

EIR

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**The Kra Canal: short path
to industrializing Asia**

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BANGKOK, 27th OCTOBER 1983

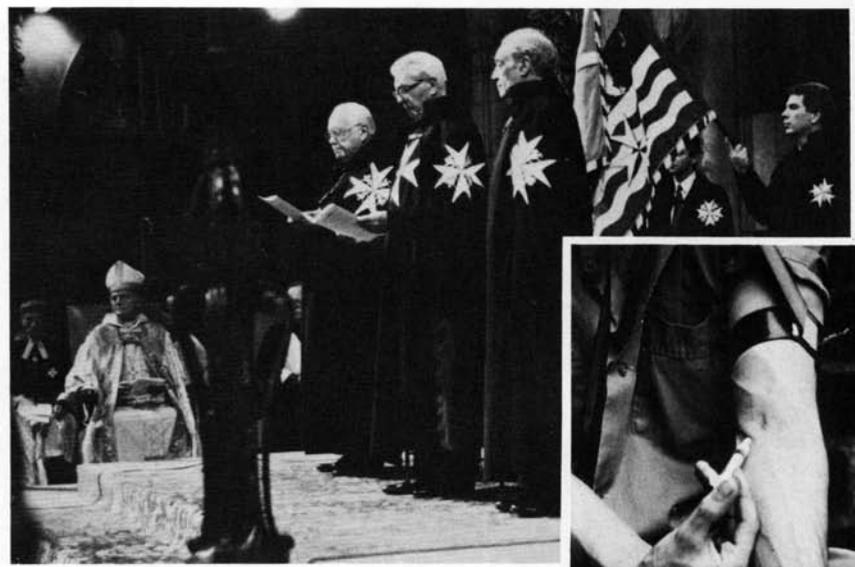


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EIR

From the Managing Editor

This week's cover story points in the direction U.S. foreign and economic policy must go, in the Pacific Basin, and more broadly.

In his second, televised debate with Walter Mondale, President Reagan asserted the necessity of stabilizing "the current government" of the Philippines, in terms identical to those used by Lyndon LaRouche in his televised broadcast of Oct. 23. That broadcast otherwise shocked the voting public with the factual report that Mondale is a "Soviet agent-of-influence." In the same debate, the President firmly reasserted the wisdom of his "Star Wars" program, again using formulations original to *EIR* founder LaRouche. Clearly, the "LaRouche factor" is now strongly positioned to replace the "Kissinger factor" as the leading policy-influence in a second Reagan administration.

The Philippines, no less than Europe, exemplifies the stakes involved. Soviet and allied Western efforts to reduce that nation to chaos, forcing America to desert the Pacific to Russian domination, are based on one tool: the International Monetary Fund and its savage austerity. The President, in this case and around the world, must be made to abandon his support for the IMF—or there can be no political stability among any of America's friends in the developing sector.

The alternative "LaRouche policy" is the focus of our cover story, the construction of a sea-freight canal through Thailand's Isthmus of Kra—to meet world shipping needs, and to realize the new industrial-development potential the canal will create throughout the Pacific-Indian Ocean Basin.

American leadership is also now immediately needed in Africa. As *International* reports, hundreds of thousands of Ethiopians face starvation in the weeks and months ahead if a massive international effort to save them is not undertaken. *EIR*'s Aug. 7, 1984 issue detailed the means of conducting an emergency food-shipment program—to all 22 African countries worst affected by the same IMF and Soviet manipulations now threatening the Pacific.

Finally, I call your attention to our *International* lead: Following the Schiller Institute's Oct. 17 "Day of Resistance" to the Green Party fascist menace, many others in West Germany have awakened and begun denouncing this modern, Soviet-sponsored version of Hitler's *Sturmabteilung* (SA).



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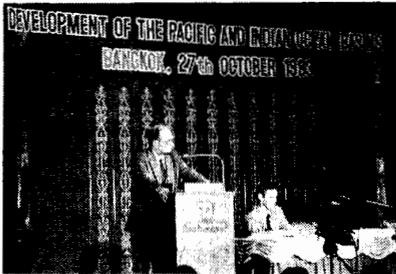
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NSIPS/Leo Scanlon

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The 'final solution' for the U.S. banking system

by Kathy Burdman

Comptroller of the Currency C. Todd Conover's announcement on Oct. 15 that federal regulators will now permit nationwide expansion of "nonbank banks" means the cartelization of the U.S. banking system, a source close to Conover admitted on Oct. 25. Large New York banks like Citibank will simply buy up smaller ones in other states.

The hundreds of failing farm-belt, oil-related, and other domestic institutions on Conover's list of 797 "problem banks" will be easy prey. To set up operations in other states, "the easiest thing to do is to acquire existing institutions." The U.S. banking system, with 14,700 banks, has too many banks, he said. "This is one way to solve the over-population problem. Thousands of small and medium banks will disappear soon," a "final solution" for the U.S. banking system.

These statements help explain the odd fact that, while the nation's top 11 mega-banks in New York and California are up to their necks in \$250 billion of bad foreign debt in Ibero-America, no really major losses have yet been forced on these loans by Fed chairman Paul Volcker and his pet Washington regulators like Conover. At the annual American Bankers Association (ABA) convention in New York on Oct. 24, Citibank Chairman John Reed threatened to write off a tiny \$10 million in Argentina's debt unless it paid its interest arrears. The next day, Argentina did so, and Reed delayed the write-off.

Instead, Volcker's regulators have forced domestic-oriented U.S. banks such as Continental Illinois, First Chicago, Penn Square, and dozens of smaller banks, to take major losses on domestic loans. Addressing the ABA convention on Oct. 24, Conover emphasized that his fearless examiners are "getting even tougher" on domestic "energy, agriculture, and real-estate loans."

Obviously, part of the Trilateral Commission plan for U.S. banking has been to soften up the domestic banks first, making them prey to takeovers by the New York giants.

Then, when the Ibero-American debt blows out early next year, Volcker will try to bail out the mega-banks and their huge debt. The mega-banks are to abandon international lending, reducing America to a second-rate economic power, but maintaining their viability and profits by turning toward U.S. consumer and other domestic markets—the new victim for usurious loans at 20% rates, as Ibero-America was the victim in the 1970s. To get those domestic markets, they will buy out the rest of the banks.

With one false move, however, Volcker and Conover could also bring down the entire U.S. banking system.

To hell with Congress

Comptroller Conover's Oct. 15 regulatory decision is a fiat declaration by the Volcker-led regulators that they, and not the U.S. Congress and voting public, have the right to organize nationwide bank cartelization in the United States. The precise content of Conover's decision was to declare it legal under existing law for major banks and other financial conglomerates such as Sears, Roebuck to set up what are called "nonbank banks" outside their home states. A nonbank bank or "consumer bank" is legally defined as an institution which can't make commercial loans, i.e., loans to businesses.

"Nonbank banks are clearly legal under present law," the decision reads. "I feel compelled to begin deciding pending applications for nonbank banks. As of Oct. 10, my office had received applications for 332 nonbanks." Federal Reserve General Counsel Michael Bradfield told the press that the Fed, which also oversees the applications, will approve them "automatically."

But nonbanks are fully against the wishes of the U.S. public. The Congress has been unable to pass a bill clearly legalizing nationwide bank cartelization because of a massive public outcry against it. Nonbanks are the creatures of a loophole in the existing legal definition of "banks" which do

make commercial loans under the Bank Holding Company Act. The Act was written in the 1930s to prohibit nationwide banking.

In his ABA speech on Oct. 24, Conover blatantly told Congress to go to hell. He urged bankers big and small to establish nationwide operations "fast," and to ignore Congress "despite" their threats. "I think the banks ought to get on with setting up shop, getting employees, and getting into business as soon as possible." House Banking Committee Chairman Fernand St Germain (D-R.I.) in a statement that day called Conover "highly irresponsible . . . to encourage the financial industry to expend its resources on these speculative ventures."

Even before Congress returns to Washington after the election recess in February, Conover may have unilaterally remodeled the entire U.S. banking system by simply approving the 332 applications for nationwide nonbanks already on his desk. These include applications filed in April by New York's Citibank to open 10 nonbanks in nine other states. Similar applications were made by Chase Manhattan, Chemical Bank, Mellon Bank, and Bank of America.

By late February, Conover "could process most of them," the source close to him stated. "I just had lunch with Jim Boland, senior deputy comptroller for public affairs; he's Conover's chief lobbyist. He says they will process at an expedited rate and certainly won't drag their feet." Conover told the ABA he would approve "the vast majority" of the applications already before him post haste, in "batches of 25 to 50" at a time.

Already under way

On Oct. 22, Chicago's Sears Roebuck conglomerate announced intentions to buy the small Greenwood Trust Company of Greenwood, Delaware (assets \$11 million), to expand its nationwide banking subsidiaries. Sears said it is "committed" to opening "consumer banks" in California and nationwide, eventually in every Sears store.

"Sears is obviously doing this based on prior discussion with Conover," my source said. "Normally, one doesn't go out and quick buy a little bank without talking to the regulators first. . . . To do the acquisition, they had to give the Comptroller prior notice."

Conover was contemptuous of protests by both the House and Senate Banking Committee chairmen, who, he told the ABA, are "a long way" from getting any legislation to stop him. "St Germain had a very tough time controlling his own committee" in the last session, the source said. "[Rep. Frank] Annunzio (D-Ill.) wants to make sure that Sears is secure, and he also has very close personal ties to Dimensions Corporation," another nationwide banking shell.

This really is nationwide bank cartelization. As the reader undoubtedly suspects, a "nonbank" isn't—it's a bank. "The plain fact of the matter is that a nonbank bank can do anything a bank can do," my source laughed. "What is a commercial

loan is very questionable. A commercial loan isn't a very well defined term. The Fed has never said clearly just what they think a commercial loan is."

Big banks with nationwide nonbank-bank branches "will still manage to engage in what sure looks like a fairly broad range of commercial lending activities on an inter-state basis, as well as the retail side. Many of the activities which are functionally equivalent to commercial lending are not deemed to be so for a nonbank bank, and, therefore, even if you strip out the commercial loan portfolio, it still means you can effectively engage in some of the same transactions in another form. So, nonbank banks are not so nonbank-like as one might expect."

Triage the weaker first

The 332 nonbank applications pending when Conover dropped his bombshell were plans to open *new* banks. Regulators, however, expect the really massive expansion to come from large New York and California banks who will simply buy up the thousands of failing small- and medium-sized banks and S&Ls across the nation, starting with the 797 banks on the "problem bank list."

Addressing the ABA convention, FDIC chairman William Isaac disclosed the record number of banks on his "watch list," noting that it is twice the peak of 385 bankrupt banks reached after the 1975 recession, and rising. "The problem list is up from 750 a month ago to nearly 800 today," he told reporters later.

Volcker's regulators are already forcing these domestic banks to take big losses on U.S. portfolios, smaller bankers at the ABA convention worriedly told the press. The case of First Chicago, forced this month by the comptroller into \$279 million in write-offs of problem loans, shows that "bank examiners are definitely being tougher," one Texas banker told *EIR*.

They said the comptroller's regulators are focusing hard on banks' farm and energy loans. The comptroller last summer issued tougher guidelines that reduced the value banks can give to certain of the collateral of energy industry borrowers, oil in the ground, and oil rigs. One Texas banker said he'd been told by the comptroller that oil rigs his bank had previously valued at 25¢ on the dollar were now valued at only 10¢ or 15¢. Another Texas banker says that if oil prices drop below \$25 a barrel, banks in the state "will have real problems."

Another said that examiners "are also getting tougher on real-estate loans," apparently concerned by overbuilding in some Texas cities.

Federal Reserve statistics show that there are more banks in the major farm states of Iowa, Missouri, Kansas, and Nebraska whose bad loans now exceed their total capital than in other states. Of the 27 U.S. bank failures from June 1 to Sept. 27, sixteen were farm lenders.

American farms are being crushed under a \$215 billion

debt burden. Farmers in the Midwest are now operating, in general, at a loss. As of March 31, \$2.2 billion, or 3%, of the loans held by the Farm Credit System (FCS) were overdue by 90 days or were in the process of liquidation. Last year, the grouping in the FCS which makes operating loans, the Production Credit Associations, reported loan losses of \$237 million, up from \$159 million in 1982 and \$42 million in 1981.

Documentation

The following is excerpted from the Oct. 24 address of C. Todd Conover, Comptroller of the Currency, before the American Bankers Association convention in New York.

Like most of your customers, I hate to be kept waiting. I thought that by now I would be able to obtain new products and services at my local bank. But if I want to obtain the full range of financial services, I still have to do business with Sears.

That's disappointing. And there is no simple way to explain why banks came out of this Congress empty-handed. . . .

In order to make any progress in the future, I believe that Congress and the consumer must first understand how modernizing the laws will result in a strong banking system. . . .

First, let's talk about the need for new powers. In my first three years as Comptroller, I have witnessed some impressive victories by a banking industry that stuck together and hung tough. The cry of "Let us compete" that came out of your 1981 convention was still ringing in the air when I took office. In fact, the reverberations of that cry are still heard in Washington and in state houses around the country. . . .

Recent progress

Back in 1981, there was a lot of talk about a four-year schedule for the phase out of rate ceilings on deposits. You ended up getting price deregulation in little more than two. Back in 1981, the main topics of conversation were All Savers and Small Savers certificates and the new market for Individual Retirement Accounts. Today, the talk has advanced to insurance, securities, and real estate. That's progress. . . .

Throughout those three years, the Comptroller's Office has been helping banks to find new ways to successfully compete in the marketplace. Specifically we allowed banks to offer discount brokerage and investment advisory services, to operate futures commission merchant subsidiaries, to lease space to insurance agents, to underwrite credit life insurance, and to offer plain English trusts. We also permitted banks to provide common trust funds for the collective investment of Individual Retirement Account contributions. This action was overruled by one court but we believe the court's decision was bad public policy and intend to appeal it.

The point is that now that consumers have eaten steak, they're not about to let banks serve peanut butter again. They want value in financial products, and they want that value from their bank. That is an advantage you must exploit. . . .

There are still many critics that oppose change. . . . These critics charge that banks are abusing their market freedoms. They claim banks have raised service fees arbitrarily. They assert that the minimum deposit requirements on market rate accounts are too high. They profess that chaos reigns as a result of branch closings and forcing customers to use ATMs. They argue that the increase in the number of bank failures is a direct result of deregulation. . . .

The reality is that banks can only serve their customers when they are making a fair profit themselves. And using the collapse of Continental as a reason to curtail further deregulation is a convenient but very misguided response. Providing banks with new powers will strengthen, not weaken, the banking system because banks will be able to engage in new, less risky, activities.

Granted, there have been some problems and growing pains associated with banks paying market rates of interest on time deposits. But they have been minor compared to the major consumer benefits that have resulted. The real problem is that most of the legal framework governing financial services still needs to be modernized. Banks need new product powers and geographic freedom in order to offset the lost earnings that resulted from removing interest rate ceilings. . . .

Laws must change

Much of the current legal structure under which banks must operate was based on a completely different set of circumstances. It was developed in reaction to public policy concerns that arose after the Great Depression. From 1921 through 1932, more than 12,000 banks shut their doors. That's more than 40% of the banks that existed in 1921.

In reaction, Congress looked for ways to make banking safe and sound. They barred banks from the investment business; they added deposit insurance and an elaborate system of bank regulation; they limited the potential for geographic growth; and they prohibited the common ownership of banks and commercial enterprises. . . .

That system worked when banks had unique products and services that no one else could offer. Today that is no longer the case. In fact, there is no longer a single product or service unique to commercial banks. I can keep my checking account at Dean Witter. I can get a commercial loan from a savings and loan association. I can get my mortgage from a real estate company or a mortgage bank. And I can get my VISA card from the American Automobile Association. . . .

It's not that banking needs more regulations; it doesn't. It needs different regulation—regulation that permits banks to compete for the benefit of consumers, instead of regulation designed to protect banks from competition.

Press can't ignore the farm debt crisis

by Christopher White

The U.S. farm debt crisis of which this magazine has warned has now erupted into the pages of the international press. For too long, it has been prevailing, incompetent, wisdom that the foreign debt crisis is the main locus for strains on the international financial system. This has never been the case, for apart from the off-shore Eurodollar markets as a whole, it is the rotten internal credit structures within the United States which pose the greatest threat to the insolvent international credit markets.

But the explosion of the farm debt crisis, as we have also warned, is not simply a question of a collapsing chain-letter swindle. The existence of the independent farmer producer, and the nation's and world's food supply, is equally at stake.

What we have warned about erupted into the national press with articles in the Sunday Oct. 21 editions of the *New York Times* and *Chicago Tribune*. Both, for the first time, started to sound the alarm bells on the precarious credit situation within the United States. The *Times* reported: "The farm bank crisis is severe enough that most experts foresee additional farm bank failures, and a period of tighter credit for already hard-pressed farmers. . . . While these banks make up 28% of the nation's more than 14,000 commercial banks, they accounted for only 24% of the institutions on the "problem bank" list compiled by the Federal Deposit Insurance Corporation in December. By last June, however, the figure had jumped to 34%, and was rising."

Nearly 800 U.S. banks are currently on the "problem" list, according to a report released by the chairman of the Federal Deposit Insurance Corporation (FDIC) in October. The FDIC list, which is periodically compiled by government bank supervisors, names 797 "problem" banks and a rising rate of bank failures. Already this year, 66 U.S. banks have gone down.

The rate of bank collapse has begun to escalate as a byproduct of the agricultural crisis—which is bankrupting American farmers and, with them, farm-related industry—and the energy-price crisis. Many of the banks on the "problem" list have up to 70% of their loan portfolios committed to the farm sector.

According to the *Times*, federal regulators classify about 4,300 institutions as farm banks.

The *Financial Times* of London raised the alarm on Tues-

day, Oct. 23. "Many bankers are simply not up to the challenge of coping with the problems they face," the newspaper reported. Drawing on the studies of Professor Neil Harl of Iowa State University, who, this magazine has shown, is part of the grain-cartel-linked circles backing a Mondale-fronted plan to bankrupt farmers in the \$40,000 to \$100,000 per annum income range, the *Financial Times* profiles the financial vulnerabilities of the U.S. farmer. In Iowa, the paper reports, 10% of the state's farmers hold 25% of the \$17 billion of farm debt. These farmers have debt to asset ratios of over 70%, and "are in imminent peril of collapse." Sixty percent of the debt is held by 28% of the farmers. According to Harl, surveys of Wisconsin and Minnesota suggest that farmers in those states are even worse off.

Fed bankruptcy plan

The farm bank failures are recognized by the Federal Reserve and their London banking partners who see the present shakeout as a necessary step in reorganizing the U.S. economy along the lines of the neo-feudal British economy. To accomplish this re-organization, they are willing to risk an uncontrolled financial blowout.

In its article, the London *Financial Times* quoted an unnamed "senior administration official" that the "farm debt is a bigger threat to the stability of the financial system here than all those international loans."

"The farm crisis is threatening in the eyes of many observers to consign the traditional family farm to the history books," the article continues. "It is changing the structure of the American farming industry and thus potentially the organization of farming in Europe and the rest of the world. It is reshaping the financial services industry in the Midwest, and it is having a strong influence on the way the Federal Reserve Board is conducting its policy."

This is the core of the policy this magazine has identified which is aimed at wiping out the independent farmer producer, and thus the nation's capacity to produce food.

The reorganization policy is exemplified by the virtual takeover of Continental Illinois, on behalf of the Federal Reserve Bank which now owns it, by David Rockefeller's Chase Manhattan Bank. Chase executive personnel now make up most of Conti's new management. Chase's policy will be to dry out "soft" agricultural and energy loans, thereby further depressing the economy and forcing up the rate of bankruptcies in the banking as well as the farm sector.

The *Financial Times* also reports that it is "the potential for a domestic debt crisis in the farm belt and not just the continuing problems of international borrowers, that is prompting the Federal Reserve Board . . . to nudge interest rates down."

But the time is past for such palliatives. If the nation's food supply is to be assured, the White House must act to take control of domestic credit away from Paul Volcker and the Federal Reserve Board.

The 'New Yalta' roots of Ethiopian disaster

by Thierry Lalevée

More than 600,000 Ethiopians are expected to die between now and the end of the year. This may become a very conservative estimate as latest reports indicate that up to 7 million Ethiopians, out of a population of 33 million, are being directly affected by rapidly spreading starvation and epidemics. Ten of thousands have already died, many of measles.

What has been described as one of the "biggest catastrophes in recent history" is no natural phenomenon—not even three years of drought in Eastern Africa—but cynical political deals made over more than a decade. The crisis in Ethiopia today is the direct result of the policy enforced in Washington by Henry Kissinger and his Malthusian friends, in their decade-long efforts to negotiate a New Yalta deal to divide up the world with the Soviet empire. Indeed, how can it be forgotten that the military regime which, in 1974, overthrew the obscurantist monarchy of Haile Selassie, was a nationalist group which requested help primarily from the United States? The coup had been prompted by the Emperor's decision to let more than 200,000 Ethiopians starve to death rather than discredit Ethiopia's prestige by admitting that the 1973 drought had created food shortages! However, the same Kissinger who was inaugurating the creation of the U.N. World Food Program in Rome with the aim that "by the end of the decade, no child should ever die of starvation," rejected Ethiopian demands and traded Ethiopia to the Soviets for Somalia.

Hence, perhaps more dramatically than any other African country, Ethiopia was never given a chance to overcome the 1973-74 drought which claimed hundreds of thousands of lives on the continent. Like Mozambique, Ethiopia is today paying the price of more than 10 years of close association with the Soviet Union. While looting Ethiopia, the Russian empire has ensured its control over the country by instigating "Marxist-Leninist" regional revolts in the Tigre and Erythrean provinces. Today, these are the regions hardest hit by drought.

Emergency aid immediately required

According to U.N. officials quoted in the *London Guardian* on Oct. 25, the delivery of a mere 100,000 tons of food aid last year, as requested, would have prevented the disaster today, saving more than half a million lives. What happened? Malthusian supporters of the genocidal Club of Rome in the

West and the East—State Department and economic officials committed to Jimmy Carter's policy of "Global 2000," and Soviet policy makers around the International Institute for Applied Systems Analysis and the Institute for African Studies of Andrei Gromyko's son—agreed to allow the catastrophe to unfold. Western policy makers did nothing, under the pretext that Ethiopia was a "Soviet puppet"; Soviet officials followed their usual cynical policy that, when it comes to natural catastrophe, drought, and starvation, "imperialism is responsible."

It will take an effort qualitatively far beyond anything presently envisaged to save the 600,000 Ethiopians in landlocked and drought-ridden regions of Wollo and Gondar; but it is also imperative to keep the crisis from claiming more lives, to feed the rest of the population, and to stop the spread of epidemics which know no borders. In recent weeks, many emergency camps have been established in one of the most affected regions, the Tigre, where more than 100,000 are in immediate danger. Up to several thousand are dying daily in these camps for lack of food and exhaustion from the long trek which brought them there. Adding to the difficulty of regular food shipments is continuing military harassment by the so-called rebels, who obviously care little about the dying populations. Rebels of the Tigre front have, for example, announced that they would allow the creation of such camps only for daytime activities, but not during the night, perhaps out of fear that at night the camps may be used for military activities. This insane decision forces thousands to sleep outside at temperatures below 10° Celsius. In many instances, food shipments delivered at the Red Sea port of Massawa have been prevented from crossing the Tigre region to reach central Ethiopia. On Oct. 24, the Ethiopian government, together with the Red Cross, decided to give up attempts at deliveries by road, and mobilized its rare transport planes and helicopters. Washington committed itself to supply the necessary fuel for the operations.

Over the next 12 months, Ethiopia will require more than 1,248,620 tons of wheat to ensure bare subsistence to its population. Immediately, it requires at least 60,000 tons of wheat a month. Present projections show that, at most, 40,000 to 70,000 tons will be coming for the next three months, including a ridiculously small delivery of 10,000 tons sometime by the end of the year from the Soviet Union—their only contribution!

Moscow does have its own agricultural problems to face, but the small scale of the Soviet commitment also reflects the anger of the Soviet leadership at what they consider growing Ethiopian nationalism. During last September's revolutionary celebrations, Ethiopian nationalism was more often mentioned than rhetoric about "communism" and "socialism." As a signal of displeasure, East German leader Erich Honecker is reported to have refused to attend the founding congress of the Ethiopian Workers' Party, and came only to the final military parade.

After the Brighton bombing: Who will end Britain's political paralysis?

by Laurent Murawiec

On Friday, Oct. 12 at 02:54:00 hours, 20 pounds of explosive shattered the Grand Hotel in Brighton, England, where one half of the British cabinet was resting during the Conservative Party's annual conference. Mrs. Thatcher narrowly escaped death, her unofficial second, Trade and Industry Minister Norman Tebbit, was wounded, and four died in the rubble. The IRA claimed responsibility.

Since then, questions have accumulated rather than answers: Is the IRA really in command of the sophisticated technology—a long-range timing device—that was used? why did the bulky explosive go unnoticed? If the IRA dispatched some of its most skilled explosive and demolition experts to Brighton several weeks before the bomb went off, why did no “alarm bells” ring at the police and intelligence agencies in charge of keeping tabs on the murderous, Soviet-backed terrorist organization?

Quiet discussions in London have included the hypothesis that the IRA received on-the-ground back-up and logistical support from Soviet military intelligence (GRU) *spetsnaz* units. That one half of the British cabinet could have died, including the Prime Minister, is probably the best indication of the *strategic stakes* in the present international situation.

One further indication was given, hours after the blast, by Mrs. Thatcher herself. Visibly shaken, she told the Conservative Party congress, “This party is a pro-American party” which would resist any attempt from any quarter to crush its commitments to the Atlantic alliance, including the stationing of American missiles.

Whether Britain will be able to face the challenge implied by the Brighton bomb is another matter. In fact, a degree of confusion is apparent in the day-to-day situation, with the government showing an increasing loss of grip in the face of domestic and international events.

The strike launched by the National Union of Miners (NUM) and its “communist” leader Arthur Scargill 34 weeks ago is still under way. As Britain veers into winter, the shadow of the 1974 miners' strike, which toppled the Conservative government of Edward Heath and plunged Britain into the dark, is lengthening. A disastrous extension of the strike to the mine-pit safety staff was narrowly averted a few days ago, to the visible relief of the government. “Flying pickets” of the NUM have repeatedly harassed, assailed, and

even ambushed police, imposing by dint of physical terror a situation where non-strikers have been stopped from entering the pits, while political and financial support has been flowing in from the Soviet “trade unions.”

Mass demonstrations, mass violence have been the hallmarks of the conflict. The Tories' own pet-legislation, prohibiting “secondary picketing” and regulating strikes, has been openly violated by the NUM and Scargill. The law has not been enforced, and National Coal Board head Ian MacGregor has had to retire from the negotiations and appoint a “mediator.” The purported object of Scargill's strike, to prevent the closing of coal mines, while his friends on the left are doing their best to stop nuclear energy development in Britain, has turned into outright political destabilization.

The government's response has been to stay on the sidelines, or maintain the fiction that the National Coal Board was handling the whole matter. Worse, Treasury Secretary Nigel Lawson has undertaken a pathetic public relations campaign on the theme, “We care,” in an attempt to alter Mrs. Thatcher's “image” as a grossly indifferent, reckless monetarist. Evoking the imagery of Dickens, Lawson and the Tory chorus now try to “look nice” and “show compassion” to the country's 3.2 million unemployed—a figure that remains obstinately high amid the government's reported “recovery,” a report which the NUM strike is shooting down in flames.

In turn, the real support enjoyed by NUM from the Trade Union Congress and various Labour Party quarters stems from the total inability of the Thatcher government to offer a mobilizing enterprise to the British population badly hit by stagnation, deindustrialization, and lack of perspectives. “Class struggle” can be made by the likes of Scargill to have some specious sort of appeal under these circumstances.

The plummeting of world oil-market prices has compounded the difficulties. The British National Oil Corporation's recent decision to lower the price to \$28.65 per barrel while trying to maintain the volume of output struck the City like a thunderstorm: the *Financial Times* 30-share index underwent its sharpest one-day drop ever—3.3% or 6.8 billion pounds wiped off total capitalization—and “petro-currency” sterling took a nosedive to an historic low below \$1.20, provoking some capital flight and forcing the Bank of England to intervene in support of the pound. Interest rates

soared on the money markets. Suddenly, the entire economic "strategy" of the Thatcher government stood in jeopardy. Sterling has now lost about 10% of its value as of January 1984. Coming on the heels of the collapse and emergency rescue of Johnson Matthey (JMB), one of the City's oldest and most respected financial institutions, with many other suspected rotten financial apples waiting for their turn to drop on their shareholders, the loss of confidence is very tangible.

Where is the 'elite'?

Back in 1977, two years before her first electoral triumph, Margaret Thatcher warned that British failure to regain historical initiative would make "Britain as shabby and stagnant, as drab and decayed as an Eastern European satellite." Are there signs that Britain is willing to mobilize itself to overcome the rot?

The British authorities *know* who is responsible for the Brighton outrage. As mentioned above, the track of Soviet involvement has been actively pursued—but not allowed circulation in any form accessible to the public or even broad policy-making circles. The government has backed down from confronting the fact and its implications. Nor has it manifest, by foreign policy initiatives, any intent to stray from the course imposed by the Foreign Office, phrased earlier this year by Margaret Thatcher as aiming at "a new dialogue" with the Soviet Union—when British troops were being pulled out of Lebanon, when Foreign Secretary Geoffrey Howe was galavanting in Moscow, when Britain was party to European Community initiatives to interfere in the Central American conflict. The strenuous complacency displayed by the Foreign Office, the Royal Institute for International Affairs (Chatham House), and other policy centers of the British oligarchy concerning the mounting danger of an eastward drift of Germany, suggest strongly that Lord Carrington's policy of appeasement still holds sway.

No word was to be heard from Defense Secretary Michael Heseltine after the recent NATO Nuclear Planning Group meeting in Stresa, Italy, where an historic offer was made to Europe by U.S. Defense Secretary Weinberger for full cooperation in R&D and deployment of beam weapon defense. Tentatively, this might be termed an improvement in comparison with Heseltine's vociferous rejection of and attack on the Strategic Defense Initiative at last Spring's Izmir meeting of the NPG. But while secrecy-shrouded Whitehall committees are "reviewing" the implications of the SDI, and while British weapon laboratories are intensively working at getting a handle on the technologies, the vast majority of informed policy-making opinion remains vehemently opposed to the SDI. A July 10 feature in the *Daily Telegraph*, an Aug. 18 editorial in the *Times*, and a few letters to newspaper editors, along with a small, end-july conference on ballistic missile defense, have remained the only isolated signs of interest in the issue that is now shaping all important international affairs.

