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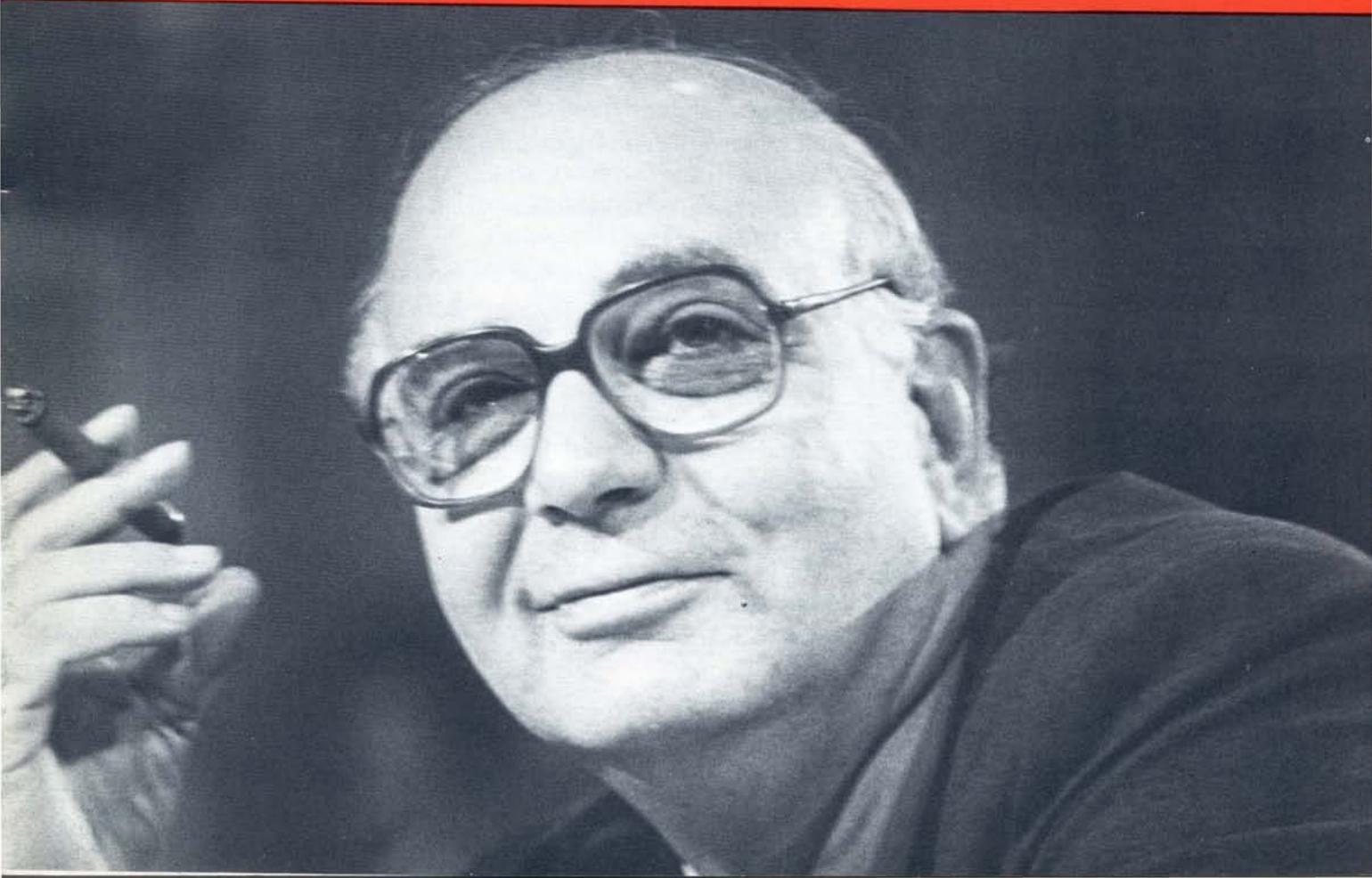
Executive Intelligence Review

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TFP and Gnostics caught in plot to kill the Pope  
Cato Institute: think tank of dope and decoupling  
'New' World Bank plan for Africa exposed

**How Volcker added \$200 billion  
to the Ibero-American debt**

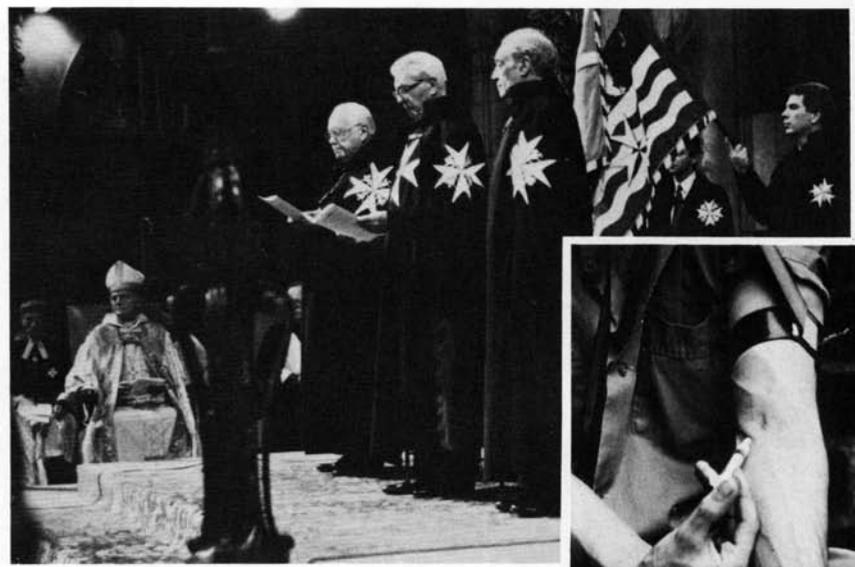


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# EIR

## From the Managing Editor

We will not tire of attacking and fouling things up for Henry Kissinger until that purveyor of oligarchical influence is politically destroyed. That is even more evident in this issue than is usual for us. But then, that's because of the state of world affairs, reflected in the fact that we are not the only ones who have been attacking Kissinger:

- At the NATO nuclear planning group meeting in Italy, Defense Secretary Caspar Weinberger attacked Kissinger's NATO "decoupling" recommendations and reasserted the U.S. commitment to defend Europe in no uncertain terms. The story is in *International*.

- Egyptian President Hosni Mubarak sent a private letter to President Reagan at the beginning of October, urging him to "break with Kissinger's [Middle East] policies." Sources linked to Egyptian intelligence tell us that a key topic of discussion at the Oct. 9 meeting between Mubarak and Jordan's King Hussein was how to convince Reagan not to bring Kissinger into a second Reagan administration. See *International*.

- As the *National* section reports, after the President's poor showing in his first debate with Walter Mondale, Sen. Paul Laxalt attacked the White House "palace guard" of James Baker and Michael Deaver for "absolutely smothering" the President in disinformation briefings featuring Paul Volcker on the economy and Kissinger on foreign policy.

See this week's *Kissinger Watch* column for a delightful report of how organizers for the presidential campaign of *EIR* founder LaRouche left Kissinger "distracted, agitated, and destabilized" (local radio report) during a public appearance in Flint, Michigan.

This week's cover story is drawn from the groundbreaking study of the Ibero-American debt by Peter Rush, published in full in the September edition of the multi-client *EIR* service, *Ibero-American Debt Watch* (\$2,500 for one year subscription).

Finally, our past exposé material of terrorist cults threatening the life of the Pope is being picked up by Ibero-American press and security agencies on the eve of a Papal visit. Our investigative work is continuing, and will be reflected in these pages in coming weeks.

Vin Berg

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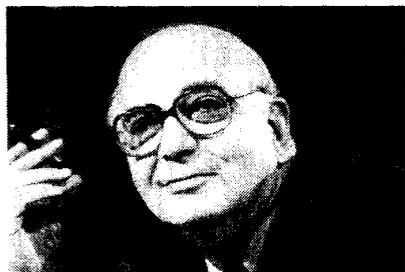
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# Reagan administration sets IMF plan for America

by David Goldman

Under the deal cut with the International Monetary Fund and European central bankers last month, Treasury Secretary Donald Regan will present a package to Congress Dec. 1 including the biggest peacetime tax increases in American history. Regan will jump from the frying pan into the fire: To avoid the European central bankers' threat that a turnaround of the present \$150 billion per year of capital flows into the United States will crush the U.S. economy, he will do so himself, by lancing the consumer-based swelling of the U.S. economy through taxes on consumption.

The core of the package, according to well-placed administration sources, will be some form of national consumption tax—either in the form of a Federal sales tax or a value-added tax—as well as the so-called “flat tax” reform of the progressive tax system.

Although administration officials have been reluctant to state their aims before the television cameras, one concise presentation of the thinking behind the package was offered by Washington consultant Norman A. Bailey, a former National Security Council official who advises Reagan-Bush '84, in an Aug. 29 speech in São Paulo, Brazil. (see below).

Regan's package, already in the final stages of formulation, corresponds to the recommendations, and absorbs the threats, of the International Monetary Fund's Annual Report released last month (excerpts below). IMF officials, in releasing the report, warned of a “precipitous drop of the dollar” and a mass exodus of capital outflows, should the United States fail to accept its demands.

The IMF lividly denounced the United States for promoting its own economy through deficit financing while other nations were forced to contract, adding, “Because of the size

of the U.S. economy and the magnitude of the capital inflow now being attracted there, reduction of the U.S. federal government deficit could be expected to have a significant impact on the availability of funds for private investment throughout the world.”

In an Oct. 8 report from Washington, one wire service claimed that the mood in Congress had already turned favorable to a value-added tax (VAT), a form of sales tax that imposes a surcharge on each stage of production.

A 5% VAT would raise about \$100 billion, and a 10% VAT would raise about \$200 billion, or the rough equivalent of the current Federal deficit—straight from the top of consumption. In an economy artificially bloated by a 30% per year rate of increase of consumer credit, a cut in consumption would bring the so-called recovery down like a rock.

To date, *EIR* demonstrated in its economic survey of the first half of 1984, the supposed economic recovery is due largely to two factors. The first is outright statistical fraud, which doubled the actual volume of physical-production increase (as measured by the direct reports of industrial associations and firms). The second is a trade deficit which now adds up to more than 7% of total physical output of the U.S. economy. In other words, 7% of the total U.S. economy now represents a subsidy from the rest of the world, produced physically in Asia and Ibero-America, and financed by capital flows from Western Europe and Japan.

On the other hand, it is not surprising that the administration would sacrifice private incomes rather than corporate profits, as the Mondale tax proposals would, to satisfy the IMF and America's restive creditors. Corporate profits this year are flat at the \$250 billion annual rate achieved in the

first quarter of the year, and most analysts already predict a decline in 1985. The worst of it is that a good quarter of reported profits during the first half of this year are the invention of various kinds of creative bookkeeping. Much of the corporate debt-expansion during the first half of the year fed directly into imaginative ways to put profits onto corporate books, e.g., through leveraged buyouts that permitted corporations to put one-shot asset sale and leaseback agreements onto their bottom line.

All this puts the administration's electoral posture in a queer light. On Oct. 8, Treasury Secretary Regan said that he would recommend a "modified flat tax" for President Reagan's second term. This, Regan said, would be contained in an options paper for federal income tax reform. Administration sources confirm that Regan's proposal would not entirely eliminate progressivity in the tax structure, i.e., taxpayers with higher incomes will pay a higher tax rate than those with lower incomes. Most exemptions and deductions would be eliminated.

Regan emphasized that the so-called flat tax would seek to raise the same amount of revenue as the present system, and therefore should not be viewed as an effort to cut the budget deficit. However, sources familiar with the administration's tax planning report that the deficit-reduction side will be covered by taxes against consumption. It is still not decided whether this will take the form of a national sales tax or a VAT. The difference, in any case, is purely cosmetic.

The Treasury, however, has been silent on the subject of a national sales tax since Aug. 16, when Regan, pressed by reporters, "refused to entirely rule out" such a measure as part of the planned December tax reform package. At the time, Regan still insisted that the entire package would have to be "simple, fair, economically efficient, and revenue-neutral," i.e., not constitute an increase in taxes overall. It is nonetheless transparent enough that the purpose of the sales tax is to boost revenues, so that the Treasury has been reluctant to mention the subject in public since then.

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## Documentation

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*Extracts from Norman A. Bailey speech in São Paulo, Brazil:*

Fiscal systems must be adjusted to provide incentives for saving and capital formation rather than consumption; they must be adjusted so the taxpayer sees the system as fair, with a minimum of special-interest deductions and exemptions; average rates must not be set too high as to dampen initiative or force it underground. In order to accomplish such a fiscal reform, government budgets must be cut substantially. Years of deficit (and in most cases inflationary) financing have resulted in the imminent danger in many countries of forcing a choice of future stagnation, inflation, or massive credit liquidation.

In the United States, a fundamental review of the tax system is currently underway. A detailed reform bill will be presented to the next Congress.

The objectives of this review are exactly the right ones—to encourage saving and productive investment while removing artificial incentives to consumption, on the one hand, while increasing the intuitively felt fairness of the tax system at the same time. This is surely a program that can be supported by people of all political persuasions, while they will undoubtedly be bitterly opposed by many "special interests" in the strict sense of the term.

What should be the elements of this reform? In my view, they must include in some form the following:

1) A flat or greatly simplified progressive income tax. Studies have indicated that the U.S. Treasury take would remain about what it is now with a flat tax of 19%, even when taking about 25 million low-income people off the tax rolls completely. This is aside from much greater ease of collection and the economic gain to be derived from the lowering of unproductive expenditure and avoidance.

2) Elimination or reduction of capital gains and inheritance taxes and the elimination of double taxation of corporate profits.

3) Imposition of a value-added or federal sales tax to raise the additional funds necessary to reduce the federal deficit.

### *Extracts from IMF Annual Report:*

The past four years have been a period of substantial divergence in the thrust of fiscal policy between the United States, on the one hand, and the other major industrial countries, on the other. From 1979 to 1983, the expansionary impulse imparted by fiscal policy in the United States is estimated to have amounted to almost 2% of GNP. In all other major countries, there was a contractionary thrust, ranging up to some 3% of GNP in the United Kingdom and the Federal Republic of Germany. Partly as a consequence, the actual deficit of the U.S. federal government rose by the equivalent of 4½% of GNP between 1979 and 1983, while the corresponding increase for the other major industrial countries was under 1% of GNP.

According to budgetary plans already announced or adopted, the contrasting paths of fiscal developments in the United States and in the other major industrial countries seem destined to persist through 1984. Although the U.S. federal deficit is likely to decline slightly in the current calendar year, the expected decline would be less than could be attributed to the effects of recovery alone. . . .

The very brisk pace of recovery in the United States . . . provides an exceptional opportunity . . . to make useful and necessary adjustments in their budgetary structures while avoiding some of the adverse repercussions that might have resulted from such actions during the recession period. . . . Because of the size of the U.S. economy and the magnitude of the capital inflow now being attracted there, reduction of the U.S. federal government deficit could be expected to have a significant impact on the availability of funds for private investment throughout the world, as well as in the United States itself.

# 'New' World Bank plan for Africa: Part of Mondale's starvation plan

by Christopher White

During the course of the just concluded annual conference of the International Monetary Fund (IMF), the Fund's sister organization, the World Bank, issued the third in its series of reports on sub-Saharan Africa. The latest is called "Toward the Sustained Development of Sub-Saharan Africa, A Joint Program of Action."

The title of the document is, of course, a typical rhetorician's trick. The document is not about development at all, never mind what normal people would consider to be implied by the term "sustained" development. In fact the very opposite is the stated intent of the recommendations presented in the report's introduction, and elaborated in the text. And that is not actually surprising, for the name "sustained development" is one of the buzz words put into international circulation by the crowd around the Club of Rome genocide lobby, and their U.S. friends, like Orville Freeman of Business International, who runs not only a slice of Walter Mondale, but also the Agency for International Development of the current Reagan administration, through that agency's adoption of Business International's program to deal with the world food crisis. That proposal in turn won a \$30,000 prize at a 1982 Woodlawn "Sustainable Societies" conference. AID is responsible, with the Department of State and the U.S. Department of Agriculture, for the implementation of what is euphemistically called U.S. food aid policies.

The basic thesis of the World Bank report, and of the policy that Freeman, together with his assistant Ruth Karen, put together for AID, is quite simple. There are too many people living in sub-Saharan Africa. That is, too many black people. Or, what Business International calls, to avoid the opprobrium of words like "native," as Karen herself put it in a recent discussion, "indigenous population." The recommendations contained in the World Bank report are part of a global blue-print for population reduction, that is, genocide, especially against black, brown, and yellow-skinned peoples. And the cited agencies of the U.S. government are helping to implement it.

For example, on page 26, the report's authors assert:

The impact of continued high fertility can be shown by an example: The estimated population in the year 2020 of over 1.2 billion could be reduced to less than 900 million—

still a staggering figure—if a rapid decline in fertility were possible immediately. . . .

Unfortunately, few African countries have committed themselves to reducing population growth. Some governments are even pro-natalist; Sudan, for example, recently announced its intention to introduce incentives for large families.

Four of the points of the nine-point program put forward by the bank are the following:

- Health and other programs to reduce the rate of population growth
- Changes in the structure of education and training to ensure greater relevance to the needs of African economies
- Budgetary and pricing policies (including correction for the overvaluation of exchange rates) that will switch the internal terms of trade within Africa toward agriculture
- Greater emphasis on smallholders rather than large farms.

The genocidal concerns expressed in these four points are reflected elsewhere in the report, in the development of the classic thesis of Malthusianism, that while Sub-Saharan Africa has maintained the highest population growth rate globally, its capacity to produce food, as measured in per capita production of grains, for example, in 24 drought-stricken African countries, declined during the period between 1970 and 1984 by about 2% a year. Projections of per capita production for the year 1984 employed by the bank anticipate a decline to below a production level of 100 kilograms of grains per person. The report further notes that 1 in 5 of the entire population of the area is fed by imports. And that the 1 in 5 ratio is, on average, the ratio of city-dwellers to people living in the countryside.

The report notes in passing, on page 13, that sub-Saharan Africa's import capacity, that is, the region's capacity to import food, is declining, without recommending how to either reverse that decline, or increase internal production of foodstuffs. The question that is then left is, does the World Bank intend to wipe out sub-Saharan Africa's urban

population, or 20% of the total population, over the period ahead? This in turn must be seen with the added knowledge of the collapse of food production, including production of grains, within the United States, a collapse which this publication has shown has been organized to achieve precisely the result intended by the World Bank for sub-Saharan Africa.

Yet even if the rural population were capable of producing food, which the per capita production declines show is not the case, the World Bank does not intend that food be available to be eaten.

The report emphasizes repeatedly recommendations such as the following:

Fuller use of existing capacity in all sectors—agriculture, power, education, health and industry (except for projects that have been costly mistakes and should be written off).

Or again:

Financing big infrastructure projects has represented a large part of past donor programs. These programs must be re-examined. Even ongoing projects need to be reviewed with governments to ensure that their completion at this stage of extreme shortage of resources is still desirable.

The hostility expressed toward infrastructure programs, which includes praise for countries that have been forced to eliminate programs such as highway construction, which would make possible the development of an internal division of labor, is expressed more generally toward industry as “industry becomes a burden on the more efficient and dynamic parts of the economy.”

But if Africa cannot have infrastructure, and it cannot have industry, because the people who run the World Bank, along with their friends like Orville Freeman and AID say so, then Africa cannot have food. And if Africa cannot have food, Africa dies. And meanwhile the World Bank turns its attention to trees.

Fuelwood consumption alone now exceeds the growth of new trees by a factor of ten in Mauritania and Rwanda, by five in Kenya, by about two and a half in Ethiopia, Nigeria, and Tanzania. Much can be done to reduce the demand for fuel-wood. . . .

After large-scale infrastructure projects, which would include energy, have been taken away, and after the industry, which would process raw materials into useful forms, has also been taken away, the World Bank also proposes to take away the trees.

The price of fuelwood seldom reflects replacement costs—and is unlikely to do so until available resources are used up, or until governments can collect stumpage fees to cover replacement costs. (page 32).

The report presented is the third in a series. The World Bank began to give its attention to Africa, in this way, after the heads of state of Africa's nations met in 1980 and drafted a plan for the development of the continent. The plan was known as the Lagos Plan of Action. In the United States it was reviewed, at book-length, by Lyndon LaRouche, Independent Democratic presidential candidate. The Lagos Action Plan attempted to put the question of the necessity for the development of Africa before the world community and its leaders. Except for the efforts undertaken by LaRouche and his wife Helga, through such forums as the Club of Life and its international efforts to mobilize support to reverse the deadly continent-wide food shortage, it is the case that the proposals put forward in the successive World Bank reports have been the policy of practice of advanced-sector governments—including emphatically that of the United States—with the exception of Japan. Africa has been condemned to death, and outside the organizations associated with the LaRouches, the international community of nations and its leadership have not uttered a word of dissent, or lifted a finger in protest.

### **A model for the world**

Yet, at this year's International Monetary Fund conference, the proposal for Africa was presented, not just as directed at Africa, but as a model for the world as a whole. The proposal contains not only a blueprint for genocide, by eliminating a whole continent's capacity to feed itself, it also contains a series of administrative reform proposals modelled on the practice of classical 19th-century imperialism, which would ensure that the survivors of the re-colonized populations are again reduced to near-slavery conditions. It is in this area also that the report is touted as a model for other parts of the world.

The task of aid coordination is time consuming and administratively demanding. The agencies chairing the aid coordination groups will need to provide much more technical assistance to governments for preparing their public investment and recurrent expenditure programs, as well as for designing the supporting policy changes. . . . Strengthening the Bank's role would require additional manpower to work closely with governments and other donors, including staff in the recipient country.

The World Bank is evidently not satisfied that local administrators will have the stomach to implement plans for mass murder on a scale 100 times worse than anything Hitler dreamed of, and therefore proposes that it should take over the functions of government in the nations targeted for treatment according to its genocidal prescriptions. Let us instead make Africa an example of how the World Bank and its allies can be defeated, the better to demonstrate our capacity to save ourselves.

# Nigeria opposes the IMF's austerity

by Mary Lalevée

In unusually harsh language, Nigeria's military leader, Maj.-Gen. Muhammadu Buhari, in early October strongly condemned the International Monetary Fund's conditions for granting his country a \$2.5 billion loan, charging on nationwide television that Nigeria was being asked to mortgage its economy. The IMF has demanded that the country devalue its currency by 60%, cut subsidies on domestic petroleum prices, and dismantle its system of import restrictions.

Nigeria's opposition to IMF demands, as well as Egyptian President Mubarak's recent refusal to cut subsidies on bread, may galvanize other African governments to action. Over the last year, most African governments have, over protest, submitted to IMF demands, explaining in private that they know that the medicine offered is "killing the patient," but they have no choice. African diplomats have told this writer that their countries could not survive a cut-off of all economic and financial aid, which could follow their refusal to obey IMF dictates.

It seems to have gone unnoticed that the countries that have faithfully taken IMF "medicine" never recover: for example, Zambia, which according to the latest issue of *Africa Research Bulletin (ARB)*, is "firmly under the tutelage of the IMF," and in fact has been following IMF demands since at least 1977.

In March 1978, the finance minister of Zambia announced a two-year aid program with the IMF, explaining this as "the last hope for the economic recovery of our country." The usual IMF recipe was applied: devaluation of the currency by 10%, reduction of the budget deficit by cutting imports, cuts in government subsidies, and increased taxes. An IMF team inspected Zambia's affairs in 1979 and announced themselves satisfied. In 1981, the IMF program reduced of consumer subsidies and increased food prices. The price of maize meal, the basic food staple, rose 50% in six months. The prices of meat, dairy produce, bread, salt, and sugar rose between 12% and 40%. In 1982, further negotiations with the IMF led to further limits on government borrowing, and another devaluation of the kwacha. In 1983, the currency was again devalued, this time 20%; there were more cuts in food subsidies, a 10% wage ceiling was set, and price controls on most commodities were ended. Since January 1983, the kwacha's value has been cut in half.

The result of Zambia's faithfulness to the IMF is that today, seven years later, foreign exchange is so short that "not enough supplies can be imported to keep essential industries running," according to *Africa Research Bulletin*. The *Bulletin* reports that the industrial sector is running at between one-half to two-thirds capacity. "The local press is full of stories of firms producing essential local commodities that are forced to close down, or run part time only, or lay off workers because they don't have raw materials or the spares to keep machinery running." The local Dunlop factory closed in August because it had no rubber to make tires—at a time when truck haulers were complaining they were short 17,000 tires and tubes urgently needed to bring in the maize crop.

Zambia is one of the 24 countries named by the United Nation's Food and Agriculture Organization as being dependent on food aid, due predominantly to drought. According to government estimates, half a million people are suffering from the effects of drought in the southern, western, and central provinces. IMF measures are directly responsible for the inability to bring in the maize crop. "This time last year we had brought in 2.7 million bags of maize; this year we have had only 1.2 million bags," said Gerry Chabwera, general manager of Namboard, quoted in *ARB*. Chabwera complained that although the maize crop was estimated to be better than last year at about 6.1 million bags, he would still have to import about 2.5 million bags.

There are reported shortages of consumer products everywhere in Zambia. "In some rural areas there has been no bread for months," writes *ARB*. "In Lusaka, lines form daily for toilet soap, toothpaste, and basic necessities of all kinds. School children have to share basic textbooks in the schools." A diplomat from Zambia recently reported that in many schools, there are simply no chairs.

Other African countries suffering from drought and famine, such as Tanzania, Ghana, and Zimbabwe, are also being subjected to IMF austerity. The Tanzanian government had devalued the country's currency by 25% and cut subsidies on maize meal and fertilizer, but this was not enough to qualify for even a relatively small loan of Special Drawing Rights (SDR) 150 million (\$155 million). The IMF has now broken off talks on this loan because Tanzania raised the minimum wage to try to offset the effects of the austerity measures.

Apparently as a reward for devaluing its currency 99% last year—and another 10% in the month of September alone—Ghana has been granted an IMF loan of SDR 180 million (\$183.1 million).

The United Nations General Assembly is due to debate the crisis situation in Africa in November. The disaster facing Africa cannot be prevented by mere resolutions: the control the IMF has over Africa's economies must be directly challenged.

# Presidential candidate LaRouche replies to the IMF's de Larosière

by Lyndon H. LaRouche, Jr.

*The following statement was released by Independent Democrats for LaRouche on Oct. 3, 1984 and is reprinted by permission of IDL.*

Among the pieces of literature recently passed out to the press by the International Monetary Fund (IMF) was a flier printed in a feminine hue of lavender ink, entitled, "Does The Fund Impose Austerity." The putative author is the IMF's managing director, J. de Larosière. The flier is devoted to a pathetic attempt to refute the accusations circulated widely by my associates and myself, that the "IMF conditionalities" constitute a degree of savage austerity which in some instances constitutes the outlawed practice of genocide.

M. de Larosière begins this lavender masterpiece with the statement: "The International Monetary Fund is often charged with imposing austerity. This is a misconception for a number of reasons." The number of reasons he lists are six, of which the third is: "While these programs do entail sacrifices, the austerity born of adjustment must be compared to the alternatives." Perhaps, M. de Larosière has a very short memory, so that by the time he has reached point three, he admits that the IMF does impose "austerity," freely admitting what he set out to ridicule as a "misconception."

As for the flier as a whole, by M. de Larosière's logic, Adolf Hitler did not practice "slave labor," but rather merely provided work to persons who might otherwise have wasted away through idleness in the barracks of his concentration camps.

His six points are as follows:

"First, economic adjustment is inescapable. . . . We now know that the debt crisis has worsened their [the developing-sector nations'] already difficult situations and that they must live up to the consequences." In other words, savage austerity dictated by the IMF.

"Second, adjustment as perceived by the International

Monetary Fund is not synonymous with lower growth or economic retrogression." The fact is, under approximately two years of IMF conditionalities in Ibero-America, an estimated \$400 billion in productive investments has been shut down, and the growth rate in the continent has been driven down to such levels of negative growth that most of these nations will collapse if IMF policies are continued. M. de Larosière knows this very well, and is, in short, a liar.

"Third, while these programs do entail sacrifices, the austerity born of adjustment must be compared to the alternatives." On this point, as we noted above, M. de Larosière now admits completely what he announced he would deny.

"Fourth, with regard to the social costs of the adjustment programs, by definition any action to restore balance of payments equilibrium entails costs, since it tends to reduce the absorption of external resources." There are bottomless depths to M. de Larosière's propensity for sheer gobbledygook: only such a bureaucrat would say "absorption of external resources," where an honest man would say "cut their imports savagely."

Under this same point, M. de Larosière states that the Fund does not order nations to transmit the cruelest impact of IMF-imposed austerity to the "least-favored segments of the population." ("least-favored segments of the population": more of de Larosière's bureaucratic gobbledygook!) In fact, the IMF has repeatedly ordered nations to raise savagely the prices of food charged to the poorest strata of the population. When the IMF forced the government of Morocco to do just that, the result was riots in Morocco which threatened the stability of that government. This week, IMF dictates set off similar riots in Alexandria, Egypt. These cases are typical. Again, M. de Larosière is a liar.

"Fifth, as to the impact of exchange rate adjustments on the least-favored segments of the population, the effects vary

depending on the case." In plain language, M. de Larosière is referring the IMF policies of forcing nations to lower the price of the currency to a level many times below the value of that currency in terms of its relative purchasing-power within that nation. This reduces savagely the ability of that nation to pay its current debts, while permitting foreign corporations to buy up the product and assets of that nation at a fraction of their true value. What the IMF does is force nations to turn their economy and people over to outright looting by foreign bankers and multinational corporations.

"Finally, Fund programs must be supported and extended by longer-term structural efforts to promote durable growth in these economies." M. de Larosière's imagination broke down at the point he wrote those words; the remainder of the flier is devoted to nothing but reference to close cooperation between the Fund and the World Bank, and insisting, for unspecified reasons, that this close cooperation will lead somehow to a cure for "endemic unemployment." We are left to imagine that his cure for such "endemic unemployment" consists of nothing but IMF-induced acceleration of the death rates among the unemployed.

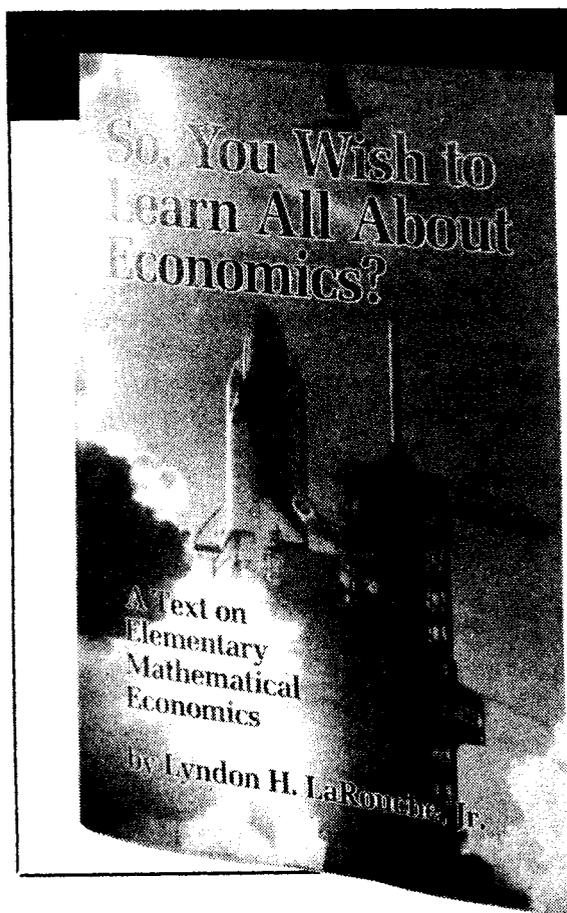
The question posed by this IMF propaganda-piece is whether M. de Larosière's pathetic incompetence in attempt-

ing to refute the arguments of my associates and myself is a reflection of some defect in M. de Larosière's mental composition, or that the IMF's case is so morally indefensible that even so brilliant a bureaucrat as he might profess to be could produce nothing better than this bit of lavender?

