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The ABM Treaty: 'Narrow reading' is a hoax
What scientists *really* think about AIDS
New designs for nuclear plant production

**Why debtor nations can't buy
James Baker's monetary reform**



The Trilateral Conspiracy Against The U.S. Constitution: Fact Or Fiction?



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David Rockefeller: To some, the Trilateral Commission is a sinister plot by Eastern Establishment businessmen who will do almost anything—including going into cahoots with the Kremlin—for the sake of financial gain. The fact that many former members, including President Carter, are now members of the Administration is hailed as proof of how devilishly well the conspiracy works.

—Letter to the editor of the *New York Times*, Aug. 25, 1980

Moscow: The Trilateral Commission has opposed some of the military programs adopted by Washington which threaten to upset the strategic balance.

—Yu. Fedorov, in *International Affairs*, July 1985

Lyndon H. LaRouche, Jr.: The general object from the side of the Liberal Establishments was to establish a global *Pax Romana*, a thousand-year empire of shared global rule between the Trilaterals and the Soviet empire. . . . It happens, however, that the Soviets intend to cheat. They will maintain their partnership with the Liberal Establishments no longer than the Trilaterals and similar types continue to be “useful fools” working to advantage of Soviet imperial interests. Once the usefulness of those fools has been exhausted, the Soviets will variously assimilate or obliterate them.

—Foreword to *The Trilateral Conspiracy Against the U.S. Constitution: Fact or Fiction?*

To destroy the evil influence of the Trilateral Commission in American political life, one must expose the delusions in which the Trilaterals obsessively believe. *EIR's* Special Report provides a comprehensive textual analysis and refutation of key Trilateral writings, including: Zbigniew Brzezinski's delphic attacks on the Strategic Defense Initiative; George Shultz's argument for the decline of American power and influence; David Rockefeller's “socialism.” Foreword by Lyndon H. LaRouche, Jr.

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EIR

From the Editor

This publication and its contributing editor, the world-famous economist Lyndon LaRouche, are in the middle of several battles that will determine who takes power in the United States "after Reagan," an issue which the world's political elites are debating, even more heatedly than the Geneva summit.

One key battle is reflected in this week's *Feature* and in the cover photo, which shows 300,000 Panamanians in a recent mass rally of support for their new President Eric Delvalle, and rejection of the dictatorship of the International Monetary Fund and World Bank.

If you turn to the interview with Panamanian trade union leader Eduardo Ríos, on page 44, you will learn how Delvalle was convinced to put his name behind the call for a summit of the Ibero-American heads of state that was first put forward by Peru's President García.

EIR has offered the only scientific analysis of the real status of the world's debt problem—of which the Ibero-American debt is, in reality, only a small portion. In the cover story (page 30), we show how International Monetary Fund conditions have worsened the situation of Ibero-American trade far, far more than the official IMF-World Bank figures admit. Accompanying this are four pages of extracts from the speech by Peru's Economics Minister Alva Castro to the IMF meeting in Seoul, where he pronounced the current world monetary system defunct and called for a new one—in terms similar to those used by *EIR* and LaRouche in the past.

Another strategic intervention-point is in the Pacific, where *EIR* has become a recognized factor in opposing the State Department's policy of abandoning loyal U.S. allies to IMF destruction and Soviet takeover. Last week, we exposed Kissinger's plan for the judicial murder of former Premier Kriangsak of Thailand. On page 47, we reveal what was behind the Laxalt mission to the Philippines, and why it appears in Manila that the United States has declared war on an ally.

Let me now relay our printer's apology, for the error that caused the wrong *Letter from the Editor* (from the previous week) to be printed in this space last week. The second installment of "The Greek Premier," which some of you looked for in vain, will in fact be appearing in our next issue. (Clear?)

Nora Hamerman

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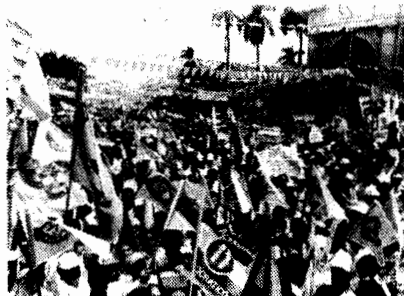
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Correction: In its Oct. 4, 1985 (Vol 12, No. 39) and succeeding issues, *EIR* incorrectly gave the name of the head of the Pasteur Institute's AIDS research team in Paris. His name is Luc Montagnier.

Volcker's big debt blowout: It's only the beginning

by Marcia Merry

The weeks since mid-October of intensive testimony to Congress, jawboning of bankers, and daily press conferences on new pyramid plans to handle domestic and international debt, show two things clearly, for those who didn't already know: 1) The dollar debt blow-out is now under way on an avalanche scale; and 2) the "experts" who created it—with Paul Volcker in the forefront—are now proposing plans that would guarantee a final, total crash.

The outbreak of the new phase of crisis had been forecast by leading economist Lyndon LaRouche. Speaking to a nationwide television audience on Labor Day 1984, during the course of his presidential electoral campaign, LaRouche warned that the eruption of renewed chaos in currency markets, attendant on the collapsing U.S. economy, could not be contained beyond the first quarter of 1985. LaRouche forecast then that the dollar could not be maintained at its inflated level against such currencies as the West German mark, and would begin to fall, to a level of perhaps half its then traded valuation. The new phase of crisis has erupted as LaRouche said it would, and as *EIR's* June 1985 Quarterly Economic Report warned it would, under the headline: "The Looming Bankruptcy of the United States," in the following words:

"Thanks to the continued influence of the policies set into motion under James Earl Carter and Paul Volcker in 1979, policies which, despite all talk of a recovery, have remained unchanged to the present date, the United States has been brought to the very edge of national bankruptcy. The crisis foreshadowed in the wave of state and local banking collapses is not the isolable series of special cases the inhabitants of cloud-cuckoo land so wish it were. Under the continuance of the Carter-Volcker policy, the United States republic has

been brought to the edge of the crisis which will determine whether the nation continues to exist, or not."

Fully \$50 billion of the \$213 billion national farm debt is going under, driving farmers off the land and pulling under dozens of banks and millions of suppliers and farm-service industries.

On Oct. 23, the Farm Credit System, which accounts for one-third, or \$80 billion of the farm debt, released its dismal third-quarter report showing a huge file of non-accruing loans and called for an \$11 billion dollar bail-out from the government.

The same day, a Federal Reserve economist, Emmanuel Melichar, filled out the additional farm-debt collapse picture for a House Banking Subcommittee. Reporting on the scope of the collapse that Volcker's Federal Reserve policies created, Melichar said:

1) The commercial banking sector, accounting for \$50 billion of farm debt, needs a bail-out mechanism to rescue 25% of its debt load that is non-performing;

2) 31% of the \$15 billion debt owed to the government's Farmers Home Administration is going under.

The bad agriculture debt totals close to \$50 billion.

The U.S. home mortgage picture and savings-and-loan debt network is in the same condition. This year marks the highest rate of home mortgage delinquencies in the 32 years since national records were kept. Of the 400 thrift organizations across the country, an estimated 150 to 300 are, in effect, bankrupt.

The director of the Home Loan Bank Board, Edwin Gray, speaking before a House Banking Subcommittee, announced that the potential near-term demand for federal deposit insur-

ance for these savings banks is five times greater than the current usable reserves of \$3.2 billion. Gray proposed a plan for taxing all savings banks by 1% of their assets to raise recapitalization of \$8.5 billion for the Federal Savings and Loan Insurance Corp. (FSLIC). He admitted that the consequence of this surcharge would be that 50 to 100 banks would fail. The alternative would be a federal bail-out.

The scope of the proposed bail-out to manage the international debt crisis has begun to emerge. The New York investment banks want a multi-billion dollar bail-out program from the government, and another \$20 billion bail-out package from smaller banks, coerced to go along with the deal.

The sponsor of this plan is Treasury Secretary James Baker III, who proposed at the interim International Monetary Fund meeting in Seoul, Korea in October, a \$20 billion lending facility to come from the private banks, as well as an additional \$20-25 billion in funding to come from the World Bank. It was not well received, but since then Baker has been shopping it around as the best thing going. His line is that it will use the World Bank as a vehicle, and downplay the Don Regan approach of case-by-case, austerity measures, enforced by the International Monetary Fund.

Baker's pitch to Congress is that debt should be handled through "development," and that, if there are "major economic reforms" by debtor nations and U.S. commercial banks are going to cough up another \$20 billion, then Congress should allocate more money to the World Bank.

Some Wall Street investment banks, which would be temporarily bailed out by Baker, are all for his plan. The Oct. 24 *Journal of Commerce* editorial, "Mr. Baker's Plan" . . . indicates that the United States is finally willing to show some leadership in the debt arena. For that reason alone, it is a worthy plan."

However, Baker simply echos a proposal already advanced at the end of July by Fed chairman Paul Volcker, testifying before the Senate Banking Committee. At that time, Volcker described Third World debtor-nations as now "in recovery," which should be sustained by development aid through the World Bank.

Volcker repeated this message before the American Bankers Association meeting recently in New Orleans, but clearly blew the cover of the operation when he emphatically rejected any flexibility in the terms to be applied to Third World debt.

In other words, Baker's and Volcker's "recovery" policy is the same vicious austerity policy of the International Monetary Fund, maybe with, maybe without, the IMF, but the same.

Some in Congress, even the blow-dry economics know-nothings, are suddenly beginning to get worried under the pressure for bail-outs coming from all directions at once.

When Baker addressed the House Banking Committee Oct. 22 and called for more money for the World Bank, Committee chairman Fernand St Germain (D-R.I.) said, "I

assure you that the Committee will never allow domestic programs to take a back seat in the budget process." However, Congress is on a balance-the-budget austerity binge. The House has just passed a \$78 billion budget reconciliation bill, and a House-Senate Conference is meeting to conclude work on the so-called Gramm-Rudman-Hollings budget balancing amendment that would mandate cuts over the next five years of several hundreds of billions in federal spending.

Paul Volcker himself has been sucking his cigar and jawboning the bankers to try to get them in line. On Oct. 22, during his address to the American Bankers Association convention in New Orleans on the need for the \$20 billion loan package to Third World nations proposed by Baker, some booing started from the local banks represented. So, Volcker conducted a closed-door session to explain the "details" of his plan. ABA President James Cairns diplomatically said, "A number of bankers were concerned with how the plan would work."

However, not all bankers are as stupid as the top management of the Big Five. Some do not see the wisdom of lending more money that will never be repaid, nor do they wish to

Some in Congress, even the blow-dry economics know-nothings, are suddenly beginning to get worried under the pressure for bail-outs coming from all directions at once.

see new loans suddenly declared non-performing liabilities on their balance sheets. Nor do they wish to set aside more contingency funds against bad loans.

Volcker has proposed yet another institution—a "super bank" to channel new lending as a solution to these legitimate fears. At the ABA meeting, Volcker asserted that "cooperating bankers" would be increasing their foreign-debt exposure by only 2½-3% a year . . . but everybody will be better off. . ."

Foreign bankers are also squeamish about these proposals, so Volcker is convening yet another meeting to try to arm-twist the credit community to participate in his bail-out plans. On Oct. 28 in Washington, D.C., bankers are gathering on the debt crisis at the Institute for International Finance meeting. Baker and Volcker aim to get a consensus for their schemes, but there are counterschemes by smaller U.S. banks to get concessions in the form of relaxation of the reserve regulations on shaky loans for Third World debtor nations.

Two things seem certain. First, as one observer said, "The last three years of debt policy have been a total failure." Second, "You ain't seen nothing yet."

Secretary Baker learns the lesson of *The Merchant of Venice*

by Lyndon H. LaRouche, Jr.

U.S. Treasury Secretary James A. Baker III has just received a painful lesson from the international bankers. The Secretary had given wide advance circulation to the proposal he submitted to the Oct. 8, 1985 meeting of the International Monetary Fund, in Seoul, South Korea, a proposal for reform of the crumbling international monetary system. The bankers not only snubbed the Secretary's offer of discussions, but responded with press leaks which were plainly intended to be insulting.

Since the beginning of summer 1981, President Ronald Reagan and his administration, have consistently backed policies which Federal Reserve chairman Paul A. Volcker has described as "controlled disintegration of the economy." In every crisis, up to now, the President's administration has capitulated without resistance to the demands of the international banking cartel.

Now, the President is no longer able to continue that abdication to the banks. Beginning spring 1984, the domestic banking system has been gripped by spreading bankruptcies reminding us of the early 1930s. By the second quarter of 1985, it has become clear that Mexico and South America could not continue the combination of austerity and debt-rollover policies imposed by Kissinger Associates, Inc., beginning October 1982.

Key circles within the Reagan administration have seen the breakdown of the present international monetary system as inevitable, but, for political reasons, have hoped to postpone the inevitable day of reckoning as long as possible. By the summer of 1985, it was clear to a growing number of policy-shaping circles around the administration, that the efforts to postpone reform beyond 1985 must probably fail. Apparently, Fed chairman Volcker sensed this; clearly, Secretary Baker did.

As a typical Washington pragmatist, what Baker proposed as a limited reform of the monetary system, was admittedly pitifully small, and technically unworkable. The only virtue of the proposal, was that it put the subject of urgently needed monetary reform on the agenda. The significance of the bankers' refusal to discuss the proposal has nothing to do with the proposed reform itself; the issue is, that they refused to allow placing any discussion of monetary reform on the agenda.



James Baker III: a typical Washington pragmatist.

Shylock demands his pound of flesh, and cares not in the least whether the collection kills the debtor. The leading bankers and re-insurance cartels of Switzerland, Venice, London, New York, and New England, are convinced that they have veto-power over the policies of the U.S. government, and know that Moscow fully supports continuation of the IMF "conditionalities" policy, whose effects Moscow views as serving Soviet strategic interests very well. The same bankers care not in the least how many lives are destroyed by the international narcotics-traffic; these Shylocks care only that deposits of hundreds of billions of dollars in drug-traffic revenues are a major portion of the financial flows through the international banking system at the present time.

Secretary Baker, whatever his faults, is political. In other words, the administration does not dare, politically, to overlook the political revolts which the spread of farm closures, industrial unemployment, and worsening misery, are spreading in the United States itself. The administration must take into account the fact that nations long friends or allies of the United States, are being destabilized by the combined effects of drug-trafficking and IMF "conditionalities."

Meanwhile, inside the United States, a popular political revolt is building up rapidly, against the government's cover-

up policies on the deadly plague of AIDS. With at least one million homosexuals and drug-users in the U.S.A. already estimated to be infected with this fatal virus, and the number of reported cases doubling every six months, with between 10 and 32 million cases of AIDS infection reported for Central Africa, and an AIDS catastrophe spreading in Brazil; there is no way the government can continue for long to insist that AIDS is spread only by "dirty sex" and needles.

AIDS, like any pandemic of contagious disease, is spread through conditions of economic breakdown. Lack of sanitation, poor nutrition, living in crowded slums or internment camps, enable diseases to find their own way of spreading their infection among populations with the weakest resistance and poorest sanitary conditions. Once pandemics gain a large foothold in some parts of the population, the pandemics spread into the population as a whole.

The underlying issue with AIDS, is politically the same as with the crumbling of the international monetary system. Fighting AIDS costs a great deal of money; it would probably cost tens of billions of dollars a year in the United States at the present level of spread of the infection, for combined measures of sanitation and treatment. With the present budget-balancing fight around the Congress, the application of traditional measures under public health laws, means spending much more money than Washington is willing to consider spending. Therefore, most U.S. government agencies, so far, have accepted the fraudulent doctrine on AIDS circulated by Soviet official Sergei Litvinov, head of the communicable diseases sections of the World Health Organization.

So far, the world's leading experts see no way in which the Soviet biological-warfare apparatus could have created AIDS in a test-tube. However, it is in the strategic interests of Moscow to see to it that the West does nothing to stop this pandemic; within a few years, at present rates, the spread of AIDS in Asia, Africa, Western Europe, and the Americas, would permit Moscow to take over the world almost without firing a shot.

The Shylocks have their own reasons. To unleash the kinds of public health measures needed to stop AIDS' spread, would require a dumping of the present policies of the international monetary system, and a return to high rates of economic growth through technological progress. Any monetary reform which met that requirement, would save the banking system, but greatly reduce the political power of the bankers. These bankers refuse to tolerate any reduction in their political power.

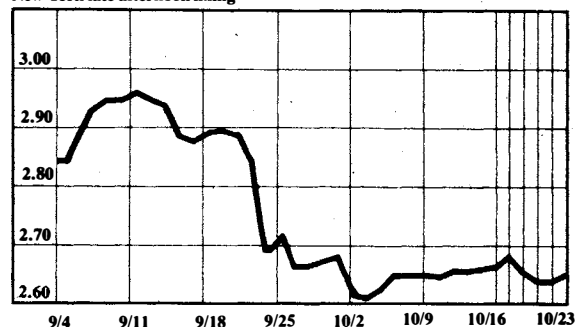
Around the Reagan administration, there is much worry on both accounts. It is realized by a growing number, that the present cover-up of the facts about AIDS can not continue through the 1986 congressional elections. It is also realized that the efforts to continue the present monetary policies are reaching the end of the line.

Secretary Baker's proposal itself was worthless, but his insistence that reform of the monetary system must be put onto the agenda, cannot be buried.

Currency Rates

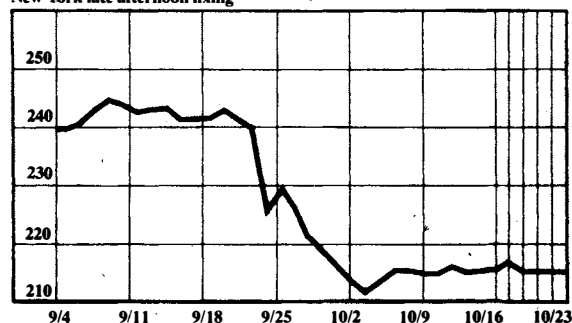
The dollar in deutschemarks

New York late afternoon fixing



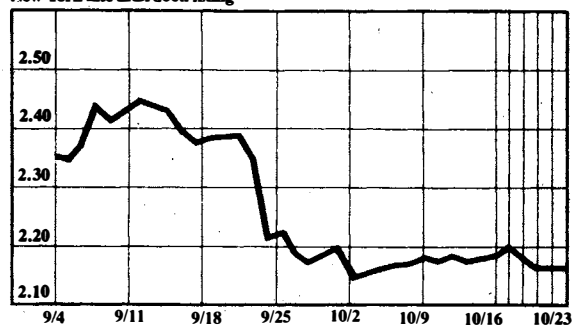
The dollar in yen

New York late afternoon fixing



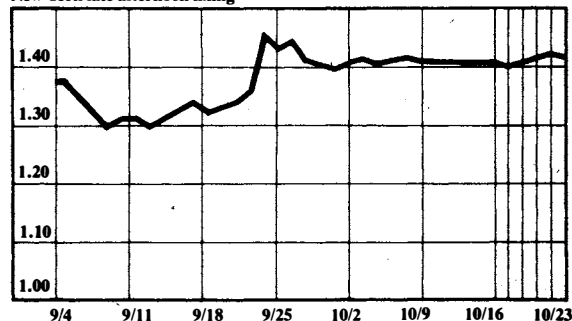
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



What scientists really think about AIDS—and the media do not report

by Warren J. Hamerman, Ned Rosinsky, M.D., and John Grauerholz, M.D.

Because of the deliberate attempts of supranational agencies such as the World Health Organization (WHO) and governmental organizations such as the Centers for Disease Control (CDC) in this country to downplay the real story of AIDS, the actual thinking of scientists as expressed in the principal scientific journals has been suppressed.

We recently reviewed the last few years' articles in four of the most well-known journals: *Lancet*, *Nature*, *Science*, and the *New England Journal of Medicine*. In comparing these published reports to newspaper accounts of the research, the general pattern is that the popular mass media have engaged in systematic non-reporting, mis-reporting, and under-reporting of the significance and extent of the research findings.

Furthermore, the evidence is overwhelming in the scientific literature that our nation and other nations should have already imposed traditional public health measures. The policy of "waiting it out" and not acting, which the U.S. government authorities have pursued, is demonstrated to have been a radical and high-risk course which has played "Russian roulette" with the health and safety of the American people.

The accompanying statement from Dr. Myron Essex of the Harvard School of Public Health further draws out the implications of our dangerous situation. The *EIR* Biological Holocaust Task Force is honored to publish the full text by the noted and distinguished scientist, Dr. Essex.

A brief sampling of the most significant of the not-generally-known material from the scientific literature itself is abstracted below:

On the respiratory transmission of AIDS

Case #1. *New England Journal of Medicine*, July 18, 1985 (Vol. 313, No. 3), contained a "Correspondence" on the extraordinary work of a team of French scientists who succeeded in isolating virulent AIDS virus from the pulmonary fluid of a 30-year old Haitian woman. The report was co-signed by the following scientists from the Pasteur Institute, the Groupe Hôpitalier Pitié-Salpêtrière, the Hôpital

Claude Bernard, and the Hôpital Laennec: J.M. Ziza, M.D., F. Brun-Vézinet, M.D., A. Venet, M.D., C.H. Rouzioux, M.D., J. Traversat, M.D., B. Israel-Biét, M.D., F. Barre-Sinoussi, Ph.D., J.-C. Chermann, Ph.D. and P. Godeau, M.D. The French scientists reported that the woman from whom they had isolated the virulent AIDS virus "had no history of blood transfusion, drug abuse, or sexual promiscuity." In a paper published in the last issue of *EIR* magazine (Oct. 25, 1985), Dr. John Seale of England commented on the French finding as follows: "This finding may explain the observation that acquired immune deficiency syndrome (AIDS) affects men and women equally in Haiti and Central Africa. It also raises the ugly possibility that LAV [the name of the AIDS virus in France] may often be transmitted by respiratory aerosols in the tropics."

Case #2: *Lancet* March 9, 1985. "Acute AIDS Retrovirus Infection": In a prospective study of AIDS antibody-negative homosexuals in Sydney, Australia, the authors found that sero-conversion (sero-conversion is the change from the blood sample not showing antibodies to a disease to the state of showing such antibodies) to AIDS-positive was correlated with an acute viral-type illness from two to six weeks prior to the sero-conversion. A prospective study monitors patients as they progress in time, whereas a "retrospective" study reports on data of events which took place before the study started. A prospective study is generally more reliable since it does not rely on haphazard data tabulation in the past nor on unreliable recollections. The illness was characterized by sore throat, muscle aches, weakness, fever, swollen lymph nodes, etc. The timing of the illness being two to six weeks before sero-conversion fits the usual picture of the lag between exposure to a pathogen and the development of immunity response. Since this illness probably represents an acute AIDS virus infection, with respiratory involvement, it is quite likely that an individual in this stage is contagious and could spread the infection via the respiratory aerosol route. Such an epidemic spread, similar in pattern to a flu, cannot be ruled out. This kind of initial reaction to the AIDS

infection may be the rule rather than the exception, but has not been noticed so far because most studies are retrospective, and the patient generally would not be able to remember, nor correlate a relatively mild flu-like syndrome occurring several years before the full-blown AIDS syndrome appears, with the disease. In any event, such flu-like syndromes are so common, that only a prospective study could hope to pick it out and relate it to sero-conversion. This kind of phased reaction to an infection is not unknown; syphilis is similar, presenting acutely with a local genital sore which resolves, followed by a possible skin rash months later which also resolves, only to be followed decades later by severe neurological disease and other manifestations.

On the stability of the AIDS virus

Case #1: *Lancet*, Sept. 28, 1985, contained an extraordinary "Correspondence" from F. Barre-Sinoussi, M.T. Nugeyre, and J.C. Chermann of the Pasteur Institute in France on the "Resistance of AIDS Virus at Room Temperature": There are two parts to this research, one in which the AIDS virus was kept in wet conditions for 2, 4, and 7 days; and another part in which the virus was dried and kept for 4 or 7 days. The article reports that in the wet conditions, no significant decrease in viability of the virus was noted after 7 days, so there is no defined "cutoff" point; the experiment needs to be continued for longer periods of time to see how long the virus can survive in wet conditions. In the dry condition, there was a significant drop-off in survivability at 7 days, but still a significant number of viruses, more than 10%, survived at 7 days. In their letter, the French scientists concluded: "This resistance of LAV [the AIDS virus] at room temperature may explain the appearance of some AIDS cases in non-risk groups. To prevent possible contamination by viral particles in dry or liquid form hygiene should be increased in the general population. Moreover, some more safety precautions should be taken in laboratories and in hospitals and by dentists. . . ." In contrast to the actual report by the French scientists, the press sensationalized the results to the point of ridicule under the format of the sort that "French scientists say AIDS can survive on a doorknob for seven days." This is misleading, since the actual maximum dry survival time was not reached in the study; and the issue of wet conditions, in which the AIDS did not even begin to significantly decline after 7 days, is not even mentioned. It should be noted that the temperature of the wet conditions is room temperature, 20° Centigrade, which could be equivalent to a dirty sewer/drinking water source in a tropical environment. There are also implications for survival of the virus in a respiratory aerosol form, whether still wet as in a cough or sneeze at close range, or in dried aerosol particles which could collect in dust, as in tuberculosis.