Where is the British elite? Sir Basil Liddel Hart, in his *The History of World War I*, hammered away at the miserable quality of military leadership during that war (by no means limited to Britain) and the fact that the obsessive rejection of any conception of *flanking* had led to the senseless slaughter of several generations, including much of the British elite's youth, as exemplified in the atrocious butchery of Passchendaele. The obsessive clinging by a majority of the British oligarchy today to a supposed "deal" with Moscow, whose self-conception they know to be the "Third Rome," is performing the same disastrous disservice to the nation. The unwillingness of the British elites to at least behave like Churchills, their insistence on mimicking Chamberlain, leads to strategic disaster as surely as the British Labour Party's hysterical advocacy of unilateral nuclear disarmament—a policy plank shared by the British Liberal Party, a conveyor belt for major currents of the oligarchy who pump ideas into the body politic through it.

The present political leadership is afflicted, at its middle-class level, by the same disease: The managers, technocrats, and politicians that dominate the Conservative Party have no vision, no sense of broader horizons, no experience of great affairs. Nowhere is this mediocre stubbornness better exemplified than in the obdurate adherence to the fiction of an "independent British nuclear deterrent." To modernize the Polaris-missile submarine fleet, the Tory government decided several years ago to purchase from the United States the Trident II missile, whose cost has soared in the meantime to a low-range estimate of 9 billion pounds, with high estimates placing it at 14 billion. Only a decimation of conventional capabilities, naval, airborne, and land-based, could make the bill payable off the defense budget—while the advent of laser and beam defense would make the missile obsolete and purposeless!

But rather than resolutely turning to the future and mobilizing the country to face the challenge of the SDI and its technological spinoffs, it is the impassioned pleas for retention of MAD and thermonuclear terror that dominate the debate. While Britain still retains an obvious capability to mobilize itself—albeit for the wrong objectives, as in the case of the Falklands—this patriotic potential is not being efficiently tapped. Rather, sniper-bullets are straying along the political landscape, as when the Archbishop of Canterbury snidely compared Mrs. Thatcher to the ill-fated William Blich, Captain of the *Bounty*, in a speech calling for a revival of the "Nelson touch" in leadership. Or Byzantine in-fighting erupts, for instance, with the serializing in the *Sunday Times* of the latest book of investigative journalist Chapman Pincher, who charges that the late head of the MI-5 counterintelligence agency, Sir Roger Hollis, had been a Soviet mole since the 1930s.

The author may very well have a point. The extraordinary lack of will and leadership displayed by the British "elite" remains, however, the problem.

How 'post-industrialism' kills the economies of the developing sector

by Sylvia Brewda

The following article is reprinted by permission from the Fall 1984 issue of Fusion Asia.

One of the most successful policies of today's neo-Malthusians has been convincing the developing-sector nations to abandon the process of industrialization for what is euphemistically termed a "modern economy." Despite glowing rhetoric about full employment and a move away from an agricultural economy, today's post-industrialization interpretation of a modern economy has had a devastating effect, shrinking the productive work force and piling up overhead expenses. Developing nations not only rapidly lose the agricultural capacity to feed their populations, but also lose the ability to produce any real wealth. In short, conversion to a post-industrial economy destroys that nation's potential to provide for an increasing population: The population begins to die of starvation and disease, a process most brutally evident in Latin America. "Too bad," the same Malthusians say, "but there are just too many people."

Twenty years ago, such pessimism and outright genocide would not have been tolerated. Until 1960, the term "modern economy" was synonymous with an industrial economy. Nations throughout the developing sector looked forward to escape from the centuries-long prison of rural, peasant modes of production by shifting a growing percentage of their labor force out of agriculture and into the industrial processes of the manufacture of goods. In the late 1960s, however, the term was redefined, and "modern economy" came to mean the provision of goods and services, with the service component becoming increasingly dominant. In the advanced sector, this type of economy was titled the post-industrial society. Volumes were written to demonstrate that the Western nations had passed beyond the industrial revolution, that the smokestacks of Pittsburgh were now obsolete, and so forth. The exemplar of this shift is Britain, which under the guidance of Prime Minister Margaret Thatcher has ostentatiously become a "formerly industrialized country."

At the same time—without the equivalent fanfare in the media and business literature—the same shift was occurring in the developing-sector nations, but with much more devastating consequences. The last two decades have seen a significant shift of employment out of agriculture throughout the world, a shift that is necessary but which requires simul-

taneously upgrading agricultural technology and industrializing. The greatest shifts, in general, have occurred in those countries that are known for their economic miracles. For example, during this period, Korea, Taiwan, and Japan all decreased the percentage of their work force involved in agriculture by one half, while Brazil decreased its agricultural work force by almost 40%.

Apart from these spectacular examples, the countries of Ibero-America were the most successful of the developing sector in shifting out of agriculture; the Latin American nations finished the 1970s with agriculture comprising between 10 and 40% of the work force, rather than the 20 to 55% found there at the start of the 1960s. In Peru, one of the Latin American countries in the worst economic straits, the rate of decline of agriculture was 1.3% per year, while in Colombia it was over 3%. The shift was less dramatic in Asia and Africa, although marked. In general, agriculture still supplied at least half of the employment in these economies in 1980. In the best cases, the rate of decline has averaged 1.5% per year, while in others, such as India and Tanzania, it has been less than 0.4% per year.

Services as overhead

The problem for the developing sector is that the net result of the move out of agriculture has been a transfer of employment (and productive resources) *out of real production and into the overhead expense of services*. The understanding that "service sector" employment is an overhead cost to the economy as a whole is basic to the LaRouche-Riemann method of economic analysis. The question is not whether a particular job is "valuable." Service jobs include teachers, researchers, doctors, and many others required for the well being of society. However, these jobs, and the construction of schools and hospitals, are just as much overhead charges against the productive economy as the employment of cosmetics salesmen and the construction of luxury hotels. The economy must produce *tangible wealth*, and that wealth, by definition, is produced only by farmers and those included in the "industrial" category. All other activity must be supported by the output of industrial and farm workers.

This most definitely does not imply that the service sector cannot or should not grow as an economy progresses. Clearly, as each individual operative becomes more productive,

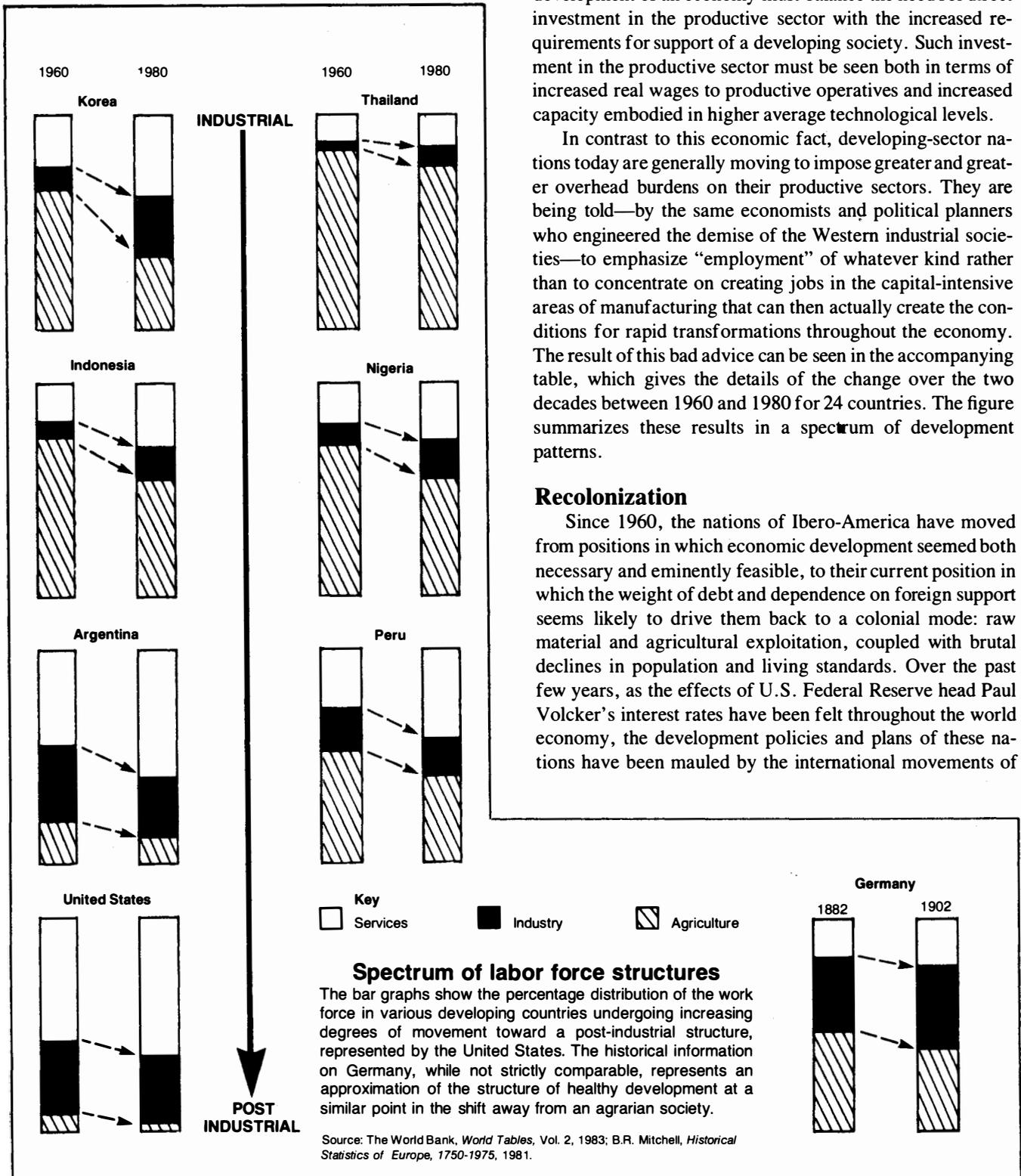
he or she can support a greater number of other citizens. Also, a higher technological level requires longer schooling and better health care to ensure longevity, as well as a greater investment in research to produce new scientific and technological advances.

However, all these requirements act as a tax on the productive sector, decreasing the wealth available for reinvestment into expansion of the productive sector. If the tax is too high, the productive sector will actually shrink, because its own maintenance requirements will not be met. The healthy development of an economy must balance the need for direct investment in the productive sector with the increased requirements for support of a developing society. Such investment in the productive sector must be seen both in terms of increased real wages to productive operatives and increased capacity embodied in higher average technological levels.

In contrast to this economic fact, developing-sector nations today are generally moving to impose greater and greater overhead burdens on their productive sectors. They are being told—by the same economists and political planners who engineered the demise of the Western industrial societies—to emphasize “employment” of whatever kind rather than to concentrate on creating jobs in the capital-intensive areas of manufacturing that can then actually create the conditions for rapid transformations throughout the economy. The result of this bad advice can be seen in the accompanying table, which gives the details of the change over the two decades between 1960 and 1980 for 24 countries. The figure summarizes these results in a spectrum of development patterns.

Recolonization

Since 1960, the nations of Ibero-America have moved from positions in which economic development seemed both necessary and eminently feasible, to their current position in which the weight of debt and dependence on foreign support seems likely to drive them back to a colonial mode: raw material and agricultural exploitation, coupled with brutal declines in population and living standards. Over the past few years, as the effects of U.S. Federal Reserve head Paul Volcker’s interest rates have been felt throughout the world economy, the development policies and plans of these nations have been mauled by the international movements of



credit and commodity markets over which these nations had no immediate control. Even before that time, however, decisions were taken by the post-industrial faction in the West that left the developing nations far more vulnerable to these external events.

For example, in 1960, most countries in Ibero-America employed approximately half of their labor force in agriculture, mainly at a subsistence level; the industrial work force made up about one fifth of the total, and the remainder of the work force was employed in service activities. This mixture, although not ideal, was not unlike that of France or the United States at the end of the 19th century: In 1886, 47% of the French work force was agricultural, and just under half of the remainder, 26%, was involved in industry. In 1890, the United States had 43% of its workers employed in agriculture, 27% in industry, and the remaining 30% in services. It took the United States and Europe 100 years to make the transformation to a "post-industrial" work force; the Ibero-American nations, however, condensed this devolution into a 20-year span. By 1980, four of the eight major nations had service sector employment of 50% or more, and four had experienced an actual decrease in the percentage of the work force engaged in industry.

Even Mexico, despite its strong nationalist outlook and the availability of oil revenues, had incurred a growth of the service sector that was more than double that of the industrial work force. Of the Ibero-American nations, only Brazil shows a pattern of development that might have led to industrialization, with employment growing at a rate 50% greater in the industrial sector than in the service sector.

The effects of these post-industrial policies over the decades of the 1960s and 1970s were visible in areas other than employment. Investment was diverted away from industrial sectors and into nonproductive service areas, such as shops, restaurants, or financial markets. A pattern of dependence was established, in which any industrial activity that took place was channeled into the relatively low-capital areas of consumer goods and assembly work, rather than developing basic, high-capital, long-lifetime projects. Lack of industrial expansion often constricted the availability of the technological inputs required to increase agricultural productivity, and some nations, quite ridiculously, given their natural resources, became food importers. The apparent continuation of GNP growth, concentrated in the service sector, was allowed simply by the availability of credit.

Pseudodevelopment and stagnation

In Africa, the years from 1960 to 1980 were generally more a period of stagnation than of the pernicious pseudo-development of Ibero-America. Most countries experienced changes similar to those of Nigeria and Zaire, where the decrease in agricultural employment has produced approximately equal increases in service and industrial employment. The worst case is Tanzania, the showcase of so-called appropriate technology (which for Africa has meant sticks and

stones for farm implements, combined with muscle power). Now one of the poorest countries in Africa, Tanzania experienced a growth rate in the service sector twice that of industry, and in 1980 was burdened with service employment almost double that in industry.

Look now at the relatively healthy economies of Asia. Only the "economic miracle" countries of Korea and Taiwan, plus Thailand, have experienced growth in industrial employment greater than in the service sector. Thailand provides impressive proof that "objective conditions" have not necessitated a move away from industry; this nation more than doubled the percentage of its work force involved in industry over the last 20 years.

On the subcontinent, Pakistan maintained equal growth rates of service and industrial employment over this period, while India did not. Although the difference in growth of 2% and 3% between the industrial and service sectors in India is small enough to appear a possible statistical fluke, the employment totals in 1980 bear out the indication that India has been placing 50% more of the human resources freed up from agriculture in the service sector than in the industrial sector. In Indonesia, Malaysia, and the Philippines, the ratio is more extreme. In each of these cases, the growth of the service sector has been far more rapid than that of industrial employment, and by 1980 the service sector consumed the efforts of twice as many workers.

These figures, in conjunction with the current economic collapse in Ibero-America, should give economic planners pause. The weakness of the post-industrial economy has been exposed all too clearly under the pressure of a credit constriction and a swelling load of debt and interest payments. The fact is that increases in urbanization lead only to slums, *if the new urban dwellers are not producing, on the average, more tangible goods per person than they were in their rural existence*. In addition, jobs that are cheap to provide in terms of initial investment often prove no bargain if they involve continued reliance on outside capital.

Even the technologically advanced economy of the United States, a model of the post-industrial society, has arrived at the point where it is dependent on the provision of massive subsidies by the developing sector in the form of trade advantages.² The United States obtained a subsidy of \$108 billion in 1983 in the form of (U.S.) trade deficits and advantages in terms of trade, equivalent to 7% of the total tangible output of the economy and more than the swing in reported output attributed to the so-called recovery.

The model for real economic growth—industrialization spurred by continued investment in the scientific and technological advances that spur productivity—exists historically and has been a proven success. It is no accident that those economists and political leaders promoting the post-industrial society are the very same Malthusians who passionately hate the concept of science and progress and who are striving to ensure that the world population is cut in half, by starvation and disease.

Nobel winners overlooked results that break rules of particle physics

by Giuseppe Filipponi

If any merit is to be attributed to the Italian physicist Carlo Rubbia and the Dutchman Van der Meer, who recently were awarded the Nobel Prize, it is for initiating and developing the equipment and laboratories suited to study anti-matter physics, using the relatively scarce resources and obsolete machines at Geneva's CERN (Centre Européen de Recherches Nucléaires).

At CERN, in fact, the two physicists were able to put together a series of accelerators and accumulation rings for anti-protons which are quite efficient, partially using machines that were built at the end of the 1960s and are therefore today obsolete.

Antiprotons at CERN are created by colliding beams of protons at modest energies (10 GeV); they are then channeled into an accumulation ring and their trajectories moved closer and "cooled" to form a thin and coherent beam that is then accelerated at the very high energies of the Super Proton Synchrotron (SPS), adapted to the job, and frontally collided (still in the SPS), with a similar such beam of protons rotating in the opposite direction.

The idea of the two, Rubbia and Van der Meer, is in itself simple: "The two beams running at almost the speed of light in the SPS, by frontally colliding create the conditions by which protons and antiprotons arrest and annihilate themselves, and therefore the kinetic energy of particles is added to the transformation of mass into energy. In very small spaces (dimensions of a nucleus) a large amount of energy is made available, equivalent to several hundred times the mass of a proton, and the transformation of this energy into heavy particles of equivalent mass can be proved."

Of a total of billions of collisions, only some seem to have produced evidence of the ephemeral presence of such particles, called $W (+)$, $W (-)$ and Z (zero).

It seems, however, that there has been no reticence in revealing to the scientific community such a "discovery." Physicists Glaschow, Salam, and Weinberg had already been awarded the Nobel Prize several years ago because of the formulation of the so-called "electro-weak" theory, tending to the "great unification" of the forces of nature, predicting

the existence of such particles. The experiments at CERN therefore were immediately considered as proving the correctness of that theory. We ask ourselves: If such experiments had been considered as negative, could we today take back the Nobel Prize wrongly awarded to Salam and his colleagues?

Knowing how things go in such circles, we can say that the results of Rubbia's experiment had already been decided in advance.

Challenge to so-called laws

It is anyway interesting to observe that in such kinds of experiments, where very high and very dense energies are involved, several so-called fundamental laws of physics, in particular the law of conservation of energy, are challenged. That is what happened once again in Rubbia's experiment.

We think that this fact, judged as secondary in the experiment, is in reality much more important than the ephemeral appearance of particles W and Z out of millions and millions of collisions.

In the area of collision of the two beams, in fact, on one side a cone of very dense particles is created, while on the other side nothing comes out, although according to the principle of conservation of energy something should be found.

Phenomena in which the laws of conservation are not respected are not new in the field of nuclear physics and particle physics. Suffice it to mention the "beta decay" phenomenon of the nuclei, associated with weak interaction and therefore with the so-called megaparticles of CERN, according to Salam's theory.

As is known, the balance of the beta decay is not respected, and therefore the existence of a particle called "neutrino" has been introduced, to even out accounts. Even the neutrino, later, many claimed of having found evidence of. At present, it seems that a name has already been found for the missing particle in the collision between the two beams of protons and antiprotons: the so-called "mystery" particle.

The present scalar conception of energy used in physics is evidently not adequate to deal with phenomena occurring at high energy densities. These phenomena are characterized

by nonlinear processes that we can define as generation and self-organization, forming stable and more complex systems, able to use and transform the energy flux at their disposal.

The beta decay, for instance, is today considered in a very reductive way: Practically the thinking is that a neutron, emitting an electron, turns into a proton, and in addition, gamma radiation and other things are produced. In reality, Enrico Fermi, the Italian scientist who first built the atomic pile in 1946, had much more advanced ideas, not based on the concept of a simple "division" of the neutron into a proton and an electron. He assumed an action carried out by the neutron on itself to transform itself, producing such a concentrated energy, beyond the gamma rays, as to generate an electron. In other words, the electron does not decouple from the neutron but is produced by the work done by the neutron to turn into a proton.

So-called elementary particles, too, therefore, seem not to be at all elementary, but turn out to be complex systems able to transform themselves and do work.

Instead of trying to rationalize physical processes where, as we have seen, the laws of conservation of energy are not respected, by inventing "ephemeral" particles, it would be much more useful to start from the acquired fact that such a law is no longer respected and revise therefore the concepts of energy and work used in physics, reformulating them in such a way that they are coherent with the evolution and self-organization aspects, more and more evident in such processes.

It is worth recalling, in this context, that the Italian school of physics, developed in the middle of the last century at Pisa University by figures like Prof. Enrico Betti and Felice Beltrami with the contribution of the great German physicist Bernhard Riemann, developed the fundamental principles of electrodynamics exactly from this standpoint, in an overt polemic against Maxwell's mechanistic conceptions.

Betti and Beltrami in particular concentrated their attention on those anomalous, non-linear "phenomena" of physical processes, describing thus in an accurate way the generation, in an electrodynamic fluid, of helix-like movements that locally increase the flux-density of the system. These self-organizing processes were then revealed and studied in the second half of the present century by Winston Bostick and other scientists in high-temperature plasma physics, and represent an interesting line of research to achieve thermonuclear fusion.

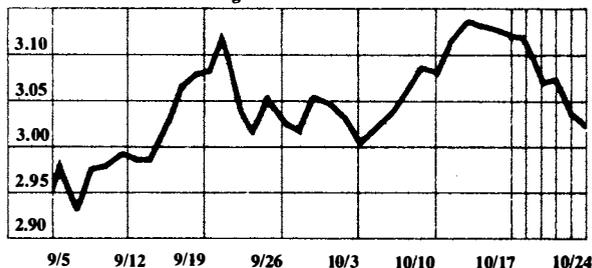
The teaching of those great scientists is clear: We must not be afraid of opening a crisis in theoretical physics, rather the opposite: Science progresses exactly through such revolutions. We have everything to gain from dumping inadequate theories, and if there is today a field of physics where theories cannot hold, this is the field of particle physics.

The author is the director of the Italian Fusion Energy Foundation.

Currency Rates

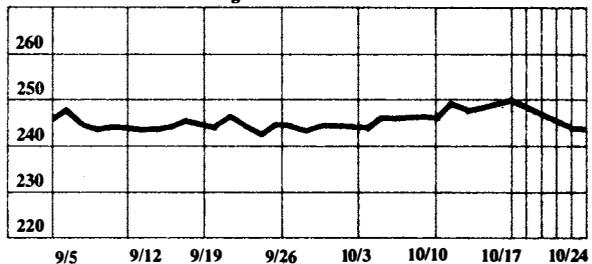
The dollar in deutschemarks

New York late afternoon fixing



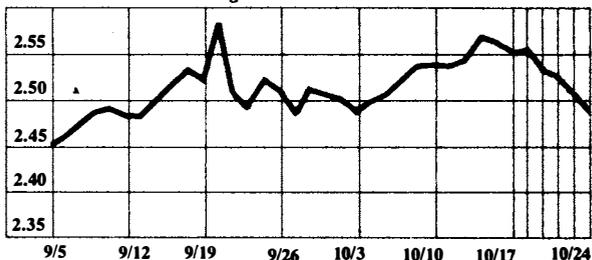
The dollar in yen

New York late afternoon fixing



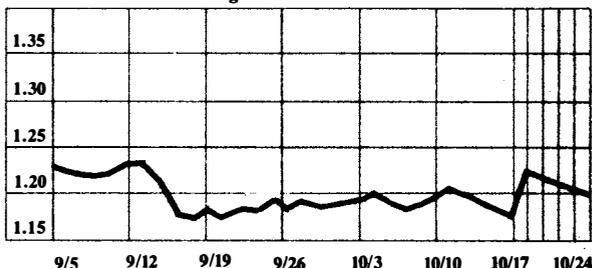
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Farmers sue Cargill

The agri-giant's attempt to consolidate its control over American food production is running into legal difficulties.

A \$26 million lawsuit was filed against Cargill, Inc. on Aug. 30, 1984 by the Southwest Tennessee Poultry Producers Association. Now before a Federal judge in Memphis, Tennessee, the suit charges Cargill with breach of contract and anti-trust violations.

Earlier this year, the meatpacking company Monfort of Colorado, Inc., won an anti-trust suit against Cargill, in which Denver Federal Judge Feinsilver permanently enjoined Cargill from acquiring the Spencer Meats division of Land-O-Lakes in order to prevent Cargill from monopolizing beef processing. The judge specified that the Spencer acquisition, had it been allowed to go through, would have put Cargill in a position to control both consumer and cattle prices. Cargill has now appealed the judgment.

The Tennessee poultrymen's suit brings before the courts the same kind of monopoly practices by Cargill in the poultry-and-egg industry. Poultry is the most vertically integrated of all U.S. food industries. Along with Cargill, only a tiny handful of other cartel-connected companies dominate American poultry production, such as Continental Grain, through its Wayne Poultry subdivision.

The Cargill Poultry Products Division is using its dominant position in Tennessee and other areas to manipulate the quality and price of chicken feed, to reduce the number of birds delivered for grow-out, to determine what kind of equipment must be bought

at farmers' expense, to dictate prices, and to arbitrarily alter egg grades to selectively cheat targeted producers.

Last winter, when consumers were paying top dollar for eggs because of the avian flu outbreak in Pennsylvania, egg producers in Tennessee and elsewhere were told there was a "surplus" of eggs that was "depressing prices." Cargill is paying farmers 3½¢ per dozen. It costs farmers 8¢ to produce a dozen under the current "contract-farm" arrangements. Independent poultrymen are being forced to close down at crisis rates.

Just a small number of poultrymen shutting down can easily reduce the supply line of eggs and chicken to the consumer. The Southwest Tennessee Poultry Producers Association consists of only about 22 or 23 farms, but these house about 2 million birds, with an initial investment of approximately \$15-\$16 million.

Cargill dominates the poultry processing industry in the region through its Oakland, Tennessee plant, whose director, Raymond Kelly, became so hated for his cheating business practices that the head office recently shifted him to a new location.

Another suit against Cargill is pending in Cullman, Alabama, on grounds of manipulation of the egg market. These suits throw strong light on the obvious conflict of interest on the part of the current undersecretary of agriculture, Daniel Amstutz, who is a 25-year Cargill top executive. It is an open secret in Washington that Amstutz runs everything at the USDA,

and Secretary Block is the fall guy, with an ulcer to show for it.

Amstutz got into office about the same time as Henry Kissinger was brought back, in 1983. There is a growing movement among farmers and processors to demand Amstutz's removal from a second Reagan administration.

Cargill is one of the top grain cartel companies in the world, and exercises strategic control over key trade flows of many foodstuffs—meat, orange juice concentrate exports, and so forth.

Cargill and Dr. Armand Hammer own the two largest beef processing companies in the United States—Excell Corporation and IBP, respectively. Congress has issued a report on the danger of the concentration of ownership in the U.S. meat industry, but the report is a cover-up since no names are mentioned. There has been no congressional scrutiny or government agency action on Cargill or IBP. Informed sources also report that Cargill is protecting its expected takeover interest in Spencer Meats by financially protecting Land-O-Lakes, in direct violation of the federal court's anti-trust order.

Cargill has already consolidated this degree of control in other regions of the world. In Argentina, Cargill dominates the entire poultry industry, after years of bitter fighting in which Cargill undercut every independent grower and processor.

One of the latest scandals involving Cargill is the involvement of Amstutz or Cargill directly in a recent USDA action against the giant P-L-B grain elevators in Plainview, Texas, owned and operated by P. L. Blake of Mississippi. P-L-B is the largest grain elevator in the United States, and one of the few that is still independently owned (see *EIR*, Business Briefs, Oct. 9, 1984).

Saudis try to stop oil-price collapse

The crisis in oil is not so much a matter of price, but of the future of the dollar and the Western strategic alliance.

The informal "mini-OPEC" pre-meeting on Oct. 21-22 in Geneva has resulted in an apparent strategy to stabilize the 18-month-old official OPEC benchmark price for crude oil of \$29.00 per barrel in the face of last week's unilateral cuts by Britain, Norway, and Nigeria. The full OPEC ministerial meeting of Oct. 29 in Geneva is expected to endorse the Saudi initiative.

As reported last week in *EIR*, Saudi Arabia has agreed to further slash its once-formidable output by an additional 1.5 million barrels per day (bpd), from present levels of 4.5 million to 5 million bpd. The remaining 1.5 million is to come from those others present in Geneva, including Kuwait, Libya, Algeria, Venezuela, and the United Arab Emirates. Although not in OPEC, Mexico was a specially invited guest at the Oct. 22 Saudi meeting.

For the moment, the Saudi initiative appears to have stabilized what during the week of Oct. 15 threatened to become a new international oil price war with devastating consequences for the Western banking and monetary system. "In fact," one close Mideast channel told *EIR* during the week of Oct. 22, "we could see world oil shortages as early as next month if the cuts occur. If I were a speculator, I would buy North Sea Brent oil futures." The winter peak-demand season is beginning, and oil company inventories are reported to be at the lowest levels since the 1979 Iranian "oil shock."

It is a calculated gamble on

OPEC's part, even assuming the Saudi oil minister can persuade his colleagues to sacrifice production revenue of 1.5 million bpd. "If Nigeria had not cut its price last week," one London-based Mideast consultant told me, "the Saudi strategy might have worked. Now I am doubtful the others will agree to sustain the cuts beyond, at most, two months. Then, if things haven't improved, all hell could break loose. Even before this, Libya and Qatar have been cheating like hell on their production ceiling agreement."

If Yamani succeeds in holding OPEC's price steady at the Oct. 29 Geneva meeting, it will last, at best, for a matter of a few months until the spring slack-demand season of March-April forces a new crisis.

EIR warned last week that the pressure was not so much against oil prices as such, but against oil prices denominated in the wildly overvalued U.S. dollar. The *London Times* ran a front-page story on Oct. 20 with the provocative headline "OPEC Could Sever Oil Price Link with the Dollar." The *Times*, as well as the *London Financial Times*, notes that the OPEC members are seriously weighing a dramatic shift from pricing oil in dollars to a "basket-of-currency" proposal for pricing oil according to the IMF's Special Drawing Rights. According to OPEC sources, the idea was recently interjected into the OPEC Long-Term Strategy Committee, a relatively inactive group nominally headed by Yamani. The specific proposal was reportedly drafted for OPEC by the Bos-

ton-based think-tank A. D. Little.

An SDR scheme may or not be successful. Just as likely is a breakup of the pricing structure, resulting in regional currency deals replacing dollar pricing of oil.

But it is significant that the SDR proposal has surfaced just now. Decoupling oil from the U.S. currency might be sufficient to collapse the U.S. dollar in the period following the U.S. elections.

"The SDR scheme from OPEC's standpoint would only be cosmetic. The underlying problem facing prices today is lack of industrial demand" in the OECD countries, according to the above cited London Mideast consultant. But it would grease the skids for the massive reorganization of world financial and monetary markets in the event of some projected Euro-Soviet move to try to destroy the role of the U.S. dollar as the world reserve currency. Similar decoupling motives lie behind recent discussion of Britain's joining the German-dominated European Monetary System (EMS). Moscow has just begun making teasing overtures to the EMS Central European countries, especially West Germany and France, by taking out a loan last month denominated in European Currency Units (ECUs) rather than dollars. OPEC's pricing even a significant portion of its approximate \$170 billion dollars of annual oil export in SDR's could dangerously undercut, not only the dollar's role, but the very future survival of the West.

Oil, the future of the dollar, and the Western alliance are all strategically intertwined. The surprise move last week by Norway, probably under influence from certain multinational oil companies—such as British Petroleum, Royal Dutch Shell, and Exxon—is a deliberate part of a much bigger game than any of the players would dare to admit.