When the present policies of the IMF and Federal Reserve System were described in the 1976 edition of the New York Council on Foreign Relations' *1980s Project*, the phrase used to describe these policies was "controlled disintegration of the world economy." This was the phrase employed by Mr. Paul A. Volcker, in an address he made in Britain during the period of 1979 he was campaigning for his appointment by the Carter-Mondale administration to head the Federal Reserve. In other words, these policies were devised with the intent that they should promote the collapse of the economies to which they were applied. So far, they have worked quite successfully, ruining every economy upon which they were imposed.

The argument of the IMF and its supporters is, that there is no alternative to the IMF's methods of looting and austerity. This is a lie; the IMF officials know this argument to be untrue.

Adjustment is necessary. In the case of the economies of



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Ibero-America (Mexico, Colombia, Panama, Ecuador, Peru, Venezuela, Brazil, and Argentina, most notably) the following measures are necessary.

### 1. National emergency fiscal measures

1. (a) Capital and Exchange Controls regulating movements of currency into and out of the national economy.

1. (b) Credit Controls, giving priority to investments in three areas of capital investments: basic economic infrastructure, agriculture, and goods-producing industry.

1. (c) Agreements covering mutual defense of currencies and promotion of trade among some or all of these nations.

1. (d) Policies restricting imports to both essential food supplies plus needed capital goods and spare parts for investments in the three priority categories of investment.

### 2. Economic measures

2. (a) National productivity must be increased through, first, increasing the percentile of the national labor force employed in goods-producing workplaces of agriculture, industry, and creation of basic economic infrastructure, and, second, increasing productivity of such employed labor through technologically progressive, capital-intensive investments.

2. (b) Where priorities must be selected among these three categories of investments, the most essential infrastructure and agriculture must have relative emphasis, and industrial development attuned to the expanding needs of most essential basic infrastructure and agriculture.

The principles are not much different than those we would have applied to the case of an insolvent but potentially profitable bankrupt industrial firm during the 1950s and 1960s. Cut out the unessential overhead (in this case, labor-intensive retail services, reselling, and clerical categories), increase output of product and productivity, by channeling priorities for investment into these areas, and stressing technological improvements in production of goods.

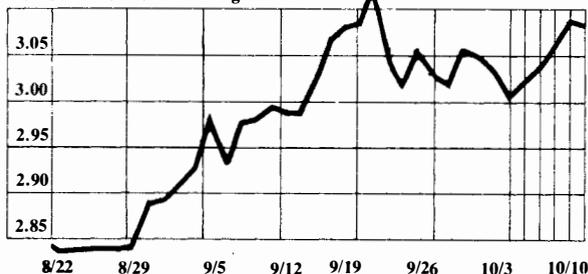
The IMF's austerity programs do exactly the opposite. They cut the country's prices of exports below true value (by forcing down the price of the national currency), reduce levels of productive employment and output, and increase the percentile of employment and expenditure devoted to overhead categories of expenditure. The IMF says, in effect, "Lay off your production workers, stop increasing employment in all categories but the most technologically backward aspects of production, and increase the overhead costs for financing charges." Any accountant or banker who proposed such "adjustments" to any sane corporate official during the 1950s or 1960s would have been put into a straitjacket and hustled off to the funny-farm instantly.

Perhaps that is what we should do with the present officials of the IMF and Federal Reserve System. What can you expect of a French bureaucrat who prints gobbledygook in lavender ink?

## Currency Rates

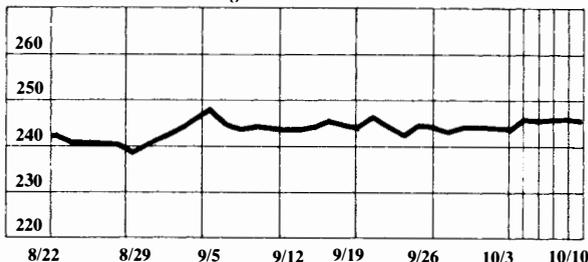
### The dollar in deutschemarks

New York late afternoon fixing



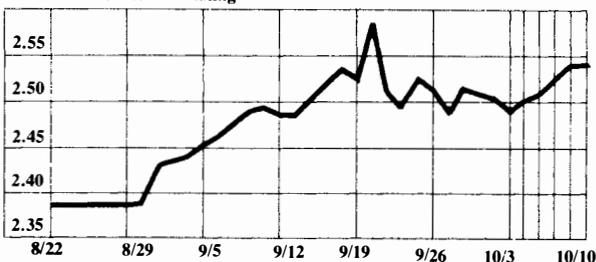
### The dollar in yen

New York late afternoon fixing



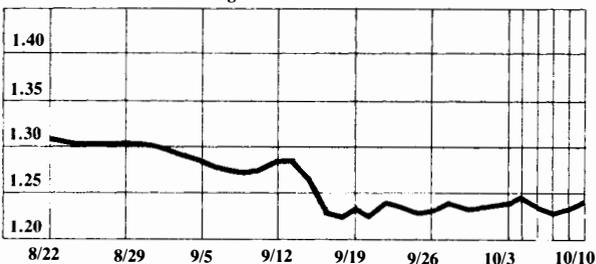
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



# How to do it...

*This essay, "Wealth Protection and Foreign Exchange Controls," is by a financial planner specializing in illegal movement of funds out of Ibero-America.*

Foreign exchange controls are customarily used by politicians as a wealth-freezing device to prevent assets from fleeing their jurisdictions.

Corporations who suffer the greatest capital exposure will normally deal with the nuisance of exchange controls by utilizing shrewd intra-company accounting methods. This technique is developed as follows:

1) The mother corporation will "secretly" establish a consulting company outside of the country and in a freer jurisdiction. This decoy subsidiary should appear to have no relation to the mother corporation at all.

2) The only purpose of this decoy subsidiary is to be employed "in a business consulting capacity" for the mother corporation. The function of the decoy subsidiary is to be compensated by the mother corporation for its counsel and advice. In other words, invoices presented to the mother corporation as accounts payable have to be paid. Even the government cannot tell you not to pay.

3) The real function of the decoy subsidiary should be known only by the mother corporation's board of directors. . . . When bills are paid to the decoy subsidiary, wealth will flow to the new jurisdiction. Thus, the mother corporation will diversify her capitalization into a safer currency, while the company's books will display declining profitability.

Customarily, a jurisdiction will not allow its citizens to take out more than a few thousand dollars worth of currency. This sometimes will apply to the tightly controlled regulation of all accounts payable. . . . The only means of bypassing this constraint is through establishing many decoy subsidiaries . . . quite often by opening a bank account under fictitious corporate names in various countries. For example, if Mr. Gonzalez wanted to take out \$100,000 worth of pesos from Mexico, the government would most likely step in and permit outflows of only \$5,000. The remaining \$95,000 would require decoy subsidiaries in Costa Rica, Guatemala, Belize, etc. . . .

We can apply this technique equally well for individuals who have had their wealth "frozen" by greedy politicians. The only prerequisite for individuals is to establish a justifi-

able need for "foreign consultation." These two words, and any of their synonyms, are the tools required should one desire to move wealth across national borders. Consultation fees are just another entry under accounts payable. . . . Once they are paid, the wealth is free to flow into the new jurisdiction.

When the capital reaches the new jurisdiction, the corporation or individual can do with it as they choose. However, one strategy that I recommend to businesses and individuals alike . . . is that they consider the possibility of purchasing a low-cost foreign insurance term policy. Insurance by its very definition should be a guarantee against loss or harm. Unfortunately, once exchange controls have been imposed the damage is already in an advanced state. For example, during the volatile economic climate of the late 1970s, Brazil was plagued with triple-digit inflation. In 1977, there were 16 Brazilian cruzeiros to the U.S. dollar. Today, that same U.S. dollar will buy you approximately 2,100 cruzeiros. For all intents and purposes, only seven years later the Brazilian cruzeiro is virtually worthless. . . .

Once the basic concept is understood, the possibilities for wealth protection are quite numerous. It is no wonder that the consulting business has expanded so dramatically in Latin America today. Furthermore, foreign corporations that have established Executive Fringe Benefit Programs, Salary Continuation Plans, or Disability Insurance through decoy subsidiaries for their key employees have reaped the benefits a hundred-fold.

The great advantage of U.S. law is that it allows for the postponement of U.S. taxes due on a foreign corporation, if at least half of it is owned by a non-resident "alien." Thus, as an American, you may not have majority ownership of the decoy subsidiary foreign corporation to escape taxes on the decoy subsidiary's profits or declared dividends.

Unfortunately, the IRS requires any American investors to file an information return, so that the information will not remain a secret to the U.S. government. This could arise in many sleepless nights, so my advice is to forget about the IRS. The less anybody knows the better. There is the possibility of criminal fraud penalties, civil fines, back taxes, and substantial interest retribution; however, if the secrecy aspect is adhered to religiously, all this trouble can be avoided. It is when the secrecy is dismissed as status-oriented cocktail-party talk that the problems arise.

If sums of money less than \$50,000 need to be smuggled out of the country, it is best to purchase collectibles, numismatic coins, rare stamps, and marketable pieces of art to transport out of the country on your own person and sell in the new locality. This can prove to be highly effective in deceiving border authorities; however, it does require an expertise for quality. Under normal market conditions, the difference between the bid-ask (buy-sell) price can be as high as 25%. . . . But 75% of something is always going to be worth more than 100% of nothing.

# How to stop it

The foregoing account accurately describes some aspects of flight-capital operations. It leaves out some techniques permitted under loopholes, e.g., establishing a local-currency deposit in an offshore bank which may convert the local currency into dollars. The resident shows only, for example, a bank balance in Brazilian cruzeiros; but the cruzeiros have already been sold for dollars held in a second account. Presuming that the cruzeiro depreciates, the depositor comes out ahead, by putting pressure on his country's exchange rate through an offshore sale of its currency.

However, the most important omission in this account is the context. The principal organizer of flight capital is the International Monetary Fund, which demands that countries devalue their currencies in return for small loans. The moment it is rumored that a developing nation will have to accept IMF terms, devaluation is viewed to be inevitable, and the great round of speculation begins. Since developing countries cannot sustain massive capital outflows without disastrous consequences, the secondary effects of such speculation produce immediate and drastic deterioration of the country's external and internal financial position, leading to further flight capital.

That is the secret of the huge devaluations of Ibero-American currencies during the past several years. Because the rate of return on equity investment in, for example, Brazil or Mexico, has been much higher than in the industrial nations, it doesn't wash to argue that economic mismanagement is the cause of flight capital.

Therefore, the elimination of flight capital requires that developing-sector governments do two things:

First, get rid of the IMF and replace it with something else.

Second, begin to play really dirty in the meantime.

The starting-point for Ibero-America is Lyndon H. LaRouche, Jr.'s "Golden Peso" proposal, published in October 1983. Rather than conduct international transactions in dollars, the continent as a whole should adopt a common, gold-based "heavy currency" as the unit for such transactions, and firmly peg all local currencies to this common unit. The sound economic basis for such a currency must be an Ibero-American customs union, joint renegotiation of foreign debt on economically acceptable terms, and multi-nation infrastruc-

tural projects designed to crack the power, transportation, water resources, and other productivity bottlenecks of the entire region.

Once such a context is established, the attractiveness of private investment in these nations will rise dramatically from the present miserable levels dictated by the International Monetary Fund's austerity policy. The confidence of private investors may be won back.

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*"The principal organizer of flight capital is the International Monetary Fund, which demands that countries devalue their currencies in return for small loans. The moment it is rumored that a developing nation will have to accept IMF terms, devaluation is viewed to be inevitable, and the great round of speculation begins."*

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However, in the meantime, the problem of keeping capital in the country, perhaps under conditions of virtual economic war between the IMF and a group of developing nations, boils down to enforcement.

As described on the adjoining page, the flight capital operators seek to swamp enforcement. No government has the capacity to investigate every dummy subsidiary of every corporation in the country, and brass-plate companies and bank accounts multiply faster than competent, or honest, inspectors.

The argument is often heard that the corruptibility of government personnel rules out effective controls. This can work in both directions, however. The same incentives, applied through a system of rewards and penalties, can shift the balance decisively to the side of the governments.

Merely announce that illegal exporters of capital will lose some terrifying multiple of the money sent abroad, or even face total expropriation of their businesses, and most wealthy private individuals will think hard about the risks. Offer, in addition, a bounty to informants amounting to 10 to 20% of the total amount of capital involved. In a nation like Mexico, where secretaries in many offices are issued uniforms because pay is too low to permit them to buy their own clothing, there is a potential army of clerks, telex operators, receptionists, and secretaries prepared to betray flight capital if suitable incentives are available.

## The health threat to U.S. livestock

*High interest rates and budget cuts are permitting disease to spread, with the nation's meat and milk supplies at stake.*

A prominent research veterinarian cites "high interest rates" as the biggest threat to the health of farm livestock in the United States. It has taken 40 years to build up an incomparable standard of animal health and productivity, through farm management and through disease detection and control programs. This is the foundation of the national meat and milk supply, and should be a resource for upgrading world diets. However, budget cuts and the farm income crisis threaten to destroy the entire livestock system.

It would only take four or five years to turn the clock back 40 years in terms of bovine tuberculosis and brucella—two debilitating cattle ailments we have the means to minimize. T.B. is now on the increase, and dairymen warn that brucellosis soon will be.

Because of budget cuts, the government canceled its T.B. control test subsidies to states, which have in turn canceled their payments to farmers to cover bills for veterinary T.B. inspections. Unable to even pay for household food and fuel, farmers are in no position to pay these new costs for standard veterinary care.

Each time cattle are shipped, they are supposed to be inspected and given a health certificate, which costs \$1 or \$2 a head. Until recently, the government reimbursed the farmer for these costs. Now the farmer is supposed to cover it. When you have no funds, \$100 for transporting 50 cows makes sneaking them across the border seem worth it.

Brucellosis and T.B. can make

rapid gains if not contained by constant regulation. During World War II, the Nazis required Denmark to send 20 percent of their cows to Germany every year. The Danes instituted underground cow disease testing, and shipped over all those animals that tested positively for brucella and tuberculosis. At war end, the Danish herd was small but clean; the German herd was sick with 50 to 60% T.B.

Next week the U.S. Animal Health Association is meeting in Texas; their subcommittee on bovine T.B. will be conferring on what can be done about the increase in disease. The current milk "PIK" or payment-in-kind program is another factor downgrading herd health. Farmers are paid \$10 per hundred pounds of milk they do not produce each month for 15 months beginning last January. The public rationale is to reduce the milk "surpluses." In reality, there is no surplus, as the rising consumer milk prices and shortages dramatically show. There has been a cap placed on U.S. dairy exports by the world dairy cartel companies (Nestles, Unilever, and the New Zealand Dairy Board) and the International Monetary Fund.

Farmers reduce milk output mainly by culling herds. Since last fall, more than 300,000 milk cows have been culled, well above normal herd management rates. In addition, some farmers are deliberately underfeeding their animals to decrease milk output, and stretching out the time between calving. This weakens highly conditioned animals, potentially causing

dangerous and severe health problems.

Over the whole 15-month period of the milk PIK diversion plan, an estimated 887,860 milk cows will go to slaughter, which is at least 337,000 more than normal cull rates. The national beef herd is shrinking so fast that by year's end, it will be at the lowest level since 1969. The hog and pig inventory is down at least 9% from last year, and falling. Farmers are being forced to cut back and to go out of operation so fast that our food supply is now a national security issue.

All types of farm animals are subject to disease outbreaks. Scrapie is a disease that attacks the central nervous system of sheep, and is almost always fatal. It has a long incubation period, taking 18 to 42 months before clinical signs appear. It first came to the United States from England in the mid-1950s, and because swift action was not taken by government agencies to destroy the four infected flocks in New York and Ohio, it has now spread nationally. So far, 22 cases have been reported this year, higher than in 1956. However, many farmers do not recognize it, or if they do, quietly eliminate the animal and contact animals, because if they report the case, they will be required to kill their livestock with no indemnification. An indemnity of merely \$10 to \$20 a head could provide the needed incentive to make a regulatory program work.

Toxoplasmosis is a microscopic parasite that affects fetuses. The cycle of the disease is known, and includes cats, from which pregnant women can acquire the parasite and produce a severely brain-damaged child. Abortions in 16 flocks of sheep in Iowa, Maryland, Montana, Minnesota, and South Dakota have been traced to the parasite *Toxoplasma gondii*. Government R&D and regulatory and financial help for sheep-growers are essential to contain this disease.

## **Aging research: extending human life**

*Current research indicates that human life could be considerably lengthened within the next decade.*

A recent *New York Times* article predicts that, a century from now, the average woman will live to be 90 years of age, and the average man, somewhat less. It also postulates an extension of maximum human life span if certain alterations in food consumption and living habits take place. Although the *Times* typically displaces the potential benefits of present scientific research 100 years into the future, a review of the rapidly expanding area of aging research indicates that a commitment to translate present knowledge into practice would bring about amazing results in just one decade, and that many younger people living today might be around 100 years from now.

Most theories are based on random or programmed alterations in the genetic program contained in deoxyribonucleic acid (DNA). The extremes are represented, on the one hand, by the assumption of a random accumulation of errors in the form of point mutations, and, on the other hand, by the concept of a totally programmed readout of genetic information related to development, maturation, aging, and ultimate life span. Between these extremes lies the theory that there is, with age, an accumulation of chromosomal mutations whose lost functions are replaced by redundant (reserve) sequences until the reserves are depleted and senescence ensues.

In spite of the inherent theoretical limitations of viewing life in terms of

non-living chemistry and physics, a great deal of information on the aging process, and on the means of altering it, already exists.

One area of research which holds great promise is that on the immune system which protects the body against foreign organisms and against its own cells when they become cancerous. As an animal ages, certain changes in the immune system accompany, and even precede, the aging process.

For many years it has been known that the thymus, a gland located at the base of the neck, reaches its maximum size in late adolescence and then progressively shrinks, such that the entire gland has virtually disappeared by the mid- to late-forties. It is now known that the thymus secretes a number of hormones which are crucial for activating certain immune cells involved in defense against infections and cancer. By age 60, thymus hormone cannot be detected in most humans. The immune cells, known as T-lymphocytes or T (thymus-dependent) cells, show age-related loss of function that can be corrected by administration of thymus hormones.

On a more fundamental level, recent breakthroughs in molecular biology and neurochemistry are beginning to reveal intimate interactions between the brain and the immune and endocrine systems. These interactions have been especially well delineated in the study of the hypothalamus, an area at the base of the brain which is connected to the pituitary gland, the

so-called "master gland."

Immune function is also affected by pituitary hormones and, in addition, T-cells have been demonstrated to possess surface receptors for the so-called neurotransmitters, which are responsible for cell-to-cell communication in the brain.

The rapid developments in this area, along with major breakthroughs in understanding of DNA repair mechanisms, are certainly enough to justify a major effort—were the prolongation of life a major priority.

The real obstacle to life extension in the near future is not scientific or technical, but attitudes exemplified by such genocidal organizations as The Population Reference Bureau whose Sept. 5 press release issued in Washington, D.C. began: "If heart disease had been eliminated many years ago, federal programs for the elderly would have cost about \$67 billion more this year alone."

The Bureau's report recommended the elimination of efforts to prevent premature death because of the excessive cost to the taxpayer of letting people live. Echoing the cost-efficiency measures Adolf Hitler implemented when he began his euthanasia program for exterminating the mentally ill and handicapped, the report stated: "While these remarkable advances mean we can all look forward to longer lives, their impact on society and on the current system of programs for the elderly could be disastrous."

The solution according to the Population Reference Bureau is to begin killing the elderly. They state: "Leonard Hayflick of the University of Florida suggests a balance be struck between research directed at *eliminating the major diseases* and at slowing the aging process [emphasis added]." This coheres with the *New York Times'* desire to postpone the benefits of this research into the next century.

# Business Briefs

## International Trade

### Food crisis boosts Brazil's trade surplus

Carlos Viacava, Brazil's director of exports, announced on Oct. 5 that the country had managed a trade surplus of \$9.6 billion in the first nine months of the year, \$600 million more than they had promised the International Monetary Fund for the entire year.

The biggest gains have been in orange juice. Total Brazilian exports, mostly foods, have increased by 23% compared to the same period last year. This is a result of the food crisis affecting other countries, such as the citrus canker that has hit the citrus crop in Florida. The overall effect of the trade situation is a net drop in world food production.

## Dope, Inc.

### 'Private enterprise' means drug trafficking?

Under the rubric of pushing "private enterprise," a new White House International Task Force on Private Enterprise is organizing for the legalization of drugs and of drug-trafficking in several Ibero-American countries.

The Task Force is run out of the offices of the State Department's Agency for International Development (AID), which has a special Bureau for Private Enterprise. The policies for this office have been drafted both by Walter Mondale's agriculture adviser Orville Freeman and by the U.S. Chamber of Commerce's Center for International Private Enterprise (CIPE), run by Michael Samuels, a former Georgetown University staffer and adviser to Henry Kissinger.

The CIPE's activities include joint conferences organized with the Institute of Liberty and Democracy (ILD) in Peru, a "free-trade" institution tied into the pro-drug networks of the Mont Pelerin Society and Milton Friedman's mentor, Friedrich von Hayek. A CIPE brochure reporting on this joint initiative says that "a large part of the Peruvian economy operates outside the available

legal framework, not because of a desire to avoid the law, but because access to the system is blocked by layers of regulation." Translation: Make Peru's "black economy" legal. A conference in Mexico is being planned to spread the same pro-drug propaganda there.

The same "free-trade" argument has been one of the main entry-points for the pro-drug friends of ex-President López Michelsen in Colombia. A faction inside Colombia's National Association of Manufacturers used such arguments to justify hiring Harvard Medical School's pro-drug fanatic, Dr. Norman Zinberg, as a consultant in the early 1970s. Zinberg was one of the creators of the MK-Ultra LSD proliferation project of the 1960s. He recently told a caller: "Look how prosperous Colombia has become because of its drug trade, in contrast to Argentina and Brazil, where no one sees any alternative."

## Technology

### Los Alamos announces breakthrough on 'graser'

A Sept. 21, 1984 news release from Los Alamos National Laboratory announces that scientists at the lab have carried out experiments "that could result in the world's first nuclear laser," the gamma-ray laser—a laser potentially far more powerful than the Livermore x-ray laser—"in just a few years." The release briefly reviews the work being directed by Dr. George Baldwin on developing the gamma-ray laser—called the "graser"—and notes that the graser is "a potentially powerful microscope" that "could look into, 'see,' and examine a human's individual cells, genes, or DNA strands in detail never before possible." Grasers "might also prove useful to the military, emitting highly energetic pulses of penetrating radiation in repeatable and accurate beams."

According to Dr. Baldwin: "Grasers offer enormous scientific potential. In the 1960s, they looked utterly impossible to make. Now I think it can be done and in just a few years. The experiments mark a milestone. After researching the idea for some

20 years we're now starting to see if such a laser can actually be developed."

In a 1981 review of graser research published in *Review of Modern Physics*, Dr. Baldwin had noted that the x-ray laser could provide the basis for achieving a gamma-ray laser. Given continuing advances in x-ray laser development, the prospects for an effective graser weapon are being greatly enhanced. One advantage of the graser over that of the x-ray laser is that it could penetrate more deeply into the atmosphere. This would mean that even fast-burn rocket boosters could not escape destruction.

## Agriculture

### Farm export commission 'cartel's instrument'

The newly created U.S. Agriculture Export Commission is a tool of the grain cartels that will create food shortages in the United States and famine abroad, a group of leading U.S. farmers charged on Oct. 8.

The farmers, members of the Agriculture Advisory Board of the Schiller Institute, issued a statement the second week of October to denounce the new commission mandated by Congress to promote U.S. farm product exports. Excerpts from their statement follow:

"The membership of the commission reveals it to be an instrument of the same international food cartels that are reorganizing world agriculture to create controlled scarcity in the West, while providing for Soviet needs.

"Orville Freeman, Cargill, Inc., and other well-known agents of strategic food control are running this operation, based out of the Hubert Humphrey Institute of Public Affairs in Minneapolis. We don't need more give-aways to the Soviets; we need emergency measures to restore full production capability in the United States, Western Europe, Canada, and all potential food exporting regions. We must implement emergency food supplies to Africa and other points of need that this food cartel-Soviet partnership have consigned to genocide. . . .

"We call on Congress to dismantle this

commission. . . ."

The Agriculture Advisory Board also called for the following emergency measures to be implemented:

- Declare a moratorium on all farm foreclosures;
- Provide low-interest farm production credits;
- Replace the current foreign policy based on food and trade warfare with an emergency changeover of the monetary system to favor vastly expanded production and trade based on large-scale infrastructure projects of mutual interest to nations.
- Price U.S. farm exports at parity price levels to the farmer, except for food sent to starving regions.

## Space Race

### Soviets lead U.S. in technology

The head of a technology research company in Britain commented on the intensity of the Soviet Union's activity in space the week of Oct. 8, concluding that the Soviets are well ahead. Of a total of 2,513 known space launches prior to 1983, according to Dr. Alan Rudge, managing director of ERA Technology, 1,636 were conducted by the Soviet Union—more than three-fifths of total launches, carrying about 2,300 payloads. In contrast, the American space launches totalled 882.

Dr. Rudge said the figures "provided some thought-provoking comparisons with regard to future leadership in the exploration and exploitation of space."

In substantiation of Dr. Rudge's comments, Radio Moscow reported on Oct. 10, one week after the announcement that the Soviets are ready for a flight to Mars, that the Soviet Union is engaged in a project developing "big orbital stations."

In a commentary on Radio Moscow, a Soviet space-technology designer praised the Soviet Union's record-breaking 237 days in space by the Salyut 7 cosmonaut team, and said that this project was vital for the development of big orbital stations. "In the future," he said, "large structures could be

welded in space, including research laboratories and workshops."

The current Salyut 7 complex is considered to be the most advanced station in space, and is undoubtedly the basis for future development of Soviet space anti-missile defense stations.

## Economic Theory

### U.S. losing knack for productivity

Seymour Melman, a Columbia University professor of industrial engineering, claims in his recent book, *Profits without Production*, that American industry is rapidly losing ground to its competitors because managers have lost their skill in productivity. Melman, who favors a nuclear freeze and other "pacifist" causes, does not mention the impact of the Federal Reserve's high interest rates. In the past, the importance of increased productivity was taken for granted, he argues; now, according to Melman, managers are more interested in leveraged buy-outs or in defense contracts that allow profits without concern for cost minimization.

The losses in American productivity have been much discussed, but the standard explanation given, high salaries paid American workers, is rejected by Melman. In his 1956 book, *Dynamic Factors in Industrial Productivity*, he included data showing that over a certain period, the wages of machine-tool workers in the United States rose by 95% while prices rose only 39%. Since machine tools are the means of production in every other industry, their attractive prices encouraged other businesses to modernize technology, Melman said. "Productivity just derived from effects of mechanization and organization of work."

But between 1971 and 1978, wages for machine tool workers in the United States rose 72% and prices 85%. In Japan, during the same time period, wages rose 177% and prices only 51%. "These data mark the end of an industrial way of life in the United States. The classical mechanism that used to yield productivity growth has broken down."

## Briefly

● **U.S. SALARY** increases will average 6.6% in both 1984 and 1985, the lowest increase in a decade, a national survey of 875 companies conducted by Sibson & Company, a New Jersey consulting firm, revealed on Oct. 8. From 1976-82, increases were from 7.7% to 9.7%, then dropped to 6.8% in 1983. The poll found the most important factor determining wage increases on the part of a business was the desire to be competitive with other firms.

● **HENRY WAXMAN**, representative from California (D), has introduced a bill in Congress to establish a National Council on Medical Technology Assessment which would be empowered to rule on the "appropriateness" of developing new medical technologies. Waxman is motivating the bill as a cost-cutting measure.

● **ETHIOPIA'S** Communist government appealed for emergency food aid on Oct. 9 in a meeting in Nairobi, Kenya. The U.N. estimates that 7.2 million people in the country face starvation, of a total population of 33 million; 250 people per day die of starvation and 1,000 people per day arrive at the government-run relief center in Korem in northern Ethiopia. According to official FAO statistics, the nation requires 563,000 tons of food during the next 12 months, of which only 375,000 is expected to be forthcoming.

● **THE FIFTH** International Meeting on Radiation Processing will be held in San Diego Oct. 21-26. Organized in cooperation with the International Atomic Energy Agency, the Nordic Society for Radiation Research and Radiation Technology, the American Chemical Society, and the Plastics and Rubber Institute (U.K.), the meeting will concentrate on the status of applications in industrial use and to disseminate the latest developments in research.

## How Volcker added \$200 billion to the Ibero-American debt

by Peter Rush

Legend has it that the indebted nations of Ibero-America now pay the price of having spent excessively and imprudently in recent years. But statistics indicate the opposite.

Investigation by *Executive Intelligence Review* reveals that almost all of the total debt burden currently carried by the economies of Ibero-America is the either direct or indirect result of the *high interest rates* initiated by U.S. Federal Reserve Board chairman Paul Volcker and the Carter administration in late 1979, and maintained by the Reagan administration. The direct effect of much higher interest charges was compounded by *worsening terms of trade* caused by the world-wide recession, itself also caused by the high interest rates, and by massive *flight capital* also due to high interest rate-caused economic and financial instability throughout the continent.