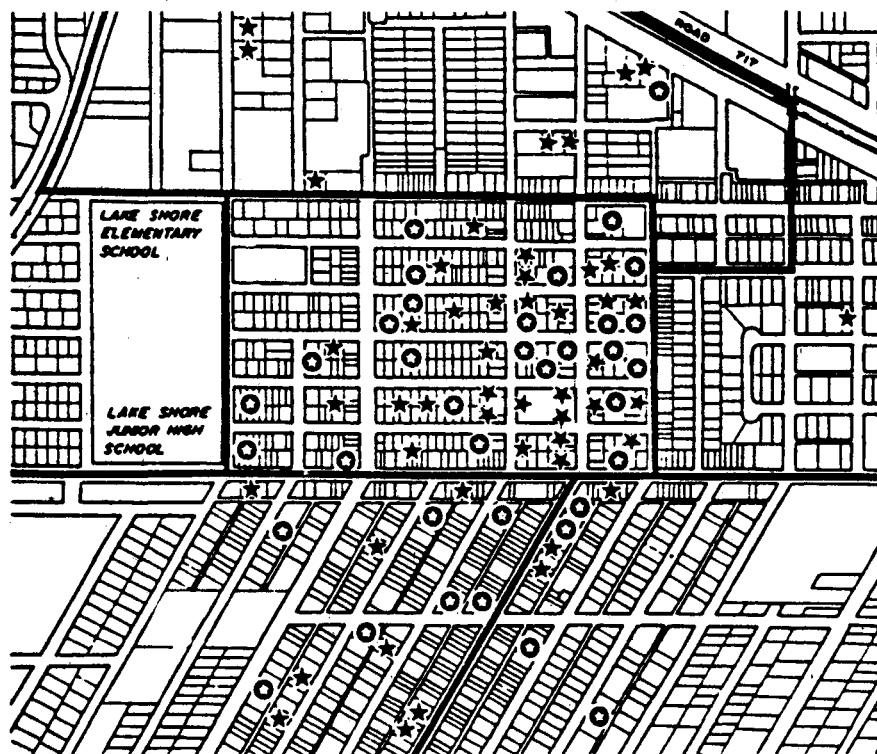
Case #2: *Lancet*, Sept. 7, 1985, contains a "preliminary communication" from six scientists at the National Eye In-

stitute, the National Cancer Institute, and the National Institutes of Health in Bethesda, Maryland on "Isolation of Human T-Lymphotropic Virus Type III from the Tears of a Patient with the Acquired Immune Deficiency Syndrome." AIDS virus was isolated from tears from a patient with AIDS. The authors state: "Repeated contact with the tears of AIDS patients could facilitate transmission of HTLV III." As an aside, the article notes that "The symptom-free patient with ARC [AIDS-related complex, such as swollen lymph nodes, but without the full-blown picture of AIDS] may be more likely than a patient with AIDS to have virus in the tears since the isolation of virus from other fluids is often easier in patients with ARC." This is important, since there are many more patients with ARC than AIDS, and if the virus is more easily isolated from those with ARC, then they probably are more infectious than those with AIDS syndrome. Not only are they more numerous than full-blown AIDS patients, but they may have only minimal symptoms and are therefore less likely to know that they are even sick.

On the possible transmission of AIDS by insects

Case #1: *Lancet*, Sept. 7, 1985, contained a paper signed by 11 leading scientists from the following institutions—the National Cancer Institute in Bethesda, Maryland; the Institute of Tropical Medicine and the University of Antwerp, both in Antwerp, Belgium; the Institute of Cancer Research in Aarhus, Denmark; Biotech, Inc., in Rockville, Maryland; and Katana Hospital, of Fomulac, Zaire. These international scientists report on a study of 250 outpatients in rural Zaire which directly correlates instances of malaria with instances of AIDS in a paper entitled: "ELISA HTLV Retrovirus Antibody Reactivity Associated with Malaria and Immune Complexes in Healthy Africans."

"A survey of 250 outpatients in rural Zaire showed that the prevalence of antibody against HTLV I, HTLV II, and HTLV III, as detected by enzyme-linked immunosorbent assay, correlated strongly with levels against *Plasmodium falciparum* [malaria]." This finding was mentioned by Dr. Mark Whiteside in his *EIR* interview (Sept. 27, 1985, Vol. 12 No. 38). The article enumerates four hypotheses to explain the correlation: Hypothesis A. Another factor, such as age or rural poverty is causing people to have both infections, which, however, are being spread by different means. The authors dismiss the possibility of age as not supported by the age data but can not rule out the factor of rural poverty; Hypothesis B. Both infections, AIDS and malaria, are spread the same way, *by insects*; here, the authors point out that the virus could be carried outside or possibly within the malaria parasite, and mention that in other parts of Africa, AIDS-positive serum is correlated with other parasites, such as schistosomiasis, tropical splenomegaly, and malaria in Kenya; and as well, HTLV I is correlated with malaria in Ghana, filariasis



A street map of the depressed neighborhood in Belle Glade, Florida which has produced the nation's highest per capita incidence of AIDS—and the correlation of this outbreak with an outbreak of well known disease of overcrowded, unsanitary conditions: tuberculosis.

- Confirmed AIDS (37)
- ★ Active Tuberculosis (50)

in Japan, Chagas disease in Venezuela, and strongyloidiasis in Okinawa. Some of these parasitic diseases have vectors of transmission, and some do not; C. Malaria may influence the host immune response, increasing, say, the antibody response to HTLV-III virus which is already in the body, possibly activating it; this is very close to Whiteside's suggestion of multiple factor interaction; D. The positive serum reaction in Africans may be false-positive, due to cross-reactivity with other infections; note that the test subjects in this study were apparently healthy males; a different picture may emerge if the same study is done with people with full-blown AIDS disease.

On the generalized risk of AIDS

Case #1: *Lancet*, July 14, 1985: a correspondence from five French scientists at the Hôpital de la Pitié reports on "AIDS in an Apparently Risk-Free Woman." This is a case report of a British woman who contracted AIDS two and a half years after one episode of vaginal intercourse with a Haitian as her only possible source of the infection. This kind of case argues against the promiscuous and repeated exposure which the Atlanta Centers for Disease Control describes as needed to get the infection.

Case #2: *Science*, Oct. 26, 1984: A joint paper by sci-

entists from the Pasteur Institute and Hôpital Claude Bernard in Paris, France; the Centers for Disease Control in Atlanta; the Institute of Tropical Medicine in Antwerp; the Mama Yemo Hospital in Kinshasha, Zaire; the Rega Institute at the University of Leuven; and the National Institute of Allergy and Infectious Disease in Bethesda. The authors wrote: ". . . serologic data suggest that LAV [the AIDS virus] was present as early as 1977 in Zaire." The concluding paragraphs, signed by two doctors at the Atlanta CDC itself—J. McCormick and S. Mitchell—as well as the other scientists states: "The observation of LAV seropositivity in heterosexual partners and children of AIDS patients is consistent with earlier observations of heterosexual and *familial* (vertical) transmissions of AIDS in Zairean patients. These epidemiologic features are different from those observed in the United States and Europe and will require further studies for confirmation. Finally, the significance of the higher rate of LAV seropositivity in hospitalized patients without AIDS but with tuberculosis or malaria and the significance of the correlation of seropositivity with lowered T4/T8 ratios and decreased T4 lymphocytes are still unknown. *One possibility is that these patients may have had early clinical manifestations of AIDS, but which did not fulfill our strict definition of AIDS. . . .* [emphasis added]."

Can AIDS be stopped?

by Dr. Myron Essex

Dr. Essex is chairman of the Department of Cancer Biology at the Harvard School of Public Health. He delivered the following speech at a forum on Oct. 3, at the Harvard School of Public Health.

Across the hall from our laboratory is a yellow poster announcing this forum, with the title, "Can AIDS Be Stopped?" On the announcement someone has scribbled a column headed "yes" and another headed "no." The "yes" column had five votes and the "no" column had two. By process of elimination, that means that we must have had six abstentions. This unsolicited and unscientific poll does, however, come close to my own sentiments on the issue, that of a very tough road ahead, but one that requires cautious optimism.

I'd like to make a few points about the disease and about HTLV-III/LAV, the virus that causes it.

Upwards of a million Americans, perhaps half a million to a million Europeans, and 10 million Africans are now infected with this virus. As far as we know, all of the infected individuals will continue to be infectious to others and will carry the virus for life. At least a third will develop AIDS or an AIDS-related disease within five years. Perhaps half, two-thirds, or more will eventually develop AIDS or a related disease. We just don't know.

There is no cure for AIDS. Experimental therapy has been so disappointing that clinicians are already directing much of their attention to the possibility of treating virus-infected carriers before they have AIDS.

The greatest risk for expansion of the pool of infected people now is for promiscuous heterosexuals. The virus can be transmitted from male to female and from female to male. Up to 50% of the female prostitutes in New York and major metropolitan areas in Western Europe are already infected, as are 4% of the U.S. military recruits that visit VD clinics in West Germany and more than 1% of the healthy military recruits in Fort Bragg, N.C.

In Africa the ratio of infection in males and females is 1 to 1, not 8 or 10 to 1 as it is here. Ten million people in the AIDS Belt of Africa are already infected and there the virus is spreading primarily by heterosexual intercourse. We must expect that young sexually active males and females will become infected in this country at greatly increasing rates. We can only hope that the rates will not increase as rapidly

as they did for some of the other risk groups.

We suspect that the AIDS virus was newly introduced to the human population only 15-20 years ago. It apparently originated in Central Africa, and was probably introduced to people from African Green monkeys, where a related virus infects a large fraction of the healthy animals. If we assume that this was indeed the source of the human virus, it suggests why the infection is so devastating for the human population. Unlike the monkeys, we have not yet had sufficient time for the evolutionary selection of adequate immune resistance mechanisms in our species.

For every AIDS patient, there are 50 or 100 people who are virus carriers and capable of transmitting the virus to others. If anything, they appear more likely to transmit the virus than AIDS patients. This suggests how irrational it is to worry about transmission from AIDS patients in the workplace, home, or community. Even if you refuse to accept the very extensive evidence that the virus cannot be transmitted by casual contact, how would you possibly avoid casual exposure to the 40 or 50 healthy carriers that don't even know they are infected?

Not like other viruses

Although distantly related to other human retroviruses, the AIDS virus is distinctly different. It has three new genes whose protein products are just now being identified and whose function in disease development remains unknown.

The most important gene of the virus from the standpoint of diagnosis or prevention is the one designated *env*, for envelope. It is the most effective antigen to use in blood-bank screening and the protein that will be absolutely necessary for vaccine development. It is the most effective inducer of antibodies, but unfortunately it is very hard to purify with virus particles used for test preparations. One can opt to retain as much of this antigen as possible, to maximize our chances that adequate amounts are present in blood-bank screening tests. But the price we pay is a very large number of false positives, because the process of concentrating the virus must be so delicate that it fails to exclude contaminating cell proteins that give non-specific reactions.

The opposite approach is to try to prepare a more highly purified virus, to minimize the large number of false positives. But the price we then pay is to retain only those parts

of the virus in the antigen preparation that are less efficient for detecting antibodies in people. This is an antibody test, so we then have an unacceptable number of false negatives. By false negatives, we mean blood units that test negative but contain infectious virus.

The blood supply is not safe!

The statement has been made that our blood supply is now safe. Supposedly the currently existing blood screening tests are 99.8% specific. I believe that both of these statements are grossly inaccurate and at best misleading.

Why do I say this? Let me cite one example. In a representative screen of about 107,000 blood units conducted between April and September of this year, 719, or 0.67%, tested positive. When the same test was repeated three times, only 218 tested positive all three times. Are 0.67% of our blood units contaminated, or only 0.22%? Do we have three false positives that surface in the screening system for every true positive? Or were some of the 500 putative false positives

We can predict that 5–10 years from now, we will have at least 4–5 million Americans infected and several hundred thousand with AIDS. We must act fast enough so that we won't have 20 to 40 million Americans infected and several million with AIDS.

true positives that would then be scored as false negatives if we only use the 0.22% figure?

The 218 that tested positive in triplicate were then tested by immunoblotting or Western blotting, the so-called gold standard. Thirty-five of the 218, or 16%, were judged positive or confirmed. Thus, of the 719 that were judged ELISA positive on the first try, only 35, or 5%, were ultimately confirmed by Western blotting. With figures such as these, it is hard to take comfort in the recently released statement, "the AIDS blood test was about 99.8% accurate."

Are our first screen ELISA tests giving 95% false positives or was the so-called gold standard Western blot giving us an unacceptable number of false negatives? We don't know! From how many of the 719, 218, or 35 could the virus actually be isolated and proven to be present? We just don't know! Those studies have not been done.

And what about the 99.3% that test negative on even the first screen? Would any yield virus by cultivation and actually be false negatives by even the most crude assay? *Yes!* In a study done recently with sexually active homosexual males

that tested antibody-negative, about 5% yielded infectious virus by cultivation. Similar results have been obtained in a very limited number of spouses of infected men.

So our blood supply is not safe!

On the optimistic side, we do have all the basic information we need to make better tests. In the second generation of tests, where the virus antigens will be made by genetic engineering, we will almost certainly do much better. But we don't yet know how to screen out the small number of infected units that contain virus but no antibodies by any test, and, until we do, our blood supply will not be entirely safe.

What about a vaccine? The molecule that must be used for a vaccine antigen has been identified and characterized. Every nucleotide and amino acid is known and the antigen can be made in large amounts in bacteria or yeast using gene-splicing techniques. Neutralizing antibodies that might be protective *in vitro* are found in low titers in both healthy carriers and in AIDS patients. Obviously they did not prevent the disease in the AIDS patients. Is this a case where the antibody observed was too little too late and a cause for great pessimism? Hopefully not! Perhaps it will be a case where a little will be enough if present *before* virus infection. There is a precedent for such optimism with other retroviruses, such as the cat leukemia virus, which represents the only retrovirus vaccine currently in clinical use.

But major problems of both a theoretical and a practical nature remain. The virus genome and the important envelope gene itself undergo mutation 100-fold faster than a virus such as influenza, which as you know, changes its antigenic structure every few years. Will the AIDS virus present in the population change the structure of its important surface antigens every few weeks or months? We certainly hope not. On the positive side, we know that essentially all people who become infected have antibodies to a common epitope of the virus surface protein. What we don't know, and must find out, is whether those antibodies react with a portion of the molecule that is necessary to initiate the biological process of infection *in vivo*.

Even if we get this far, however, we face the tremendous task of reducing the results from the research lab to clinical practice. I've already mentioned how difficult this has been for the blood-bank screening tests. For a vaccine, it will be far tougher, but still theoretically possible.

So what we need most at this point is a more aggressive policy on the part of government to increase the pace of research. And we need the type of financial commitment and inducement that will activate a larger proportion of our brightest scientists, many of whom are not now involved, but should be. We frequently hear the statement that the AIDS epidemic is the most frightening medical problem of modern times. Unfortunately we can predict that 5-10 years from now we will have at least 4-5 million Americans infected and several hundred thousand with AIDS. What we must do is act fast enough so that we won't have 20 to 40 million Americans infected and several million with AIDS.

Pentagon to screen 2.5 million for AIDS

by Warren J. Hamerman

In a courageous decision in the interests of *national security*, the U.S. Department of Defense announced on Oct. 18, 1985 that all military personnel, numbering 2.5 million individuals, will be screened for AIDS. The three-tiered test procedure will cover all active-duty personnel and recruits in the Army, Navy, Marines, Air Force, Coast Guard, Service Academies, military reserves, and officer-training programs. The full details of the implementation of the program—as well as whether or not it will also be applied to reserves—has not been announced as of this writing.

Nonetheless, what the Pentagon has already publicly released presents the outlines of what ought to become a model screening program for civilian as well as military populations. The Department of Defense's approach will reportedly include a three-layered screen consisting of: 1) the ELISA test or Enzyme-Linked Immunosorbent Assay blood test; 2) the Western Blot test, which will be done on those who test positive on ELISA; and 3) Clinical medical exams for those who test positive on both ELISA and the Western Blot. According to the Department of Defense, those military personnel who are found to actually have the disease will be given medical treatment.

Why the military acted

The most fundamental question which the Pentagon had to be concerned about was the issue of protecting the military blood supply and the "deployability" of military personnel under any possible hostile situation. Obviously, a disease like AIDS, which to date is 100% lethal yet involves a *lentivirus* which can lie dormant in an infected individual for years before it erupts to a full-blown case, is a most serious threat to the security of the West.

Pentagon authorities emphasized that they were carrying out the tests to combat the serious health hazard which AIDS poses. Those who test positive for the AIDS antibodies, but who show no signs of the disease, will be given limited duty, counselled, and monitored for subsequent developments.

The fact that the Pentagon made the decision to implement this costly test is indicative of their expert evaluation of the major threat which the disease poses.

The issues which prompted the Pentagon to make the policy decision to implement a top-down screening program—protecting the blood supply and "deployability"—are also of vital concern to the civilian population.

For example, at a forum at the Harvard School of Public Health on Oct. 3, Dr. Myron Essex stated emphatically that the U.S. blood supply is not safe.

Secondly, the civilian population of any nation is the backbone of that nation's economic productivity and intellectual resourcefulness in any potential military conflict. Therefore, the screening of civilian segments of the population is, also, of fundamental national-security consideration.

Throughout human history, screening of populations has been a standard and traditional procedure for determining which individuals are actively capable of transmitting the disease and separating them from those who have not yet been infected. The ABCs of public health, as well as the lessons of historic experience, argue for isolating people who suffer from a deadly communicable disease from those who have not been infected. Just as the first task of firefighters is to stop the conflagration from spreading, so is the same approach warranted in disease incidences.

It is only by such a program as the military has undertaken that we will be able to determine the true magnitude of the problem *and* determine the role of "co-factors" such as malnutrition, poor sanitation, concurrent infections, and so forth in the development of active disease among those already infected.

The essence of the matter is that public health is a national-security question. In fact, there is massive evidence that the Warsaw Pact nations have been operating on this basis for years. It has been emphasized by various infectious disease experts, that one of the primary reasons why the Warsaw Pact nations have been relatively unscathed by AIDS is because they have not lapsed in standard public-health precautions.

Furthermore, as *EIR* has massively documented, the primary center of the opposition to a full-scale public-health approach to AIDS in the West is located among Soviet officials at the World Health Organization in Geneva, Switzerland under the command of the Russian Dr. Sergei K. Litvinov (see "The Soviets are Covering Up the Deadly AIDS Pandemic," *EIR*, Oct. 25, 1985, pp. 26-37). The Soviet game has been to try to bamboozle the West into not implementing public-health precautions against AIDS, while implementing full-scale measures themselves.

This problem has been previously recognized in the vaccine area. On the one hand, the Warsaw Pact has a massive vaccination program, which Litvinov has been known to brag of. On the other hand, the United States is in the midst of a full-scale vaccination crisis. This summer America's Institute of Medicine issued a report entitled *Vaccine Supply and Innovation*, which documented the shocking reality that, in their words, America's vaccine supply and production capability was "precarious" and "a threat to public health."

Lords report British economy devastated

by David Goldman

Britain's House of Lords shook the Thatcher government Oct. 16, with a multi-volume report forecasting a crisis that will "have a devastating effect on the future economic and political stability of the nation." When North Sea oil, which now makes up one-fifth of Britain's exports, begins to run out after 1990, the economy will have nothing left, the Lords' report warned: The ruined British economy now uses its oil sales to import manufactured goods, and will utterly collapse when the oil is gone.

Chaired by former General Electric official Lord Aldington, the report says the obvious concerning an economy where:

- Unemployment is already 13.8%, worse than during the Great Depression—or any other period in British history.
- Manufacturing production, after three years of alleged "recovery," remains 7% below the level of 1979, according to official statistics, and per-capita industrial production is below that of South Korea.
- One of the largest cities, Liverpool, just laid off *all* city workers after money to pay them ran out.
- The living standard has fallen to one of the lowest in Europe, well below Italy's.

The only reason Britain still appears to function, the Aldington panel concluded, is that North Sea oil brings in \$21 billion a year in overseas earnings, out of about \$100 billion in total exports. When that tails off after 1990, manufacturing industry may cease to be viable at all. "Between 1980 and 1983," according to a survey conducted by the Lords, the Association of British Chambers of Commerce "estimates that assets and manufacturing capacity fell by 24%." When Britain can no longer afford to replace its lost industrial capacity with imports, there will be nothing left. No wonder the Lords' committee denounces Margaret Thatcher's strategy as "unrealistic and short-sighted."

The report concluded that, barring drastic measures to revive manufacturing industry, the economy would go into an irreversible decline with stagnating output, spiraling inflation, and rising unemployment.

However, knowledgeable observers of the British scene

are still waiting for a signal from British policy circles that they have absorbed the full implications of Britain's economic crisis. Britain's industrial capacity, notoriously the oldest in the world, has undergone a generalized shakeout; supposed sunrise industries, e.g., semiconductor manufactures, are faltering as the computer fad weakens internationally. Without a giant step in technology, no amount of investment in British manufacturing will help much.

But the entire range of new manufacturing technologies is defined, both scientifically and politically, in terms of President Reagan's Strategic Defense Initiative. To cure its economic malaise, Britain would also have to break its tacit understanding with the Russians, whose principal condition is that Britain employ its influence to sabotage the SDI. Lord Aldington and his friends will have to decide between their desire to appease the Soviets, and their near-term national existence.

Understandably, the Thatcherites are hysterical. The Iron Lady's minister for trade and industry, Leon Brittan, immediately issued a blast, calling the report "totally biased and misleading," and the British papers went into an uproar during the week after the report's release. *Financial Times* columnist Samuel Brittan, a leading monetarist (and Leon Brittan's brother) denounced the Lords' report on the grounds that productivity has risen. The *Observer's* William Keegan argued on Oct. 20, in response, that *average* productivity rose only because a huge portion of industrial capacity shut down forever.

"Failure to recognize these dangers now could have a devastating effect on the future economic and political stability of the nation," leading to a "major social and economic crisis," the report says. It calls for lower interest rates, higher investment, and protection against imports.

There is a certain amount of satisfaction to be taken at Britain's predicament: Prime Minister Margaret Thatcher obscenely embraced the monetarist free-enterprise doctrine espoused by Milton Friedman and his ilk back in 1979, determining to sell off nationalized industries and shake out dead wood in Britain's long-faltering manufacturing sector.

The result is that more than one-quarter of all manufacturing capacity has disappeared during her eight years in office, unemployment rates among youth in the industrial belt are in the 40% range, and the first mass rioting in a century has shaken British society.

It is happening here

Although the British may deserve what they are getting, it is also happening here. The wrongheaded side of President Reagan, exposed in his endorsement of Thatcher's depression economics, still rules in American economic policy.

Of a workforce of 112 million, we have a bare 18 million producing goods; they are supplemented by imports consisting of more than one-sixth of our total consumption, bought, in the case of Ibero-America, at perhaps 40% of the cost of producing them here.

Between the IMF and Lima

While straddling the fence on adopting a posture similar to García's, President Sarney is providing Peru with economic aid.

At the beginning of 1985, then President-elect of Peru Alan García made a highly fruitful tour of Brazil, meeting with important political and business leaders, including his colleague, then President-elect of Brazil Tancredo Neves, whom he convinced of the legitimacy of the measures which he was later to announce during his inaugural address in Peru.

As this correspondent was able to learn, Tancredo Neves knew ahead of time that Alan García would be imposing a limit on payments of interest on Peru's onerous foreign debt, and considered them "courageous." Tancredo declared that if, *for the moment*, Brazil did not follow suit, this did not mean that Brazil would back the economic sanctions against Peru that he anticipated would be imposed by the creditor banks. Tancredo told García that Brazil would make economic support available. Although Tancredo Neves died shortly thereafter, his successor, José Sarney, endorsed that commitment.

From that time on, Brazil's economic strategy has been to maintain a dramatic balance between striking a pact with the IMF and taking a position similar to that assumed by the Peruvian President. For now straddling the middle, Sarney has insisted on the legitimate goal of a minimum 6% growth rate annually.

The creditors and their representatives think differently. U.S. Secretary of State Shultz is pressuring Brazil to steer clear of what has already been dubbed the "Peruvian path." His

hope is that Brazil will follow Argentina, and adopt its own version of Alfonsín's "austral program." This, in fact, was the content of the lengthy discussions that U.S. Federal Reserve chief Paul Volcker held with Brazilian Finance Minister Dilson Funaro during September, a policy ratified at the annual meeting of the IMF in South Korea.

When President José Sarney gave the opening speech at the General Assembly of the United Nations, in which he stood up for development and against the recessive programs of the IMF, Shultz totally ignored his call and sent Sarney a so-called letter of "congratulations" for his speech which emphasized that "prosperity sometimes only follows a purge."

Henry Kissinger's Marshall Plan for the developing sector was the essence of what U.S. Treasury Secretary James Baker had to offer at the IMF meeting in Seoul. In his presentation, Baker made clear that new money would only be made available to those countries which adopted severe austerity measures. The Brazilian delegation to the meeting described the Baker proposal as laughable, given that Brazil has scarcely been given \$1 billion in exchange for the \$12 billion which it annually pays in interest on the debt. Brazil also described the praise by IMF chief executive J. de Larosière for Argentina's "austral plan" as an unacceptable message for Brazil.

The agreement between Tancredo Neves and Alan García, ratified by

President José Sarney, has taken on a life of its own, and there now exists a group within the Brazilian government which urges establishment of some kind of limit on debt servicing à la Peru, while simultaneously seeking Brazil's economic integration with the rest of the continent in confronting the IMF.

On his tour of Brazil, García also began key trade negotiations. The agreements made involve the import-export group of São Paulo, Cotia Trading. Consolidation of the agreement was made public on Sept. 12, and consist of the following: Based on the experience of the Cotia group with Nigeria—it currently manages 50% of Nigeria's foreign trade—an agreement for compensated trade with Peru was set up with Brazil, with the objective of turning these agreements into a model of South-South cooperation and thereby meeting the inter-regional needs of these countries.

The agreement totals \$600 million annually. The contract involves the exchange of Peruvian minerals and petroleum for Brazil capital goods, food, and spare parts. Of \$300 million worth of Peruvian imports, 90% will remain in Brazil and the rest will be shipped to third countries. The trade deal will be financially handled through a blocked account at the Banco do Brasil.

According to press reports, an authorized source from the foreign relations ministry described Brazil's agreement with Peru as "historic." The same source added that in the context of Alan García's decision to limit his country's debt payments, "The agreement [with Brazil] emerged as an important alternative for supplying Peruvian needs," in the not unlikely event of an economic blockade against Peru by creditors, with the blessings of Shultz and Henry Kissinger.

Cut-rate food for Mother Russia

While Washington stalls on the farm debt crisis, USDA and the State Department hold hands with the Kremlin.

During the countdown to the Reagan-Gorbachov summit, a series of almost daily meetings and visits on the topic of U.S. food for Russia has been taking place in Moscow, Washington, D.C., or in the U.S. farmbelt. Meantime, Congress remains dumb and fumbling on the pressing matter of farm bank failures and farm bankruptcies sweeping the country, and threatening the food supply of the United States itself.

On Oct. 30 and 31, the House of Representatives and Senate, respectively, will open thrice-delayed hearings on the farm debt collapse. The foremost issue is a federal bail-out package for the Farm Credit System (FCS) and other parts of the \$213 billion farm debt structure.