Business Briefs

Far East

IMF tries to topple Philippines government

One policeman has been shot and 200 people arrested in cities throughout the Philippines in the first two days of strikes and protests following the Oct. 21 signing of "a letter of intent" between the government of President Ferdinand Marcos and the International Monetary Fund. The conditions attached to the letter prove that the "intent" is to bring down Marcos.

The terms include slashing of government subsidies for vital food staples to the population, slashing government subsidies to industries controlled by Marcos's political "cronies," and lifting the year-old freeze on foreign exchange trading in the peso.

Bus drivers across the country staged a two-day strike to protest a hike in fuel prices, leading to clashes with police and preventing thousands from getting to work. The shooting of a constabulary officer in Davao City, Mindanao, is a clear indication that the guerrilla arm of the Communist Party, the New People's Army, will take advantage of the crisis to move into the cities.

The economic onslaught against Marcos is coupled with mounting pressure to pin the murder of opposition leader Benigno Aquino on military and industrial circles very close to him. Corazon Agrava, head of the government commission investigating the murder, has submitted a minority report charging that a military conspiracy carried out the murder and then attempted to cover it up. Agrava traces the conspiracy to the head of the security forces at Manila airport, Lt. Gen. Luther Custodio.

The other four commission members will shortly release their report, which is expected to go one step beyond Agrava and charge that Marcos' close personal ally, Chief of Staff General Ver, is directly responsible for Aquino's death. In addition, the attorney for accused "hitman" Rolando Galman has charged that one of Marcos' closest associates and first cousin to Aquino's widow, industrialist Eduardo Cojuangco, was complicit in the assassination.

During his second debate with Walter F.

Mondale, President Reagan stated in reference to the Philippines that while there are problems with democracy there that don't please the United States, the only alternative to the present government is chaos. The IMF- and Soviet-backed "opposition" is committed to shutting down all U.S. military bases there and forcing U.S. withdrawal, effectively turning the entire Pacific over to the Soviets. Reagan, who has continued to support the IMF policies, has to decide whether his second administration will continue to do so, or whether U.S., Filipino, and Western interests will be protected.

Agriculture

Bush farm speech reflects LaRouche

In comments to Minnesota farmers on Oct. 23, George Bush begged "someone" to help the administration with its farm policy because the administration was not satisfied with a policy of shackling U.S. capacity while parts of the world starve to death. According to the Oct. 24 *Washington Times*, Bush said: "You know, here's a world we're living in where a lot of people are hungry, and no administration, including ours, has been able to match the requirements for food in the world with our ability to produce. And I don't know whether we're missing something on that, but that's one where I think the agricultural community could really do an awful lot of thinking. You know, you can travel as I do to Africa where there's really people hurting and we have this marvelous ability to produce, and take it for granted, and yet we haven't found the formula as to how you match up without further exacerbating deficits and all of that."

Referring to the administration's efforts to export more farm products, Bush continued: "But still there must be a better way out there. So, if we're successful and you all are tossing around and find ways to do that, I think it would be an extraordinarily helpful thing for mankind as well as for our great productive base in this country. And that's one of the things that's troubling me, and I

know the President's concerned about it. We just haven't been able to match it up as to how you take what the government has in crops, and you know, where we buy products and stuff and get it where it really saves people's lives."

Then, reflecting the grain cartel and libertarian pressure to slash U.S. farm programs in the 1985 farm bill, Bush somewhat densely added: "But we don't want to go back to the [farm-parity] programs, and the grain embargo and these kinds of things that really hurt the American farmers, [and] didn't help us at all in trying to expand our exports. . . ."

Economic Crisis

Ibero-American unemployment rising

Unemployment in Ibero-America is skyrocketing, according to a just released United Nations study. The study, carried out by the U.N.'s Employment Program, also found that underemployment has increased while real wages have decreased significantly, as a result of the IMF-induced depression on the continent. Unemployment went up from 8.9% in 1982 to 11.1% this year. At least 6.4 million people are out of work in the 24 countries that comprise the region.

Worst hit is Pinochet's Chile, which until very recently slavishly adhered to the "free market" prescriptions of Milton Friedman; more than 18% of the population of Santiago, the capital, is out of work. Colombian President Belisario Betancur this week was forced to order a freeze on all government hiring due to a lack of immediate cash to pay wages.

Brazil, which is expected to post a record \$12.5 billion trade surplus this year because the IMF has forced it to export everything possible to pay its creditors, is being forced to scrap a plan to double grain production to feed its starving population for lack of affordable credits.

Commenting on the policy, one of Brazil's leading bankers said: "The most serious debt of Brazilian society is that owed to the

mass of people, between 30% and 40% of the population, who live in absolute poverty."

However, the IMF is demanding that Brazil further pauperize its population, by "opening-up more" to goods from abroad. An IMF team visited Brazil a few days ago and sniffed that recent steps taken by the government to lift import restrictions on some 2,000 categories of goods "are insufficient." The IMF also demanded that the Brazilians abolish a 25% import tariff, and allow the importation of goods that can be produced locally, which will lead to the closing of factories and more unemployment.

International Credit

Bolivia resists austerity pressures

Bolivian President Hernan Siles Zuazo reaffirmed on Oct. 24 that his country would continue its moratorium on debt payments to foreign bank creditors indefinitely, "until Bolivia has achieved an adequate economic recovery." West German bankers agree that Bolivia cannot pay its debts, but assert, "The banks will not accept unilateral positions from Bolivia."

Siles is staving off, day by day, an Ab-scarn-type operation run by the drug runners' majority in the Bolivian Congress who assert that he covered up the 1983 offer from a cocaine kingpin to give Bolivia \$2 billion to pay its debts. Siles absolutely refused the offer, but the bagman who brought it to him is now testifying against him in Congress. Siles's counterattack will rest on the regional anti-drug army and anti-drug fund approved in Bogot last week.

The Invisible Hand

Judge rules for the dope pushers

Federal U.S. District Judge Robert P. Aguilar of San Francisco ruled on Oct. 18 that

the war now being waged by California law-enforcement agencies against marijuana growers is unconstitutional. Judge Aguilar said that the agencies had been carrying out their drug search-and-seizure operations without the appropriate warrants.

The judge's decision bars drug enforcement agents both from entering private property without search warrants and from using helicopters in low-flying searches for marijuana plants if the marijuana is grown on "private" land.

A lawyer for the National Organization for the Reform of Marijuana Laws (NORML) called the ruling "important to protect the rights of all citizens," and attacked California's Campaign Against Marijuana Planting for "a crusade against marijuana planting," which he said "took over entire counties with commando-style raids."

Dirty Business

Kissinger advocates economic de-coupling

In the fourth of a series of articles on strategic policy which are appearing in newspapers throughout the country, Henry Kissinger called on Oct. 22 for economic decoupling of the United States from Western Europe through the formation of hemispheric trading blocs. The United States, he said, "should be able to construct a trading bloc composed of the major Latin America nations, Canada, and probably Australia and New Zealand. Preparation for this partnership should influence American trade and debt policy, especially toward the nations of the Western Hemisphere."

Kissinger further called for "new and binding rules" to encourage foreign investments and to "define codes of conduct for multinational corporations."

In his introduction, Kissinger harkened back to the 19th century when industrialization first developed and "the rules of the game were set by very few countries that held similar philosophies and were run by restricted suffrage. . . ."

Briefly

● **EXCELSIOR**, a major Mexico City newspaper, began a two-part series in mid-October on "Insects—Food Resource of the Future," which notes that the Aztecs used insects for proteins and suggests the same for IMF-starved Mexicans.

● **INDIA'S** first subway made its debut through Calcutta on Oct. 23 after 12 years of construction by thousands of manual laborers using hoes to carve the 2.4-mile-long tunnel. The project, although highly controversial, is seen as a symbol of government efforts to revitalize the port city. When fully operational, the subway is planned to carry 2 million people a day at a maximum speed of 48 miles per hour.

● **GENERAL ELECTRIC** is developing a vibration-monitoring system which will detect crack formations in steam turbine rotor shafts, and will deliver a prototype to the Electric Power Research Institute in 1986. The vibration pattern of a turbine known to be free of cracks will be stored in a computer's memory. When the computer detects changes in the turbine's vibration system, it will signal an alert and will monitor the crack's gradual growth.

● **ITALIAN** Prime Minister Bettino Craxi's recent "heavy lira" proposal elicited a response from an Italian astrologers' convention, according to the newspaper *Corriere della Sera* on Oct. 23. The question was posed to the convention in Riva del Garda: "What do you have to say about the 'heavy lira'?" Astologer Maria Carla Canta answered that it should not be done until until 1986. The stars are not propitious until then.

● **THE STOCKHOLM** International Peace Research Institute has announced a new argument against President Reagan's Strategic Defense Initiative—the defensive beam-weapon system may jam the world's computer systems. SIPRI is a leading think-tank for the Soviet-controlled "nuclear freeze" movement.

The Kra Canal: A short pathway to industrializing Asia

by Linda de Hoyos

“The building of the Kra Canal would be a great economic achievement. More profoundly, it would be an even greater moral achievement, to which every present and future member of Thailand could point with pride: ‘Our nation built that.’ If the United States could contribute to making that project a success, I would be proud of my country on that account.”

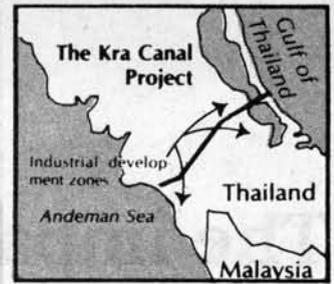
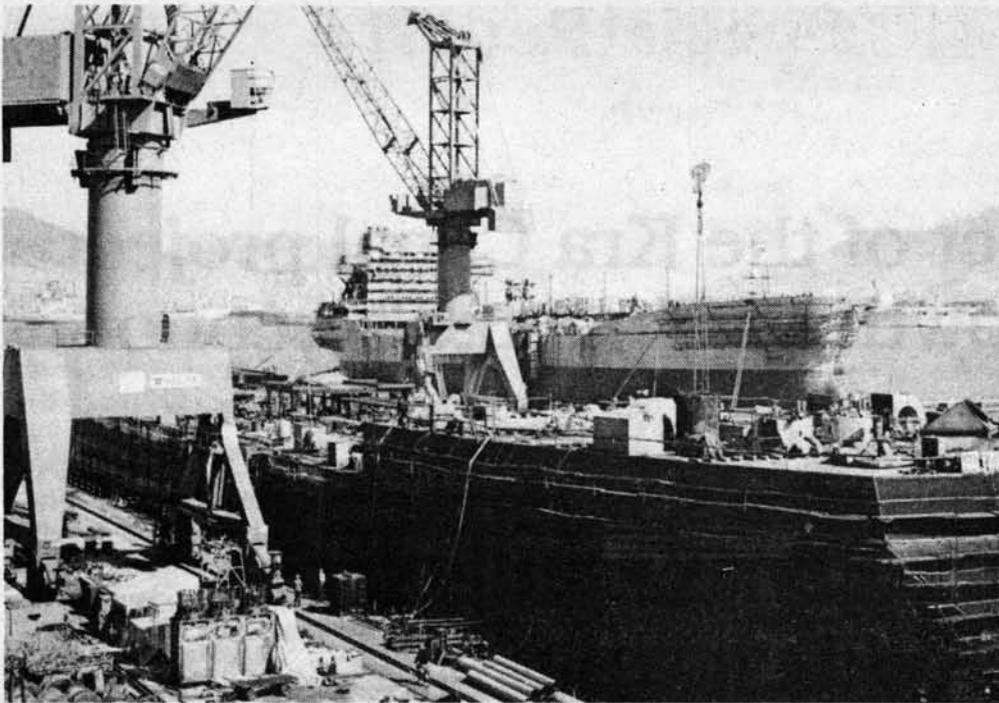
Lyndon LaRouche, *The Pivotal Role of Thailand in the Economic Development of Southeast Asia*

On Oct. 31, more than 200 Asian and American businessmen, professionals, and government officials are gathering in Bangkok, Thailand, for two days of deliberations on the feasibility of building a canal through the Kra Isthmus of Thailand. The outcome of this conference, sponsored jointly by the Thailand Communications Ministry, *Executive Intelligence Review*, and the Fusion Energy Foundation, may well determine whether this great project will be built or not.

If Thailand is to become a fully industrialized economy, the answer will be a definite yes.

As the report presented here shows, Thailand and all the non-communist nations of Southeast Asia are at a crucial watershed. All of these countries—Thailand, Singapore, Malaysia, Indonesia, and the Philippines—have advanced beyond the point of being mere agrarian economies. With the exception of the special case of Singapore, each has managed to reduce its agricultural labor force and increase agricultural productivity. The question is now whether they can muster the political determination to follow the model of Japan and South Korea to industrialization, or whether their hard-won growth is allowed to slip in the face of escalating debt, poor terms of trade, and lack of basic infrastructure.

The Kra Canal is the shortest route to the goal of industrialization—not only for Thailand. As the hub for new trade, new industry, a new superport, and new cities, the Kra Canal will be the engine for development in the entire region. For Japan and South Korea, the canal will reduce the time required for vital transport of raw materials and oil for industry; for India, the canal has the potential to



The construction of a canal through Thailand's Isthmus of Kra would cheapen world shipping costs and promote the development of the region as a whole, while allowing Thailand to overcome the structural deficiencies of its economy. Shown here is a shipyard in South Korea.

revitalize the industries of West Bengal and India's other eastern states; for ASEAN, the canal will be the focus for increasing economic cooperation to everybody's benefit and provide the vital infrastructure-building that industrialization requires.

But, as the paper by Lyndon LaRouche cited above emphasizes, the construction of the Kra Canal has far broader implications.

Since approximately August of 1983 and the murder of Philippines opposition leader Benigno Aquino—followed quickly by social upheaval in Pakistan, the downing of the KAL-007 flight, the Rangoon bombing-murder of most of the South Korean cabinet, and the Sikh insurgency in India—Asia has exploded into a new arc of crisis. Under conditions in which the "old 18th-century methods" of imperialism are continued in their new guises—the International Monetary Fund, the Agency for International Development, the World Bank—the developing nations are helpless against the destabilizations thrust on them by primarily outside forces.

As LaRouche states: "The issues of national security and economic development are so interdependent that one cannot speak efficiently of national security without economic development, and cannot speak of economic development without addressing vital matters of national security.

"In a period such as the present period, in which the major danger to continued existence of developing nations comes from various kinds of separatist insurgencies, there can be no effective national security unless the nation has strong internal defenses against the spread of those kinds of cultural and religious movements which organize these insurgencies. The long-term line of national defense against foreign-steered

separatist insurgencies must be the strengthening of a sense of national consciousness and of common national culture among the various regions and strata of the population."

The failure of the United States to recognize this crucial point is the primary devastating flaw in U.S. foreign policy. As Malaysian Prime Minister Mahathir pointed out in a speech in Washington last spring, the United States ignores the economic development of a country, perpetuating the conditions that cause unrest, and then comes in too late with the guns.

The work of LaRouche and his collaborators over the last year to revive the idea of the Kra Canal points the way to a new approach in the conduct of U.S. foreign policy. After serious consideration by the Thai government and leading American and Japanese businesses in 1973, the Kra Canal was tabled when the oil shock knocked down world trade. The idea was picked up again in the late 1970s by Japan's Mitsubishi Research Institute and incorporated in its Global Infrastructural Fund. It was given new impetus a year ago with LaRouche's publication of a 50-year program for the development of the Indian and Pacific Oceans basin.

Last October, the *EIR* and the Thai Communications Ministry launched the debate on the Kra Canal with a conference in Bangkok. The debate has been building steadily since. Now, with representatives of nearly every country in the region attending or speaking at the conference on Oct. 31, the Kra Canal has been placed in the forefront of the region's economic agenda.

The following reports summarize a more detailed study conducted by the FEF and EIR staffs; principal contributors: Peter Rush and Sylvia Brewda.

The impact of the Kra Canal project on the growth of Thailand's economy

by Uwe Henke v. Parpart

Historically, the successful industrialization of what are now advanced-sector economies has without exception been based on the execution of large-scale infrastructure projects. Appropriate infrastructure creates the opportunity and first impulse for industrial development and is a decisive productivity-producing economic factor. Two examples are the internal waterways and railroad projects in the United States and Germany, without which the successful development of these countries would have been unthinkable. And it was the so-called spin-offs from these infrastructure projects and their driving force which propelled the U.S. and German economies into leading positions by the end of the 19th century. More recently, the "spin-off" effect of such "non-productive" large-scale ventures as the U.S. "Apollo Project" has allowed American technology and industry to maintain their leading role.

In an accompanying article, we discuss the feasibility, specifications, and financing possibilities for the construction of a canal through the Isthmus of Kra. But when considering the desirability and the need for a project of the very large dimensions of this one, it is insufficient or even misleading to proceed only from the indispensable but relatively narrow "accounting perspective" developed there. The impact of the

project on the development of the national economy of Thailand and on relevant regional Asian economies, as well as broader strategic considerations, must be taken into account. We confine our attention here to the Thai economy, adding a few brief remarks on broader issues.

The outlines of the crisis

A recent study of the Thai economy by the Fusion Energy Foundation (FEF) produced the following conclusions: Over the past 20 years the Thai economy has realized impressive growth rates averaging 7.8% in GNP terms per annum. However, unlike the cases of the economies of Korea, Taiwan, or Singapore, this growth effected disappointingly small structural changes. The unfavorable, essentially colonial-style structure of production and export of agricultural commodities and raw materials in exchange for manufactured goods remained largely unaffected. Long-standing demographic imbalances—singular population concentration in Bangkok, in particular—have been exacerbated rather than alleviated. In the current depressed world economic conjuncture, the critical vulnerability of this deficient structure of the Thai economy manifests itself in stagnation, pressure on the national currency, and crisis of financial institutions.

Table 1

Thai labor force by category of occupation

(percentage of total)

	Agriculture	Industry	Services
1947	85	3	12
1960	84	4	12
1965	82	5	13
1970	80	6	14
1975	78	7.5	14.5
1980	76	9	15

Sources: 1947 Census; *World Tables* 3rd Edition (World Bank).

Table 2

Korean labor force by category of occupation

(percentage of total)

	Agriculture	Industry	Services
1960	66	9	25
1965	58.5	12.5	29
1970	50	17	33
1975	42	22.5	35.5
1980	34	29	37

Source: *World Tables* 3rd Edition (World Bank).

The current stagnation, however, is due not only to external factors; it is a powerful signal that economic growth within the existing structural framework has run its course. Resumption of reliably sustained economic expansion will be possible only as the result of concerted public and private efforts to effect fundamental structural change through combined infrastructure, basic industry, and high-quality manpower development. Modernization of agriculture and decentralization (creation of new population centers and centers of economic activity) must be principal included features and goals of such efforts.

Current structural deficiencies

Contrary to physiocratic notions widespread, in particular, in International Monetary Fund and World Bank circles, the history of successful industrial capitalist development in Western Europe, North America, and Japan demonstrates that it is *not* the resource base that determines the wealth of a nation, but rather the quality, development, and distribution of the manpower and labor force. Consequently even a first rough-cut analysis of the past performance, present level of development, and future growth potential of a nation's economy must proceed from labor-force analysis rather than from analytically questionable and unreliable GNP-type measures.

A look at the historical evolution of the distribution of the Thai labor force over principal categories of economic activity yields the picture shown in **Table 1**.

The 33 years of economic development have produced only a relatively minor shift from agricultural into industrial employment. This picture is further dimmed by the fact that in 1981 the capital goods (machinery and transport equipment) and industrial chemicals sectors critical for successful independent economic development jointly accounted for only 18% of total industrial output. A comparison with the Korean (ROK) economy will be instructive.

Table 2 shows a 32% shift out of agricultural into primarily industrial employment, compared to only a 9% shift

Table 3

How much has Thai agriculture modernized?

		Fertilizer consumption (Kg/ha of arable land)	Rice yield (Kg/ha)
Thailand	1970	7.6	
	1981	17.7	1,952
Korea	1970	246.6	
	1981	351.3	5,841

Source: *World Tables 3rd Edition* (World Bank)

of the Thai economy in the same time span. Moreover, the Korean industrial production structure is more healthy and self-reliant, capital goods and chemicals production accounting for 29% of value-added output, compared to Thailand's 18%. Five additional crucial comparative level-of-development indicators—degree of modernization of agriculture, level and rate of urbanization, per capita energy production and consumption, export/import structure, and level of scientific and engineering manpower—were employed in the FEF study of the Thai economy. These indicators, along with the already mentioned labor force and industrial structure indicators, have been found by FEF study teams to provide a consistently highly reliable measure of degree of development and growth potential for a wide range of developing sector economies in Latin America and Asia analyzed during the past several years. Let us now look at each of the five additional indicators in turn.

Fertilizer consumption, an accurate measure of degree of modernization of agriculture, has doubled in Thailand during the last decade (**Table 3**). Still, by modern agricultural standards, it remains extremely low. Progress in this area would easily allow Thailand to triple rice production on the same amount of land presently under cultivation.

Table 4

Progress made in commercial energy consumption

(Kg of coal equivalent)

		Total	Per cap.	Per Km ²	Growth rate	
					Total	Per cap.
Thailand	1960	1,703 × 10 ⁶	63	3,314		
	1980	17,371 × 10 ⁶	370	33,781	12.3%	9.3%
Korea	1960	5,202 × 10 ⁶	208	52,832		
	1980	59,703 × 10 ⁶	1,563	606,288	13%	10.6%

Source: *World Tables 3rd Edition* (World Bank).

Table 5

Electricity production: a decade of growth

(millions of KWh)

		Total	Growth rate
Thailand	1969	3,728	
	1978	12,644	14.5%
Korea	1969	8,150	
	1978	31,510	16.2%

Source: *Statistical Yearbook Asia Pacific*, ESCAP 1979

Despite some economists' recent claims about a "decoupling" of energy and economic growth, if growth is measured in productive output (agriculture, industry, mining) rather than misleading GNP terms, then there is no question not only of a close correlation, but indeed a causal connection between energy and economic growth. In addition, and perhaps even more importantly, there is a direct causal link between per capita energy consumption and the productivity of agricultural and industrial labor. This holds in particular for the highest quality and most versatile energy form—electricity. It is clear from **Tables 4 and 5** that Thailand in the past two decades has made significant progress in this regard. Still, the absolute values remain quite low and a most ominous sign is the fact that the energy-consumption growth rate since 1975 has dropped to less than half of what it was between 1960 and 1975. Highly desirable productivity gains in agriculture, for example, will not be possible unless this recent trend is reversed, since the necessary production inputs (fertilizers, etc.) are based on highly energy-intensive production processes.

Table 6, comparing value added for Thailand and Korea, is interpolated at this point to verify the point made above, i.e., that there exists a close correlation between per capita energy consumption and average productivity. For a tightly fitting correlation, energy consumption for transport and infrastructure would have to be taken into account. Still, the general point can be readily understood by comparing the 4:1 per capita energy consumption ratio to the most relevant 3.6:1

Table 6

Value added reflects energy consumption

(U.S. dollars)

	Total	Total per cap.	Agric. per cap.	Industry per cap.	Total/Km ²
Thailand					
1979	27.24 bn	594	157	117	53,000
Korea					
1979	60.66 bn	1,613	328	430	594,000

Table 7

Pace of urbanization is slow

	Urban population (% of total)	Average annual growth rate (%)
Thailand		
1960	13	1960-70
1982	17	1970-82
Korea		
1960	28	1960-70
1982	61	1970-82

Source: *World Development Report 1984*, World Bank.

per capita value added ratio in manufacture. The figures for energy flux per area and value added per area also demonstrate a direct scaling of the two quantities.

The relatively slow growth of Thai industry relative to agriculture is not surprisingly mirrored by an equally slow pace for urbanization and by the fact that in Thailand there has been virtually no diversification of urban structure and almost the entire urban growth has been in the already overloaded Bangkok area (**Table 7**). There exists an obvious and urgent need for decentralization of urban development.

Indicated in **Table 8** is one of the weakest and most dangerously inadequate features of Thailand's development. Indigenously, the country is even now producing few—if any—Ph.D.s in natural science, but instead has an overabundance of lawyers and social scientists. Without drastic immediate changes in this regard, there is simply no way for Thailand to build a modern, self-reliant nation as it behoves the 12th largest country in the world in population terms to do.

We conclude with **Tables 9 and 10**, because in a sense they summarize the more detailed account provided so far. The export structure in particular tells the story. In 1960, 98% of Thailand's exports were in agricultural goods and raw materials. By 1981, this figure had been reduced to 73%—only a very modest change in fundamental structural terms. In the same time span, Korea, on the other hand, went from 86% in agricultural and raw materials exports down to 10%, a structure comparable to most average advanced-sector nations. The challenge for Thailand is obvious.

As already mentioned above, it is the firm conclusion of this writer and the FEF study team that the Thai economy has come to a watershed point. Resumption of vigorous growth in the existing structural framework will not be possible. Any attempt to do so will fail—with serious social and political consequences. The point can be made more precise by reference to the evolution (or devolution) of some of the Latin American economies. We choose the example of Peru, because the FEF recently conducted a detailed study of the Peruvian economy, under contract from the National Society of Industry (SNI) of Lima.

In 1960, the Peruvian economy, while starting with different absolute values, exhibited a broadly similar "colonial-

Table 8

Scientists and technicians

(1975 figures)

	Total	Scientists & engineers	Sci. & eng. in research	Nat. sci. in research	Soc. sci. in research
Thailand	67,632	20,288	6,097	547	3,209
Korea	1,449,372	460,037	6,314	1,652	568

Source: *Statistical Yearbook Asia/Pacific*, ESCAP 1979.

Table 9

Export structure

(% of total exports)

	Fuels, minerals, metals	Other primary commodities	Textiles	Machinery	Other mfrs.
Thailand					
1960	7	91	NA	0	2
1981	8	65	10	5	12
Korea					
1960	30	56	8	NA	6
1981	2	8	30	22	38

Source: *World Development Report 1984*, World Bank

style" structure to Thailand, with regard to labor force distribution and export/import structure. In the subsequent two decades, labor force distribution evolved as shown in **Table 11**.

The desirable 13% shift out of agricultural employment, rather than going into industry, went entirely into the tertiary (non-productive) service sector. To put it caustically, the economy made the transition from pre-industrial to post-industrial society without the intervening complication of industrialization. The watershed point toward modern industrial development (as in the case of Korea) had been reached by the late sixties, but the wrong economic policy choices (strongly influenced by foreign intervention) instead led to the present almost entirely bleak situation. It is urgent that Thailand avoid traveling down that same road. But the proper economic policy signals implied by the foregoing comparative analysis must be set now. New strategic economic policy impulses aimed at basic structural change rather than tactical measures within the existing framework are required.

The role of the Kra Canal

We have discussed elsewhere the broader strategic significance of a canal through the Isthmus of Thailand for the world economy and world trade. (See Uwe Henke v. Parpart, "Canal is cornerstone of Asian development," *EIR* Sept. 13, 1983; and Richard Freeman, "World trade requires construction of Thailand's Kra Canal," *EIR* Oct. 18, 1983.) These concluding remarks are intended as a brief outline of the Kra Canal's possible impact on the Thai economy, in light of the preceding analysis.

Our evaluation of the canal's impact on the Thai economy proceeds from two points of principle:

1) Successful industrialization, as noted above, has never occurred without the execution of large-scale infrastructure development projects.

2) A look at the world map—in particular a Pacific-centered projection—demonstrates the decisive strategic location of Thailand, and should therefore put to rest the contro-

Table 10

Import structure

(% of total imports)

	Food	Fuels	Other primary commodities	Machinery	Other mfrs
Thailand					
1960	10	11	11	25	43
1981	4	30	8	26	32
Korea					
1960	10	7	25	12	46
1981	12	30	15	23	20

Source: *World Development Report, 1984* World Bank.

Table 11

Labor force of Peru by category of occupation

(% of total)

	Agriculture	Industry	Services
1960	53	19	28
1980	40	18	42

versy over the competing ambitions of Singapore. Why should a large nation of 50 million people (and 70 to 80 million by the end of this century) abrogate its potential role and economic opportunities in favor of the miniscule city-state (2.5 million inhabitants) of Singapore?

We will concentrate on drawing out the implications of the first point:

- While Korea—for lack of opportunity—engaged in no infrastructure project comparable to the scale of the Kra Canal, total infrastructure spending (energy, transport, urban development) between 1960 and 1975 was massive, being to a large extent responsible for Korea's present indebtedness of close to \$30 billion. However, the productivity-producing impact of such infrastructure spending was such that between 1970 and 1982, Korea's debt service as a percentage of exports of goods and services *dropped* from 19.4% to 13.1%. In comparison, Thailand's total public external debt in 1982 was only \$6 billion, but debt service as a percentage of exports *increased* from 3.4% in 1970 to 8.4% in 1982. Therein lies the obvious lesson that it is not the total amount of money you borrow that counts, but rather what you do with it. And there is a second point as well: Thailand, even under conservative estimates for its future export potential, is in the position to incur the additional indebtedness implied by the Kra Canal project if that project can be demonstrated to have the potential of reversing the present unfavorable trend in the country's debt-service ratio.

- We demonstrate below that canal passage revenues alone will, in a reasonable period of time, given the size of

the project, offset construction and related financing costs. Any revenue flow to the Thai government from associated port and industrial development would be a net benefit. The sum total of such benefit is difficult to estimate but would almost certainly amount to several billions of dollars per annum within less than five years of project completion.

● While under construction, one conservative estimate is that the canal project would create between 3 and 5 million new and relatively high-skill jobs *directly* and up to 8 million new jobs proliferating through various branches of industry.

● The type of new jobs and industries created and stimulated by canal construction are precisely of the right kind to repair the above-analyzed structural deficiencies of the Thai economy. Stimulation will be primarily in the heavy-industry and machinery production sectors. The energy requirements of the canal zone will also at long last get the nuclear-energy industry in Thailand on its feet. Nuclear energy is certainly the most plausible answer to meeting the energy requirements in the canal zone and the southern region of Thailand in general.

The Thai economy: an historical insight

The Fusion Energy Foundation chose to analyze the Thai economy in comparison to the Korean for two reasons. First, these are Asian countries of roughly the same dimension, and at their take-off point for economic development in the late 1950s they exhibited broadly similar economic characteristics, though Thailand was more agriculturally oriented. Second, while both countries showed strong economic growth as measured in GNP terms throughout the 1960s and '70s, Korea succeeded in transforming its economy to a point where it is now on the verge of becoming a modern industrialized nation (the first one to do so since Japan), whereas Thailand did not.

To a historical observer looking not only at relatively short-term developments, this must come as something of a surprise. Thailand has had the advantage—based largely on the enlightened and courageous political leadership of Kings Rama IV and Rama V during the 19th century—to be one of only two nations outside Europe (the other being Japan) never to have been subjected to debilitating colonial rule. That

condition was attained and secured precisely because Kings Mongkut and Chulalongkorn in the critical 1850-1910 period realized—as did the leaders of the Meiji Restoration in Japan—that only aggressive modernization would allow the country to build its strength and preserve its independence. Why then did Thailand in the post-World War II period fail to turn those nation-building impulses to its advantage and build a modern industrial society?