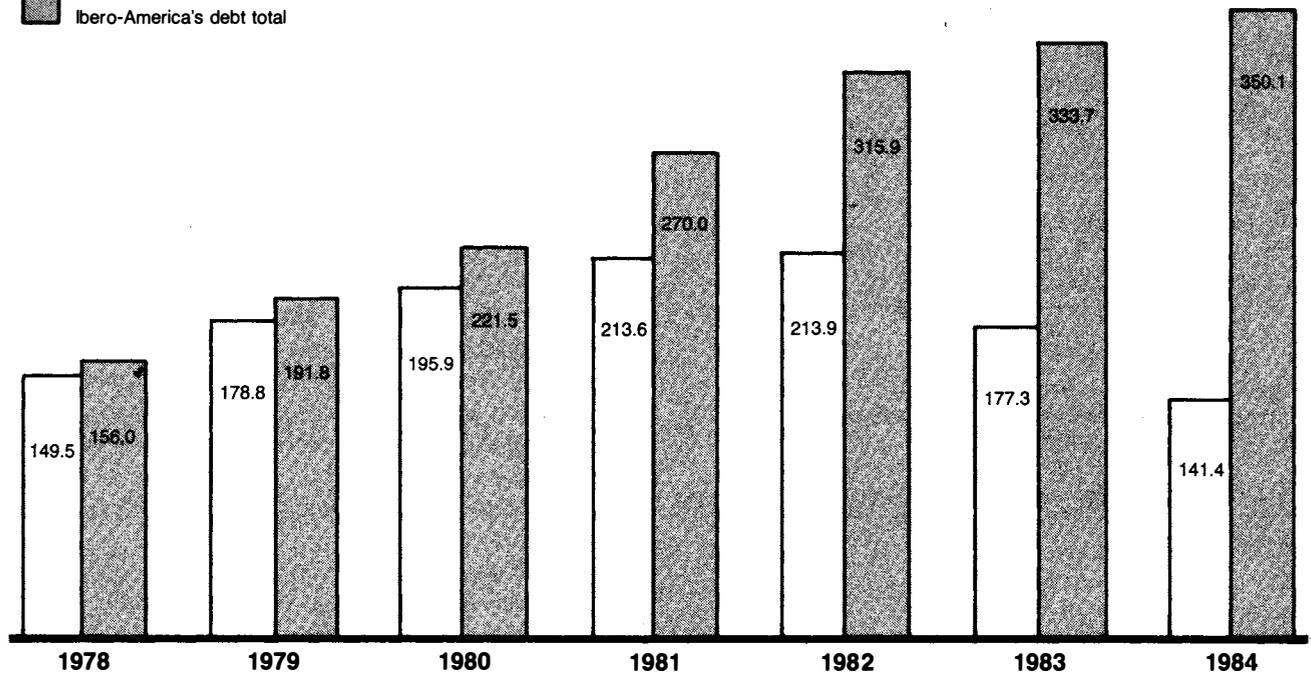
Without these three encumbrances, Ibero-America would not only not have increased its total debt by a single peso, but would have reduced its 1978 debt load of \$156 billion by two-thirds or more. Instead, it has risen to the astronomical sum of \$350.1 billion, which represents for the debtor nations an intolerable burden and a growing danger of non-payment.

The interest rate effect was calculated on the assumption that the rates prevailing in 1978 for each country for each major type of loan had remained constant through 1984. This calculation showed that there would have been a cumulative saving of \$59.1 billion in interest charges (see **Tables 1-3**), which would have lowered the current debt load from \$350.1 to \$291.0 billion.

The terms-of-trade effect was derived by assuming that export prices had kept up with import prices from 1978 to 1984, and figuring how much export revenue was in effect lost by the worsening terms of trade, a worsening that amounted to almost 25% by 1982-84. Had the terms of trade remained at 1977 levels, the accumulated additional export revenues would have been \$113.6 billion by the end of this year, for a total saving of \$149.6 billion off the current debt load after compounding the interest payment saving that would also have been realized. Applying both assumptions, the total debt burden would have peaked in 1981-82

## The debt with—and without—Volcker

□ Estimated real debt, assuming constant 1978 interest-rate levels and constant terms of trade  
 ■ Ibero-America's debt total



at \$214 billion, and fallen to only \$140 billion by this year (see **bar graph** and **Table 4**). Finally, subtracting a conservatively estimated \$100 billion in flight capital leaves only \$41.4 billion as the approximate total debt that would have been presently outstanding from Ibero-America had interest rates not risen after 1978—a reduction of almost 75% from the \$156 billion of 1978 and a mere 11.8% of the present \$350 billion.

This exercise demonstrates that contrary to prevailing opinion, Ibero-America has done an outstanding job in economic terms over the past six years, most particularly in its foreign trade, increasing its exports far in excess of its imports in constant dollar terms, at the same time as, up until 1981-82, most countries continued to maintain a healthy growth in their economies. The entirety of the present debt burden is revealed to be nothing but a mechanism denying the region the fruits of its own commendable economic efforts by annually transferring tens of billions of dollars of real wealth, tantamount to loot, to the United States and the other developed-country creditor nations. The debt was contracted to finance falling relative export prices, usurious interest charges, and speculative flight capital, and is now being used to extort enormous trade surpluses and compel disastrous internal austerity policies.

The effect on the economies of the continent is nothing short of calamitous. Brazil's industrial output is 11% below

its 1975 level, and 33% below its peak in mid-1981. Argentina's economy has been in crisis since 1981; Peru's economy is in its worst recession of this century, and Mexico's industrial output is down almost 12% and still falling. Chile is in a full-fledged depression; Ecuador's economy is in trouble; Colombia's economy has been stagnant for three years, and even oil-rich Venezuela is cutting back development programs and tightening its belt. The smaller economies of Central America and the Caribbean are in general even worse off, as are the economies of Bolivia and Paraguay.

And during this period, the debts haven't even been reduced, but rather have continued to grow, as the interest payments still exceed even the enormous trade surpluses being recorded by Mexico, Brazil, Argentina, Venezuela, and the other countries. And with interest rates rising again, the only prospect for the region is even tighter austerity, to the point of total physical collapse of every economy of the region—all to maintain a huge subsidy from the southern part of the continent to, principally, the United States.

### Growth of the debt

Between 1978 and 1984, the external debt of Ibero-America rose by 125%, from \$156 billion to \$350 billion, with the sharpest rates of growth occurring between 1978 and 1982, when the total more than doubled. Argentina's debt more than tripled, from \$13.7 billion to about \$45 billion.

TABLE 1  
**Total debt of Ibero-American nations, 1978-1984**  
 (in billions of U.S. dollars)

	1978	1979	1980	1981	1982	1983	1984
Argentina	13.7	19.0	27.1	35.7	43.0	44.0	45.0
Brazil	54.5	62.7	67.6	77.2	86.1	91.9	100.8
Chile	7.1	9.5	11.7	15.5	17.3	19.1	19.2
Colombia	4.2	5.3	6.7	8.3	9.7	10.6	12.0
Mexico	35.5	42.9	48.0	64.0	83.0	88.0	88.0
Peru	7.7	8.0	8.3	8.6	10.4	10.5	10.5
Venezuela	15.0	23.0	26.0	30.0	32.0	35.0	40.0
Others	18.3	21.4	25.9	30.8	34.3	34.6	34.6
<b>TOTAL</b>	<b>156.0</b>	<b>191.8</b>	<b>221.5</b>	<b>270.0</b>	<b>315.9</b>	<b>333.7</b>	<b>350.1</b>

TABLE 2  
**Hypothetical 'savings' of the Ibero-American nations, assuming constant interest rates since 1978**  
 (cumulative 1978-84, billions of U.S. dollars)

	1978	1979	1980	1981	1982	1983	1984
Argentina			0.5	1.5	2.8	4.5	6.4
Brazil			0.7	3.7	8.6	15.3	20.4
Chile			0.1	0.6	1.4	2.7	3.9
Colombia			0.0	0.3	0.7	1.1	1.5
Mexico			0.9	3.8	6.5	12.0	15.1
Peru			0.1	0.4	0.7	1.0	1.2
Venezuela			0.0	1.1	3.7	5.8	8.0
Others			0.2	0.5	1.2	2.0	2.6
<b>TOTAL</b>			<b>2.5</b>	<b>11.8</b>	<b>25.5</b>	<b>44.4</b>	<b>59.1</b>

TABLE 3  
**Hypothetical debt of Ibero-American nations, assuming constant 1978 interest rates, 1978-1984**  
 (in billions of U.S. dollars)

	1978	1979	1980	1981	1982	1983	1984
Argentina	13.7	19.0	26.7	34.2	40.2	39.5	38.6
Brazil	54.5	62.7	66.9	73.5	77.6	76.6	80.4
Chile	7.1	9.5	11.6	14.9	15.9	16.4	15.3
Colombia	4.2	5.3	6.7	8.0	9.1	9.5	10.5
Mexico	35.5	42.9	47.1	60.3	76.5	76.0	72.9
Peru	7.7	8.0	8.2	8.2	9.7	9.5	9.3
Venezuela	15.0	23.0	26.0	28.9	28.3	29.2	32.0
Others	18.3	21.4	25.7	30.3	33.1	32.6	32.0
<b>TOTAL</b>	<b>156.0</b>	<b>191.8</b>	<b>219.0</b>	<b>258.2</b>	<b>290.4</b>	<b>289.3</b>	<b>291.0</b>

The debts of Venezuela, Colombia, and Chile slightly less than tripled, going from \$15 billion, \$4.2 billion, and \$7.1 billion to \$40 billion, \$12 billion, and \$19 billion, respectively. Mexico more than doubled its debt, from \$35.5 billion to about \$88 billion, while Brazil, the largest debtor, slightly less than doubled its debt, which rose from \$54.4 billion to about \$101 billion.

These estimates, presented in **Table 1**, were compiled

from numerous published and non-published sources. The fragmentary nature, inconsistency, and unreliability of statistics on Ibero-American debt are notorious, and the figures presented represent our best-guess reconciliation, extrapolation, and interpolation from the most reliable known sources, including the International Monetary Fund, the World Bank, the Bank for International Settlements, the Organization for Economic Cooperation and Development, and the Morgan Guaranty Trust, among published sources, supplemented by the statements of government officials in the major countries as reported in the local press, and by private estimates from the U.S. banking community. Unfortunately, these sources generally do not include figures for interest paid or interest rates in force, nor do they provide breakdowns for short-term (under one-year maturities) versus long-term loans, except for the *World Bank Debt Tables* interest figures for publicly guaranteed debt. To calculate interest savings, the *Debt Tables*' figures were extrapolated to cover the non-publicly guaranteed and the short-term loans by a procedure which undoubtedly underestimates the true interest rate paid, and hence the interest saving. The figures given can be considered very conservative.

The results of maintaining 1978 interest rates constant through 1984 are presented in **Table 2** and **Table 3**. It was assumed that the savings for a given year in interest that would not have had to be paid would have meant that the total debt of the following year would be lower by that amount. Therefore, the "savings" listed in **Table 2** represent interest assumed not to have been paid in the previous year, which shows up as deductions from new principal in the year indicated. **Table 3** shows the resulting new principal outstanding when the "savings" is subtracted from the actual debt figures.

From a savings of \$2.5 billion realized in 1979 and deducted from 1980's principal, the savings grew to a cumulative total of \$59.1 billion by the end of 1983, or a reduction in the total 1984 estimated debt burden of \$350.1 billion to \$291.0 billion. While exact figures for total interest actually paid by each country cannot be determined, the savings indicated in this calculation is in the range of one-third of the total interest paid during the period, such that total interest was probably between \$180 billion and \$200 billion. It can be seen that total interest paid was therefore something above half of the total debt as of this year.

## Terms of trade

The "terms of trade" refers to the relative motions of the prices of a nation's imports and exports, weighted according to the mix of specific imports and exports of that country. Given the distorted pattern of North-South trade, in which industrial manufactures still comprise the bulk of advanced country exports to Ibero-America and other developing regions, while primary commodities still constitute the bulk of the region's exports to the developed countries, the relative prices of a nation's imports and its exports can vary quite

widely.

In the case of Ibero-America, very few countries compile their own indices for volumes of imports and exports, which is the basis for making the unit-value indices (a measure of trade-weighted price changes) from which the terms of trade index is compiled. Only Brazil, Colombia, and Peru have such indices up through 1983. However, the International Monetary Fund, using its own private calculations for each country, compiles a published index for the entire continent, which we accordingly used to calculate the effect on the continent of the relative trade-weighted prices of the continent's imports and exports. These figures can therefore be considered conservative.

To calculate lost revenue, we took the reciprocal of the same quotient (the "export multiplier"), and multiplied it by actual value of exports to derive a "real value of exports." This value represents what the continent would have earned in export revenues had trade-weighted export prices risen in proportion to import prices. The difference between this value and the actual export revenues represents the annual loss of funds to the continent.

This calculation yields a cumulative total of \$113.6 billion for the seven-year period in lost revenues to Ibero-America. This means that measured in terms of volume, exports expanded much faster than imports.

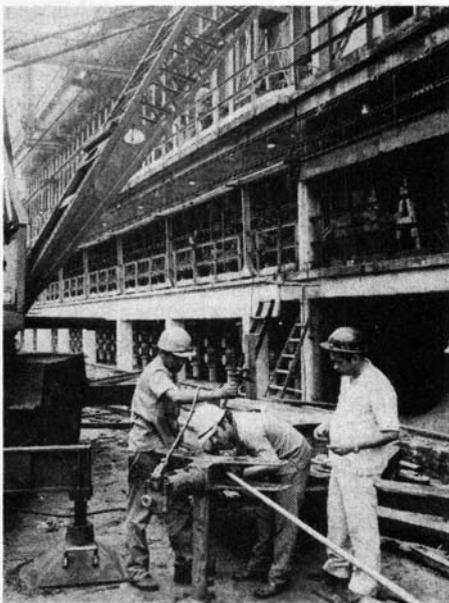
Because the continent is a significant net exporter of petroleum, it might be expected that there would have been a sharp favorable movement in the terms of trade between 1979 and 1980. But in reality the rise in oil prices was much lower than the rise in import prices. While the higher petro-



Sugarcane being harvested in Brazil.

United Nations

leum prices benefited Venezuela and Mexico, and to a lesser extent several other countries, they hurt Brazil very seriously, partially canceling the effect of the increases. Moreover, most of the remaining countries were either self-sufficient in petroleum, or were minor importers or exporters, such that



A coke furnace being built in Brazil.

United Nations

TABLE 4  
Hypothetical debt burden, assuming 'real value' exports and constant 1978 interest rates

(in billions of U.S. dollars)

	1978	1979	1980	1981	1982	1983	1984
Present debt	156.0	191.8	221.5	270.0	315.9	333.7	350.1
Hypothetical interest 'savings'			2.5	11.8	25.5	44.4	59.1
Adjusted debt	156.0	191.8	219.0	258.2	290.4	289.3	291.0
Hypothetical trade 'savings'	6.5	13.0	23.1	44.6	76.4	112.0	149.6
New net debt	149.5	178.8	195.9	213.6	213.9	177.3	141.4
Capital flight							100.0
1984 net debt							41.4

Without the added burden of high interest rates and capital flight, Ibero-America's debt would be quite manageable. This table shows the figures used to calculate the bar graph on page 9.

TABLE 5  
**Ibero-American imports slashed, 1979-1983**  
 (in millions of U.S. dollars)

	1979	1980	1981	1982	1983
<b>Imports:</b>					
Brazil	19,804	24,961	24,079	21,069	
Mexico	12,086	19,460	24,068	14,559	
Total	75,530	103,030	109,770	83,560	
<b>Exports:</b>					
Brazil	15,244	20,132	23,293	20,175	21,899
Mexico	8,982	15,570	19,383	21,580	
Total	65,360	84,970	88,810	82,700	
<b>Trade balance:</b>					
Brazil	-4,560	-4,829	-786	-894	5,098
Mexico	-3,104	-3,890	4,685	6,086	13,068
Total	-9,730	-18,430	19,520	-2,020	17,770

Total includes countries not listed separately. Source: International Financial Statistics, IMF

Next to flight capital, the largest drain of the continent's wealth has come from trade surpluses in the accounts of almost every nation. This table shows the dramatic shift of the continent's position from being a net importer of goods in 1979-81 to being a substantial net exporter in 1983. The absolute magnitude of the collapse in imports between 1981 and 1983 was \$46.7 billion. The year 1981 was the last year in which the major countries—especially Brazil and Mexico—expended sizeable sums for large-scale development projects. The main burden of the import cuts has fallen on the all-important capital goods category, goods required to expand industrial and agricultural capacity and to maintain existing levels of production.

the late-1979 price hike had only a minor effect on their terms of trade. But most important, these figures reveal starkly the extent to which the prices of manufactured goods from the industrial countries rose sharply, as a secondary effect of the oil-price hike, so that the net effect canceled the primary benefit of the oil-price hike to the exporting nations of the continent. And, while petroleum prices began falling in 1982, import prices have fallen only nominally since their high of 1981.

In total, between 1977 and 1984, the continent increased its volume of exports by a very substantial 66.7%, a two-thirds improvement, during a period the second half of which saw a major collapse of trade on a world basis. In the same period, imports rose by more than one-third through 1981, and then collapsed to well below the 1977 level, where they are expected to remain through 1984. It is clear that had relative prices remained constant, the huge export growth in excess of imports would have yielded tremendous surpluses, on the order indicated by our calculations. It also demonstrates the extent to which the continent did succeed in fol-

TABLE 6  
**Declining U.S. trade with Ibero-America, 1979-1983**  
 (in millions of U.S. dollars)

	1979	1980	1981	1982	1983
<b>U.S. exports to:</b>					
Mexico	9,847	15,145	17,789	11,817	9,082
Brazil	3,442	4,344	3,798	3,423	2,557
Total Ibero-America	28,960	38,718	42,102	33,593	25,107
<b>U.S. imports from:</b>					
Mexico	8,800	12,520	13,765	15,566	16,776
Brazil	3,118	3,715	4,475	4,285	4,946
Total Ibero-America	30,462	37,035	37,585	37,989	41,743
<b>U.S. trade balance with:</b>					
Mexico	1,047	2,625	4,024	-3,749	-7,694
Brazil	324	629	-677	-862	-2,389
Total Ibero-America	-1,502	1,683	4,517	-4,396	-16,636

Source: *Highlights of U.S. Export and Import Trade* (FT 990), U.S. Department of Commerce.

The collapse of Ibero-American imports has hit the United States the hardest. Between 1979 and 1981 U.S. exports to Ibero-America grew by 45% from \$28,960 to \$42,102 million, and then fell to \$25,107, a 40% decline. Mexico, which accounts for half of the U.S. exports to Ibero-America, displays the same pattern as the region as a whole, with its imports falling almost 50% between 1981 and 1983.

The figures in Tables 5 and 6 cannot be directly compared, due to incompatibilities in statistics-gathering, although they do show the relative magnitude of the decline. There are great discrepancies between trade figures assembled by the United States and by its trading partners in the rest of the Western hemisphere. The largest discrepancy is between U.S. and Mexican figures of mutual trade, in which the United States lists as exports to Mexico more than Mexico's total imports from the entire world in 1983. To estimate the decline in the volume of exports, a 30% inflation in the average export price must be factored in, yielding a decline in real value, that is, of volume, of exactly 33.3%.

Following the stock advice of the World Bank, the International Monetary Fund, the governments of the creditor nations, and the lending banks, namely, to expand exports and limit imports. But the fruits of their labors were stolen by the plunging terms of trade, and instead of improving their financial and economic situations, every single nation without exception wound up with fantastically high debts and collapsing economies.

### Flight capital

Flight capital is the shadowiest category in international financial statistics, but also one of the most important. In some cases, it is constituted of trade earnings which were not

TABLE 7  
**Mexico's foreign trade, 1978-1984**  
 (in billions of U.S. dollars)

	1978	1979	1980	1981	1982	1983	1984
Exports	6.06	8.82	15.13	19.42	21.23	21.40	24.13*
Imports	7.92	11.98	18.83	23.93	14.44	7.72	8.46*
Balance	-1.86	-3.16	-3.70	-4.51	6.79	13.38	15.67*
<b>Exports:</b>							
Petroleum	1.86	3.98	10.44	14.57	16.48	16.00	17.00*
Agricultural	1.50	1.78	1.53	1.48	1.23	1.28	2.27*
Extractive	0.21	0.33	0.51	0.68	0.50	0.47	0.60*
Manufac.	2.49	2.73	2.65	2.69	3.02	3.67	4.26*
<b>Imports:</b>							
Consumer	.65	1.00	2.25	2.81	1.52	.55	.70*
Intermed.	5.29	7.40	11.21	13.54	8.42	5.35	6.09*
Capital	1.98	3.57	5.17	7.58	4.50	1.82	1.67*

\*1984 estimate derived by multiplying first 4 month figure by 3. Source: Banco de Mexico

TABLE 8  
**Mexican imports, 1980-1983**  
 (in millions of U.S. dollars)

	1980	1981	1982	1983
Agricultural	1,871	2,166	927	1,619
Livestock	130	215	172	76
Extractive industry	256	257	221	105
<b>Manufactures</b>	<b>16,003</b>	<b>20,259</b>	<b>12,956</b>	<b>5,832</b>
Food, beverages	1,175	1,060	691	419
Textiles, apparel	262	398	270	32
Paper & wood	705	783	523	280
Petro. & petrochem.	827	870	863	596
Chemical & rubber	1,733	2,081	1,466	911
Non-metallic minerals	163	199	117	36
Steel products	1,824	2,126	1,071	386
Other metals	385	574	269	83
<b>Machinery &amp; metallic products</b>	<b>8,826</b>	<b>12,032</b>	<b>7,610</b>	<b>2,971</b>
Agricultural	380	425	204	72
Railroad equipment	313	343	221	184
Other transport	2,365	3,295	1,757	682
Machinery	4,189	5,896	3,875	1,890
Professional equipment	300	429	327	143
Electrical	1,098	1,406	1,088	454
Other	181	237	138	47
Miscellaneous	102	134	75	13

Source: Subdirección general de planeación, investigación y desarrollo, Government of Mexico

This table provides a detailed picture of the devastation of Mexico's economy, utilizing Mexican figures. Mexico shows an astounding shift from net imports in 1981 of \$4.5 billion, to a net export surplus of \$15.7 billion estimated for 1984 and a recorded \$13.4 billion surplus in 1983. The largest part of this stemmed from a decline in imports between 1981 and 1983 by more than two-thirds.

Although more than half of the export increase between 1981 and 1984 was in increased sale of petroleum, steady increases in the exports of manufactured goods have been recorded since 1980. On the import side, consumer imports, relatively small in magnitude, have fallen to one-quarter of their former size. Capital goods imports fell more than 75% from 1981 to 1983, with a further decline indicated for 1984.



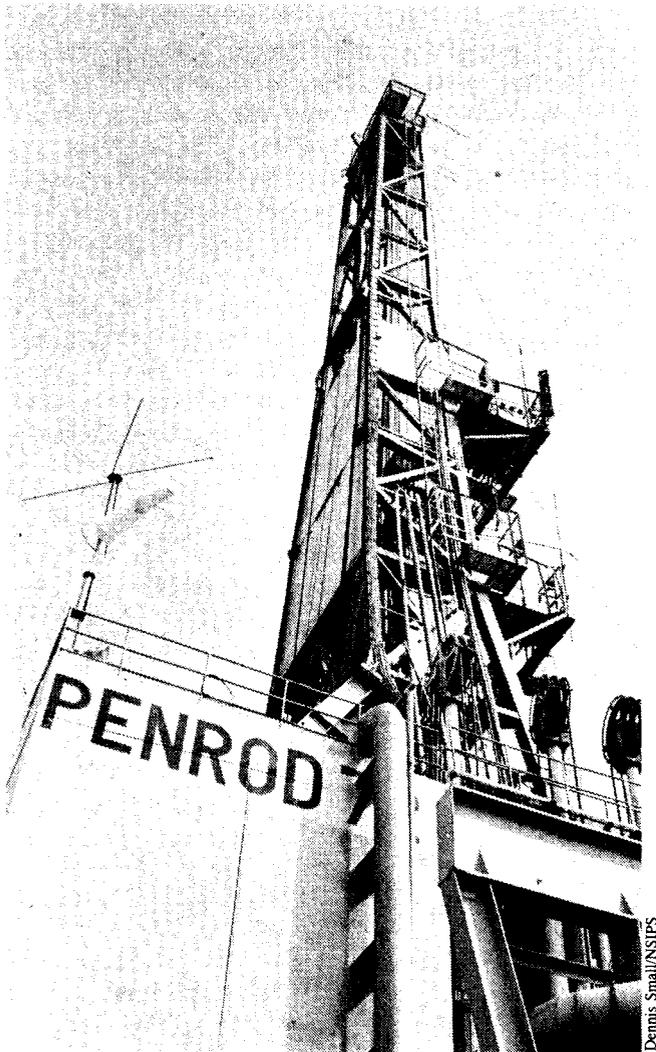
Children playing in a Mexican slum.

This table details the sectors of the Mexican economy hardest hit by the import cuts. Manufactured goods were hit relatively harder than primary goods, and within manufacturing, machinery and metallic products declined the fastest—falling in 1983 to just one-third of the 1980 level. The 1983 figure was less than one-quarter of the 1981 high, in current dollar terms. Machinery imports fell to \$1.9 billion from a high of \$5.9 billion. Imports of steel products fell to 18% of the 1981 high, and non-ferrous metals declined to less than one-seventh of the 1981 peak. These figures reveal the gutting of the core of the industrial economy.

reported, through under-invoicing and other mechanisms, and which were then exported, or which in some cases never left the country of origin, being merely credited to the foreign account of the receiving party. Such funds never enter the country's balance of payments accounts at all. Other flight capital is in the form of dollar withdrawals from the country's

banking system, and shows up in the "services" category of the balance of payments.

General magnitudes are therefore all that can be estimated. In June of 1982, the Organization for Economic Cooperation and Development (OECD) published a study detailing an important anomaly in the 1980 world current accounts



PENROD 7, a U.S. oil company in Brazil.

This table is based on calculating a constant dollar value for imports and exports; the resulting cumulative "savings" line shows a deterioration of terms of trade of \$51.3 billion (value of exports minus value of imports). Brazil held its imports constant in 1979-80, after which the country registered a yearly decrease in this value, down to \$8.1 billion or a 42.6% decrease. Exports exactly doubled between 1979 and 1984, from \$15.1 billion to \$30 billion. This would have yielded an astounding trade surplus of \$21.9 billion in 1984, a "saving" of \$9 billion over the actual anticipated surplus. The bottom two lines show the same picture, in the form of the direct volume index, by which exports almost doubled in volume through 1983 while imports fell to less than three-quarters of the 1977 level.

statistics. On a global basis, listed world exports of goods surpassed world imports by \$39 billion, while official "imports of services" were \$75 billion in excess of exports of same. In its 1983 edition of the *World Economic Outlook*, the International Monetary Fund discussed at length what it called the "asymmetry" in global current account balances. The net world deficit in services and private transfers rose from the \$20 billion range in the mid-1970s to more than \$80 billion in 1982 and 1983, i.e., in the same range as the OECD estimate. Despite efforts to find explanations for this discrepancy without mentioning flight capital by name, the IMF presented evidence that suggests the possibility of very large flows of such capital. In effect, the balance of payments statistics have become almost useless, according to this evidence. First of all, the net deficit in world payments balances on services and private transfers disguises an even larger gross discrepancy, i.e., the net deficit is composed of even larger gross deficits on different categories, partly counterbalanced by gross surpluses on other categories. Both deficits and surpluses can represent hidden flows of capital. Second, hiding and under- and mis-reporting of payments received for tax reasons has become endemic in the developed countries. Third, many countries, emphatically including some of the leading industrialized countries in their own national figures, show huge quantities in the "errors and omissions" column, with the United States being the most egregious case, showing \$42 billion in 1982, 11% of U.S. receipts on current account.

TABLE 9  
Terms of trade and revenue loss, Brazil,  
1978-1984

(in billions of U.S. dollars) 1977 = 100

	1978	1979	1980	1981	1982	1983	1984
Value Total Exports	12.7	15.2	20.1	23.3	20.2	21.9	26.4*
Value Total Imports	13.7	18.1	23.0	22.1	19.4	15.4	13.5*
Trade Balance	-1.0	-2.9	-2.95	1.2	0.8	5.5	12.9*
Export Value 1977 Prices	13.9	15.1	18.8	23.1	21.4	24.9	30.0*
Import Value 1977 Prices	12.9	14.1	14.1	12.2	11.0	9.3*	8.1*
Trade Balance 1977 Prices	1.0	1.0	4.7	10.9	10.4	15.6	21.9*
"Saving" 1977-Current Prices	2.0	3.9	7.0	9.7	9.6	10.1	9.0
Cumulative "Savings"	2.0	5.9	12.9	22.6	32.2	42.3	51.3
Volume Index of Imports	110.9	114.1	114.1	98.9	91.3	71.7	
Volume Index of Exports	112.7	123.5	152.0	182.4	166.7	185.3	

\*Extrapolated  
Sources: Volume, Unit Value, *International Financial Statistics*, IMF; trade figures, *ibid.*, Brazilian Government; remainder: own elaboration

In October of 1982, then President of Mexico José López Portillo published documentation of \$54 billion in flight capital from Mexico alone between 1980 and 1982. In 1983, Venezuela stated that it had lost \$16 billion in flight capital in 1982. To these \$70 billion we have added an assumed \$30

TABLE 10  
Foreign trade of Brazil, 1979-1984, quarterly  
(in millions of U.S. dollars)

	Exports	Imports	Balance	Petrol. Imports	Imports Net of Petrol.
<b>1979</b>					
1Q	3,125	3,559	-434	1,187	2,372
2Q	3,677	3,976	-299	1,503	2,473
3Q	4,178	5,033	-855	1,935	3,098
4Q	4,264	5,393	-1,129	2,293	3,100
<b>1980</b>					
1Q	4,114	5,483	-1,369	2,293	2,965
2Q	5,079	5,750	-671	2,747	3,003
3Q	5,207	6,043	-836	2,685	3,358
4Q	5,732	5,679	53	2,387	3,292
<b>1981</b>					
1Q	5,186	5,606	-420	2,913	2,693
2Q	5,660	5,565	95	2,821	2,744
3Q	6,141	5,610	531	2,971	2,639
4Q	6,289	5,310	979	3,018	2,292
<b>1982</b>					
1Q	4,853	4,804	49	2,682	2,190
2Q	4,972	4,872	100	2,833	2,239
3Q	5,276	5,072	204	2,833	2,239
4Q	5,072	4,647	447	2,664	1,983
<b>1983</b>					
1Q	4,653	3,825	828	2,270	1,555
2Q	5,747	3,652	2,095	2,234	1,418
3Q	5,890	3,940	1,950	2,277	1,663
4Q	5,610	4,030	1,580	2,102	1,928
<b>1984</b>					
1Q	5,670	3,230	2,440	1,716*	1,514
2Q	6,705**	3,405**	3,300	1,716*	1,689

\*Half year figure divided in half

\*\*April-May figure extrapolated through June

Source: *International Financial Statistics*, IMF and Brazilian Economic Indicators, Brasília, Brazil

From the trend of trade performance seen here it is likely that the second quarter 1984 export level will be exactly double the first quarter of 1979, and the highest quarter in Brazil's history. The value of imports is exactly the same as in early 1979. The balance in the second quarter of 1984 will practically equal the value of total imports.

A more revealing measure is imports net of petroleum expenditures, i.e., the value of imports going for all other purposes, including capital goods. These imports rose to an all-time peak in the third quarter of 1980 and have been falling since, reaching a low of \$1.42 billion in the second quarter of 1983, a 55% decline. While the estimated second quarter of 1984 shows a slight increase back to \$1.69 billion, this represents a renewed decline from the \$1.93 billion of the third quarter of 1983.