On October 23, the Farm Credit System, which holds \$80 billion, or one-third of U.S. farm debt, released its third-quarter report showing losses of \$522.5 million during the quarter, and predicting massive future losses. The system said an early-September estimate of the operating loss for all of 1985 was exceeded in the first nine months. It forecast loan losses of \$3 billion or more through 1987, which could deplete a current capital surplus of \$3.6 billion.

The FCS is federally chartered and nominally farmer-owned, with enough assets to be the nation's fourth-largest bank. Because of the collapse of farm land value by as much as 50% over a 24-month period, and low farm incomes, collateral value has plunged, and the rate of debt arrears has mounted dramatically. A special review in

the FCS report says that about \$6 billion of the FCS's Federal Land Banks' \$48 billion in outstanding loans lack enough collateral. Loans exceed the estimated value of the farm real estate that secures them by \$900 million.

An even broader picture of the debt collapse potential was painted for Congress on Oct. 23 by a Federal Reserve economist, Emanuel Melichar, who gloated over the crisis like a vulture over a dead carcass. Speaking to a House Banking Subcommittee on agriculture credit, Melichar estimated that: 1) 20% of the debt owed to the Farm Credit System is vulnerable—\$16 billion; 2) 25% of the agriculture debt owed to commercial banks is vulnerable—\$20 billion; and 3) 31% of debt owed to the government's Farmers Home Administration (FHA) is vulnerable—\$4.5 billion. Conservatively, this comes to over \$40 billion.

Secretary of Agriculture John Block's response is that he would like to find "some meaningful way" for the administration to address the farm-credit issue by "the first of the year." He disimulates, "We may not get it done. It's going to be a tough winter to deal with it in January or February."

Decisive leadership, eh?

Meantime, USDA, State Department, and congressional offices are holding hands with Moscow, in the name of fostering "trade relations" that will supposedly benefit U.S. farmers by offering cut-rate food to the Soviets.

The week of Oct. 14, USDA Undersecretary Daniel Amstutz, the Cargill executive who is the power behind

the scenes on U.S. farm policy, hosted a Soviet delegation in Washington, D.C. and offered them 22 million tons of wheat in the current trade year, the third of the five-year U.S.-U.S.S.R. trade agreement Amstutz negotiated in 1983. Amstutz implied that discount prices might be on the way.

Timed with this offer, a tour of the U.S. farmbelt was arranged for a 15-person delegation from the Soviet Women's Conference. The delegation was invited to visit the United States by Peace Links, a group backed by Betty Bumpers, wife of Arkansas Sen. Dale Bumpers. Peace Links has functioned as a hard-core transmission belt for Soviet policy demands on the United States, from the "nuclear freeze" to dropping the Strategic Defense Initiative.

The Soviet women toured various farm districts, including northwest Iowa Oct. 23 and 24. The group included members of the Presidium of the Supreme Soviet of the U.S.S.R., the Institute of World Economy and International Relations, the cultural and social problems department of *Soviet Union* magazine, and others.

In August of this year, Block junketed to the Soviet Union, and his boss, Undersecretary Amstutz, arranged a resumption of a special farm-exchange program which had been discontinued for the past several years because of Soviet belligerence. When questioned by U.S. reporters in Moscow about whether the U.S. farmer would approve of his diplomatic initiatives, Amstutz replied enigmatically, "They understand." Since then, Amstutz's company—the Swiss-based, Minnesota-incorporated Cargill—has been paying grain farmers rock-bottom prices, as part of the cartel-Moscow deal to make U.S. farm prices "more competitive" and "attractive" to a special customer like the Soviet Union.

Wheeling-Pittsburgh: steel's future?

The agreement between steelworkers' leaders and the firm is a capitulation to the company's creditors.

The settlement of the strike by 8,200 steelworkers against Wheeling-Pittsburgh Steel Co. is being watched around the world as a harbinger of things to come; both for labor and for the steel industry. For labor, as the *Washington Post* noted in a lead editorial Oct. 17, the terms of settlement "are more important than Wheeling-Pitt's minor place in the industry might suggest, because they are likely, if ratified, to become the target in other steel bargaining in the next year."

For the industry as a whole, *EIR* warned in this column some weeks ago, the bankruptcy of Wheeling-Pitt, the seventh-largest U.S. steel producer, could spell national security disaster for the United States. Wheeling-Pitt led the industry in its commitment to capital investment, with an aggressive program of plant and equipment modernization that left it heavily in debt with the downturn of the industry.

Wheeling-Pitt officially declared bankruptcy in July, under pressure from its creditors. The steelworkers were forced to strike by an "intolerable" wage offer from the company, which threatened liquidation, short of the union accepting the proposed \$19 per hour wage and benefit package. U.S. Bankruptcy Judge Warren Bentz is now overseeing reorganization of the company's \$530 million debt.

On October 15, after a complete changeover of company management, bringing retired Ford Motor Co. executive George Ferris in as CEO, the company and union announced the terms of a tentative contract, ac-

claimed by both sides. "Approval by the membership will mean we have saved our jobs, we have saved our towns, and, as we have promised, we have saved this company," said Paul Rusen, USWA's chief negotiator. Voting on the contract will be completed by Oct. 26 by the 8,200 Wheeling-Pitt employees.

But what was sacrificed to save their skins? In announcing the pact, Rusen demurred: The pact does "not contain all the things they are used to." Specifically, the agreement eliminates the pension plan; and it calls for a wage and benefits package totaling \$18 per hour—one dollar less than the offer which forced the strike. Workers' pensions, under the agreement, would be turned over to the federal Pension Benefit and Guaranty Corp. (PBGC). The Wheeling-Pitt pension fund currently is some \$425 million in the red, and thus constitutes the largest liability ever faced by the PBGC, which insures pension plans.

Some steelworkers smell a rat. "If this isn't a letdown to the basic steel industry, I don't know what is," said USWA Local 1190 Vice-President Mike Paesani, who opposes ratification of the contract. "I hope to God this doesn't become a model to save other companies," commented Mike Kavasio, an officer in the same local, who called the pact "a major step backward for working people in the United States."

This contract was negotiated in an atmosphere of fear and intimidation, established by the company's creditors. The 11 banks holding \$120 mil-

lion of Wheeling-Pitt debt went into bankruptcy court a week before negotiations began to seek to terminate the company's pension program. At the time, Rusen said, "The banks have jeopardized the negotiations. . . . Without an acceptable pension plan, our people will not ratify a contract."

The creditors have final approval rights over the contract, under federal bankruptcy law. A meeting between 35 creditor representatives on Oct. 17 to brief the bankers on the contract ended in icy silence. "The strange part of it . . . they went over the entire strike settlement with 35 people for over seven hours, and at the end there was absolutely no comment made by the bankers concerning the agreement," said company spokesman Ray Johnson.

Several creditor banks have told the press that the \$18 package is unacceptable, and that \$16.50 per hour, a 25% cut from the pre-bankruptcy level, is desired. The company's senior creditors "have displayed extraordinary patience" in not pressing for liquidation more quickly, commented John Tumazos, an analyst with New York's Oppenheimer & Co. Judge Bentz has agreed to hear arguments beginning Oct. 25 on the acceptability of the contract terms to the creditors.

If banks and insurance companies are allowed to dictate terms to this nation's steel industry and industrial workforce, then the future of steel in America is bleak, indeed. Wheeling-Pittsburgh is being punished for daring to challenge the "rationalization" policy of the big-three steel producers, and increasing productivity through constant modernization of plant and equipment. The threat of liquidation must not be allowed to bludgeon the company and union into acceptance of the creditors' brutal austerity plans.

Business Briefs

Nuclear Power

Indian fast breeder goes on-line

India's first fast-breeder reactor became operational on Oct. 18. The fast breeder will give India the ability to produce plutonium using domestic technology and its plentiful supplies of thorium fuel. It represents a major breakthrough for the country's atomic energy program.

The fast breeder converts thorium into uranium for future fission, thus breeding fuel as it consumes fuel to also produce energy.

The reactor is based on a French Rapso-die-Fortissimo design.

The success of the fast-breeder reactor marked the entry of India into a select club of nations possessing this important technology—the United States, the U.S.S.R., France, Japan, Britain, and West Germany.

Trade War

South Africa threatens sanctions

President P. W. Botha of South Africa has threatened to impose sanctions on the West, in an angry reaction to British Commonwealth sanctions against South Africa announced in mid-October.

In a speech in Bethlehem Orange Free State on Oct. 22, he said: "If South Africa held back its chrome deliveries, one million people in the United States would lose their jobs, and, in Europe, the entire car industry would come to a standstill."

He said South Africa's population was composed of minorities: "We are talking every day to black leaders, and we continue to be prepared to discuss with reasonable leaders." He stated that, of course, whites must be protected, but that whites must also be prepared to accept that reforms had to take place.

The U.S. State Department on Oct. 23 stated it was unconcerned with the threatened loss of strategic minerals. The British have failed to comment on Botha's threat.

Banking

Tenth and eleventh Oklahoma banks fail

Two more Oklahoma banks have failed, bringing the number of failed banks in the state to eleven. On Oct. 17, the Farmers State Bank in Afton, with deposits of \$9.5 million, was closed, and on Oct. 18, the First State Bank of Jet, with deposits of \$11 million, was closed, both by the state banking commission.

The Jet bank was purchased by the Cleo State Bank in nearby Cleo Springs, with no loss to depositors, and the Afton bank was taken over by new owners, who had also purchased the remains of the Bank of Canton, which failed Oct. 10; the new owners will reopen the bank in Canton and open a branch in Afton.

Oklahoma Gov. George Nigh said on Oct. 18 that State Banking Commissioner R. Y. Empie has assured him that the Oklahoma banking system is sound, and that the vast majority of these bank failures were caused by "imprudent management." The failures are "not necessarily" a sign of hard times.

U.S. 'Recovery'

New York Times: Wage declines to continue

This year's labor settlements to date indicate a continuing trend of decline in the size of wage increases through 1986, according to a front-page article in the Oct. 21 *New York Times*.

Labor settlements reached during the first half of 1985, many of them 2-3 year contracts, provide an average wage increase of 2.8% in the first year, and 2.9% a year over the life of the contract. This is less than the 3½-4½% projected inflation rate. White collar pay is projected to rise between 4.5% and 6.3%.

The *Times* says this causes alarm to economists who see it as a sign of weak

economic expansion. Wages are weakest in the manufacturing sector, where jobs fell by 111,000 in September, the biggest decline in nearly three years.

Oil

OPEC asks producers' summit

OPEC President Dr. Subroto of Indonesia began an informal series of preparatory meetings in late October designed to convene a world oil producers' summit. He will meet with the chief problem for OPEC, U.K. Energy Secretary Peter Walker.

Subroto will also sound out U.S. Energy Secretary John Herrington and Norway's Kare Christiansen about such a summit.

Walker has not yet indicated British willingness, however, to join in a formal producers summit with OPEC which would be a fundamental policy change for both. The U.K. claims its oil policy has been relegated to the private sector, since the British National Oil Council earlier this year abandoned any formal role in setting North Sea crude prices.

Technology

West Germany reports breakthrough in research

Advances in the crystallization of the photosynthetic reaction center of green plants were recently reported by the Max Planck Institute, located near Munich, Germany.

The crystallization of these relatively large complexes of chlorophyll and associated proteins makes possible the use of x-ray crystallography to determine the three-dimensional structure of the complex. This three-dimensional structure, with its implications for the actual functioning of the photo-reaction center, has been one of the main targets of research in photosynthesis for several decades.

Researchers at the Max Planck Institute had previously succeeded in crystallizing the

photo-reaction center in 1980. The recent advances involved crystallizing the material in various states of the photosynthetic process itself.

In an abstract, H. Michel from the Membrane Biochemistry Department at Max Planck Institute reports:

"The crystals are well-ordered. Using the methods of x-ray crystallography, an electron density map at 3-Angstrom resolution could be calculated and interpreted. . . . The structure and arrangement of the photosynthetic pigment is now known. The protein chains could be traced and their secondary structure determined. . . ."

Dr. James Norris at the Chemistry Department of Argonne National Laboratory in Chicago, who has been a leader in exploring the physical chemistry of photosynthesis, commented that the work at the Max Planck Institute deserves a Nobel Prize because of its significance in opening the way for much broader investigations of membrane structures in general and the details of photosynthesis in particular.

Labor

British union splits in two

Miners in the U.K.'s second-largest coalfield sanctioned a breakaway union in a historic split from the National Union of Mineworkers (NUM), which presided over a failed year-long strike.

Nottinghamshire's 27,000 men were asked on Oct. 18 to vote whether to form a new Union of Democratic Mineworkers. Ninety percent of the membership took part in the secret ballot, with 17,750 voting in favor of the new union. The result represented the biggest official split within the ranks of U.K. miners since a majority of Nottinghamshire's miners formed a breakaway union after a general strike in 1926.

The decision was also a serious setback for NUM President Arthur Scargill, who campaigned against any breakaway union. Scargill, a declared Communist, called on the national Trade Union Council to ostracize the breakaway organization.

Debt Crisis

Call to 'open up' Mexican economy

Spokesmen of the Mexican private sector issued ultimatums that they will continue to take their money out of Mexico until the government joins GATT, eliminates protectionism, and "allow things to take their natural evolution, according to market forces," as the head of the Mexican Financial Executives Institute stated on Oct. 25.

Capital flight has already driven the peso down to 440 at the border.

The private sector's "guru" economist, J. A. Perez Stuart, wrote in *Excelsior* on Oct. 25 that capital flight won't stop until "the country . . . opens its borders to international companies, accepts majority foreign ownership, and turns the northern strip [of Mexico] into a true trampolin" into the United States.

International Trade

Atlantic Richfield, China sign gas deal

China signed a \$500 million agreement on Sept. 28 with Atlantic Richfield, the largest offshore energy deal ever signed between a foreign firm and Peking.

Atlantic Richfield Chairman Robert Anderson, who signed the agreement, told reporters that it involved the development of a "world-class" gas field south of Hainan Island off Guangdong Province in south China. Under the agreement, Atlantic Richfield joins Sante Fe Minerals of Kuwait and the China National Oil Corp (CNOOC) in a venture to pump 3.25 billion cubic meters of gas a year from the field for 20 years, starting in 1992.

Anderson said that Atlantic Richfield and Sante Fe had already spent \$180 million on oil and gas exploration in south China. Atlantic Richfield will finance its 34% share of the new project from its own funds. Sante Fe's share is 15%, and the CNOOC will assume the remaining 51%.

Briefly

● **GATES** Learjet Corp. announced in late October that they will cut manufacturing operations in fabricating sheet metal parts, manufacturing machine parts, and assembling and painting aircraft. The company proposed to the cities of Wichita, Kansas and Tucson, Arizona to compete over which city's plants will stay open. Gates employs 1,135 workers in Wichita and 815 in Tucson.

● **THAILAND'S** coalition cabinet met in early November to consider the potentially explosive issue of a floor price for the country's rice crop. Some members of the Social Action Party (SAP), a major partner in the coalition, threatened to leave the government unless rice farmers received price guarantees. Economic advisers to Prime Minister Prem opposed the move on austerity grounds.

● **KWU** of Germany announced in late October that it had just won its first nuclear contract, for a nuclear fuel plant to be built near Seoul, Korea. The Siemens subsidiary said the plant will be completed in 1989.

● **SOVIET** industrial output was up by 5% for the third quarter as compared to 1984, Radio Moscow announced in late October. What had been "lagging behind" during early 1985 "has largely been overcome." "10,000 mechanized and automated [production] lines, departments, and whole factories" have been introduced during 1985, the broadcast claimed.

● **PRESIDENT** José Sarney announced in mid-October that as much as 70% of more than 400 Brazilian state-owned companies could be sold to private enterprise in order to eliminate Brazil's public deficit. Sarney said in a speech in Brasilia that the sale would probably be in the form of a public stock offering, and that "only those companies most directly associated with national security would not be considered for sale. . . ."

German utilities start up advanced nuclear reactor

William Engdahl reports on the advanced West German High Temperature Gas Reactor, HTGR, which began operation Sept. 17.

This writer was part of the first official delegation invited to tour the advanced West German Thorium High Temperature Reactor, HTGR, at Hamm-Uentorp, northeast of the German steel center of Dortmund, on Sept. 17. Ten days before, the reactor was put into service, operating initially at 10% of capacity, while various testing is carried out. Within three weeks, the reactor is expected to be operating at 40%, at which point it will actually start delivering power sufficient to produce electricity commercially. By year-end, it should be at its full power capacity, 300 megawatts.

The successful operation marks the realization of the first commercial prototype of the so-called pebble-bed reactor design, which was pioneered by Dr. Rudolf Schulten of Aachen University, a former student of Dr. Werner Heisenberg. The design dates back more than 25 years, when Schulten developed it while working with Brown Boveri Corporation of Mannheim, Germany. The concept, in essence, is remarkably simple and effective. Designing the fuel elements in the form of hundreds of thousands of spherical balls, approximately the size of golf balls, enables the spent fuel elements to be removed and new fuel added in a continuous process. As a result, there is no need to shut the reactor down to refuel, as is necessary in conventional Pressurized Water Reactor types. The pebble-bed, sometimes called potato-bed reactor, is the only such reactor design which permits this continuous operation for the entire life of the reactor.

The original design intent is to develop a reactor which will both produce efficient electric power, as well as com-

mercial heat for industrial processes or, if desired, for district heating. With the successful operation of this 300 MW prototype, the 500 MW reactor will be the next generation, possibly to be begun before the end of 1985, according to officials of Brown Boveri.

Major boon for developing sector

Because of several aspects of its design, the HTGR is extremely suitable for countries which are initiating nuclear power. The reactor design is extraordinarily well built to give it inherent safety. It is designed around a ceramic core which has high thermal capacity. There is no possible "core melt-down" or any such danger. This means siting of the reactor can also be in the immediate proximity of urban locations. Further, unique design of the special dry-cooling tower heat dispersion, makes possible siting away from any river or water source normally used for cooling. This aspect of the design, as well as extremely simple operating and safety design, means that, in event of malfunction, there is no possibility of such reactor damage as occurred at the Three Mile Island reactor in 1979.

In event of loss of coolant, the high temperature resistance of the ceramic fuel elements and structure of the graphite reactor core, the temperature can rise to 3,000° C. before affecting structural strength. Other safety redundancies make the reactor perhaps the safest design presently existing in nuclear-reactor technology. Notable is the special characteristic of the uranium-thorium fuel elements used. Because the

reactor core is designed to have a negative coefficient of temperature during all operating conditions, in event of accidental temperature rise in the reactor core, the negative coefficient of temperature causes a reduction in reactivity of the fuel elements because of the inherent properties of the fuel. Higher temperatures cause higher neutron absorption by the thorium.

The design features of the HTGR have been successfully tested since 1967 in an experimental 15 Megawatt pebble-bed research reactor, AVR, at Jülich, in the state of North Rhine-Westphalia, near Hamm-Uentrop. Their 18-year experience with that reactor confirmed the feasibility of the pebble-bed continuous fueling concept, which significantly increases reactor operating efficiencies.

Utilizing the largest vibration test facility presently in Western Europe, the SAMSON (Simulation Apparatus for Modeling Seismic Oscillations of Nuclear components), Brown Boveri Corporation verified the safe functioning of the loaded reactor core under seismic conditions. The tests were sponsored by the North Rhine-Westphalian Ministry for Economics and Transport. Because of incredible (and often unnecessary) regulatory changes introduced during the period of construction, which began in 1971, the completion of the reactor was delayed approximately 10 years. A spokesman for Brown Boveri noted that much of this time was due to demanded retroactive design changes, often based on requirements for conventional light-water reactors as West Germany—as most Western countries—underwent a major

About this series

This is the first in a two-part series featuring new designs for nuclear power.

While the nuclear industry has stagnated internationally, even in France, relative to the plans of a decade ago, in the United States the situation is worse. The nuclear industry in the United States has been virtually destroyed by the anti-nuclear lobby, through direct political intervention and, indirectly, through financial warfare. Costs have mounted as the time of construction has been irrationally extended, and the utilities made the target of attack by disgruntled rate-payers and tax-payers, egged on by this same anti-nuclear lobby.

U.S. design of light-water reactors set the pace internationally. Yet many of their features were determined by extraneous pressures on the utility companies, who were forced to justify their investment in nuclear power on the basis of narrowly construed cost-benefit analysis. In the early days, they opted to achieve economies of scale. As the plants became larger, safety features necessarily proliferated and became increasingly complex. Because the industry was continually defending its very life, the development of new conceptions for nuclear power plants was largely frozen in the design stage.

This series will review several next generation nuclear plants. In the first, we will be looking at the high temperature gas reactor. This is by far the most promising road of development for nuclear power, pending the develop-

ment of commercially feasible fusion energy for the generation of electricity. Notwithstanding, there are other plans for the modular production of light-water reactors which are attractive, particularly because they can go into production immediately, while there may be a need for further testing of modular design conceptions for high temperature gas reactors.

The need for such mass production is especially acute in the United States. By the year 1994, about 100,000 megawatts of electric producing capacity, in the United States, will be 30 years old, and due for replacement. Even under present depression conditions, utility planners are increasingly worried that there will be brownouts and blackouts during peak periods of power demand in New England, the Gulf Coast, Florida, the Northwest, and Midwest. In all of these places, surplus generating capacity is shrinking and power transmission lines are overburdened. Peak demand is expected to rise from the present 465 gigawatts to 566. Even with the presently planned increase of capacity to 704 gigawatts, a reduction from the 175 gigawatts scheduled to be added to the grid a mere two years ago, the reserve margins for demonstrated capacity will fall below 21%. Such a reduction in excess capacity places the whole national grid in jeopardy.

At present the United States has about 650 gigawatts of electrical capacity. If it is to contribute to reversing the present economic depression, this capacity must be more than doubled by the end of the century. Without mass production of nuclear plants, such a goal would be virtually impossible, particularly if the United States also undertakes to export nuclear plants to the developing sector, where they are urgently needed.

—Carol White, *Science & Technology Editor*

political scare offensive from the well-organized anti-nuclear lobby. One result, however, is that such thorough testing has been carried out on the HTGR that it can hardly be considered as experimental at this point.

Given the special features of the HTGR, its flexibility, its extreme safety features, and its ability to be built in urban centers, and especially its co-production of energy in the form of heat which can be used, for example, in the chemical industry, or to produce gas from coal economically, it is excellently suited for construction in developing nations. Nations with existing nuclear industry infrastructure, such as India, Mexico, Argentina, Brazil, the Philippines, or South Korea, are excellent candidates. India, which has some of the world's largest reserves of thorium, used in the reactor fuel, would be a superb candidate. A spokesman for the reactor consortium emphasized that the only constraint existing is that of financing. The power range, according to Brown

Because of its design, the HTGR is extremely suitable for countries which are initiating nuclear power. It is designed around a ceramic core with high thermal capacity. Siting can be in the immediate proximity of urban locations. The design of the special dry-cooling tower makes siting possible away from water sources normally used for cooling.

Boveri, which they are presently making available, ranges from 100 to 600 megawatts. This is also ideally suited to medium-range power grid requirements of developing countries, where the conventional 900 or 1,300 MW versions of light water reactors from Westinghouse, GE, or KWU are too large to be economical for the foreseeable future. Its seismic and safety features mean that it is excellent for such regions as Mexico. What better way to rebuild infrastructure in devastated Mexico than to launch a major nuclear complex—tapping the existing petrochemical resources there—by the West German government to guarantee long-term low-interest financing to export several HTGR turnkey projects to select sites in Mexico. It would have the added feature of providing badly-needed employment in the most skilled sectors of the German economy.

Using the economics of the largest conventional light-

water reactor presently on the market, the West German 1,230 megawatt PWR, Brown Boveri calculates that its 550 MW version is fully cost competitive in terms of cost of electricity per kilowatt-hour. For two twin 550 MW HTGRs, generating costs are actually lower than for the 1,230 MW reactor. Brown Boveri expects to sign a contract for construction of the 550 MW version before the year end, based on successful operation of the 300 MW Hamm-Uentrop reactor. Based on experience to date, Brown Boveri estimates a 6-year completion time for the reactor.

Because of its simple design features, capital construction costs are far lower than for the conventional nuclear units presently available. Its economics are greatly assisted by the higher thermal efficiency for power generation. The HTGR operates at approximately 41% efficiency, significantly higher than conventional light-water reactors, as well as conventional fossil power plants. This further makes the HTGR economical. The high temperatures of the HTGR, up to 950° C., allow use of steam turbines at conditions corresponding to conventional power plants. Conventional light-water reactors are only able to reach maximum heat of 300° C. at about 33% thermal efficiency. This makes feasible process heat for coal gasification.

The fuel pebbles in the 300 MW Hamm-Uentrop reactor consist of 675,000 spherical balls each machined to 6-cm size. Inside is a kernel of uranium oxide and thorium oxide. The core is a graphite shell of layered pyrocarbon. The fuel elements are fabricated at the West German Nukem near Frankfurt. The thorium is converted to fissile uranium by neutron absorption. The heat generated in the reactor core is then transferred to the inert helium coolant gas which flows down through the pebble-bed reactor core. Because of the special properties of the graphite shells of the fuel elements, little radioactivity is released to the coolant gas.

The coolant gas is then transferred to the steam generators where the heat is absorbed by a steam-feedwater system and transferred to a turbine. Helium is ideal for its specific physical and thermodynamic properties. The radioactive primary circuit is fully separated from the non-radioactive secondary circuit. As it goes through the reactor core, the helium is heated to approximately 750° C. In the steam generators, feedwater is evaporated and superheated. Leaving the steam generators, the steam goes to the high pressure section of the Brown Boveri turbine, where it is then reheated in the steam generator, whence it drives the medium and low pressure sections of the turbine before it is finally condensed by heat absorption. The mechanical energy of the turbine is transformed into electrical energy by a generator coupled to the turbine which is converted to 220,000 volts by a power transformer.

The inauguration of the 300 MW high-temperature reactor at Hamm-Uentrop is a long-overdue advance in development of reactor technology.

HTGR—second nuclear generation

by Marsha Freeman

Within the next few years, the United States and West Germany could begin the mass production of High Temperature Gas-Cooled Nuclear Reactors (HTGRs) which could supply both the electrical and industrial energy needs of the advanced and developing nations. These versatile reactors represent the second-generation of nuclear technology which can form the bridge between conventional nuclear power and even higher-temperature fusion energy.