Many external reasons for this could be cited, first and foremost a wholly unimaginative and later disastrous U.S. Pacific and Southeast Asia policy. Still, Japan and Korea succeeded where Thailand did not, and external factors alone do not explain that lack of success. We can identify three principal culprits, who misguided Thailand's economic development at critical points: 1) the International Bank for Reconstruction and Development (World Bank); 2) significant factions of the economics faculty of Thammasat University; 3) Dr. Puey Ungphakorn and his creation, the National Economic Development Board (NE[S]DB). To quote from a laudatory collection of articles by and about Puey, *A Siamese For All Seasons*:

In 1957 the World Bank, at his [Puey's] instigation, was asked to send a study team to Thailand to prepare a general development program. Its recommendations resulted in creation by the government in 1959 of the National Economic Development Board (NEDB) as the agency responsible for drafting the First Six-Year Plan (1961-66).

Puey, a London School of Economics product, became a member of the Executive Committee of the NEDB, Governor of the Bank of Thailand, and Dean of the Faculty of Economics, Thammasat University. He was largely responsible for the drafting and execution of the First Six-Year Plan, based on World Bank recommendations. And he found (or helped create?) the political circumstances for



Thailand does not have to stick with the IMF's anti-industrial program. Shown is the July-August 1984 cover story of the magazine of the Fusion Energy Foundation.

- The canal zone with its port and industrial facilities will become one of the badly needed alternative development centers to the Bangkok region. Comparison figures from the Europort development of Rotterdam in the Netherlands, from the expansion of the ports of Yokohama, Kobe, and Singapore demonstrate that sizeable percentages of a country's total labor force will be attracted to port and industrial development associated with it.

- It would be most desirable to locate in the canal zone certain high-technology industries not presently installed in

concentrated form anywhere in the world. We reference here Dr. Willard F. Libby's concept of a nuclear industrial zone ("Thailand's Kra Canal: Site for the World's First Nuclear Industrial Zone," *Orbis*, Spring 1975). Such a development should provide the necessary and desirable impetus for scientific manpower development in Thailand that is presently sorely lacking.

We conclude with a plea for no lawyers and social scientists in the canal zone (no anthropologists in particular!).

the plan's successful implementation. As the World Bank's report (*A Public Development Program for Thailand*, Baltimore, 1959) proudly proclaims in its preface:

The last members of the Mission left Thailand early in July 1958. Since that date much has happened in Thailand of relevance to the problems discussed in the Mission's report—especially after October 1958 when the Revolutionary Party under Field Marshal Sarit Thanarat assumed governing responsibilities. *Indeed, in some ways the Government appears to have taken action on the lines recommended by the Mission [emphasis added].*

So, what were their recommendations? We single out one for special attention:

There is, clearly, little care for a "forced draft" program of industrialization based on Government investment and operations in industry. . . .

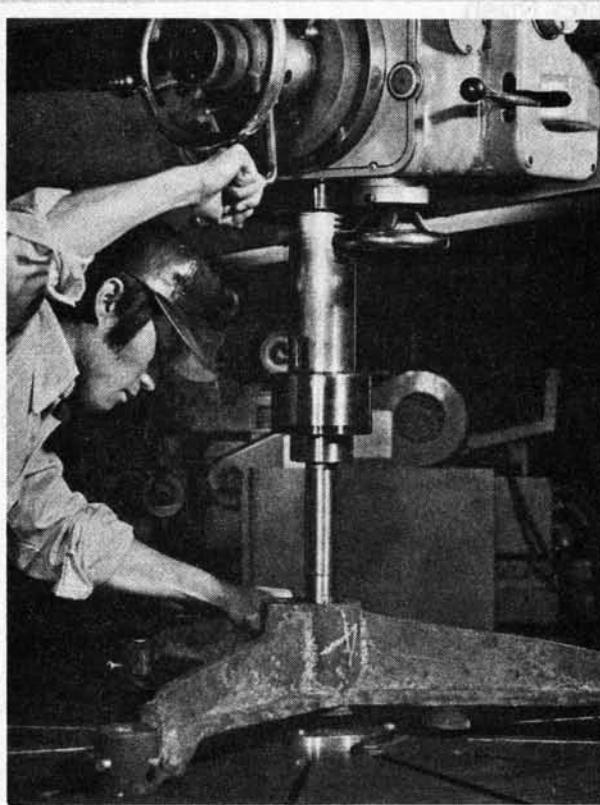
This may mean that for some time to come ambitious schemes for starting iron and steel mills, fertilizer plants and other heavy industries will have to be shelved.

The financial details of the World Bank Mission's (and First Six-Year Plan's) "Proposed Expenditures on Public Development" further elaborate this policy. Under the rubric of Capital Expenditure for Industry, we find the following proposed time sequence of expenditures (in millions of baht):

1959	1960	1961	1962	1963
100	30	40	50	60

The government of Korea adopted exactly the opposite of the Puey/World Bank policy. Unfortunately, Puey's decisive influence over Thai Government economic policy was permitted to continue until Oct. 6, 1976, when he was finally forced into (well-deserved) exile in his favorite nation, Great Britain.

Here was a typical British economist who misguided the fate of the Thai nation. Had he lived in the 19th century



Korea, which rejected the policies of the IMF and World Bank, now has a skilled labor force and 23 times the number of scientists and engineers that Thailand does.

and had Kings Mongkat and Chulalongkorn been foolish enough to give him free reign, Dr. Puey would have become the principal administrator of the British Colony of Siam.

It is not known to this writer what role if any Puey played in the 1973 "student uprising" which toppled the Thanom Kittikachorn government. But the Thanom government had agreed in principle that the Kra Canal should be built, and preliminary studies had been completed. Puey and the majority of the NESDB were well known for their opposition to the project.

The economic feasibility and future benefits of the Kra Canal project

by Peter Rush

The following economic feasibility study of a canal through the Isthmus of Kra in southern Thailand is an updated and abridged version of a study presented to a seminar on "The Economic Feasibility of the Kra Canal," conducted by the Fusion Energy Foundation and Executive Intelligence Review in Bangkok on March 19, 1984.

While the justification for building the Kra Canal goes beyond mere financial considerations, it is expected that the canal will more than pay for itself within 10-20 years of its completion under the more favorable options, or in up to 30 or 35 years under less favorable circumstances of total cost and higher interest charges. Compared to projects of comparable relative cost and magnitude during the past century, this payback period is quite modest, even if it is longer than the customary term of commercial bank loans today. The estimates of the financial feasibility of the canal are derived from three principal groups of parameters:

- 1) estimates of the excavation and construction costs;
- 2) estimates of the financing costs at various rates of interest;
- 3) estimates of the expected level of trade, and the level of canal revenues that can be generated from this trade.

Based on several alternative sets of estimates for different sized canals and different interest rates, financial breakeven conditions and dates were calculated. For this study, only direct canal revenues were included, even though revenues from the associated harbor and industrial projects will provide additional revenues applicable against amortization of the accumulated debt incurred in construction of the canal. The calculations show that for the more expensive options, the revenues in the first few years after construction will be below the interest charges on the debt. Therefore, we calculated both the point at which toll revenues "catch up" to interest payments, as well as the point at which the entire debt will be paid off.

The excavation and construction costs of the canal are taken from the "Preliminary Survey Report on the Kra Canal Complex" prepared in September 1973 by the Tippetts-Ab-

bett-McCarthy-Stratton (TAMS) Consulting Engineers firm of New York and the Robert R. Nathan Associates, Inc. Consulting Economists firm of Washington, D.C., and including contributions by the Hudson Institute of Croton, New York and the Lawrence Livermore Labs of Berkeley, California. The total construction costs of the canal in the TAMS study were put in 1984 constant dollars by multiplying the mid-1973 costs by the rate of inflation indicated by the U.S. Bureau of Reclamation canal and channel construction index, and adjusting this to allow for inflation and breakthroughs in construction technology. The adjusted 1984 constant dollar costs for the canal, which will be built to accommodate ships with 500,000, 300,000 or 250,000 ton deadweight ton capacity are shown in **Table 1**.

Table 1
What different sizes of canals will cost to construct

Canal size (dwt)	Canal type (lanes)	Method of Construct.	Original Cost* (bn US\$ 1973)	Cost** (bn US\$ 1984)
500,000	2	convnt.	11.12	22.48
	2	nuclear	6.22	12.57
	1	convnt.	5.65	11.42
	1	nuclear	3.54	7.16
300,000	2	convnt.	8.90***	17.99
	2	nuclear	4.80***	9.70
	1	convnt.	4.55***	9.20
	1	nuclear	2.89***	5.84
250,000	2	convnt.	8.35	16.88
	2	nuclear	4.45	9.00
	1	convnt.	4.27	8.63
	1	nuclear	2.73	5.52

* From the TAMS study.

** The TAMS figures multiplied by 2.246 and .9.

***Interpolated from 250,000 and 500,000 ton canal costs.

Financing of the canal is expected to come from four principal sources: the so-called multilateral lending agencies such as the World Bank and the Asian development Bank; the export-import banks of the developed countries whose firms will participate in the construction; the commercial banks; and interested governments, including the United States and Japan, and Thailand itself.

In terms of the multilateral banks, Thailand does not qualify for preferential loans that "fourth world" poorest countries do, and hence is subject to a strict quota, so it is not expected that more than a small proportion of the financing will come from this source. The primary government funding source is expected to the respective export-import banks of the United States, Europe, Japan, and countries such as Korea which will extend loans at relatively favorable terms to finance all or most of the foreign exchange portion of construction contracts to firms of the respective countries. Based on whatever portion of the total construction costs these two classes of loans will cover, the commercial banks will be invited to finance the remainder of the costs. It is anticipated that the commercial bank portion will be 50% or less. However, as commercial bank loans today average in the seven-to-eight-year range, with occasional longer terms, the structure of the total financing package will establish the commercial loans as the first ones to be repaid, with the export-import and multilateral bank loans to be paid only afterward, as these loans can be made on a much longer-term basis.

It is expected as well that the United States and Japan will wish to make a \$1 billion contribution each to the Canal Authority, either as a straight grant or as an interest-free loan, not to be repaid until all other obligations are discharged. To Japan, the value of the canal will be immediate in economic terms; to the United States, it represents the strategic value of securing the long-term economic growth and stability of the Southeast Asian region and the optimal way of preventing Soviet subversion of the region. It is also possible that the Thai government will participate, up to the \$1 billion level, perhaps in the form of 8-12 annual payments of \$85 million to \$125 million. Such participation may or may not be possible or desirable.

The financing of the canal project will employ a tiering process of loans, as is common practice with such development projects. The initial loans will not be disbursed all at once, but only as needed. Plus, the first years of the project, that is, the construction phase, will be concomitant with a grace period on both the principal and interest of the loans, in which period the interest will be capitalized. Repayment of the principal plus the capitalized interest will start with the first year of the canal's operation, paid out of the tolls charged, net of operating expenses.

The prevailing interest rate is the dominant parameter affecting the overall cost and time of repayment of the total loan package. For purposes of this study, several different interest-rate levels were explored.

Trade patterns and projections

In order to project likely revenues realizable from operation of the canal, a picture of the recent past trade patterns through the Straits of Malacca was required, as a basis for projecting likely patterns in the future. An effort to measure this had been made by Robert Nathan Associates for the original study referred to above for the early 1970s, but trade patterns have changed so much that no simple scaling of their figures could be employed to update their results. In particular, their figures for the petroleum trade were calculated before the 1973 oil crisis. On the other side, the growth of manufactured exports by Japan, Korea, and Taiwan has increased the general cargo trade way beyond the pre-1973 calculations.

Consequently, United Nations figures were used to compare volume (in tons) of cargo transported through the Straits in 1970 and 1980. The results appear in **Table 2**.

Since 1980, petroleum imports have actually fallen, while manufactured exports have continued to grow, although somewhat more slowly than previously. Our estimates, assuming a period of general economic recovery, project that total petroleum trade in 1985 would be 255 million tons, 200 million to Japan and 55 million tons to other importers. Bulk cargoes were estimated at 90 million tons, including 25 mil-

Table 2
Asian trade volume has grown utilizing the Straits of Malacca,* 1970-1980
(million tons)

	1970	1980	Annual % Change
Eastbound trade:			
Total	263.9	342.5	2.6%
Petroleum	217.5	284.5	2.7%
Bulk cargo	40.5	50.6	2.2%
General cargo	6.0	8.0	2.9%
Westbound trade:			
Total	19.2	62.4	12.3%
Bulk cargo	11.5	29.7	9.9%
General cargo	7.7	31.7	15.1%
Two-way trade:			
Total	283.0	403.9	3.6%
Bulk cargo	52.1	80.4	4.4%
General cargo	13.7	39.7	11.2%

*The available figures utilized for this table showed trade to and from the major seacoasts of the world which permitted a relatively accurate assessment of which trade must have utilized the Straits of Malacca. In the unfortunate absence of any direct figures on trade or ship traffic through the Straits, such indirect measures as the one used provide the only basis for estimating this traffic.

Source: *Maritime Transport Study, Commodity Trade (By Sea) Statistics, 1970 and 1980*, Statistical Papers, Series D, Statistical Office of the United Nations

lion tons of iron ore exported by India to Japan. General cargoes were assumed to have risen to 50 million tons.

We show these figures only from 2000 on because the canal itself would not be ready until the late 1990s or early 2000s. It was assumed that all petroleum and bulk cargoes will use the canal, as they will have no reason to prefer Singapore and the Straits, while 70% of the general cargo will prefer the canal, the remaining 30% using Singapore as their primary port of call. This 70% was increased by 1% yearly to 90% by 2020. This scenario envisions therefore a slower, but continued growth for Singapore, as well as a rapid growth through the canal.

Revenue calculations

Calculations of expected revenues were based on the estimated cost savings to ships not having to use the Straits of Malacca. According to the figures in the TAMS study, the canal will save at least one full day of steaming time for ships now using the Straits of Malacca (two days for Bangkok, somewhat more than one day for Indochina). Average ship operating costs were converted to estimates of cost per day per ton carried, from which total revenues were figured using the tonnage figures in **Table 3**. It was also assumed that profit of 20% was also realizable. Seventy-five percent of the resulting cost plus profit saved/earned was assumed to be the toll chargeable by the canal.

During the 1970s, a series of serious accidents resulting in oil spills occurred in the Straits of Malacca. While subsequent safety measures have reduced the incidence of accidents, the growth of trade envisioned in this study is likely to bring congestion in the Straits to a serious level by 2000. At that point, it is expected that the larger tankers will be required to use the much longer route through the Straits of Sunda or Lombok. The Sunda Straits add at least one more day to the travel time through Malacca, and Lombok almost

two. It was therefore assumed that for tankers, a savings of two days could be assumed as the basis for a toll structure.

The average price of several sizes and types of ships, as compiled by the U.S Maritime Administration, was used to estimate the per ton costs of one day saved at sea, as presented in **Table 4**.

Revenues from the canal were calculated to be about \$275 million in constant 1984 dollars in 1997, the earlier date the canal might open, \$335 million in 2000, \$461 million in 2005, \$650 million in 2010, \$1,390 million in 2020 and \$2,730 million in 2030.

While only direct canal tolls were included in this study, it should be pointed out that other sources of revenue will augment the total funds countable against amortization requirements. The port to be developed at Songkla, on the eastern terminus of the canal, which will not only provide all the obvious services of bunkering, ship repair, etc., and serve as a transshipment point for the entire region, but which will be the gateway to a major industrial complex, will generate revenues net of its own operating and amortization costs, the excess reverting to the Canal Authority. And the industrial complex itself will generate revenues, in the form of rents and leases for the land, which will also be paid to the Canal Authority.

A review of **Table 1** shows that the options considered fall into roughly five price ranges. The most expensive canal is the two-lane conventional 500,000 dwt capacity option, at over \$20 billion. The next is the two-lane conventional 300,000 and 250,000 dwt option, about \$4 billion cheaper in the \$17-18 billion range. Third is the 500,000 dwt two-lane nuclear and one-lane conventional option, at around \$12 billion. Fourth is the 300,000 and 250,000 dwt two-lane nuclear and one-lane conventional options, and the 500,000 dwt one-lane nuclear alternative, in the \$7-10 billion range, and the cheapest are the 300,000 and 250,000 dwt one-lane

Table 3
**Trade through Kra Canal
projected 2000-2020**
(million tons)

	Petroleum		Bulk Commod.	General Cargo	Total
	To Japan	To Others			
2000	360	200	135	144	839
2005	418	294	172	249	1,133
2010	499	432	220	428	1,579
2015	561	635	281	733	2,210
2020	651	934	359	1,250	3,194

Source: own elaboration: Japan's oil imports are assumed to rise at 3% per annum, and other countries' at 8%, bulk shipments through the Canal are expected to rise at 5%, and general cargo shipments at 10%.

Table 4
Daily ship operating costs at sea, 1983

	Tonnage	Daily operating cost
Medium-sized tanker	85,000 dwt*	\$25,727
Large-sized tanker	265,000 dwt	\$49,751
Small bulk carrier	25,000 dwt	\$12,482
Large bulk carrier	50,000 dwt	\$21,726
Small containership	12,000 dwt	\$15,296
Large containership	42,000 dwt	\$32,990

*dead weight tons

Source: U.S. Maritime Administration, Office of Ship Operating Costs, memorandum on ship operating costs.

nuclear construction options which cost \$5-6 billion.

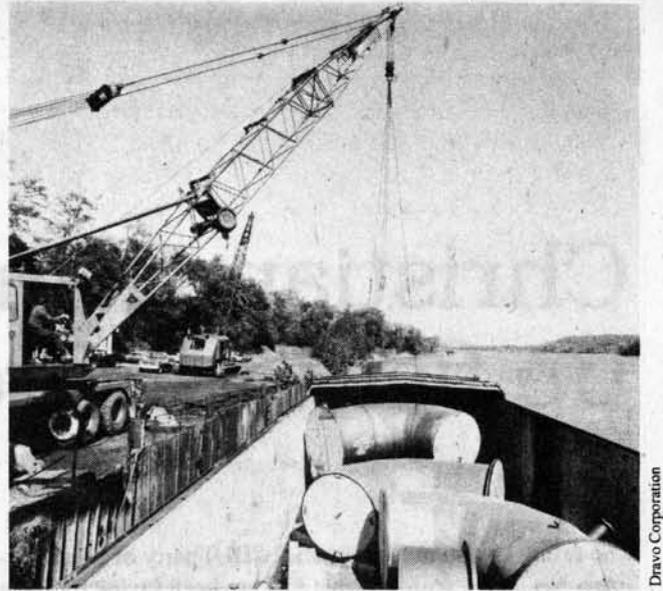
The one-lane alternatives were not considered attractive because, while much smaller at present, the east to west general cargo trade is the most dynamic, and is expected to continue to be so for the indefinite future. Since a one-lane canal would necessarily go from west to east to accommodate the oil traffic, the added cost of the two-lane options would more than pay for itself over time by the added traffic of this east to west general cargo. Also, the original 500,000 dwt alternatives were considered by TAMS at a time when tankers in the 400,000-500,000 range were foreseen as the wave of the future. Now, only one in that range is still operating, and 300,000 tons is the effective limit. Therefore, the 500,000 dwt size now seems unnecessary, and therefore incurring the added costs will serve no revenue function. The 300,000 option was added to the TAMS options to ensure capturing all of the tanker traffic. The alternatives examined in some detail were therefore the two-lane alternatives in the two smaller sizes.

For the more expensive of these options, the conventional construction, a period of 30 years was calculated for "pay-back," that is, the date at which revenues would complete paying off the entire principal accumulated in construction and subsequent capitalization of other costs, at a 2.5% rate of interest, assuming 1984 constant dollars. It would take seven years for canal revenues to catch up to interest payments (that is, at a "breakeven" point at which total outstanding debt would stop rising). At 1.5% interest, the canal would "break even" immediately, and reach payback in 26-27 years. For the nuclear construction alternatives, "breakeven" is also reached immediately, but payback occurs in 23 years with 2.5% interest, and in 20 years with 1.5%.

Wider benefits of the canal

A report attached to the original TAMS study prepared by the late Dr. Willard Libby of the Lawrence Livermore Laboratory makes clear the benefits of building an industrial park in the zone on either side of the Kra Canal. At minimum, the region of the Kra Canal Zone should be provided the following facilities:

- 1) A major deep-water offshore harbor and port facility, most likely on the Pacific side at Songkla, with the possibility for a second port on the Indian Ocean side sometime in the next century as needed;
- 2) Berthing, loading, unloading, repair, and transshipment facilities for all sized ships, including for the 300,000 dwt tankers and the new 50,000 to 100,000 ton container and bulk ships;
- 3) Protected "inner" harbors through use of dikes, breakwaters, reclaimed land for container ships, mixed cargo, barges, and specialized vessels;
- 4) Secondary, tertiary, and quaternary canals for industrial sites, i.e., a system of inland water systems breaking off



Pipes for water intake at a nuclear power project in the Philippines. The Kra Canal will boost Thailand's nuclear industry.

from the primary canal to facilitate efficient interface of the industrial complexes with the ships passing to and through the canal;

- 5) Piping and pumping systems for crude petroleum and for petroleum products from ships to refinery and back for export, as well as from refinery north and south to Thailand and Malaysia, respectively;
- 6) Construction of a major oil refinery center on the model of Rotterdam and Singapore;
- 7) Large compartmentalized concrete reservoirs as an integral part of offshore facilities, serving possibly as the foundation for power plants, pumping stations, and a central location for all piping systems;
- 8) Nuclear-explosion-created deep underground storage cavities of from 1-5 million cubic meters for storage of petroleum, toxic effluents, and wastes from shore industries;
- 9) Large (1,000-megawatt-size) nuclear power facilities for pumping stations and to provide cheap industrial power to shore facilities. The nuclear power facilities could use the surrounding waters as a heat sink or coolant;
- 10) The development of heavy industries such as steel and other metals, to utilize the cost benefits of cheap water transport of the large bulk cargoes to and from the factories;
- 11) An industrial park, including food processing, metallurgy, machine-tool making, machinery-making, etc.;
- 12) Construction of new towns and cities, rail spurs, hotels, airports, residential areas, commercial facilities, water taxis, etc. By 2020, this zone could support a population of 3-5 million citizens, double the present population of Singapore.

Christian Democrats take up fight vs. Green fascists

by Rainer Apel

The ruling Christian Democratic (CDU) party of West Germany has finally realized what *EIR* has been saying for more than two years: The Green Party, which after its recent electoral victories stands a strong chance of becoming West Germany's third-largest party and the "swing" factor in future governments, is a fascist formation out to subject Germany to a new Nazi regime under Soviet control.

On Oct. 18, the Greens brought up charges of bribery against CDU Chancellor Helmut Kohl and provoked a riot in the parliament such as has not occurred since the last days of the Weimar Republic, before it succumbed to the Nazi dictatorship in January 1933. The Greens claimed that the change in leadership in the CDU in May 1973, which made today's Chancellor Kohl the head of the party, had been facilitated by hefty bribery checks from the Flick Company.

The man who handed over the top post to Kohl in 1973 was Rainer Barzel, who later became president of the national assembly. A smell of "big corruption" was spread, and the assembly exploded into turmoil when the Greens started to accompany their bribery charges with a battery of insults.

But to their great surprise, the Greens, whose attempt was backed up by the opposition Social Democrats, met resistance. Christian Democratic deputy Rudolf Seiters expressed the overriding sentiment in his delegation when he shouted at the Greens: "The methods you are employing have already been used in the destruction of a democracy in earlier years—namely of the Weimar Republic!" The chairman of the assembly, Christian Democrat Richard Stücklen, moved to exclude two of the Green deputies from the rest of the session. Since the Social Democrats defended the Greens, the disciplinary action had to be voted through the parliament with the majority of the Christian and Liberal Democrats on the morning of Oct. 19.

Just one day before the clash in the Bonn parliament, on Oct. 17, the Schiller Institute, a new institution founded by European Labor Party chairman Helga Zepp-LaRouche to

rescue the Western alliance, had broken the spell of impotence that has blocked the traditional West German institutions from fighting the Green menace. Institute supporters handed out more than 1 million leaflets in West Germany alone, warning that the Greens would bring another 1933 if it was not stopped. The leaflets of the "Day of Resistance" reached the membership base of the CDU-CSU coalition and sent an anti-Green shock wave through the republic.

Nazi-style behavior

On Oct. 19, the CDU's general party manager, Heiner Geissler, wrote an open letter calling on all Christian Democratic Party sections to "resist the attempts of the Greens to damage and humiliate the honor and reputation of the Chancellor by slanders and vicious allegations in the same style the Nazis and Communists of the Weimar Republic employed." Another ranking conservative parliamentarian, Theodor Waigel, at the convention of the Bavarian Christian Social Union (CSU), called for "an end to toleration of the enemies of democracy," and warned that "our parliament must not be turned into a Punch and Judy show by the Greens."

The chairman of the CSU, Franz-Josef Strauss, used even stronger words in his speech to the convention on Oct. 20, warning that "the implementation of the Green program would bring the third big catastrophe in this century down on our country."

A Christian Democratic deputy in the European Parliament, Stefan Schnell, issued a statement that the "rude conduct of the Greens in the parliament" reminded him of "the destruction of the Weimar Republic in 1933 by totalitarian adventurists, the Nazis and Communists."

On Sunday, Oct. 20, *Bild am Sonntag*, the country's largest Sunday tabloid with a printed edition of 4.5 million, amplified these warnings in its lead editorial. Klaus Besser, the paper's Sunday columnist, echoed the Schiller Institute's leaflet in writing that if the Greens have their way, "domestic

policy in Germany re-enters the phase which it was in before 1933." Besser denounced the plot to overthrow the Kohl government by the SPD and the Greens. He added that with this conspiracy turning real, the country was "not far away from the same kind of legal coups d'état which the Communists in today's socialist-ruled countries of the East bloc have carried out before so successfully."

On Oct. 22, the Christian Democratic deputy in the European Parliament, Heinrich Aigner, issued a hard-hitting statement against the Greens, warning that the Green riots in the parliament were "leading the dangerous way back into the National Socialist policy of the 1930s." Aigner added that "whoever paves the way into the parliaments for the Greens today, makes himself as guilty as those voters who decided to have a try with Hitler in 1933." While the Weimar Republic was destroyed by the Nazi-communist alliance of Red-shirts and Brown-shirts, said Aigner, people today are "facing the threat of an alliance between Red-shirts and Greenshirts. There must be no compromise with fascism."

Green corruption

On Sunday evening, West German television's Channel 2 aired a report which revealed facts on the Green Party's finances: According to the Federal Accounting Bureau's records, the Greens have flagrantly violated party funding laws. German party laws recommend that at least 50% of the income of political parties be based on membership dues. The Green Party members, however, can only provide one-third of the party income, while the rest is secured from the state in the form of reimbursement of campaign expenditures. This system, which works differently from the U.S. matching funds model, pays 5 deutschemarks per voter once a party surpasses the 0.5% threshold—provided that the party funding laws are strictly observed!

The Greens did not observe the laws, no one ever brought up the issue, and they have been receiving a total of about 60-70 million deutschemarks from taxpayers over the last three years. Moreover, the Green movement is funded by an estimated DM 50 million or more from East German foreign subversion agencies—money channeled into the movement via the German Communist Party. Most of this huge war chest of about DM 100 million has been put into destabilizing actions against the West German Republic.

Obstruction of parliament

More and more citizens in West Germany feel that it is 1932 again, when they witness the head of the Green Party delegation in the European Parliament in Strasbourg, Graefe zu Baringdorf, point his fist at the nose of the president of the assembly and threaten him: "I will punch you in the face if you don't let me speak!" Like the Nazis more than 50 years ago, the Greens usurp the right to insult the traditional parties and institutions, to discredit politicians by allegation and slanders, and where such verbiage fails to get the message across, to deploy their fists to do the job.

According to conservative deputies in the West German national assembly, orderly parliamentary activity has been made virtually impossible by the Greens, who block all legislative work which does not fit their destructive interests. Ninety-eight drafts for bills have been put on ice in the Interior Committee of the parliament alone, because the Greens disrupt procedures by ever-new agenda motions. Outside parliament, the Green movement is mobilizing the mob against the traditional institutions with slanders, allegations, and revelations. While on one day, they would terrorize Bonn with demands for debates on the alleged "threat to the forests from industrial pollution," on the next they would call for a debate on "the establishment of a nuclear-free zone in Central Europe," and one day later, they would bring up "state repression against homosexuals."

During the mass protest actions of the "movement" against the stationing of U.S. nuclear missiles in fall 1983, the Green movement targeted more than 200 conservative, pro-American deputies with threatening letters, death threats, and nighttime phone calls. There were calls for prosecution of these operations, but the leadership of the traditional political parties insisted that appeasement of the movement would prove to be greater wisdom. They were wrong, and the Greens who assumed they would meet little resistance to their march to power were largely right—until the Schiller Institute's "Day of Resistance" mobilized the latent moral resistance of citizens against the new Green Nazis.

Now the Greens feel compelled to go to the media and threaten "action against this falsification of history." Again, Green spokesmen proved their Nazi character by hinting they might "not move legally, but by other means." Indeed, the Greens posed an ultimatum to the Christian Democrats: Either the president of the parliamentary assembly, Rainer Barzel, would resign over the bribery charges immediately, or they would turn the whole Flick case against Chancellor Kohl himself.

Kohl, whose personal testimony on the Flick bribery scandal comes up for hearings in the parliamentary investigation committee on Nov. 7, stepped into the trap. Pressure was put on Barzel to resign from his post before the scandal reached "greater dimensions," and he quit on Oct. 25. Otto Schily, the Green deputy and terrorist lawyer who had drafted the motion for Barzel's resignation, appreciated this move with the comment that "now, we have Kohl much better on target."

The only strategy for Kohl now is the offensive. The strong statements of leading Christian Democrats must be followed by action such as a move to the constitutional court for an outlawing of the Greens as an obvious successor-party to the Nazis. All the dossiers available on the background and activities of leading Greens must be published immediately. Provided the pace of activities within the first five days after the "Day of Resistance" on Oct. 17 is maintained, there is good hope that the Green threat to the West German Republic can be defeated.

Tradition, Family, and Property cult under investigation in Venezuela

by Valerie Rush

Following several weeks of high-profile exposure by the media in Venezuela, the cultists and would-be Pope assassins of the "Tradition, Family and Property" sect are currently facing a slew of official investigations which may well lead to expulsion of the Brazilian-based cult from Venezuela on grounds of violating that country's national security and constitutional law.

Should their expulsion from Venezuela be determined, it is not improbable that others of the 14 countries where the TFP is based would follow suit.