TABLE 11  
Falling output in Mexico's manufacturing industries, 1977-1984

Index: 1977 = 100

	1978	1979	1980	1981	1982	1983	1984
Total	110.1	121.6	131.1	140.8	136.2	125.2	124.6*
Consumer	107.7	118.4	126.5	135.0	132.9	123.9	126.9**
Intermed.	110.8	122.3	132.3	141.8	137.6	128.0	128.4**
Capital	118.6	135.4	150.9	170.0	145.6	109.1	108.0**
Auto	133.8	156.6	178.9	219.3	162.2	96.3	105.3**
Machinery	118.0	136.5	152.4	169.9	146.2	106.5	98.3*

\*January and February average

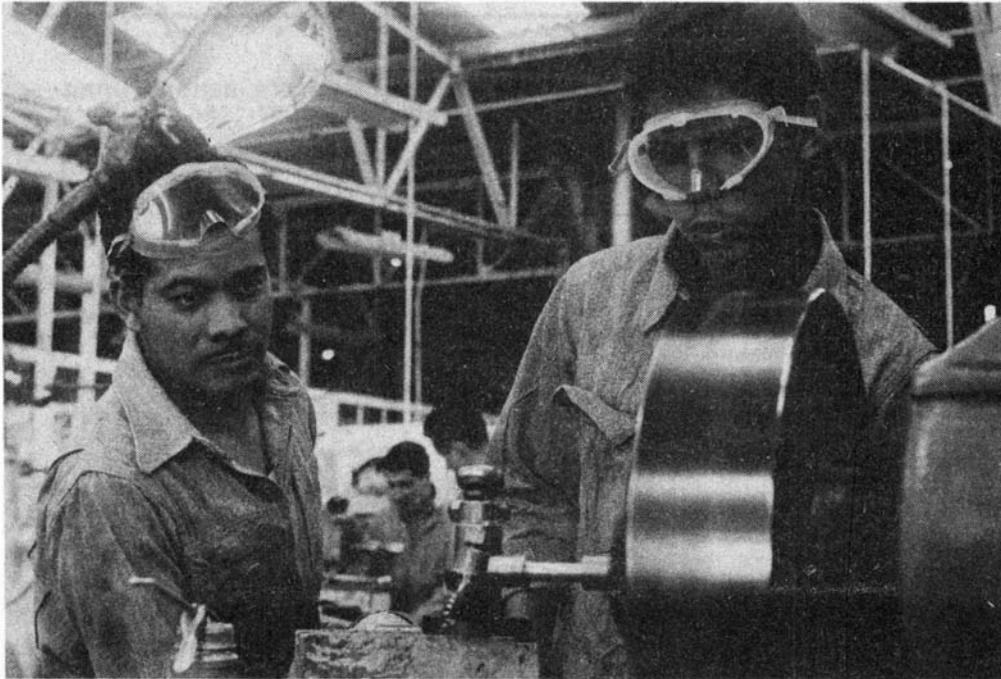
\*\*Average of January-April

Source: Banco de Mexico

From a peak in 1981, Mexico's output has fallen a steep 11.5%, and is still going down. The sharpest drop took place in 1983, following the devaluation in late 1982. Figured in output per capita terms, the decline is almost 18%. We have singled out here the machinery and auto industries, which show the trend most dramatically. The machinery industry, which includes both consumer machinery and capital goods, fell a devastating 42%, including a 7.7% fall so far in 1984 alone. In the auto industry, the figures reveal the critical situation facing one of the most important industries in the country. From a high of 219% of 1977 levels, production is now barely above 1977 levels at 105%, and fell as low as 96% in 1983, rates of decline of 52% and 56%, respectively.



An experimental irrigation project in Brazil.



An instructor and trainee at lathe in the machine shop of the Ford Motor Company's assembly plant in Mexico City.

TABLE 12  
Mexican manufacturing employment, 1977-1984  
Index: 1977 = 100

	1978	1979	1980	1981	1982	1983	1984
Manufacturing Employment	104.9	112.8	121.2	127.9	124.8	114.4	109.6
Manufacturing Man-hours worked	106.2	114.8	123.5	129.5	122.9	113.6	106.9

Source: Banco de Mexico

Mexico's employment in 1984 was a devastating 14.3% below the 1981 level. In terms of man-hours worked, the situation is worse still, showing a decline of 17.5%, indicating that average hours worked per worker have also fallen, reducing the average income per worker as well.

billion more to cover flight capital from Brazil, Argentina, and the remainder of the continent, and from Venezuela and Mexico subsequent to 1982. This estimate is extremely conservative. In Argentina alone, the foreign debt was run up from \$12 billion in 1977 to \$45 billion in 1984, an increase of \$33 billion.

Thus, our rounded estimate of \$100 billion over the past five years is certainly a substantial understatement of the real figure. In other words, it is quite possible that had there been no flight capital, and applying the hypothetical case developed above concerning interest rates and terms of trade, the total present debt of the continent would be approaching zero.

TABLE 13  
Employment and industrial output in Brazil, 1981-1984, quarterly

	Output**	Industrial Employ.**
1981 1Q .....	131.38	108.72
2Q .....	129.05	104.36
3Q .....	132.00	98.74
4Q .....	122.77	95.86
1982 1Q .....	118.36	95.22
2Q .....	131.01	96.36
3Q .....	137.21	95.22
4Q .....	126.80	93.17
1983 1Q .....	85.77	91.00
2Q .....	91.17	89.73
3Q .....	98.43	86.93
4Q .....	96.20	85.03
1984 1Q .....	89.27	83.63

\* 1975 = 100

\*\*1976 = 100

Source: Brazilian Economic Indicators, Brasilia, Brazil

These figures show the shocking state of collapse of Brazilian industry, the most developed industrial plant in Ibero-America. The decline between the third quarter of 1982 and the first quarter of 1984 is equal to the entire collapse of U.S. industry between 1929 and 1933 in the Great Depression. And the total decline from 1979 is significantly greater than this. Manufacturing employment has fallen almost one-quarter.

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# The Kra Canal

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## Industrialization of Thailand

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*A Conference Sponsored by*

The Communications Ministry of Thailand

The Fusion Energy Foundation, U.S.A.

Executive Intelligence Review Limited Partnership, Bangkok

**Oct. 31–Nov. 1, 1984**

Dusit Thani Hotel Bangkok, Thailand

Wednesday, October 31

Thursday, November 1

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9:00 a.m.

### Opening and Keynote Address

His Excellency Minister Samak Sundaravej, *Minister of Communications, Thailand*

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9:45 a.m.

### The Economic Feasibility of The Kra Canal

PANEL CHAIRMAN:

Dr. Chitti Wacharasindhu, *Deputy Permanent Secretary of the Communications Ministry of Thailand*

PANELISTS:

Dr. Nimit Nontapunthawat, *Vice-President, Chief Economist, and Manager, Economic and Marketing Research Center, Bangkok Bank*

Sattaporn Tavitanun, *Deputy Secretary General of the Board of Investments of the Office of Prime Minister*

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

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2:00 p.m.

### Advanced Technologies For Canal Construction

Dr. Milo Nordyke, *Lawrence Livermore Laboratories, California*

Harry Ekizian, *T.A.M.S., New York*

Pongpol Adireksarn, *Member of Parliament, Thailand*

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9:00 a.m.

### High-Technology Industrial Development in the Canal Zone

Dr. Svasti Srisukh, *Former Secretary General of the Office of Atomic Energy for Peace, Thailand*

Ramtanu Maitra, *Editor, Fusion Asia*

Douglas Headley, *Engineering specialist, Pacific Engineers and Constructors, Taiwan*

Scott Morrison, *President, Dorwood Industries; past executive vice-president, Sealand*

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2:00 p.m.

### International Policy—Regional Development and Cooperation

Pacifico Castro, *Deputy Foreign Minister of the Philippines*

General Saiyud Kerdpol, *former Supreme Commander, Thai Armed Forces*

R.K. Hazari, *economist, Bombay, India*

K.L. Dalal, *former Ambassador of India to Thailand*

Dr. Nordin Sophie, *Director, Institute of International and Strategic Studies, Kuala Lumpur, Malaysia*

Dr. H. Roeslan Abdulgani *Chairman, Advisory Team to the President on the State Ideology, Pancasila, Indonesia*

Pakdee Tanapura, *Fusion Energy Foundation, Thailand*

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## Weinberger refutes Kissinger at NATO ministers' meeting

by Umberto Pascali

In response to a question from an *EIR* correspondent in Italy on Oct. 12, U.S. Defense Secretary Caspar Weinberger attacked Henry Kissinger's strategy of decoupling the United States from Western Europe. Weinberger was addressing the concluding press conference of the NATO Nuclear Planning Group in Stresa. He restated in no uncertain terms the determination of the United States to defend Europe as essential for its own security.

The meeting represented a potential victory for Weinberger, the number-one supporter in the Reagan administration of the Strategic Defense Initiative (SDI) for beam-weapons defense: The focus of the discussion at Stresa was the SDI and, for the first time, West German and even Dutch spokesmen admitted that they had been assured by Weinberger that the new space defense system would also cover Europe. "Finally we understood what these Star Weapons are," the German spokesman told the journalists. "They are not 'Star Wars'; it is a whole anti-missile system." When asked whether there had been criticism of Weinberger, "No, no," the spokesman replied. Another high-level German military spokesman said: "Many things regarding the SDI have changed since the last meeting in Turkey. The U.S. assured us that the system would cover Europe."

On Oct. 10, the day on which the Stresa meeting started, the Italian daily *Resto del Carlino* wrote that "the Americans reassured the Europeans that it is impossible that a space defense system would not cover Europe. There are even some who are suggesting that the old continent could be the first to have an anti-missile defense system."

The European shift toward grudging recognition that there

is no alternative to the SDI was immediately perceived by the Soviet Union, and on Oct. 11 Radio Moscow attacked Weinberger for demanding "unconditional support" from the Europeans for the SDI. "The U.S. plans for militarization of outer space increase the danger of nuclear disaster."

The high point of the offensive for the SDI was reached during the final press conference. *EIR*'s Marco Fanini asked Weinberger: "Recently, General Rogers warned of the fact that the Soviets are planning a blitzkrieg against Western Europe [see Documentation], while others, and notably Mr. Henry Kissinger, are requesting that U.S. troops be pulled out of Europe. Don't you think that this latter position is very dangerous?" While NATO Secretary General Lord Peter Carington began to display visible signs of nervousness, his face flushed, Weinberger replied: "I have said it so many times: yes. I do not think there is anything that can be achieved except potential damage to ourselves, the country, and to the NATO alliance, if the American troops were reduced and the U.S. commitment to NATO reduced. The efforts that you mentioned or the comments that you mentioned are made by people who, in good faith, believe that all of us, specifically including the United States, need to do more in the face of the continuing and growing Soviet threat; but my own personal feeling is that one of the worst ways of achieving that result would be to cut or to pull out the U.S. troops or reduce the American commitment to NATO."

"The American commitment to NATO," Weinberger continued, "is a vital part of our national defense and a vital part of the defense of freedom and of the West. It is my hope and my firm policy that this contribution continue intact, and

certainly today's results emphasize to me, as I have reported to the press, the tremendous benefit that can come to all of us from a continuation and strengthening of the NATO alliance."

### Battle behind closed doors

Despite Weinberger's assurances, the meeting saw an intense fight on the proposals which he submitted to the meeting, reliable sources report. While "outsiders" were kept well away from the real discussions, the outlines of the fight could nevertheless be discerned. On the question of the Soviet SS-20 missiles, for example, Weinberger declared that the Soviets are deploying many more of them, while the Dutch representatives denied this. The issue is important because it implies the necessity of a NATO counterdeployment.

Discussion of the NATO ministers also focussed on the problem of the Soviet Spetsnaz special commando units and how to defend particularly the missile silos in West Germany from Soviet sabotage. Weinberger stressed that the Western governments underestimate the Soviet military capabilities: "We are too naive."

But the fight was most intense on the SDI. At a certain point, a special formula was invented—"not construction, but thinking"—i.e., that, for the moment, there will be only research and analysis on the new defense system, not production and deployment. Another formula was: We want only the peaceful use of space. Even the Dutch spokesman declared: "Not construction but thinking; anyway, we must be ready to give an immediate answer to the Soviets also in this field."

West German Defense Minister Manfred Wörner was the most outspoken opponent of the SDI, but changed his position several times during the course of the meetings. Two days before the Stresa meeting, he had warned of the danger of war in Europe during his talks with his Italian counterpart Giovanni Spadolini; immediately afterward, he denied ever having made the statement. Spadolini then reported that he agreed with Wörner that space should only be used for peaceful purposes. Wörner himself told the press that Weinberger had devoted a large part of his report to the space defense systems. "We are going toward the utilization of space [for military purposes], but this cannot happen for five years." Wörner and Weinberger settled a long-standing dispute on the construction of NATO infrastructure in Germany. Now \$7.8 billion has been allocated for the construction of facilities for U. S. and Canadian troops arriving in Western Europe in time of military crisis.

The big surprise was the behavior of Minister Spadolini, who denied up to the last minute, and against the testimony of his colleagues, that the question of the SDI "had even been touched." Spadolini, who ordered the distribution of a picture of himself arm-in-arm with Lord Carrington, declared to the astonished journalists that nothing of the kind had been discussed, and that "I consider the British to be the reserve of

wisdom of the world." Pressed by the journalists to explain Wörner's position, he finally "confessed": "Maybe the Germans are interested in SDI, but it is an interest tainted by sadness."

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## Documentation

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# 'The scrapheap of revenge'

The Times of London published this editorial, "The Scrapheap of Revenge," on Sept. 19:

One would have expected such a principled declaration [President Reagan's March 1983 speech on strategic defense—ed.] to be welcomed, since it revealed a desire to break out of the depressing jargon of mutual retaliation. There was enough evidence that the doctrine of mutual retaliation was losing credibility with ordinary mortals. More important, there was overwhelming evidence that the Soviet Union had never embraced such a doctrine on principle, and had been working busily away at improving its defences against missile attack, through both its extensive civil defence programme and a persistent research effort into antiballistic systems. . . .

It is hardly surprising that the Soviet authorities reacted negatively to the Reagan announcement, in view of the fact that Soviet scientists have been working on the possibilities of beam weapons for nearly 20 years. Marshal Sokolovski discussed an "anti-rocket screening system" in a book in 1962 and by 1971 the Lebedev Institute in Moscow had succeeded in generating 300 billion watt pulses from a high-energy laser, the kind of intensive power which, to judge from all other frontiers of Soviet scientific research, would be initially pursued and evaluated for military usage. In 1982, a Soviet battleship fitted with a high-energy laser shot down a pilotless aircraft, while American intelligence has evidence that Soviet lasers have been used successfully to bring down incoming missiles. There is a military thrust behind all Soviet developments in high temperature physics. . . .

At this stage, the possibilities of beam technology can only be explored; but they should be. The detailed objections to the idea in practice reveal only a reluctance to contemplate the possibility that the foundations of contemporary nuclear theory are fallible and obsolescent. . . .

In principle . . . it must be right to prefer a defensive system, albeit an imperfect one, than to continue with the arid menace of mutual assured destruction.

*A speech by NATO Supreme Commander Gen. Bernard Rogers, at the 24th Annual General Reunion of the officers and officials of NATO, was reported by Il Giornale newspaper on Oct. 5 and 8, in a two-part article by Italian Gen. Alberto Li Gobbi titled, "Alarming report from the chief commander of NATO: The Warsaw Pact armies get ready for a blitzkrieg."*

General Rogers himself said, in summary, the following: Power in the Soviet Union is presently in the hands of two old cold warriors, Ustinov, the head of the armed forces, and Gromyko, the foreign minister. . . . Despite the serious economic and social problems the East European countries are facing, the forces of the Warsaw Pact are in a constant process of modernization. The aim is to make them more and more capable of an offensive blitzkrieg. Particular efforts have been made to increase fire power, the efficiency of "Command and Control," and to increase mobility.

Soon there will be deployed, "in forward areas," very modern planes like the Frogfoot, Fencer, and Foxbat-E, besides the new remote detection airplane Mainstay. Other nuclear submarines of the Typhoon type (20,000 tons) are in construction, and two new subs of the Oscar class have been inaugurated. . . .

Since, for the moment, there is no agreement in the negotiations, it is very important that NATO continue to demonstrate to the Soviets its firm determination to deploy the Pershing II and cruise missiles. This firm determination to continue our program, said Rogers, is the only means we have to convince the Soviets to go back to the negotiating table. . . . The experts agree that we should increase the number of nuclear warheads rather than reducing them.

In the conventional field, said General Rogers, in the unfortunate case of a conventional conflict, NATO, given its inadequate supplies, would be immediately forced to request from the political authorities the authorization to use nuclear weapons. And yet the nuclear weapons balance in Europe is 9 to 1 in favor of the Warsaw Pact.

It might look like suicide, but it cannot be forgotten that, in Europe, NATO geographically has its back to the wall and cannot afford to leave much terrain to fight an in-depth defense. This is the situation of the conventional forces. . . .

Besides, despite the improvements in some sectors, the gap between the Warsaw Pact and NATO that existed in 1973 kept increasing from 1973 to 1982, in each conventional category: soldiers, tanks, antitank weapons, artillery, air defense, and so on. . . .

[The general proceeded to propose a plan to restructure and strengthen NATO forces, including the capability to launch an immediate attack against the logistical and tactical forces of the enemy, better training, creation of adequate reserve units, better utilization of modern technologies, particular attention to electronic warfare capabilities, and rapid consultations among the NATO countries in case of operations outside NATO's area.]

Asked at the end, "What worries you the most in your mission, in case of crisis," General Rogers answered:

"1) to be able to receive quick and appropriate decisions from the responsible political authorities; 2) to 'last' in case of conventional attack; and 3) to make quick political decisions if it were necessary to use nuclear weapons."

Then he added bitterly:

"Because I already know how it will end up. At the first signs of imminent danger and at the request to be able to adopt adequate measures of alarm, the answer will be, 'My dear Rogers, you are too nervous. It seems to us that there is nothing new from the other side. Stay calm.' And to my further signals of aggravation of the danger, the inevitable answer of the usual politician will be: 'Yes, actually something is moving down there, near and even beyond the border, but countermeasures from our side would be only provocations. Please don't move and stay calm.'

"Finally, a few days later, a very nervous call will come from hell or paradise: "Goddamnit, Rogers! What were you guys doing, you and your goddamned troops in Europe?"

*The West German daily Die Welt published an editorial by Adalbert Baerwolf on Oct. 9, in support of the U.S. Strategic Defense Initiative:*

The country which first develops these non-material weapons to the point where they can be deployed, could politely ask the other side to please sit down at the negotiating table, as a mild expression of its own global strategic predominance. It is unthinkable that at the end of the technological battle this country will not be the United States. . . .

When President Reagan gave his famous "Star Wars" speech on March 23, 1983, this was only a remarkable speech. There was no program. And there was no program director. Today there is a "crash" program. . . . There is limitless financing. . . . Over a period of five years, more than \$26 billion shall be pumped into this program which will mobilize all technological forces in the powerful reservoir of the U.S.A. This is more than the 10-year program to put Americans on the moon cost.

[About 500 satellites with laser cannons or electro-magnetic cannons will catch potentially thousands of Soviet warheads. Those which escape will be destroyed by infrared sensors deployed on the ground.]

And who catches the SS-20 warheads which threaten Europe? The same sensors and the same weapon satellites which annihilate ICBMs could also destroy the tactical missiles from Eastern Europe which fly about 700 kilometers high into space. It is only a question of programming, trajectory parameters, and of quantities. Technology transfer is no longer a one-way street. America alone does not have in her pocket all the answers for the beam curtain, whose demonstration will deprive the Soviets of threats and bring them to the negotiating table.

# TFP cult and the Gnostic Church caught in a plot to murder the Pope

by Valerie Rush

On the eve of Pope John Paul II's trip to Central America on Oct. 11-13, *EIR* has put out an urgent warning to government and security agencies of relevant countries that an assassination attempt against the pontiff might be expected from two organizations: Tradition, Family, and Property (TFP) and the Universal Christian Gnostic Church.

*EIR* first uncovered these two sects in the course of broader investigations of the drugs-and-terrorism networks that extend from Europe's "black nobility" oligarchs to Ibero-America's machine-gun-toting mafiosi. Then, when anti-drug fighter Patricia Paredes de Londoño was kidnapped last June by elements linked to the Gnostic Church of Colombia, the resulting *EIR* probe of the mutual connections between the Gnostics, Ibero-American terrorist organizations, the dope mafias, and East bloc intelligence services led straight to the door of the same "Bulgarian connection" exposed by Italian magistrates investigating the first assassination attempt against the Pope.

This past summer, Venezuelan police raided the Caracas headquarters of the TFP as part of their preparatory security work around next January's visit by the Pope. The TFP was identified three years ago in the Brazilian magazine *Manchete* as a paramilitary extremist sect which uses photographs of the Pope for target practice.

## On the trail of assassins

In recent days, extensive exposé material on the terrorist activities of the TFP have appeared in both the Venezuelan and Colombian press, drawn heavily from *EIR* dossiers on the subject, and that same material is now being covered in the Dominican Republic and elsewhere. A major exposé of the criminal activities of the Universal Christian Gnostic Church also just appeared this week in Colombia (see Documentation).

Activation of the terrorist capabilities of these two anti-Christian sects in Ibero-America is especially significant in light of the Pope's recent statements in Calabria, Italy, in which he called on elements of the mafia to free themselves from *omerta*, the mafia oath of silence, and to return to a dignified and moral human existence. "Have the courage to eliminate 'omerta' that binds so many people in a kind of squalid complicity dictated by fear," said the pontiff.

Both the TFP and the Gnostic Church, with proven ties to the international drug trade, would properly view the Pope's visits to Ibero-America as intended in part to strengthen the recent initiatives of Ibero-American heads of state to forge a regional anti-drug capability and to have the United Nations proclaim the trade "a universal crime against humanity."

In addition, the Pope's hard-hitting assault on the Theology of Liberation and other deviations from the Judeo-Christian ethic is nothing less than a warning to the TFP schismatics and Gnostic heretics that their activities, too, could become a target of attack.

The history of the TFP and Gnostic Church's direct involvement in assassination threats against the Pope has been extensively published in other reports, which we summarize in the following.

The first attempt against the life of the Pope, committed on May 13, 1981 in Saint Peter's Square in Rome, was carried out with the collaboration of the Bulgarian government, whose intelligence services used their drug-contraband routes to assist the transportation of hired assassin Ali Agca from Turkey to Italy. The "communist" government of Bulgaria follows the teachings of the Gnostic doctrine. The now deceased Lyudmila Zhivkova (1942-81), director of Bulgaria's Committee of Art and Culture, member of the Politburo, and daughter of Todor Zhivkov, president of Bulgaria and first secretary of the Bulgarian Communist Party, was a notorious organizer of the Gnostic International.

The Universal Christian Gnostic Church is "an intricate network of international swindlers and counterfeiters, two of whose members [in Colombia] have been linked to the drug trade and to the cultivation of marijuana," according to a detailed report in the Colombian weekly magazine *Cromos*. In Colombia, the Universal Christian Gnostic Church is headed by "Patriarch" Julio Medina Vizcaíno, one of whose leading supporters is José Vicente Márquez. Márquez, secretary of the seventh commission of Colombia's House of Representatives, has been identified as the mastermind behind the abduction and attempted brainwashing of Patricia Londoño, wife of the vice-president of the Colombian Anti-Drug Coalition.

The second attack against the life of the Pope was committed on May 12, 1982 in Portugal, by a suspended priest

named Juan Fernandez Krohn, who had been ordained by the schismatic bishop Marcel Lefebvre. Krohn belongs to the Lefebvrist group which calls itself "Sede Vacante" (The Vacant See) and, according to European security sources, also to the Blue Army of Fatima, which has some 25 million members distributed in more than 100 countries with sponsorship and leadership control by the royal Portuguese family, the Braganzas.

Two heirs of the Braganza family are publicly associated with TFP, and the pretender to the Brazilian throne, Prince Luis de Orleans e Braganza, lives in a house of the TFP. The Braganzas are related by marriage to the Thurn und Taxis family, sponsors of Lefebvre.

### **Narco-terrorists strike back**

Stung by the increasing exposure of their murderous activities, the narco-terrorists and their high-level sponsors have gone on the rampage against anti-drug fighters on the continent. In Colombia, the Anti-Drug Coalition and the Andean Labor Party (PLAN), with which it shares its anti-drug commitment, have been specially targeted. The Oct. 2-8 issue of *Semana* magazine, published by the son of former President Alfonso López Michelsen, ran an anonymous article suggesting that the PLAN—"linked to the rightwing Tradition, Family and Property, according to some"—had formed a paramilitary "anti-mafia kidnapping brigade" which was rumored to be behind the Sept. 20 abduction of the father of top Colombian cocaine mafiosi Pablo Escobar Gaviria.

Escobar is a dangerous criminal and Colombia's most wanted fugitive, who gathered a 3,000-man personal army to force the release of his father on Oct. 5. It is evident that *Semana's* "rumor" was an effort to finger PLAN leaders and members for assassination by the mob.

Since the death threats against Venezuelan President Jaime Lusinchi were revealed immediately following the head of state's powerful appeal to the United Nations General Assembly in September to declare the drug trade a "universal crime against humanity," the whole gamut of Gnostic sects has been mobilized against him. The followers of Sun Myung Moon, for example, have used their press to attack President Lusinchi's U.N. speech—not surprising given the Moonies' open campaign for the legalization of heroin.

Intelligence sources also report that the Gnostic M-19 guerrillas are active inside Venezuela, and could launch an assassination attempt against the Pope in January.

The crash of Lusinchi's helicopter in early October is viewed by the President's security personnel and intelligence sources as another clear warning to back off from his anti-drug campaign. Nonetheless, he continues to take the offensive. On Oct. 6, high-level authorities from Venezuela met with their Colombian counterparts in San Cristobal, Venezuela to coordinate anti-drug strategy. At the same time, an official investigation of the Gnostic Church in Venezuela has been opened, and the TFP has been put on notice.

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## Documentation

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# The terrorists and murderers of TFP

*The following are excerpts from articles which appeared in the Venezuelan and Colombian press and were reprinted in other papers across the Ibero-American continent during the week of Oct. 8. Here the terrorist activities of the international anti-Church sect Tradition, Family, and Property (TFP) are extensively detailed for the first time in the mass media.*

**El Universal, of Caracas, Venezuela, published an article Oct. 9 titled "Kidnapping and Brainwashing of Youth in the Civil Association 'Resistance'":**

The Civil Association "Resistance," recently raided by Venezuela's police corps in relation to an alleged conspiracy to assassinate the Pope, is affiliated with the association "Tradition, Family, and Property (TFP)," an international organization under close scrutiny in the countries in which it operates.

Its central headquarters are located in Brazil, where camps known as *Eremos Militarizados* serve to contain the youth "kidnapped" in various countries, according to the accusations of some parents. In Venezuela, it is estimated that some 30 youths have been sent to that country so far this year, and authorities are conducting intensive investigations based on the charges of their mothers.

These youths are submitted to "brainwashing," whereby they come to despise their families. Similarly, they hate the Pope and the Church in general, accusing it of having deviated from its principles. In Brazil in 1981 it was charged that members of the organization held target practice using photographs of the Pope as their targets.

*El Universal* received copies of international reports on the activities of this organization. . . . One of the reports indicates that none of the members of these groups make their living legally, but rather through donations they obtain "from the banks and private businesses which they frighten with the Communism they say they are battling."

Recruitment is conducted among youth between 15 and 25 years of age, mainly from the middle and upper classes. . . . "Currently they have recruited some 70 youths whom they use in their so-called public campaigns, dressed in red tunics and black pants and carrying posters with a [Braganza] lion as emblem, where they proclaim that the Church is corrupt and that all the priests, including the Pope, are corrupt," according to the reports. . . .

Tradition, Family, and Property was founded by Plinio Correa de Oliveira, a 75-year-old Brazilian whose predecessors were ministers under the last Brazilian emperor Don Pedro II. . . . Two heirs of the royal Portuguese family, the Braganzas, are publicly and prominently associated with the TFP. . . .

The Braganzas form part of the real base of the European "black nobility" that includes the families Thurn und Taxis of Regensburg, Bavaria and Otto von Hapsburg. These European oligarchs jointly control the feudal network of cults (sects) and paramilitary groups that work as a "fifth column" within the Catholic Church, which includes the followers of the schismatic Bishop Lefebvre, who personally ordained the priest Juan Fernández Krohn, the renegade father who tried to assassinate the Pope during his visit to Portugal in May of 1982; and the Blue Army of Fatima with its 25 million members.

. . . TFP is organized with the structure of a "cult" or "sect," and one of its outstanding characteristics is *the policy of separating youth recruits from their families and moving them into TFP houses*. . . . TFP's nature as a "kidnapping sect or cult" is underlined by the case of Father James Lebar of the United States. Father Lebar, who lives in Westchester, New York, is the spiritual adviser to the "Blue Army of Fatima" of the United States. He is a personal friend and close associate of Rabbi Maurice Davis. Rabbi Davis is a professional "deprogrammer" who nominally leads a group of "anticult" parents. The irony is that Rabbi Davis was responsible for providing Jim Jones, head of the famous Jonestown, Guyana massacre, with his first temple.

**El Universal, Oct. 11, (paid TFP advertisement):**

In view of the numerous falsehoods and even slanders spread against the TFP by a public-relations explosion utilizing Caracas media, it is up to the Caracas bureau of the TFP to protest and re-establish the truth. . . . This explosion gives the impression that we are living 100 years ago, imagining a rich and powerful political network whose actors operate in a more or less mysterious way. This is set up around the princely German house of the Thurn und Taxis, related to a Prince Lobkovitch [Lobkowitz—ed.], also German; to Archduke Otto von Hapsburg, son of the late Emperor Carlos of Austria; to the princes of Orleans-Braganza (one of which, Don Luis, is pretender to the throne of Brazil; and both collaborators of the TFP of that country). And also to the Black Roman nobility, that part of the Roman nobility which remained faithful to Pius IX when the House of Savoy conquered the Papal States in 1870 and who wore black after the treaty of Letran.

The TFP supposedly somehow is part of an imaginary International. . . . In the course of political events, it is evident that all of these illustrious Houses have been deprived of the power they once had. Therefore, there is no meaning

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*"The Braganzas form part of the real base of the European "black nobility" that includes the families Thurn und Taxis of Regensburg, Bavaria and Otto von Hapsburg. These European oligarchs jointly control the feudal network of cults (sects) and paramilitary groups that work as a "fifth column" within the Catholic Church."*

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to this International, which no serious politician would worry about. . . .

As can be seen, all these fables are frivolous.

Likewise the accusation that "these oligarchic networks run paramilitary groups which work as fifth columns inside the Catholic Church, which include the followers of schismatic bishop Lefebvre, who personally ordained renegade priest Father Fernandez Krohn, who tried to murder the Pope during his visit to Portugal in May of 1982."

**El Siglo, of Bogota, Colombia, Oct. 10, "Group That Would Assassinate the Pope Identified":**

Caracas, Oct. 9 (EFE)—The Venezuelan police have unveiled the identity of the heads of the ultra-right group "Tradition, Family, and Property," which had planned, it is said, an attack against Pope John Paul II during his upcoming visit to the country in January of 1985.

A source at the Attorney General's office indicated that the presumed head of the Venezuelan organization is a man called Pedro Morasani, who is believed to be the one in charge of recruiting and training youth in violent actions.

At the same time, the editors of the [Venezuelan] daily *El Nacional* have received a document signed by a group of mothers whose sons were allegedly abducted and transported to Brazil by the same organization. The mothers say that the group functions in Venezuela under the name of "Civil Resistance Association" (Asocire) and subjects the youth to a process of indoctrination and mental control.

The headquarters of the organization is situated in the "Country Club," one of the most elegant areas of Caracas, and was raided by police agents who charged that more than 200 of its members, almost all of them foreigners, were carrying out illegal activities.

It was also revealed that TFP is financed by groups of millionaires committed to the "fight against Communism."