The HTGR, using helium gas as a coolant, is an important advance over current nuclear power plants, which use water as a coolant, because it can operate at much higher temperatures. The HTGR produces steam and process heat at temperatures appropriate for many processing industries. Making use of advanced fuel assemblies and materials, the HTGR is also safer, as well as more economical and flexible, than its predecessor, the light-water reactor.

Gas-cooled nuclear reactors have been under development since the beginning of the nuclear era in the 1950s, and should have become commercially available during the past decade. The collapse in electric utility nuclear-reactor orders since the late 1970s in the United States stopped the HTGR program in its tracks.

HTGR technology has already been demonstrated in both the United States and West Germany, where power plants of more than 300 megawatts (MW) have been operating. Now the HTGR is being reconsidered in a small-scale, modular design for both domestic use and export, particularly to developing nations.

A crash program to make this technology available on a mass-production basis, would mean that nuclear-centered agro-industrial complexes could be built around new cities everywhere—from earthquake-devastated Mexico City, to nearly abandoned former-industrial cities in the United States.

The advantage of higher temperature

The HTGR that is now being designed for commercial use, will produce process heat or steam at about 1,000° F, compared to the limit of about 600° for water-cooled reactors. For the production of electricity using steam turbines, this means a greater conversion efficiency, since that efficiency is a function of the difference between the inlet and outlet temperature. The HTGR has demonstrated a heat-to-electric-

ity conversion efficiency of nearly 40%, compared to about 32% for light water reactors.

But the uniqueness of the HTGR lies in the fact that, at the same time the reactor is designed to produce electricity, it can also have some or even all of its nuclear energy diverted to produce process heat and steam for industry, as required. Over 70% of the energy used in American industry is non-electric, in the form of heat or steam.

At 1,000° F, the reactor can provide at least half of the steam and process heat to American industry which is now supplied by the burning of finite fossil fuels. In 1981, U.S. industry used approximately 20 quadrillion BTUs of primary energy for heat. Of that, 15 quads were at temperatures of 1,000°, or lower, and about 9 quads were in the form of steam. The current HTGR design could supply all of that industrial energy requirement.

Some estimates indicate that by the year 2000, the potential industrial steam market could be over 100 equivalent HTGR units of 1,170 MW thermal each. This use of nuclear-generated process heat will extend finite oil, coal, and natural gas resources, and allow the industrialization of countries that do not have their own reserves of fossil fuels.

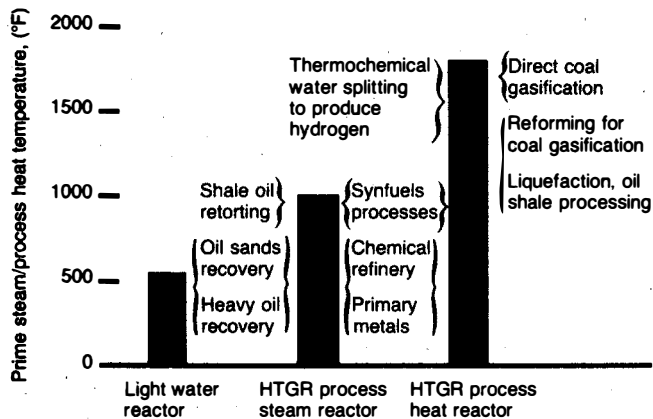
For example, today nearly all hydrogen that is produced worldwide uses methane, or natural gas, as both a chemical feedstock and source of heat in the steam reforming process. If the steam reformer used the heat from an HTGR, rather than burning methane, the same amount of hydrogen could be produced, using 40% less natural gas. The conversion efficiency is about 90%, from nuclear fission energy to process heat.

At GA Technologies, Inc. in California, HTGR developers have envisioned an evolutionary series of reactors, going to higher and higher temperatures (see Figure 1). This array of HTGR reactors provides heat at various temperatures, along with electricity, and could eventually meet the total energy needs of industry, agriculture, and cities.

For the generation of HTGRs that will be commercially produced first, the 1,000 degree heat will be useful for many aspects of fossil fuel refining. This could include the refining of petroleum, the production of fertilizers, paper production, and other chemical processes.

At the same time, the economical electricity produced by

FIGURE 1
Process heat applications for the HTGR



The HTGR makes a higher temperature process heat and steam available for industrial processing than today's generation of light water reactors. At 500°, the nuclear power plants on-line today are only used to produce electricity. The HTGR process steam reactor, ready for commercial production, will extend that temperature to 1,000°, making it possible to use that energy for the refining of oil, and other chemical industries. The next-generation process heat reactor will allow the production of hydrogen, and other fuels, at a temperature of about 1,800°.

the HTGR would be the engine for the refining of aluminum and other metals, advanced plasma steelmaking technologies, all applications of laser metalworking, lighting cities, powering transport systems, and pumping ground water for irrigation in agriculture.

Steam could be piped to nearby factories of all kinds for space heating and manufacturing needs, and district heating and cooling of homes and commercial buildings would also be provided by the central power station.

As the later-generation and more advanced HTGRs came on-line, high-temperature water electrolysis for hydrogen production, the steam reforming of methane to produce hydrogen, desalination, and other processes would be added to the capabilities of the HTGR nuclear-complex. In one design, six million gallons a day of fresh water could be produced from seawater, for drinking and irrigation.

Modular design would allow the easy addition of power plants as requirements increased. Studies done by the Oak Ridge National Laboratory and others in the late 1960s indicated that entirely new cities could be designed and built using clusters of nuclear power plants to supply all energy needs. Sites were studied in Peru, India, Australia, and other nations, where other forms of energy are not available or practical.

In many parts of the world, only these nuplexes will

enable whole nations to enter the 21st century. The HTGR allows processing industries to be closely connected to the energy supply, and the siting of cities in arid regions where water-cooled reactors could not be placed.

The gas-cooled reactor

There are operating, maintenance, and safety advantages in going from a water- to a gas-cooled nuclear power reactor. If a chemically inert gas, such as helium, is circulated through the reactor core as the coolant, there is no possibility of corrosion in the piping or other metal reactor parts because the helium does not react with other materials.

Helium is also a gas in every phase of its use in the HTGR. In a light-water reactor, the original coolant is water, which becomes steam in its gaseous phase during cooling. These phase changes make it more difficult to accurately measure the pressure and other parameters of the coolant, which is not a difficulty in the helium-cooled reactor. In addition, the gaseous helium makes it possible to visually inspect the inside of the reactor during all phases of operation, which is not possible if the operator has to try to see through water.

Unlike water, helium is also virtually radioactively inert. The gas has a low neutron-absorption cross section, which means that even if the coolant were bombarded by neutrons from the fissioning fuel, which is extremely unlikely, it would not become radioactive. If any of the helium escaped, there would be absolutely no danger to the public.

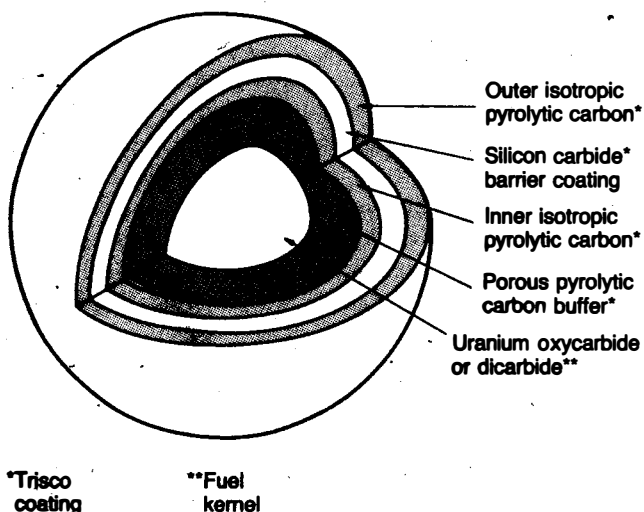
The major safety breakthroughs made in developing the HTGR was a product of the research and development work done in the 1960s in nuclear reactors designed for use in space. When the United States was still planning to send a manned mission to Mars, nuclear reactors were under development for both baseload power generation and propulsion.

Pebbles for fuel

In order to generate nuclear power in space, compact, high temperature designs are highly desirable. The reactor would also have to be virtually maintenance-free due to its inaccessibility, and safe, because people would be very close by, especially for propulsion applications. Experienced nuclear industry contractors worked with the National Aeronautics and Space Administration to design fuel pellets that could withstand high temperatures, with thermal insulation to keep the fuel intact. The Fort St. Vrain HTGR in operation today in Colorado, and the HTGRs in operation in West Germany, make use of those fuel "pebble" designs.

A particle of either fissile uranium or non-fissionable but fertile thorium the size of a grain of sand, is coated with a graphite and silicon carbide shell. In tests conducted on the small, 15 MW electric AVR reactor in Germany, these fuel pellets have remained intact at temperatures up to 3,600° (see Figure 2). The shell acts as a "miniature pressure vessel" around each pebble of fuel, containing all of the fission products.

FIGURE 2
Fuel pebbles for the HTGR



The design of each fuel pellet for the HTGR makes each one of the particles a small "pressure vessel" which keeps within it all of the fission products from the fission reaction. The core of the pellet is a kernel of uranium carbide, and can also include readily-available thorium. A series of coatings, largely of carbon, provides a temperature buffer around the fuel. If there is a loss of helium coolant during the operation of the power plant, the fission process stops. The afterheat from the core is absorbed by the carbon/graphite coating surrounding each fuel pellet. This is the safest nuclear fuel design that has been used for power production.

The German reactors use 35,000 of these encapsulated fuel particles in a "pebble-bed" reactor design, where, over a period of months, each fuel particle percolates through the reactor about 10 times, using up its fuel as it produces neutrons and heat through fission reactions.

The United States has decided to take these same fuel pellets and mix them with a binder, so they form compacts that are one-half-inch in diameter and 2.25 inches long. These compacts are sealed into fuel rods that are placed vertically through 31-inch high hexagonal graphite fuel elements. The core consists of stacks of these graphite fuel elements, through which the helium coolant flows in vertical channels.

The advantage to the German pebble-bed reactor is that it is continuously refueled. When the spherical fuel particle is spent, it is removed from the reactor as it drops down to the bottom on one of its circulating passes.

In comparing the two designs, U.S. experts found that since the other parts of the nuclear plant, such as the steam generator and turbines, have to be shut down periodically for maintenance anyway, the non-refueling feature of the pebble bed design was not a significant advantage. They have, there-

fore, opted for the prismatic annual core configuration, described above.

This pebble fuel design has performed up to expectation under many different operating conditions in both U.S. and German HTGRs. The U.S. HTGR, designed to use thorium, which is converted to fissile uranium-233 under fission conditions in the core, means that the reactor uses between 25% and 50% less uranium than a light-water reactor. Either low or highly enriched uranium can also be used.

Fail-safe safety

In 1974, the 330 MW Fort St. Vrain HTGR, built by GA Technologies Inc. (then, General Atomic Company), began operation. Since then it has generated more than 3 billion kilowatt hours of electricity for the Public Service of Colorado utility. It has demonstrated a conversion efficiency of nearly 40% and has been used for extensive safety tests.

Unlike any of the other nuclear power plants in operation, Fort St. Vrain is not required to keep a full-time nuclear expert on site, which indicates the confidence even the regulatory-mad Nuclear Regulatory Commission has in the HTGR technology. A nuclear expert must be on call, within an hour's reach of the plant.

The way former NRC Commissioner Joseph Hendrie described the HTGR, was that if you had a loss of coolant, the operator could go down the street, have a cup of coffee, and take his time deciding how to proceed. It would take hours, not minutes, for even a small amount of heat to build up inside the reactor core.

Like today's light-water reactors, the HTGR fuel will stop fissioning if there is a loss of coolant and the temperature in the core rises. In conventional power plants, however, within the first couple of minutes, the afterheat can bring the core temperature up to 3,000°. Like the Three Mile Island situation, this can begin to melt the fuel elements, causing damage to the reactor.

In the HTGR, the graphite surrounding each fuel pellet absorbs almost all of the residual heat inside. There is also graphite in-between the fuel rods, which in the Fort St. Vrain plant, weighs more than 1,500 tons. In addition to being an excellent heat absorber, graphite gains strength with an increase in temperature. Tests at Fort St. Vrain have demonstrated almost immeasurable core temperature rises even when all the coolant is stopped.

In the HTGR, all of the helium coolant stays within the core. Therefore, a break in a pipe outside the reactor cannot effect the cooling system, unlike the water circulating in a light-water reactor.

This nation's electric utilities were so impressed with the safety performance and increased efficiency of the Fort St. Vrain HTGR, that 30 of them joined together in 1978 to form Gas Cooled Reactor Associates to commercially develop the technology. Even earlier, 52 utilities participated with Philadelphia Electric Company to put the small 40 MW electric

Peach Bottom HTGR on-line in 1967. Peach Bottom, which was decommissioned in 1974, had an availability rating of 88% (compared to about 66% for light-water reactors), and averaged over 37% efficiency.

In 1979 an Industrial Users Group was also formed, to encourage HTGR development. The major industries represented, who were looking forward to the availability of high-quality industrial process heat and steam from the HTGR, were from the chemical, oil, steel, glass, and coal industries.

Since the beginning of the HTGR program, industry has contributed more funding to develop the technology than has the federal government. Through 1982, over \$1.5 billion had been spent on HTGR research, development, and demonstration. Over 70% of that funding came from the utilities and industries that would use the reactor, and the nuclear industry that would build it.

The way former NRC Commissioner Joseph Hendrie described the HTGR was that, if you had a loss of coolant, the operator could go down the street, have a cup of coffee, and take his time deciding how to proceed. It would take hours, not minutes, for even a small amount of heat to build up inside the reactor core.

By the early 1980s, the Fort St. Vrain plant had created enough confidence in the HTGR that the GCRA was ready to proceed with a "Lead Project" 820 MW electric commercial plant. In testimony before Congress on the fiscal 1983 budget, the GCRA identified five possible regional project sites, including one on the Gulf coast, which would provide process steam and electricity to the Port Arthur oil refinery.

The large Lead Project would produce 2,240 MW of thermal energy, which could be utilized in flexible electrical-heat configurations. It could, for example, provide 7.4 million pounds of process steam per hour to industry, in addition to 231 MW of electricity, or any mix of heat and electricity up to the full 820 MW of just electricity.

This co-generation flexibility would allow the plant to operate at full baseload capacity all the time. During non-peak periods, such as at night, the plant could be used to produce mostly steam, for delivery to industries that would run at night. If the steam turbines went down unexpectedly, rather than shutting the entire plant down, the reactor could

just continue to produce process heat and steam.

In later versions, the plant would be designed to run at full capacity at night, producing and storing hydrogen, which would be delivered to the steel, transport, or fertilizer industries when needed.

The plan, up until 1983, was to have the large Lead Plant on line by the mid-1990s. Seventy-five percent would be paid for by the utility industry, with the government contributing the other 25% to finish the required R&D. At the present time, the plan to build this industrial-sized cogeneration HTGR has been scrapped, due to the refusal of both the Carter and Reagan administrations to adequately fund the program, and the dim prospects, under current economic conditions, that utilities would be willing to order new, large nuclear reactors.

But the HTGR technology is too promising for either the utility industry or the nuclear suppliers to have given up completely. With agreement from the Department of Energy, the HTGR program was shifted last year toward the development of small, modular HTGRs, which could be factory fabricated, and added incrementally to the existing U.S. power grid.

There is also the expectation that developing nations, which could not easily absorb the large capacity of either conventional light-water reactors or U.S.-sized HTGRs, will be able to afford and use smaller reactors.

The modular HTGR

The modular HTGR now being designed in the United States will produce 350 MW of thermal energy, which can be converted to about 140 MW of electricity. A factory-produced modular reactor would have an upper limit on size of about double that amount. The major advantage of the modular concept is that all of the reactors will be identical, and mass produced in a factory, rather than constructed on site.

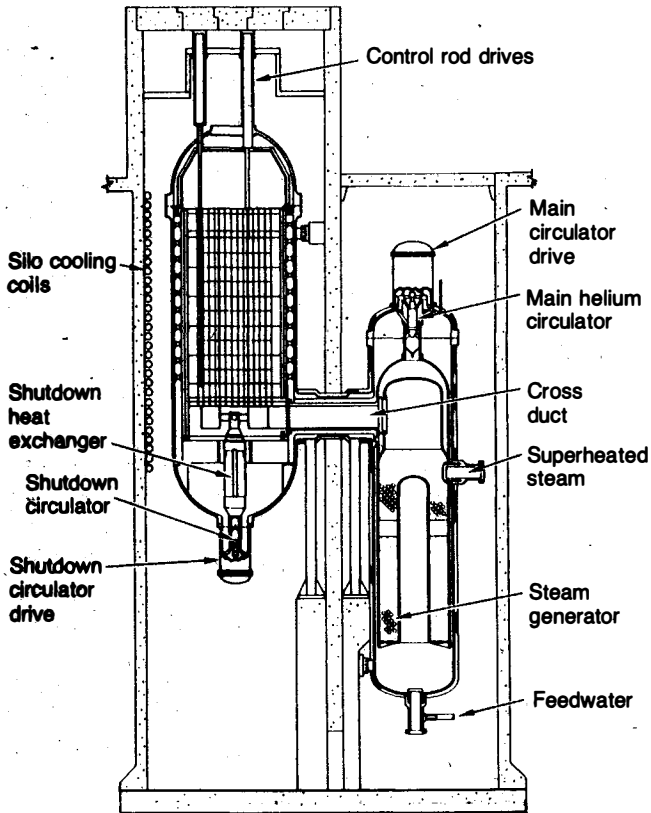
This factory mass-production method can reduce the time it takes to build a plant to less than three years, compared to the current six-year timetable in France, not to mention the 12-18 years it takes to put a light-water reactor on-line in the United States. The reactor will be inspected at the factory, and certified before its leaves the gate. It can be shipped, in one piece, to the site by truck, ship, or rail, and, when it arrives, it will simply be put into place. There will not be any licensing required for each plant, nor will there be any need for inspectors on site.

One configuration which looks very promising is to place the HTGR module, along with its attached steam generator, underground in a silo (see Figure 3). Rather than using prestressed, reinforced concrete for containment, the reactor would be inside a steel pressure vessel, similar to today's nuclear plants, surrounded by a concrete-lined silo.

When the module arrived on site, the bottom half would be lowered into the silo, attached at the bottom, and then the

FIGURE 3

Silo-basing for the modular HTGR



The most promising basing mode for the modular HTGR is to place it into a concrete-lined silo, under the ground. The design being developed by GA Technologies places the steam generator on the side of the nuclear reactor. The helium coolant flows through the cross duct to the steam generator. Colder feedwater is provided from the bottom. The Superheated steam, which has absorbed heat from the hot helium, is removed from the right side of the generator. The reactor is refueled from the top, where the fuel assemblies, made up of pellets, is removed about once every four years.

upper half would be secured. The preparation of the silo, and the non-nuclear balance-of-plant above ground, would be proceeding at the same time the factory was producing the module. When the module arrived and was "plugged in," the entire plant would be ready for operation. In this way, the plant could be on-line in about 33 months.

The Department of Energy evaluated four possible modular HTGR designs in 1984, and in February 1985 selected one which will include the prismatic annular-core fuel design, the steam generator side-by-side the reactor, and a steel pressure vessel. They have placed requirements on the reactor that it be available 80% of the time, that unscheduled

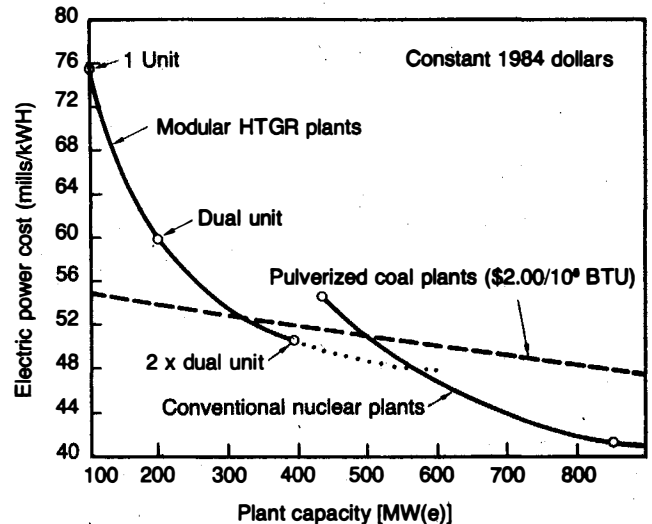
down-time be less than 10%, that it have a cost advantage of 10% over a comparably-sized advanced coal power plant, and that it be operational by the mid-1990s.

The target cost for the modular reactor is about \$2,200 per kilowatt of installed capacity. GA Technologies has estimated that, for the United States, if the units were sited in pairs, two dual-unit pairs would bring the cost of delivered electric power down below the cost of power from an advanced pulverized coal plant, and below the cost for a single, comparably-sized light-water reactor (see Figure 4).

Siting only one module would increase the total cost dramatically, mainly because the balance-of-plant equipment costs (for turbines, control room, etc.) would be incurred anyway. The modules are being designed so that a pair would share one turbine, and the same site preparation and balance-of-plant facilities and costs. For the developing nations, the site would be prepared and facilities built to house more than one module, even if they were ordered years apart.

FIGURE 4

Power costs of the HTGR



The cost of delivered electric power, measured in mills per kilowatt-hour, is higher for a single modular HTGR, or one pair, than for either an advanced coal plant, or a conventional nuclear reactor. Sited in at least two pairs of two each, however, the cost is reduced and is competitive with both of those technologies. For use in advanced sector nations, the HTGR modules would be built in groups of at least two, and most likely, four or more. The four reactors can share the balance-of-plant, including the turbines and other equipment. For the developing nations, where the cost is not as important as ease of construction and operation, the modules can be added one at a time, as the need develops. The site would be prepared, from the beginning, to handle a group of reactors.

The modules in this HTGR "park" could be flexibly connected, so that if a turbine from one pair needed maintenance, but a module from another pair was down for refueling, they could be reconnected to keep the entire plant on-line. (Refueling needs to be done only every four years, with a plant shut-down time of 23 days.) This increased flexibility adds to the percentage of time the plant capacity is available.

In terms of safety, the goal is to have, not only a "walk-away" reactor, which requires virtually no attention from operators in case of any problem, but also a "walk-back" system, where the plant can simply be restarted, without suffering any damage, when the problem is corrected. The modular HTGR is being designed to be "passively safe."

The small size of the modular HTGR makes this possible. The power density of the core is actually lower than today's light-water reactors, and the plant has such a small thermal rating (350 MW) that, if there were a loss of helium coolant, the afterheat could simply be vented out toward the sides of the vessel, and if necessary, into the earth surrounding the silo. There is no possibility of a release of any radioactive fission products, since they are all contained inside each fuel pellet.

This feature, which means there can be no threat to the public, eliminates the need for NRC-mandated public evacuation plans, which has stymied the operation of already-completed nuclear power plants. The modular HTGRs could be sited directly under cities.

The fact that the reactor runs at higher temperatures, and therefore at higher conversion efficiencies, means there is about 26% less rejected waste heat. Estimates are that one-third less water will be needed for cooling, allowing the modules to be sited in semi-arid regions. Today's nuclear power plants must be sited on rivers, lakes, or ocean fronts.

The emphasis in the Department of Energy modular HTGR program is electric, but the modules could be used for the co-generation of industrial-quality heat and steam. It is feasible, at this small size, that a company that is either electricity intensive, such as aluminum and other metals refining, or heat and steam intensive, such as petroleum refining or paper production, could purchase one or two modules for their own production facilities. The military is also interested in these small power sources for situations where they need to be independent of the utility power grid system. Modular HTGRs could also provide the total energy requirements for isolated areas, as well as islands. In 1981, the House Armed Services Committee directed that a feasibility study be done to see if HTGRs could be used to meet the energy requirements for the government's Sandia and Los Alamos National Laboratories.

The useful temperature of the modular reactor under development will be set at 1,000°. This is lower than the outlet temperature of either the Fort St. Vrain or German HTGRs. Second-generation reactors would require the development

of more advanced materials, not for the reactor itself or the fuel elements, but for the interface between the reactor's helium coolant heat and the transfer through heat exchangers for the use of the heat or steam.

Advanced ceramics and carbon-carbon composites now under development for energy applications, such as high-temperature magnetohydrodynamic direct conversion, would allow the HTGR to go up to the more than 1,700°, which is an ultimate goal for the technology.

The higher temperatures would be the basis upon which economical production of hydrogen and other industrial applications would become available. In addition, it would become possible to eliminate the need for the century-old steam turbine production of electricity and use gas turbines.

The helium coolant could be used directly in turbines, rather than creating steam, which would increase conversion efficiency from 40% up to 50%. This closed-cycle system could recirculate the helium back to the reactor, at a temperature of about 300°, or this reject heat could be extracted and used as a bottoming cycle, for lower-temperature applications. HTGRs using these helium gas turbines could literally

With the HTGR, there is no possibility of a release of any radioactive fission products, since they are all contained inside each fuel pellet. This eliminates the need for NRC-required public evacuation plans, which have stymied nuclear plant operations.

be sited in deserts, as no water is required either for cooling or electricity generation.

Helium-cooled breeder reactors have also been under investigation since the early 1960s to take advantage of the inherent safety and higher temperatures available using the helium gas. The lack of commitment in the United States to build any kind of breeder reactor has stalled this potential evolution of the HTGR.

When could we have them?

The current Department of Energy timetable projects that two more years of final design work need to be done, and that the first "demonstration" module would be operational in the mid-1990s. But, unlike other advanced technologies, even larger sized HTGRs have already been operating in the United States and in Germany. There is no reason to build a "demonstration" reactor.

According to industry spokesmen, and common logic, there is no objective reason why the first factory-produced HTGR modules could not start rolling off an assembly line at the beginning of the next decade. The technology is proven, and the modular reactor has been conservatively designed, using only proven and available materials and technology. An HTGR factory could produce about one module per month.

When one considers that the United States has slowed its production and siting of any kind of baseload power plants (coal or nuclear) to a virtual standstill, and that even if there were no growth in demand, by the year 1995 about 100,000 MW of existing capacity should be retired as they near the end of their useful lives, we are going to need as many power plants as we can manufacture, as quickly as we can produce them.