The TFP, an international network of brainwashed assassins linked to the highest levels of Europe's unregenerate monarchical pretenders—the so-called "black oligarchy"—have been notified of formal investigations of their highly secretive activities by the Organized Crime Division of Venezuela's Judicial Police, by that country's attorney general, and by the Internal Affairs Commission of the Venezuelan Chamber of Deputies.

The judicial police investigation of TFP began last summer, when the initial security preparations around next January's papal visit to Venezuela forced law enforcement attention to the various extremist groups operating in Venezuela who posed a potential threat to John Paul II. TFP, which earned notoriety in Brazil for its habit of using photographs of the Pope for target practice by its militants, fell under special scrutiny and had its luxurious Caracas headquarters raided. In early October, there was another raid. Since then, the international security agency Interpol has maintained strict vigilance over all known members of the group.

TFP spokesmen have repeatedly denied involvement in a conspiracy to assassinate the Pope, claiming that "verbal confrontation, much less armed confrontation," is prohibited by TFP doctrine. But new evidence has been uncovered by this press service, giving full credibility to the papal assassin charge.

A front for assassins

According to the May 16, 1982 edition of the French weekly magazine *Le Journal du Dimanche*, Juan Fernández Krohn, the renegade abbot who tried to assassinate John Paul II on May 5 of that year, was in close collaboration with the TFP up to the very moment of the attempted assassination.

Writes *Le Journal* journalist Jacques Tillier, "At the end of 1979 Juan Fernández was in Argentina at the side of [defrocked] Monsignor Lefebvre; then he disappeared to Brazil, where he stayed three months. That is where he made contact with the 'Tradition, Family and Property' sect in Rio de Janeiro. For them the Holy See is vacant. Juan Fernández returned even more hotheaded from his trip to Brazil. 'The Church no longer has a Pope,' he mourned in the Chapel of Saint Frances of Sales in Rouen.'"

Tillier continues, "The TFP sect financed his trip around Poland. In the summer of 1981, he meets Lech Walesa and 'Solidarnosc,' whom he suspects are Trotskyist puppets whose strings are pulled by the KGB. And since the Pope himself is Polish, he must be an agent of Moscow. That's what he [Krohn] wrote in journals published by the 'Tradition, Family' sect and others when he returned from Poland."

A few days after the failed assassination attempt against the Pope, Krohn wrote to his father, "I would have killed that socialist pig, if God had not stopped me."

As the official investigations of TFP got under way at the end of October, *EIR* dropped a bombshell in Caracas, a press release that included the above quotes and other evidence of the TFP's sinister role. The release was run by the leading daily *El Mundo* on Oct. 26.

In an interview granted by TFP spokesman Pedro Morazzani Boschetti to the Venezuelan daily *El Nacional* of Oct. 12, Morazzani politely justified TFP "discrepancies" with the Vatican: "God grants us free will. The Pope is infallible when it comes to questions of Faith and Morality. There we have no different positions. But in political matters one can differ."

And yet, the head of the Venezuelan Episcopal Conference, Father Amador Merino Gómez, had a different view of the TFP's differences: "I believe that in some countries the ecclesiastical hierarchy has had to intervene, calling attention to the activities of the TFP for its deviations and manipulations of the Church doctrine, such as in the case of the frequency of their confessions and of communion." TFP youth are required to give constant confessions, down to the most intimate details, to "spiritual directors" appointed to them by the TFP leadership. Also, TFP considers the Catholic mass heretical and will only enter churches to take communion.



TFP militants in Brazil. The fascist cult uses the Pope's picture for target practice, and instructs its brainwash victims to murder members of their families when the "apocalypse" comes.

Father Merino Gómez also stressed that TFP rejects the teachings of Vatican Council II, along with the social doctrine of the Church contained within the encyclicals of Paul VI and John Paul II. Defectors from the cult report that when Pope John Paul I (Luciani) died, TFP members applauded with joy.

Kidnappers and tax-evaders

The Venezuelan attorney general's investigation of TFP was launched following formal documented charges made by parents of TFP recruits that the sect had abducted and brainwashed their children, converting them into zombies and beggars, turning them against their families, and even inciting them to murder family members (see Documentation). The parents further charged that they themselves are the victims of constant threats by the sect, and that TFP, registered in Venezuela as a "non-profit organization," collected vast sums in the form of donations which were contra-banded out of the country in probable violation of Venezuela's tax laws.

Some of the parents succeeded in legally forcing TFP to return their children to Venezuela from confinement at TFP training camps in Brazil, only to learn that the youths would be permitted to spend just one hour visiting them. During that hour, the children refused to discuss TFP doctrine and refused to eat any food prepared by their families.

The parents declared in their statements to the media, "To

the TFP, the whole world is rotten. They believe they are the chosen ones to make the counterrevolution. . . . They are automatons, they have been brainwashed. . . . Their rites are medieval. They intone Gregorian chants inciting to violence. They are monarchical. For them, women are second class. . . . They have very well-differentiated castes, based on the origins of their members. They are racists; they accept no colored or Jewish members in Asocire [the Venezuelan TFP—ed]."

The congressional investigation of TFP was also prompted by the parents' documented charges, which appealed for action based on Article 73 of the Venezuelan constitution which pledges the state to act as guarantor of the integrity of the family as a mainstay of Venezuelan society. According to the dossier presented to the Commission on Internal Affairs, TFP "does not carry out any kind of activity or work useful to the community, except that of a proselytizing nature or to request donations exclusively for their movement. None of the [members] carry out any chores in their homes, nor do they cooperate with their parents in the slightest to maintain their homes. All of this stimulates laziness, vagrancy, turning our sons and brothers into public beggars. . . ."

Several congressmen urged the investigation of the TFP based on what they described as its "direct interference in the internal political affairs of Venezuela, while its actions regarding the security and defense of the nation itself are unclear."

Documentation

The following is excerpted from a "confidential document" of statements reportedly made by TFP "Patriarch" Plínio Corrêa and his top disciple and personal secretary João Clá, gathered through eyewitness testimony and published by several Venezuelan newspapers:

1) Dr. Plínio declared before an audience of secret militants two days before the assassination attempt against John Paul II carried out by the Turk Ali Agca that he had "prophesied that he [the Pope] was going to die violently."

2) A few days later and before the same audience after the Pope had survived, "he prophesied that fewer than four years of life remained [to the Pope]."

3) In Venezuela, when the Pope John Paul I (Luciani) died, all the members of Asocire [the Venezuelan TFP], including children, rose and frantically applauded and laughed with joy.

4) For every militant to be able to enter the Reign of Maria, which begins after the Apocalypse, he must have killed at least one person, preferably an *FMR* [family member].

5) When the day of chaos (*Bagarre*) arrives, which will be when Dr. Plínio says, the TFP will begin to take drastic action to kill their enemies with swords and other arms, with the aim of murdering all the enemies of TFP, beginning with the *FMR* and *Fasuras* [women].

6) The first step to be taken under Dr. Plínio's orders upon surviving the chaos and installing the Reign of Maria will be the shattering of the [Jewish] "Wailing Wall" to dust and then scattering that dust in all the seas.

7) Dr. Plínio will order an exodus of his militants if the situation at any given moment requires it, because of the perversion and immorality that might take over the life of the cities. Upon abandoning the cities, they would establish colonies, with their presence spread in various places. He chose the most important one to be in the Venezuelan Amazon.

8) Dr. Plínio, in addition to being considered a super-saint and prophet, is considered the incarnation of the Virgin Mary who has returned to save, through his mediation, the chosen ones [TFP] and to punish the reprobates.

The following are excerpts from an article published in the Sept. 5 edition of the Brazilian weekly *Istoé*, entitled "The Real Life of the TFP":

According to Orlando Fedeli, a modest 51-year-old bachelor high-school teacher who was for three decades the faithful servant and follower of Plínio, the time has come to shed light on the most extravagant secrets of the TFP. . . .

While waiting for the *Bagarre* (in French, disorder, tumult, and confusion), when the great battle between Good and Evil will be fought as was announced to the three shep-

herds of Fatima in 1917, the organization theorizes about the coming of the reign of Mary—or, according to the dissidents, something like the reign of Plínio and his mother, Doña Lucília. . . . In the luxuriously appointed hermitage of São Bento, there is a throne in the chapel where the image of Our Lady should be. . . . But the image was removed and replaced by the pair of shoes in which Doña Lucília was buried in 1968. . . .

After a half-century of lay activities in the most conservative circles of the Church, Plínio has been frozen out to the degree that he clothed his anticommunist crusade in ever more disconcerting ways, like the re-establishment of the monarchy, banishment of airplanes and automobiles, electric light, and allopathic medicine. . . .

The present TFP training was conceived around 10 years ago when Plínio launched the great challenge, "Let's go to 10,000," which at the time meant doubling the number of followers through more aggressive recruiting. . . . A former loyalist who took notes on Plínio's [Sunday homily] message of December 30, 1982 recorded how to identify a youth with *Tau*, or willingness to learn Plínio's teachings: "It works out with boys from disorganized families. Tightly knit families avoid the isolation of their members. He is not isolated in his home. He will not go along with us."

. . . The *enjolas* [militants] who are considered promising are always "trained" in São Paulo, where the organization is headquartered. In addition to being cloistered in one of the nine São Paulo hermitages, the initiation rites bring them to the Morro Alto farm . . . where they learn to obey the supreme commander. Former hermits remember an unforgettable *quidam* [master] who ran Morro Alto at the end of the past decade, Fernando Telles [current head of TFP in Venezuela—ed.], who once put two *enjolas*, Valmir de Oliveira and Mauricio Vistock, into a pigpen for 12 hours to scream, "I am a pig; I am an imbecile." They remember that even when they were devoted to TFP they called the place "Telles brinca" to remind them of Treblinka in Poland."

"Marquesa," a discreet forced residence the organization runs at 172 Marquesa de Alorna Street in Belo Horizonte, normally houses 10 to 15 "hermits" undergoing psychological treatment but, according to dissidents, at least four men are living there without hope of recovery. . . .

Life in the Divine Providence hermitage is far from that. [Ex-TFP militant Norio] Nakamura lived there until May of last year and remembers that to go to the corner for a cup of coffee, one had to ask the *quidam* for permission, giving him the route and exact time of return. If, for any reason, he came back late or changed the route, hermit Nakamura had the right to choose one of three penalties: "Read the works of Dr. Plínio for five hours from midnight to 5 a.m., which left one hour to sleep; walk 10 kilometers; or go 24 hours on bread and water." These seem light compared with those prescribed at Presto Sum, where a militant could be forced to carry rocks while walking around the patio for weeks. Or the common penalty of carrying a heavy rock up and down a ladder.

Beagle agreement is not the real issue

by Cynthia Rush

Some Argentine nationalists are protesting as a "giveaway" the Alfonsín government's Oct. 18 signing of a pre-agreement with the Chilean government over the disputed Beagle Channel islands lying at the tip of Argentina's southernmost territory, Tierra del Fuego.

The pre-agreement, mediated by the Vatican, recognizes Chilean sovereignty over the 10 disputed islands in the channel and establishes Chilean jurisdiction over a strip of ocean extending three miles to the south of the easternmost of the islands. Eliminated is the Vatican's 1980 proposal for creating an area of shared economic activity in the southeastern Atlantic; the Argentines charged that this violated the "bi-oceanic principle," which a century ago established Argentina as an "Atlantic power" and Chile as a "Pacific power." The new agreement leaves the principle intact.

The pre-agreement, to be elaborated in its final version through further negotiations, is the subject of a Nov. 25 national referendum in Argentina and must also be ratified by the Argentine congress. It is not the definitive solution to a territorial dispute which brought Argentina and Chile in 1978 to the brink of armed conflict and which will undoubtedly be the subject of future manipulation as long as Henry Kissinger and his cronies maintain control over U.S. foreign policy.

But the Beagle agreement is not the most dangerous threat to Argentine sovereignty at this moment. Far more ominous are the International Monetary Fund's demands that the Alfonsín government buckle under to an orthodox austerity regime in order to refinance its foreign debt—and Alfonsín's steps to meet those demands. Nationalist forces inside and outside the government have vocally protested the IMF stranglehold, but they haven't been able to break it. Even as they protest the Beagle accord, they watch impotently the disintegration of the national economy which threatens to unleash a social chaos of the kind that occurred in Khomeini's Iran.

Alfonsín humiliated himself in September by allowing Henry Kissinger, one of the most vocal proponents of "Iranizing" Argentina, to mediate Argentina's relationship with its foreign creditors; shortly afterward, Finance Minister Bernardo Grinspun shouted to the world that the nation had finally come to a happy agreement with the IMF. Fresh credits were to have been forthcoming immediately.

But in continuous talks since then with the 11-bank steering committee representing 320 creditor banks, Grinspun and other authorities have come away empty-handed. The IMF found fault with the government's decision to grant a 14% wage increase for each of the last three months of 1984 (monthly inflation was twice that), and sent another technical mission to Buenos Aires to investigate. Creditors were not impressed with the government's decision to raise domestic interest rates and utility tariffs and turn its back on labor requests for further wage increases. Citibank chairman John Reed said on Oct. 23 that there will be no discussion on refinancing terms for Argentina until the government gets serious about imposing IMF austerity.

In response to their request for a Mexican-style refinancing package—15-year repayment period with 1-year grace—Argentine authorities were told that Mexico was only awarded such terms after imposing 3 years of the harshest austerity. Talks with creditor banks are reportedly now suspended until mid-December due to differences over the terms of the renegotiation.

In the meantime, the Argentine economy is unraveling at an astounding rate. Annual inflation is at 600%; industrialists whose companies are subject to strict price controls are being driven out of business, unable to cover the costs of production and unable to obtain credit at interest rates under 400% annually. Provincial governments which cannot obtain financing from the IMF-inspired national budget have been forced to strike out on their own to meet the needs of their local economies. The result is a process of disintegration which threatens the nation's physical and economic integrity.

Exemplary is the decision earlier this month by the Peronist governor of Salta, one of the largest northern provinces, to authorize a 1.5 billion peso issuance of local bonds. Issued initially to pay the public debt, these "Salta pesos" constitute a parallel currency: They are used to pay salaries and for services provided to the provincial government by national utility companies. Stores and restaurants accept them as they would pesos. As Gov. Roberto Romero explained, he had no choice but to take this action. "To date, we have received only 50 million of the 300 million pesos owed to us through revenue sharing, and the National Treasury has sent us less than half of the 450 million owed us. . . ."

As is the case throughout the world, the only nation to gain strategically from IMF and State Department policy toward Argentina is the Soviet Union. The Soviet ambassador to Argentina announced in June of this year that his government is more than happy to offer cheap credits and technological agreements to both the national and provincial governments, or separately to provincial governments. The daily *Tiempo Argentino* announced on Oct. 24 that several governors are currently visiting the U.S.S.R. to discuss economic agreements, and that the government has decided to double its exports to the Soviet Union this year. The state oil company YPF just agreed to a major purchase of Soviet built oil-drilling equipment.

Kissinger and Soviet Union push for war on the Indian subcontinent

by Linda de Hoyos

"I fear there will be a sixth Indo-Pakistani War, with the United States and China drawn in on the side of Pakistan and the U.S.S.R. on the side of India." This was the word from "Colonel X," a researcher on international security for the Soviet Armed Forces in an Oct. 21 interview with the *London Observer*. No matter whether "X" is reflecting actual Soviet assessments or putting out diversionary disinformation, the fact is that the Soviets have been deploying doubletime to foment such a war.

The opening shots in this campaign began with the Aug. 9 TASS announcement that Moscow possessed evidence that Pakistan is preparing an imminent invasion of India. The Soviets recommend that India carry out a military strike against the Pakistani nuclear facility at Kahuta, 35 miles from the Indian border. The same war beat fills the Soviet-linked press in India.

Then, in the second week of October, the Soviet Institute of Oriental Studies dispatched its director of International Relations Research, Professor A. I. Chicherov, to India for a tour. Chicherov is now going through the country making speeches denouncing as "provocative" the U.S. arms supplies to Pakistan and "the American role in Pakistan's nuclear ambitions." Chicherov is also stressing that "Pakistan's involvement in the recent happenings in Punjab and Kashmir is a sign of American-inspired belligerence." The United States, Chicherov further complains, is "opposed to a normalization process" between Afghanistan and Pakistan—that is, does not permit Pakistan to recognize the Soviet-stooge Karmal government.

For the Soviets, an Indian invasion of Pakistan is the shortest route to Moscow's seizure of total hegemony over the Indian subcontinent. Furthermore, the exacerbation of tensions between India and Pakistan and the United States is an efficient Soviet mechanism for exerting control over the Indian government of Prime Minister Indira Gandhi, who stubbornly retains a non-aligned stance toward both superpowers.

Next to their own assets in India, the biggest boosters in the Soviet game are in Washington, specifically the U.S. State Department and its controlling institution, Henry Kissinger's Center for Strategic and International Studies. For every provocation issued from Moscow, Kissinger and com-

pany are echoing back counter-provocations around Pakistan.

As Chicherov was running around India, U.S. Ambassador to Pakistan Deane Hinton made a speech in Islamabad that was taken by Indian policymakers as a downright provocation. Speaking before the Pakistani Council on National Security, Hinton declared that given Pakistan's status as an ally of the United States, it was unlikely that there would be any attack on the country from the northwest—that is, from the Soviet Union or the Soviet troops in Afghanistan. Hinton chose to ignore the fact that the Soviets have moved two fresh divisions to the Afghan-Pakistani border and have begun a campaign of air raids against Pakistani villages along the border and terror-bombings in Peshawar. He ignored the report in the Karachi newspaper *Nawa-e Waqt* on Oct. 2 that the Soviets have installed SS-22 missiles 150 kilometers from Herat, at Soviet air and army bases in Shindand and Jalalabad. The population has been evacuated from these areas. The missiles have a range that allows them to hit Teheran, Islamabad, and Quetta.

The Soviets have made no attempt to hide their demands that Pakistan either accede to Soviet occupation of Afghanistan or face destabilization or even military attack.

By dismissing the threat from the Soviets, Hinton meant to imply that the real threat from Pakistan comes from the east—that is, India. Hinton also indicated that "if the contingency you are talking about is from the east, we will not be neutral if there is an act, committed by anybody, of flagrant aggression."

At the same time, James Buckley, a former undersecretary of state, was in Islamabad, at the personal invitation of head of state Zia ul-Haq, delivering the same message.

The danger in the remarks of Hinton and Buckley is not their effect in India, but in Pakistan. It is widely understood that the first casualty of a sixth Indo-Pakistani war would be Zia ul-Haq, whose regime depends upon its ability to provide Pakistan with some domestic and regional stability. Hinton and Buckley's pronouncements serve as green lights to that faction in the Pakistani military which has been chomping at the bit to take revenge against India for the loss of East Pakistan, now Bangladesh, in 1971.

By his statement that the U.S.S.R. is in Afghanistan in order to defend itself against Islamic fundamentalism, Hinton

betrayed his association with CSIS's Zbigniew Brzezinski, the man who declared in 1979 that "Islamic fundamentalism is a bulwark against communism." The CSIS is the same institution whose members regularly meet with Yevgenii Primakov, Chicherov's boss at the Soviet Oriental Institute.

Some questions for Washington

As Moscow was trumpeting its demand for an Indian military strike against Kahuta, the United States in September released a report to the Pakistanis that two squadrons of Indian fighter planes were heading for Pakistan's nuclear facility. This report, which then turned out not to be true, concerned the Indian government, not because U.S. satellites were surveilling India, but because the report showed the extent to which the State Department is interested in provoking tensions on the subcontinent.

The Indians also took exception to the reported letter of President Reagan to Zia ul-Haq to the effect that Pakistan should desist from building its own nuclear capability in exchange for gaining a U.S. nuclear umbrella. New Delhi fears that this is a foot in the door for U.S. basing rights in Pakistan.

On Oct. 20, India called U.S. Undersecretary of State for South Asia Richard Murphy on the carpet to explain U.S. actions. Murphy, on an unscheduled stopover in India during a trip to Sri Lanka, met with all of India's leading foreign policymakers. According to news reports from the Indian press, Murphy was asked such questions as: "Why did the United States release the false report on the squadrons heading for Pakistan? Why did Deane Hinton issue such inflammatory statements? Is that U.S. policy? If it is not, how is it possible that he could make such statements without the approval of the secretary of state? Why is the U.S. delivering such sophisticated weaponry to Pakistan, if it is not meant for a strike against India?"

Indian Foreign Secretary G. Parthasarathy informed Murphy that if the United States were attempting to load up Pakistan with armaments in order to counter Soviet influence in the region, it would not work. In fact, it would have the opposite effect, compelling India to go to the Soviet Union for weaponry to match the Pakistani arsenal.

Despite the fact that neither Pakistan's Zia nor India's Prime Minister Gandhi wants war, the heightening of tensions between the two countries—especially since the insurgency in the Punjab this spring—has forced war preparedness deployments on the ground. India has sealed off the entirety of the border between the two countries. At the end of October, Pakistan carried out the largest maneuvers it has ever executed close to the Indian border. The Pakistanis are also reportedly digging tunnels close to the disputed border in Jammu and Kashmir. On Oct. 22, Indian and Pakistani troops clashed. This is not an uncommon occurrence, but the fighting resulted in the destruction of a building, indicating that, for the first time, heavy weapons were used.

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Toward a November explosion in the Gulf?

by Thierry Lalevée

According to many military observers, during the first two weeks of November it will be decided whether Iran launches a new military offensive against Iraq. Though this may ultimately prove incorrect, the rationale is that by the middle of next month, a bitter-cold winter will set in. There is a growing belief that Iran might just launch a large-scale offensive before that deadline.

Iran's failure to launch an offensive in July or September, as a follow-up to its March offensive, had raised hopes that because of its internal political fight and the low level of its military supplies, Iran would finally recognize that a diplomatic and political settlement was the only way out. During the summer, the regular exchanges of emissaries between Iran and the Gulf countries lent this more credibility. Iranian Deputy Foreign Minister Islamzadeh was seen in Riyadh and many others places. Although the Iranian parliament's speaker, Hashemi Rafsanjani, did not answer the Saudi invitation to Mecca during the pilgrimage, the disturbances created by Iranian pilgrims were easily contained; a proof that the terrorist schemes worked out by Hojastesalam Moussavi-Khoeinia had not gathered political support in Teheran. As one Gulf observer remarked in early October, "There are serious hopes that a diplomatic breakthrough may be in the making."

By October, these hopes were dashed. On Oct. 5, the Iraqi commander of the southern front, General al Hobbori, announced that Iran was "massing some 200,000 troops in the south for a new offensive." On Oct. 15, the offensive began, but took the Iraqis by surprise as it was launched not in the south, against well defended Basrah, surrounded by trenches, canals, and hundreds of thousands of troops, but in the mountainous central front around the city of Seif Saad. The Iraqis assumed the offensive was "only a diversion for a bigger move in the south." However, weeks of fighting have shown the Iranians have other aims.

It took only a few days for the Iranians to recapture positions held by the Iraqis inside Iranian territory, some since 1980. They were important positions, but not the kind which win wars. However, the psychological impact on the army of successfully driving the enemy out of national territory, after months of inactivity and growing resentment against the war, has been a factor not to underestimate, as even

Iranian military officers opposed to Khomeini pointed out. This was taken into account by the mullahs in Teheran. Another factor is Iraq's inability to deploy its modern aircraft in the mountainous region, while Iran could deploy its newly received Swiss-made C-57 Pilatus planes tested in previous weeks of mountain fighting in Kurdistan.

Though driving the Iraqis out of Iranian national territory is known to be the only goal for which the regular Iranian army is ready to fight, the army does not control Iran. This was underlined last July when one of the leading commanders, Colonel Shirazi, was kicked upstairs to a bureaucratic job with the joint chiefs of staff. In his stead was installed one Col. Zahir Nejad whose military record is non-existent. Nonetheless, on Oct. 20, Zahir Nejad, now head of the joint chiefs, was appointed to the Supreme Defense Council, the inner council of mullahs which has ruled over the last four years of war, and which decides on Iran's intelligence and terrorist deployments.

Moreover, Zahir Nejad received the appointment as the "personal representative of Iman Khomeini" within the council, a direct challenge to parliament speaker Hashemi Rafsanjani who has been Khomeini's personal representative within the council since its creation. On only Oct. 19, Rafsanjani had announced that the fighting with Iraq was "not the big offensive, because we are waiting for more military supplies and a better situation to deliver a political blow to Iraq." The declaration was not appreciated among the hardliners around President Khomeini and the newly created right-wing opposition group in the parliament around Ayatollah Azari-Ghomi. It was too clear an indication of Iran's weaknesses.

That Khomeini now has two personal representatives within the most important council underlines the factional situation. Rafsanjani is known to have favored a series of diplomatic contacts made during the summer in Europe with leading Khomeini opponents. One of them, former defense minister Madani in Paris, was even asked to come back to Teheran to serve as mediator for a political settlement of the war. The proposal had no backing from Khomeini and little chance of being realized.

More recent contacts with Khomeini opponents have also been made. Reports are that some mullahs, like Rafsanjani and Madhavi-Kani of the "Society of the Struggling Clergy," may be already preparing a post-Khomeini regime based on the first Islamic government of 1979, with personalities like Bazargan and Ibrahim Yazdi. In that context, the war with Iraq is primarily a political gambit, not a military issue.

Those advocating an end to the war are faced with the extremists within Iran whose political future is based on Khomeini and the war's continued existence, as well as the Iraqis themselves. Iraq's new attacks against naval convoys on Oct. 24—as Vice-President Tariq Aziz was returning from Moscow—indicate a commitment to winning the war, with Moscow's help! This would be a development as little favored by the Gulf countries as an Iranian victory, but it's a lucky thing for Iran's fanatics.

Soviets benefit from Belgian terror wave

by P. Marnix

During October, Belgium was rocked by an explosion of terrorist incidents. Five bombs went off early in the month, ripping through the offices of international corporations with various NATO contracts, and the offices of two conservative Belgian parties, the Liberals and the Christian Democrats. The bombs, containing 10 to 22 pounds of explosives, exploded at the Brussels headquarters of Honeywell, Litton, and the West German MAN-Trucks corporation. On Oct. 15, the Centre Paul Hymans, a Brussels think tank associated with the Liberal Party, was bombed, followed a few days later by the Christian Democratic party office in Ghent.

The incidents coincided with the Oct. 12 attempt in Brighton, England, to blow up the entire British Cabinet, and with the growing instability in West Germany, as gains by the fascist Green Party raised the specter of a new German government under Soviet domination. Belgium too is in a period of great political uncertainty, with new elections expected during the first half of 1985, and "D-Day" approaching for the deployment of 48 American cruise missiles.

This political-strategic context, plus the fact that the bombings were aimed at targets directly or indirectly related to NATO and other military interests, suggest that the current developments are a trial run for a full-scale spetsnaz (Soviet special commando force) operation for the terrorist destruction of military targets and NATO facilities in Brussels.

Action Directe in Belgium

The bombings were all claimed by the Cellules Communistes Combattantes (CCC—Fighting Communist Cells), known to enjoy the support of the Belgian logistical networks of the French terrorist organization Action Directe. For a decade, Action Directe has had safehouses and weapons-supply routes in Belgium, a joint venture with the group around former Algerian head of state Ahmed Ben Bella, and a product of the merging of Islamic fundamentalism and the leftovers of the Communist and Third Worldist "Tricontinental."

The Belgian government has launched a large-scale operation, code-named "Mammouth," directed at the leftist circles which have traditionnally sponsored terrorism. No fewer than 120 interrogations were carried out on Oct. 19,

including of members of the "Committee for the Defense of West German Political Prisoners," the printing houses associated with various ultra-left grouplets ("Pour," "Mouvement du 22 Mars"), as well as the printing house of Action Directe. Among those interrogated were the head of the Action Directe printing shop, several anti-nuclear environmentalists belonging to the "Zeebrugge Group," members of the violent Maoist organization Amada ("All the Power to the Workers"), and Ronald Augustin, a former member of the German Red Army Fraction (Baader-Meinhof gang). Searches were also carried out at the Charleroi home of Socialist Senator Yves de Wasseige.

Belgium's political crisis

Facilities are more or less completed for the deployment of U.S. cruise missiles at the Air Force base of Andennes, in southern Belgium. But Belgium's official agreement for the deployment still has to be confirmed by Parliament, and there is a growing uncertainty about that, particularly because of the coming elections, which will lead to the formation of a new government.

In Belgium there are three major national political parties, the Liberals (PVV-PRL), the Christian-Democrats (CVP-PSC), and the Socialists (PSB-SPB), all of which are in turn divided into Walloon (French-speaking) and Flemish (Dutch-speaking) sections. To these must be added the "linguistic parties"—those committed to defend the interests of one specific language or geographical community. This makes for many possible coalition arrangements. The three French-speaking sections of the national parties are in favor of the cruise deployment, but the Dutch-speaking parts are much more influenced by the Dutch and German peace movements. Thus, the neutralist Flemish Socialist Party (SPB) is adamantly opposed to the cruise deployment, and intends to make this a major issue in the next legislative election. The SPB's role is not unrelated, some observers say, to the fact that party chairman Van Miert is married to an East German citizen, and travels frequently in Eastern Europe. The Flemish Christian Democrats, although supposedly conservative, are ideologically vulnerable to "peace movement" influence. The Belgian peace movement, while weaker than its Dutch and West German counterparts, is considerably stronger than in southern European Catholic countries.

The future of the cruise missile deployment is cast into doubt by a recent conflict with the United States, known as the Pegard Affair. The U.S. administration had demanded cancellation of the sale to the Soviet Union of two Belgian machine tools which could have been used on missile-launching sites. Foreign Minister Leo Tindemans, who defended the American view, got the support of the Belgian cabinet only with great difficulty. Defense Minister Vevren is now under fire, since he had assured the House of Representatives that the U.S. government would bail Belgium out for the losses incurred by the cancellation of the sale. Socialist Party spokesmen are now challenging the truth of that statement.

Investigative Leads

International terror and Lebanese drugs

by Thierry Lalevée

Is it a coincidence that the most extreme international terrorist groups such as the Islamic Jihad of Hussein Moussavi, Palestinian radicals like the Damascus-backed Abu Musa, and others are primarily based in Lebanon's Bekaa valley around the city of Baalbeck? On a military level, the answer seems to lie in the fact that this is the stronghold of Syrian occupation forces in Lebanon. However, of what military significance to Syria can Baalbeck really be? The real answer to both the Syrian military concentration and the presence of the terrorist groups is the Baalbeck region's role as a capital of international drug-running.

Never has the connection between international terrorism and international drug trafficking been so clear as in Lebanon today. In Baalbeck and the immediately surrounding valleys of the Bekaa, close to 90% of Lebanese hashish is produced. It is also in this region that hashish producers have begun growing Indian cannabis called chanvre. Even more recently, according to AFP dispatches of May 30, hashish producers have begun opium cultivation. As one grower said bluntly, "In 1982 and 1983, we could not export a good part of our production. With the same volume of opium, we could get 10 times more income. But the government does not officially acknowledge it. Otherwise, under international pressure, it would have to stop it."

