through the question of the budget deficit, the debt crisis. Farmers might be more responsive that way."

A second world-federalist, Gerald Mische of Global Education Associates, stated, "We can't keep talking about the nuclear freeze and disarmament because it doesn't address the real issue, which is the persistence of national sovereignty. Now, this debt crisis presents us with a unique opportunity. Policy makers who are usually closed to us are for the first time willing to open their ears."

Jay W. Forrester, the co-author of the original *Limits to*

# Using the debt bomb for world empire

*How the global debt and financial crisis could be used to restrict American national sovereignty and forward imperial world federalism was a top agenda item at the World Future Society conference. The following excerpts from conference presentations reflect that concern.*

### **Forrester: 'Reexamine national priorities'**

*Jay Forrester, co-author, *Limits to Growth*, (Club of Rome, 1971); from the paper, "Managing the Next Decade in the Economy" previously presented to the New Economy Conference of the U.S. Congress, June 6:*

. . . . [A]fter the expansion of the last several decades, we are probably entering economic downturn. . . . Along with overbuilding of capital plant go rising prices, leveling out of productivity, speculation in physical assets, rising unemployment, and accumulating debts. . . .

We are now in a major transition between the economic growth that followed World War II and the economic growth that will resume again in the 1990s. The transition is a time of readjustment and a time for correcting imbalances that have developed within the economy. The transition is a time of technological change when many of the old technologies are laid aside and new technologies are tested and accepted as a basis for the next expansion. . . .

If one must choose between deflation or a rapidly accelerating inflation, deflation would be preferable. . . . In the next recession, debt loads will become far more burdensome. Foreign debts have so far received the most attention, but they will soon be joined at center stage by the U.S. government debt, by mortgages on land, and by loans to weak industrial corporations.

Developing countries even now do not have sufficient margin in their balance of trade to make repayment of their debts likely. And, the next recession will reduce their financial solvency even further. Pressure to repay loans is already creating internal political forces that will lead to new governments that will feel no obligation to repay. The new governments of debtor countries will argue, with some justification, that the original loans were unwise on the part of the lender

*Growth* report of the Club of Rome, presented another variant on the same theme. In a paper entitled, "Managing the Next Decade in the Economy," Forrester declared: "We should reexamine our national priorities. The internal economic threat to the country is now far greater than the external military threat." Forrester identified the debt crisis and imminent global banking collapse as catalysts for creating a "new economy" premised on moving away from "old technologies" and "overbuilding of capital plant."

Other participants were not reticent to discuss violent means to accomplish their ends. J. Francis Leddy, head of the World Association of World Federalists, declared: "People haven't been frightened enough to accept a world central government. Perhaps we should have a short atomic war. . . . What we would need is a near-miss in nuclear war, or maybe Colonel Qaddafi [of Libya] getting loose with his nuclear weapons, or maybe a terrorist holding New York City hostage with nuclear weapons. This all might lead to a short atomic war."

His colleague, Britain's Charlotte Waterlow, called for "the Third World to launch a global French Revolution-style action if the West doesn't give in" to world-federalist demands for giving up national sovereignty. This would require a "new charismatic leader" to do the job, Leddy added.

The impact of these and other ideas on the futurist-Aquarians was dependent on something more fundamental: the brainwashing atmosphere at the conference created by the "cosmic consciousness" movement of Carol Rosin and her friends.

Futurist technique is based on two premises: First, to destroy a nation, that nation's language must be destroyed, since language has been the foundation of the nation-state since the time of Dante Alighieri. Second, to destroy rationality, appeals must be made to the "unconscious" and to "dreams and fantasies" over the rational mind. These concepts come together in the repetition of futurist key-and-code words like "think globally, act locally," "mind-link," "cosmic consciousness," and so on.

In one conference panel, Carol Rosin declared: "We are evolving from an earth species into a space species. A collective mind exists. We need more self-awareness and knowledge of the interdependence." Her co-panelist, Andrija Puharich of Essentia Research in Dobson, Maryland, claimed, "Every nation has a psychic warfare unit. . . . I trained half of them."

As LaRouche laid out in his June 14 broadcast on Danny Graham, "psychic warfare" and the associated arts of witchcraft provide a vehicle by which the Soviets penetrate Western intelligence. In a public seminar June 14, SRI's Willis Harman basically admitted as much, when he said that the Soviet "psychic warfare" technique is based on "scrambling the mind."

Appropriately enough, Graham's "High Frontier" group had an exhibition at this KGB fest.

as well as the borrower, and that the lender was equally to blame. Eventually the only escape will be default. Foreign loans subject to default equal more than the net worth of the entire American banking system. Reverberations from such defaults will shake the financial structure of the country and the world. Plans should now be made to handle such defaults to minimize the harm they could do. . . .

U.S. government deficits and debts are mounting rapidly. . . . The U.S. government is now borrowing money to pay the interest on past debt, just as are the developing countries. . . . [T]he deficit will double each presidential term from the compounding effect alone. Such a runaway situation can only lead to some form of default on government debt. Unless deficits are immediately eliminated, there will probably be no turning back from default on U.S. debt. It is urgent that decisions be made now for a long-term resolution of the government debt question.

Banks will feel the full force of the coming economic storm. . . . Even though most other economic actors have contributed to the economic difficulties of the next decade, the symptoms will become visible by way of the banking system. Whether justified or not, the public and Congress will apportion most of the blame to the banks. Just as in the 1930s, I expect that banks will be put under severe regulation, the scope of their activities will be sharply narrowed, and their recently acquired freedom to operate outside their local geographical areas will be rescinded. It would be well to curtail this present last wave of excesses now running through the financial institutions and begin to return to conservative financial practices before action must be taken in an atmosphere of crisis. . . .