The energy deficit in the developing nations in the world is staggering. In some studies, the suggestion has been made that the countries without indigenous reserves of fossil fuels should be immediately supplied with small, modular nuclear power plants. It is pointed out, however, that even in the oil producing countries, by at least the beginning of the next millenium, they will need nuclear power, as well.

For the already industrialized nations, a 100 MW electric plant could supply electricity and heating for about 100,000 people. This figure would be several-fold higher in nations where virtually no electricity production exists today. The plants could add small increments of power to new grids, and their size would quickly allow developing nations to participate in the fabrication and erection of new plants.

Interest in HTGRs has existed in the developing countries since the technology was demonstrated. In 1981, the Mexican Academy of Engineering held a symposium on nuclear energy in Mexico City and invited General Atomic Company to present a paper on the "Status of the HTGR." Because of the present "survival mode" of operation of the U.S. nuclear industry, and the economic disaster perpetrated in the developing sector by the International Monetary Fund, GA Technologies no longer has a marketing representative for Latin America.

An important paper presented in 1983 to an international conference session on compact nuclear reactors for emerging nations, states that there "would be substantial technology transfer between the developing nations in the areas of construction, operator training, maintenance, etc., made possible by the adoption of a standardized design."

This paper, optimistically titled, "A Small Modular HTGR Nuclear Power Plant Concept to Meet the Total Energy Needs of the Developing Nations," and presented by Colin F. McDonald from GA Technologies, also states, "This paper has been presented 30 years after the 'Atoms for Peace' proposal presented to the United Nations General Assembly by President Eisenhower in December 1953. The deployment

Considering that the United States's power-plant construction has slowed to a virtual standstill, and that, by 1995, about 100,000 MW of existing capacity must be retired, we are going to need as many power plants as we can manufacture as quickly as we can.

of the small modular HTGR plant in the developing nations could well result in the realization of this proposal."

The United States is certainly not the only nation developing HTGR technology. The Germans have long realized that this nuclear advance could heat cities, run industry, and make more efficient use of their fossil-fuel reserves. The United States has had an active cooperation effort with German industry, and the HRB industrial group that is a partner in the current 300 MW Thorium Higher Temperature Reactor (THTR) plant is owned 45% by GA Technologies.

Funding for the HTGR in the Federal Republic of Germany has been at the \$250 million per year level, and modular designs are now being evaluated in Germany, for commercial introduction. GA Technologies and German industry have been sharing data and operating experience on the four reactors that both nations have built.

The Japanese are interested in HTGR technology at higher operating temperatures, in the VHTR, or Very High Temperature Reactor. They are looking at this as a heat-source only, mainly for industry. On the current timetable, the Japanese plan to build a test reactor VHTR by 1990, of about 60 MW thermal, as a test bed to develop new high-temperature materials. They are cooperating with U.S. engineers, particularly on the development of graphite applications and technology.

The Soviets have apparently built a small, 5-MW thermal gas-cooled reactor, and have used nuclear reactors for space heating for district and industrial applications in the past.

The United States has been ready to "go commercial" with the HTGR since the successful operation of the Fort St. Vrain plant. If that step is not taken soon, the United States will find itself in the same position with the HTGR that exists now with the breeder reactor and nuclear fuel reprocessing. It will be faced with the prospect of importing advanced nuclear technology from other nations in the world which did not allow themselves to self-destruct at the beck-and-call of international financial interests who state that the advanced sector nations should become "post-industrial" societies.

Why debtor nations can't buy Baker's monetary reform

by Gretchen Small

You have to give credit to that banker's boy, James Baker III; it takes real stubbornness to go out and campaign for a non-existent plan, to save a non-existent international financial system.

On Oct. 8, the U.S. Treasury Secretary unveiled a "new" plan to solve the world's debt crisis in his speech to the annual International Monetary Fund (IMF) meeting in Seoul, Korea. Baker promised that commercial banks will increase their lending by \$20 billion over the next three years, and the World Bank would also increase its financing. Fifteen unspecified countries will be eligible for these sums, Baker stated, but only those countries which implement greater "structural changes" demanded by the IMF, stressing that developing countries must open doors to foreign investment.

Thus far, Baker's program hasn't generated much enthusiasm, anywhere. When U.S. Federal Reserve chief Paul Volcker went to the American Bankers Association Oct. 22 to drum up some of that promised \$20 billion, he encountered hostility. Smaller banks, already overextended in foreign lending, questioned what Baker's plan would do to help countries meet the debt payments they cannot meet now. Many are simply refusing more loans.

The Baker plan is completely insufficient for developing-sector needs, Colombian presidential economic advisor Diego Pizano Salazar pointed out on Oct. 22. The requested 2.5% annual increase in bank lending is far less than the current 6-7% dollar inflation, Pizano Salazar reported, thus effectively continuing the collapse in real bank lending.

Peruvian Economics Minister Luis Alva Castro has come the closest to saying that the Baker plan, *qua* plan, does not exist. "Baker presented the plan to silence and to denigrate the just clamor of Third World debtors" for a complete revamping of the world financial system, and aimed at keeping debtor nations from presenting joint demands for reform, Alva Castro stated in a speech to the Peruvian Senate Oct. 22. "It amounts to a big stick policy. . . . This language of subjugation belongs to the past century."

Nonetheless, U.S. State Department officials are being deployed to find a country willing to join the Baker club. On Oct. 22, Venezuela was the target. In Caracas for the 12th Annual Congress of American Chambers of Commerce, U.S.



Peruvian Economics Minister Alva Castro (left) is sworn into office by President Alan García.

Assistant Secretary of State Elliot Abrams pushed Baker and the IMF in his speech to the businessmen, a press conference, and a two-hour meeting with President Jaime Lusinchi. Growth must be promoted "the way the IMF insists, for example, eliminating state-sector companies, or artificial exchange rates," Abrams stated at his press conference, and cited Baker's speech at Seoul. Former U.S. Ambassador to Venezuela George Landau, now heading David Rockefeller's Americas Society, delivered a similar message in his meeting with Lusinchi. Venezuela needs to use "much greater aggressiveness in seeking foreign investment," Rockefeller's salesman stated as he left the President's office, suggesting tourism, construction, and agro-industry as the areas "investors" might find attractive.

Will Baker succeed in heading off debtor unity, with promises of more austerity for little money? At the end of October, Mexico and Colombia awaited IMF missions.

Mexican Finance Minister Jesús Silva Herzog asserts that he is willing to join the Baker club. Speaking to the Mexican Labor Congress Oct. 23, Silva Herzog rejected the possibility of Mexico joining Peru in its program of limiting debt payments to a small percentage of the country's export earnings, declaring the retaliation which Peru now faces too dangerous. "With the support of all the banks in the world, we will obtain additional credits," the minister promised labor's representatives.

Former Panamanian President Nicolás Ardito Barletta also told his country's labor movement that it was "too dangerous" to follow Peru's decision to challenge the IMF. He was thrown out of office by Panamanians who back Peru.

But not all Mexican government officials are blind to the growing popular anti-IMF rebellion. The Yucatán state Con-

gress sent a telex to the other state legislatures in October, demanding support for a resolution calling for a moratorium on foreign-debt payments. The banks have already collected their debt two times over through interest payments, the telex notes. The call by PRI deputy Romeo Flores Caballero, secretary of the Chamber of Deputies' Foreign Relations Commission, for Mexico to again think like Benito Juárez, and put the interests of the population before those of the debt, was front page news Oct. 24. Half of Mexico's foreign debt left the country as capital flight in any case, the president of the Congress of Labor, Olivo Solís, stated during an unusual press conference held after his meeting with President Miguel de la Madrid on Oct. 22.

IMF demands, "leaked" by *El Tiempo* Oct. 22, that the Colombian government limit wage increases, increase gasoline prices, increase public-utility rates, accelerate devaluations, open up its internal market, and eliminate low-interest development loans, as conditions for IMF "approval" has insured a hot welcome for IMF technicians. "Colombia is sovereign in making decisions on its policies," Labor Minister Jorge Carrillo told the press after a meeting with President Belisario Betancur that night, and rejected a change in wage policy. Colombia's labor federations later issued a statement supporting the labor minister in this policy.

Will Baker be successful? In this issue, *EIR* provides some tools to evaluate this: an analysis of how rigged terms of trade loot the developing sector, making debt payment impossible; and the text of Peruvian Economics Minister Alva Castro's speech to the IMF meeting, detailing how the international financial system has not existed since August 1971.

Will Baker try to present his plan for "IMF growth" before the Ibero-American labor movement?

Debt and Ibero-America's trade

by David Goldman

We present below the first installment of a study of prospects for Ibero-American economic integration, which will appear in full in *EIR's* fall and winter 1985 *Quarterly Economic Reports*. The present study comprises the first complete evaluation of what has happened to Ibero-America's trade position as a result of the debt crisis. The results run totally contrary to the version presented by the International Monetary Fund and related agencies.

First, Ibero-America's terms of trade with respect to the United States, as measured by a basket of 37 commodities studied by *EIR*, fell by 35.2% between 1980 and 1983. This figure is derived by dividing American imports from Ibero-America, as measured in tons, by the corresponding dollar price figure, as reported by the United Nations. This simple and irrefutable method of calculating export prices has not occurred to the International Monetary Fund, which asserts that Ibero-America's terms of trade worsened by only 12.9%.

Secondly, Ibero-America underwent a drastic change in export profile, from an exporter of raw materials, to an exporter of industrial manufactured goods, especially energy-intensive, capital-intensive intermediate goods. The myth of Ibero-America as a backward source of raw materials for the industrial West is refuted by this trade profile:

EIR's basket of 19 energy-intensive intermediate goods showed an average increase of volume of 153.2% over the three-year period. Prices for the same commodities declined by an average 34.9%.

On the contrary, *EIR's* basket of 18 agricultural and mining commodities showed a *decline of export volume* of 28.75%, with the largest decline registered in the traditional sources of Ibero-American foreign exchange, i.e., the mining commodities. *EIR's* basket of eight primary-mineral commodities registered a 34.5% decline, or 20% higher than the average decline. For the raw materials group as a whole, export prices declined by 35.4%.

The price decline of 35.2% during the 1980-83 period, i.e., the worst ravages of the debt crisis, does not, of course, fully estimate the undervaluation of Ibero-American currencies. In market-basket terms, all such currencies were underpriced by 20-30% against the American dollar, before the debt crisis exploded after 1980. The true undervaluation of Ibero-American currencies, therefore, lies in the range of 55-65%.

Finally, the cost to these countries due to the collapse of export prices, which represents a cost of the debt crisis, must be added to their reported interest bill, in order to measure the cost of International Monetary Fund usury. The result is startling: As of 1983, the last year for which we have complete data, Ibero-America paid an effective interest rate of 24%.

These results are summarized in **Table 1**.

The great resource grab

The form in which the United States has parasitized the resources of Ibero-America is made clear in **Table 2**, which matches American imports of refined metals to imports of the corresponding ores. In most of the ore categories, the results show a major decline in export volume, whereas all of the refined metals show spectacular increases. Steel is a case in point: American imports of iron ore from Ibero-America fell by 63% during the debt crisis, while imports of finished steel rose to 2.454 million metric tons, or about 15% of total American steel imports, and 3% of total American steel consumption. Another is aluminum, exports of which rose, in volume terms, by 135%, while U.S. imports of bauxite and alumina fell by 53%.

Ibero-American government ministers who have long suspected that something else than free-market forces were at play in the commodity markets will find the comparison of price declines in the two market-baskets of enormous interests. Most of the items in the raw-materials market basket are sold in dollars, according to the vagaries of the commodity exchanges; almost all of the items in the intermediate-goods market basket are sold in national-currency terms. The above results show that the price declines in the two categories—one brought on by falling commodity-market prices, the other by International Monetary Fund-imposed currency devaluations—are virtually identical.

That is not surprising, since the commodity price-declines, as well as the currency devaluations, are the result the same global credit squeeze, imposed upon the developing world by the International Monetary Fund and the Bank for International Settlements.

However, the results, as such, show up for a miserable sophistry the International Monetary Fund's argument that currency devaluations will lead to higher exports. The in-

Table 1

Ibero-American trade with the United States, 1980-83

(Percent)

Commodity	Price change	Volume change	Commodity	Price change	Volume change
Industrial intermediate goods					
Refined lead	-55.6	19.9	Iron ore	-4.0	-62.8
Refined zinc	-11.1	21.6	Wool	-15.6	-60.8
Aluminum	-41.7	135.4	Natural fibers	-27.3	-20.5
Refined nickel	-75.0	7.2	Cotton	-44.4	-34.5
Refined copper	-27.3	47.5	Natural rubber	-30.2	-20.1
Iron steel wire	-54.5	485.5	Sugar and honey	-25.0	-44.8
Iron strip and hoop	-39.4	175.8	Vegetables, prepared	-25.0	-4.5
Iron plate	-26.8	215.7	Fruit, nuts	33.0	-5.8
Iron shapes	-43.5	122.1	Vegetables, fresh	-28.5	18.1
Iron primary forms	-26.2	453.3	Cereal	14.3	-36.5
Pig iron	-49.4	154.8	preparations		
Cement	-27.3	139.4	Prepared fish	42.3	-43.2
Rubber tires, tubes	-30.7	192.0	Frozen fish	-15.7	-17.7
Starch inulin gluten	-31.3	4.2			
Manufactured fertilizer	-35.0	419.4			
chemicals	-25.0	61.5	Industrial commodities		
Petroleum, refined.	0.0	-5.2	No. commodities studied: 19		
Pulp and paper	-23.5	86.2	Avg. rise export volume: 153.4%		
Synthetic rubber	-36.4	174.3	Avg. decline export price: 34.7%		
Primary products (agriculture and mining)			Primary products		
Tungsten ore	-52.9	-31.1	No. commodities studied: 18		
Tin ore	-25.6	-63.1	Avg. decline export volume: 33.5%		
Lead ore	-22.4	7.3	Avg. decline export price: 35.4%		
Copper ore	-86.0	-29.0			
Zinc ore	-55.8	-51.7	All categories		
Aluminum ore	12.8	-53.2	Avg. price decline: -32.9%		

crease in Ibero-American exports to the United States is a simple function of the collapse of the American economy. As the American economy shuts down its capital-intensive, energy-intensive basic industry, it buys abroad the intermediate goods it no longer produces at home, at a fraction of the domestic cost of producing such goods. Price declines of about 35% did not help the Ibero-American countries sell more iron ore or alumina, since the United States no longer processes such goods. On the contrary, these countries found a ready market for goods higher up on the scale of processing, replacing the production whose capacity the United States has destroyed.

Upon the \$360 billion in debt shown outstanding in Table 3, Ibero-America's interest bill is given by Table 4.

The interest paid, which in 1983 amounted to 70% of Ibero-America's \$68.8 billion in exports to the industrial world, does not reflect the full cost of usury imposed upon

these nations through International Monetary Fund conditionalities. If the excess payments for imports, and revenues lost upon exports, are added to the interest bill reported above, the total debt service paid by Ibero-America in 1983 was \$87.5 billion, and the true rate of interest was 24%.

The complete measure is obtained by adding the interest bill to revenues lost as a result of poorer terms of trade. Above, we calculated the deterioration of terms of trade to be 35.2%. Applied to Ibero-America's trade data, this yields the result shown in Table 5.

Treasury Secretary James Baker III's demands for "economic restructuring" in the debtor countries, under World Bank guidance, derives from plans circulated during the past two years by Henry Kissinger and his circle. The core of the plan, exchanging debt for equity shares in raw-materials and industrial capacity in the debtor countries, was first floated in a big way during a September 1982 meeting of the Aspen

Table 2

U.S. Industrial vs. raw materials imports from Ibero-America

(Percent change)

Commodity	refined metal	metallic ore
Lead	19.9	7.3
Zinc	21.6	-51.7
Aluminum	135.4	-53.2
Nickel	7.2	n.a.
Copper	47.5	-29.0
Total iron and steel	360.7	-62.8

By category:

Steel tubes	50.1
Iron Steel wire	485.5
Iron strip and hoop	175.8
Iron plate	215.7
Iron shapes	122.1
Iron primary forms	453.3
Pig iron	154.8

Institute in Aspen, Colorado. Using estimates made available by close collaborators of Henry Kissinger, we have prepared the following estimates of the scale of looting implied by the proposal.

Former Assistant Secretary of State Robert Hormats, who was promoted in the State Department by Henry Kissinger and is now Kissinger's assistant at the Goldman Sachs investment bank in New York, told a journalist on July 9, 1985 that there has been "new enthusiasm" in Washington for Kissinger's debt for equity proposal. Hormats's judgment was apparently borne out by the Baker plan offered to the just-concluded International Monetary Fund meeting in South Korea.

The plan was earlier described by Kissinger in the June 23 *Los Angeles Times* and elaborated by Hormats in Senate testimony June 24.

Hormats described the equity swap as a "great way to bring free enterprise to Latin America," which will "give foreigners eventually a 15-20% ownership stake" in what happens to Latin America.

He gave as an example the recent Goldman Sachs underwriting of a \$50 million Eurodollar bond for the Panamanian government owned-bank Bladex. With this bond issue, Goldman Sachs "privatized" the government bank by selling its equity to the Eurobankers. The significance is that this was the first time in three years that a Latin American entity, either government or private sector, was able to sell a Eurodollar bond. It is a floating rate note at 1% over Libor, or 9%, and will rise as Libor rises.

According to Hormats, one-fifth of Ibero-America's debt should be converted into equity, or roughly \$80 billion; the

Table 3

Total foreign debt of 9 Ibero-American countries, BIS vs. EIR

(Billions U.S.\$)

	1980	1981	6/82	1982	1983	1984
Argen/BIS	20.4	22.9	23.5	22.2	27.3	25.9
BIS ratio	153%	153%	165%	165%	165%	165%
BIS (adj.)	31	35	38.7	36.6	45	42.7
EIR est.	35.7	43.0	43.0	45		
Brazil/BIS	44	49.7	52.4	56.1	71.9	75.7
EIR est.	77.2	86.1	92	100.8		
Chile/BIS	9.6	10.6	10.4	13	13.6	
EIR est.	15.5	17.3	19.1	19.2		
Colombia/BIS	4.9	4.9	5.5	7.3	6.9	
EIR est.		8.3	9.7	10.6	12.0	
Mexico/BIS	42.8	55.5	62	59	72.6	72.8
EIR est.	64.0	83	88	88		
Peru/BIS	4.3	5.1	5.2	6.6	5.8	
EIR est.	8.6	10.4	10.5	10.5		
Venez/BIS	22.3	22.5		22.6	28.0	26.1
EIR est.	30.8		34.3		34.6	34.6
Panam/BIS	25.7	25.2		27.9	31.6	30.5
EIR est.	38.6		37.8	41.9	47.4	45.7
Cuba/BIS	1.4	1.1	1.0	1.2	1.1	

	1980	1981	1982	1983	1984	1985
Debt with Panamanian foreign deposits						
Total of 9	286.1	312.8	309	375.2	371.2	
Plus Ecuador, Caribbean, etc.: less than \$30 billion						
Total continent	256	308	338	334	405	400
Debt without Panamanian deposits:						
Total of 9				270.1	335.2	331.2
Total continent				316	365	360

Table 4

Ibero-American debt service

(Billions U.S.\$)

	1981	1982	1983	1984	1985*
Principal	316	365	360	355	350
Interest %	14	13	12	11	11
Debt service**	44.3	47.5	48.2	44.1	43.5

* Estimate

** Interest plus \$5 billion/year principal starting 1984

Table 5

The debt-service costs of Ibero-America due to terms of trade, 1983

(Billions U.S.\$)

Imports	44.888
Excess import payments*	15.800
Exports	68.841
Loss of export receipts*	24.232
Total loss	40.032
Plus interest paid	47.500
Total usury bill	87.532
As % of total debt	23.98% = True interest rate

* When adjusted by 1980 terms of trade yields

required yield for this equity would be 15% per annum, or higher than the present 11% interest rate on outstanding debt.

For what it is worth, Kissinger has also circulated a proposal—which has not gone far in Washington—to “cap” interest rates, which, supposedly, would reduce them from 11% to 8%.

However, this is not a cap on the total rate, but a cap on the banks’ earned “spread” over the London Interbank Rate (Libor), which the banks themselves pay to get money. Currently, the banks are paying 8% for funds, charging an average 2% spread to Latin America, or a total of 10% for new loans made in 1985. Kissinger wants to “cap” the spread to 1%, which would mean 9% rates.

In sum, the financial impact would be a reduction from

2% to 1% of the spread, or a grand total of 1% reduction in interest rates.

Even supposing they decide to “fix” capped rates, the most they could shave would be 2% from the spread. In any case, the interest costs deducted from current payments would be added to the principal under the Kissinger plan.

The Kissinger plan, even in its own self-description, would be considerably worse than the International Monetary Fund’s “status quo.” To demonstrate this, we project interest costs to the Ibero-American debtors under present conditions of International Monetary Fund rule. We then adjust these projections to take into account:

1) The cost of paying the demanded 15% dividend on the portion of the debt converted into equity, and

2) The supposed saving due to the “interest rate cap.”

Simple arithmetic shows that the debtors come out behind under Kissinger’s proposal, even in simple financial terms; this does not take into account the worst aspect of the plan, namely the loss of economic sovereignty.

The figures in Table 6 assume no repayment of principal, and 5% per year capitalization of unpaid interest, i.e., unpaid interest to be added to total debt amount. It also assumes that 2% per year of the debt, starting in 1985, will be converted to equity.

In summary, the supposed concessions offered by Kissinger and company turn out to demand a worse rate of looting than the International Monetary Fund has imposed, under present conditions. What is most disturbing about this conclusion is that it takes the mechanics of the Kissinger plan at face value, and merely computes its consequences.

In reality, the plan would be much worse: The loss of sovereignty over national policy would ruin whatever recovery chances these nations have, throwing their national industries onto the scrapheap. The damage that would be done would make the worst of the carpetbagging after the American Civil War look like a Peace Corps mission.

Table 6

The IMF status quo and the Kissinger plan

(Billions U.S.\$)

	1982	1983	1984	1985	1986	1987	1988	1989	1990
The IMF status quo									
Principal	316	365	360	355	350	345	340	335	330
Interest %	14	13	12	11	11	12	15	15	15
Debt service*	44.3	47.5	48.2	44.1	43.5	46.4	56.0	55.3	54.5
The Kissinger plan									
Principal	316	365	360	371	382	394	405	418	430
Equity conversion**	0	0.5	2.0	10	17.4	25.8	33.9	42.3	51.6
Interest %***	14	13	12	8	8	9	12	12	12
Interest bill	44.3	47.5	48.2	29.7	30.6	35.5	48.6	50.2	51.6
Equity yield (15%)	0	0.1	0.3	1.5	2.6	3.9	5.1	6.4	7.7
Combined total	44.3	47.6	48.5	31.2	33.2	39.4	53.7	56.8	59.3

* Interest plus \$5 billion/year principal starting 1984.

** Assumes that 12% of the total debt will have been converted to equity by 1990, starting with a 2% conversion during 1985).

*** Assumes a “most-generous-case” of subsidized lending, i.e., loans with an interest rate “cap” of 5% on new loans.

Peru: Bretton Woods system is bankrupt

Excerpts from the text of Peruvian Finance Minister Luis Alva Castro's address to the annual meeting of the International Monetary Fund/World Bank in Seoul, South Korea, delivered on Oct. 10.

Delegates:

In attending this yearly meeting of the International Monetary Fund and the World Bank, we are not simply complying with the ritual all governments have been compelled to observe for the last 40 years. We come with the purpose of having our say in this annual assembly, which through the action of all must become a landmark in the course of this organization. We are not moved by arrogance when we express our will that this assembly mark a decisive moment in our history; we are moved by the urgency of a people which has been severely hit by the world crisis.

We believe the seriousness of this crisis has impressed upon the rulers of all countries the need to undertake without delay a profound change in the international economic order. In our view, this leads necessarily to a fundamental change of the operating conditions of an organization such as the IMF, as has been proposed by the Group of 24 and the Non-Aligned group. Therefore, as the President of Peru anticipated in the General Assembly of the United Nations, we have come to Seoul to urge you to take decisive steps toward changing and reforming the international monetary system. We have come to tell you that the government of Peru wants to participate actively in the task of building a new international economic order, and commits itself here and now to pulling together the task forces this assembly may consider necessary to create toward that end.

The declaration of non-convertibility of the dollar in August 1971 marked the end of the international monetary system as it was sanctioned in 1944 at the Bretton Woods conference. . . .

It so happens that the financing of the U.S. economy, concretely its projection as a world power, was realized under the balance-of-payments deficit Jacques Rueff called a "tearless deficit." In 1971, the non-convertibility of the dollar theoretically put all currencies at the same level. Nonethe-

less, the U.S. economy's strength allowed it to continue accumulating "tearless deficits," but, unlike previous years, these deficits were not associated in any way with a loss of its gold reserves. The lack of a convertible currency left the Bretton Woods accords contentless, thus demanding the reconstitution of the international monetary system. But the United States, which should have led the reform of the system and the creation of a true international monetary pool, did nothing of the sort.

. . . The floating rates which resulted from the declaration of non-convertibility of the dollar brought about a permanent instability of the international monetary system. . . .

The imbalance created by the oil surplus of the Mideast oil-producing nations added to the disturbances already mentioned. . . .

Since the 1974-76 recession limited the international purchasing power of Third World countries, the only way they could continue buying was through receiving the money necessary to maintain and even expand their imports. These purchases were financed by oil surpluses, which from 1974 until 1978 amounted to \$180 billion. This is when the commercial banks, apparently successfully, ran a gigantic recycling of financial resources through Third World countries, both producers and non-producers of oil. Third World debt, naturally, increased in a like proportion. . . . The IMF evaded its responsibilities and became the accomplice of Third World countries' over-indebtedness.

The crisis of the '80s

Towards the end of the '70s, the United States decided to radically change its economic policy.

. . . Thus, the United States engaged in a restrictive monetary policy, with the ostensible purpose of fighting inflation. The immediate consequence of this policy was a massive capital influx to the United States, and the ensuing international recession. At any rate, the essential point is that the new monetary policy of the United States triggered an international recession. . . .