But the Lebanese government matters little; its powers do not extend to Baalbeck and the Bekaa, nor does it share in the profits, which go primarily to the Syrian army and the personal coffers of Syrian President Assad's brother Rifaat. How else could Rifaat have opened so many Swiss bank accounts in recent years?

But more important, the Baalbeck-based drug trade provides financing for international terrorism. Profits from drug production in the Bekaa financed the Oct. 23, 1983 kamikaze operations against the French and U.S. garrisons in Beirut, and more recently, the Sept. 20 kamikaze operation against the U.S. embassy there.

Even before the civil war in 1975, Lebanon ranked as one of the world's main producers of hashish. On Oct. 17, Israeli policemen seized a haul of 164 kilos, not as big as the 2 tons seized in Mainz, West Germany at the beginning of October, but nothing to be coughed at either. This has become an

immediate national security threat to Israel, and not simply because of drug income's relationship to terrorism. Israeli soldiers buy the drugs, and military convoys carry them back into Israel—the Middle East version of the tactic adopted by the Chinese toward American GIs during the Vietnam war. The Syrians, one may be sure, keep the drugs cheap and readily available to Israelis—just as the Soviet intelligence services have refined such quiet forms of warfare toward the West as a whole, e.g., the "Bulgarian connection."

What has changed in Lebanon since 1975 is that, while the farmers are still Lebanese, they harvest under the military watch of terrorist commandos, themselves watched from the hills by Syrian armored units. Many a battle between the Syrians and various Lebanese militias has had no purpose but to safeguard shares in the region's rich drug harvest. Similarly, Lebanese authorities have observed that an extraordinarily high proportion of bombardments of Beirut are directed at buildings which house clandestine drug laboratories. Under cover of religious and political differences, the equivalent of gangland warfare is being fought out.

One thinks of the blowing up of many a boobytrapped car with Corsicans inside—as the Sicilian and American mafia fought off the French mafia with the backing of Bekaa-based terrorists.

According to a U.S. Drug Enforcement Agency officer interviewed by the French weekly *Vendredi-Samedi-Dimanche*, "There are suspicions that terrorist actions of the Islamic Jihad have been warnings against any attempt to interfere in their drug business. Growing drugs, their treatment and sale are organized by terrorists while traditional mafias like the American or Sicilian are in charge of distribution, in exchange for payments and weapon deliveries."

Hence, Lebanon has also assumed the role of a transshipment point. Even heroin and cocaine grown in Latin America are first exported to the Middle East before re-export to Europe and the United States—escaping the more direct but closely monitored routes.

At the top is a group of Lebanese-Syrian families associated with the pro-Nazi Syrian Popular Party (PPS), or the Syrian National Socialist Party (SSNP), whose Damascus-based leader is Anisa Makhoul, wife of President Hafez al Assad. These include families based in Latin America and the Caribbean around the Abu-Mourad banking family, or the Banco del Caribe in Caracas, with which "liberal" Lebanese leader Camille Chamoun is associated.

There is the Bulgarian shipping route, of course, but new routes have been discovered. According to the same DEA officer, the Syrian government sends its share across the southern Soviet republics into Afghanistan, then Pakistan and India: "We have witnessed that, for example, in Afghanistan, such convoys are stopped neither by the Soviet troops nor by the anti-Soviet guerrillas. Sometimes the fighting is even stopped to allow a convoy to go through to Pakistan, and we know that a good part of the Lebanese drugs travels through the Soviet Union into Pakistan directly."

Kissinger Watch by M.T. Upharsin

Those files in the Kremlin

Soviet agents of influence are the world's most ephemeral breed. Once disposable, they are disposed with the grace of toilet tissue paper, as fools who have lost their utility for the Byzantine elders ruling Moscow.

From the stormclouds gathering over the horizon, it would appear that the rulers of the Kremlin may be perceiving Dr. Henry A. Kissinger as the most useless of their useless fools.

Kissinger was to have sold them a very tight U.S. presidential race, so that a second Reagan administration would be obliged to operate according to the Eastern Liberal Establishment appeasers' laws of "bipartisanship," from which vantage point Dr. K. would be able to strangle from the inside the more robust policy initiatives of the Reagan White House, particularly the President's Strategic Defense Initiative. To that end, Fat Henry was obliged to publicly renounce his own earlier opposition to "Star Wars" in an internationally syndicated *Los Angeles Times* feature, to position himself to murder the SDI "from within."

Under conditions of an impending Reagan landslide and the collapse of the Mondale campaign's efforts to destroy the SDI, however, the utility of that maneuver by Dr. K. is most problematic.

Hence the curious item that appeared in the Letter-to-the-Editor column of the Long Island, New York daily *Newsday* on Oct. 22, from one V. Alexeev of the Soviet press agency Novosti—accusing Dr. K., correctly, of feigning support for "Star Wars" to gain himself a new position in the Reagan administration!

"It seems that Washington's main preoccupation now is to push through



its Star Wars project . . . by means fair and foul," writes Alexeev. "Henry Kissinger, either of his own volition or in anticipation of better things to come, has joined this game. The fervor with which Kissinger argues for the Star Wars project that violates not only the spirit, but the letter of the ABM treaty that he had helped draw up, is a good indicator of the unprincipled nature of U.S. politics. If Kissinger can be flippant with his own brainchild and other international treaties limiting military activity in outer space, then there is little basis to expect the current administration to abide with a treaty that was not of its making and was a hindrance to militaristic endeavors."

As is often the case with the Kremlin Byzantines, there is more here than meets the eye. Consider the appreciation of a leading European oligarch with five decades of experience in dealing with the Russian Bear.

"You see, the Russians have a few files on Henry Kissinger, they can pull

them anytime they want. In the last years of the Second World War, he was quite unwisely involved in one or two indiscretions, and, now, almost 40 years later, his concepts don't work for them.

"You see, Kissinger came out of the war with certain set beliefs," the European insider went on. "He thought the world would be ruled by a partnership with the Soviet Union, through the Yalta agreements and through the United Nations and other mechanisms. So he acted in a rather friendly way to the Russians. He got more deeply involved with them than he realized. He said and did a few things that gave the Russians a hold on him. Now, it's difficult for him to squeeze out of what he did when he was a young man.

"He's gotten himself into the most frightful mess and he doesn't know how to get out of it. All his aspirations are coming wrong, but if he ever decides to profoundly change his mind on the Russians, they could immediately destroy him. They have the files, the photographs, and they would pull it all out and destroy him. So, Henry Kissinger is in the most frightful trap and mess.

"Personally," he concluded disdainfully, "I think Henry Kissinger in any case has no historical importance at all, insofar as *big* history is concerned. Kissinger won't rank more than a paragraph in the history books. That I can guarantee."

From an "Aesopian" standpoint, the Soviets appear to be delivering on that "guarantee." A recent edition of the government daily *Izvestiya* had a headline about "cutting down pine forests." In Russian, the word for "pine forest" is "bor." "Bor" is also the codename given to Henry Kissinger from the days of his early "indiscretions" with the Russians!

Red-Green gang wants to topple Kohl

Moscow's friends in the Green and Social Democratic parties have an arsenal of scandals to bring down the ruling CDU.

The party-funding affair, or "Flick Scandal," is making headlines again in Bonn, and it will cause some heads to roll, too. The president of the Bonn parliamentary assembly, Christian Democrat Rainer Barzel, has already been forced to resign from his post over media charges that he was bribed by the Flick Company in May 1973 to hand over the leadership of the Christian Democratic Union (CDU) to Helmut Kohl. What made Barzel's case interesting was not that he was found guilty, but that the campaign against him points to Kohl, who is now federal Chancellor.

Barzel did not resign because of the attacks on him by the Greens, an ecologist-fascist formation bidding to be West Germany's third largest political party, and the Social Democrats, but because of the sentiment emerging among Christian Democrats that his case could hurt the Chancellor. Without any of the bribery charges proven yet, pressure was put on Barzel to step aside before the spotlight turned on Kohl.

But if Kohl and his advisers ever believed they could save their seats by dumping Barzel, they were naive fools. Kohl has already been targeted by an influential alliance of Greens, Social Democrats, the country's major muck-raking magazines such as *Der Spiegel* and *Stern*, and by the media at large, who want to see the Christian Democratic-Christian Social Union parties overthrown and replaced by a "Red-Green" coalition willing to hand West Germany over to Moscow's hegemony. When Greenie Jürgen Reents created the riot in the Bonn parliament on Thursday, Oct.

18, his charges against Kohl's suspected involvement in the Flick scandal hit the Chancellor in an atmosphere which was already hysterical. With Barzel out, Bonn is more hysterical.

The Social Democratic Party (SPD) wants revenge for the toppling of SPD Chancellor Schmidt by Helmut Kohl in October 1982. Backed by them, the Greens will make the Flick scandal a top agenda item for every upcoming parliamentary debate.

The Greens intend to use the Flick scandal against the republic and its institutions as a whole, and they will do it exactly as Radio Moscow and *Pravda* have been for several months now: They will present the simplistic equation that Flick equals big German industry, that big German industry equals support for Hitler in 1932-33, that Flick means support to the "revanchist and militarist Christian Democrats" today, and that CDU Chancellor Kohl thus equals Hitler. Since the media are eagerly picking up, commenting on and spreading all new allegations, speculations and revelations on the Flick bribery scandal, a psy-war campaign of unprecedented dimensions will hit Chancellor Kohl from now on.

This is the stuff from which government crises are made. The same psychology which compelled the Christian Democratic leadership to dump Barzel for "damage control" will work against Kohl if the Christian Democrats think *his* removal will ward off further political losses. His own party colleagues might thus push the Chancellor into a position where he would not survive a vote of no confi-

dence posed by the oppositional Greens and SPD. Such a vote of no confidence might be on the agenda sooner than Kohl wishes.

The Flick scandal is not the only one threatening Kohl: The parliamentary opposition wants to make the recent case of the KGB spy Rotsch, who worked in the top management of the Munich MBB military company and might have given top secret information on the Tornado jet-fighter to the Soviets, a "first-rate issue." The Social Democrats charge Defense Minister Wörner with trying to suppress the real scope of the scandal and of slowing down the investigation.

The Tornado project, which—still only on the basis of speculation—has been called into question, involves a lot of money: The SPD claims that 45 billion deutschemarks might have been thrown out of the window for a plane which may be known to the Soviets down to the last minute detail and is, therefore, useless.

In the past, German defense ministers have been forced to resign over smaller sums of money or minor scandals, and the SPD's announcement they consider "this scandal the biggest since the Guillaume affair" is revealing. The exposure of his top aide, Günther Guillaume, as an East German spy toppled Chancellor Willy Brandt in the spring of 1974.

The only way out for Kohl is to open the CDU's dossiers on the SPD and on Willy Brandt's Socialist International collaboration with the KGB, and especially the dossiers on the Nazi character of the Greens.

With the knives out on all sides since Oct. 18, the only strategy is the offensive. Every other approach is certain to turn over Germany to Moscow's Red-Green allies—probably by no later than the end of 1984 or spring 1985.

Report from Italy by Umberto Pascali

'Visentini in Piazzale Loreto!'

The finance minister's plan for a "government of the technicians" has met its first serious challenge.

On Oct. 23, Italy was completely shut-down. Cities like Rome, Milan, Turin, Naples, Palermo, Bologna, and others looked like the Aug. 15 "Fergagosto" holiday: Not a shop was open, the streets were deserted. Italian shopkeepers, organized into a national federation (Confcommercio), conducted a day of protest against the decision of the finance minister, the powerful Venetian Bruno Visentini, to increase taxes in a way intended to bankrupt many.

Bruno Visentini is the president of the newly created Aspen Institute-Italy, centered at the Cini Foundation in Venice. He represents the interlink between Venetian-Swiss finance and the City of London, in Italy normally termed the "British masonry." He considers his attack against the shopkeepers (and against all other "independent workers") the second stage of his strategy, the first being the violent and quite successful assault against the trade unions with the help of the Italian Communist Party (PCI) and the official union leaderships, who fully endorsed the "necessity of austerity."

The plan was to "get the shopkeepers and the professional people," because "austerity must be equal for everybody."

When Visentini came out with his proposal, in the form of a tax bill now in parliament, he received the total support of the PCI and the trade unions, whose spokesmen declared themselves ready to support the Venetian

oligarch at all costs. The trade unions, especially the Socialist UIL, led by Giorgio Benvenuto, organized virtual private spying squads to check on the shopkeepers and denounce their plans to resist.

Visentini's group, the small "Republican" Party, threatened to collapse the government if his proposal was rejected. The pressure on the shopkeepers, in the opinion of the austerity specialists, was enough to force capitulation. They were accused of representing "Chilean blackmail," and were the victim of a propaganda campaign comparing them to criminals and "sharks" who refused to sacrifice—a social atmosphere quite similar to that of the Fascist period in Italy.

Despite all this, the day of protest was a complete success. "Enough with the leftist dictatorship!" "Visentini, Benvenuto you will not have our scalp!" "We do not want the KGB in our house!" These were the slogans of a shopkeepers' demonstration in Turin; 40,000 marched in the streets. In Milan, the demonstrators shouted: "Visentini in Piazzale Loreto!" (the square in which Benito Mussolini was hanged).

Many politicians felt the winds and came out into the streets to support the shopkeepers, who represent something like 10 million votes. Among them was Christian-Democrat Roberto Mazzotta, who said: "A part of the Italian bourgeoisie wants to make an alliance with the PCI and to use the

Communists like their fathers used the Fascist Party."

The PCI was hurt badly by the success of the protest. For the first time, many people who normally vote for the party entered a strike against it. The small, PCI-controlled shopkeeper association, the Confesercenti, almost collapsed the day before the strike: several of its leaders abandoned the organization. Particularly frightening to the Communist leaders was the fact that in their stronghold, Bologna, about 90% of the shops were closed down. Also frightening were the words of the president of Confcommercio, Giuseppe Orlando, in a speech to the membership: "Remember at the moment of the vote who really defended your interest!"

On October 24, the catholic daily *L'Avvenire* carried a not-so-veiled attack on Visentini: "Natta and the gnomes." Alessandro Natta is the secretary-general of the PCI. "The PCI has de facto concluded an iron pact with the 'gnomes' of lay finance ['British masonry'], those who have been working at all times, starting from the financial world, to reach political and financial power positions such that they could cancel any type of Christian presence in the society, not for practical reasons, but because of their world outlook. What is the aim? The government of the technicians. . . ."

By this expression, invented by Visentini circles, is meant a government controlled by bankers, a sort of "pre-fascism" based on the destruction of the organized institutions of democracy and the imposition of the law of austerity—or usury—entailing the destruction of every organized social group who tries to resist.

Without being entirely aware of all this, the Italian shopkeepers are the first to seriously challenge the technicians' March on Rome.

Mitterrand answers Weinberger

Moscow likes it—de Gaulle wouldn't have; the French foreign policy institutes all push strategic impotence.

On Oct. 15 French President François Mitterrand, for the first time since he took office in 1981, met the former collaborator of the Soviet secret police and Andropov protégé, Janos Kadar, first secretary of the Hungarian Socialist Labor Party. Welcoming Mr. Kadar as an obvious emissary of "Pax Sovietica," Mitterrand formally agreed that space weapons should be negotiated, controlled, and reduced as quickly as possible.

The event must be read as a direct negative answer to U.S. Secretary of Defense Caspar Weinberger's visit to Europe a few days before. At the meeting of NATO's Nuclear Planning Group in Stresa, Italy, on Oct. 12, Weinberger explained to the European NATO members that it was quite impossible that the U.S. laser-beam space shield would not protect Europe, as the "de-coupling" faction around Kissinger and NATO Secretary-General Carrington claims. He added that anti-ballistic missile defense of Europe is a first priority for U.S. security itself.

So, how can President Mitterrand refuse such an offer?

The most polite way to put it is that France has not yet shed the "Maginot line" syndrome. France is still waiting for a de Gaulle-like hero from the outside to save it from its impotent taste for the "balance of power" so much praised by the Vichy regime that collaborated with the Nazis.

Nothing could reveal this impotence more than think tanks like the "Institute of Geopolitics" of former presidential candidate Marie-France Garaud and General Gallois, founded

by Carter's national security aide Zbigniew Brzezinski, or the pompous Lellouche's IFRI (Institut français des relations internationales).

After President Reagan's March 23, 1983 speech announcing the new defense doctrine called "Star Wars" by the liberal press, "official" debate in France has split into two factions: the old so-called Gaullists like General Gallois who identify the spirit of the late Charles de Gaulle only in the obsolete *force de frappe*, and the Swiss-British faction (Henry Kissinger's masters), who manipulate this conceptual weakness by claiming that Reagan's proposal was designed to break the Atlantic alliance and retreat into economic protectionism. The latter lie is that beam weapons would upset the eternal deterrence of the French strike force and would only protect U.S. territory.

So when Kissinger tells Mitterrand he is for beam weapons as a bargaining chip to negotiate with the Soviets—and has the nerve to evoke how "de Gaulle let it be understood to NATO" that Europe must become a strong industrial and military power independent from United States—Mitterrand listens to him.

Nonetheless, France remains the most advanced country in Europe in laser-beam research precisely because of de Gaulle's legacy. This reality lies behind the very positive response in high levels of the French military to *EIR's* Paris seminars on beam weapons, and most recently, to the Schiller Institute of Helga Zepp-LaRouche, the only foreign policy think tank committed to reviving the Western alli-

ance in the face of the Soviet military threat. A Paris press conference by the Schiller Institute in late September drew over 30 representatives of international media, military, and various institutions.

This is what some people can't stand—like the Socialist Party's so-called defense specialist, Lellouche of IFRI, the French "Council on Foreign Relations," a close buddy of Kissinger and the U.S. State Department. The Oct. 15 *Le Point* magazine ran three pages of Lellouche gossiping on an alleged American plan to push Europe out of the race, leaving the allies "naked and open to the Soviet threat of thousands of nuclear missiles."

To hornswaggle the Gaullist old-timers, in late September the Institut Charles de Gaulle organized a colloquium on "Deterrence" where officials who had helped to build the *force de frappe*, and other less credible spokesmen like General Gallois, testified on the need to continue the nuclear deterrent which Reagan's doctrine would render obsolete. Not a word was said about beam defense against nuclear missiles. Henri Ziegler, the founder of the French aerospace agency (SNIAS), tried to introduce the topic, but his question was ruled "off the subject."

The irony is that Gallois was recently proven by *EIR* to have *opposed* this same *force de frappe* at the time of de Gaulle. In reality, de Gaulle's concept of the French strike force was aimed at forcing the United States to protect Europe while President Kennedy was giving away the store as a result of the Cuban missile crisis. Today, with Kissinger planning to divert troops to Central America to "prove" America will "fight communist subversion," beam-weapons defense is the only *Gaullist* military policy for France.

Palme's right-hand man attacks ELP

LaRouche's co-thinkers in Sweden were recently singled out for putting Olof Palme into "an impossible defensive position."

Premier Olof Palme's right-hand man, Pierre Schori, undersecretary of Sweden's foreign ministry, professes to be upset over the recently published biography of his boss. Writing in the conservative daily *Svenska Dagbladet* on Oct. 23, Schori claims that the biography's depiction of Schori as power hungry is a terrible offense, equal only to the journalistic methods employed by the European Labor Party. The ELP is the co-thinker organization of U.S. Independent Democratic presidential candidate Lyndon H. LaRouche, Jr.

Actually, the biography in question is a thorough whitewash of Palme and his closest associates. Two weeks ago, this columnist showed that the biography, *Who is Olof Palme?* is conspicuous primarily through its missing chapter, that on Palme's Nazi family tree. Responsible for this cover-up of Palme's family connections is the biography's author, *Svenska Dagbladet* Deputy Editor-in-Chief Bertil Ötergren, an old pal of Palme's since the early 1950s, when they were jointly running the Swedish Students' Association.

But Ötergren was promptly attacked by Schori for having resorted to the dirty journalistic genre of "character assassination," not against Schori's boss, of course, but against the megalomaniac Schori himself! Writes Schori:

"Abroad, this genre is one preferred by various intelligence services. This happened to Salvador Alende and Alexander Dubcek. During the postwar period in Sweden, this

method has only been used by obscure extremist groups. Most famous in this context—and to whom Olof Palme has been an object of hatred—are the extremists within the ELP, who, with grotesque exaggerations, spectacular inventions, and lies, seek to force their victim into an impossible defensive position. And, if the attacks are countered, they calculate, 'something will remain' always in the public opinion."

The "impossible defensive position" that Schori says the ELP is forcing "their victim"—i.e., Palme—into refers to the revelations about Palme's Nazi uncles on his mother's side. Those Nazi uncles of Palme's, the von Knieriems, have been exposed in broadcasts of the ELP's Radio Free Sweden, which broadcasts in the greater Stockholm area. Rather than attempting to deny outright the obvious, if unpleasant truth, Palme and Schori are trying to diffuse the issue by branding the ELP "extremist."

As the undersecretary of Foreign Minister Lennart Bodström, a trade unionist thug with zero experience in foreign affairs, Schori is de facto running Sweden's pro-Russian foreign policy, along with Palme himself. In particular, Schori is the Ibero-America expert of Sweden's Social Democracy and of Willy Brandt's Socialist International, specializing currently in support for the Jesuit junta now running Nicaragua.

According to diplomatic sources, Schori personally helped organize, during a visit to Moscow, a Soviet arms-supply route, including Swedish aircraft and crew, which ran through

Libya into Central America.

In this context, Schori's intimate friendship with Henry Kissinger, with whom he usually has a tête-à-tête on visits to the United States, is most instructive. A July 1, 1984 profile of Schori published in *Svenska Dagbladet* described the relationship between the two as follows:

"Actually, all he [Schori] has to do is merely make an appearance at some glamorous event abroad and Henry Kissinger will come steaming up with cheery greetings at the sight of the slender Schori in some unbuttoned exclusive French shirt, undoubtedly in envious admiration of his waistline."

What connects the young, boyish Schori and old fatso Kissinger is not merely personal preference, but Kissinger's inside track in trying to set up the Reagan administration for a "new Vietnam" in Central America, forcing the withdrawal of American troops from Germany, a goal of Schori's friends in the Soviet-run peace movement.

In fact, some sources have described Schori as "Sweden's Arne Treholt," in reference to the Norwegian foreign-ministry official who was arrested last January as a Soviet spy and KGB colonel. It was Treholt who conducted Moscow's proposal for a nuclear-free zone into the Norwegian Social Democracy.

That has not prevented Palme from putting Schori in charge of investigating alleged "infiltration of the Office of the Prime Minister," after persistent reports were circulating which indicated the existence of a "Swedish Treholt" leaking information to the East. According to several sources, Schori is the real head of the Social Democracy's secret intelligence organization, coordinating it with the official Swedish secret police, SÄPO.

Only the military wants democracy

President Gen. H. M. Ershad is offering democracy to Bangladesh, but the opposition doesn't know how to receive it.

In early October, violent political clashes took place all over Bangladesh as the opposition parties continued to press their plan for a civil disobedience movement against the government and a total boycott of the parliamentary elections scheduled for Dec. 8.

The opposition's demand to abolish martial law and set up an "impartial" transitional government to hold the elections has irked President Ershad. He has reiterated that martial law would not be withdrawn until after the elections are held and the constitution is revived. "If the major parties do not come to the polls, then martial law will continue," General Ershad told the press.

The latest crisis erupted when the Awami League, the largest of Bangladesh political parties and leader of a 15-party opposition alliance against the military rule, asked the government to step down and called for a general strike on Sept. 27. The other seven-party opposition alliance, led by Khaleda Zia, president of the Bangladesh Nationalist Party (BNP) and widow of the assassinated President Ziaur Rahman, also endorsed the Awami League call.

The success of the Sept. 27 strike, and the violence associated with it, has put pressure on the military rulers. But concerning the demand for appointment of a non-partisan caretaker government to oversee the December elections, an exasperated General Ershad said: "Is there any example in

history of an impartial government? In the United States, has President Reagan resigned from his post?"

The opposition demand is ludicrous, and seems to be a roadblock deliberately set up to derail the elections. It also poses a major problem to the military rulers, who have been working to legitimize the role of the army in governmental affairs. Under General Ershad's tutelage a new party, Janadal, was launched in late May to fight the opposition political groups. Ershad told a large crowd in Dhaka at the time: "Janadal is my party and if my countrymen want, I will stand by them to give leadership."

President Ershad's move to form the Janadal was immediately successful. Many important political leaders, such as Korban Ali of the Awami League (Hasina) and Yusuf Ali of the Bangladesh Nationalist Party, left their parties to join the Janadal. Fifteen members of President Ershad's 24-man cabinet now belong to Janadal, and reports indicate that the remaining ministers soon will either join or leave the cabinet.

How much popularity the Janadal enjoys among the Bangladeshis is unclear. According to the opposition party leaders, Janadal is nothing more than an extension of the military and, therefore, has very little support among the masses. President Ershad, on the other hand, has claimed that Janadal will win at least 250 of 300 parliamentary seats in the election.

Whatever the extent of Janadal's

popularity, the party itself has clearly rattled the opposition. The opposition is heavily factionalized, and the various factions have only been kept together for the sake of the fight against military rule. Within the alliances, various factions representing the pro-Peking, pro-Moscow, pro-New Delhi, and pro-Washington parties co-exist with little or no political base. To many in these little factions, the Janadal is not an option to be rejected out of hand.

Even on the issue of boycotting the election, opposition leaders are split. While some opposition leaders argue that any election held under martial law would be impossible to win, other opposition leaders hold that a boycott will only give the military what they are looking for—an extended period of martial law. They also point out that there is no reason to boycott this election since the Awami League had contested the presidential election in 1978 and parliamentary elections in 1979, both of which were held under martial law.

In fact, what the opposition leaders have nervously suspected about President Ershad for a long while has now turned into a reality. The present military rulers have given close scrutiny to the Indonesian and Turkish models in order to fashion a major role for the army in the Bangladesh government. During his 31-month-old rule, Ershad has weeded out the hardliners from the army leadership, has released leading political figures, including opposition alliance leaders, and has lifted the ban on news agencies.

It is apparent that the opposition is unsure of the coming election results. But boycotting the elections will only further polarize their ranks and diminish their credibility. Under the circumstances, General Ershad has very little to lose.

The shining future of Dr. Morote Best

The investigation of one of the those behind Shining Path may be the beginning of a high-level attack on the sources of terrorism.

The news that one of Peru's leading anthropologists had been detained on Oct. 17 for questioning on possible links to the terrorist Shining Path (Sendero Luminoso) group has scared more than the arrested man's friends in Ayacucho, Peru. Parisian ethnology circles jumped as well.

The arrested anthropologist and "folklorist" was Dr. Efrain Morote Best. "Going further than ethnology and folklore," wrote one of Morote's colleagues in recent homage to him, he "has been, until recent years, a true guide for the new anthropologists" produced by the University of Huamanga, where the good doctor was both professor and dean for most of the last 20 years.

It was out of that university, particularly its Anthropology Institute, that Shining Path's leadership was recruited and trained during the last 20 years.

Morote Best is no newcomer to the target list of Peru's security forces. A year ago, Gen. Clemente Noel had named Morote as 1 of 10 "intellectual authors" of the Shining Path terrorists. The former rector, a life-long member of Peru's Communist Party, has never hid his sympathies for the Shining Path, advocating government "dialogue" with them. Two of his three sons are Shining Path leaders, and his daughter married a politburo member of Shining Path!

But until Oct. 17, Morote Best had walked free.

Anthropologists and foreign "aid" agencies had been named before by the Peruvian government as the hand

behind the terrorists, but Morote's detention threatens a new offensive—hitting at the higher *command* level of the terrorists, the "intellectual authors" who expected their "arm-chair theorizing" to protect them from nasty things such as arrest.

The cover-story of the Oct. 1 issue of *EIR* outlined a strategy for warfare against the murderous group: Hit at its creators—national *and* international—the "ideologues" who provide the belief structure and brainwashing of the group's cadre. Targeted was the group of Peruvian anthropologists who created the University of Huamanga—and the French ethnologists centered in the Société des Américainistes, who set the ugly Huamanga pilot project into motion decades before.

Today, the Société is headed by the Aztec-promoting Jacques Soustelle, the French anthropologist *cum* politician now suing *EIR*'s sister publication in France, Nouvelle Solidarité, for asserting that Soustelle and his friends created Shining Path.

The news of Morote Best's arrest could not have come at a worse time for Soustelle and friends. Does his arrest signal a new offensive against the anthropological controllers? How far is the Peruvian government planning to go in prosecuting the "intellectual authors" of Shining Path?

Another Huamanga professor and member of the Société, Antonio Diaz Martinez, was arrested in December 1983, charged with instigating, organizing, or effecting over 100 terrorist attacks during 1982 and 1983. He was caught after police found that he

had rented the apartment where Baader-Meinhof terrorist Renata Heir had stayed while working with Shining Path.

Under the circumstances, defending Diaz Martinez is difficult (but some have tried). Morote Best is the sort who preferred to sully the hands of his children with the weapons of terror, keeping himself as an "ideologue" of terror, and it is on that level that he must be attacked as well.

After several days of interrogation, Morote was freed, thus far without charges. But according to Peruvian sources, the investigation remains open.

An investigation into Morote's Freemasonic connections may prove valuable in locating Shining Path's controllers. The founding of a Freemasonic lodge in southern Peru in 1968 was reported in an Argentine anti-Freemasonic publication. The lodge's name: "Luz en el Sendero"—Light in the Path.

Is Morote associated with the auspiciously named lodge? *EIR* now has no evidence to that effect. But in an interview with the Lima daily *La Republica* following his release, Morote Best reveals a Gnostic, Nazi outlook, advocating the purifying destruction of the current world to "give birth to the new world."

"I have been like St. John the Baptist: 'I am the voice of one crying in the wilderness' . . . I believe there will come a time when the people of the country . . . the people of the Third World, will learn the terrible lesson" of the fighting in Ayacucho. "It is a lesson full of blood, of enormous sacrifices, of great pain—but birth is also like this. Then this will bring a better future. . . . The future is shining—luminoso," stated the folklorist. "For me—listen well, the violence of Shining Path is an aspect of the social struggle."

The Arsenis scandal

Scandals run wild around the two brothers, and it appears someone is trying to pull the plug on Papandreou.

Last week's column made certain allusions to the direct and indirect relationships of the former terrorist gunrunner, Vincent (Takis) Arsenis, who today is Greece's director of armaments industry, with the very filthy attorney general of Cyprus, Mr. Tornarites. Bearing in mind the Venetian/Levantine character of these old Arsenis and Tornarites families, look what has transpired since the writing of that column.

Vincent Arsenis and his brother Gerassimos (Gerry), the minister of national economy in Mr. Papandreou's Socialist government, have become the center of a scandal now rocking Greek politics. One member of Papandreou's Socialist Party executive was summarily expelled for publicizing the fact that brother Vincent, the gunrunner, was pursuing policies detrimental to his government and favorable to the Israeli defense industry.