We should reexamine our national priorities. The internal economic threat to the country is now far greater than the external military threat. . . .

### **Mische: 'Debt makes sovereignty a fiction'**

*Gerald Mische, President, Global Education Associates, paper "The Debt Bomb: Breakdown or Breakthrough?":*

The "Debt Bomb"—i.e., over \$800 billion of outstanding and largely unpayable loans to Third World and Eastern European countries—threatens the collapse of existing economic systems and/or World War III. It affects all nations: rich and poor, capitalist and socialist. It affects all classes, all genders, and all races.

There are few issues that so clearly demonstrate the fiction of territorial sovereignty and the reality of the national security straitjacket as this Debt Bomb crisis. . . .

Prior to the emergence of the debt crisis, it was possible to argue that world order alternatives—i.e., a transitional security system based on international public sector institutions—may not be absolutely necessary. . . .

True self-interest requires that, as a *pragmatic impera-*

*tive*, we be open to learn . . . to recognize that national sovereignty has become a fiction. . . . [emphasis in original]

*In a discussion June 13, Mische claimed that the British Empire and the International Monetary Fund could be seen as models for the new globalist institutions he was recommending:*

The British Empire emerged as a natural consequence of the Industrial Revolution. . . . There was a world order without anarchy, because of the dominant currency, the pound sterling. . . . I'm not defending this, just describing it. The pound sterling provided order, imperialistic as it was. . . . The breakdown of sovereignty is a natural thrust of history, as we move toward an international public sector. . . . The International Monetary Fund is being criticized by some international bankers as a world government. The IMF provides the infrastructure for new international public sector institutions, as a last resort. It is like the World Court was for the U.S. in the case of Khomeini's Iran. . . .

### **Waterlow: 'The era of creeping world federalism'**

*Charlotte Waterlow, MBE, chairman, Education Committee of the World Association of World Federalists, paper "The New International Economic Order and Its Implications for World Government.":*

The situation of the four billion people at present alive on this planet has some analogies to that of France or Russia on the eve of their respective revolutions. . . .

. . . . [A] number of the proposals involve or imply the establishment of international bodies with *executive powers*. . . . [T]he United Nations would leap forward into the new era, moving from giving help and advice to sovereign states to undertaking management functions on their behalf. This would involve a limited surrender of national sovereignty in specific management fields as in the European Community. It would usher in the era of creeping world federalism. . . . If there are to be minimum incomes, there may, in the coming era of shrinking resources, have to be maximum incomes, for there may have to be "limits to growth" in the rich countries in order to enable the poor countries to secure their fair share of scarce resources. This implies the creation of a world welfare state, in which the rich countries would be taxed to pay for the development of the poor. . . .

As population explodes and resources shrink, a managed world economy based on sharing and overall planning rather than "nationalization" of scarce resources in order to meet the basic needs of all, may be the only alternative to a violent and bloody scramble, in which the rich will trample on the poor, and perhaps in the process blow us all up. We are approaching the time which Einstein summed up as "one world or no world" . . . a post-capitalist, post-socialist world community. . . .

# World Federalists push nuclear war

One of the more shocking outbursts witnessed at the June 10-14 World Future Society conference was that of the Chairman of the World Association of World Federalists, J. Francis Leddy, at a forum on June 12. Leddy stated: "We'll have to have a very bad fright before we have a central world government, perhaps even a short atomic war. . . . We need a real fright, a near-miss in nuclear war, an accident, maybe Colonel Qaddafi getting loose with his nuclear arsenal, or some terrorist holding New York City to ransom unless, and so on. With that kind of scenario, we might stumble into a short atomic war."

Such proposals have consistently been forwarded by the world-federalists in the post-World War II period. Lord Bertrand Russell's friend, Dr. Leo Szilard, the model for the "Dr. Strangelove" movie character, put forward numerous proposals at the various Russell-led Pugwash conferences for "limited nuclear exchanges" between the superpowers, as a means of preserving a globalist world order defined by two imperial centers of power, one eastern and one western.

The organization that Leddy chairs, the World Association of World Federalists, was founded in 1947 in Montreux, Switzerland. In attendance at that founding event was Swiss oligarch Denis de Rougemont, the leading guru in Europe behind the founding of the "ecology" and "peace" movements. During 1983, de Rougemont circulated a proposal for a global-imperial reordering of Europe premised on making Geneva the "capital of Europe just as Washington, D.C., is the capital of the United States."

Today, the World Association of World Federalists is headquartered in Amsterdam, Holland. Its reported "mover and shaker" is Zürich-Geneva lawyer Max Habicht. One of its leading officials is a Jesuit priest, Rev. G. G. Grant. Among its other prominent leaders are Norman Cousins, sponsor of the annual U.S.-Soviet "Dartmouth Conference"; Holland's Jan Tinbergen, author of the Club of Rome's 1976 "Reshaping the International Order" (RIO) report; and C. Maxwell Stanley, whose Iowa-based Stanley Foundation has funded key studies used by KGB moles in the U. S. Congress against President Reagan's Strategic Defense Initiative program. The Stanley Foundation had been among the original promoters in the early 1980s of the activities of Carol Rosin's Institute for Security and Cooperation in Outer Space (IS-

COS), who has worked with the Soviet Embassy to draft legislation against beam-weapon technologies.

The World Association of World Federalists is one of the more prestigious and activist of the one-worldist organizations congregated under the umbrella of the World Government Organizations Coordinating Council (WGOCC). The member organizations—including the Campaign for World Government, the Parliamentarians for World Order, Crusade to Abolish War, and others—call themselves "dispute termination institutions," but the "world feds" are fanatical warmongers.