The massive influx of capital into the United States enabled it to suffer a relatively less severe recession than other countries. It also allowed it to follow a policy of expanding public spending while reducing taxation of the rich. The rest of the world financed their budget and trade deficits.

The industrial restructuring policy the United States had been following for years was carried out in the framework of a new international division of labor. The oldest industries—steel, for example—were hard hit and forced into transformation due to imports from countries with more competitive industries. Advanced industries, mainly the weapons industries, were not affected by the competition, but rather were favored by state demand—that is, by foreign financing. It is important to note that the U.S. budget deficit can only be reduced if there is a dramatic change in its economic policy. Even so, the volume of the public debt is so great that the

mere maintenance of its service makes the reduction of the deficit difficult, even if there were an extreme limitation on defense spending. . . .

Faced with these developments, which significantly limit the possibilities of European recovery and have put the Third World in dire straits, the IMF has done nothing, other than to contribute to the concentration of all capital in a single country, and imposing adjustment policies whose only purpose—in the case of Third World countries—is to generate trade surpluses to enable them to pay their foreign debt.

The crisis of the '80s has hit Third World countries with uncommon violence, firstly affecting the price of our countries' export products. . . .

In the second place, the prices of industrial products have continued to rise, reduced inflation notwithstanding, so that from 1981 to 1984 alone we can see a deterioration of terms of trade on the order of 25% for Latin America.

In the third place, climbing interest rates have meant a substantial increase of Third World payments in that area. . . .

In the fourth place, protectionism in industrialized countries—in the United States, particularly—has seriously affected Third World countries. . . .

The IMF, instead of automatically providing resources to the affected countries, has been exclusively interested in imposing adjustment policies oriented toward deepening the recession and thereby freeing up resources earmarked for payment of the foreign debt.

Thus the IMF, by becoming a watchdog for the international banks, adds a covert conditionality to the severe conditionalities attached to its loans. Consequently, we declare that the conceptual basis on which the Bretton Woods System was built is bankrupt, and the IMF, therefore, has lost its legitimacy.

Our conclusions are two.

First: We maintain that the IMF does not adjust its proposals to scientific criteria, because it ignores the structural nature of the unbalanced balances of payments; and because it isn't consistent in the application of its own criteria, since it uses different formulas for similar situations, depending on whether it is dealing with a Third World country or the most industrialized country, and because it is a political institution which reproduces old-fashioned colonialism in its purpose of containing national efforts towards structural transformation.

Second: We believe that, for all practical purposes, the monetary system agreed to at Bretton Woods has already collapsed and has proven unacceptable to the South, inefficient for the North, and anachronistic for all.

The case of Peru

The reduction of Peru's purchasing power in the world market has been truly dramatic in the '80s. Our export earnings have dropped by more than 25% between 1980 and 1984. Cheapening raw materials, but also protectionism in the industrialized countries, explain this result. During this

period, the prices for our raw materials dropped by nearly 40%, and our manufactured exports dropped by approximately 20%.

The evolution of our terms of trade, which limits the real purchasing power of each dollar generated by our economy, was also unfavorable. We lost approximately one-third of the purchasing power of our dollars during this same period. But our imports also fell by approximately one-third between 1980 and 1984, and by around 50% between 1981 and 1984. Despite this, and reflecting both the increase in interest rates as well as massive capital flight, our total debt increased by approximately 50%. In a word, an economic absurdity which translated into a catastrophe, of which the IMF is not innocent—something which can be readily seen if one evaluates the economic policy adopted in our country in the past few years, and the pathetic results achieved.

Therefore, we do not want to forget the IMF's letters of intent, which in his speech to the United Nations Assembly, the President of Peru called "letters of colonial submission to injustice." And when an organization responds solely to the interests of the eldest of its members, it is clear that we are faced with an imperial policy. The letters of intent imposed on different governments of Peru have served in effect as genuine instruments of submission. They have contained demands for devaluing our money, contracting our money supply, and reducing public expenditure, as if the imbalances of the Peruvian economy originated in excessive internal demand.

But the IMF has gone much further, assaulting our very sovereignty by conditioning the signing of the letters of intent to the application of economic policies which in effect have nothing to do with the reestablishment of a balanced balance of payments. On the contrary, the IMF forced Peru to "open up" its economy even to the point that this adversely affected—as in 1973—the balance of payments. . . .

In addition, we should remember that the stand-by agreement signed in April of 1984 indicated that Peru should introduce "changes in land-holding regulations." This, of course, means a complete change in the spirit of the agrarian-reform law. The letter of intent also indicated that Peru should make its labor legislation more flexible, which means nothing less than putting an end to the stability of labor upheld in Peru's Constitution.

We cannot fail to mention the establishment of untouchable blocked accounts in the central reserve bank under the stipulations of successive agreements with the IMF. Thanks to them, the central government and the state companies continued paying service on foreign debt that had been rescheduled with the creditors. Thanks to them, resources in the central reserve bank were sterilized, thus serving as an additional factor of economic depression. In this same regard (tying the hands of the public sector), the thesis that net domestic credit should go only to the private sector was inscribed.

The application of these policies—which in fact violate the political constitution of Peru—can only depress our economy and impoverish our people further. Thus, levels of production per capita in Peru are today equivalent to those of 20 years ago, and less, by around 17%, than what we had 10 years ago. Regarding agricultural production per capita, the evolution has been still more dramatic. Production of potatoes, a native tuber of Peru and the basic food for millions of Peruvians, has been reduced by half in the past 20 years. And if we take the decade of the '80s as a period of reference, we find that the collapse has been by one-third—that is, 66% of the last 20 years' decline. While less dramatic, a similar situation has occurred with corn production, also an essential food in the old Inca diet. We produce about one-third less per capita than 20 years ago.

We will pay no more because we cannot pay more, and because if we did, we would endanger the very existence of our society, not to speak of the survival of the democratic system. We also want to tell our creditors that we are ready to talk directly with them, but will not tolerate IMF mediation.

Certainly, within this general picture of deterioration, the wages and salaries of our scarce labor force that has a permanent job have been affected. Between 1980 and 1985, the average workers' wage has fallen by 40%, with the public employees the worst affected.

Foreign debt

Regarding foreign debt . . . Peru reaffirms the position it has been following since July 28 of this year. In the first place, Peru feels that, in view of the origin of the foreign debt, it is indispensable that both debtors and creditors accept the principle of co-responsibility. It is impossible that creditors consider the debt problem to be mainly a problem of the debtor nations. This is a joint problem of creditors and debtors, and perhaps even more of the first, who continued to offer credits knowing full well they could never be repaid.

In any case, we assume our responsibility and we say to our creditors that, while we recognize the existence of the debt, we also maintain that we are in no condition to pay it, at least not until the world economic situation is radically altered. Meanwhile, and because we are neither maximalists

nor do we seek to overturn the chessboard by our own force, we reaffirm our decision to pay a maximum 10% of the value of our exports in debt service.

Naturally, we do not expect other countries to adopt this same decision. Ten percent is not a magical figure; it is merely a figure compatible with our current possibilities, but it is important inasmuch as it is linked to the value of our exports, that is, to our purchasing power on the world market and, above all, because it expresses the sovereign decision of a poor nation and rescues thereby its right to decide its own destiny.

We have said before the United Nations that we do not fear the inevitable repercussions that having adopted such a decision may bring us. We know that the creditors of the Third World, and in particular, the United States, have shown no flexibility on the question up until now. We also know that they are prepared to respond with sanctions of all sorts against anyone who dares to make a sovereign decision. But at the same time, we are also convinced that the time of reason must arrive.

Our decision expresses above all a vital necessity of our economy. We will pay no more because we cannot pay more, and because, if we did, we would endanger the very existence of our society, not to speak of the survival of the democratic system; that is, the system of universal suffrage and balance of powers that characterizes our civilization.

We also want to tell our creditors that we are ready to talk directly with them, that we are not willing to tolerate the mediation of the IMF, plainly and simply because the policies recommended by that organization have served the interests of only one nation. They have been useful in making Third World countries generate surpluses which enable them to pay the debt, no matter what happens to their peoples. We demand, therefore, direct dealing, but also a prompt meeting of the United Nations on the debt problem. Peru is applying an economic emergency program for the medium term, intended to overcome the structural ills that our nation has suffered. This program contains the following fundamental elements:

A) To battle the recessive inflation that is severely assaulting the neediest layers of our population.

B) To reactivate the national productive apparatus, generating more employment and productivity, and channeling financial resources and internal savings toward production.

C) To reduce the budget deficit through increased income, effective austerity in public expenditures, and a voluntary and responsible reduction of the defense budget.

D) Determined action against terrorism and the drug trade, evils which have joined together in the undermining of our society. On the one hand, terrorism takes advantage of misery that has been aggravated by the application of recessive adjustments, which we have criticized for destabilizing our democratic system. And, on the other, the illicit and immoral

drug trade, which has evolved to satisfy the growing consumer demand in the great country to the North.

As you can see, we have a program of structural adjustment that is coherent with our reality, that appeals to our own internal efforts, and that has received the support of all Peruvians, despite the sacrifice it entails. We are convinced that an effort of this sort, which is already yielding its first fruits, can rely on the resolute support of the entire world community, and should not be labeled with such a hurried and mistaken classification as a "vain, isolated effort," which could damage projections for its future growth.

International monetary reform

Obviously, solving the problem of the debt would ease the path towards reforming the international monetary system. However, it is not an indispensable condition for setting the reform in motion. Rather, the reform of the international monetary system would eventually incorporate the problem of the debt and perhaps provide a more rational solution. In any case, profound changes in the international monetary system are indispensable. They are indispensable because commercial and financial relations between nations can no longer function within the old system. Indeed, this system has already ceased to exist, and it is the United States which now governs international financial relations and the world economy itself. Therefore, we demand that reform of the system be initiated without further delay.

We affirm that the IMF has not fulfilled the role that was assigned to it at the time of its founding. In principle, that organization should encourage the balanced expansion of international trade within the framework of exchange stability. Nonetheless, never since the day of its creation has trade expansion been balanced. On the contrary, imbalances have been the essential characteristic of world trade as it has developed in the postwar era. And it is the unbalanced development of trade and international finance which has permitted the vast expansion of exchanges which finally led to the inconvertibility of the dollar. . . .

We therefore insist on the need to convoke a conference of the United Nations on international money and finances. To arrive at this conference, it is evident that we should hold a series of preliminary events and, above, all, create a task force which can prepare the documents to be discussed along the lines of what we are presenting to this assembly.

Above all, we must say that we seek to create a new international monetary order and, in case the reform of the IMF does not adequately advance, an organization to supersede it. That organization, unlike the IMF, would be made up of all nations and maintain a better balance among its members to permit a more democratic functioning. In fact, no one country should have the possibility of a veto. . . .

In relation to the task force that we propose to this assembly . . . we feel that this task force should be given a maxi-

mum deadline of six months to prepare a proposal for the total reform of the international monetary system. In this sense, we understand that—on the basis of the outline indicated—the task force should address the following themes:

- 1) The nature of the international currency to be created.
- 2) Guidelines for distributing international liquidity.
- 3) The assignment of international liquidity to the countries of the Third World.
- 4) The functions of the new international monetary institution.
- 5) The operational guidelines of the international monetary institution.
- 6) The possibilities of absorbing the foreign debt of Third World countries in the context of the new international institution.

In concluding its report, the task force would deliver it to the Secretary General of the United Nations, who would convoke the international conference that we have proposed within a period no greater than four months.

Delegates: We have come to this annual meeting to have our say and to communicate the urgency of a nation fighting for its survival which believes that affirming its sovereignty is a necessary condition for its development. We have come for no other purpose than to demand an end to the era in which a single country can impose upon the rest the conditions of their existence. We do not accept that a country should exist independent of any controls, while the countries of the Third World are condemned to starvation in the name of re-establishing economic equilibrium.

We affirm that the international imbalances and, therefore, our own imbalance, will only be corrected when certain nations agree to pay the price of their excesses in every area. Nonetheless, we are not prepared to wait for this to happen. We have decided to take our destiny into our own hands, to sweep aside to the extent possible the obstacles to our progress. In this sense, we reaffirm our readiness to pay a maximum of 10% of the value of our exports to service our foreign debt. But we have come to demand a total reform of the international monetary system. A reform that has as its guiding principle equality of distribution of resources and the safeguarding of the sovereignty of states.

In conclusion, we consider it appropriate to reiterate before this assembly the message that the President of Peru left with the United Nations: "Let the United Nations representatives here gathered know that we are neither interested nor find it convenient to belong to an institution which serves for the benefit of one nation. . . . Therefore, we reiterate that the IMF shall not be an intermediary between us and our creditors. In dialogue with our creditors, we will accept no conditions that mortgage our economic sovereignty, nor will we accept the imposition of political conditions, signing letters of intent as instruments against our people."

Thank you.

New Yalta deal: ready to sign

by Linda de Hoyos

In his speech before the United Nations General Assembly Oct. 24, President Ronald Reagan put forward what he called a "bold plan" for the Soviet Union and the United States to negotiate an end to regional conflicts involving the two superpowers. The areas cited by the President were Afghanistan, Cambodia, Ethiopia, Angola, and Nicaragua. Reagan proposed that the "starting point must be a process of negotiation among the warring parties in each country I've mentioned, which, in the case of Afghanistan, includes the Soviet Union. . . . There is a second level: Once negotiations take hold . . . representatives of the United States and the Soviet Union should sit down together. . . . In some cases it might well be appropriate to consider guarantees for any agreements already reached."

This is to be the framework presented by Reagan during the summit with Soviet General Secretary Mikhail Gorbachev in November, which will feature a special section on "regional matters" to review "the legitimate interests" of the two superpowers in different "spheres of influence."

Throughout Ibero-America, Asia, and Africa, U.S.-allied governments have expressed their displeasure with the formulation. Sources across a wide political spectrum in Washington are unanimous in their assessment that Reagan's formula for solving regional conflicts is the public unveiling of the administration's assent to the pact between the Soviet Union and the West's oligarchical faction for a New Yalta division of the globe.

The New Yalta deal, as stated by Henry Kissinger in 1982, stipulates that the United States would recede to 25% of the world influence it commanded in the 1970s. U.S. influence is to be circumscribed within the Western Hemisphere. Western Europe, the Middle East, Africa, and Asia, including the Pacific, are to be ceded to Moscow, with China playing a secondary role in Asia. The sovereignty of the

nations subjected to this deal is, from the standpoint of Moscow and its Western oligarchical partners, irrelevant. New Yalta rests on the assumption that the world's economy will continue to be dominated by the destruction of national economies directed by the International Monetary Fund and the World Bank.

New Yalta is the prevailing doctrine of the State Department and has been so since Kissinger's official tenure there. It accounts for the undeniable fact that the State Department has led the United States into one foreign policy debacle after another, knifed one ally after another in the back—from Tunisia to the Middle East, through Pakistan to the Philippines and South Korea; through Western Europe where the New Yalta crowd has crowed for the "decoupling" of Western Europe from the United States and the reassignment of U.S. troops stationed in Europe to Central America. The debacles are deliberate, as the State Department enacts U.S. strategic withdrawal from those areas to come under Soviet hegemony.

How the deal will work

The details of the New Yalta plans behind Reagan's deal emerged in two locations over the last month. One is the fast-paced process leading to the reopening of diplomatic relations between Israel and the Soviet Union. The other is the idea of mutual concessions in solving regional conflicts, concessions defined by New Yalta. This second aspect was aired by Zbigniew Brzezinski on Oct. 6 in an op ed in the *New York Times*. Brzezinski, famous for his 1979 assertion that "Islamic fundamentalism is a bulwark against communism," operates out of the Center for Strategic and International Studies at Georgetown, the State Department's quasi-official back channel to Moscow. Brzezinski argues for a

trade-off on Afghanistan and Nicaragua. "The two situations may involve not only a political parallel," writes Brzezinski, "but also some degree of indirect political linkage. To put it differently, a constructive solution to the Afghan tragedy has to be based on a formula that the United States can also accept in Nicaragua. Such a formula should involve 'external neutralization and internal self-determination.'"

As Brzezinski then makes evident, this is purely a stratagem for agreement between empires, "External neutralization would involve arrangements to ensure that the country concerned *not become allied with forces hostile to the relevant [!] superpower* or engage in political or military activities *contrary to the regional interests of that superpower*. Internal self-determination would mean that political arrangements within the country correspond to the freely expressed views of the population *and that such arrangements be at least initially reinforced by external forces acceptable to, but not controlled by, the pertinent superpower*" [emphasis added].

The Afghanistan-Nicaragua *quid pro quo* is part of a larger New Yalta plan, explained Bruce McCole of Freedom House, an outfit close to Brzezinski. This larger deal, he said, extends to Southeast Asia and southern Africa. Pol Pot's resignation and disappearance in late September is part of the Southeast Asia complex of deals, out of which would emerge a "neutralized Cambodia under Vietnamese hegemony." (*EIR* has subsequently corroborated this with area sources, who say, however, that this deal reflects primarily agreement between China and Russia. The United States would agree to be "cut out" in exchange for concessions in Central America.) The Soviets would also agree to keep out of Thailand. On South Africa, the deal involves a gradual Soviet withdrawal of assets from South West Africa, allowing the Soviets to retain Angola as an asset. Namibia is to be "neutralized"; South Africa is to be given guarantees it would not be touched.

The New Yalta fix

These are the parameters that have been set for the Reagan-Gorbachov "regional review." But Reagan and Gorbachov will just be placing the finishing touches on a deal that has already gone into effect. "The way New Yalta is working," William Sullivan, former ambassador to the Philippines and Iran and now president of the American Assembly, explained, is through the bilateral discussions officials of the State Department have had over the last year with their Soviet counterparts.

Talks have been held twice on the Middle East; on Afghanistan; on the Far East; on southern Africa; and pre-summit talks are scheduled on Ibero-America. On the U.S. side, the negotiators have been Assistant Secretary of State for the Middle East and Southwest Asia Richard Murphy; Assistant Secretary of State for Africa Chester Crocker; and Assistant Secretary of State for Asian and Pacific Affairs Paul Wolfowitz.

The bilateral talks have functioned as the means by which

the rules have been set to avoid superpower confrontation, under conditions in which both parties are destabilizing targeted nation-states of the underdeveloped sector. In the details of what New Yalta would actually look like in the "regions," the truth of this deal emerges in its full starkness: New Yalta is another name for Russian imperial domination of the globe.

The Israeli-Soviet deal

The first of these bilateral talks took place on Feb. 25 on the Middle East, between Richard Murphy and Soviet Deputy Foreign Minister Vladimir Polyakov. The date for the talks, which had been mooted for over two months before, was rapidly set as soon as Saudi Arabia's King Fahd came to Washington in early February, bringing a unified Arab proposal for peace involving a joint Jordanian-PLO representation in negotiations.

The State Department, including Murphy, opposed an affirmative U.S. answer to Fahd's proposal, which had the backing of Iraq, Jordan, and Egypt. Murphy has argued that the United States should recognize that Syria—not America's Arab allies—is the power the United States must deal with in the Middle East. He has demanded that the Congress remove Syria, the command center for Islamic terrorism, from the American list of terrorist states.

According to the official reports of the Murphy-Polyakov meeting, the purpose was "to contribute to our own mutual understanding of those problems" in the Mideast. State Department spokesman Bernard Kalb gave assurances that the meeting "should not be seen as negotiations and we do not anticipate any agreements. They are merely an exchange of views. They do not represent any change in the U.S. position regarding issues affecting the region." But, according to diplomatic sources in Vienna observing the meeting, the "exchange of views" included an exchange of assets. These diplomatic sources say that Murphy told Polyakov point-blank: "If you want Lebanon, take it. We don't want it."

In the immediate months afterward, the continuing conflict in Lebanon escalated with the Shi'ite Amal militia's Syrian-sponsored slaughter of Palestinians in Beirut. The Israelis withdrew, perhaps under the deal that Syria could have its Greater Syrian empire encompassing Lebanon, in exchange for continued Israeli occupation of the Golan Heights. By setting up the Arafat wing of the PLO for slaughter, the Moscow-State Department partners were attempting to knock out the only possible Palestinian negotiating partner for the Middle East—a process nearly brought to completion in the last weeks with the Israeli raid on PLO headquarters in Tunisia and the Achille Lauro incident. While the State Department diddled with King Fahd's proposal, seconded in early March by Egyptian President Hosni Mubarak, Yevgenii Primakov, head of the Soviet Oriental Institute, the counterpart of the CSIS for Asia and Africa, denounced the agreement between King Hussein of Jordan and Yasser Arafat and attacked Arafat personally.

By August the content of the Polyakov-Murphy deal was apparent even to the PLO chief, who stated Aug. 1 that the convening of a U.S.-U.S.S.R. conference on the Middle East was a major point raised in the U.S.-Soviet talks. "The immediate objective for the PLO," Arafat said, "is not be left out of this New Yalta."

On May 30, the State Department announced its conditions for such a conference—which conditions represented the very contents of the deal now emerging as the conditions for an Israeli-Soviet rapprochement. For a conference to go through as Moscow desires, the State Department said, the Soviets must recognize Israel; the Soviets must end mistreatment of Jewish minority groups inside the Soviet Union and permit Jewish emigration . . . to Israel's West Bank; end officially sanctioned anti-Semitism in the Soviet Union; and end the supply of arms to Iran and terrorists in Lebanon.

As Sullivan stated in his recent interview, the New Yalta for the Mideast will depend upon whether "there is an Israeli-Soviet rapprochement and what is worked out between them." Israeli sources indicate that the Soviet-Israeli deal rebounds back to the United States, as a stepping stone for American unilateral surrender. Shlomo Avineri, former director general of the Israeli foreign ministry, told UPI Oct. 21 that "Once the Soviets are ready to open up the gates [of emigration to Israel] again, Israel can certainly see to it that some of the anti-Soviet propaganda in the United States is diminished." The upshot of the New Yalta in the Middle East, is the withdrawal of the United States from the region, and the emergence of a Greater Israel and Greater Syria under Soviet sponsorship.

Target Indian subcontinent

In June 18, Murphy sat down in Washington with Oleg Sokolov, number-two man in the Soviet embassy, and Yuli Alekseyev, chief of the Mideast Department of the Soviet Foreign Affairs Ministry, to "exchange views" on Afghanistan. Reportedly, Murphy offered a deal in which the Soviet Union would be permitted to "Finlandize" Afghanistan, in exchange for the withdrawal of Soviet troops from the country. However, there is little to discuss about Afghanistan, where the Soviets are solidly entrenched and have nothing to gain by leaving. Afghanistan is critical to future Soviet military moves, and the Soviets have turned their presence in Afghanistan into a forward base for operations into Iran and Pakistan and the fulfillment of the Russian dream of a warm-water port. In addition, Afghanistan is a crucial section in the Soviet encirclement and containment of China.

The actual subject of discussions was escalation of the Soviet pressure on and U.S. withdrawal from Pakistan. Since the June discussions, the Soviet pressure—both militarily and with insurgencies inside—has mushroomed in Pakistan, to the point that Soviet Foreign Minister Mikhail Kapitsa declared last week that "Pakistan is at war with the Soviet Union." The Soviets have also increased their support for the separatist movements in Sind, Baluchistan, and the North-

west Frontier Province against Pakistan. Kapitsa menaced Pakistan: "The 3 million Afghan refugees in Pakistan are a problem for you. They are Pathans. Don't forget Pushtunistan."

U.S. sacrifice of Pakistan is the motivation for the new-found love of India expressed by Henry A. Kissinger at an Indo-American Chamber of Commerce meeting Oct. 15. It was Kissinger who in 1971 executed the U.S. "Pakistani tilt" as part of his China card policy, telling the Indian foreign minister then that Washington did not mind if India "went with" the Soviets. But once a disintegrated Pakistan has succumbed to Soviet pressures, then there is no buffer standing in the way of total Soviet domination over India. The Russians made clear, especially in the months before the Oct. 31, 1984 murder of Indira Gandhi, that they had become irritated with India's stance of independence and non-alignment.

Southern Africa, Far East

The early July talks between Assistant Secretary of State Chester Crocker and his Soviet counterparts, as the crisis in the Republic of South Africa was escalating, centered on a regional package as described by Freedom House's McCole. Led by New Yalta hustler Rep. Stephen Solarz, who has made several solo trips to Moscow, the United States has come to recognize the African National Congress, a self-avowed communist organization directed from Moscow, as the primary negotiating partner for the South African government. This is a formula for, at best, a continuing cycle of violence in southern Africa.

From Crocker's point of view, the major objective has been to quell South African military interventions against Soviet regional operations, being directed by East German and North Korean cadre.

In the first week of September, Assistant Secretary of State Paul Wolfowitz took off for Moscow to meet with Soviet Deputy Foreign Minister Mikhail Kapitsa on issues concerning the Far East. As with the other bilateral discussions, this meeting was arranged as an "exchange of views" and "official positions." Wolfowitz, it is said, was going to bring up U.S. concerns over the Soviet build-up of its Pacific fleet, the delivery of MiG 23s to North Korea, and the Indo-China conflict.

But although only "official views" were discussed, Wolfowitz informed Japanese and South Korean leaders, with whom he met afterwards in Tokyo and Seoul, that his talks with Kapitsa were "confidential." That is, the State Department now gives greater deference to the Soviet Union, than to its own closest allies.

On Oct. 31-Nov. 1, Soviet and State Department officials will meet on issues of mutual concern in Central and South America.

On Nov. 10, Ronald Reagan and Mikhail Gorbachov will meet. Will they pen their names to a New Yalta deal for the destruction of the United States and its allies?

North Africa: more chaos yet to come

by Thierry Lalevée

The visit to North Africa of U.S. Deputy Secretary of State John Whitehead may have achieved many things, but certainly not clarification of America's policy toward the region. True, the diplomatic and political crises, especially between the United States and Tunisia, and the United States and Egypt, may have cooled down with less virulent and less public demonstrations of official anger at Washington. But this chapter of the crisis is not closed; rather, all decided to adopt a "wait and see" policy, in particular for more "concrete indications" from America, according to Tunisian officials.