Whether the charges are true or not is immaterial. To defend the expelled central committee member, a parliamentarian, Mr. St. Panagoulis, charged that brother Gerassimos, the minister of national economy, is a leading member of the Grand Orient Lodge "Ionia" working for "foreign interests" and unnamed "foreign intelligence services" operating through the Freemasonic organization. Panagoulis pointed to the engravings for a new 500-drachma currency note, which bear the portrait of Count John Capodistria and his family coat of arms, two hands in a Freemasonic handshake, circled by a Uroboros, a snake eating its own tail.

The conservative opposition press

went wild with scandalmongering and the tempest has yet to abate. Both Arsenis brothers gave lengthy press conferences to "deny all charges." To compound their misfortune, an in-law of Prime Minister Papandreou was caught fueling the charges against the Arsenis brothers. When Papandreou came out in defense of the Arsenis, a government minister who had resigned a month earlier warned Papandreou to behave or the "real secret" of Mr. Papandreou's career would be divulged by said ex-minister.

More scandals were floated in the back-rooms involving the chief of the Greek air force and his homonym newspaper publisher in similar Freemasonic scandals, as well as organized homosexual intrigues with political implications (Homintern). Then, two leaders of Papandreou's Socialist Party were charged with embezzling 57 million drachmas from the National Bank of Greece, with the complicity, presumably, of Minister Gerry Arsenis.

Then, an official of the Grand Orient Lodge "Ionia" came forward to clarify that the charges against Minister Arsenis were unfounded, that it was a case of mistaken identity. The Freemasonic spokesman, named Spyros Arsenis, claims to have a son, also named Gerassimos Arsenis, who is the real member of the lodge, not the minister. He then detailed his life history, how his father was raised on the same island of Cefallonia from which Minister Arsenis comes, how he moved to Aleppo, Syria, to Iskenderun, Turkey, to Nicosia, Cyprus, to Tripoli, Libya.

It is all quite unnecessary. The most damning evidence against Gerry Arsenis can be found in the man's public record while a U.N. official in New York and Geneva. Over the years, Gerry Arsenis formed an intimate relationship with former World Bank President Robert McNamara, the wild Gnostic of Roosevelt Island. As Gerry is an honored guest at the McNamara residence every time he visits New York, he could not help but notice his host's black mass, Moon-worshipping ceremonies, and other blood-curdling practices to which McNamara freely admits. Or could it be that the two jointly attend services at the notorious Lucifer Trust temple at the U.N. in New York?

The homosexual-ring aspect of this sordid affair is also not unimportant. But for this, let us wait and see how brother Vincent, the gunrunner, handles his affairs with his Bostonian connections.

Now to the relevant question: Who is pulling the plug on the Papandreou government and why? A mere month ago, the Socialist prime minister darkly threatened President Caramanlis with revelations from the feared "Cyprus Dossier," documenting collusion between the Greek President and the Turkish military leadership on matters which are technically, straightforward high treason. We were impressed, however, when President Caramanlis, instead of capitulating to Papandreou's blackmail, went on a visit to Spain, met with the exiled Greek king's sister, Queen Sophia of Spain, and returned to Athens the day before the Arsenis scandal broke, which was one week before the deadline for the opening of the "Cyprus Dossier."

Could it be that Caramanlis has dirt on Papandreou before which even a charge of high treason would be unimpressive? "Opsometha!"

The Damascus Road of Soviet policy

Sudden "disagreements" between Syria and the Soviet Union reflect no weakening of ties, just a shift in their common policy.

President Hafez al Assad's visit to the Soviet Union Oct. 15 was a very strange diplomatic summit. As soon as he arrived, the Western press began reporting that "deep disagreements" had emerged between Damascus and Moscow, and that Assad had requested the emergency visit to obtain "explanations" regarding Soviet policy. That all such reports emanated from Western correspondants quoting "well-informed Soviet sources," was the tip-off. The Soviets themselves organized the press campaign, but for what aim?

Reading the final communiqué and glancing at the list of Soviet personalities who received Assad, there is also little doubt that Soviet-Syrian relations are as good as ever. To begin with, *Pravda* ran a front-page picture of Assad, heralding him as a "renowned leader of the Arab national liberation movement." From Soviet leader Chernenko, Assad went on to meet with Prime Minister Tikhonov; Foreign Minister Gromyko; his deputy Korniyenko; newly appointed Red Army Chief of Staff Akhromeyev; ideological trouble-shooter Boris Ponomarev; Karen Brutents, controller of Middle East and Central American terrorist movements; Vladimir Polyakov, the former ambassador to Cairo, now head of the Middle East department of the Foreign Ministry and a recent visitor in Cairo, Amman, and Kuwait. Then, Assad met with Leonid Zamyatin of the Central Committee, and others.

Of special importance, however, were talks between Syrian Defense Minister Mustafa Tlas, a Soviet mili-

tary-academy graduate, and his Soviet counterparts, which led to "concrete decisions . . . for further Soviet military aid to strengthen the defense capabilities of Syria." A communiqué expressed "common concern for the lack of unity" among the Palestinians, which in Syrian parlance means "down with Yasser Arafat."

The disinformation campaign reflects two preoccupations of the Soviets and the Syrians: First, the fear that the recent reconciliation between Cairo and Amman could strengthen these countries too much, rendering useless the net Moscow has cast out to ensnare the Arab moderates; second, the realization that, as U.S. Defense Secretary Caspar Weinberger proceeded from Tunisia to Egypt to Israel to Jordan, leading elements in the United States have no intention of giving the Middle East away, and are considering a new peace initiative in the area which would reduce to nothing months of Soviet diplomatic activity.

Hence, it served a common purpose for Moscow and Damascus to display supposed disagreements. Moscow could appear toward Cairo and Amman as ready to sacrifice its more radical ally, to maintain its diplomatic gains and extend them toward Saudi Arabia and the Gulf. Such a game would also strengthen those forces in Washington around Henry Kissinger, Secretary of State George Shultz, and his assistant Richard Murphy, who have been trying to convince the Reagan administration that Assad's Syria is really pro-Western and the key to the Middle East. The Kis-

singer policy is to divide the region between the Soviet and a so-called "Western sphere of influence," and to lure Washington into deal-making with the Syrians to that end.

Indeed, as we reported last week, Richard Murphy went out of his way to meet with the Syrian-backed Palestinian rebels of Abu Musa during his October visit to Damascus. Such a meeting took place less than a week after the bombing of the U.S. embassy in Beirut!

But there seems little chance of the Kissinger plot functioning now, as Moscow has realized. The green light has been given to both Syria and Iran to unleash new terrorist attacks on U.S. positions in Lebanon and elsewhere, perhaps Cyprus. There was no other reason for Gen. A. Diyab, Syrian national security director, to meet at length with Brutents in Moscow.

Now, a new explosion in the Gulf war is being prepared, with Syria and the Soviets playing complementary roles. On Oct. 20 Iraqi Prime Minister Tariq Aziz arrived in Moscow to request more military support. Moscow is expected to agree, in exchange for Iraq playing the role of a Soviet Trojan horse within the moderate Arab camp with Egypt and Jordan.

Hafez al Assad's public prestige may have suffered a little bit, but there is no doubt that he shares Moscow's ultimate goals. After all, it was Hafez al Assad, then Syria's defense minister, who connived with Henry Kissinger in 1970 to destroy a weak Nixon administration peace initiative, by launching a false-start invasion of Jordan surrounding the "Black September" events. Moscow is only giving Assad official licence for the kind of doublecrossing in which he has been an expert ever since that first collaboration with Kissinger, the man who put him into the Syrian presidency.

International Intelligence

Moscow: U.S. seeks 'Eldorado' in sky

The Soviet weekly *New Times* features a major offensive—including a big “No to Star Wars” cover—in a series of articles the week of Oct. 22 against President Reagan’s Strategic Defense Initiative program.

The United States, writes *New Times* correspondent Alexei Karenin, is “obsessed with the idea of opening up a new Eldorado in outer space. Again it is a matter of militarism seeking to harness scientific and technological progress to serve its sinister ends. Laser technology, optics, and computer technology are all being geared to war. . . . A whole galaxy of young researchers and designers are engaged in this. . . . Edward Teller—of the ‘old guard’—notorious for his arch-conservative political views, is reported to be working on a project for the use for anti-missile defense purposes of super-powerful x-ray bursts from cosmic platforms requiring ‘low-yield’ nuclear explosions.”

The “dangerous destabilizing effect” of the United States striving to achieve “Star Warfare” superiority is obvious, warns *New Times*. The Soviet Union, as in the past, the article continues, will once again be compelled “to reply by developing its own weapon systems. . . . There is no doubt that if the United States goes ahead with the militarization of outer space the Soviet Union and other socialist countries will do everything necessary in order reliably to safeguard their security. No one will be allowed to upset the balance.”

In the same issue, Lev Feoktistov, Lenin Prize winner and corresponding member of the U.S.S.R. Academy of Sciences as well as deputy director of the Igor Kurchatov Atomic Energy Institute, says that “time”—with the pursuit of the SDI in the United States—“has only added urgency” to the ideas of “the Pugwash movement of Lord Bertrand Russell and Albert Einstein.”

Counterposing the U.S. drive for “Star Warfare” superiority, another article (at-

tempting to disguise the Soviet Union’s own development of beam weapons) reports the near-completion of preparations for three major “peaceful” satellite and probe projects—the Venus-Halley, the Giotto, and the Planet-A—to be carried out by the Soviet Union in cooperation with its East bloc satellites [sic] and other countries.

Soviets target U.S. allies in Third World

According to the Oct. 18 issue of the *Hindustan Times*, a study recently prepared by a “Committee of Soviet Scientists” officially announced that “developing countries lending base facilities for U.S. nuclear missiles are courting the risk of nuclear retaliation from the Soviet Union.” The study proceeds to list some of those countries “around the Indian Ocean, the Mediterranean, and Latin America” which have become “prime targets for retaliatory hits.”

These are: Morocco, Tunisia, Oman, Somalia, Egypt, Sudan, Bahrain, Diego Garcia Islands, Pakistan, Japan, South Korea, the Philippines, Sri Lanka, and Bangladesh if it leases St. Martin Island to the United States, and many others.

“Those developing nations dependent upon food imports [from the United States] would also face famine and widespread starvation in the event of a nuclear war,” concludes the “scientific” study.

Kidnapping of priest: new Polish crisis?

A serious crisis in Poland could be brewing, after the violent abduction of Fr. Jerzy Popieluszko, a priest linked to the outlawed Solidarnosc movement, who had been criticized by authorities for his anti-government sermons. He was taken from his car by three men on Oct. 19 near the town of Torun, where, according to Solidarnosc spokesman Janusz Onyszkiewicz, there have been at

least 10 abductions and beatings and one murder in the last five months. Thousands of people marched in the coast city of Gdansk on Sunday, Oct. 21, shouting “Free Popieluszko.”

Statements by both church and government sources point to a provocation staged by Soviet-run thugs, possibly linked to “a power struggle within the ruling” Polish party. Government spokesman Jerzy Urban called the kidnapping “a provocation carefully timed and aimed at us,” while a government source told reporters it was “a blow directed straight at [the Prime Minister, Gen. Wojciech] Jaruzelski.” A Catholic Church source said the event was “dynamite placed under Jaruzelski’s office.”

A statement released by Cardinal Glemp’s office said: “There is a fear that a danger to his life is involved, and on the other hand, there is also fear that kidnapping of certain people can become a method for conducting political intrigues. The circumstances of the kidnapping indicate that the perpetrators were guided by political motives.” A shadowy “Anti-Solidarnosc Organization” was mentioned by several sources. Solidarnosc sources cited in the *Christian Science Monitor* on Oct. 24 alluded to Soviet involvement, saying “There is no suggestion of blaming the government, because [Solidarnosc leader Lech] Walesa and Solidarnosc realize . . . that most probably the kidnapping is the handiwork of other quarters.”

Pro-terrorist ideologue Soustelle in Colombia

Jacques Soustelle, the French anthropologist who was part of the Permindex network that plotted to assassinate French President Charles de Gaulle and whose teachings formed the Shining Path terrorists, is back in Latin America. He spent the week of Oct. 15 in Colombia, basking in the glory of his appointment three months ago to the French Academy.

Soustelle told a conference of the “Dia-

logue of the Americas" in Bogota on Oct. 17, "Europe is ethnocentric, but that does not prevent it from having a vision of Latin America. . . . Today Europe is a continent of culture and peace, where the problems of wars among nations have been resolved. There is no sign of any armed conflict in the short or long term. . . . Switzerland is the most perfect democracy."

Soustelle was invited by the "poet" German Arciniegas, a State Department regular. In his column, "The Lesson of Soustelle," Arciniegas writes that the Latin Americans were ecstatic when Soustelle was inducted into the French Academy, because he chose for the symbols engraved on his ceremonial sword "those of the Aztec emperors and the Mayan Gods." The Aztecs used their obsidian swords to cut out the hearts of their sacrificial victims.

Did Genscher order libel case fix?

In a flagrant violation of justice, on Oct. 22, chief state attorney Faelker in Düsseldorf, West Germany dismissed a criminal complaint brought by the European Labor Party (EAP) and its chairman Helga Zepp-LaRouche against the suspicious "anti-cult" group "Aktion Psychokultgefahren." The group had distributed a German translation of smear journalist Dennis King's "Nazis without Swastikas" tract, that calls the EAP "anti-Semitic" and claims that Helga Zepp-LaRouche denied Nazi crimes by calling the Holocaust a "Zionist swindle."

In open disregard for other court decisions on the same subject, the state attorney argued that pursuing the case is "not in the public interest," since "this case is only part of a social and political fight between the EAP and its critics and enemies. The EAP is conducting this fight in an aggressive manner. . . . I refer to the content of a press release published concerning the affair around the Iranian citizen Dr. Tabatabai. This press release became known to clerks of the state attorney's office. It accuses For-

eign Minister Genscher of 'relations to organized crime.' In face of this behavior of the EAP, the pursuit of a libel case concerning the EAP cannot be in the public interest, if there is libel at all."

The connection to the Tabatabai case is indicative: If it is not possible to uphold the law against a person caught smuggling 1.6 kilograms of opium into the country, it cannot be illegal to insult and libel a political party and its chairman with the most outrageous lies. While a Düsseldorf court was still trying Tabatabai for his crime, he was freed from jail on orders from Liberal Party leader and West German Foreign Minister Genscher.

Soviets see 'better things' for Kissinger

The Oct. 22 letter to the editor of Long Island *Newsday*, from V. Alexeev of the Soviet press agency Novosti, maintains that Henry Kissinger's feigning support for the Strategic Defense Initiative is a ploy to secure Kissinger a job in the new Reagan administration. Alexeev complains that the U.S. administration has shown "lack of tangible desire for rapprochement" with the Soviet Union. "It seems that Washington's main preoccupation now is to push through its Star Wars project . . . by means fair and foul," says Alexeev.

In his recent syndicated column on the SDI, says Alexeev, "Henry Kissinger, either of his own volition or in anticipation of better things to come, has joined this game. The fervor with which Kissinger argues for the Star Wars project that violates not only the spirit, but the letter of the ABM treaty that he had helped draw up, is a good indicator of the unprincipled nature of U.S. politics. If Kissinger can be flippant with his own brainchild and other international treaties limiting military activity in outer space, then there is little basis to expect the current administration to abide with a treaty that was not of its making and was a hindrance to militaristic endeavors."

Briefly

● **THE WEST GERMAN** Defense Ministry called a press conference on Oct. 24 to play recordings of Soviet commanders' radio traffic proving that Warsaw Pact troops were practicing an invasion of West Germany. Said a ministry spokesman: "In their diplomacy, the Soviets always claim that they have no targets . . . that lie outside the borders of the Warsaw Pact. We think such a claim deserves to be refuted. . . ."

● **OLOF PALME'S** press spokesman, Ulf Larsson, announced on Oct. 24 that the government was clamping down on a new book entitled *The KGB in Sweden*, published 48 hours earlier. It exposed the fact that nearly all Soviet diplomatic personnel in Stockholm were KGB commanders. Larsson said that it is "serious that the book directed accusations against a whole embassy" and that the "Swedish government has not received any reports of a kind motivating further measures" against the Soviet embassy. The book is therefore banned.

● **BRAZILIAN** commentators are relating moves toward a military takeover of Brazil's presidential elections to Henry Kissinger's Sept. 15-22 visit to that country. All polls indicate that when the electoral college meets in January, the moderate opposition candidate, Tancredo Neves, will sweep to victory over the military-endorsed candidate, Paulo Maluf. To prevent the opposition victory, even liberal figures in the regime are now calling for scrapping the electoral college and having the military hand-pick the president, as in the days after the 1964 military coup.

● **THE 'BULGARIAN** Connection" will go on trial in Italy. Judge Martella has handed down indictments against three Bulgarians and four Turks charged with a role in the May 13, 1981 assassination attempt against Pope John Paul II. Turkish terrorist Mehmet Ali Agca, now serving a life sentence in an Italian jail, will take the stand to testify that he did not act alone.

Presidential election turns on the issue of 'Star Wars'

by Warren J. Hamerman

Barring a "shock development" in the final days of the presidential campaign, President Ronald Reagan will win the 1984 presidential election by a massive margin because he dumped the policies of Henry Kissinger and Paul Volcker after his first fumbling debate, and presented in his second debate the policies associated with the bipartisan American patriotic movement catalyzed by the Independent Democratic campaign of Lyndon LaRouche.

In the second debate, Reagan denounced the Kissingerian strategic doctrine of Mutually Assured Destruction (MAD) by name, and strongly defended his administration's Strategic Defense Initiative (SDI). Included in the President's formulations were specific concepts first spelled out in Lyndon H. LaRouche's widely circulated "Draft Memorandum of Agreement Between the United States of America and the U.S.S.R.": emphasizing a strategic proposal for the United States and Soviets to jointly share anti-missile beam-defense technology. In the debate the President said that the need for a deterrent capacity led him to propose research to see "if there isn't a defensive weapon that could defend against incoming missiles. And if such a defense could be found, wouldn't it be more humanitarian to say that now we can defend against nuclear war by destroying missiles instead of slaughtering millions of people?" When asked whether he would really share this technology with the U.S.S.R., Reagan replied "Why not? What if we did? And I hope we can. What if we come up with a weapon that renders those missiles obsolete. . . . Why not say to the Soviets, 'Look, here's what we can do, we'll even give it to you. Now will you sit down with us and once and for all get rid of these nuclear weapons?' And free mankind from that threat. I think that would be the greatest use of a defensive weapon."

Asked whether he thinks the Soviets are an "evil empire" intent on world domination, Reagan rejected the nonsense circulated by Kissinger and Lord Carrington that the Soviets were on a peace offensive, and unequivocally asserted: "I have said on a number of occasions exactly what I think about the Soviet Union. I retract nothing that I have said. I believe that many of the things they have done are evil in any concept of morality that we have. . . . And I told Mr. Gromyko that we don't like their system; they don't like ours. We're not going to change their system, and they sure better not try to change ours. . . . The Soviet Union has been engaging in the biggest military buildup in the history of man, at the same time that we tried the policy of unilateral disarmament, of weakness. . . . And now we're putting up a defense of our own, and I've made it plain we seek no superiority. We simply are going to provide a deterrent so it would be too costly to them if they are nursing any ideas of aggression against us. . . . There's been no change in my attitude at all. . . ."

In questions on the problem of illegal immigration and the so-called "population explosion" in the developing sector, Reagan said in the Oct. 21 debate that the over-population explosion had been "vastly exaggerated. . . . As a matter of fact, there are some pretty scientific and solid figures about how much space there still is in the world and how many people we can have. It's almost like going back to the Malthusian theory, when even then they were saying that everyone would starve, with the limited population they had then. . . ." Previously, only LaRouche among American political figures had attacked the population-control arguments as based on the evil and immoral Malthusian theory.

Walter Mondale's campaign—after a surprisingly strong

showing in the first debate—fell apart with his decision to buy a large number of national TV ads in the days before the second debate adopting Moscow's precise formulations of attack against the "Star Wars," or SDI program of the administration. Mondale's error was acknowledged by his own campaign on Thursday, Oct. 25. John R. Reilly, a senior Mondale campaign adviser, told the *New York Times* that the campaign was abruptly ending the anti-"Star Wars" commercials. The day before, Robert S. Strauss, former chairman of the Democratic National Committee and head of an informal campaign advisory group to Mondale on behalf of the committee, had said that Mondale was losing votes by running commercials showing images of "technology evocative of Mr. Reagan's proposed space-defense system," as the *New York Times* demurely wrote on Oct. 26.

The "reportage" of the *Times* is doubly ironic. According to physicist Edward Teller, Walter Mondale refused to listen to the technical briefing on defensive weaponry provided him before the Oct. 21 presidential debate and instead relied on the *New York Times*, a newspaper Teller characterized as "the Western division of *Pravda*." Teller, an adviser to the President and one of the architects of the SDI, made the statements on Oct. 23 before the Hungarian Freedom Association.

Teller said that a technical analysis had been provided to the two candidates by scientists at the national laboratories, but Mondale had ignored the scientific evidence altogether.

"Mondale is good at making promises," Teller remarked about Mondale's performance during the debate, "but we refugees remember the promises of politicians of the past too well. Chamberlain promised world peace when he negotiated with Hitler. That peace lasted one year."

Teller emphasized in his speech that the United States must commit itself to a full defense of West Germany, should the Soviets' delusions of conquest be deterred; if the Soviets invade West Germany, we must utilize neutron bombs, "first strike or not," he argued.

In a speech before the Los Angeles Town Hall on Oct. 24, Secretary of Defense Caspar Weinberger accused Mondale of political expediency for attacking the President's "Star Wars" defense, and arms-control policies. Weinberger declared: "It is the president's opponents who want to preserve 'the heavens' as a freeway through which Soviet ballistic missiles can be launched totally unimpeded to destroy their targets." The secretary of defense called the possibility of destroying nuclear missiles outside the Earth's atmosphere "morally right and the best method of deterrence. Strategic defenses offer the best hope of mankind."

The LaRouche factor

The night before, Oct. 23, Independent Democrat Lyndon H. LaRouche, Jr.—on the presidential ballot in 18 states and the District of Columbia for the Nov. 6 general election—ignited a political firestorm with a half-hour prime-time broadcast on CBS-TV, his 13th national television broadcast

of the presidential campaign. Within hours, the theme of LaRouche's program, entitled "Walter Mondale and the Danger of Fascism in West Germany," was front-page and television news around the country, catalyzing tens of thousands of phone calls into CBS, the Mondale campaign, and the LaRouche campaign. The national media widely ran clips of LaRouche warning citizens that, were they to vote for Mondale, they would be consciously voting for an "agent of influence" of Soviet intelligence services. Most TV channels then showed a tape of LaRouche delivering the political knockout punch of the 20th century: "Mondale is not simply a Soviet KGB agent in the ordinary sense, of course. Mondale is jointly owned by the left-wing of the Socialist International and grain cartel interests. If those owners tell Mondale to *lick the floor* before a nationwide TV audience, I sincerely believe he would do just that. When the Socialist International and the forces behind the international grain cartel told Mondale to carry out Soviet orders on U.S. defense policy, Mondale did exactly as he was ordered. If the Socialist International's pro-Soviet left-wing enters a partnership with the pro-Soviet Green Party in Germany, to kick the United States out of Europe, there is no reason to doubt that Mondale would be up to his neck in alliance with the neo-Nazi-like Green Party. . . ."

The next day, LaRouche delivered a formal challenge to debate to Mondale at his Washington campaign headquarters. The challenge was delivered to Mondale Press Information Officer Carol Brownstein at the Mondale for President national headquarters; the challenge read:

"Lyndon LaRouche offers Walter Mondale a public debate on the facts of LaRouche's charges that Walter Mondale is a Soviet agent of influence.

"Walter Mondale has been ducking these questions and charges for nine months. If Walter Mondale wants to clear up these charges, Lyndon LaRouche will be happy to extend him the opportunity to do so in a public debate.

"LaRouche proposes a standard, classical debating format. Each spokesman gets 30 to 45 minutes to present his case. Then each is allowed a rebuttal. Rebuttals will be followed by questions from a panel of distinguished citizens, and finally, summations. The national press corps will not be invited to participate directly in the debate.

"LaRouche hopes that such a knock-down, drag-out fight on the issues will be brought to America's voting citizens by the broadcast media."

Within 24 hours, Mondale spokesman Brownstein had nervously reported back to the LaRouche camp, "We are not prepared to respond." During the address, LaRouche had documented Mondale's plans to split the Democratic Party through the creation of a branch of the neo-fascist Green Party of West Germany in the United States after the election. At the close of the elections, LaRouche emerges as the only rallying point for all those patriots who would begin the urgent task of rebuilding the Democratic Party from the shambles of the Carter-Mondale era.

LaRouche puts NBC on trial for libel

Don Baier reports from Alexandria, Va. on the opening of this historic case against 'Watergate journalism.'

The trial of NBC and the Anti-Defamation League of B'nai B'rith began in U.S. District Court in Alexandria, Virginia on Oct. 22 with a reassertion by NBC attorney Thomas Kavalier that the media has the right to say whatever it wants against public figures.

Kavalier's opening statement—which repeated in detail every scurrilous allegation made by NBC in its Jan. 30 and March 4 libels against LaRouche—bore out the opening remarks of LaRouche's attorney Michael Dennis that NBC and the ADL were operating with conscious malice against LaRouche when they undertook to produce their programs.

Dennis told the six-person jury that evidence of the conspiracy between NBC and the ADL to defame LaRouche rested on three libelous statements in particular which were made with reckless disregard of the truth: 1) the charge that LaRouche threatened to kill President Carter and some of his associates; 2) the charge that LaRouche was a "small-time Hitler"; and 3) the charge that LaRouche was in violation of tax law. Although LaRouche by no means accepted the rest of the broadcast as true, libel law for public figures makes it difficult to legally challenge other outrages of the NBC shows, Dennis added.

Kavalier's response, backed up by subsequent testimony from producer and prime-defendant Pat Lynch, was that NBC was justified in making its wild claims by the word of "confidential sources," whose names and persons will not be presented before the court, or the jury. Lynch accurately described the method of "confidential sources" to questioning attorney Michael Dennis as "Watergate journalism"—i.e., journalism it is impossible to refute.

Ruling for NBC

LaRouche attorneys had presented a pretrial motion to eliminate NBC's reliance on "confidential sources," which Lynch had already cited in her argument about the so-called assassination plot. It was not until the end of court on Oct. 22 that Judge James Cacheris ruled on the motion. Cacheris ruled that the NBC defendants would be allowed to cite their reliance on "confidential sources" for information used in the broadcast, whether the sources appeared on the broadcast or not, without being forced to name or produce the sources.

This ruling, in effect, allows NBC to make any wild

charge it wants, as long as it claims that a couple of other "ghost" witnesses had privately vouched for the accuracy of the charge. There would be nothing to prevent such "confidential sources" from being NBC employees, or characters obviously biased or unsavory.

Under this ruling, the plaintiffs are denied the due process right of cross-examining the sources of NBC to expose their fraudulent character. Yet the jury will be instructed to consider the statements of those ghostly "confidential sources" to the NBC defendants as if they were flesh and blood.

In her testimony on Oct. 24, producer Lynch described in some detail her procedure with "confidential sources." Her prime example was that of "Watergate journalism," the so-called "Deep Throat." Asked how she would verify the report of such a source, Lynch remarked that she would ask the source if he or she could refer her to others who could verify the story. If she could find two others to agree with the same story, even on the condition of anonymity, she would consider it "verified." Lynch repeatedly said that the charges NBC had chosen to broadcast against LaRouche were those she felt "comfortable with," apparently considering this as a higher order test than that of truth. Thus, if the source who claimed that LaRouche was plotting assassination against Carter could refer her to two other enemies of LaRouche who would testify to that fact, Lynch would go with the story.

This argument is NBC's only hope to counter the testimony of three members of the European Labor Party, given Oct. 23, who were present at the time of the alleged "assassination threat" presented on the "First Camera" show, and thoroughly refuted the testimony of NBC's sole named source for the charge, one Larry Cooper.

Inside the courtroom, NBC attorney Kavalier otherwise attempted to defend his clients by playing and replaying excerpted defamatory segments of the "First Camera" and "NBC Nightly News" broadcasts, together with other videotapes made for, but not used on, the broadcasts, and by reading 10 years worth of published libels and smears of LaRouche into the court record. Clearly, the NBC attorney hopes to belabor and intimidate the jurors by the authority of the "respectable press" and mere repetition of NBC's characterizations of LaRouche and his associates as "violence-prone," "cultists," and "bizarre."

Also extremely unusual has been the role of the *Washington Post* in the trial proceedings. The *Post* reporter published prominent articles in the "Metro" section of the paper on both Oct. 23 and 24, articles in which they headlined supposed threats against witnesses and NBC principals in the trial.

According to the paper, the alleged threats are currently the subject of an FBI investigation.

Most sensational was the headline Oct. 24, which read "Death Threat Against TV Producer Reported," with the subhead "FBI Probes Call Allegedly Made at Trial of LaRouche Libel Suit Against NBC."

Given that one of the major allegations of NBC in its defense is that LaRouche and his associates carry out attacks on journalists, the coverage by the *Washington Post* had all the earmarks of a deliberate attempt to tamper with the jury. The *Washington Post* article also noted that the alleged threat was reported by Pat Lynch "in an interview with FBI investigators and NBC attorneys last night." How is it that a *Washington Post* reporter was privy to such a private conversation?

Two days later, on Oct. 26, the *Post* published an article headlined: "Juror in LaRouche Suit Cites Fear, is Dismissed." The *Post* asserted that "one of the jurors was excused because she feared for her personal safety" after Judge Cacheris "called each of the jurors up individually during a bench conference and asked: 'Do you have any fear for your personal safety?'"

"The questioning apparently was prompted by a note sent to the judge from the jury room, asking whether an artist who was sketching the courtroom worked for LaRouche. LaRouche charges in the suit that two NBC broadcasts characterized him and his followers unjustly as 'anti-Semitic' and 'violence-prone.'

"The excused woman has been watching videotapes and testimony offered as evidence in the suit against the network since Monday. She walked directly to the clerk's office and requested that a federal marshal escort her home.

"After yesterday's jury incident, attorneys for LaRouche could be heard arguing at the bench for a mistrial on the grounds that the question about personal safety had prejudiced the jury. But Cacheris ordered the court to proceed. . . ."

Suppressed tape aired

In a clear demonstration of the charge that NBC "recklessly disregarded" evidence on LaRouche's character, LaRouche's attorneys presented a television tape of an interview between Roy Innis, national chairman of the Congress of Racial Equality for the past 13 years, and Pat Lynch. Mr. Innis also took the stand for the plaintiff.

Innis testified in court, "I conducted my own independent investigation" of allegations that LaRouche is an anti-Semite, a racist, and the leader of a cult, charges which NBC repeated again and again on its broadcasts. Innis said he had found "no evidence, nothing to substantiate those charges."