The head of the WGOCC, John Ewbank of Southampton, Pennsylvania, is a Quaker activist who is waging a holy war against "militarism and control by governments over monetary policy." Ewbank simultaneously advocates a one-world dictatorship *and* groups of families living in tiny community clusters "to get a sense of belonging." He is a rabid supporter of the U.S. Libertarian Party presidential candidate Bergstrom.

Philadelphia-area "world feds" are involved in an operation to have Philadelphia Mayor Wilson Goode host a major World Association of World Federalists conference in 1987, timed to coincide with the 200th anniversary celebrations of the ratification of the American Constitution! The architect of this scheme, Villanova University professor and defeated 1982 Pennsylvania Senate candidate John Logue, propounds the idea that "the U.S. federal constitution provides a model for a new world-federal constitution that grants powers to enforce laws."

## Futurism and lunacy

On June 13, World Future conference participant Hazel Henderson was invited to a "political and spiritual" event by a friend, who told her: "Full moon tonight." On the final day of the conference, Club of Rome president Alexander King circulated a document one of whose sections was titled, "Precedent of the Lunary Society." King reported: "I had in my mind at the time [of the Club's founding] the precedent of the Lunar Society of Birmingham, at the end of the 18th century, with its mix of outstanding scientists and entrepreneurs, its future orientation and holistic approach."

One of the World Future Society directors is former U.S. Secretary of Defense Robert McNamara, who is known to have regularly "bathed in moon-beams" on the banks of the Potomac. McNamara is a member of the Lucis Trust, formerly Lucifer Trust, a moon-worshipping cult. A leading futurist organization is the L-5 Society around British science quack Freeman Dyson—it is based on cultisms of the moon.

The conclusion is clear. Futurists are lunatics.

# Carol Rosin: the KGB's 'Star Witch'

by Our Special Correspondent

"Sure, Carol Rosin is very close to the Soviet Embassy here. She goes back and forth to the Soviet Union from time to time. She is close to the cultural attaché at the Embassy, they exchange ideas, on how to stop this 'Star Wars' thing."

The source conveying this information to *EIR* at the World Future Society conference in Washington, D.C., is an individual whom Carol Rosin of Washington, D.C.'s Institute for Security and Cooperation in Outer Space (ISCOS) has identified as having a germinal influence over her activities. He is a leading contributor to the every-Monday meetings on Capitol Hill of the Space Policy Working Group, the lobbying group of "peace" organizations which works relentlessly to unilaterally prevent the United States from having an effective space-based anti-ballistic missile system.

Carol's friend grumbled: "That man Lyndon LaRouche is totally irresponsible when he accuses Carol of working for the KGB. Why, she's as KGB as I am!"

Strange confession! He himself has been a lifetime friend of a very high-level official in the American Communist Party, with whom he has at least once traveled to Moscow and with whom he still maintains liaison in secret to coordinate strategies against the U.S. beam weapon effort. He also maintains contact with numbers of "U.S.-Soviet Friendship" groups on the same cause. "We won't associate with them in public," he asserts, "because that would damage the whole purpose of what we are trying to do."

## Witchcraft

"I'm the one who is pulling everyone together on this space work for our network," Carol was overheard telling one of the many nominal males our investigators noticed her manipulating during the five days of the futurists' conference.

Carol was indeed in the limelight during the entire five-day event, chairing or appearing on approximately 10 panels and/or press conferences.

On one track, Carol works with a network of "psychic warfare" brainwashers controlled globally by the theosophists and mystics at the highest levels of the Russian-Byzantine intelligence service.

One of the key controllers of the U.S. side of this net-

work, Sufi mystic Willis Harman of the Stanford Research Institute, told a June 14 assemblage of futurists that "the Russian method in psychic warfare work is to scramble the mind." Harman claims that a "global mind" or "mind link" between persons exists in the physical-psychological universe. Inducing the duped to believe that idea is the entry point for Soviet penetration of U.S. intelligence services. As employed by Harman and the futurists, the method is the same as witchcraft: appeal to magical belief in "feelings" and in the irrational.

In front of the same assemblage, Carol's cohort Susan Savage of the ISCOS network spoke of "experiences which induce feelings of integration, expansion of consciousness, strengthening of the instinctive. . . . Listen to the silent inner voice, the world of fantasy and dreams."

On June 11, Carol appeared on a panel together with one Andrija Puharich of Essentia Research in Dobson, Maryland, who claimed: "Every NATO nation has a psychic warfare unit. . . . I trained half of them." Carol chimed in: "We are evolving from an earth species into a space species. A collective mind exists. We need more self-awareness and knowledge of our interdependence."

On another track, Carol has been induced to believe that she has quasi-magical powers to stop the U.S. beam weapon program.

On June 12, she moderated a panel on "Space Weapons: To be or Not to Be" that concluded with a vote among the predominantly futurist-kook audience about whether they supported the President's SDI program or not. After the heavy negative vote, Carol chirped: "The vote is against space weapons. There will be no space weapons."

Among those on the same panel with Carol was Congressman George Brown (D-Calif.), who has named his anti-SDI organization "Coalition for Peaceful Uses for Space." Another panelist was former U.S. Strategic Air Command bomber Robert Bowman. Bowman read a made-in-Moscow speech fashioned around a make-believe future speech by President Reagan repudiating the SDI. Bowman drew hefty applause when he quoted "Reagan" firing Defense Secretary Weinberger, the administration's staunchest SDI supporter.

One curious new proposal that emerged out of the panel was from Ben Bova, editor of the futurist *Omni* magazine. Nominally in favor of the SDI, Bova is recommending a "Swiss Guard in space protecting the earth," according to which the United Nations would jointly oversee U.S. and Soviet deployment of space defenses in a common system!