## The Gnostic Church: A Satanic mission

*The following are excerpts from an article appearing in the Oct. 9 edition of the Colombian weekly magazine Cromos entitled "A Patriarch Who Rapes, Commits Fraud, and Embezzles." The article details the criminal and immoral activities of the Universal Christian Gnostic Church of Colombia, the same mafia-linked Gnostic organization which EIR has identified as behind the abduction and brainwashing of Colombian anti-drug fighter Patricia Paredes de Londoño. Although documentation for the Cromos article is provided by the rival Movimiento Gnostico of Colombia, the details illustrate the insidious nature of the Gnostic "Church."*

Julio Medina Vizcaíno, who calls himself the "Venerable Master Gargakuichines, Patriarch II of the Gnostic Institutions," heads an intricate network of international swindlers and counterfeiters, two of whose members are linked to narcotics traffic and the cultivation of marijuana. It is incredible that they are inexplicably protected by Colombia's laws, which they have openly flaunted, with the protection of known politicians, supported by public employees, taking advantage of the property [by seeking sanctuary] of the Church which he [Vizcaíno] claims as his own. He is a clever cheater of ingenuous peasants and has managed to set up a Satanic structure which operates at his will in several Colombian cities and other countries.

The resumé of Medina Vizcaíno, born in Ciénaga, Magdalena, includes crimes such as perjury, counterfeiting, embezzlement, attempted rape (taking advantage of the rites and belief structures of his church), and unlawful expropriation of the property of others, for which he has been jailed several times. He is now being sued in several courts, and faces charges before the attorney general. The skillful Colombian swindler is assisted in these criminal acts by fanatic cohorts whom he calls archbishops, bishops, abbots of the temples of the mystery, presidents, secretaries, and priests. . . .

Medina Vizcaíno and his followers have managed to seize control of the publishing house "Iris Printers" . . . which, in addition to editing all sorts of books and pamphlets, serves as a library specializing in the occult. In addition, he has

managed to make himself a significant fortune through charity, by means of a series of communiqués sent to his bishops and their wives in which he instructs them, not only how to collect money, but how to make the shipments, and [gives] the number of his post office box, instructing that it [the money] should be sent by certified mail and indicating that it is "to maintain the Patriarch, his wife, home, and secretary. . . ."

Another serious crime that hangs over Medina Vizcaíno is that of falsification of documents, using the name of [Gnostic Church founder] Samael Aúñ Weor, for which Medina Vizcaíno and his associate Olmedo Palomino Sánchez were arrested in Quito, Ecuador. In addition, Medina Vizcaíno, taking advantage of the titles of his church and the fear he instills in his followers should they not cede to his demands, has committed—according to accusations against him—a chain of sexual abuses against his followers, including the wives of some of the members of the Universal Christian Gnostic Church of Colombia. . . .

To swindle his numerous followers in Colombia and elsewhere, Medina Vizcaíno avails himself of various accomplices and partners in high positions within his church hierarchy, the majority having police dossiers for a broad range of crimes. They are, among others: José Vicente Márquez Bedoya, Jaime Colmenares, Efraín Villegas, Quintero, Olmedo Palomino Sánchez, Antonio Riaño Girón, Bernardino Pinto Sanabria, Carlos Granda Zapata, José Torres, Argermiro Quintero, and Julio Rafael Martínez López.

The most skillful and influential of these, José Vicente Márquez Bedoya, is currently the secretary of the Seventh Commission of the House of Representatives and a member of the Liberal Alternate Movement run by senator Alberto Santofimio Botero. Márquez Bedoya passes himself off as a lawyer and, both within and outside the country, as a representative of the House, according to some testimony. . . .

But the tricks of Márquez Bedoya don't stop here, according to his detractors. . . . While in Madrid, Márquez asked for the loan of the apartment of a Mr. Luis Fernando Moya to sleep with one of his assistants. A little later, using the trick of offering to sell a bracelet to one of his followers, he tried to rape her, for which he was accused before the coordinator of [his movement in] Spain, Freddy Vera.

The so-called "Gnostic institutions" which Medina Vizcaíno leads include within their ranks members with reproachable behavior such as that cited above, but also well-known delinquents dedicated to the cultivation of marijuana and the international narcotics trade. . . . One case currently under investigation is that of Julio Rafael Martínez López, designated bishop by Medina Vizcaíno . . . who traveled several times to Honduras to carry out special missions of the Gnostic Church. The last of these excursions occurred on May 20, just a short time after the death of [Justice] Minister Rodrigo Lara Bonilla.

# Schiller Institute mobilizes against the rise of a new fascism in Germany

by Rainer Apel in Wiesbaden

On Oct. 17, the Schiller Institute in Western Europe, Ibero-America, and the United States will have a “day of reckoning” against the rise of a new fascism centered in Germany, and the growing influence of those who would “decouple” Europe from the United States. Millions of leaflets will be gotten out to the populations in all countries where the campaign takes place, and the message will be to mobilize for the survival of freedom: “Do now what you failed to do in 1932: Stop the New Fascism!”

The New Fascism, which has added a couple more colors to its traditional brown and red, is engaged in a campaign to throw the Americans out of Europe, and to move West Germany, the strategic keystone of Europe, out of NATO and hand it over to the Soviet sphere of influence. If these forces have their way, all of Europe will be lost to the East in a replay of the 1939 Hitler-Stalin Pact, called “decoupling” today.

The New Fascism is best exhibited in the political alliance between the German Social Democrats, the Socialist International at large, and the Green Party of West Germany, who have combined to effect a dramatic change in the political climate of West Germany, gaining an unprecedentedly strong influence over foreign, military, and domestic affairs. The official support the Greens have received from the side of the opposition Social Democratic Party (SPD) in recent weeks has encouraged acts of mass violence against the Autumn Forge maneuvers of NATO in Germany. This SPD-Green bloc is working toward paralyzing NATO’s functions in Germany, getting American troops withdrawn, and overthrowing the current Bonn government of Helmut Kohl after a period of worsening ungovernability.

This SPD-Green alliance is working on the principle of division of labor: The “Greenies,” like Hitler’s 1920s stormtroopers on which the Green movement is modeled, are engaged in sabotage and terror against the institutions of the West German state and forces opposing their actions; the SPD intervenes to prevent the authorities from acting against them. This is a replay of the last days of the Weimar Republic, when Nazi and Communist stormtroopers crushed the remaining democratic institutions, in the certainty that they had

influential protection from sympathizers inside the institutions.

The campaign of terror has produced sufficient political appeasement of the Greens by official institutions to raise the Greens’ political credibility in the eyes of a growing portion of the voters, even as these voters lose confidence in the traditional parties. The feeling is spreading that the Greens will stop at nothing, that no one is able to stop them, and that it might be better to accommodate to the new movement. This explains the shocking vote totals of between 9 and 11% the Green Party received in local elections in the state of North Rhine-Westphalia on Sept. 30. The importance of this rise in Green votes—regardless of whether the vote was real or a result of fraud—must be appreciated in light of the fact that North Rhine-Westphalia is the Ruhr region, the industrial heartland of Germany and Europe—the state with the highest concentration of industrial labor and heavy industry. That despite their obscenely flaunted hatred for industry and technology the Greens succeeded *here* in gaining their greatest vote total ever—more than 8%!—is the real shock.

## ‘Conservative support’

The ruling conservative Christian Democrats, whom many voters have considered the main barrier to the new SPD-Green fascist tide, have betrayed all hopes entrusted in them by the population. They have failed to stop the Green violence, refused to attack the basic anti-growth austerity aspect of the Green ideology, and worst of all, refused to even consider a motion to outlaw the Greens for their all-too-visible enmity to parliamentary democracy. But the Christian Democrats have not only failed; prominent members of the party are supporting the cause of the Greens as a “just one.”

The most shocking example of such “conservative support for the Greens” came from one of the Christian Democratic leaders in North Rhine-Westphalia, Prof. Kurt Biedenkopf, who chose the pages of *Der Spiegel* weekly to augment the post-election impact of the Green votes by claiming that the Greens appealed to the average voter because they “have not yet been corrupted. This will have a healing effect upon the traditional parties.” He added: “Wherever a city parliament includes a delegation of Greens, it means that they have

been voted in there by free citizens. We have to work on the basis of this decision." He even hinted that in some local situations, Christian Democrats might ally with Greens in coalition-like agreements, imitating the present alliance of Social Democrats and Greens in many city councils.

As a matter of fact, the Christian Democrats repeatedly negotiated agreements with Greens at the local level long before the elections of Sept. 30. In Langenhagen near Hanover, the capital city of the state of Lower Saxony, a Christian Democrat was elected mayor with Green support in 1981. In Holzminden, south of Hanover, the current president of the Lower Saxony state parliament, Christian Democrat Bruno Brandes, was elected mayor under the same type of deal.

Considerable support for the Green cause from the Christian Democracy has also come through the channels of the Pax Christi organization of the Catholic Church, with a strong emphasis on liberation theologians and left-wing Jesuits, who happen to have some strongholds in North Rhine-Westphalia. Several of Green Party delegation in the federal parliament in Bonn actually emerged from these nominally Catholic organizations.

### **A coming coup in Bonn?**

Political shifts in North Rhine-Westphalia have always signaled coming changes on the federal level. The fact that the SPD and Green Party together have a solid majority over all other parties here means that the elections of Sept. 30 are a prelude to power in Bonn. This requires that the current coalition government of Christian Democrats and Liberals under Chancellor Helmut Kohl be overthrown. The recent successes fielded by the SPD-Green alliance have elevated to greater influence such a Khomeini-like demagogue as the head of the Saar state section of the SPD, Oskar Lafontaine, the most outspoken proponent of decoupling and the SPD-Green alliance, and one of the most-favored candidates of SPD head Willy Brandt to be his successor.

The planned change of government in Bonn is also being foreshadowed by developments in the state of Hesse, which is ruled by a minority SPD government backed up by a coalition-like agreement with the Green Party. Hesse was the site of the largest number of terrorist incidents and civil disobedience verging on terrorism during the autumn NATO maneuvers. Of the 150 officially-listed acts of terror against NATO installations, vehicles, and soldiers since Sept. 1, most of them took place in Hesse.

The Hessian police did not intervene, obviously following restraint orders from the the Hesse government, and this compelled the U.S. military commander in Hesse, Gen. Robert Wetzel of the Fifth Army Corps in Frankfurt, to publicly criticize the government and demand action against "these anarchists and terrorists." SPD Interior Minister Norbert Winterstein responded with insults: First of all, he lied, "the people demonstrating against the maneuvers represent the views of the vast majority of the population of this country."

He added that the Americans and General Wetzel should "not believe that we are following their orders. After all, we are not vassals of the U.S.A."

The new sense of their freedom of action was picked up by the Greens outside Hesse. On Oct. 4, a foreign policy debate in the Bonn parliament featured the Greens endorsing revolutionary struggle against the U.S.A. in Europe and in Central America, the dissolution of NATO, withdrawal of U.S. troops from Germany and Europe, and the replacement of military services by what they termed "social services." On the same day, in a debate in the state parliament of Baden-Württemberg the New Fascists aired the strongest calls for anti-American violence yet issued in public, when deputies of the Green Party proudly announced: "We are here to break the law."

The leader of the Green delegation in that state parliament, Thilo Weichert, slandered the American troops stationed on West German territory as "forces of occupation against the population . . . which don't respect German law and plan the extermination of the population." Weichert accused the Baden-Württemberg state government of "open collaboration with the occupying forces of NATO and of the U.S.A.," and called for revolutionary violence to drive the military out of the country. Count Bernstorff, another Green deputy, justified terrorism against NATO installations and maneuvers by alleging that "most of our basic democratic rights of today emerged from resistance, some even from revolutionary violence."

The SPD has officially paid lip-service to opposing the use of violence, but has always defended what it termed "the understandable and justified protest of the population against further militarization and the presence of U.S. nuclear missiles in Europe." The SPD leadership has issued circulars to its members calling on them to join the protests and anti-American actions. Rumors in Bonn have it that larger sums of money have been channeled into the movement from SPD "action funds."

### **The backfire potential**

But the shocking advances of the SPD-Green alliance have also awakened some people to the depth of the danger West Germany faces. During the aforementioned debate in the Baden-Württemberg state parliament, the spokesmen of the Christian and Social Democrats united in a first, though still weak and fearful, alliance of harsh protest against the scandalous Green endorsements of violence and terror. A prominent Christian Democrat in North Rhine-Westphalia, a former member of the Bonn parliament, admitted to a spokesman of the Schiller Institute that the situation in his own party was "far worse than you imagine." "The Red and Green coalition is rising fast . . . but still, there is room for change," adding, "you need leadership, culture and politics. I understand that is what your Schiller Institute is about."

A retired banker, also prominent in the German Christian

Democracy, said, "It is like 1932—the country's fate is at stake." And Hermann von Schaubert, the director of the Free Democratic think tank, the Thomas Dehler Foundation, even went public with the remarkable statement: "The Greens are the new fascists!"

His own party chairman, Foreign Minister Genscher, treacherously went to the press the day after to downplay von Schaubert's statements.

### The decoupling threat

Even at NATO headquarters in Brussels, people have exhibited some courage and started to break the regime of silence imposed by the appeasement-minded Secretary-General Peter Carrington, an advocate of "Europeanizing" (i.e., decoupling) NATO. Worried military officials "leaked" their concern to journalists over the "change of the general political climate in West Germany against NATO and the presence of U.S. troops." According to these leaks, "traditionalist" circles at NATO worry that if the West German authorities and the Bonn government continue to fail to guarantee the free military exercise and daily functioning of NATO, the Americans might be compelled by their own decouplers to withdraw troops from West Germany. If the country's institutions fail to guarantee the lives of U.S. soldiers and the safety of U.S. installations, these sources warn, certain political forces in the United States might soon be all too willing to pull out of West Germany, if not from all of Western Europe. Moscow, which is encouraging and funding the movement against the Americans, would earn the optimum profit from such a development.

The campaign of anti-American hatred promoted by the SPD-Green bloc reached a nadir in the Sept. 29 issue of the SPD party weekly, *Vorwaerts*, which ran a full page review of a new anti-American play, "Judith," by the infamous Jacobin, Rolf Hochhuth. Here is how *Vorwaerts* reviews it:

"Judith, a drama, discusses the question of whether it wouldn't be better to assassinate American President Ronald Reagan before he can launch World War III. . . ."

Portraying the recent protest actions against the NATO maneuvers as most inefficient, *Vorwaerts* adds the revealing statement: "Deeds alone will be recognized and taken seriously by the powerful." The article, authorized by *Vorwaerts* editor Egon Bahr (co-architect with Henry Kissinger of the early 1970s "opening to the East" diplomacy) and thus by the SPD leadership, concludes with the cynical remark that the author of this new play, which will be read by the "movement" over the coming weeks, Rolf Hochhuth, "has not tried to get into the White House to assassinate the American President."

These formulations need no further comment: Resembling the political mind-set and the criminal methods of the Nazis and Communists of the Weimar period, the SPD-Green alliance will not hesitate to eliminate any politician who stands in their way. Even if it is the U.S. President.

## Egypt tells Reagan to dump Kissinger

by Thierry Lalevée

Egyptian President Hosni Mubarak sent a private letter to President Reagan at the beginning of October, urging him to "break with Kissinger's [Middle East] policies, the London-based Saudi newspaper *As Sharq al Awsat* reports. Sources linked to Egyptian intelligence services tell us that one of the key topics of discussion at the Oct. 9 meeting between Mubarak and Jordan's King Hussein was how to convince the U.S. President not to bring Kissinger back into Mideast shuttle diplomacy in a second Reagan administration. Mubarak and Hussein are reported to be drafting a new peace formula for recommendation to the United States, including their conditions for negotiations with Israel and how they could get the Palestine Liberation Organization to join in.

Kissinger, of course, has never been much appreciated in the Arab world or in Israel either; it was he who committed the United States never to negotiate with the PLO, and the Israelis remember the dirty tricks he has played on them. But when the issue of Kissinger's role becomes a number one topic of negotiations between Washington and Mideastern heads of state, it signifies major moves afoot. Not only in Egypt are top officials worried that Kissinger may stage a spectacular comeback after the U.S. elections. The governments of Egypt, Jordan, and other countries of the region are trying to influence Reagan's decision while there is still time, and are determined not to be sacrificed on the altar of Kissinger's "New Yalta" negotiations between Washington and Moscow.

### Crackdown against the Cairo mafia

Mubarak's unprecedented intervention on the Kissinger question can only be understood by looking at the ferocious battle now underway in Cairo between the government and the forces out to destabilize it, described by one observer as "the biggest mafia Egypt ever had." This consists of the old private banking families from Alexandria and Cairo who have resurfaced since 1976, and the Egyptian agents of the International Monetary Fund who, if they had their way, would stop all industrial projects and kill off half the population. This mafia includes many of Kissinger's friends, with his local representative, U.S. Ambassador Nicholas Velyotes, serving as the point-man for State Department destabilization of the Mubarak government.

The IMF and its Egyptian agents are demanding that all

government subsidies be removed from such vital commodities as bread, flour, and gasoline. Government subsidies for oil and gasoline were the official pretext given by the energy divisions of the IMF and World Bank for sabotaging Egypt's nuclear program; they, along with the State Department's Agency for International Development (AID) went from one international company to another telling them to stop work on Egypt's nuclear projects, since "there will not be one single cent forthcoming from international consortia."

This is the context for the recent decision by Minister for Economy Dr. Mustafa al Saeed to increase the authority of the government over the private banking sector. On Sept. 24, the general prosecutor ordered that no fewer than 18 bankers and stockbrokers be prevented from leaving the country and that their properties be seized. Some were immediately jailed, others placed under house arrest. These banks were directly involved in black market operations and dollar speculation, aiming at the bankruptcy of the public sector and the government. Bypassing official channels, these banks had an easy game, offering a better rate to the dollar, and thereby drawing most, if not all, foreign currencies away from the public sector-controlled banks.

Targeted are the following Egyptian and international banks: **Jammal Trust Bank** of Lebanon, whose chairman, Ali Abdallah Jammal, has been under house arrest for months; **Al Ahram Bank**, which is now under control of the Central Bank of Egypt. Earlier, the Cairo branch of the **Arab-African Bank** was proven to be deeply involved in black-market speculative activities. Perhaps more significant were the activities of the **Faycal Islamic Bank** and the **Bank for Commerce and Credit International (BCCI)**. Belonging to a worldwide network of Islamic banks created in the early 1970s by the Saudi royal family and directed by Prince Muhammed al Faycal, the Faycal Islamic Bank was not only involved in black-market activities, but also in channeling money to underground fundamentalist groups such as the Al Jihad terrorists who were arrested in May. The same was true also for the BCCI, the Cairo branch of the international bank led by Pakistani banker Agha Hassan Abedi, whose name surfaced more than once during the Propaganda-2 (P-2) Freemasonic scandal in Italy two years ago. Apart from Abedi's masonic connections, he is known for his close allegiance to the IMF and World Bank, through his London-based Third World Foundation.

What binds the Egyptian "mafia" to broader international interests, including those of Kissinger and his friends, are freemasonic and similar ties which have been allowed to re-emerge in Egypt, one of the outcomes of the "Open door" (*Infatih*) policy introduced in the mid-1970s. Of special importance is the new activity around the old Phoenician lodge, created during the last century in Beirut, then exiled to Chicago when the Ottomans denounced it as a cover for intelligence operations! According to some observers, this reactivation led to the Camp David agreement, which has been described as a "Mediterranean Freemasonic deal." Evidence

for this hypothesis can be found when the secondary personalities as well as the economic consequences of the treaty are looked at very carefully. Certainly those interests connected to the P-2 lodge, those running the Mideast drug traffic, benefited from the treaty, which linked up the Golden Crescent drug-producing regions of Asia to Lebanon and Egypt via Israel. These were the people who ordered Egyptian President Anwar Sadat's assassination in September 1981 when, timidly, he began to disturb the mafia's operations. The same interests are today training would-be-assassins against President Mubarak.

The Egyptian government is well aware of these plots, and this is indeed the rationale behind its decision to clamp down on its black-market economy, as well as behind its attacks against Kissinger and company. But in order to destroy the mafia and not just wound it, the Cairo government will have to tackle the thorny issue of the Import-Export law, passed under the *Infatih* policy, which makes it unnecessary to declare the origin of dollars used either for investment or for importing. This law has provided an ideal cover for laundering of dirty money; to change it would endanger Egypt's ability to attract badly needed foreign investments.

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This makes it a straight-out political question, whether or not Egypt's nominal ally, the United States, is ready to stand by its side and support it against Kissinger's mafia. This is a very practical question, as riots have hit Egyptian cities in protest against the austerity demanded by the IMF. The only solution is to raise the standard of living and buying power of the population, which can only be done if the government has the financial means to run the national economy. This means putting an end to such fiefdoms as a Freemasonic mafia passing itself off as the "private sector," or the IMF and AID trying to develop their own "planning" of the Egyptian economy, against the efforts of the Egyptian government. The ball is now in President Reagan's court, and the alternative to a U.S. policy shift is the rapid further destabilization of Egypt and the installation of a Khomeini-style dictatorship there.

# Vietnam seeks to alleviate its economic and diplomatic isolation

by Susan Maitra from New Delhi

On Sept. 21, less than a week before the United Nations General Assembly convened in New York, Le Duan, secretary-general of the Vietnamese Communist Party, heading a delegation which included Tran Quynh, vice-chairman of the Council of Ministers, and Foreign Minister Nguyen Co Thach, arrived in New Delhi for discussions with Indian Prime Minister Indira Gandhi.

The delegation's composition indicates that Vietnam was not only seeking bilateral discussion on economic matters, but also aid from India, the leader of the Non-Aligned Movement (NAM), in solving the long-standing problem in Kampuchea. Speaking at a banquet hosted in Le Duan's honor, Prime Minister Gandhi said that Southeast Asia had been an arena of wars and upheavals for the last four decades. She pointed out that the resolutions adopted at the Non-Aligned summit last year at New Delhi could provide the basis for a durable solution to the region. "There should be total freedom from interference and intervention from outside in the internal affairs of the country. Only thus can the collective peace and prosperity for all the people in Southeast Asia be secured," she said, adding, "Vietnam has a creative role in achieving that."

The resolutions passed by the Non-Aligned Summit provided a general formulation which has since been interpreted differently by different countries. The declaration called for negotiations by the countries in the region and elimination of involvement and threats of intervention by outside powers. It also called for withdrawal of all foreign forces to ensure sovereignty, independence, and territorial integrity of the countries in the region, including Kampuchea.

While the ASEAN bloc has referred to the NAM resolution as a viable basis for Vietnamese troop withdrawal from Kampuchea, the Vietnamese have used it to couple any such withdrawal with a simultaneous U.S. troop withdrawal from South Korea and Philippines. The matter has come to a halt.

But in the last month, the Vietnamese have made several moves showing that they at least want to make the appearance of loosening the regional knot over Kampuchea. Not the least of these is Le Duan's trip to India.

All propaganda aside, the Kampuchea problem is hurting the Vietnamese. While the ASEAN bloc countries have con-

tinued to make economic gains, although at a slower rate due to the overall world depression, Vietnam has grown poorer. Living in isolation from the ASEAN trade dynamics and having been dependent on the sputtering Soviet economy, Vietnam is hurting economically more than any other nation in the region.

## The economic reality

The urgent necessity to build the Vietnamese economy was the subject of a major speech delivered by Le Duan in mid-July. Vietnamese exports are continuing to drop while capacity to buy Soviet oil, fabric for the textile industry, machinery, and most other basic necessities is decreasing. Hanoi's foreign currency reserves, according to available reports, stood at exactly zero for the last 18 months. Basic economic necessities remain beyond the grasp of virtually the entire population as never before.

The loss of life in Vietnam's 40-year fight for independence has also created a severe lack of skilled manpower in all of Indochina. Vietnamese peasants are unskilled and dependent on traditional methods of farming. Vietnam's farmlands have among the lowest per-acre yields in the world, and the country continues to depend on imported food grains. In the middle of one of the most fertile land areas in the world, such food shortages point to a pronounced lack of infrastructure and technological skills. Now, even importation of food grains is becoming difficult because of the vanished foreign-exchange reserves and the Soviets' inability to supply Vietnam with food or reserves.

Vietnam faces the the same problem in the light-industry sector. Despite their best efforts for more than a decade, 600 Swedes living in air-conditioned bungalows in Vietnamese villages could not make a U.S. \$500 million paper mill operational. A Hungarian-backed shoe factory had a similar frustrating experience. The shoes produced by Vietnamese workers were so shoddy that they could not be exported. It has also been reported that, exasperated by the lack of skill of Vietnamese supervisors, the Soviets are demanding that Soviet managers take charge of all Soviet-backed projects.

These problems were at the forefront of the discussions in India. In a meeting with the Indian delegation led by

Agricultural Minister Rao Birendra Singh, Tran Quynh listed a wide range of industries in the context of the Vietnamese plan for cooperation with India. Tran listed a number of projects in agro-based industries in which Vietnam is interested in receiving assistance from India, whether in the form of joint ventures in the state sector or as joint ventures between the private sector in India and the government in Vietnam.

Leading the list of such industries are vegetable oil production, sugar and sugarcane production, jute processing, and rubber plantations. In the manufacturing sector, Vietnam expressed the desire for Indian assistance to exploit the country's rock phosphate deposits for fertilizers and offshore petroleum exploration. It is also evident that the Vietnamese leaders would like to explore the possibility of importing surplus Indian food grains on a long-term repayment basis.

### Hopes of overtures

The economy is also likely an important consideration in the decision to send Vietnamese Foreign Minister Thach to Tokyo next month. The Japanese have a longstanding proposal for solving the Kampuchean conflict, which was endorsed by the ASEAN heads of state summit in July. According to this plan, the Japanese would help mediate a settlement based on the phased withdrawal of Vietnamese troops from Kampuchea and the creation of an international peacekeeping force to oversee free and fair elections in the country.

Even more important, Japan has indicated that under such conditions, it would renew its bilateral aid to Vietnam, which was brought to a halt when the Vietnamese invaded Kampuchea in 1979. According to Japanese officials, Japan would give the Indochinese countries consideration equal to the ASEAN countries in matters of aid allocation. This could mean that Vietnam could receive four times the amount it received five years ago.

In an interview with Kyodo news service last month, Vietnamese Foreign Minister Thach appeared to welcome Japanese mediation to solve the problem. However, a correction to the wire was later released by the Vietnamese, stating that Hanoi had not accepted Japanese mediation, since "Japan seems on the one hand to play a role in settling the Cambodian problem but on the other hand it supports ASEAN over Cambodia. It can only play a role by taking a neutral posture." A Vietnamese foreign-ministry official explained that Vietnam is now willing to accept international supervision and monitoring in Kampuchea once a settlement is reached.

Vietnam's gestures were encouraged by former Thai Prime Minister Kriangsak Chomanand, who reiterated ASEAN's call for unconditional talks between Vietnam and ASEAN. Upon his return from a tour of ASEAN countries last week, Kriangsak emphasized that eventual talks between Vietnam and ASEAN on Kampuchea should not be hampered by preconditions. "Imposing preconditions before a dialogue will

be damaging for us. The war in Kampuchea may go on for the next 10 to 20 years and the Khmer race will become extinct. In that case, others will be happy."

Within the week, Vietnam's Thach arrived for a three-day stay in Bangkok. But Thach had no words for the press, since, he said, negotiations are not carried out in the pages of the newspapers.

The Vietnamese have made a definite change in one area that immediately affects Thailand: China. According to a Vietnamese foreign-ministry official, Vietnam's earlier position was that Hanoi would withdraw from Kampuchea only when the "Chinese threat has ceased." But since "the Chinese threat against Indochina has existed for thousands of years, we have defined it more narrowly. First, China should stop arming Pol Pot as an instrument against the Cambodian people. The second condition is that Thailand should stop providing sanctuary to Pol Pot." The Vietnamese have also called for direct talks with China.

There is, however, no sign that Peking is ready to take up such overtures. The Chinese-equipped Khmer Rouge, by far the strongest force of the three Kampuchean rebel groupings, is escalating its guerrilla operations against the Vietnamese deep in Kampuchean territory. Prince Norodom Sihanouk, who is presumed to become the head of state under a free Kampuchea, stood next to Deng Tse-Ping during the Chinese anniversary celebrations last week, and declared that "The coalition [of Sihanouk, Son Sann, and the Khmer Rouge] will never split. We have set our minds on unity to the very end when victory is achieved against the Vietnamese invasion and we will continue our unity in the reconstruction of our homeland."

The Chinese, according to the Bangkok daily *The Nation*, have promised to rebuild Kampuchea after the Vietnamese troops have been forced to pull out. This is not a credible offer, given the Chinese-backed 1975-79 rule of Pol Pot, which resulted in the death of nearly half the Khmer population, and given China's own huge economic problems.

Certainly the Vietnamese are aware that the Chinese are in no hurry to reach a solution to the Kampuchean problem, and few believe that the Vietnamese have any intention of ever leaving Kampuchea. It is also the case that the Vietnamese changes in position have come just at the point that the ASEAN countries—watching the United States' steady strategic withdrawal from the region, as exemplified by the U.S. attitude toward the Philippines—are moving to make their peace with the Soviet Union. The ASEAN foreign ministers' meeting late last month ended with a call for a nuclear-free peace zone in Southeast Asia, a stance that drew accolades in Moscow.

It is within this context that Le Duan's trip to India and, at some point, to Japan takes on particular significance. No matter what games the Vietnamese may be playing under the aegis of their Soviet allies, economic reality is impelling the Vietnamese to seek help and friends.

## Becoming a post-industrial Hell

*Euthanasia, unemployment, and the destruction of industry are leading features of the new age which President Mitterrand advocates.*

With the publication of France's ninth five-year plan (1985-89), the country is truly entering into the post-industrial age, into the "new pastoral age" promised several years ago by President François Mitterrand. No doubt influenced by his visits to the "Silicon Valley" and to the Carnegie-Mellon Foundation in Pittsburgh at the beginning of the year, Mitterrand is trying to save his seven-year mandate by being the President under which France entered the new age.

After having stoically suffered under Jesuit-trained Jacques Delors, the former finance minister, France has undergone an ideological brainwashing campaign. In a recent television show "Vive la crise" (Long Live the Depression), popular singer—and former communist—Yves Montand teamed with "new philosopher" André Glucksman to explain to the population why it should "voluntarily" destroy its industry. Glucksman expounds the view that in the past, wars, because of the destruction they caused, were successful in forcing the necessary renovation of industrial capital. Today, however, the destruction which would be incurred by a war would be too massive; thus, economic crisis has taken over the role of war in performing the same task. He continues that should the population thus voluntarily destroy its own industry, there would be no reason for the Soviets to invade Western Europe and war would be avoided!

Recently, a debate has broken out on the subject of euthanasia, with the

view aired that the population, after having accepted the destruction of its industry, must then accept early death.

France's five-year plan proposes the reduction of social expenses by cutting down the staff and the number of beds in hospitals. The steel reduction plan of Count Etienne Davignon of the European Community bureaucracy in Brussels has managed to destroy 40% of France's steel-and-iron industry since 1975. The country's auto industry has lost a quarter of its labor force in the last five years, and the new plan for the auto industry, drawn up by L'Oreal director and Mitterrand crony François Dalle, proposes cutting manpower by 50% in the next five years! The construction industry is considering reducing its labor force by a quarter.

Mitterrand, however, is convinced that all these lost jobs will be more than made up by the new "frontier industries" of electronics, computer technology, video games, and so forth.

Worse, the quota policy decided upon by the European Community bureaucracy in Brussels is destroying agricultural production and driving France into an age of famine. The milk industry recently cut back employment by 10%.