Whitehead's visit to Tunisia, the final leg of his three-nation tour after Italy and Egypt, ended in confusion. Whitehead was said to have received in Tunis an even cooler reception than in Cairo. A day before his arrival, Mahmoud Mestiri of the foreign ministry announced that there was a "deep crisis" between Tunis and Washington. Tunisian officials refused to publicly acknowledge Whitehead's arrival under the pretext it could "lead to public outrage," and, at the end, refused to have a joint communiqué. So Whitehead made a unilateral statement stressing that Israel's raid "surprised and shocked Americans as much as it did Tunisians," and that the United States "deplored [it] as much as any act of international terrorism." The State Department in Washington immediately clarified that Whitehead didn't mean that "the Israeli raid was an act of terrorism."

For public consumption, such a declaration was seen as an apology to Tunisia for Israel's raid. Tunisians and others put on a face of being pleased, especially since the Israeli foreign ministry appeared angered. But no one is satisfied. It is so far from Reagan's previously announced position, and his famous "never" when asked about a public apology to Egypt, that Arab leaders could only wonder: Can it be that what Reagan says can be so easily undermined by a mere deputy secretary? Or was the statement merely *pro forma*, aimed at appeasing them, but reflecting no real policy change? Considering Whitehead's career with Goldman Sachs investment firm and longstanding ties to Kissinger and the Trilateral Commission, the answer is not easy. If one of Whitehead's aims, because of his connections, was to spread misgivings toward the administration, then he succeeded.

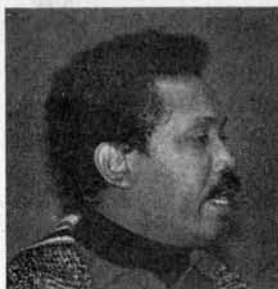
Sent by Shultz, Whitehead aimed at luring his interlocutors into a sense of confidence, away from the reality of State Department's official policy. He told reporters in Cairo that there was a better understanding between the countries—an outright lie as Whitehead's associates are busy undermining President Mubarak's regime. Henry Precht, the former director of the Iran desk of the State Department under Carter and first secretary in Cairo up to several months ago, recently praised the Marxist opposition to Mubarak as being "better economists" than those in the government. Precht is no Marxist, but has advocated opening an official dialogue with the same parties that have been organizing day after day of anti-American demonstrations in Cairo.

As most observers noted, the demonstrations are not really anti-American; they are primarily anti-Mubarak! Calling the game was an Oct. 21 article of the *Financial Times*, which commented, "Mubarak may not be up to the job of President," stressing that Egypt needs a strong man. The *Financial Times* made no bones of the fact that this had to be Marshal Abu Ghazala, the defense minister who has been eyeing Mubarak's job since 1981. Indeed, Ghazala, who considers himself a great strategist and geopolitician, would not be bothered about the role of Egypt within the Non-Aligned movement or keeping the country independent—as Mubarak is. As Precht knows, Ghazala and the Marxist opposition won't go together, but a Marxist-sponsored revolt will be the long-expected pretext for a military coup, against a weakened Mubarak.

Mubarak's knowledge of such plots was negatively made known on Oct. 20 when, instead of attacking Abu Ghazala for his role in the intercept of the Egyptian plane, he decided to blame Tunisia. Mubarak was reacting to provocative articles in the American press gloating over the fact that U.S. intelligence had known better than Mubarak, because Egypt was riddled with American agents. Between the lines, the *Washington Post* and *New York Times* were saying that Cairo is an American colony.

Such articles aimed at pushing Mubarak into a corner and discrediting him. The choice was either to angrily react and expel dozens, perhaps hundreds of Americans, inflicting unthinkable damage on relations between the two countries; to deny everything; or to go at the roots—the double game played by some Americans and some Egyptians. Mubarak chose not to deny but to make Tunisia the culprit, on the basis of fabricated information by an old Sadat intelligence network. This was a way of avoiding what will become in coming weeks a showdown with those who want to overthrow him.

In late September, a broad alliance between Algeria, Tunisia, and Egypt was consolidating against Libya. This has been shattered. Shattered also has been the trust between the PLO and Jordan, and between the PLO, Tunisia, and Egypt. Expectedly, Jordan has intensified its negotiations with its former arch-enemy Syria which, alone, stands unblemished from this entire crisis.



Interview: Eduardo Ríos Molinar

Panamanians push summit against International Monetary Fund

In his inaugural speech last July 28, Peruvian President Alan García declared war on the International Monetary Fund and called for the convening of a summit meeting of Ibero-American heads of state to be held in the Republic of Panama, to forge a common front on the debt, to wage war on drugs, and to achieve continental integration. Panama's then President, Nicolás Ardito Barletta, rejected García's call. "García has jumped into a sea of sharks, and now he wants us to jump in after him," Barletta, a former World Bank official, told a meeting of Panamanian trade unionists. His anti-national stance and his push to collect the debt on behalf of his former employers with the blood, sweat, and tears of the people of Panama, cost Barletta his job. On Sept. 28 he was forced to resign the presidency. His successor, Eric Arturo Delvalle, announced that he was taking up the challenge posed by García, and would convene a summit meeting early next year.

One of the organizations that played a key role in convincing the new President to agree to the summit, was Panama's Council of Organized Workers (Conato). Our correspondent, Carlos Wesley, who arrived in Panama on Sept. 16, the day Delvalle made the announcement, interviewed Eduardo Ríos Molinar, an ordained minister who heads the national construction-workers union. Ríos is also one of the coordinators of the Schiller Institute Labor Commission, and is one of the leaders of Conato who was instrumental in getting President Delvalle to change the anti-summit policy established by the former President.

In the interview, Ríos recounts the process that led to Delvalle's historic call, and talks about the next steps that will be taken by the Panamanian labor movement to ensure the success of the proposed summit. The interview, excerpts of which we publish below, took place on Sept. 23.

EIR: All the news media here credit Conato with a victory for having convinced President [Eric] Delvalle to issue the call for the summit proposed by Peruvian President Alan García. How did Conato achieve this?

Ríos: Well, the process took place over three meetings. We first took part in a meeting to evaluate the recent events that had taken place in Panama, and to analyze the bombardment

against the country from abroad that was, and is, taking place in the wake of the resignation of former President Barletta. In that meeting, with the leaders of political parties of the governing coalition, I told them that there was a need—since we were now placed on the defensive—for the country to go on a sustained offensive, and that the only way to keep up such an offensive, given the circumstances, was to take on the challenge posed by Alan García's call for a heads-of-state meeting in Panama to discuss the problem of the foreign debt, the new international economic order, and the economic integration of Latin America. After an intense debate, we prevailed, and our proposal was finally accepted. Later, we went to a meeting with the President of the Republic himself, and after listening to a number of issues he wanted to present, we called him aside and told him of our concerns. We told him about the need for a summit meeting, and for Panama to keep on the offensive, that these were two parallel issues, and that, in our opinion, the best service he could render Panama and Latin America, and, at the same time make clear to the world that his was a different government, was to issue the call for the summit.

He discussed the issue with us for a while. He told us about some obstacles that could impede the summit, but we stressed that the basic issue was that in Panama and the world there prevailed the belief that Barletta had opposed the summit and that he had brought forth the same objections as an excuse not to convene it. We told him that he should make the decision in favor of the summit, and offer Panama as the venue, and commit the country to make the summit a success. He finally agreed with our arguments, and then the discussion turned to the question of the proper forum for him to announce his decision, since neither he nor we wanted the declaration to be treated lightly. We decided then that the best forum would be the regular business meeting of the directorate of the National Council of Delegates of Conato, that is, in front of the body that serves as the general assembly for all the country's labor leaders. The rest is known. He made the announcement at the meeting of the Council of Delegates in the same terms that we had proposed, and exactly as we had agreed.

EIR: Then, we can definitively say that it was the direct



Panama's new, anti-IMF President Delvalle, meets with the leadership of the CONATO labor confederation and announces his plan to call for a summit.

influence of Conato that led President Delvalle to issue his declaration of support for the summit meeting proposed by Alan García?

Ríos: That is correct. That is definitely the case, and President Delvalle himself admits it.

EIR: How have the Panamanian people received Delvalle's declaration?

Ríos: Among the workers, generally, the reaction is what you would expect, great joy. But more than joy, there is the commitment now to keep working on the second stage: to ensure that a successful summit is held.

In the press, the columnists of almost all of the country's newspapers have commented favorably on Delvalle's call and have praised his stance. Many, the great majority of them, credit Conato with what they have now taken to calling a triumph.

On the other side, there is the reaction of the opposition. Before, they were pushing for the summit, but, at the same time, they were saying that Barletta was beholden to the International Monetary Fund and, because of that, he would never convene that summit of heads of state. That it was a pipe dream to believe that such a meeting could take place under a sold-out President like Barletta. But now that Delvalle issued the call, they are saying that it is not convenient to hold the summit, that it is not an auspicious time, that it is impossible to hold that meeting. They have changed their

line. . . . Now, they don't want the meeting to take place. Before they were calling for it, but from a negative standpoint, to use it against Barletta, whom they argued, using the same arguments we did, was such a sell-out that he lacked the guts to convene the meeting. But now that Delvalle has agreed to host the meeting, they are saying that it is not proper to hold the meeting, and they are now attacking Alan García . . . proving that they never really wanted the meeting to take place. That has been the role of the opposition, but the people have now found out their true colors because of their flip-flops. . . .

EIR: You said before that Conato will have to remain on a permanent mobilization to ensure that the summit in fact takes place. What are the steps to be taken during this mobilization?

Ríos: First, we are drawing up a list of all the heads of state of Latin America and the Caribbean. From that starting point, we are contacting the labor movements in each of the countries, encouraging them to put pressure on their Presidents to take a stance on the summit. Are they for or against? This will cull the list and we can then concentrate our efforts on those Presidents that are most reluctant, those who are most opposed to the idea of the summit because of their cronyism with the gentlemen of the international banks, or because of their cronyism with some official of the U.S. State Department, which we definitely know is not in agreement with this

meeting, and which is going to attempt to sabotage it up to the last moment.

We also believe that Panama should send a good will delegation on tour throughout Latin America, beginning with Peru, and from there, together with another delegation, a Peruvian delegation, visit the rest of the countries of Latin America. Those delegations should include labor leaders . . . businessmen, government officials, and representatives of the military. . . . We are proposing that President Delvalle name such a delegation, and once we achieve that in Panama, we want the President of Peru to do the same, and for the two delegations to link up and tour the continent together as one. . . .

We are also calling for the labor movement of each and every Latin American country to send telegrams, resolutions, and so forth to pressure the diplomatic missions represented in their respective nations, so that those embassies can inform their governments of the support, and even of the pressure, that exists for the summit throughout the continent.

The other thing we are concerned with is with setting a definite date for the summit. . . . We believe that it should be held in January of 1986. . . .

. . . Those are the steps we will be taking to ensure that the meeting takes place.

In addition, we want the nations involved to start carrying out some sort of exchange of information about great economic projects. They have to start thinking—at least, that is how we in the Panamanian labor movement see it—about great development projects that would facilitate economic integration. We believe that that is important, because the integration of Latin America will have to take place through concrete, great development projects, where the projects themselves serve as the integrating vehicles. . . .

EIR: Earlier, you said that Panama is the target of “a bombardment” against it, of a destabilization campaign. Who is doing it and why?

Ríos: We believe that the [destabilization] campaign is being carried out by Central American oligarchic circles, together with groups such as the Nicaraguan Democratic Front (FDN), ARDE—and they have a lot of supporters in Panama—the Panamanian opposition forces, and I am not talking about the members of the opposition as such, but about those who control the opposition. The U.S. Department of State, we believe, is also involved in this. And what is their aim? It is to strike against the obstacle that they now have in Panama, which is the stance adopted by Gen. Manuel Antonio Noriega regarding the Central American question. The campaign is aimed, almost in its entirety, against General Noriega. In our view, it has a lot to do with what is happening in Costa Rica, a country that, in our opinion, is virtually an occupied nation, that has been taken over by armed bands from several countries, including armed bands of Costa Ricans themselves, who are becoming a threat for our country, which has re-

mained outside the Central American conflicts.

What we have, then, is that Noriega has been trying to speed up the Contadora peace process, for which a deadline has now been set. The countries involved must sign the proposed peace treaty within 45 days.

So, it became necessary to set off something in Panama, an insurrection, or something like that, to destabilize it, thus creating a difficult situation for the front-line state of the Contadora Group, Panama, and within Panama, for the mainstay of the government, the National Defense Forces commanded by General Noriega. . . . Because, if you have a convulsion in Panama . . . then the Contadora process gets stalled. Mainly, it provides an excuse for the two governments that are reluctant to sign the peace treaty, Honduras and Costa Rica, two governments that are under the gun of the armed bands and occupied by American troops. . . .

To carry out an invasion of Nicaragua, the United States would have to invade three countries. It cannot invade Nicaragua alone; it would have to invade Nicaragua, El Salvador, and Costa Rica at the same time. It would not have to invade Panama because it already has troops stationed here. But to provide logistical support for a military intervention once the invasion took place, they would have to employ the military bases that they have here in Panama. The Torrijos-Carter treaties forbid that . . . and if the bases are used for that purpose, then there would be a confrontation between the American government and the Panamanian government, especially with the National Defense Forces, which would take measures to prevent the bases from being used to provide logistical support for an intervention in Central America. . . . That is why there is an effort to destabilize the Panamanian government and its Defense Forces, employing supposed opposition groups within the country, which are not a true political opposition, but groups that are working within the framework of a plan to bust the Contadora peace process . . . before the 45 day deadline for the signing of the treaty is up. . . .

EIR: Any other observations for the readers of *EIR* in the United States and throughout the world?

Ríos: We are at a time when we need solidarity, support, and understanding. We ask people to come to Panama to see our true situation for themselves. We have taken on this struggle, and we are not going to abandon it. We believe that we are going to win it, because it is not only a struggle for Panama, but for Latin America and for the world. I believe that we are in a transition stage. A stage in which, for the first time in many years, the people of our nations, jointly, are standing up against those policies—successfully, and employing the right methods—that have kept us in a state of constant uncertainty. But I believe that within five years or so, this tempest will be over and there will be a new world economic order that would allow us to co-exist in peace, just as is written in the first chapter of the *Book of Genesis*.

Behind the Laxalt mission to Manila

by Allen Douglas

On October 14-18, Sen. Paul Laxalt was sent to Manila to deliver what was characterized as a "blunt message" to President Ferdinand Marcos of the Philippines that he must immediately institute specified reforms. Implied in the message was that, otherwise, the Philippine President would face a withdrawal of support from Washington, and, more importantly, from President Reagan. The Laxalt mission was the culmination of an operation against the Philippines directed by the State Department, and which now involves most elements of the U.S. intelligence community. From Manila, it appears as if the United States has declared war on its ally.

The process leading up to the Laxalt mission began in May of this year, when William Casey, director of the Central Intelligence Agency, paid a four-day visit to Manila. The fact that it was Casey who undertook the mission was not accidental. A key swing factor in U.S. policy toward the Philippines was the Office of the Director of the CIA, the office occupied by Casey. His Manila trip was a result of his decision to take up the State Department demand for "reforms," including the holding of immediate, "new, fair elections," although national elections are not mandated by the Philippine Constitution until 1987. President Marcos "artfully dodged" Casey's demands, according to the disappointed comments of William Sullivan, the former U.S. ambassador to the Philippines, and to Iran, who acted as a principal figure in the overthrow of the Shah, and is now active in the Philippines destabilization.

The reforms center upon three themes: the holding of immediate elections, a reform of the military, cleaning out of alleged "old cronies" in high positions in the military, and the permanent removal of former chief of staff of the armed forces Fabian Ver from his post. Ver is now on trial for his alleged complicity in the murder of opposition leader Benigno Aquino.

Finally, the United States has been demanding that Marcos adhere 100% to the austerity conditionalities of the International Monetary Fund, which conditionalities are the single most destabilizing factor in the crisis.

President Marcos has made repeatedly clear, that while his government is dedicated to fighting the insurgency and solving the economic crisis, he is not willing to carry out "reforms" that will destroy the country. Marcos's refusal to remove himself from power forced a "reassessment" of the

"stability" of the Marcos government and the Philippines, at the CIA, the Defense Intelligence Agency (DIA), and the National Security Council. The State Department line that Marcos must be removed to guarantee stability emerged as the consensus.

The 'reassessment' goes into motion

A newly appointed director for the CIA's East Asian division wrote the "reassessment." Its verdict was delivered by former CIA London station chief Cord Meyer in a "signal piece" in the *New York Post* in mid-July. Entitled "Big Trouble Looms in the Philippines," Meyer established two critical themes: first, that "the Reagan administration must face the real possibility that before its second term is over, a Marxist regime may have taken over in the Philippines and given the Soviets access to the strategic air and naval bases now occupied by the U.S."; and second, that although all pressure must be kept "on Marcos to make the necessary military, political and economic reforms while there is still time." The key to these reforms is his personal relationship with President Reagan, which must be severed. "Since Marcos discounts advice from most American officials on the ground that he enjoys 'a special relationship' with President Reagan, it is essential that Reagan be directly and personally involved in this effort," Meyer wrote.

Under the aegis of the Special Crisis Planning Group of the National Security Council, representatives of the Pentagon, the DIA, the CIA, and the State Department, gathered to plan the implementation of the measures indicated in the Cord Meyer piece.

Fortunately, Meyer and his cronies were not the only ones considering U.S. policy toward the Philippines. On Aug. 16, almost simultaneous with the NSC-sponsored meeting, the *EIR* lobbed a bombshell into the policy discussions, a 13-page feature, "Shultz Torpedoes American Defense in the Philippines." Echoed on the front pages of the Philippines' press within a week, *EIR* charged that the "on-the-ground operations for the overthrow of Marcos are being directed out of the U.S. embassy in Manila under Ambassador Stephen Bosworth."

According to U.S. intelligence sources, that *EIR* piece forced a reevaluation of the "stability of the Marcos government," in both the United States and the Philippines. It was

published just as a poll issued by the Philippine opposition itself showed that if elections were held today, Marcos would win convincingly, with 56% of the vote. Then, one of the most important critics of the Marcos regime, Cardinal Jaime Sin, officiated at a birthday mass for President Marcos, indicating his interest "dialogue" and "reconciliation."

The original intent of the press hysteria opened by the Meyer piece, was to so isolate President Marcos that he would be forced to step down for a "junta" or designated successor amenable to the destabilizers. The media barrage was to include a CBS "Sixty Minutes" interview with Marcos, an arrangement set up by CIA chief Casey with his old OSS buddy, CBS President William Paley.

Casey at the bat

The *EIR* exposé of the U.S. embassy's coordination of the opposition and the evident disarray in the opposition itself, gave Marcos crucial breathing room to tighten his administration and the military. The siege from Washington abated, but did not end.

Though not himself of the Eastern Establishment and its "Bankers' CIA," William Casey is "the man of consensus." According to sources, his attitude toward the Philippines was shaped by a deal cut with the "Bankers' CIA" who themselves are the proponents of the New Yalta deal with the Soviet Union, under which Asia, including the Philippines, is to fall under Soviet hegemony. In return for "favors" from the New Yalta crowd and the Israeli Mossad (whom Casey reportedly highly respects), Casey agreed to Marcos's removal.

The only dissenter in the August NSC Crisis Group meeting was Secretary of Defense Caspar Weinberger. Weinberger argued that the threat to withdraw U.S. bases, one of the bludgeons the bankers' boys were demanding be used against Marcos, was an idle one. All strategic thinkers know, he argued, that the location of the bases at Clark Field and Subic Bay, combined with the highly skilled Filipino work force, make the bases irreplaceable.

Weinberger's arguments went unheeded. In September, Secretary of State George Shultz visited Australia, allegedly to line up agreements for U.S. base rights there. To think the United States would get base rights from the left-wing dominated Labour Party now ruling Australia, and which is now endorsing Soviet-backed Nuclear Free Zones in the area, is a joke. The other touted option of the Woodlands Naval Base in Singapore, offered by Singapore's President Lee Kwan Yew to President Reagan in Washington in early October, is equally inadequate, both by reason of location as well as the commercial terms under which Lee offered it.

Casey and Co. proceeded with an hysterical media charge against Marcos, beginning late September, and continuing through Sen. Paul Laxalt's trip. The central theme of the propaganda was what Meyer had noted in mid-July: break the personal relationship between the two Presidents, Reagan and Marcos. Articles were placed in the *Washington Times*,

which Reagan reads, to convey a picture of uncontrolled violence in the Philippines, to convince Reagan he personally had to pressure the Philippines president.

U.S. Ambassador Stephen Bosworth had wanted to deliver an ultimatum from Reagan to Marcos himself, but Laxalt, a close friend of the President, was designated, although Bosworth managed to insert himself into the meeting. According to sources familiar with the President's thinking, the letter had the following elements: 1) it was directly from the White House; 2) it was an attempt to deflate congressional destabilizers like Rep. Steven Solarz; and 3) the letter represented an attempt by the President to quell the momentum built up by the Bankers' CIA.

But, in the meeting, Marcos put before Laxalt the reality of the situation in the Philippines, as he also did in an interview with ABC's "Nightline" on Oct. 18. According to the *New York Times* Oct. 19, Marcos had "rejected" Reagan's "demands." Marcos denied this, as did Laxalt. "The thrust of the [*Times*'] story is inaccurate," said Laxalt. "All of the reports of Marcos as a doddering old man were wholly contradicted by my observation of him" during their four-hour meeting.

The *Times*, disregarding Laxalt, came back on Oct. 20 with an editorial calling for a coup. Complaining that the Reagan letter fell on "deaf ears," the *Times* threatened that if Marcos refuses to listen, "many demoralized officers in Manila may have keener ears."

The reports and "evaluations" the CIA, DIA, and NSC are preparing on the Philippines are coming from the New People's Army itself. According to Washington sources, U.S. intelligence operatives, under Agency for International Development (AID) or Peace Corps cover, are going into the Philippine islands, not through Manila, but through areas dominated by the NPA. The "intelligence evaluations" are interviews with NPA members and leaders. One of the operatives recently on such a mission was Princeton University professor and Khomeini apologist, Richard Falk.

There are also indications that, under cover of the AID, money is being poured into local political operations as a direct counter to President Marcos's party, the KBL, and local organizations created through Mrs. Marcos's Ministry of Human Settlements. This coheres with the designs of the State Department. As Cord Meyer explained in a recent interview, he wants elections in 1986, elections the State Department is trying to rig.

As the Canadian-based Philippine oppositionist and leader of the terrorist-supporting August 21st Movement, Ted Alcuitas, put it, in a recent discussion, "The U.S. must stop supporting Marcos. As long as it does, there will be no peaceful change. I was in the U.S. for two weeks. . . . In three to five years there will be a revolution on our hands. Very few people in the U.S. understand the situation. The head of the Philippines Desk—[John] Maisto—he understands, and his views are the same as mine."

'Full court press' against Marcos

The following selections document the propaganda campaign to portray the "inevitable" overthrow of President Ferdinand Marcos. The theme—that "Marcos is the best ally the guerrillas have"—is aimed to produce the "consensus" that the United States must push Marcos out in order to avoid a complete takeover of the Philippines by the Soviet-backed New People's Army.

Mid-July: "Big Trouble Looms in the Philippines," Cord Meyer, *New York Post*. After noting that "State Department and Pentagon officers almost despair of being able to convince Marcos of the size and immediacy of the threat posed by the Marxist guerrillas of the New People's Army," Meyer calls for breaking the personal ties between Reagan and Marcos: "Since Marcos discounts advice from most American officials on the ground that he enjoys a 'special relationship' with President Reagan, it is essential that Reagan be directly and personally involved in this effort [emphasis added]."

Late July: "CIA Prognosis: Gloom in the Philippines," London *Economist*: "The Communists say they will start urban guerrilla warfare in Manila next year and bring the army to a stalemate by 1987. . . . But, however wearisome the country may be, it won't go away. Now pro-American Filipinos believe the United States can and should help to replace Mr. Marcos with a better man."

Aug. 1: "The Hidden Hand: A Military Reform Movement Takes Hold," Rodney Tasker, *Far Eastern Economic Review*. Tasker pushes the "clean young reformers" in the military, noting that "The U.S. Embassy, among other interested foreign observers, is known to regard it as a highly significant development." Claiming that the coup plotters are themselves worried about a coup, *FEER* says that the reformists "would try to match any potential coup force's strength, to which end they have reportedly even begun to try to set up a network of paramilitary units as well as one of loyalist military regulars." *FEER* quotes the "reformers" approvingly: "We are the only ones standing between the republic and the insurgents," one reformist officer said in an interview, adding: "If we fall, it's easy pickings."

Aug. 16: *EIR* opens counterattack with cover story, "Shultz

Torpedos American Defense in the Philippines." "The on-the-ground operations for the overthrow of President Marcos are being directed out of the U.S. Embassy in Manila under Ambassador Stephen Bosworth, who was trained by Henry Kissinger's National Security Council. The timing for the final move against Marcos is projected in 8 to 9 months, or will be timed with Marcos's promised reinstatement of Chief of Staff of the Philippine Armed Forces Fabian Ver, upon his expected acquittal on charges of complicity in the assassination of Benigno Aquino."

Aug. 17: "The Philippines Could Be Lost To the Communists," *The News & Courier/The Evening Post*, Charleston, S.C. "Senior administration officials say the communists can be beaten, but they do not try to hide the threat. They are frustrated with the regime of President Ferdinand Marcos, whose 20-year reign has become increasingly repressive and who resists reforms Washington urges on him."

Aug. 25: *Philippines Sunday Express*, Teodoro F. Valencia: "The *Executive Intelligence Review*, a Washington, D.C., weekly, says that the U.S. State Department had been trying to destabilize the Philippine government even before the August 21, 1983 assassination of ex-Senator Benigno Aquino." Throughout the second half of August and September, the Philippines press continues the coverage.

Sept. 9: "Is the U.S. Out to Overthrow Marcos?" *Business Day*, Marites Danguilan Vitug.

Sept. 20: "Bosworth Denies U.S. Has Coup Plans," *Business Day*, quoting Ambassador Bosworth as saying: "I assert categorically that there is no such plan. The report is replete with factual inaccuracies."

Oct. 17: *Christian Science Monitor* quotes Lee H. Hamilton, ranking Democrat on the House Foreign Affairs Committee and chairman of the Select Committee on Intelligence: "It's time for some tough thinking about the Philippines. . . . The communist insurgency is the most serious threat to U.S. interests in the Pacific. Marcos is that insurgency's greatest asset. Communist guerrillas now operate freely in one-third of the country."