This idea to "world-federalize" space originated, Bova indicates in a position paper, from the Princeton Institute of Advanced Studies, whose guru up to recent weeks has been Britain's kook-scientist Freeman Dyson. Princeton was the birthplace of the L-5 moon-cult organization. On a bulletin board at the futures' conference, signatories for L-5 membership were requested. The second-lead name, in prominent blue ink, was Carol Rosin.

## Kissinger Watch by M.

### Is Helmut Schmidt setting up a Kissinger fan club?

On June 21, Dr. Henry Kissinger's good buddy Gerald Ford opened up the annual World Forum in Vail, Colorado. Included among the 75 individuals in attendance were former West German Chancellor Helmut Schmidt, former British Prime Minister James Callaghan, former Australian Prime Minister Malcolm Fraser, and a group of Congressmen and think-tank policy influentials.

As is the case with many of these prestigious affairs, those *not* in attendance may be of greater importance to the proceedings than those present. To wit, Henry Kissinger's non-presence may allow for the formation of a Henry Kissinger Fan Club by Schmidt and other members of Spenglerian elites.

Schmidt had earlier authored a paean to Dr. K. in the May 31 *New York Review of Books*, a house journal for the decadent New York intelligentsia, entitled, "Saving the Western Alliance." It begins: "Henry Kissinger has done the Western world—and not only his own country—another important service."

The widow of slain Italian President Aldo Moro might grimace at the idea of another "important service" done by Henry Kissinger, but Helmut Schmidt, for all his much-touted "pragmatism," is not one to shrink away from unthinkable—and unpalatable—thoughts. His essay essentially proposes that Henry Kissinger rule the world.

Schmidt praises Kissinger's March 5 *Time* magazine piece, in which Dr. K. recommended pulling half of the American troops out of Europe, and particularly extols Dr. K.'s recom-



*Ole Vail won't be the same without you, Henry.*

mendation for appointing a group of "wise men" to formulate Western strategy. Says Schmidt: "Kissinger's critics overlook his justified and urgent appeal: that NATO finally work out once more a grand, over-all strategy for the Alliance with problems between East and West."

He goes on: "Kissinger has hit the bull's eye: The Alliance needs a new grand strategy. . . . The European governments should take up Kissinger's suggestion and go on from there."

"Kissinger Watch" readers may think of another image associated with the word "bull" at this point.

### Further proposals for decoupling

Earlier this year, in January, it may be recalled, Kissinger and Schmidt staged an orchestrated brawl at the Georgetown Center for Strategic and International Studies meeting in Brussels, Belgium. Out of that emerged a number of proposals and appeals for the decoupling of Europe from the United States, beginning with one put forward by Lawrence Eagleburger, then of the State Department and now president of Kissinger Associates, and continuing with Kissinger's *Time* magazine piece.

One of the attendees at that Brussels meeting was Sen. Sam Nunn (D-Ga.). On June 19, Nunn introduced a proposal into the Senate calling for removal of 90,000 troops from Europe if the Europeans failed to raise defense spending levels. Nunn's office strongly praised Kissinger's *Time* piece as guiding their thinking.

Proposal co-sponsor Sen. William Roth (R-Del.), a member of the Trilateral Commission, inserted portions of Kissinger's *Time* piece into the June 20 *Congressional Record*, and Roth inserted a recent piece on the same theme from the London *Economist*, a champion of European-American decoupling.

So, while strategic disaster looms for the West, Helmut Schmidt will be applauding his partner in crime in the cool Colorado breezes. That may not be all. It is usual for the Vail annual events to be followed by the get-together of world elites at the cult Bohemian Grove center in California. We would expect that Henry Kissinger, in the flesh, would not want to pass up that new opportunity for further mischief against Western interests.

# Elephants and Donkeys

by Kathleen Klenetsky

## Reagan in Disneyland

The world economy is a shambles. The international strategic situation is such that the Soviet Union fired six unarmed SS-20 missiles at the United States in a "practice exercise." And conflicts in the Persian Gulf and elsewhere are threatening to erupt into full-scale regional wars.

But you would never know that this is the state of global affairs from watching Ronald Reagan's television campaign ads. In fact, the ads are so far removed from reality that it's hard to differentiate them from Mary Poppins reruns.

The ad campaign is the product of a bevy of Madison Avenue advertising pros who are using Pepsi Cola's superslick commercials as a model. The theme of the ads is that Americans never had it so good, that Reagan has been able to turn back the clock to the simpler, happier times of the 1950s.

In 1980, Reagan's ads were just the opposite, showing him in the pose of a leader, speaking about the issues. The new ads will not show Reagan himself, but "scenes intended to summon up the good feeling that his aides think Middle America associates with him."

The series will consume at least half of the \$47 million Reagan campaign budget, and will be performed mostly by professional actors.

## Palace Guard tells Reagan: downplay SDI

The tone of the commercials is just one sign of what's wrong with Reagan's reelection campaign. On the advice of James Baker III and the rest of the Palace Guard, who have told the President not to pursue "unpopular" issues during the election campaign,

Reagan has retreated from every positive initiative he'd previously undertaken.

This is most apparent—and most dangerous—in the case of the administration's beam-defense program, the Strategic Defense Initiative (SDI). Reagan has downplayed the program, refusing to fight for needed funds, in favor of a strategy that calls for pushing the program *after* his re-election. And this despite mounting evidence that the Soviets are making rapid progress in developing their own ABM system.