The unemployed workers will be forced into TUCs (public service jobs) and TIGs (general interest works). Labor Minister Delebarre's forced youth employment has been compared to the fascist *Chantiers de la jeunesse* established by the Vichy regime in 1940.

If five-year plans were originally devised as Colbertist methods of reconstruction after World War II, the Planning Commission was soon taken over by European federalists and Anglo-American circles typified by Jean Monnet, the founder of the Action Committee for the United States of Europe in the 1950s. The Planning Commission thus became a tool of the oligarchy in which civil servants, technocrats, and bureaucrats decided the future of the nation, bypassing the political will expressed by the electorate. In the 1960s, the Planning Commission became a tool of neo-Malthusians associated with the Club of Rome and its French counterpart, the Futuribles organization, a think-tank created by fascist philosopher Bertrand de Jouvenel, half of the board of directors of which are Club of Rome members.

These circles reappeared in 1968 in the New Left and related counter-cultural ideologies. The other side of the coin, the right-wing "neo-liberalism," is a refurbished version of British Prime Minister Margaret Thatcher's liberalism and "Reaganomics." It is this ideology which fuels the plans to "de-nationalize" France's state-owned industry and public services, as well as to put into place "deregulation." This neo-liberalism is no better than the New Left offshoots. In fact, it is feared that after the socialists' probable defeat in the general elections, this neo-liberalism will complete the process of industrial disintegration and asset-stripping for the benefit of Swiss and other oligarchical interests.

Based on the fact that an electronic chip is called a "puce" (a flea) in French, a quip has it in Paris that Mitterrand and the socialist government want to turn France into a gigantic electronic flea market.

### SPD talks like Radio Moscow

*Following a meeting with the Politburo's Boris Ponomarev, the Social Democrats are bending over backward to do the Soviet Union's bidding*

Leaders of the West German Social Democratic Party (SPD) were told by the Soviet Politburo in late September that their efforts in the Soviets' behalf thus far were insufficient; that they "could do more to stop the nuclear plans of the U.S.A. and NATO." Among the SPD delegation chastized by the Soviet leadership during their Sept. 23-25 visit to Moscow was Egon Bahr, the SPD's oracle on arms issues, father of the 1970s *Ostpolitik*; parliamentary fraction chairman Horst Ehmke; and the former assistant defense secretary in Bonn, Andreas von Bülow. The Politburo member berating the group was Boris Ponomarev, head of the Central Committee's international section.

Back in Bonn, the general manager of the Social Democrats, Peter Glotz, reacted promptly by attacking the Reagan administration and the Bonn government for "not being capable of dialogue, but only of a new Cold War with the Soviets." Glotz, who has recently completed a series of essays in *Der Spiegel* magazine calling on the SPD to move away from its former trade-union identification, accused Chancellor Helmut Kohl of "trying to turn our country into a mere province of the United States."

A few days later, Bahr met with the West German press to report his impressions of the Moscow trip. Bahr claimed that it was "quite obvious" that President Reagan wants to force the Soviets into an arms race. He added that "the Soviets fear an American

surprise attack," which is "not justified objectively, but it is justified subjectively."

Bahr's statements, which strikingly resemble the anti-Reagan verbiage of Radio Moscow, coincide with a purge of inner-party critics of Bahr's pro-Soviet course. One of the most prominent of these, Mrs. Gesine Schwan from the West Berlin section of the SPD, was expelled from the party's Basic Values Commission. She had written that the policy course chosen by party chairman Willy Brandt, Egon Bahr, and Peter Glotz "will lead straight into a situation which turns the German Social Democracy, once built under the banner of freedom, into the de facto most efficient instrument of the Soviet bid for political hegemony in Europe." Since mid-September, three other critics were also purged from prominent party posts.

After firmly reestablishing his faction's control over the party, Egon Bahr went on German national television Oct. 7, responding to recent statements by Italian Foreign Minister Giulio Andreotti that "pan-Germanism"—including the bid for a reunified Germany—constitutes a great danger to Europe. Andreotti's accusation created a tempest in relations between Rome and Bonn, coming as it did in the midst of a months-long Soviet propaganda campaign about German "revanchism," the revival of Nazism, and the "German threat" to world peace.

Said Bahr: "The reunification

question is closed now, but only as long as the U.S. Pershings remain. I do not say that history will stand still. The German question is not open as long as West Germany belongs to NATO."

Bahr did not elaborate, but his message came through: Get the U.S. missiles out, pull Germany out of NATO, and the way will be paved for a reunified Germany, in the Soviet sphere of influence.

The timing of Bahr's Oct. 7 statement is particularly significant. Rumors are rampant among East bloc-watchers here that the Soviet Union will soon make a surprise offer to the Federal Republic of Germany and to other European nations to allow the Warsaw Treaty to expire in May 1985. All the West Europeans would have to agree to do is to allow their membership in NATO to expire also.

Many of these analysts believe that this would be what one called "Europe's big historical chance to bury the Iron Curtain and the whole postwar system of Yalta." Anyone who thinks so is living in a fantasy world. The Soviet Union has the armies of its East European allies under fingertip control. No formal alliance is even needed. The Communist International, after all, was formally disbanded by Stalin in 1943, but this did nothing to prevent continued "Comintern" operations ever since.

Thus, the hoax of the ending the era of military blocs facing each other in Europe will be perpetrated by the Soviets to attempt to lure Europe, and particularly the West Germans, into the illusion that they would be "much better off without the Americans" if they join a "system of common security in continental Europe." This is the magic formula propagated by Moscow—and by Egon Bahr, Henry Kissinger's friend.

## Is the Ostpolitik on the outs?

*Unprecedented snubs to Cardinal Casaroli combined with praise for space science and technology may herald a turn.*

It's too early to draw any conclusions—especially by notoriously slow Vatican timetables—but there are hints that the Church of Rome may shift away from the accommodation to the Kremlin identified with the *Ostpolitik* of the Holy See's Secretary of State, Agostino Casaroli. Most intriguing is that the hints coincide with renewed endorsement by the Pope of the principle of technological development—exactly what the *Ostpolitik* deal is intended to block in the West.

"A tougher international policy, both by the United States and by the Church, is the only thing that can exert sufficient pressure on the U.S.S.R. to induce it to milder counsels," stated the director of *Aggiornamenti Sociali*, the Jesuit Father Angelo Macchi, who happens to be in the United States to follow the presidential elections. This intervention, classified by the Communist Party press as "inspired from above," has been the most explicit point in the polemic which, according to authoritative sources, is raging in the Vatican. Father Macchi openly scores Secretary of State Casaroli and his "*Ostpolitik*": "Twenty years of work have produced something, but more appearance than substance."

Meanwhile, two incidents took place which are unprecedented in Vatican diplomacy: Twice in the last few weeks Casaroli was censored by Vatican information outlets. The first was in Canada during a speech the Pope gave at the meeting of the Empire

Club. On that occasion Casaroli repeated his "open door" policy toward the East bloc countries. "The question of our time," he said, "is to avoid overly theoretical and simplistic criteria," instead favoring "a dialogue open to all and with the most balanced judgment." The speech was not distributed to journalists.

The second case took place in Italy, on the occasion of a memorial for Pope Paul VI in Brescia on Sept. 26. Casaroli in his eulogy presented Paul VI as the Pope of Dialogue who "by opening wide the door which had been opened a crack by his own serenely brave predecessor, re-knit the contacts with the world of the countries of real socialism." The text of this speech, given out to the press minutes before the Vatican press office closed, when all the journalists had already left, was not published by *Osservatore Romano*, which is under the direction of the State Secretariat.

It was already well known, from the time of Moscow's refusal to grant the permit for a visit to Lithuania by the Pope or his representative in the person of Casaroli, that the *Ostpolitik* of the Vatican "foreign minister" was in crisis; but even more interesting is the fact that at the same time, John Paul II personally put on the table the need for technological development, and more specifically research in space.

In a recent speech to the Pontifical Academy of Science, the Pope under-

lined the importance of using space and praised space technology. "Great scientists like Kepler and Newton explored the heavens with the spirit of the believer. Poets and philosophers like Pascal contemplated the mysterious silences of the universe with reverential fear," the Pope said. After lauding the development of space stations and satellites, he recalled the origin of man's presence in space, the grandiose Apollo project for a manned Moon landing initiated by U.S. President John F. Kennedy, and said: "I regard the presence of man and his machines in space with the same wonderment as Paul VI at the time of the Apollo 13, when he invited the participants in the week of studies on 'nuclei of the galaxy' to render homage to those who, with their studies, with their action, and their authority, have once again demonstrated to the world the unlimited power of science and modern technology."

"With us you will also raise a fervent hymn of gratitude to God, the Creator of the Universe and Father of humanity, who by such paths, too, desires to be sought and discovered by man, and adored and loved by him."

The Pope recalled the significant role carried out in this field by two great scientists, Guglielmo Marconi, in the development of telecommunications technology, and Prof. Giuseppe Colombo, who gave a great impulse to the development of a new conception of satellites and who was also a founding member of the Club of Life, established in 1982 by Helga Zepp-LaRouche to fight worldwide for the principles of life and scientific progress. John Paul II concluded by stressing the importance of modern space technology for the development of agriculture and for the fight against hunger, and the use of satellites to spread culture to every part of the world.

## Monterrey group changing hands

*A PAN member is stripped of his functions as president of one of the most important industrial groups in Monterrey.*

A ripple went through the Mexican political-industrial world on the morning of Oct. 9 when news got out of the dizzying fall of the once powerful Eugenio Garza Laguera, president of the Monterrey industrial group and oldest son of the Garza Sada dynasty. The "coup d'état," as it was called by the terrorized anti-Semitic pamphleteer José Pérez Stuart, was carried out at the highest levels of the company—with government support.

The news media have only revealed that Javier Garza Sepúlveda, president of the Genter Group (self-service chain stores) and José Calderón, the powerful industrialist of that company, bought out the majority of the shares of VISA from the brothers of Eugenio Garza Laguera in an operation which amounted to 6 billion pesos. Once the sale was clinched, they called in Garza Laguera to spring on him without prior warning the news that the company was changing presidents by the will of the majority stockholders. Thus shaken, Eugenio had no recourse but to also sell off his shares.

The maneuver has everything to do with the upcoming 1985 gubernatorial elections in the state of Nuevo León, where Monterrey is located. Eugenio Garza Laguera is associated via business and family ties with the Eloy Vallina group in Chihuahua, the crowd that financed one of the electoral victories of the National Action Party (PAN) in this state in 1982. Through

the VISA group, Eugenio Garza Laguera was concentrating considerable political power in his hands and beginning to push aside his brothers within the administrative council, replacing them with his inlaws and people of the Vallina group. He had been trying to save the VISA company (it is in much financial difficulty) by getting into non-bank financing. He bought the Serfin financial house and insurance company, and had created five consulting groups to reorganize bankrupt companies. These moves were not looked upon kindly by his brothers and, it seems, they also did not care for his involvement in a risky political enterprise, the PAN.

Nationally, the PAN is making a big move around next year's elections, and is focusing special attention on trying to win the governorships in the northern states of Sonora, Chihuahua, and Nuevo León. This would constitute a virtual revolution in Mexican politics, since no party besides the PRI has held a governorship in the country's modern history—and the PRI is staunchly committed to continuing that tradition.

This has become a matter of international relations as well, because the U.S. State Department, through the offices of Ambassador John Gavin, has thrown its significant weight behind the PAN. State Department spokesmen have repeatedly argued that they merely favor democracy and a two-party system, but the Kissingerians at

State have consistently sidestepped the substantive political issue: the well-documented fact that the PAN is a Nazi-communist association advocating the policies of Hitler.

The new proprietors of VISA are known in the company itself as "government men." Javier Garza Sepúlveda, who presides over the Genter Group, is a member of the Mexican governing party, the PRI. Among other things, Garza Sepúlveda is the boss of the Astra chain of self-service markets which is expanding along the northern border of Mexico. Recently, President de la Madrid personally inaugurated in the city of Mexicali, Baja California Norte, a big Astra store filled with Mexican merchandise. The President gave public recognition to Garza Sepúlveda as an example of nationalist entrepreneurship.

Garza Sepúlveda has been backed in his expansionist policy by his brother-in-law, José Calderón, the nephew of the José Calderón who together with Isaac Garza was the 1880 founder of the powerful Cuauhtemoc Brewery. Garza Sepúlveda is married to the daughter of José Calderón, and their son, José Garza Calderón, is being promoted as the model of the up-and-coming businessman-politician. At the recent national conference of the PRI, there was a lot of buzzing about the fact that President de la Madrid arrived accompanied by a businessman: José Garza Calderón.

So, the maneuver of Garza Sepúlveda and Calderón was skillful indeed.

The same is true in the case of the Moctezuma Brewery, which U.S. banks wanted declared bankrupt, to grab its stocks, as this column reported two weeks ago. The Superior Court of Justice of the Federal District upheld foreign-investment laws and refused to declare it bankrupt, approving the moratorium it had declared on its debt to the foreign bankers.

## The evil spirit of Lord Russell

*In the new 'Conservative' government, the old Liberal Imperialist still runs foreign policy.*

The newly elected "conservative" government in Canada is already revealing its sinister anti-American, pro-Third Rome Russian character with the arrival in New York, early in October, of Special Ambassador for Disarmament Douglas Roche, a former Conservative Member of Parliament from Alberta. Roche, before arriving in New York, vowed to do "all in my power to continue [former Liberal Prime Minister] Pierre Elliot Trudeau's efforts to bring the arms race under control." Douglas Roche's idea of how to go about this task is identical to the liberal degenerate Trudeau's scheme, namely, to destroy the last remnants of sovereign United States power and to promote the imperial interests of the "Third Rome" faction in Moscow.

The Canadian "disarmament ambassador's" chief adviser and political controller is the Russian Count George Ignatiev, of the oligarchical family which maintained oversight over Imperial Russia's secret services during the Czarist times. It was Count George Ignatiev, member of the Privy Council for many years, an intimate friend of Queen Elizabeth, chancellor of the University of Toronto, and longtime mentor of the foreign policies of Pierre Elliot Trudeau, who created the weird office of "Ambassador for Disarmament" during the previous Liberal government of Canada.

Immediately after the so-called Conservative electoral victory of Sept. 6, the new prime minister, Brian Mulroney, made it clear that he would pre-

serve the post of "ambassador for disarmament," then occupied by Count Ignatiev himself. After consultations with Ignatiev, Mulroney appointed Douglas Roche, merely in order to save appearances, since Ignatiev is formally of the Liberal Party and Roche a Conservative. Roche graciously asked Count Ignatiev to please remain as his special advisor. The Count, equally graciously, accepted.

After these appointments were made known, the Canadian branch of the Campaign for Nuclear Disarmament, the infamous CND founded by the sinister Lord Bertrand Russell, hailed the choices and even praised Conservative Douglas Roche as "the most eminently qualified for the task." And well it might; Roche has a lifelong career behind him of promoting Russellite causes in his capacity as a leading officer of the World Association of Parliamentarians for World Order, founded by Bertrand Russell.

Count Ignatiev, not being a member of parliament himself, is a ranking officer of the World Federalists, as is Canada's new ambassador to the United Nations, Steven Lewis. These organizations were founded by Russell on the basis of a program envisaging the destruction worldwide of all forms of government based on the political institution of the nation-state, and their replacement by a "One World" imperialist/federalist regime.

These groups today, which include in their ranks the Union of Concerned Scientists and the Pugwash Conference, are involved in a coordi-

nated effort to force the United States into a posture of unilateral nuclear disarmament, exactly of the type voted as party policy recently by the British Labour Party at its Blackpool Conference. In short, the new, so-called conservative Canadian government is merely an instrument of currently unfolding policies which derive directly from Bertrand Russell's grandiose imperial program, such as Lord Carrington's "New Yalta" scheme, which is designed to decouple Europe from the United States, break up NATO and recognize *de jure* Russian hegemony over all of Europe, Africa, the Middle East, and as much of Asia as the Russians think they can digest.

One captures the flavor of Roche's commitment to Lord Russell's outlook by a cursory look at a bill which he promoted in the House of Commons in Ottawa on Nov. 9, 1979 which argued, among other things, "That, in the opinion of this House, a new constitution for Canada should specifically commit Canada to the goals of . . . transferring agreed national powers to world authorities when this would facilitate world peace. . . ." And, "We recommend that in recognition of the interdependence of all nations and peoples, Canada declare its willingness to transfer by legislation certain sovereign powers to a world authority such as the United Nations or a federal world government."

That bill, of course, reflected the sentiments of Count Ignatiev as well. The difference between Ignatiev and Roche, however, is that Ignatiev remains a Russian chauvinist, closely attuned to the "Third Rome" faction in Moscow. The Russian naval attaché in Ottawa happens to be a cousin of the Count. Someone must have apparently argued that if one dressed the policy of surrender to Moscow in "conservative" garb, then Ronald Reagan might go along with it.

## The Palme biography's missing chapter

*The just-published, first-ever biography of the Swedish premier deliberately omits any mention of Palme's Nazi family-tree.*

On Oct. 11, a much-advertised biography of Premier Olof Palme was released in Sweden. Although Palme has played a key role in Swedish politics for at least 30 years, since his 1954 appointment as the personal secretary of his own predecessor as prime minister, Tage Erlander, no previous biography of Palme has ever been attempted.

Yet the present work, titled *Who is Olof Palme?*, doesn't go a long way toward answering the query posed in the title. Rather than listing here all the shortcomings of this first biography, we will merely outline the gist of the biography's missing chapter, that on Olof Palme's Nazi family tree.

This is not to say that the author of the biography, *Svenska Dagbladet* Deputy Editor-in-Chief Bertil Östergren, needs to be lectured on the matter. On the contrary, in a conversation with which this columnist has become acquainted, Bertil Östergren personally professed knowledge about Palme's Nazi roots, but in the same breath asserted that he would ensure that this knowledge never be made available to the Swedish public. With the release of this biography, the deputy editor of Sweden's most renowned conservative newspaper surely believes he has delivered on his vow to protect Palme.

While his current role as a Soviet asset is relatively obvious, the facts about Palme's Nazi connection are guarded like a state secret in Sweden; some of them were already published in this magazine over a year ago, on Oct. 18, 1983. Working backwards up the branches of Palme's family-

tree, the whole story begins with his mother, Elisabeth von Knieriem-Palme. Indeed, that Palme ever had a mother is a piece of information systematically suppressed in Sweden!

Olof Palme's father, Gunnar Palme, died in 1933, when Olof was six. His mother, Elisabeth von Knieriem, during the summers took the family to her grandfather's baronial estate in Latvia, in what is today the Soviet Union. It was then that one of Olof's uncles, August von Knieriem, became a new father figure to little Olof.

This uncle became the chief legal counsel of I.G. Farben, the infamous company that ran Hitler's Auschwitz concentration camp—a gigantic slave-labor operation in which the worn-out slaves were gassed and cremated *en masse*. After the war, Uncle August was tried at Nuremberg, of course. It was proven that he was one of the two high-ranking Farben officials to make personal inspections of that concentration camp.

Nonetheless, Uncle August got off the hook. The Nuremberg prosecutor, Judge Herbert, was disgusted at what he considered a massive miscarriage of justice. There was talk about cover-up of secret Farben deals involving, among others, Standard Oil and some top Swiss bankers close to the Nazis.

Uncle August, however, is but one of Palme's curious relatives on his mother's side. Uncle Ottokar von Knieriem played a key role in the attempt to whitewash Gestapo chief Himmler toward the end of World War II. The brains behind this plan was Walter Schellenberg, the head of Ge-

stapo counterintelligence (Sicherheitsdienst) and the boss of such nice fellows as Klaus Barbie, the notorious butcher of Lyon.

Working with Farben and royalist circles, Schellenberg's plan was to carry out a coup d'état against Hitler in 1945, in which Himmler would take over, strike a deal with the British, and restore the Hohenzollern monarchy in Germany.

The young Olof Palme personally participated in at least one meeting toward the end of the war, plotting aspects of the Schellenberg plan along with his uncle Ottokar von Knieriem, who was the Dresdner Bank representative in Stockholm; Felix Kersten, who was Himmler's masseur and liaison; and Hilel Storch, who later became the representative in Sweden of the World Jewish Congress.

The plot was to have Count Folke Bernadotte of the Swedish Red Cross conduct a spectacular operation saving Jews from extermination in the collapsing Third Reich. Himmler's agreement to the rescue operation was to be used as proof of his not being complicit in the Nazi holocaust, for which the deposed Hitler was to be the scapegoat.

The main objective of the Schellenberg plan failed, and Himmler took poison to avoid capture by the Allies. Palme's career continued. Five years later, he was the deputy secretary of the International Committee of the Swedish Students' Association (SFS), traveling around the world to subvert the international students' movement. The SFS chairman at the same time was none other than Bertil Östergren, the author of the biography with a missing chapter!

Östergren writes about this period of cooperation with Palme: "I extravagantly used to say that he was my foreign minister." It's a small world, indeed.

## Moscow's sword-and-fire policy

*In the wake of Egypt and Jordan's reconciliation, the Russians are preparing a new Middle East crisis.*

The reconciliation between Jordan and Egypt announced on Sept. 25 has provoked much ranting and raving in the two meccas of Arab radicalism, Tripoli and Damascus. Almost immediately, Syrian Vice-President Khaddam declared that King Hussein would meet "the same fate as Sadat." Syria's ruling Al Baath party declared: "Damascus cannot tolerate a new Sadat on its own borders."

Qaddafi was not long in following suit. Squashing the laughable hopes of those who actually believed he was becoming a moderate, the Libyan dictator told an Oct. 7 mass rally that "Hussein should be punished for his betrayal." Then, on Oct. 9, Libya's JANA news agency wired another announcement by the mad colonel that it was a "national duty to eliminate and decapitate Hussein and Mubarak"!

While both Libya and Syria have their own reasons to feel betrayed, they are primarily carrying out orders from Moscow. On Oct. 5, the Middle East correspondent of *Izvestia* devoted a half-page article to denouncing King Hussein, who allegedly "has broken Arab unity" as well as the "commitments made in Baghdad in 1979" not to reconcile with the Egyptians so long as they adhere to Camp David.

The Kremlin thought that through its control over Syria and Libya on one side, and its developing relations with both Cairo and Jordan on the other, it could become the game-master in the region at America's expense. Short of ordering the immediate assassination of Hussein and Mubarak, Moscow can now do little but reorganize its region-

al strategy and plan a new offensive.

What Moscow fears is that the Egypt-Jordan reconciliation is part of an American grand design for a new peace initiative after the presidential elections, which would bring together Iraq, Saudi Arabia, and Arafat's PLO. While there is little serious indication of such a plan, the Oct. 3 London *Daily Express* reported that this is being talked of in Washington's corridors. That's enough for Moscow to mobilize its agents and allies for a new offensive; hence the activation of Al Jihad in Beirut, the religious warfare opposing Sunnis and Shi'ites in Lebanon, as well as the summoning of Syria's Hafez al Assad to Moscow on Oct. 15, where the next crisis in the Middle East will be decided.

Those who will pay the price most immediately are the Palestinians. As reported by *Le Matin de Paris* Oct. 9, the strategy of Soviet-controlled Syria is simple: "In the framework of a new Yalta in the Middle East, it wants to hold both the Lebanese and Palestinian cards!" The Egypt-Jordan rapprochement is upsetting the negotiations held last summer between Israel's Sharon and the Syrians for a private deal over Lebanon and the Golan Heights, and may give PLO-chairman Yasser Arafat enough maneuvering room to escape their grip; many in Damascus were enraged at Arafat's recent visit to Jordan.

Correspondingly, increased attacks against Mubarak and Hussein have been accompanied by even more brutal attacks against Arafat and Palestinians loyal to him. For example,

by Oct. 10, dozens of members of Arafat's El Fatah had been rounded up by Syrian forces in Lebanon and northern Syria. The day before, Qaddafi had called for a reorganization of the Palestinian movement around "one single Palestinian chief who should unite the organizations through sword and fire if necessary." Continued Qaddafi: "Any Palestinian who will not pay his dues in blood and money should be killed." No clarification was needed to understand that Arafat was not the "Palestinian chief" he was talking about.

The same day, George Habash of the PFLP announced in Damascus that he was ready to join with the Syrian-puppet "Nationalist Alliance" of Palestinians to remove Arafat from leadership of the PLO.

Essential to this game has been the refusal of the Syrians and their Palestinians to allow a new meeting of the Palestinian National Council. Such a meeting, they fear, would consolidate Arafat's positions because of the support he has in the occupied territories and elsewhere. The Syrians have announced that they will only agree to a meeting and a preparatory reconciliation of the various Palestinian organizations if the central committee of El Fatah "disavows and discharges Arafat" first!

However, the game is played at several levels, entirely under Soviet control so far: Syria and Libya are outspoken enemies of Arafat, while Soviet ally South Yemen, whose President Ali Nasser recently visited Moscow, is reportedly urging the Soviets to soften Syria's stand, a demand that Arafat himself delivered to Andrei Gromyko in East Berlin on Oct. 6.

As result of all this, the PLO is all but neutralized. Arafat is reported to be looking at Greece, Malta, or Cyprus as a site for a PNC meeting no Arab country dares host.

# International Intelligence

## **Marshal Ogarkov has not been demoted**

In an interview with the French Press Agency in Moscow on Oct. 11, Vadim Zagladin, first deputy chief of the Soviet Central Committee's International Department, admitted that former Chief of Staff of the Soviet Armed forces Marshal Nikolai Ogarkov has been moved "to a very high-level position" in the defense ministry and was not, as had been speculated in the Western media, "demoted" to head the Voroshilov Military Academy.

Zagladin also said that the question of space-based weapons continues to be "the number-one problem" in the world today, and attacked Washington for not wanting to seriously negotiate a total ban on space weapons.

On Oct. 12, that "demoted" military leader showed up in East Berlin on an official mission of the Soviet Politburo. He was received by East German party and state leader Erich Honecker, Politburo members Egon Krenz and Heinz Hoffmann, who is also the defense minister, Horst Strelitz, commander of the East German ground forces, and Mikhail Zaitsev, commander of the Group of Soviet Forces in Germany.

The East German news agency ADN reported that Marshal Ogarkov emphasized the need to strengthen the cooperation of the two armies. Honecker denounced NATO's policy of "armed escalation and confrontation," which he said had to be answered by the "further increase of fighting power and combat readiness" on the part of the Warsaw Pact.

According to a wire by West German news service DPA, Ogarkov went to East Berlin in his new function as commander-in-chief of the Western Theater of War. Radio Liberty sources speculate that a special position has been created for Ogarkov, that of military adviser to the General Secretary of the Soviet Communist Party.

The French daily *Le Figaro* commented on Oct. 8 that "once again the U.S. is falling into the trap" of believing Soviet disinformation. It appears likely that Ogarkov has

in fact been promoted to "Grey Eminence of the Soviet War Machine," *Le Figaro* concluded.

## **Did Wörner warn of war in Europe—or didn't he?**

One day after German and foreign news-wires reported from Rome on Oct. 11 that West German Defense Minister Manfred Wörner had warned of an imminent Soviet war threat to Europe, press spokesmen for the minister began to vigorously deny that Wörner had ever made such a statement.

Associated Press had reported that Wörner said in a press conference in Rome that "the situation in Western Europe is so unstable that one cannot rule out that war might break out from one moment to the next."

Associated Press is now being charged with transmitting a "wrong translation of Wörner's statements." While AP in Rome initially stood by its original report, it later changed its tune and denied having said this.

According to the new version, Wörner said he was "very much concerned about weaknesses at NATO's southern and northern flanks," and that "there is no doubt the Soviets are trying to shift the strategic balance in Europe."

Wörner, in public statements at the meeting of NATO's Nuclear Planning Group in Stresa, Italy, emphasized his opposition to the U.S. Strategic Defense Initiative. "I believe the Federal Republic of Germany has neither the technological capabilities, nor the political commitment to construct space weapons," he said. He added that he has not changed the negative view of the SDI that he voiced at the last NATO meeting in Cesme, Turkey, at the end of March.

## **Another KAL massacre averted just in time**

The pilot of an American-owned charter plane on Sept. 30 averted a replay of last year's Soviet shootdown of a Korean Airline plane, which killed 269 civilians. The pilot

signaled Norwegian authorities, who promptly confirmed that his flight was off course.

The plane, a Boeing 707 carrying 200 Fijian troops to Tel Aviv as part of the peacekeeping force in Lebanon, was flying via the polar route from Anchorage to Amsterdam, but strayed 500 miles off course and to within 15 miles of Soviet airspace. It was heading in the direction of one of the Soviet Union's most heavily defended strategic areas, the Kola Peninsula, where much of the northern fleet is based. The pilot stated that his radar was malfunctioning.

## **Greens launch new Australian party**

A new "antinuclear, disarmament party" was launched in Australia during the first week of October, to synchronize the Pacific flank of the Green "peace movement." The Australian Greens are leading the drive for "decoupling" of the Pacific nations from the United States, working closely with the Stockholm International Peace Institute (SIPRI) outpost in New Zealand to recruit neighboring island nations to the idea of a Pacific nuclear-free zone.

Establishment of a Green party coincides with Labour Prime Minister Bob Hawke's announcement on Oct. 10 that general elections for both parliamentary houses will be held Dec. 1, sixteen months ahead of schedule.

Hawke, a former trade union boss, has come under pressure lately from the conservative minority for alleged connections to organized crime, and for being soft on drugs. He has been accused of quashing a federal investigation just as it was closing in on top-level crime connections to the federal government and the state government of the Labour Party bastion in New South Wales.

The conservative attacks on Hawke, however, may open up just the flank that the freezeniks have been looking for to move Labour out from under Hawke's control. At Labour's convention in August, Hawke barely defeated resolutions calling for shutting down three U.S. military facilities, and

for banning nuclear-powered and nuclear-armed vessels from Australian ports. What Hawke defeated became the winning electoral platform of neighboring New Zealand's new Labour government, which is now pressuring Hawke to take a firmer stand in revising the ANZUS defense treaty linking Australia, New Zealand, and the United States.

### **East Germans display new Soviet weapons**

Under the approving eye of Soviet Foreign Minister Andrei Gromyko, the East German Armed Forces staged a one-hour military parade on Oct. 7 which was billed as the official highpoint of festivities marking the 35th anniversary of the German Democratic Republic (GDR).

Aside from the ultra-militaristic aura of the parade, which featured East German "National People's Army" (NVA) units goosestepping to martial music, the spectacle corroborated intelligence assessments given to *EIR* that the East German military's equipment is "the most modern available . . . not differing from the weaponry issued to the Soviet forces stationed in the GDR."

The NVA tanks in the parade were T-72s, the main battle tank of the Soviet forces. The same comparisons held true for the self-propelled guns and mobile multiple rocket-launchers also viewed in the parade. An overhead "flyby" consisted of 48 helicopters both of the Mi-8 transport type and the "Hind" Mi-24—the most modern helicopter gunship in the Soviet inventory. The GDR also placed on parade modern land-based mobile cruise missiles, stationed with units in the Rostock area on the Baltic Coast.

In addition to the East Berlin parade, major naval units of the Soviet Baltic Fleet joined with the Polish Navy and the East German Navy for a naval display at the GDR naval headquarters at Rostock.

A leading West German expert on the Soviet bloc military told *EIR* that, with the exception of nuclear and chemical warheads, the East German Army and Air Defense is as well equipped as its Soviet coun-

terpart, and possesses both "the SS-21 and the SS-23 launchers and missiles . . . and the most modern SAM missiles."