In the videotaped interview, Innis said that LaRouche

consistently put forward "innovative ideas," ideas which might be "seriously criticized" by the media, but that "two years or five years later, those ideas often resurfaced, without Mr. LaRouche's name attached to them." Innis discussed LaRouche's proposal for beam-weapons defense (aspects of which were later adopted by the Reagan administration), as well as LaRouche's ideas on combating cults and the drug trade. "Compared to the pablum of the other candidates" for President, Mr. Innis said, he found LaRouche's ideas "a breath of fresh air," and thought they clearly deserved a hearing "in the marketplace of ideas."

Although NBC's Lynch claimed in later testimony that she had interviewed 108 sources about LaRouche, and found no more than a handful with similarly favorable views, NBC chose not to air any portion of Innis' remarks. Nor did NBC report on its broadcasts statements by officials of the Reagan administration, prominent Republicans, and others that conflicted sharply with its characterizations of "bizarre, violence-prone cult."

Evidence of malice

Testimony by producer Lynch on Oct. 23 and 24 showed again and again that she was proceeding with malice and reckless disregard for the truth, the standard which LaRouche and his attorneys must show to win a judgment.

In rebuttal of Lynch's assertion that LaRouche was totally uncooperative with her, attorney Michael Dennis produced a memo from her own staff indicating that they were given published material on LaRouche's views in a visit to his offices, and had found the staff cooperative. Mentioned in the memo were some of the same LaRouche programs referred to by Innis during his testimony, including proposals for beam-weapons defense, major Third World development projects, and reform of the international financial system.

Ms. Lynch also testified that she only "looked over" the mass of written materials on Mr. LaRouche's programs and proposals which she and her staff had been given.

Dennis also introduced into evidence a December 1984 letter written by LaRouche attorney Odin Anderson to Ms. Lynch in response to her request for an interview. Anderson's letter detailed LaRouche's unhappy experience with NBC's Mark Nykanen, who had butchered an interview with LaRouche in June 1982 in order to produce a show defamatory to LaRouche, and relied instead on "information" from LaRouche's political opponents such as ADL Fact Finding Division Director Irwin Suall and drug lobby reporter Chip Berlet.

Although Anderson notified Lynch in the letter that LaRouche *would* agree to be interviewed by NBC, provided certain safeguards could be negotiated to ensure that LaRouche had a fair opportunity to refute his accusers and retained a measure of control about how his remarks were to be used, Lynch did not even wait for the Anderson letter to be read to the jury before characterizing it as "a list of irrational demands" from LaRouche.

Attorney says why LaRouche sued NBC

Attorney for the plaintiff Michael Dennis made this opening statement on Oct. 22 in the \$150 million libel trial in which economist and presidential candidate Lyndon LaRouche is suing NBC and others.

This is a suit for defamation and libel *per se*. The plaintiff is **Lyndon H. LaRouche, Jr.** . . .

Defendants are: **National Broadcasting Co., Inc. Pat Lynch**—Employed by NBC as a television producer. **Mark Nykanen**—Employed by NBC as a television reporter. **Brian Ross**—Employed by NBC as a television reporter. **The Anti-Defamation League of B'nai B'rith. Irwin Suall**—An employee of ADL.

Plaintiff claims that prior to Jan. 30, 1984, defendants conspired among themselves and with others to formulate and prepare television broadcasts:

1) To defame plaintiff. 2) To harass and intimidate prominent persons and government officials who have associated with plaintiff. 3) To create a climate for the instigation of "bad faith" law enforcement investigations directed at plaintiff in order to defame and destroy plaintiff's personal and professional reputation as an economist and consultant; to nullify any influence by plaintiff on governmental affairs of the U.S. and other countries and to destroy plaintiff's prospects and efforts to become a viable presidential candidate.

Plaintiff's evidence will prove that each and every defendant was aware and intended to effect the wrongful goals of the conspiracy.

Acts in furtherance of conspiracy

1. On Jan. 29, 1984: NBC broadcast a teaser segment in a number of states including Virginia which promoted a broadcast to be made the following Monday night concerning plaintiff. The teaser contained the following defamatory statement: "Presidential candidate Lyndon LaRouche and his campaign of hate." On Jan. 30, 1984, NBC broadcast another teaser: "The frightening world of Lyndon LaRouche."

On the same night, Jan. 30, 1984, NBC Nightly News broadcast, among other defamatory statements: 1. "LaRouche . . . head of a political cult." 2. That LaRouche says that a "Jewish conspiracy is responsible for drug smuggling and even the Holocaust" and "that Jews in some way or other

were responsible for the Holocaust by cooperation with the Nazis."

Thereafter, on March 2, 1984: NBC broadcast a "teaser" promoting a broadcast to be made on Sunday night, March 4, 7-8 p.m. which said: "He's been called a 'small-time Hitler.' He draws support from the KKK and anti-Semitic groups. He has his own cult following."

Then on March 4, 1984, NBC broadcast a program entitled "First Camera"—a weekly commentary program, in a number of states including Virginia, a substantial segment of which concerned plaintiff and his supporters. The broadcast said, *among other things*:

That LaRouche is "a small-time Hitler" and "LaRouche says he will create a new race of 'golden souls' which is Adolf Hitler's program, pure and simple; only transplanted to the 1980's and to the United States rather than to Germany."

That "LaRouche and his followers have cultivated extreme right-wing groups such as the Ku Klux Klan and the Posse Comitatus, a militant anti-Semitic organization."

That "LaRouche and his followers have made statements that indicate he thinks that Jews are responsible for every evil that besets the world."

That "Lyndon LaRouche's *control* over his 'membership' is such that he could incite people to violence"; that "these people are not the most psychologically stable in the world and they could be directed to do something at LaRouche's bidding including *killing* someone."

To round out and drive home their vicious defamation of the plaintiff, defendant's program broadcast the following bizarre accusation:

That, in August 1977, LaRouche told his top staff that he wanted to "assassinate Zbigniew Brzezinski, Secretary General of NATO Joseph Luns, Paul Warnke of the Arms Control and Disarmament Agency, President Carter, and David Rockefeller and the method was to be the installation of small radio-controlled time bombs that could be detonated over the telephone lines from foreign countries 12,000 miles away."

Not content with defaming plaintiff as a cultist, a Hitler, who advocates mass murder, who could order his supporters to kill, who plotted the assassination of a President and other governmental officials, the broadcast even instigated the IRS to harass plaintiff by stating, "Any serious investigation by the Internal Revenue Service would lead to criminal indictments and the closing down of the LaRouche organizations."

I ask you to consider not only defamatory content of the broadcast, but the overall purpose, each twist, word, and inflection delivered at the most damaging time during the presidential primary season.

Plaintiff will prove that not only are these statements completely false, but that defendants made them with the malicious intent to injure, damage, and destroy plaintiff's private, public, and professional reputation and his reputation as a political candidate, and at the close of the entire case we shall ask you to award just compensation therefore.

Who's setting climate for hit on Reagan?

by Nancy Spannaus

Socialist-linked institutions on both sides of the Atlantic are currently working to create a climate in which President Ronald Reagan could be assassinated. The central-profiling feature of this operation is to portray the President as committed to bringing about "nuclear Armageddon."

The President did his best during the recent debate with Walter Mondale to dispel the idea that he believed nuclear war was inevitable. "I have never seriously warned and said we must plan according to Armageddon," the President said. He then proved it by proceeding to lay out his Strategic Defense Initiative as the means of eliminating the danger of nuclear war altogether.

Yet the propaganda campaign is escalating.

The key organizer of this campaign in the United States is an organization called the Christic Institute, which is running a 90-minute radio broadcast on 175 public radio stations all around the United States to warn against the President's "apocalyptic" outlook. "The possibility that President Reagan may personally believe that the end of the world is imminent raises a number of chilling questions about his ability to act rationally in a nuclear crisis," says Andrew Lang of the Institute.

Not just a review

On Sept. 29 of this year, the official publication of the Social Democratic Party of West Germany printed a play review in its weekly newspaper, *Vorwärts*. The play, *Judith*, was written by an "avant garde" playwright named Rolf Hochhuth. Its theme? Whether the heroine Judith would be morally justified in assassinating President Reagan in order "to save humanity"!

The heroine Judith is the daughter of a prominent Eastern Establishment family. She is convinced that President Reagan is planning to launch a nuclear war due to his "apocalyptic" outlook, hence her "moral dilemma."

Vorwärts's extremely favorable review concludes that "deeds alone will be recognized and taken seriously by the powerful."

Clearly such a play conforms exactly to the model of "profiling" media events which have been used to activate assassins such as John Hinckley, Jr., in the past. The broad media coverage portraying Reagan as a believer in imminent Armageddon couldn't be better suited to triggering such assassins. Could it perhaps be by design?

Ominous pattern

This campaign against the President first surfaced in April 1984, when the Washington D.C.-based Christic Institute authored an op-ed in the *Washington Post*. Under the title "Does Reagan Expect a Nuclear Armageddon?" author Ronnie Dugger used his article to review every occasion when the President had used the term, or associated with others who use it.

The issue was brought up again by Christic Institute board of directors member Rev. William Teska on May 28, 1984. In a memorandum entitled "Apocalyptic-Realist Theology and National Policy," Teska outlined a study project around the idea of Armageddon. "If the President and key military planners were under the influence of this world view, it could open the decision-makers to the possibility of seeing nuclear war as a positive good to be desired and provide them with the conceptual support system needed to undertake the unthinkable."

The first phase of the study was released by research director Andrew Lang on Oct. 6, and purports to demonstrate that the President and his supporters do indeed think in that way.

The kind of creatures who might be activated by such propaganda manipulation also went into action in early October. A member of the Center for Creative Non-Violence, an organization closely linked to the Christic Institute, released a jar of cockroaches inside the White House, and then proceeded to carry out his act of "civil disobedience" until he was removed by the police. It would not be far fetched to interpret such an otherwise foolish action as a testing of White House security.

What is the Christic Institute?

The Christic Institute was founded in 1975 by Jesuit Father Bill Davis and "former" Jesuit Dan Sheehan. Its ostensible purpose is to serve as a national coordinating center for legal cases against government and industry, a center to initiate "systematic change."

Among the key causes taken up by the Institute have been such "environmentalist," "anti-state" issues as the Karen Silkwood case (where a woman out to expose a nuclear accident died mysteriously), the fights of the pro-terrorist American Indian Movement, the Communist Workers Party, and the "accident" at Three Mile Island. Of course, this puts it directly up against President Reagan's commitment to technological progress.

All of these causes put the institute in direct touch with left-wing Jesuits and pro-terrorist circles which have provided the support apparatus for such openly terrorist groups as the Black Liberation Army, the Weatherunderground, and the United Freedom Front. Could their talk of "Armageddon" be geared to activating these groups against Reagan? An immediate investigation is needed before any such scenario has a chance to run its course.

Mondale backers build fascist Green party in the United States

by Mark Burdman

On a nationally televised prime-time broadcast Oct. 23, Independent Democratic candidate Lyndon H. LaRouche, Jr., charged that the 'backers of Walter Mondale's presidential campaign were planning to create a U.S. version of the Nazi-Communist Green Party of West Germany by splitting out the ultra-liberal wings of the Democratic Party.

Within 48 hours of the broadcast, Mondale had neither confirmed, denied, nor challenged LaRouche's contentions. This silence only tended to confirm in the minds of millions of viewers that the charges were right on target.

For Mondale's backers in the Hubert Humphrey Institute in Minnesota, in the Aspen Institute for Humanistic Studies, and in the New York Council on Foreign Relations, the problems posed by LaRouche's broadcast are of a greater order of magnitude. His exposure threatens to jeopardize millions of dollars and hundreds of hours of effort that have gone into building the infrastructure of a Green Party apparatus in the United States.

These efforts have most recently included an Oct. 22-26 tour of California by West German Green Party leader Petra Kelly and her travelling controller, Gen. Gert Bastian. Kelly's sponsorship by the California branch of the Liberal Establishment is reminiscent of the tour of the United States by Nazi-organizer Hjalmar Schacht in the early 1930s, prior to Adolf Hitler's accession to power.

The nature of the beast

"I am interested in the forces for cultural revolution that lie, in no small way, in Christ, Buddha, and Lao Tsu. Forces that have made history. We need the Gnostic tradition. . . . Taken realistically, mysticism, at least clear-headed mysticism, means a profound mobilization of emancipatory forces in the human psyche."

"We of the peace movement must examine the growth of alternative movements and ask ourselves how they achieved such dramatic success. For example, who would have predicted that Adolf Hitler's movement, once the exclusive concern of a tiny minority, would rise to answer the needs, real or imagined, of the people and become so successful? The same is true of Zionism and Khomeinism. These are the models we must have present in our mind."

These citations are exemplary of the state of mind of the Green Party that Mondale's backers are seeking to create in

the United States. The first of the two citations, printed in a recently issued manifesto entitled, *Green Politics: The Global Promise*, is from Rudolf Bahro, a "defector" from the German Democratic Republic who has become the main ideological spokesman for the West German Green Party's program for returning the human race to pre-industrial times. The second citation is from Richard Falk, the Princeton professor of international law and guru of the U.S. environmentalist and "nuclear freeze" movements who was instrumental in bringing Ayatollah Khomeini to power in Iran.

Much of the intrigue concerning the building of a U.S. Green Party converges on the Humphrey Institute, one of whose directors and fundraisers since its inception in the late 1970s has been Henry Kissinger. Following the defeat of Carter-Mondale in 1980, Mondale was at the institute as a visiting scholar.

In May 1983, the institute sponsored meetings in the United States of leading Soviet intelligence officials, including one at Minneapolis discreetly attended by Mondale, which planned refocusing the "nuclear freeze" movement against the U.S. beam-defense program.

In September 1984, the institute's director, Harlan Cleveland, former U.S. NATO ambassador, made a private visit to Bonn, West Germany, to discuss "exchanges" of political personalities between the United States and the Federal Republic involving officials of the Friedrich Ebert Stiftung, the think-tank for the West German Social Democratic Party now angling for a national alliance in the Federal Republic with the Greens.

One Humphrey Institute underling of Cleveland's, resident scholar Karen Lehman, had attended a conference one month earlier at Macalester College in St. Paul, Minnesota, on the theme of how a Green movement could be built in the United States. Following that event, Lehman told a caller: "The values which the Greens organized around in Germany are an underlying theme in America. Our job is to provide a vehicle for reaching that." Noting that the German Greens were very much influenced by the ideologies of the American Indians and their attachment to the land, she stressed developing a "culture rooted in place," that is, in the blood and soil where one lives.

The Macalester event was catalyzed by the recent book, *Green Politics: The Global Promise*, by Charlene Spretnak

and Fritjof Capra. Capra is an Austrian-born professor of physics at Berkeley, whose book *The Tao of Physics* claims that the universe is irrational and random.

Spretnak is one of the insiders in the so-called Aquarian Conspiracy that produced the New Left and the rock-drug counterculture. She has helped form an organization called "New Options," which is trying to merge various of the components of the "Aquarian Conspiracy" into a national network whose centerpiece would be some kind of Green Party formation.

In June 1984, Spretnak appeared at the Washington, D.C., meeting of the World Futures Society to make a speech calling for expanding the "Green" perspective into the United States. An international director of the World Futures Society, former secretary of agriculture and ex-governor of Minnesota Orville Freeman, is the main agricultural adviser to the Mondale campaign.

At the Futures Society event, Spretnak had shared the podium with Austria's Robert Jungk, one of the individuals who launched the environmentalist movement in Europe in cooperation with assorted "ex"-Nazis. Jungk extolled the European "green-peace movement" for having weakened, over the past decade, the belief of the European population in science and technological progress.

The Macalester event resolved to build a U.S. green movement "from the bottom up" by creating political momentum on the "grassroots" level, which would later merge to become a national movement. Organizers expressed fear that, were a national green party to be surfaced prematurely, it would be crushed or isolated before getting far off the ground. They decided to avoid using the word "green" in any of their activities, out of fear of negative political reactions, and instead to use the label of "Committees of Correspondence" used by the Americans in the years of the American Revolution!

The Macalester College meeting was followed by a Sept. 19-23 Second Biennial Conference on the Fate of the Earth sponsored by that organization and the Global Tomorrow Coalition, both derivatives of the Aspen Institute and the Club of Rome.

This was the meeting at which Falk made the shocking pro-Hitler and pro-Khomeini statements cited in the introduction. One feature of the Fate of the Earth event was the attendance of a delegation of 17 members of the West German Green Party touring the United States, including Marielise Beck-Oberdorf, the Green Party speaker and member of parliament; Albert Statz, of the Greens' National Peace and Disarmament Committee; Eva Quistorp, leading organizer of the "Hot Autumn" demonstrations against NATO maneuvers in West Germany; and Ronald Matseheroph and Ulrike Bettina, two East German "defectors" from the Roman Catholic Peace Movement. Later, the pro-Hitler Falk told a caller, "there is a fair receptivity to the ideals of the Greens, but in the United States it will need some kind of breakdown or economic crisis to really get off the ground."

Humphrey Institute director Cleveland is also a leader of the Aspen Institute, under whose auspices the "greening of America" is being directed as part of Aspen's "East-West Project" for a global deal with the Soviet Union.

Aspen's work on Germany is being coordinated through the Washington, D.C.-based Institute for Contemporary German Studies, directed by former German Marshall Fund-U.S.A. director Gerald Livingston. The ICGS is planning a series of seminars on the German Green Party for later this year, and has established its connections into the Green Party through Green Party parliament members Otto Schily and Joschka Fischer.

Schily gained notoriety in mid-1982 for embracing Libyan dictator Muammar Qaddafi at a Tripoli, Libya conference on the "peace movement." He is Qaddafi's "green" connection in West Germany.

Fischer has gained another kind of notoriety more recently. During a debate in the West German Parliament Oct. 18, Fischer called a leading Christian Democratic Union parliamentarian an "asshole" and triggered a series of destabilizations in the parliament that left many West German observers thinking of the Weimar period leading up to Adolf Hitler's accession to power.

The most recent outrage of the Liberal Establishment advisers behind Mondale was sponsoring Green Party leader Petra Kelly's speaking engagements in California.

Kelly's connections to the Mondale camp run deep. In 1973, she was a co-signer with Walter Mondale's brother, Lester Mondale, of the *Humanist Manifesto #2*, a document composed by the American Humanist Association favoring one-world government and various of the ideas that have since become part of the Green Party program in Germany. Walter Mondale has stated on more than one occasion that he regards himself as a "humanist" in that tradition.

On Oct. 22, Kelly appeared with Gen. Gert Bastian before the Los Angeles World Affairs Council, essentially the West Coast branch of the New York Council on Foreign Relations. When asked why she had been invited to speak, World Affairs Council head Edmond Haddad said: "Our feeling is that the Green Party is a party to be reckoned with. . . . After the elections here, you will see a coalescing of all the feelings pent up in the peace movement. We will all be looking for ways to end the arms race if Reagan is re-elected, and I see Petra Kelly and her group playing a major role in that. I think they'd love to gain a foothold here and this will help them."

In both cases, however, her "foothold" became very slippery, as her audiences were saturated with leaflets from the International Caucus of Labor Committees warning of the "red-green offensive" in Europe and of the plot to set up a similar red-green operation on American shores.

Judging from the intense response garnered by LaRouche's Oct. 23 broadcast, the future of Operation Green Project and of the Mondale campaign looks none too bright in the days ahead.

National News

Moscow comes to the defense of Dr. Spock

Following the arrest of Dr. Joseph Spock during a "peace" demonstration outside the White House Oct. 20, Soviet official spokesmen and news media have taken up his cause. Spock is the physician who turned a generation of American babies into liberals as the guru of the permissive '60s.

An academician of the Soviet Academy of Medical Sciences issued the following statement: "Why is Dr. Spock inconvenient for the Reagan regime? Because he is much more dangerous for the ruling circles of America than might first appear. . . . He was already [dangerous] when he wrote his first books. . . . More than one generation of people in the world educated their children according to him. Humanity, goodness, creativity, spiritual health—this is what Dr. Spock teaches. He is the personification of the progressive forces, but in today's America, his books are considered unnecessary and harmful."

The Soviet Academy has also issued a protest, as has the former physician of Leonid Brezhnev, Dr. Chazov.

N.J. Assembly favors Western alliance

A resolution calling for Congress to "reaffirm the Western alliance," and to oppose all proposals that the United States desert Europe has been introduced into the New Jersey General Assembly. The resolution was introduced by Republican Assemblyman John Hendrickson and has 10 Republican co-sponsors.

The resolution, AR 79, was introduced Sept. 20, and is now in the State Government Committee. The Assembly will not reconvene until Nov. 19.

Assemblyman Hendrickson is seeking Democratic Party support for the resolution.

The state of New Jersey has also become the first state of the union to proclaim Nov. 10 Friedrich Schiller Day, in honor of the 225th birthday of the great German poet and playwright, author of the "Ode to Joy." The action came in response to an initiative from the Schiller Institute, the new institution which is using Schiller's ideas as the rallying point to save the Western alliance from the "decouplers," and to save Western civilization from a new Dark Age. The Institute is sponsoring festivities throughout the world on the poet's birthday.

Congressional candidate sues Democratic Party

Ohio Democratic congressional candidate Donald Scott filed suit in U.S. District Court in Dayton on Oct. 23 against the Ohio Democratic Party and county Democratic organizations in the 7th Congressional District. The party organizations, he charged, are trying "to usurp and confuse the will of the Democratic electorate" by omitting his name from a sample ballot printed by the local party machine.

The sample ballot replaces Scott's name with that of write-in candidate Peggy Hannah, in the space where the Democratic choice for Congress should be. Scott is running against incumbent Republican Michael DeWine.

Scott won 61% of the vote in the Democratic primary on May 8, defeating the party machine's candidate, Dennis Geehan. Scott, a farmer and activist in the National Democratic Policy Committee, is a supporter of Independent Democratic presidential candidate Lyndon LaRouche.

The suit asks that U.S. District Judge Walter Rice grant a temporary restraining order against distribution of the literature, and asks that Scott be awarded damages "in such amounts as would barely compensate the plaintiff and punish defendants for their illegal acts together with reasonable attorney's fees and the costs of this action."

At a press conference in Springfield, Ohio, on Oct. 26, Scott's campaign man-

ager, Bernard Salera, charged: "What's at stake here is nothing less than the efforts on the part of the Mondale-Manatt Democrats to destroy political processes in the United States, as typified by the self-destructing campaign of Mondale-Ferraro, which would isolate and disenfranchise voters, have them withdraw from politics out of cynicism, rage and frustration, only to be radicalized into the new Greenie movement that the Mondale crowd is at this very moment sponsoring."

Russian exile paper libels LaRouche

New York City's Russian-language daily *Novoye Russkoye Slovo* on Oct. 21 attacked the Independent Democratic presidential slate of Lyndon LaRouche and Billy Davis, in an article entitled "250 Candidates for the Presidency."

The paper wrote the following account, noteworthy for its extraordinary number of inaccuracies and libels: "One cannot fail to mention the particularly intense activity of the publisher Lyndon LaRouche, formerly a far-left Democrat, who has now become a far rightist. He is running for President of the United States as an independent candidate, while one Billy Davis is running to be his Vice-President. LaRouche publishes the weekly journal *Intelligence Investigation Report* and the large weekly paper *New Solidarity*. Furthermore, he appears every week on various television channels. He and his running mate are energetically traveling around the country and have gotten themselves on the ballot in 15 states already.

"Whereas the funding sources of the CPUSA [Communist Party of the U.S.A.] are generally known, it is so far unclear where LaRouche obtains such great resources. And the authorities cannot check on this, since in 1976 under Carter-Mondale a law was passed according to which minor parties do not have to submit data on the funds they receive, so as not to 'disrupt their activity.' The Republican and Democratic parties, on the other hand, have to regularly submit accounts of

the funds coming into their bank accounts.”

Novoye Russkoye Slovo's nod to the CPUSA is noteworthy; Russian emigré circles are well known to provide cover for Soviet intelligence penetration of the West. The author, V. Glazkov, is known for his intelligence connections.

Kelly Petra-fied in Los Angeles

The Schiller Institute was on hand in Los Angeles on Oct. 23 to “welcome” West German Green party leader Petra Kelly to the United States and expose her role as a Soviet agent out to decouple Europe from the United States.

Several minutes before Kelly was scheduled to begin speaking at the prestigious Los Angeles World Affairs Council, sister organization of the New York Council on Foreign Relations, Schiller Institute representative Judy Huffman took the stage and proceeded to welcome the 300 guests and wave everyone to take their seats. The guests began to leave the reception line where they had been waiting to shake hands with Kelly and her sidekick, the former NATO general turned Green, Gert Bastian.

Huffman proceeded: “I think this is an appropriate occasion to call for a renewal of the German-American alliance. I’d like to announce that on Nov. 10 there will be international celebrations in honor of the 225th birthday of the great German poet and dramatist Friedrich Schiller. Schiller said that one of the greatest shames in history occurs when ‘a great moment finds a little people.’ [Security guards now began to close in on the podium.] This is what happened in Germany in the ‘30s. . . .”

At this point, Huffman was picked up off her feet by two burly security guards, but she continued unruffled, “. . . when the fascists came to power. And this is what is happening now in Germany as the Green party comes into the government!”

The microphone came unhooked from the podium and remained in Huffman’s hands as she was carried away. She continued:

“Organizers in Germany with the Schiller Institute are physically assaulted every day on the streets by the new fascists of the Green party, as they try to tell the people of Germany just what I am trying to tell you now!” A young woman lunged for the microphone and finally tore it from Huffman’s hand.

A leading member of the World Affairs Council remarked later that night that the interruption “by this small young woman” had thrown the audience into a turmoil. Once the meeting officially broke up and small groups were standing around, this was the only subject discussed, he said. “There was no agreement on who was right and who was wrong.”

Ferraro fundraiser was target of gangland wars

Nicholas Mario Sands, a.k.a. Dominick Santiago, helped raise more than \$300,000 to fund Geraldine Ferraro’s first congressional race in 1978, and was later shot at nine times in a 1980 gangland-style attempted assassination while he was trying to raise money for her reelection campaign, the *New York Post* reported on Oct. 20.

Sands-Santiago had been convicted in 1975 of labor racketeering, and had become known to law enforcement officials as a self-professed godson of the late mafia-boss Carlo Gambino.

At the time of Sands-Santiago’s shooting, one of his companies, Priority Freight, was being probed by Queens District Attorney John Santucci, in an investigation of mob penetration of legitimate businesses in Queens.

Since the shooting, the *Post* concludes, Sands-Santiago “has kept a very low profile.”

In a related development, a Manhattan Grand Jury has launched an investigation of two real estate transactions by John Zaccaro, Ferraro’s husband. These involve loans for \$550,000 allegedly made to a real estate associate of Zaccaro’s from a New York credit union to which Zaccaro’s friend did not belong.

Briefly

● **LYNDON LAROCHE** will deliver three national prime-time television broadcasts on election eve, Nov. 5, the Independent Democrats for LaRouche campaign headquarters announced. These will be on NBC (10:30 p.m. EST), ABC (8:30 p.m. EST), and CBS (8:30 p.m. EST). The candidate had previously delivered 13 national broadcasts since the start of the presidential primaries.

● **CIVIL RIGHTS** leaders began a tour of the Midwest and South at the end of October to attempt to transform demoralized sections of the black community and Democratic Party layers into fighters for global development. Taking part in the tour are Hulan Jack, formerly borough president of Manhattan and New York state assemblyman; Mrs. Amelia Robinson, a close associate of the late Martin Luther King from Tuskegee, Alabama; and O. G. Christian, president of the West Philadelphia chapter of the NAACP.

● A **NEBRASKA** farmer, who faced massive debts on his family farm, blackened his face for night battle, pulled out an automatic rifle, and challenged a State Patrol SWAT team that killed him when he opened fire. Arthur L. Kirk was killed Oct. 23 on the farm on which he was born. The conflict had begun earlier that day when sheriff’s deputies tried to serve him with notice that the Northwest Bank of Grand Island was taking legal action to collect \$301,892 in overdue farm loans.

● **WALTER MONDALE'S** personal physician has confirmed that the candidate changed his high blood pressure medication at the time of his first debate with Ronald Reagan to alter his depressed mood. The *New York Tribune* reported Oct. 20 that there is “growing interest in the Democratic candidate’s health problems and the drugs he takes to keep the problems under control.”

Editorial

Post-election responsibilities

As of this writing it looks as though the American population will do its part in the election campaign of 1984, by resoundingly defeating Soviet agent of influence Walter F. Mondale.

Equally importantly, we have seen at least a small "coup" by anti-Kissinger forces in the Reagan administration, who have put the President back on track with an active campaign for the Strategic Defense Initiative.

Yet, even if all goes well on election day, the re-election of Ronald Reagan will be only a beginning. What is required in Washington is a thorough overhaul of economic and foreign policy—and such an overhaul will require the intervention of every nation bold enough to fight for its future.

To facilitate this intervention, the Schiller Institute has called its third international conference for Thanksgiving weekend. The highlight of the conference, entitled "Necessary Policy Changes in American Foreign Policy," will be the presentation of up to 100 policy papers from governments on the theme, how American policy must be changed toward my nation.

Will these nations, many of them small and dependent upon the United States, get the nerve to present papers on the question of changing U.S. policy? That depends on how fully they understand what is at stake.

The first objection we expect to hear, of course, is that nations cannot be expected to intervene into the "internal affairs" of the United States. One can be sure that the State Department will not hesitate to use this line as well. "Yet," as Schiller Institute Chairman Helga Zepp-LaRouche put it in her conference call, "America is a superpower, and more than anything else, its foreign policy determines the fortune or misery of whole continents, whose nations therefore have the right to make their own legitimate interests heard."

No one can assume that the President, much less the American people, are aware of the effect which U.S. foreign and economic policy is having on other countries. The professional foreign policy establishment, run by the likes of Henry Kissinger and other

State Department bureaucrats, has made a business of destroying the national sovereignty of other nations, and then blaming their subsequent problems on "socialism," "corruption," or other such dreck.

Yes, the American people and the President are just plain ignorant on foreign policy and economics. And they must become educated very fast.

What the Schiller Institute is encouraging are constructive proposals for the world's most pressing problems.

"Many of the world's nations sincerely desire to remain friends with the United States, but are prevented from doing so by the policies of the United States itself," Mrs. Zepp-LaRouche noted in her call. "A major focus will therefore be to point out, with respect to the particular country under discussion, those aspects of American foreign policy which, if continued, will eventually push those countries into the sphere of Soviet domination."

There is little question as to what those policies are. First, there is the commitment of the U.S. government to the policies of the International Monetary Fund—policies which are currently driving into ruin every ally and enemy of the United States which is pushed under their dictatorship. It is IMF policy which is destroying Africa. It is IMF policy which now threatens to turn the Philippines into a Soviet satrapy, and remove the U.S. militarily from the Pacific.

Second, there are Kissinger's "geopolitical" policies, which dictate that the United States proceed to "counter" the Soviets by carrying out coups and invasions in South America. Such a strategy, predictably, will only lead to decoupling Western Europe from the United States, and the destruction of the United States as a superpower.

Can the world's nations succeed in reminding the United States of the principles of economic and foreign policy for which the American Revolution was fought? That is the question the Schiller Conference is determined to answer in the affirmative.

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