Recently a senior administration official admitted that a decision had been made to put the SDI on the back burner because of election-year pressures. The official told a mid-June seminar on arms control sponsored by the Aspen Institute: "There was a conscious decision not to invest more in it [the SDI] this year, because it's an election year. [Reagan] has low-keyed it this year, but that does not reflect a lessened interest, because he does believe it's a moral imperative."

If the SDI is such a "moral imperative," why didn't Reagan put up a bigger fight? Several recently published polls have shown that the overwhelming majority of the American population favors the proposal. This suggests that if Reagan had gone straight to the public on the issue, he could have easily trounced his opponents and educated Americans on the key strategic issues of the day.

Instead, the President bowed to the Palace Guard. This gave the Kremlin's collaborators in the Democratic Establishment, the scientific community, and the Kissinger wing of the GOP an open field to agitate against the beam-weapons program. As a result, the paltry amount requested by the administration for the SDI has been cut even further by Congress.

## Democratic Platform: Moscow's delight

The Democratic Party unveiled its draft platform June 18, to the unbounded delight of the Kremlin. The platform calls for canceling the MX and B-1 programs, instituting a nuclear-weapons freeze, and opening negotiations with Moscow for the purpose of withdrawing the U.S. Pershing and cruise missiles from Western Europe.

The statement takes a hard line against the Strategic Defense Initiative, charging that it "would create a vulnerable and provocative shield that would lull our nation into a false sense of security." The platform includes elements of the so-called Wiesner-Cranston plank, drafted by MIT pseudo-scientist Jerome Wiesner and Sen. Alan Cranston (D-Calif.) with help from McGeorge Bundy, which mandates the Democratic President to call for a mutual freeze on the production and deployment of nuclear weapons systems upon inauguration.

The platform also advocates "reproductive rights" for women and "equal justice" for homosexuals.

Yet the Democratic Party freezemeniks were not able to block out testimony from spokesmen for the rank and file of the party, which by no means endorses Moscow's line. Representatives from the National Democratic Policy Committee, the party's pro-defense and pro-industry political action group, testified in Houston, New York, and Washington against the platform and in favor of the SDI.

In the testimony in Washington, D.C., NDPC representative Ronald Kokinda drew applause from party regulars when he demanded that the party "halt its attempts to 'out-Chamberlain' Neville Chamberlain's appeasement of the 1930s, in its dealings with the Soviet Union."

## LaRouche broadcasts prompt attack on Kissinger

Three months after Lyndon LaRouche's exposure of Henry Kissinger as a Soviet agent of influence in a March 26 nationwide television broadcast, the history of Kissinger's treachery against the national interests of the United States was described—for the first time—in the U.S. Senate.

In a June 20 floor speech, Sen. Steve Symms (R-Idaho) warned that the Soviets are 10 years ahead of the United States in both strategic offense and defense, and that they now have a first-strike capability. He continued that "America's strategic decline has not even bottomed out yet" and, "because of this vulnerability, we are increasingly subject to Soviet attempts at intimidation through nuclear blackmail. . . .

"The role of the false doctrine of arms control in speeding and assuring the U.S. strategic decline needs at long last to be carefully examined," he went on. "The historical evidence indicates that arms control has been used as an instrument in the Soviet game plan for strategic supremacy."

Symms cited Adm. Elmo Zumwalt, who in March named Henry Kissinger as the individual who withheld vital information from the U.S. Senate and the Joint Chiefs of Staff prior to passage of the SALT I treaty, former Defense Secretary Melvin Laird, and a 1978 CIA report as sources for his charge that Kissinger had lied to the Senate and withheld information about Soviet intentions to exploit a "loophole" in the not-yet-ratified SALT treaty by deploying SS-19s, the heavy ICBM which has given the Soviets their overwhelming strategic superiority.

Symms's statement is known to represent the views of a number of

other conservative senators, including Jim McClure (R-Idaho), Jesse Helms (R-N.C.), and Jake Garn (R-Utah).

Using the political parallel to the present crisis repeatedly cited by LaRouche in his broadcasts, Symms likened the government's refusal to reveal in full the history of Soviet arms-control violations and their military implications to the refusal of Neville Chamberlain and the British appeasers to take steps against German rearmament in the 1930s.

Symms called for "peace through space defense," arguing that "a space-based, layered antiballistic-missile defense is the best way to reduce the risk of nuclear war. . . . An American space-based antiballistic-missile defense could make the Soviet strategic offensive capability, so laboriously built up over the years, totally obsolete."

## Simpson-Mazzoli bill passed

A compromise version of the Simpson-Mazzoli act to revise the nation's immigration laws was finally passed in the House by a small margin June 21.

Provisions of the final version include:

**Employer sanctions:** To curtail the flow of illegal aliens into the country, it will now be a crime subject to fines to hire illegal aliens.

**Amnesty for illegals:** Illegal aliens who entered the country before the arbitrarily selected year 1982 are eligible for amnesty. These aliens can now apply for temporary "guest worker" status, and after one year they can apply for permanent resident status.

A prospective employer must be able to certify to the satisfaction of the

Immigration and Naturalization Service that his employee is not an illegal alien, or the employer will be subject to heavy fines.

The AFL-CIO, an early supporter of the bill, reversed its position because the guest-worker program would take jobs away from Americans.

The measure, which was considered impassable in an election year, will go before a House-Senate conference committee for reconciliation differences with the Senate version passed last year.

## Left-right coalition delays water project

Supporters of the embattled North Dakota Garrison Diversion Project have been forced to accept a legislative compromise which will delay the project several months, and possibly modify it. By a voice vote on June 21, the Senate accepted an amendment to H.R. 5653, the Energy and Water Development Appropriations Act of 1985. The amendment establishes a commission to develop modifications of the Garrison Project and freezes spending on the project until Dec. 31, 1984.