### **Willy Brandt covers for Peruvian terrorists**

Socialist International chairman Willy Brandt defended Peru's Shining Path terrorists (*Sendero Luminoso*) during a visit to Peru on Oct. 9. After meeting with President Fernando Belaunde Terry and with the leadership of the Socialist International-affiliated APRA party, Brandt told the press that he sees a distinction between "some cases of terrorism [which] are part of international movements," and those which "belong to [specific] regions because of different causes."

He placed the Shining Path gang among this latter, more legitimate, group, despite the Shining Path's blood-curdling record of butchery and the massive evidence of its foreign links. Brandt had received "tons of information on the problem of terrorism" while he was in Peru, he told a press conference, and "according to the personal impression that I have, it would be wrong to say that what is happening in this country forms part of an international terrorist movement."

There are signs that the Socialist International is now prepared to involve itself in "mediating" the warfare conditions it is now helping promote. Armando Villanueva, the APRA leader who was the first leading Peruvian figure to call for a "dialogue" with the Shining Path, to "bring it into the political system," accompanied Brandt to Venezuela on Brandt's plane. Indicating that the topic of "negotiations" with the Shining Path killers was on the agenda, Villanueva told reporters that his proposal in this direction had been picked up by the Franciscan order.

Brandt also warned the United States not to intervene in Nicaragua, saying it would be a "big mistake." "I just hope it does not happen, because it would damage the international image of the USA severely" as well as turn The United States' allies in Europe and Ibero-America against it.

## Briefly

● **THE COLOMBIAN** Roman Catholic Church has gone on the war-path to prevent the visit of the infamous Brazilian transvestite "Roberta Close" to Colombia. A scandal has been created in Colombia because of the praise for Close by former President Alfonso López Michelsen. The trip is scheduled to take place in October.

● **L'HUMANITÉ**, the daily of the French Communist Party, printed a 200-word article on Oct. 6 attacking the Schiller Institute, in the middle of a full page dedicated to the mobilization of the Moscow-inspired peace movement. "The other day in Bonn," writes the daily, "three of them were having a petition signed around a placard that read: 'It's better to have both feet in NATO, than a frozen ass in Siberia' . . . But the same worrisome spectacle has just been imposed on Parisians as well. At the Rue de Rivoli . . . one could read the totally vulgar placard: 'Better a Pershing in your garden, than a Russian over your wife.'"

● **POPE JOHN PAUL II** condemned the theology of liberation in Santo Domingo on Oct. 11. "The primary liberation that man must obtain is liberation from sin, from social evil that is lodged in his heart, and which is the cause of social sin and of oppressive structures." The Pope stressed that the Gospel prohibits "recourse to the methods of hatred and violence," and rejects the idea of "the poor as a class, as a class in struggle."

● **PRESIDENT MARCOS** of the Philippines charged Cardinal Jaime Sin, Archbishop of Manila, on Oct. 5, with "fanning the flames of rebellion" against the government and breaching the constitutional separation of church and state.

## Is Henry Kissinger winning the presidential elections?

by Warren J. Hamerman

Even Ronald Reagan's closest political associate and friend, Sen. Paul Laxalt (R-Nev.), has admitted on television and the front page of the *Washington Post* that the President has been "brutalized by a briefing process." The people controlling the "briefing process" of Ronald Reagan are the notorious Palace Guard of James Baker III and Mike Deaver, who have outdone Salome by handing the President's head on a silver platter to Paul Volcker for economic policy briefings and Henry Kissinger for foreign policy. To explain the universally recognized wretched performance of President Reagan in his first debate with Walter Mondale, Laxalt succinctly explained: "The man was absolutely smothered."

Aside from whatever else may be said about the spectacle staged between Reagan and Mondale called the first debate, the truth of what Lyndon LaRouche said in the April-May period of the primary elections was brought home forcefully to the entire world. LaRouche warned that if Reagan didn't break with Kissinger's and Volcker's policies, it would be unlikely he would be reelected unless he were completely under Kissinger's control. Ever since President Reagan publicly surfaced Henry Kissinger as one of his "principal advisers" for his meeting with Gromyko and the same week pledged formal allegiance to collecting the debt for the International Monetary Fund (IMF), the President's reelection campaign has come apart at the seams.

### Moscow votes for Mondale

With Henry Kissinger's policies "smothering" both Ronald Reagan and Walter Mondale, the stakes are clear. As Mondale was speaking, even in a debate on domestic issues,

he attacked the "Star Wars" strategic-defense program at least three times. Almost simultaneously, Soviet Foreign Minister Andrei Gromyko, speaking in East Germany, accused the Reagan administration of an "obsessive" and "diabolical" drive to develop beam weapons. Gromyko stated bluntly: "The United States has once again laid bare the real nature of its policy. . . . It is obviously not inclined to negotiate about the prohibition of space-based weapons, but is trying to disguise this in every possible way. The United States is obsessive in developing new technologies. . . ."

In the immediate aftermath of the first debate, the Warsaw Pact media openly campaigned for their preferred candidate, Walter Mondale. Said Tass: "According to the Democratic candidate, during Reagan's presidency the deficit of the federal budget reached astronomical figures, and during that period the rich began to live even better and the poor even worse." The Polish state-run radio ran an "analysis" of how Reagan was a rich man's candidate blind to social problems: "The television debate exposed President Reagan as a politician whose philosophy does not permit him to see the social problems in the country."

The proof that U.S. national security is suffering a landslide defeat in the presidential elections became manifest on Capitol Hill in the immediate aftermath of the first debate. The White House and Congress reached a final "compromise" on the omnibus budget resolution, which cut the Strategic Defense Initiative (SDI) to \$1.4 billion, severely curtailed ASAT testing, and slashed to the bone the first major attempt to fund water projects in eight years. The across-the-board "compromise" between the Republicans and the Dem-

ocrats was a disaster on each point critical to the defense of the Western Alliance.

### Aftermath of the debate

In an interview the day after the debate, Independent Democratic candidate Lyndon LaRouche commented: "Overall, it was a total bore." The questions were such that there could be no winner, since there had been no issues of substance, of importance to the nation, seriously discussed.

LaRouche added that Reagan's problem was obviously that he was told to "coast along to victory, and not raise any issues at all. . . . Reagan is only Reagan when he is combative. . . . If Ronald Reagan would not show so much fatigue, and maybe if he would get Barbara Bush for a speech writer, he would put a little spark into things. Reagan is a nice guy. He's done a couple of good things. His strategic defense policy is good. He's done a couple of other good things. However, he's had some very bad policies, most of which he did not introduce, which simply continued as leftovers from the Carter administration and earlier administrations. On foreign policy, economic policies, and monetary policy, he is very bad."

### The second Reagan administration

Given how far Reagan has already compromised, and the outright lunatic policies being pursued by Kissinger, General Gorman, U.S. Ambassador to Mexico Gavin, et al. in Central and South America, a Mondale victory after an "October Shock" to the United States cannot be ruled out. Nonetheless, despite his poor showing in the first debate, Ronald Reagan is still the odds-on favorite to be reelected on Nov. 6, at the cost, however, of giving away more policy control to Kissinger. Under the circumstances of a second Reagan administration mortgaged to Kissinger, the political defensibility of the Western alliance could well be impossible.

To maintain the Western Alliance and preserve the national Security of the United States, the second Reagan administration would have to launch a political clean-out of all Kissinger moles and agents of Soviet influence. The patriot's target list includes the following reprehensible individuals who have proven themselves unfit to serve the United States. The following list includes those "Who Should Not Be Who in the Ronald Reagan administration":

*White House:* **Henry A. Kissinger**, self-proclaimed Metternich; **James Baker III**, Chief of Staff Office; **Michael Deaver**, Chief of Staff Office; **Richard Darman**, Chief of Staff Office; **Robert McFarlane**, NSC; **Constantine Menges**, NSC; **John Lenczowski**, NSC; **Jack Matlock**, NSC; **David Stockman**, OMB; **George Keyworth**, Office of Science and Technology; **Jerry D. Jennings**, executive director Office of Science and Technology; and **Bill Brock**, Office of the U.S. Trade Representative.

*Department of Defense:* **Robert S. Cooper**, director, DAR-

PA; **Fred Iklé**, undersecretary for policy; **Richard DeLauer**, undersecretary for research and engineering; **Richard Perle**, assistant secretary for international security policy; **John Lehman**, secretary of the Navy; **General Gorman**; and **William Taft IV**.

*Department of State:* **George Shultz**, secretary of state; **Michael Armacost**, undersecretary for political affairs; **Richard Burt**, assistant secretary for European affairs; **W. Allen Wallis**, undersecretary for economic affairs; **Stephen Bosworth**, chairman, Policy Planning Council; **Elliott Abrams**, assistant secretary for human rights; **Richard Murphy**, assistant secretary for Near Eastern and South Asian affairs; **Chester Crocker**, assistant secretary for African affairs; **Paul Wolfowitz**, assistant secretary for East Asian and Pacific affairs; **Harry Schlaudemann**; **Luigi Einaudi**; **George B. High**; **John Hughes**; **Jeanne Kirkpatrick**; **Vernon Walters**; **John Gavin**; and **Arthur Hartmann**.

*AID:* **M. Peter McPherson**, director, U.S. International Development Cooperation Agency; **Elise R. W. Du Pont**, assistant administrator for private enterprise.

*ACDA:* **Kenneth Adelman**, director; **Paul Nitze**, U.S. representative to the INF talks.

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*"To explain the universally recognized wretched performance of President Reagan in his first debate with Walter Mondale, Paul Laxalt succinctly explained: 'The man was absolutely smothered.'"*

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*USIA:* **Charles Z. Wick**, director; **Ben Wattenberg**; **James Buckley**.

*Department of Agriculture:* **John Block**, secretary; **Richard E. Lyng**, deputy secretary; **Daniel Amstutz**, undersecretary for international affairs and commodity programs; **George Rossmiller**, Foreign Agriculture Service (IIASS); Mr. **Paddock**, dairy section (brother of William Paddock); Mr. **Novotny**, head of international grain section; **Carol Lawrence**; **George Irwin**, product credit administrator; **Charles Shuman**, administrator, Farmers Home Administration; Mr. **McMillan** and Mr. **Houston**, directors of meat inspection units.

*Department of Commerce:* **Malcolm Baldrige**, secretary; **Lionel Olmer**, undersecretary for international trade.

*Department of Treasury:* **Donald Regan**, secretary; **R. T. McNamar**, deputy secretary; **Beryl Sprinkel**, undersecretary for monetary affairs; **John Walker**, assistant secretary for enforcement and operations; **Mark Leland**, assistant secretary for international economic affairs; **William Draper**, president and chairman, Export and Import Bank.

*Federal Reserve Board:* **Paul Volcker**.

*Health and Human Services:* **Margaret Heckler**, secretary; **Carolyn K. Davis**, administrator, Health Care Financing Administration.

*Department of Justice:* **Edward Meese**, attorney general designate; **William Webster**, director, FBI; **William French Smith**, attorney general; **Francis Mullen**, administrator, Drug Enforcement Agency.

*Department of Energy:* **Donald Hodel**, secretary; **Gregory Fess**.

*EPA:* **William Ruckelshaus**, administrator.

But for the challenge of LaRouche, Henry Kissinger has

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*“LaRouche warned that if Reagan didn’t break with Kissinger’s and Volcker’s policies, it would be unlikely he would be reelected unless he were completely under Kissinger’s control.”*

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now positioned himself to “win” on the coattails of either Mondale or Reagan. Walter Mondale openly proclaims the “Kissinger Doctrine” of “decoupling” the United States from Western Europe, brutally policing Central and Ibero-America to protect the debt for the IMF and Volcker, while scrapping the full development of a laser-beam defense system for the United States. President Reagan is in an advanced state of mental “smothering” by the same Kissinger and by Volcker’s so-called advice. Perhaps Reagan may wake from his slumber to recall that he was politically popular in America and rode to a landslide victory in the last presidential election when he openly and directly attacked Kissinger and Volcker. Were Reagan to lose, it would be for the stench coming from his own appointments and advisers. Were Reagan to win, and desire to govern and preserve the Western alliance, he must follow the example of Hercules and wash the excrement out of the Augean Stables that the U.S. government has become.

## Congress slashes the beam-defense budget

by Susan Kokinda

As Secretary of Defense Caspar Weinberger was impressing America’s NATO allies with the need to embark on an all-out effort to develop beam-weapon defense systems, the U.S. Congress slashed the budget for that program by 20%. After a week-long negotiating/brainwashing session, which included one actual and several threatened shutdowns of the U.S. government, the administration capitulated to a budget “compromise” with the Congress which cut the Strategic Defense Initiative (SDI) from the originally modest \$1.8 billion, down to \$1.4 billion.

This means that, allowing for inflation, the appropriation for beam-weapon research and development now represents no increase at all over the spending rates projected for the program *before* President Reagan made his historic March 23, 1983 speech committing the United States to develop a defensive shield against nuclear attack.

The White House had already sacrificed the MX “Peacekeeper” missile, in order to win a compromise defense budget agreement which would hold SDI funding at the figure proposed by the Republican-controlled Senate—\$1.67 billion. Before the congressional vote, the director of the SDI program, Lt. Gen. James Abrahamsom, had declared that the rock-bottom figure the administration would accept was \$1.5 billion. Not only did the White House settle for \$1.4 billion, but it capitulated on the issue of testing anti-satellite (ASAT) weapons as well, and agreed not to conduct tests on the system (which had been scheduled for this fall) until both Houses give the go ahead next March. Even then, the administration will only be allowed 3 tests, instead of the requested 12.

With these capitulations signed and sealed, the Reagan administration—if reelected—can look forward to the following further assaults next year:

- **More funding cuts:** If the Reagan administration significantly increases funding for the SDI to \$3.5 or \$4 billion (as sources currently indicate it will try to do), arms-control advocates on the Hill say that the Congress will cut *at least* \$1 billion from that request.

- **Government “reform”:** The legislative logjam caused by President Reagan’s earlier refusal to capitulate on the

defense budget is already being used by advocates of a British-style parliamentary system of government as an excuse to "streamline" the Congress and the executive, tearing up the U.S. Constitution.

### **Blackmailing the President**

The "KGB Democrats," led by Speaker of the House Tip O'Neill, have been successfully blackmailing the President for the past 18 months on defense issues, ripping up agreement after agreement, always demanding new concessions after each preceding round of concessions has been granted. They have enjoyed the quiet collaboration of the Georgetown Center for Strategic and International Studies (CSIS), Henry Kissinger's home base. CSIS has programmed the key architects of the numerous defense compromises, such as the Senate's leading proponent of pulling U.S. troops out of Europe, Sam Nunn (D-Ga.) and Rep. Les Aspin (D-Wis.). Kissinger Republicans such as Majority Leader Howard Baker (R-Tenn.) and Defense Appropriations Subcommittee chairman Ted Stevens (R-Ark.) have also played a key role.

The process which led to the current moratorium on the construction of new MX missiles began 18 months ago, when President Reagan accepted his first "compromise to save the MX," crafted by a Bipartisan Commission headed by Kissinger lieutenant Brent Scowcroft. Scowcroft, Nunn, Aspin, Baker, et. al. "saved the MX" by shifting the character of the Reagan administration's strategic nuclear-missile policy toward Kissinger's "midgetman" missile proposal.

But that was only the beginning. The 1983 votes to go ahead with the MX missile were quickly eroded in 1984. By mid-year, the House had voted against further production of the MX and the Senate had just barely voted for it. The administration still refused to capitulate, so O'Neill, Nunn, and their allies first tied up the defense budget. Then they refused to pass a budget for the government as a whole.

By mid-September, Reagan gave in to a compromise worked out by O'Neill and Baker: The MX would be halted unless Congress gave its go-ahead in a vote which would not take place before March 1985. But \$1.67 billion would be appropriated for the SDI and a limited green light was given for the testing of ASAT systems.

Even that compromise was immediately undermined. With the new fiscal year beginning on Oct. 1, and hence the need for the passage of new money bills to keep the government running, the entire government budget was held hostage until Reagan gave in further on the SDI and other defense and national security issues. At noon on Oct. 4, the entire federal government was shut down, while further concessions were extracted from the Reagan administration.

As UPI explained the budget breakdown on Oct. 5, "House and Senate negotiators bitterly disagree on just how specific a leadership agreement reached weeks ago was. They disagree on whether it permits cuts in spending for the 'Star Wars'

program." Rep. Ed Boland (D-Mass.) and Joe Addabbo (D-N.Y.), chairman of the Defense Appropriations Subcommittee, organized their followers for a phony "bolt" from the O'Neill-Baker \$1.67 billion compromise on the defense bill. Addabbo promptly ignored the O'Neill-Baker \$1.67 billion authorization for the SDI and only appropriated \$1.1 billion. It was between those two figures, the compromise \$1.67 billion and Addabbo's \$1.1 billion, that the administration finally compromised, again, at \$1.4 billion.

Defense Secretary Weinberger and the few remaining Reagan loyalists in the administration, such as Interior Secretary William Clark, are reportedly considering increasing the SDI budget to \$3.5 to \$4 billion for the next fiscal year. KGB-linked sources on Capitol Hill delightedly report that "not even people who support the R&D program now" will support an increase of that magnitude. Sam Nunn is singled out by Washington insiders as the supposedly "pro-defense" senator most likely to lead the charge against the SDI next year.

### **Assault on the Constitution**

The same people who orchestrated the legislative deadlock to force Reagan to compromise away vital strategic programs are now righteously pointing to that deadlock as evidence that "the system needs to be streamlined." In ordinary English, this means the replacement of the presidential system of government guaranteed by the U.S. Constitution with a British-style parliamentary system. The legislative branch would run the government—which means, not the people's elected representatives, but the elite think tanks and congressional staffers who shape policy for the Congress.

This was what Henry Kissinger had in mind when he recently warned that the politically sovereign nation-states were standing in the way of "international economic order."

Now, Georgetown's CSIS is conducting a study on *Legislative-Executive Relations in National Security Issues*, whose end result will be the destruction of the checks and balances of the American republic.

On Sept. 26, CSIS President Amos Jordan testified before Trilateral Commission member and Senate Government Affairs Committee chairman William Roth (R-Del.) on the relationship between the legislature and the executive. While warning that "major revisions to the U.S. Constitution would be unnecessary and unwise" because they "would ultimately fail to generate the needed consensus for implementation," Jordan proposed more realistic ways to break down the separation of powers doctrine and the checks and balance provisions of the Constitution. Participating in the CSIS study are Nunn, Les Aspin, NATO ambassador and advocate of the "decoupling" of the Western alliance David Abshire, and Mondale advisers Dick Moe and Robert Hunter. Scheduled to testify next January before the Roth Committee on the same topic is Henry Kissinger.

# LaRouche's \$150 million libel suit against NBC will now go to trial

by Edward Spannaus

The \$150 million libel suit brought by Independent Democratic candidate Lyndon LaRouche against the National Broadcasting Company (NBC) and the Anti-Defamation League of B'nai B'rith (ADL) will go to trial by the end of this month as a result of a ruling issued on Oct. 11 in Alexandria, Virginia by Federal District Judge James C. Cacheris.

Judge Cacheris denied motions for summary judgment brought by both NBC and the ADL in which they sought to have the case dismissed before it could go to a jury trial. NBC and the ADL had unsuccessfully argued that plaintiff LaRouche could not possibly meet his burden of proof of showing that they acted with "actual malice" in two network broadcasts attacking LaRouche earlier this year. The two NBC broadcasts at issue are a 5-minute "Nightly News" segment run on January 30 and a 20-minute "First Camera" feature shown on March 4.

Specifically at issue in the lawsuit are statements broadcast by NBC such as that LaRouche had plotted to assassinate President Carter and other high government officials, that LaRouche and his associates are tax evaders, that LaRouche is a "cult leader" whose followers would commit violence at his command, that LaRouche is an anti-Semite who blames Jews for all the evils of the world, and that LaRouche is a "small-time Hitler" who draws support from the KKK and right-wing groups.

Commenting on today's victory, a spokesman for Mr. LaRouche expressed deep satisfaction that the lies about LaRouche which have been circulated for years by the dope lobby and circles around the ADL and NBC will finally become the subject of a full court trial.

## Westmoreland parallel

Today's ruling in the LaRouche case parallels the recent denial of summary judgment to CBS in the General William Westmoreland libel case currently being tried in New York. In the Westmoreland case, the court found that there were triable issues of fact regarding what the court termed "constitutional malice," that is, whether CBS broadcast its accusations against Westmoreland either with knowing falsity or

with "reckless disregard" of the truth.

And in a third case, another federal judge in New York today ordered that CBS stand trial on libel charges brought by Lt. Col. Anthony Herbert stemming from a 1973 CBS "60 Minutes" broadcast. In denying summary judgment to CBS, this court also held that there exist triable issues of fact which must go before a jury.

These three cases thus continue a recent trend reversing the reign of impunity with which the Eastern Establishment news media has been free to libel and defame public figures and public officials since 1964. In that year, in the famous *New York Times vs. Sullivan* case, the U.S. Supreme Court said that a public official could not recover for libel unless he could prove that the publisher acted with "knowing falsity or reckless disregard." In effect, this meant that the news media was free to lie about and defame prominent figures, and, unless the victim could bring into court proof that the publisher *knew* that his statements were false, the victim of the media could not recover for libel.

This was the first time in U.S. history that the Supreme Court had extended First Amendment protections to limit recovery for libel. Prior to 1964, libel was treated by the law as a form of personal injury equivalent to an assault, and the press was held to "strict liability" for statements made libelling any citizen—including public officials or other prominent persons.

The well-known circumstances of the case involved the publication of an ad in the *New York Times* by civil-rights leaders which purportedly libeled local officials in Montgomery, Alabama; the Alabama courts awarded a judgment against the sponsors of the ad and also the *Times*. It was in this case that the Supreme Court said that proof of mere negligence was not sufficient to justify an award for libel; the legal standard established was the necessity to prove "knowing falsity or reckless disregard of the truth."

The court's reasoning was that in the course of political debate and public controversy, some false statements and erroneous statements are inevitable, and "must be protected if the freedoms of expression are to have the breathing room

they need to survive.” The opinion is replete with references from the *Federalist Papers* and elsewhere on the importance of the right to criticize the government and public officials.

Despite the ostensible and laudable intent of the decision—to prevent the use of state libel laws as a weapon against the civil rights movement—the flaws in the court’s reasoning, already clear in the *New York Times* case, became even more obvious in subsequent rulings which extended the protections of the *New York Times* ruling to “public figures” and anyone involved in matters of public controversy. In 1967, in the Butts and (General) Walker cases, the notion of “public figure” was extended to non-public figures involved in matters of public concern.

The standard was also broadened by the early 1970s so that not only did a plaintiff have to prove “knowing falsity or reckless disregard” but he had to prove it by “clear and convincing proof”—a standard far more stringent than the usual civil rule of “51% of the admissible evidence.” This made it virtually impossible for a public figure to win a libel case, and in fact *no* public figure made any substantial recovery in a libel case from 1964 until the early 1980s.

The Supreme Court’s reasoning was straight British liberalism, dusted off for the convenience of the Eastern Establishment media. “Under First Amendment there is no such thing as a false idea,” wrote Justice Powell in the Gertz opinion. “However pernicious an idea may seem, we depend for its correction not on the conscience of judges and juries but on the competition of other ideas.” “But,” Powell conceded, “there is no constitutional value in false statements of fact.” The erroneous statement of fact is inevitable in free debate, and to impose a rule of strict liability compelling the publisher or broadcaster to guarantee the accuracy of his factual assertions “may lead to intolerable self-censorship.” To say that the media can only avoid liability by proving the truth of its statements doesn’t provide sufficient First Amendment protection. “The First Amendment requires that we protect some falsehood in order to protect speech that matters.” To provide the freedom of the press and speech with necessary breathing space, “this Court has extended a measure of strategic protection to defamatory falsehood.”

. . . Those who, by reason of the notoriety of their achievements or the vigor and success with which they seek the public’s attention, are properly classed as public figures . . . may recover for injury to reputation only on clear and convincing proof that the defamatory falsehood was made with knowledge of its falsity or with reckless disregard for the truth. This standard administers an extremely powerful antidote to the inducement for media self-censorship of the common-law rule of strict liability. And it exacts a corresponding high price from the victims of defamatory falsehood. Plainly many deserving plaintiffs, including some intentionally subjected to injury, will be unable to

surmount the barrier of the *New York Times* test. . . .

The paradox of the *New York Times* ruling was that the truth or falsity of a libel was no longer a triable issue when the victim of the libel is a public official or “public figure.” There was a major battle in the early years of this country to establish truth as a defense against a libel charge; that is to say, that a publisher charged with libel could assert the truth of his statements as a defense. Under English law in the colonial period, this was not the case: A truthful statement which defamed a public official gave rise to a cause of action for libel. This notion of “lèse majesté” still is found in the laws of many European nations, where truth is not a defense to a publisher charged with libelling a state official.

The *New York Times* ruling turns this on its head. Not only does the media defendant not have to prove that the statement is true to prevail in a libel action, but the plaintiff/victim of the media cannot win his case simply by proving that the statement at issue was false. As the Supreme Court said, it has created a zone of “strategic protection for the defamatory falsehood.”

Under this standard, the media in the United States possessed a virtually unrestricted license to lie and defame. From 1964 until the early 1980s, there were virtually no public figure recoveries in libel suits. Almost all cases were decided by summary judgment, since it was held (as NBC just argued last week) that no plaintiff could meet the almost-impossible burden of affirmatively proving that the publisher *knew* that the defamatory statements were false.

Following a cryptic footnote in a 1979 Supreme Court opinion which questioned the propriety of automatically granting summary judgment to media defendants, this situation began to change.

LaRouche trial counsel Michael F. Dennis, reached for comment after today’s ruling, stated: “It’s time that the First Amendment cease to be a private monopoly of the media. Instead of using the First Amendment as a shield, the media has wielded it as a sword against new ideas and decent and respectable people.”

Mr. Dennis further expressed his pleasure at today’s ruling by remarking that “NBC’s contention that LaRouche’s claims are frivolous and without merit were certainly not concurred in by the court.”

In the LaRouche ruling, the court denied summary judgment motions brought on behalf of defendants National Broadcasting Company, NBC reporters Brian Ross and Mark Nykanen, NBC “First Camera” producer Pat Lynch, the Anti-Defamation League, and ADL fact-finding director Irwin Suall. The court granted summary judgment in favor of only one defendant, ADL Chicago director Abbot Rosen.

The case will now proceed to a jury trial scheduled to commence by the end of this month or soon thereafter. The trial is expected to last at least three or four weeks, with over 50 witnesses scheduled to testify.

# The Cato Institute: a Washington think tank of dope and 'decoupling'

by Mark Burdman

One of the more graphic signs of the moral and cultural decay that the Washington, D.C. policymaking process has undergone since the early 1970s is that a think tank in the nation's capital that openly supports legalization of drugs, the dismantling of the American military presence in Europe and Asia, the dissolution of the Central Intelligence Agency, and an overturning of our nation's constitutional commitment to natural law and state-encouraged scientific and technological progress, is gaining increasing respectability among D.C.'s "conservative" milieu.

Founded in 1977, the Cato Institute is the meeting-point for the various breeds of "libertarian" movements that have sprouted up since the founding of the Libertarian Party in 1971. Were the backers of these movements to have been perfectly honest, they would have named the new party the Infantile Regression Party, the Hedonists' Party, or the Party of Benedict Arnold, since these would more properly connote what the libertarians represent.

The Libertarian Party was founded in 1971, out of an amalgam of 1960s college campus ferment of the anarchist, leftist, and British "free-trade" liberal variety represented by the marijuana-puffing William F. Buckley.

That amalgam is today preserved in the Cato Institute. One of its more famous Advisory Board members is Austrian free-trade monetarist Friedrich von Hayek, the mentor of Milton Friedman. Another Advisory Board member, Earl C. Ravenal of the Georgetown University Foreign Service Institute, is by his confession "friends from way back" with Marcus Raskin and Richard Barnett, founders of the left-terrorist Institute for Policy Studies, and is "on good terms" with leading Soviet policymakers from the U.S.A.-Canada Institute in Moscow. The Cato Institute has also drawn upon the resources of one of the leading anarchist-terrorist ideologues in the United States, Noam Chomsky of the Massachusetts Institute of Technology.

"Libertarians are essentially anarchists," one Cato Institute insider reports, citing Russia's 19th-century anarchist-terrorist Prince Kropotkin as one of their idols.

## Liberty for drug merchants

The Institute had most recently come to the attention of *EIR* when it was discovered that a late-September 1984 series in the Rev. Sun Myung Moon's *Washington Times* advocating legalization of heroin had been composed by a *Times* reporter, Glenn Garvin, who had earlier been a Cato Institute staffer and an editor of the (now-defunct) libertarian mouth-piece, *Inquiry* magazine.

*EIR* discovered that Institute director Ed Crane has at his disposal no fewer than four projects directed toward the legalization of drugs, all promoted under the rubric of "free trade," "individual freedom," and "liberty."

Crane perceives the pro-drug mobilization as an explicit attack on the tradition of state-encouraged scientific and technological progress that is the backbone of the American Republic and the American system of economics created by Benjamin Franklin, Alexander Hamilton, George Washington, Mathew and Henry Carey, and others. Referring to Hamilton's seminal 1791 *Report on Manufactures*, Crane says: "I don't think much of Hamilton. He was in fact a reactionary Tory who was fundamentally opposed to the Revolution. . . . Washington was a mixed bag, a compromise; I'm not too keen on him either."

The Institute adopts its name from a series published in the 1760s called "Cato's Letters," the name "Cato" being taken from the Roman stoic philosopher Cato the Younger. Stoicism is a philosophy that encourages despair and a sense that man is incapable of intervening to change and develop the laws of the universe, and was a critical tool in the hands of the degraded rulers of the Roman Empire to banalize and control subject populations.

Stoicism is indeed the opiate of the masses. It is not surprising that Cato's nominal descendants today would be so vociferously in favor of legalization and proliferation of drugs.

Using the "free-trade," "private-enterprise," and "budget-cutting" verbiage popularized by pro-drug propagandists such as Milton Friedman, Friedrich von Hayek, and chief libertarian-guru Ludwig von Mises, the Cato Institute aims to dupe manipulable conservatives in the political base of President Reagan, and potentially even intimates of the President himself, into accepting what their moral values otherwise lead them to abhor.

### 'We agree with Kissinger'

From the same standpoint, the Cato Institute is lobbying for the immediate and unconditional withdrawal of American forces from NATO and from a significant military role in the Asian-Pacific theater. This idea has been put forward in a 1983 Cato analysis of the Reagan defense budget done by the Soviet-connected Professor Ravenal of the Cato Advisory Board.

Says Crane: "I would argue that the Western Europeans could defend themselves. It's an enormously expensive commitment for us. There's no Soviet threat to Europe. . . . I'd be in favor of withdrawal from Europe immediately. . . . Kissinger's call for phased withdrawal of American troops from Europe is correct, a step in the right direction, his timetable is just not fast enough."

Inside the Reagan administration, an associate of Crane claims that the libertarians' most sympathetic co-thinker is Undersecretary of Defense Fred Iklé, who believes that American military attention must shift to Central America and the Caribbean "in contradistinction to our European commitments."

In a piece published for the Cato Institute in 1979, "Strategic Disengagement and World Peace: Toward a Noninterventionist American Foreign Policy," Ravenal had argued for American unilateral surrender in terms that would have twitched Neville Chamberlain's umbrella.

"... Asia might be the earliest theater for the implementation of disengagement," he stated. "The United States would withdraw to a mid-Pacific position and observe—but not necessarily count on or promote—the probable emergence of an East Asian regional configuration of China, Japan, and Russia. We would seek no positions in the Indian Ocean; in South Asia a lesser regional array might emerge, consisting of India, supported by Russia and countered by China and the rump of Pakistan.

"In the Middle East, the United States would not attempt to impose a settlement on the contending local states. We would enjoy as long as possible the flow of oil on reasonable commercial terms, and would yield with decent grace and little brandishing of force if seriously challenged by local irresponsibility or outside intervention.

"In Western Europe, America would witness the continuing devolution of military power and fragmentation of political will, without making intricate efforts to control NATO or its deployment of forces—aspects that are obviously related. In fact, we would initiate the thinning out of our troops and *continue a measured and irreversible redeployment to the continental United States*, removing most of the redeployed units from our active structure and dispensing with most of the airlift and sealift and sea-control forces that are justified solely for reinforcement and resupply in an extended ground war in Europe [emphasis added]."

Today, Ravenal admits that the Green Party anti-American fanatics in West Germany and U.S. "neo-conservatives" like Irving Kristol of *Public Interest* magazine and "libertarians" of the Cato Institute stripe "are complementary. . . . The more the Greens attack the U.S., the more the neo-conservatives find justification for leaving Europe. . . .

"An American withdrawal from Europe, in a political and military sense, might be just over the horizon," he states.

Similarly, in a recent *Washington Times* piece, Ravenal admitted that his "Fortress America" recommendations might lead to "disorder in the world, but we are compensated by the fact that we are not implicated in it."

### Destroy the CIA

Through the same budget-cutting and hedonistic arguments by which the Cato Institute can justify drug legalization and American unilateral surrender, the Institute's policymakers propose the dismantling of the American intelligence capability that has already been so drastically undercut by the KGB-directed Church Committee and other inquisitorial campaigns in the U.S. Congress.

In an Aug. 10, 1982 paper entitled, "The Reagan Budget: The Deficit That Didn't Have to Be," Cato Institute Vice-President for Public Policy Affairs David D. Boaz extends what appear to be legitimate complaints about the overweight Washington bureaucracy into a Khomeinac assault recommending the closing down of virtually all narcotics-monitoring and national intelligence estimates capabilities.

"The CIA," he writes, "has intervened in the internal affairs of countries around the world, imposing the Shah on the people of Iran, conspiring against Allende in Chile, and supporting socialists in a counterproductive attempt to 'fight communism.' In the process, it has created anti-American sentiment throughout the Third World and given communist insurgents an opportunity to blame their countries' problems on covert CIA activities and gain support they wouldn't otherwise have. The CIA has also exceeded its charter by harassing and spying on American citizens domestically. Legitimate intelligence-gathering needs can be handled by the Defense Intelligence Agency; abolition of the CIA would be a major signal that the American government is renouncing its policy of harassing American 'dissidents' and destabilizing foreign governments."

Similarly, "The Drug Enforcement Administration harasses and imprisons businessmen and their customers who engage in the voluntary exchange of goods and services, forcing otherwise honest traders into a life of crime—surely something an administration devoted to free enterprise should abhor. Of course, many of the people involved in the drug trade are not honest traders but members of organized crime. Drug laws help organized crime by keeping drug prices high and keeping most competitors out of the business."

### Against the nation-state

The various Cato Institute policy statements converge on one objective: dismantling of sovereign nation-state institutions and encouraging of heteronomic, local-control institutions. In reality, the content of their policies differs little if at all from the "New Left" projects for "community control" sponsored by McGeorge Bundy's Ford Foundation in the 1960s, or from those of the Green Party Nazi-communist fanatics in the Federal Republic of Germany. In this light, *EIR* has discovered, and is further investigating, the fact that leading U.S. libertarians are also activists in the world-federalist movement: imperial-dictatorial government on a global basis, mediated through tiny local sovereignties.

The free-enterprise line of attack has won the Cato Institute an entrée into the White House. Peter J. Ferrara, now on the staff of the White House Office of Policy Development, is an "adjunct scholar" of the Cato Institute, for whom he wrote a 1982 monograph, "Social Security: Averting the Costs." This presented "free-enterprise" arguments against the social security system and provided the basis for a "non-partisan commission" on social security, which is now being pointed to as the model for the kinds of nonpartisan commissions that Henry Kissinger and his KGB-Eastern Liberal Establishment friends are demanding be implemented in the areas of foreign policy, defense, and agriculture policy.

Trained at Harvard Law School, Ferrara had earlier been special assistant to the Assistant Secretary for Policy Development at the Department of Housing and Urban Development, from which position he had been one of the main architects of the "free-enterprise zone" project implemented in New York City and elsewhere in the country. Under this rubric, Ferrara and congressional "neo-conservatives" such as Jack Kemp (R-N.Y.) had put into effect a system of labor-intensive, sweat-shop economics modeled on the dope-based economy of Hong Kong.

The same kinds of arguments based on antipathy for science and technological progress and dirigist Hamiltonian economics have led Cato operatives into collaboration with various "environmentalist" organizations in campaigns against projects such as the Clinch River fast-breeder reactor in Tennessee. Libertarian-environmentalist collaboration was mediated through one Henry Sikolski, at the time an aide to conservative Republican Sen. Gordon Humphreys of New Hampshire and widely suspected of being a KGB mole within conservative circles.

# Cutbacks in fusion

by Vin Berg

It has long been known, though frequently lied about for strategic-policy reasons, that there are no scientific or technological barriers to the realization of fusion energy during the 1990s. This is the judgment of international authorities on the status of fusion research. In fact, in the United States, the country best situated to realize this goal, the only barrier is the deliberate withholding of funds adequate to the task.

Efforts to destroy the program by the administration of James Earl Carter and his energy czar, James Schlesinger, were only offset by the political pressure built up in fusion's favor by the energy crisis, favorable expert-panel reports, and the actual scientific breakthroughs made by fusion researchers, sensational news of which could not be suppressed. Hence, although inadequate from the historic standpoint of fusion power's unlimited promise, funding for the program did gradually creep upward, even under Carter, as it had under preceding administrations.

But now, under an ostensibly pro-nuclear Reagan administration, for the first time in its 30-year history, the fusion program in the United States is facing savage cut-backs. The administration requested \$483 million for fiscal year 1985, a meager increase over FY84's \$470 million, and no increase at all after inflation. But Congress has cut even that request to \$437 million, which assures slow-downs and stretch-outs in the program. In 1986, the Tokamak Fusion Test Reactor at Princeton was to have begun using the fuel (tritium) required to produce more energy through fusion reactions than consumed in generating those fusion reactions, called "breakeven." But Congress's FY85 funding will make this impossible before 1988. And so on across the board.

The same KGB-influenced "liberals" and fiscal-austerity "neo-conservatives," both inside and outside the administration, who have wrecked America's industry, agriculture, and basic infrastructure, are now very close to sabotaging the nation's development of relativistic-beam technology, which is based on physical principles and areas of research and engineering very much the same as fusion energy. The military application, of course, could provide effective anti-missile defense against nuclear attack (the so-called Star Wars). That program also faces slowdowns if the benefits of an aggressive fusion effort are denied it.

### What is fusion?

Fusion is the energy process of the stars, and a fusion reactor amounts to a miniature Sun on Earth. Conventional fission power is based on "splitting" the nuclei of atoms.

# energy program

Fusion power, however, requires tremendous heat to strip nuclei of their electrons (ionization), producing a hot ionized gas called a plasma which must then be compressed, by either magnetic or inertial (e.g., "implosion") methods for sufficient time—fractions of a second—to force the nuclei to fuse.

Inertial confinement fusion, using laser beams to implode a small pellet of plasma, is largely classified because of its direct relationship to design of thermonuclear explosives and beam-weapon development. Much of the unclassified work on developing fusion for commercial energy production is of the magnetic confinement variety, like Princeton's TFTR.

What would fusion power mean? Its fuel consists of the isotopes of hydrogen from H<sub>2</sub>O—water. Using the equivalent of 10¢ worth of ordinary tap water, a fusion reactor can produce the energy-equivalent of \$300 of gasoline. It is safe, clean, and its fuel supply is virtually unlimited. Fusion power means unlimited energy supplies for millions of years!

Not only energy. Apart from such already-developed technologies as plasma steelmaking, representing a large leap in productivity, such prospective technologies as the so-called fusion torch will take urban wastes, chunks of low-grade ore, even whole sections of the Earth's surface, and break them down into their constituent elements for recombination into desired materials—a virtually limitless resource-base in every category. And according to already existing designs, interstellar spacecraft the size of cities, constructed in near-Earth orbit, would enable man to reach even nearby stars in fusion-propelled flights of only 50 years.

## The fight for fusion

When Richard Nixon became President in 1968, the magnetic fusion energy budget was supporting a handful of small research projects at a few universities and national laboratories. The 1973 Middle East war and oil shock helped to double the fusion budget between 1971 and 1974 to \$63 million. It doubled again to \$118 million one year later, and rose by \$100 million in each of the following two years. Out of these budget increases came a generation of fusion experiments which demonstrated that the difficulties leading some to argue fusion was impossible could be conquered.

In 1974, *EIR* founder Lyndon LaRouche established the Fusion Energy Foundation to promote the earliest possible development of the new energy source, aggressively reporting on the frontier developments of science to an international audience, and polemically intervening in scientific debates. But in 1976, Jimmy Carter appointed as secretary of energy

James Schlesinger, a committed Malthusian who wished not only to kill advanced forms of fission technology like the fast breeder reactor, but also to put fusion development off for decades on the preposterous argument that it is cheaper to "conserve" energy than to create it.

The balance, however, was tipped in favor of fusion by a dramatic development at Princeton, coming to the attention of the world on Aug. 14, 1978. In July of that year, the Princeton Large Torus machine had achieved a fusion plasma temperature of over 60 million degrees—greater than the Sun! "The question of whether fusion is feasible from a scientific point of view has now been answered," declared the DOE fusion office's Dr. Stephen Dean. Representative Charles Rangel (D-N. Y.) demanded that the nation "redirect . . . further funds and attention to highly promising nuclear fusion research."

Schlesinger's denunciation of the Princeton results as "an exaggeration" had little effect. The FEF had resolutions in praise of fusion introduced in state legislatures and city councils all over the country, and tens of thousands of citizens wrote postcards to Washington requesting a crash program. Representative Mike McCormack (D-Wash.) introduced a bill for an accelerated effort, the Magnetic Fusion Engineering Act of 1980, which Carter had to sign into law in October 1980.

With the "pro-nuclear" Ronald Reagan's election, the future for fusion should have been bright.

## Sabotage

From the day that White House science adviser George Keyworth arrived in Washington, he argued that if engineering development of reactor-devices went ahead at the then-current pace, the "science" of the fusion program would suffer! FEF immediately recognized and denounced the argument: It would only be a matter of time before a Congress befuddled by attacks on "big spending" and "big deficits" would refuse to spend more than \$400 million a year on a "pure science" program. The fusion funding guidelines of the McCormack act—25% funding increases for each of two years, toward \$20 billion by the end of the century—faded into history. The budget was held level.

This sabotaged the job of building a successor to the TFTR at Princeton. The TFTR's "breakeven" task itself is now in jeopardy. The fusion-science community tried to accommodate itself to the new reality, with only the FEF fighting for the principles of the 1980 Fusion Act.

Finally, this year, Congress has outright slashed fusion funding. It is probable that experimental approaches outside the two main-line systems ("tokamak" and "mirror" devices) will be eliminated altogether. Not only is this the equivalent of our ancestors deciding to postpone the invention of the wheel, but the directed energy-beam defense program against nuclear attack must now suffer from the retrenched fusion effort. The United States is delaying a decision on whether to survive.



## 'Distracted, agitated, destabilized'

For all the U.S. media's efforts to portray Henry Kissinger as the self-assured, once-and-future kingpin of American foreign policy, that cultivated image broke apart during Henry's appearance before a Flint, Michigan Junior League audience on Oct. 8.

"His speech was not very good," Flint's WTRX radio station reported the next morning. "He appeared distracted and agitated. It would seem as though the demonstrations outside destabilized him."

As a barometer of Dr. K.'s state of mind, it is worth pointing out that the number of demonstrators did *not* number in the thousands, or even hundreds, even if the sentiments they

expressed may have been those of hundreds of thousands, if not millions, of Americans. A small, but spirited contingent of representatives of the Schiller Institute and the International Caucus of Labor Committees held a large banner aloft reading, "LaRouche Says Kissinger is a Soviet Agent of Influence," accompanied by smaller signs accusing Dr. K. of wanting to pull U.S. troops out of Europe so that they could be deployed to Ibero-America to collect debts, and demanding the strengthening of the West German-American alliance.

*EIR* sources inside the hall where the speech was delivered confirmed that Dr. K. was visibly shaken, nervous, and on the defensive. He spent a good portion of the speech attempting to counter the charge that he is lobbying for the withdrawal of American troops from Europe, in effect denying his own now-famous March 5 *Time* magazine article where he proposes exactly that.

Other segments of the speech were devoted to denying a strategic threat from the Soviet Union on the basis that the Soviets have a "planned economy which cannot produce" and that the Politburo is composed of old men who won't take risks.

After this "crumbling empire" propaganda, Henry himself began to crumble, as the thought really on his mind came to the surface for the audience to hear. "Lyndon LaRouche," he began, referring to his chief nemesis internationally, "pretends to be a conservative in the U.S. and a leftist in Europe."

That peculiar statement undoubtedly left some of the more astute persons in the audience shaking their heads in bemusement about Henry's state of mind. Local Flint television that night didn't even bother: the only footage it showed of the event was the

Schiller-ICLC demonstration taking place on the outside!

## Kiss Ass. of death

Unfortunately, it might take some people in Israel a little bit longer to realize that Fat Henry is decomposing.

On Oct. 11, in New York, Israeli Prime Minister Shimon Peres had an 8:30 a.m. breakfast meeting at New York's Regency Hotel with Dr. K. A crew of Kissinger underlings at the State Department have been working for the past months under the direction of Secretary of State George Shultz to draw up an austerity plan for Israel that might have made Shylock blush. So, when Peres announced later in the day that he was committed to "tightening belts" in Israel, it was not difficult to infer what had gone on between himself and Fat Henry.

One of Kissinger's neo-conservative journalist friends, William Safire, had enunciated the policy content of what Fat Henry and the people at State are gunning for: that Peres must bring "a message of universal pain" to the Israeli population. Former Israeli Industry Minister Yigal Hurwitz calls it the "guillotine" approach to Israel's economic problems.

Of course, there is the usual conflict of interest involved in Henry's "private" meetings with chiefs of state. One week earlier, on Oct. 3, he had been given the award for "achievements in international affairs" by the American Friends of Haifa University in New York. During that speech, he advised that Israel and the United States avoid "grand projects . . . that we are not willing to see through."

The president of Kissinger Associates, Lawrence Eagleburger, is planning a secret visit to Israel during the first days of December to meet with the directors of Haifa University.

# Elephants and Donkeys

by Kathleen Klenetsky

## Henry Kissinger's 'bipartisanship'

In an Oct. 6 interview with the *New York Post*, the ubiquitous Henry Kissinger made yet another "contribution" to the current debate over how the Reagan administration should conduct its strategic policy.

Kissinger advocated that President Reagan create a bipartisan commission immediately after the November election to embark on a "crash program" to develop new strategies for arms control and a new framework for U.S.-Soviet relations.

The aim of the commission, Kissinger said, would be to work on "new conceptual approaches" that would be acceptable to both the American public and the Soviet Union.

Although Kissinger's proposal is hardly new, its timing signifies that the liberal Eastern Establishment has hit upon the idea of "government by commission" as the vehicle for containing whatever patriotic impulses may still exist in a second Reagan administration.

Dead-set on preventing a repetition of March 23, 1983, when Reagan threatened to wreck the ongoing "New Yalta" negotiations between the Western and Eastern oligarchies with his beam-weapons announcement, Kissinger's backers are maneuvering to effectively remove all policy-making power out of the hands of Reagan and such advisers as Defense Secretary Caspar Weinberger, and place it in the hands of "advisory panels" stacked with Kissinger's pals.

In a recent discussion, Gerard K. Smith, chief SALT negotiator and founder of one of the most aggressively anti-beam organizations, the National Committee to Save [Henry Kissinger's] ABM Treaty, asserted that the only hope of derailing Reagan's

SDI program would be by changing the administration's entire approach to arms control, and insisted that this could be accomplished only through the creation of an "independent," "bipartisan" group to advise the President on all strategic policy matters.

The model which proponents of this particular kind of bipartisanship are advocating is the Scowcroft Commission, a bipartisan panel of defense "experts" established by President Reagan to rule on the MX missile and related strategic issues. Under the direction of chairman Brent Scowcroft, a longtime Kissinger collaborator and former head of the National Security Council, the commission produced a final report which not only raised what it called "grave questions" about the advisability of the SDI, but also effectively laid the basis for the subsequent White House-Congress compromise which has all but killed the MX program.

## Bipartisanship vs. beam weapons

Judging by recent signals, Kissinger's "bipartisan commission" proposal enjoys significant backing from leading strata in the Democratic Party. Zbigniew Brzezinski, national security adviser in the Carter-Mondale administration, Rep. Albert Gore (D-Tenn.), and other Democrats have recently been making loud noises about the need for a "bipartisan foreign policy."

But the notion received a more official imprimatur last month, when the Sept. 2 *New York Times* published an op ed by Democratic Party elderstatesmen Averell Harriman, Clark Clifford, and Harriman protégé Marshall Shulman urging greater "bipartisanship" in foreign and defense policy, again for the explicit goal of per-

suading Reagan to abandon beam weapons.

The current impetus for "government by commission" can be traced back to the Trilateral Commission's semi-annual meeting in Washington last April. According to insider reports, the meeting was dominated by discussions of how to sell Reagan on the need for "bigger and better" Scowcroft Commissions, with Brzezinski and Kissinger being especially emphatic on this point.

The idea got a further boost in June at a behind-closed-doors conference on arms-control sponsored by the Aspen Institute at its Wye, Maryland, center. The meeting was attended by such Kissinger allies in the Reagan administration as NSC head Robert McFarlane, arms-negotiator Paul H. Nitze, and Max Kampelman, an adviser to Walter Mondale who also just happens to hold a Reagan appointment.

According to the *Washington Post*, the meeting focused on "bipartisanship," and one unnamed administration official announced that the President is likely to propose a permanent commission that would advise the administration on arms control. The commission would contain Democrats and Republicans appointed to staggered terms. One official at the Aspen meet likened the idea to a "permanent Scowcroft Commission."

Given that Reagan is far more likely to fall for this scam if he scores a less-than-landslide victory Nov. 6, it would not be at all surprising if the election were fixed in some way to ensure a close outcome. Among the evidence that some kind of fix is, indeed, in the works is the way the national media has seized upon the Oct 7. Reagan-Mondale debate to claim Mondale is making a comeback, and to predict that the race will be a lot closer than anyone thought possible.

# National News

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## L-5 cult issues death threat against LaRouche

The August issue of the *L-5 News*, the magazine of the KGB-linked cult that has infiltrated the U.S. armed forces and scientific layers, contains a death threat against Independent Democratic presidential candidate Lyndon H. LaRouche. The article, written under the byline H. T. Watcher, attacks LaRouche as "shrill, extremist, and anti-Semitic," and alleges that LaRouche's supporters carry out "obscene" attacks and physically attack opponents.

The article, which is now being widely circulated in Europe, states: "There would be more reason to worry about them, after all, Hitler started with less, but this kind of craziness is not likely to outlive LaRouche who is 62 and not in particularly good health."

The article directs readers to engage in "cloak and dagger work" against LaRouche and to "report local LaRouche activities to [L-5's] John Rees."

The editors emphasize that the slander and threat are official L-5 policy: "Responsibility for this article rests with the President of the Society and the Author."

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## Kissinger: Reagan needs back channel to Moscow

Henry Kissinger is proposing that the Reagan administration establish a back channel for informal communications and arms-control agreements with Moscow. He made the proposal in an interview in the *New York Post* published on Sept. 6.

This is required, Kissinger said, because "some people" in the Reagan administration are still opposed to arms-control negotiations. Furthermore, he said, the President hasn't yet focused on specific arms-control proposals to present to Moscow.

The Soviets, Kissinger claimed, are so "desperate" because of their own difficulties that they are now ready to make a deal with

the United States and are entering a "negotiating phase."

Kissinger said that Reagan has now come to accept the necessity of reaching a basic accommodation with the Soviet Union, and the main obstacle is the absence of a private channel of communication that bypasses the "ponderous bureaucracies of both sides."

Reagan, if reelected, will be "running for history," and not for any other office; therefore he will be more intent upon reaching arms-control agreements as his "legacy," said Kissinger.

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## New attacks launched against Reagan team

Less than a week after Labor Secretary Raymond Donovan was indicted on Oct. 3 on trumped-up racketeering charges, another key member of the Reagan "old guard" has been targeted for ouster on corruption charges.

On Oct. 9, the House Science and Technology Subcommittee on Oversight and Investigation issued 41 subpoenas against Louis Giuffrida, head of the Federal Emergency Preparedness Administration, other top FEMA personnel, and FEMA contractors, to appear before the subcommittee Oct. 24. The subpoenas resulted from an investigation which the panel has been conducting into alleged mismanagement and corruption in FEMA's contracting procedures. The head of the subcommittee is Rep. Albert Gore (D-Tenn.), whose father is a leading business partner of KGB asset and oil tycoon Armand Hammer. Gore has been among the most vociferous opponents of the MX missile and the Strategic Defense Initiative.

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## National Council of Churches visits Moscow

The National Council of Churches sent its governing board to the Soviet Union the second week in October for consultations with

Soviet religious and political leaders.

Before departing, NCC spokesman Tom Osborne called the trip "one of the most important we've ever undertaken." It is expected to result in a common NCC-Russian Orthodox Church declaration on "peace issues," he said, although the delegation's main focus will be on "theological, rather than strictly political matters."

Osborne reported that "there is a lot of hope there will be a major breakthrough during the trip, probably in the form of a joint communiqué announcing some kind of agreement" on theological issues which have been under discussion between the NCC and East bloc churches for years.

He said that plans will be made for a reciprocal visit by members of the Russian Orthodox Church as well as other Russians to the United States in 1985. During a similar visit last May, Russian Orthodox Church leaders preached against the U.S. beam-weapon program.

The delegation will be headed by Bruce Rigdon of McCormick Theological Seminary in Chicago, who has led previous delegations to Moscow and worked with NBC-TV in producing a documentary on the "growth of religion" in Russia.

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## Shuttle gains new data on planet Earth

The results of the 13th Space Shuttle mission, with a record crew of seven, will provide scientists with new data on land and sea formations and the world's oceans.

The first day in orbit, Dr. Sally Ride deployed the Earth Radiation Budget Satellite, which will increase our knowledge of how energy from the Sun is absorbed by our planet and reflected back into space. This radiation "budget" determines the weather and climate on Earth.

During the mission, the Shuttle Imaging Radar equipment was able to take radar photographs of desert regions of the Earth, in search for the remains of ancient civilizations, whose artifacts may be buried under sand.

The Large Format Camera photo-

graphed meteor craters in northern Canada, which will be compared to craters on Venus, to be imaged by a future planetary mission. And Navy oceanographer Paul Scully-Power observed spiral eddy currents in the Mediterranean Sea which had never been seen before.

Despite annoying communication failures during the eight-day flight, most of the science objectives were accomplished. The mission marked the largest crew ever in orbit, the first spacewalk by a female American astronaut, and the first rehearsal for in-orbit satellite refueling to extend the life of spacecraft running low on rocket fuel.

## White House reveals Soviet arms violations

The White House finally released an expurgated version of a report on Soviet violations of arms-control agreements the second week in October. The report had been withheld from publication in deference to the Sept. 28 meeting between President Reagan and Soviet Foreign Minister Andrei Gromyko.

Prepared by the White House General Advisory Committee on Arms Control and Disarmament, the report accuses the Soviets of having followed a "pattern of pursuing military advantage" by selective disregard for arms-control commitments, including commitments made as early as 1962, after the Cuban Missile Crisis. It charges the Soviets with "deliberate deception, misdirection and falsification of data during negotiations." The report also accuses Moscow of "deliberate efforts" to counter U.S. verification techniques, which "strongly indicate a Soviet intention to persevere in circumventing and violating agreements" and to "pursue military advantage through selective disregard for its international arms control duties and commitments." The Advisory Committee also suggests that Soviet behavior in this area was aimed at "raising the level of U.S. confusion in order to hide more serious covert activities."

The most serious of the listed violations is construction of a mobile radar at Abalakovo in central Siberia, against the protocols

of the Anti-Ballistic Missile (ABM) Treaty.

Other violations listed include: introducing of offensive weapons into Cuba; deploying the SS-16, a long-range version of the SS-20, in northern Russia; testing of the SS-X-25 missile; concealing testing data; ignoring terms of the SALT agreements through the development, improvement, and deployment of weapon systems beyond negotiated limits.

## Robert Morgenthau strikes again

On the intervention of Manhattan District Attorney Robert Morgenthau, indictments against three New York City transit policemen were thrown out of court in October, on the technical grounds of misconduct by a member of the Grand Jury.

The case involved the death of a young black "graffiti artist" who was arrested by transit police in September 1983, collapsed, was resuscitated at Bellevue Hospital, but died two weeks later without regaining consciousness. Numerous injuries were evident at the time of admission, and the youth's parents and community groups demanded an investigation.

Despite the fact that there is a New York State Commission charged with investigating deaths in police custody, Morgenthau intervened to assert jurisdiction over the case.

The Grand Jury investigation was a travesty of justice from the start, since Morgenthau had granted immunity from prosecution to the officers who, the preponderance of evidence indicates, actually committed the assault, and so the indictment came down against three officers who were essentially bystanders.

In a previous case, Morgenthau immunized the guilty to indict the innocent; in his investigation into the crash of the American Bank and Trust Co. in 1976, Morgenthau wrested jurisdiction from the proper authority—in this case the federal government—then proceeded to grant immunity to the perpetrators of the swindle and had them testify against four lower-level employees who were set up to take the fall.

## Briefly

● **CASPAR WEINBERGER** declared in an Oct. 10 interview to the *Christian Science Monitor* that the Reagan administration is against using the Strategic Defense Initiative as a bargaining chip in arms negotiations with the Soviet Union. "If we are able to obtain a thoroughly reliable strategic defense, then certainly one of the hopes is that you could have substantial reductions in offensive systems. But our obligations to Europe, our obligations to ourselves and to our own people—to free people everywhere—is to that kind of strategic umbrella that will deter the Soviets from using their immense and growing nuclear strength."

● **WATER PROJECTS** were cut from the federal budget during last-minute congressional debates, upon the intervention of David Stockman, the director of the Office of Management and the Budget. Despite the budget-cutting mania that has reigned in Congress in recent months, constituent pressure had persuaded Congress to authorize legislation for 60 new water development projects—the first starts proposed by Congress in over eight years.

● **JIMMY CARTER**, during a tour of Brazil, was praised warmly by the Socialist governor of the state of Rio de Janeiro on Oct. 9 for the "success" of his human-rights policies. Governor Brizola took Carter on a tour of Brazilian slums, where the former President observed: "The people here seem quite self-sufficient, happy, knowing how to survive under these conditions."

● **THE DALAI LAMA**, who is on a six-week visit to the United States, addressed a group of scientists in New York Oct. 10 on the Buddhist contribution to Western science. The event was arranged by New York Academy of Sciences director Dr. Heinz Pagels, husband of leading Gnostic "scholar" Elaine Pagels.

## Editorial

### *Lebanon: the next Islamic republic?*

In February 1979, the Carter administration handed over Iran to the insanity of Ayatollah Khomeini under the policy stated by then-National Security Adviser Zbigniew Brzezinski that "Islamic fundamentalism is a bulwark against communism"—the same line still held to by Brzezinski and the Kissinger crowd at the Georgetown Center for Strategic and International Studies. But what do these Khomeini boosters say now to the radical Islamicization of Lebanon under the aegis of Soviet-backed Syria?

When the United States pulled out of Lebanon, it reneged on its commitment to defend that country's sovereignty, leaving it to de facto partitioning between Syria and Israel. This left a vacuum of centralized power for a population increasingly demoralized by years of futile civil war. The result among the Muslim population has been the eruption of radical Islamic fundamentalism.

Heretofore, in Lebanon, the Islamic fundamentalists were concentrated in the Baalbek Valley, near Syria, home base for the Islamic Jihad (Holy War) terrorist-kamikazes. Supplies and funds are funneled to these Shi'ite fanatics from Iran through Syria. Direction is supplied by Moscow. This is the grouping that has claimed responsibility for the destruction of two U.S. embassies in Beirut in the last 18 months, and the kamikaze hit on the Marine barracks a year ago.

Now, the fundamentalists are gaining control of Beirut. This week, for the first time, the Amal Militia of Nabih Berri, the anti-Khomeini but pro-Syrian Shi'ite leader from the south, battled the armed gangs of the fundamentalist Hezbollah (Party of God). The ranks of the Party of God have been swelled by refugees coming north to Beirut to escape the Israelis. Now it is commonplace to see Beirut Muslim women covered head to toe in the black chadors women must wear by law in Iran.

The leader of the Hezbollah is Sheik Mohammed Hussein Fadlallah. As described by the Beirut correspondent for the *Philadelphia Inquirer*, Fadlallah harangued the crowd for the commemoration of the feast of Ashoura: "Pray in the name of Mohammed for the

people of Mohammed! God is Great! Khomeini is leader! Victory for Islam! Death to Israel! War, war until victory! Creeping, creeping toward Jerusalem!"

During Ashoura, fundamentalist men and young boys shave a part of their heads and make a bloody incision with a knife in their scalps. They then flagellate themselves with whips. Said one young man whipped up into a frenzy by Fadlallah: "I am ready to drive a dynamite truck. I want to eat an Israeli. I want to drink some good Israeli blood."

This is the insanity that has resulted in 300,000 children in Iran being sent to their deaths on the battlefield. The Teheran cemetery, built in 1972 to last 80 years, is almost full. One gravestone reads: "After a long inward conflict, I finally understood the beauty of death. Then I decided to write my will hoping that it would one day become useful to others."

The "Martyrs Foundation" provides cash, television sets, and free tickets to Mecca and Damascus for families who can boast of "martyrs."

The Khomeini regime thrives on the glorification of irrationalism and bestiality. This is the organized barbarity that has led the "Islamic Court" to allow a jealous husband to be blinded by his wife as a punishment for blinding her. Mrs. Maryam Zavarei, aged 22, has already chosen her instrument: a pair of scissors. The event may be nationally televised.

This is the organized insanity that is not only threatening the nations of the Mideast, but also those of Asia, from Pakistan to Indonesia. The Moscow-unleashed "Islamic revolution" is a war against the principles of Western civilization and human progress. For what it wrongly perceived as geopolitical interests, the United States has destroyed the principles for which it stands. The United States has a responsibility to act decisively to end the Khomeini scourge by: 1) taking decisive action against Khomeini in Iran; 2) imposing a just solution to the Israeli-Palestinian crisis; and 3) taking leadership to bring industry and technology to this region that has been devastated physically and mentally by the geopolitical aims of the Soviets and their Kissingerite partners in the West.

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