The commission is to be made up of 12 members appointed by the Secretary of the Interior. If the commission is unable to arrive at an alternative plan for the Garrison Project, construction will resume on Dec. 31, 1984.

The Garrison Project was first proposed in the immediate post-World War II period as compensation to North Dakota after the state gave up 0.5 million acres of farmland to flooding behind the Garrison Dam, a huge flood-control project for the region. Entire communities were relocated and some

of North Dakota's best farmland was inundated. In exchange, North Dakotans were promised the opportunity to reap the benefits of a million-acre irrigation program which was eventually authorized in 1965 as the Garrison Diversion Unit.

The compromise amendment was put forward by North Dakota Sens. Mark Andrews (R) and Quentin Burdick (D), the project's most fervent supporters, in obvious recognition of the fact that the project would lose in an up-or-down vote on the Senate floor.

An unholy alliance of environmentalists and "fiscal conservatives" has eroded support for the vitally needed project to the point that it has failed to gain support in the House in recent years and has only been saved by Senate action. Last year, liberal environmentalists such as Sen. William Proxmire (D-Wisc.) and fiscal conservatives such as Sen. Gordon Humphrey (R-N.H.) came very close to passing an amendment to halt the project.

## **'Peace in our time' academy voted by Senate**

In the early morning hours of June 20, as the debate on the Senate defense budget came to a close, the heirs of Neville Chamberlain and Bertrand Russell pushed through an amendment to establish a U.S. Academy of Peace.

The notion of a "peace" academy to teach political leaders how to "wage peace" through "conflict resolution" methods was a proposal of the Bertrand Russell Pugwash Conferences which brought U.S. and Soviet scientists together in the late 1950s to orchestrate arms control for the next

several decades that lay ahead.

The leading sponsors of the Peace Academy legislation are Sens. Spark Matsunaga (D-Hawaii) and Claiborne Pell (D-R.I.), both of whom were recently exposed by *EIR* as having co-sponsored Soviet-drafted anti-space-weapons legislation. The Peace Academy has been supported by every major arms control and anti-defense organization in the United States and garnered the co-sponsorship of 56 U.S. senators, many of whom were convinced that failure to support the Academy would be construed as a vote against "peace."

A handful of senators took the floor to warn that the Peace Academy could easily be captured by the "peace in our time" arms-control faction, and that the only assurance of peace in the world is the military strength of the United States and its allies.

Senator Steve Symms (R-Idaho) argued that "the taxpayers . . . are already paying for three peace academies. When General Washington set up the first Peace Academy up at West Point, the purpose of it was to train engineering officers. The other purpose was to maintain a very strong position so that we would prepare ourselves with a good officer corps in case of war. He knew that if we prepared for war we would be able to have peace. . . ."

"History is replete with examples of nations that were overcome because their people failed to provide for their defense. Most of England undoubtedly breathed a sigh of relief when Neville Chamberlain returned from Munich, proudly displaying his agreement with Adolf Hitler and announcing that we had 'peace in our time.'"

Knowing that the supporters of the Peace Academy already had the sup-

port of the majority of the Senate, opponents did not call for a roll call vote and the measure passed by voice vote. It has already passed the House of Representatives.

## **C**onservative senator flirts with anti-defense reformers

Senator Charles Grassley (R-Iowa), a nominal conservative, is aiding and abetting the liberal, anti-defense forces in the United States with alarming regularity. Not only did Grassley co-author the notorious "KGB" budget—named after Senators Nancy Kassebaum (R-Kans.), Grassley, and Joe Biden (D-Del.)—and vote for the Nunn amendment to pull U.S. troops out of Europe, he is also providing a forum for a grouping whose intent is to "Watergate" the Pentagon.

On June 21, the Senate Judiciary subcommittee on administrative practices, which Grassley chairs, voted to issue a subpoena to A. Ernest Fitzgerald, who works for the Air Force and who makes a career of charging that the Defense Department is accepting "cost-overruns" on weapons systems. Fitzgerald became the darling of the liberal left in the late 1960s when he was fired from his Pentagon job for blowing the whistle on cost-overruns on the C5A cargo plane. He was subsequently reinstated.

The Air Force refused to let Fitzgerald testify before Grassley's committee in an official capacity because his statement had not been cleared. Grassley is insisting that Fitzgerald must appear in his official capacity and that the information he will provide is "explosive" and would "reveal that the vast majority of money we put into major weapons systems is pure waste and inefficiency."

## Vote fraud charged in Pennsylvania primary

The *Philadelphia Daily News* June 21 ran a banner-headlined article revealing the existence of hundreds of illegal voter registrations on the books for one district alone at the time of Pennsylvania's April 10 primary. The primary was "won" by Walter Mondale. The charges were made by an aide to incumbent State Representative James McIntyre, defeated in the primary.

Within hours of the closing of the polls at the time, poll-watchers for Democratic presidential contender Lyndon LaRouche were reporting to his headquarters, "They stole the vote." LaRouche may have actually won 20-30% of the vote by his estimates. Candidates running with LaRouche for lesser offices scored up to 47%, but LaRouche was credited with only 2%.

McIntyre's staff has now checked 15 election divisions out of a total of 68 in his legislative district, and found 170 illegal registrants—addresses including vacant lots, welfare offices, schools, and abandoned buildings. In 1976, a lawsuit in New York State proved that Jimmy Carter's supporters included such illegal registrants put on the rolls with the newly adopted "mail registration." Prior to that primary, Walter Mondale told supporters to "vote early and often."

A common feature of the illegal registrations, says the *Daily News*, is that Ralph Acosta, McIntyre's opponent, witnessed most of them. According to his own estimates, Acosta and his staff signed up close to 10,000 voters.

At this time the District Attorney's office has turned over the investigation of the McIntyre charges to City Commissioner Tartaglione's office. The commissioner's office had the responsibility to purge the rolls before the election. In 1979, a federal investigation of voting machine breakdowns in Philadelphia implicated Tartaglione in doctoring a report on the breakdowns, but she turned state's evidence and got off scot free.

Attorneys for McIntyre intend next week

to go to court to ask a judge to order sequestration of the binder books containing the registration affidavits in question. Additionally, they will present their evidence to the U.S. Attorney's office with a request for an investigation.

## White House takes on population-control lobby

The Reagan administration's draft of the American statement for the U.N. Conference on Population, to be held in August in Mexico City, is a strong attack on Global 2000 and the population-control lobby, according to press leaks in the June 20 *Washington Times*. The statement was issued by the National Security Council for government agency review. The State Department's Richard Benedick reportedly leaked a copy to the population-control lobby so that they could mobilize opposition.

The document also features "free-market" economics, primarily attacks on developing-sector nations' attempts to promote development through "state sectors," "oppressive economic policies" such as "governmental control of economies," and government-directed spending.

The document reads in part: "Among the less developed nations . . . population increase was . . . directly related to the humanitarian efforts of the United States and other Western countries. A tremendous expansion of health services saved millions of lives every year. Emergency relief helped millions to survive flood, famine, and drought. The sharing of technology, the teaching of agriculture and engineering, the spread of Western ideals and the treatment of women and children, all helped to drastically reduce the mortality rates. . . ."

"Before the advent of governmental population programs, several factors had combined to create an unprecedented surge in population over most of the world. . . . The baby boom that followed [World War II] resulted in a dramatic but temporary population tilt toward youth [which] sustained strong economic growth and was probably

critical in boosting the American standard of living to new heights. . . ."

"The second factor that turned the population boom into a crisis was confined to the Western world. It was the outbreak of anti-intellectualism, which attacked science, technology, and the very concept of material progress. . . ."

"Nor can population control substitute for the rapid and responsible development of natural resources. In responding to certain members of Congress concerning the previous administration's *Global 2000 Report*, this administration in 1981 repudiated its call for more governmental supervision and control. . . . This administration places a priority upon technological advance and economic expansion, which hold out the hope of prosperity and stability in a rapidly changing world."

## Panel formed to sabotage U.S. ABMs

A panel of 46 high-level public figures has been formed to begin what it calls a "national campaign to save the ABM treaty." The group's goal is to persuade Congress to refuse to provide funds for the Strategic Defense Initiative, which it says is close to a clear U.S. violation of the 1972 ABM treaty. The 46 include McGeorge Bundy, former President Jimmy Carter, Dean Rusk, Robert McNamara, Gen. Maxwell Taylor, former CIA heads Stansfield Turner and William Colby, and Gerard C. Smith, the chief U.S. arms control negotiator when the ABM treaty was signed.

The 1972 ABM treaty, which the Soviets never abided by in any case, does not outlaw defensive systems based on "new physical principles," for example, laser and particle beam weapons which are the focus of the Strategic Defense Initiative. The panel did not mention this fact in announcing its goals.

At a Washington press conference June 19, Smith argued that a successful ABM system of one superpower would merely

produce irresistible pressure on the other to deploy enough missiles to penetrate it, accelerating the arms race. He said that his group does favor continuing U.S. research on advanced ABM systems as a hedge against a possible Soviet breakout. But the main thing, he said, is that "what we are objecting to is an American breakout."

## U.S. mayors demand less spending, more spending

The Conference of U. S. Mayors is castigating the Reagan administration for not cutting the U.S. budget—and at the same time demanding billions of dollars more in federal expenditures.

With cities around the country facing budget crises and cutbacks in part because of the loss of federal funds, the Conference's resolutions committee voted to urge cutbacks in federal entitlement benefit programs to reduce the federal budget deficit, including cuts in Medicare, Social Security, and federal workers' retirement, as well as defense spending. The mayors then turned around 180 degrees and, while blaming city problems on Reagan's budget—especially tax cuts and defense spending increases—demanded *more* federal spending, in such areas as public housing, summer jobs, and mass transit.

## Columnist attacks Manatt as Soviet spokesman

Conservative spokesman Patrick Buchanan has issued a hard-hitting attack on Democratic Party chairman Charles Manatt and the "cult of arms control" in his nationally syndicated column published in the *New York Post*, and entitled "Arms pacts with Soviets: echoes of Nazi treachery." The column is a bitter blast at the arms-control process in general and at the Soviets' "fifth column" in the Democratic Party in particular.

Buchanan calls the arms-control process

"dangerous," a "mindless process" which has left the United States significantly behind the Soviet Union in such crucial areas as ASATs. He then hones in on the similarity between the Soviet stand on the "arms race in space" and that of the Democratic Party.

Quoting from Manatt's June 11 press conference attacking the Strategic Defense Initiative, Buchanan comments, "Chernenko's line exactly. But Manatt went further," suggesting that "if President Reagan proceeds with Star Wars, the Russians may be justified in launching a nuclear attack on Manatt's own country. . . . We are court-ing the same fate as those decent men who, half a century ago, placed a similar faith in Non-Aggression Pacts they had carefully negotiated with Hitler and Stalin."

Presidential candidate Lyndon LaRouche used a May 11 broadcast to expose the role of the Soviet embassy in shaping congressional legislation cutting U.S. defenses, and the direct KGB links of Manatt's law-firm.

## Air Force test of MX successful

The Air Force conducted a successful test of the MX Peacekeeper intercontinental ballistic missile June 15, United Press International reported.

In the test, conducted at Vandenberg Air Force Base in California, pressurized gas propelled the missile into the air from its canister before ignition of its motors, a procedure known as a "cold launch." Such a "cold launch" capability makes the MX an important deterrent to a first-strike attack, which could easily destroy slower "hot launch" missiles.

The missile propelled six unarmed warheads 4,100 miles to their targets near Kwajalein Missile Test Range in the Marshall Islands, about 1,000 miles west of Hawaii. The test included the first flight of the Mark 21 warhead, the modified 400-kiloton Mark 12A warhead from the Minuteman III missile. The test was the fifth in a series of 20.

## Briefly

● **THE TOLEDO BLADE** on June 16 editorially demanded that Mayor Donna Owens continue using police to protect scab operations at the strike-bound AP Parts plant. While UAW Local 14 insists that the city is subsidizing strike-breaking efforts, incurring \$41,000 in expenses for police to patrol the plant gates, the *Blade* charges that the union was responsible for the May 21 violence. Reporters in Toledo revealed that management goons provoked the violence.

● **AN AMENDMENT** to a fiscal 1985 draft defense budget, introduced by Sen. William Proxmire (R-Wisc.), calls on the Reagan administration to conduct regular consultations with Japan and other allies concerning the Strategic Defense Initiative program. It passed at a plenary session on June 19, according to *Jiji* press.

● **'NEW IDEAS?'** Gary Hart's defense adviser, William Lind, told *EIR* the United States should abandon Europe, and the continent's "best option would be the restoration of the Hapsburg monarchy, although I don't see this happening. . . . The Hapsburgs ruled Europe for a long time and did a good job, and Otto von Hapsburg has a lot of good ideas. . . . Now, some kind of Austro-Hungarian entity must be restored. . . . The American nuclear umbrella over Europe is less and less credible. . . . Europe has to become more independent."

● **JACK ANDERSON**, who rented out his column to help bankers destabilize Mexico by charging that the government is corrupt and President de la Madrid has millions stashed away in Switzerland, has now shied away a bit: De la Madrid's corruption is buried so deep, Anderson says, that he might not be able to produce the "facts."

## Editorial

### *The shame of the U.S. Congress*

The week of June 18 was a low point for the honor of the American republic, judging by the behavior of the federal legislature. Capitol Hill's record for the week might prompt the ironic observation that "those clowns just have no sense of timing." Unfortunately, the farce is the omen of national suicide.

On Wednesday night, June 20, the Senate narrowly defeated the Nunn amendment and passed a "compromise" resolution which blackmails Western Europe with the threat of U.S. troop withdrawal. This came only *three days* after the clamorous signal of the European elections results that the Western Alliance was in grave and immediate danger.

That Friday, June 22, the U.S. House of Representatives passed the Simpson-Mazzoli anti-immigration bill already voted up by the Senate. With its heavy fines to employers caught hiring illegal immigrants (now defined as a crime), Simpson-Mazzoli is a slap in the face to Mexico in particular, since it will shut off the "safety valve" of immigration to the United States for Mexico's large, rurally based poor, triggering a social explosion against "the gringos and the government."

Behind this explosion will not only be the fury and resentment of decades during which Kissinger's liberal Eastern Establishment masters have sabotaged Mexico's industrial and agricultural development, but the past five years' escalated looting through Paul Volcker's high interest rates.

Simpson-Mazzoli passed the House *on the very day* that finance and foreign ministers from all over Ibero-America were gathering in Cartagena to frame their collective response to the international creditors' cartel. They have been forced to come together to fight for survival against the genocide policies Simpson-Mazzoli is designed to enforce.

"Shut the border and watch them scream," is how depopulation planner William Paddock, who has said he wants to wipe out 50% of Mexico's 70 million people, described the policy behind the bill a decade ago.

The Simpson-Mazzoli bill is in the tradition of American anti-immigration legislation going back to

the early 20th century. Such laws have always been used to impose racialist restrictions against "aliens," totally contrary to the Founding Fathers' conception of America as the republic that welcomed every newcomer as the greatest national resource. The Averell Harriman wing of the Democratic Party has been shepherding Simpson-Mazzoli along. It was the Harriman family's "eugenics" institutions which drafted the immigration laws in the 1920s and 1930s restricting entry except for people of "Nordic stock," and preventing hundreds of thousands of Jews from taking refuge from Hitler on these shores.

Like its antecedents, Simpson-Mazzoli is immoral and profoundly anti-American. It is also very stupid, since there is a sane, moral policy-option immediately at hand. All over Ibero-America, a mass movement is being built in support of "Operation Juárez." This is Lyndon LaRouche's plan for a reorganization of the monetary system to defer payment on what everyone admits is an unpayable debt, and generate new credits for the sort of investment, especially in large-scale infrastructure and energy projects, that will spark huge gains in industrial and agricultural productivity.

The U.S. Congress and Executive Branch need only meet the Ibero-American governments halfway in the steps they have taken toward adopting Operation Juárez at Cartagena. Under Operation Juárez, the United States will actually face an acute labor shortage because of the huge markets that will open up for U.S. high-technology exports, and, at the same time, we will acquire the means to preserve our threatened alliance with Europe.

The U.S. borders should be opened to "guest workers," not under the slave-labor conditions imposed by Simpson-Mazzoli, but at American union wages. Their training and education here will make them and their children valuable members of their own societies when they return home, or of the United States should they decide to remain.

Without delay, President Reagan must veto Simpson-Mazzoli, and every member of Congress must repudiate it. For once, the timing would be right.

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