Oct. 20: "What Can Make Marcos Listen?" *New York Times* editorial: "Corruption, incompetence, and brutality were playing into the hands of a communist insurgency." The *Times* threatens that if Marcos does not listen, "The many demoralized officers in Manila may have keener ears."

Oct. 7, 14, and 23: Articles appeared in the *Washington Times* presenting a picture of destabilization and uncontrolled violence in the Philippines, with headlines such as "U.S. Would Consider a Philippine Pullout"; "Murder and Mayhem Make the Philippines Wild West of the East"; "Filipino Journalists Risk Deadly Reprisals"; "Civil Strife Spreads in Philippines."

Namibia: A multi-racial experiment under attack by Soviet-run terrorists

The following profile of the politics and history of Southwest Africa, on its way to becoming the independent nation of Namibia, was contributed to *EIR* by a Namibian source. Our source paints a picture contrasting sharply with the conventional portrait of this South African protectorate, that of an oppressed colony whose black majority is engaged in bitter racial struggle with a white minority and white South African administrators.

Two points stand out: First, approximately one decade ago, the majority of Namibians, black and white, ceased viewing Namibian independence as a racial issue, and integrated themselves into a process of reform that has made meaningful progress. Second, the organization which has received U.N. recognition as the "sole representative of the Namibian people," the Southwest African Peoples Organization (SWAPO), is proven to be a Soviet-controlled asset for destabilization of the independence process, an entity whose support accordingly collapsed approximately a decade ago. Its Soviet masters, since that point, have been using it solely as an instrument of terror in an attempt to return the independence drive to the status of a bloody racial conflict.

We add to our source's observations, on this account, that SWAPO members, like members of South Africa's Communist Party-controlled African National Congress, have been reported by Western intelligence sources to be receiving guerrilla training in East Germany—a fact which corresponds to the recent exposure of East German agents inside Namibia, posing as German-descended Southwest Africans, and attempting to whip up whites for racial violence against blacks. The object of Soviet policy, with SWAPO its instrument, is the racial polarization of the entire region.

Namibia: physical-geographical characteristics

Namibia is located in the southwestern part of the southern cone of Africa, below Angola and Zambia, with Botswana on the East, and South Africa to the immediate south. The Atlantic Ocean is on the West.

Namibia has an area of 823,144 square kilometers (comparable to a state such as California), or three times the size of West Germany. About two-thirds of the population is directly dependent on agriculture, including agricultural-related services. Most of this category depend on subsistence farming. There are about 5,000 large-scale ranches, ranging

from 4,000 hectares, to as much as 15,000 hectares in the south where it is dryer. Sixty percent of the livestock are cattle, the rest sheep and goats, all of which are primarily range-fed.

Water, or lack of it, is a key factor in the economy. Rainfall ranges from 600 millimeters (ca. 24 in.) per year in the North, to 50 millimeters (less than 2 in.) per year in the southwestern area.

Namibia has abundant mineral wealth, and mining is the primary earner of foreign exchange. There are substantial deposits of copper, lead, zinc, tin, diamonds, uranium, and salt which are presently being exploited. In addition, there is extensive prospecting, and promising prospects for coal, iron ore, gas, and even gold.

The manufacturing sector is very small, limited primarily to light industry, with very few exports.

The water infrastructure is being expanded at great expense, with canals bringing water from the North to the South. There is great potential for further expanding this network.

Fishing off Namibia in the Atlantic could have been the most important source of protein, while providing employment and foreign exchange. However, Russian factory ships depleted almost to the point of extinction the plentiful schools of fish in the currents off Namibia, taking advantage of the internationally unresolved status of the area.

Population

Namibia has a total population of only 1.2 million, made up of 11 distinct ethnic groups. There are only 1.4 people per square kilometer. About 10% of the Namibian population is white. Sixty percent of the entire population is concentrated in the extreme northern part of the country, where there is an abundance of water. Agriculture and mining are the primary employment. Extensive, labor-intensive agriculture projects are being developed in the North. However, were a substantial industrial sector developed in Namibia, these agricultural projects could be easily mechanized, freeing the population for more productive industrial employment.

Political history

The New Yalta combination of the Soviets and Western oligarchic financier interests have combined their efforts to

maintain control over Namibia. Had this not been the case, the level of economic and industrial growth in Namibia, given its enormous potential, would have been much more advanced by now.

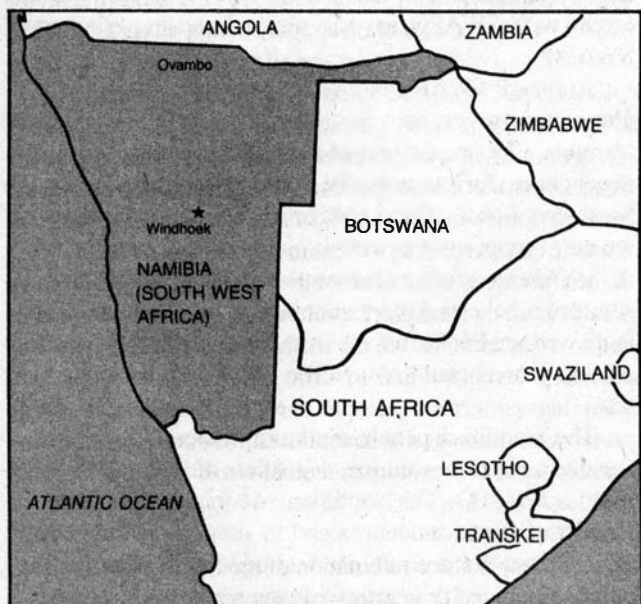
In 1884, Namibia was made the German colony of Deutsch Südwestafrika. In the treaty of 1884, Britain retained the enclave of Walvis Bay, the only natural port of Namibia.

In 1915, during the First World War, the colony was lost to the British Crown. After the war, the League of Nations gave the mandate over South West Africa to Britain, with the proviso that the country be developed towards independence. Britain, in turn, passed the responsibility for South West Africa over to the British-run Union of South Africa.

In 1945, the League of Nations ceased to exist, and the British wanted to make South West Africa the fifth province of the Union of South Africa. Internal opposition in Namibia thwarted this attempt.

Already by the mid-1950s, Namibians were petitioning the United Nations to be relieved from the administration of the Union of South Africa. In 1959, the South West Africa National Union (SWANU) was formed, the first black political movement, not primarily based on ethnic lines.

In late 1959, the Ovamboland People's Congress was founded in Cape Town, South Africa, by members of the South African Communist Party and a handful of people from the Ovambo ethnic group from northern Namibia. The OPC a few weeks later changed its name to the Ovamboland People's Organization, and became active in Namibia. In April of 1960, the OPO changed its name to South West Africa People's Organization (SWAPO), because the name Ovamboland People's Organization (OPO) would have drawn too much attention to the ethnic base of the organization. The Ovambo group is the single largest of the 11 ethnic groups in Namibia, accounting for half of the total population.



In December 1959, the first political unrest in Namibia claimed a number of black lives. In early 1960, about 900 people, mainly of the Ovambo group, left the country. Among them were Sam Nujoma, the president of SWAPO, and other current leaders.

At this time, the decolonization of Africa was in full swing, and SWAPO, along with SWANU, was given recognition by most of the emerging independent black African nations. By 1962, the SWAPO leadership came to the conclusion that "political and military efforts in pursuit of national liberation were not contradictory, but rather complementary and should be pursued concurrently." Russia, Communist China, Algeria, and Tanzania were the first to aid SWAPO in its military efforts to oppose the South African presence in Namibia. The first armed clash between SWAPO and the South African authorities took place on Aug. 26, 1966, at Ongulumbashe in Ovamboland, 25 kilometers from Angola.

By 1967, SWANU had been effectively cut out by SWAPO, and SWAPO was the only Namibian political organization which got foreign recognition. The difference between the two at that time was that SWANU did not favor violence as a means to achieve independence.

In 1970, the United Nations General Assembly passed resolution 276/1970, declaring the presence of South Africa in Namibia illegal. In 1971, the World Court in The Hague, with a split decision, endorsed the UNGA resolution. In 1972, the majority of the black political leaders in Namibia, including SWAPO, had formed the South West Africa National Convention for purposes of having a united body to discuss the independence of Namibia with United Nations Secretary General Kurt Waldheim, who visited Namibia that year. In 1973, however, the UNGA resolution 3111/1973 declared only SWAPO the authentic representative of the peoples of Namibia.

In 1974, for the first time in the history of Namibia, a round-table meeting, open to all political parties and interest groups, was called. This was later known as the Turnhalle Conference. This was a crucial turning point, since it turned the political dynamic in the country away from black versus white confrontation, toward working out a common political strategy for acquiring independence.

While these developments were ongoing, the unstable political situation in Angola, following the April 12, 1974 coup in Portugal, became worse as the Portuguese announced that they were going to give independence to Angola, and set up the unstable transitional government of three competing liberation factions. The Soviets and Cubans ultimately backed the MPLA group, which took power on Nov. 11, 1975.

It was during this unstable period beginning in 1974, that SWAPO was able to establish operational bases in southern Angola, from which they conducted armed incursions into Namibia. The result was a massive onslaught against the Ovambo population by SWAPO, murdering, maiming, and abducting citizens. The intimidation against the population

was extended into the neighboring Kawango area and the northern parts of the so-called white area. Infants and the elderly were the targets on white farms. The population was plagued by acts of sabotage against infrastructure vital for progress and stability. Power lines, roads, and water carriers as well as communication lines were destroyed at regular intervals.

When the South African government agreed to a one-man-one-vote election according to U.N. Resolution 435 in 1978, the population saw positive signs of achieving peace. While several political parties and groupings organized for the election, SWAPO not only increased its intimidation against the population, but actively campaigned for a boycott.

In accordance with the stipulations of Resolution 435, the South African government appointed an administrator-general, while the special representative of the secretary-general of the U.N. visited Windhoek to prepare his headquarters for the coming elections. The U.N. envoy, however, stayed for only three weeks. The administrator-general passed legislation to dismantle discriminatory laws in Namibia and created the machinery to hold elections. More than 300 journalists and observers from all parts of the world witnessed the free and fair elections in December 1978. Eighty-one percent of the total electorate voted; 86% of the Ovambo ethnic group voted, disregarding SWAPO's threats and calls for a boycott.

The Democratic Turnhalle Alliance (DTA), a grouping of 11 ethnically based political parties, won the elections with a clear majority, and formed a government which was controlled by South Africa. The population's expectations for peace, however, were not met as SWAPO would not cease the violent incursions into Ovamboland. It was clear, however, that the population realized that South Africa had honest intentions to lead Namibia toward independence.

An independent government service was set up. Remaining discriminatory practices were eradicated and SWAPO's popularity in the country decreased rapidly. Due to its lack of support, SWAPO's organizational structure collapsed in 1979 and has not been reinstated.

The 1978 elections did not ensure any international recognition for the Namibian government. This led to conflicts between the DTA and South Africa, resulting in the resignation of the intermediate government at the beginning of 1983. When South Africa tabled new plans for an intermediate government, the so-called State Council, another conference of Namibian political parties, started at the end of 1983. The emerging Multi-Party Conference, MPC, included the right-wing all-white Nationalist Party as well as the left-radical SWANU and SWAPO-D.

The MPC made it clear to South Africa that they would seek a negotiated solution to the problem of Namibia. The South African government agreed that the MPC should table concrete suggestions, which the latter did in April 1984.

President Kaunda of Zambia agreed to host and chair a

conference of reconciliation with SWAPO and the MPC in Lusaka, Zambia in May 1984. After initial sessions, however, SWAPO, on advice of the Soviet ambassador in Lusaka, left the conference, terminating all negotiations.

SWAPO "promised" the Namibian population that the "war will be waged for another 90 years."

The MPC agreed on the formation of a transitional government for Namibia, which was inaugurated on June 17, 1985. More than 25,000 people attended the celebrations, and their hopes were high again. The MPC set up a cabinet with legislative and executive powers, while the South African administrator-general in Namibia had no politically significant role to play any longer, except to sign legislation passed by the Transitional Government of National Unity. Although the MPC was not elected to power, this body represents the broadest possible spectrum of the population.

The indications that Namibia is on an evolutionary road toward independence from South Africa are increasing. A Constitutional Council was appointed by the MPC to draw up a constitution which will have to be approved by the population.

South Africa will not accept the United Nations as a supervisor of universal elections in Namibia, for one simple and very good reason: The U.N. refuses to acknowledge the legitimacy of any political parties except the Soviet terrorist asset, SWAPO.

In spite of SWAPO's terrorist activities, its political activities are not banned inside Namibia. This tends to prove that the transitional government is serious in its intentions to allow SWAPO participation in the political process, should it choose. The invitation to SWAPO to become part of the negotiating process still stands. But instead, SWAPO has vowed to escalate the war until it has usurped power in Namibia. In this connection, note that SWAPO permits no sympathetic political party a parallel status in a prospective alliance to represent the population. Parties who desire to join forces with SWAPO have to disband and become part of SWAPO.

Although SWAPO enjoys little support among the population any longer, its activities are extremely dangerous for Namibia's future. As part of the process leading toward independence, for example, the Southwest African Police and Southwest African Territorial Forces, once virtually all white, are now becoming increasingly Namibian—at present, 65%. As SWAPO's terrorism has escalated, these Namibian security forces have had to be increased in number and increasingly well armed. Therefore, any sudden withdrawal of South African troops could plunge the nation into a bloody civil war.

The Namibian people are more desperate than ever to achieve a peaceful solution, regardless of international support for SWAPO. The Namibians are motivated to defy external forces and influences and to support an independent government based on democratic principles. Whether they will be permitted this, is the only question.

Soviets seek control of Indian Ocean

by Sophie Tanapura

Regional authorities in security matters are extremely concerned about Soviet efforts in the recent period to strengthen their presence in the Andaman Sea, following their access to the Vietnamese port at Cam Ranh Bay, which has already increased their leverage vis-à-vis the U.S. fleet in the Pacific. A better control of the Andaman Sea would enhance their ability to police the Indian Ocean and keep the U.S. Sixth Fleet in constant check. To achieve this strategic objective, the Soviets have moved decisively in three areas during the past year: 1) Thailand, 2) Burma, and 3) Andaman Islands.

Soviet moves in Thailand have been watched very carefully by the authorities. A top-level Soviet delegation led by Salimov Akil Oumourzavitch, vice-president of the Supreme Soviet's Presidium, arrived in Thailand on Oct. 21. The delegation visited the Thai Parliament and urged Parliament President Dr. Ukris Mongkhonawin to form a Thai-Soviet friendship association. Dr. Ukris, who had just visited the Soviet Union last July, told the Soviet delegation that the time was not yet ripe.

This Soviet tour was preceded by the unpublicized September visit of a three-man delegation led by Leonid Stepanovitch Svechnikov, president of the Moscow-based Soviet-Thai Friendship Association, who is also a deputy minister in charge of civilian aviation.

On the eve of the visit, National Security Council (NSC) Secretary-General Squadron-Leader Pramong Soonsiri in an interview to the *Bangkok Post* strongly warned against the Soviet moves. Russians in Thailand, he said, even when they pose as businessmen, are mainly engaged in gathering intelligence, spreading propaganda, and disseminating disinformation. Soviet support of the Vietnamese invasion and occupation of Kampuchea threatens Thailand's security. Soviet artillery and ammunition fired by the Vietnamese in Kampuchea have killed Thai soldiers and villagers. Increased Soviet presence at Cam Ranh Bay only underlines their plans to expand their power and influence in Laos and Kampuchea. Setting up a Thai-Soviet Friendship Association would only encourage Soviet subversion of Thais, the national security chief stated.

In a move to upstage the United States, whose image has been tainted by the protectionist Jenkins bill against Asian

textiles, the Soviet delegation, which includes Soviet Commerce Minister Vashenko Grigorii Ivanovitch, will be visiting garment factories during their week-long stay in Thailand. Moscow is suddenly "very interested" in "trying to help" Thailand by buying more Thai garments and knitwear.

Between 1981 and the first half of 1985, the U.S.S.R. imported more than 800,000 tons of raw sugar from Thailand, about 500,000 tons of rice, more than 300,000 tons of tapioca flour, about 609,000 tons of tapioca pellets, and 1 million tons of maize. In 1984 alone, according to Mikhailov, Soviet imports of Thai tapioca flour and Thai maize represented 14% and 15% of Thai exports of those products, respectively. Soviet exports to Thailand during the first half of 1985 include more than 50,000 tons of fertilizer, 7,000 tons of newsprint, \$700,000 worth of chemicals, and \$600,000 worth of machinery. Exports to the U.S.S.R. reached \$56 million in the first half of this year, while imports reached \$9 million.

'Higher education'

Soviet officials recruiting Thai students for studies in unspecified higher-education institutions in the Soviet Union, without going through government channels, are making Thai security authorities nervous. Some 200 Thais have received Soviet government scholarships since 1982. Soviet embassy officials have, during the past two years, traveled throughout the northeastern provinces in search of potential Thai students with "grass-roots" sentiment, and apparently even run a recruiting center in Nakhon Phanom. Until last year, a total of 45 students left for the Soviet Union. This August alone, 53 students were sent to the Soviet Union for a full six-year undergraduate program, which includes one to two years of language training. In total, 73 Thais have received Soviet scholarships this year. Soviet ambassador to Thailand, Valentin Petrovitch Kassatkin, was recently told by the Thai foreign ministry to stop such recruitment practices, and that proper government channels have to be used from now on.

The Soviets are not only targeting Thailand but also Burma. An informed source reported that the Soviets have contacted the governor of Chiangmai—the principal city in the north of Thailand not far from the Burmese border—proposing that Chiangmai become the twin city of Leningrad. Access to the northern part of Burma is easier via the Chiangmai airport. The source adds that Chiangmai is also seen as a potential back door to China for the Soviets. Another source attests that over this past year, the Soviets have also been training top- and medium-level military cadre of the Burmese armed forces in the U.S.S.R.

Finally, Soviet moves have increased quite notably in the Andaman Sea. A well-informed source told *EIR* that Libyan arms and funds are being channeled to one of the Andaman Islands off the coast of Burma. In the Gulf of Bengal, the Andaman Islands and the Nicobar Islands form an archipelago belonging to India. The geographic position of these islands is highly strategic.

Narco-terrorists push Colombian chaos

They are trying to set up Colombia's Betancur for a military backlash against his peace program.

The Gnostic-cult guerrilla forces of the April 19 Movement (M-19) have joined with the self-confessed Nazi cocaine trafficker, Carlos Lehder, in a series of terrorist assaults against military personnel and installations across Colombia. The latest guerrilla action was an assassination attempt against Colombian Armed Forces Commander Gen. Rafael Samudio Molina.

The intention is to drive the harried patriotic majority of the armed forces into alliance with a tiny Gnostic faction of the military working in collaboration with the narco-terrorists to destabilize the Betancur government and destroy his determined efforts to pacify violence-torn rural regions.

The attack on General Molina, sources say, was in fact a kidnap attempt, whereby the guerrillas hoped to trap President Betancur into negotiations for the general's release. The guerrillas hoped to ensnare Betancur now into a granting of amnesty to the country's drug mafia that former President López Michelsen was unable to pull off last year. The added element, of course, would be an enraged military ready to be driven to extremes by pro-coup elements in its midst.

Thus the statements of General Molina, upon leaving the hospital, served as an important balm for aroused military tempers. He said, "We are going to analyze this challenge from the M-19. . . . The analysis must be calm, because we are a public force. We are not a group of common criminals. We are a professional army. . . ."

The attempted kidnap/murder of

General Molina Oct. 23 was but the latest outrage committed by the well-armed narco-guerrillas. Only days earlier, a combined 100-man guerrilla commando made up of the M-19, the Ricardo Franco Front, and the Quintin Lame Brigade launched a rocket attack on the army barracks of the city of Armenia.

The newly formed Quintin Lame Brigade is the terrorist arm of fugitive cocaine king Carlos Lehder. Armenia, the capital city of Quindio province, is Lehder's hometown and the center of operations for his above-ground political front, the Latin Civic Movement.

The Armenia attack, which scandalized the country for its brazenness, itself followed on the heels of an earlier 300-man combined guerrilla assault on the southwestern city of Miranda, which terrorized its 15,000 inhabitants for hours. Bloody ambushes of both military and police patrols have become regular occurrences in many parts of the country, and at least four soldiers are currently held captive by the M-19. Rubbing salt in the military's wounds, the M-19 is requesting that negotiations for the soldiers' release include someone from the defense ministry. Gen. Vega Uribe responded bluntly, "We don't negotiate with criminals!"

The situation has become sufficiently volatile that two former defense ministers, both fired for insubordination to their Presidents, were able to hold a highly publicized roundtable discussion in which they denounced "the politicians" for creating

disorder in the country, and virtually called for a coup.

Gen. Fernando Landazábal, who was forcibly retired by Betancur for opposing his peace initiatives, furiously denounced the truce agreement as "the greatest deception in the history of the country." He went on to denounce the constitutional prohibition on military involvement in policy deliberation, as invoked by Betancur, for "creating an army of slaves," and the ready charge of "communist" was thrown at Betancur's administration for "denying freedom of thought" to the armed forces.

The anti-Betancur newspaper *El Tiempo* devoted its letters column Sept. 25 to a commentary by the head of the Association of Retired Military Officers, Manuel Riveros, in which the country's reservists are called upon to "group yourselves regionally and prepare to back the military institutions." Riveros attacks a situation in which "the guerrilla puts conditions to the government, such as demands for . . . amnesty and truce . . ." and demands that the country "turn around the compass so that it points again in the right direction. . . . The fatherland needs us, and we pledge to defend it to the death."

All this, amid growing popular discontent with the austerity program dictated by the International Monetary Fund and imposed without a murmur by the Betancur administration—not only without a murmur, but proudly, with the twisted logic that the "adjustments" are self-imposed and therefore acceptable.

As long as the 14% official unemployment rate—the result of severe decapitalization of the Colombian economy—continues to climb, the President will not only finish his last year in office as a very lame "lame duck," but may lose the nation in the process.

Patriots move into political vacuum

The new citizens' group that went public on Oct. 15 is polarizing both the Christian Democrats and Social Democrats.

One of the hottest issues in Bonn these days is the initiative of "Patriots for Germany," announced on Oct. 15 when advertisements appeared in four top West German dailies, signed by 60 prominent Germans from all walks of life. The ads stressed the deadly danger posed by the obvious war preparations of the Warsaw Pact, and called on German citizens to "assemble in this time of survival crisis" in order to be "ready and act in the tradition which was shown during the liberation wars" more than 150 years ago.

The initiative is intersecting the debate inside both major parties, the opposition Social Democratic Party (SPD), and the ruling Christian Democratic Union-Christian Social Union.

It is no accident, that just now a new *public* fight in the Social Democratic Party (SPD) has erupted between the followers and the left-wing foes of Kurt Schumacher, the legendary Social Democratic leader of the 1950s, who energetically had fought against *both* fascists: the Nazis, who tortured him in a concentration camp, and the "red-colored Nazis," (as he used to call the Soviets), who murdered many of his friends in East Germany after the war.

Leading circles of the Social Democrats, who are busily promoting the decoupling of West-Germany from the United States, keep a "low profile" on Patriots for Germany, though watching it "very closely," since it may attract traditional Social Democrats who

are more than fed up with the control of Willy Brandt's left-wing over the party.

Patriots for Germany includes military leaders, entrepreneurs, trade unionists, former resistance fighters, factory councilmen, teachers, doctors, and members of the influential expellee organizations (persons driven out of the countries in the East bloc). Among the most prominent were ex-Chief of the West German Navy, Vice Admiral Karl-Adolf Zenker, Prof. Emil Schlee, a prominent leader of the expellee organizations, and Helga Zepp-LaRouche, founder of the pro-American Schiller Institute.

Five programmatic points underlined the German patriots' political thrust: a clear *no* to a "red-green" government in Bonn which would decouple Western Europe from the U.S., thereby destroying NATO; a clear *yes* to the alliance with the United States including full cooperation with its SDI; support of a "just peace treaty for Germany in all its parts," giving Germany full sovereignty; a policy of economic growth and expanding exports to the developing sector which guarantees full employment, and, lastly, the reinroduction of the cultural and educational system of the German classical philosophers and artists like Schiller, Humboldt, Beethoven, and the "Prussian reformers," as well as the scientific tradition of Leibniz and the Göttingen school, which produced the pioneers of space.

If the contents are a healthy shock to the pathetically low political thinking in Bonn, it is the *combination* of political forces who signed this public call which upsets the traditional wheelers and dealers in the parties, who thought they had their deals with the "New Yalta crowd" in East and West sewn up. That leaders of the influential expellee groups would link up with republican patriots from all political camps was deemed impossible in the German political scene. Especially the leaders of the CDU, under heavy pressure to make a deal with Moscow, are upset; they know that up to 10% of their electorate comes from these expellee organizations.

Christian Democratic intellectuals, like Professor Rohrmoser, linked to the still-powerful conservative CDU politician Filbinger, the former prime minister of Baden-Württemberg, publicly speak of more than 20% of the vote which the CDU would lose to a new political formation defending the interests of a sovereign Germany, if the CDU continued on its present course. Observers noted with surprise the harsh words used by Rohrmoser—who until now had fully supported the government—to criticize the liberal policies of President Richard von Weizsäcker and Chancellor Helmut Kohl, both Christian Democrats.

Franz-Josef Strauss, the powerful prime minister of Bavaria, who always is the first to sense a shift of the wind, led a blistering attack against a "joint resolution" which liberals from the ruling parties had drafted together with the Social Democrats and which (implicitly) called for the acceptance of the division of Europe and Germany. As Strauss himself admitted, it was the pressure of the expellee groups which caused him to act, forcing the Kohl government to drop the issue—fast.

Good news and bad news

Two issues dominated the U.N.'s birthday: strategic defense and debt—one was joined and the other, disastrously sidestepped.

President Reagan's speech at the United Nations 40th-anniversary sessions had a twofold impact on the delegations: His eloquent appeal for a world made safe from thermonuclear ballistic missiles was warmly received by the usually less than enthusiastic delegates. But unfortunately, the President's moral vision did not inform his proposals on foreign policy. Latin American and African delegates were stunned at his concept of super-power mediation of several of the world's hotspots, effectively ruling out groupings such as the Contadora group, the Organization for African Unity, and the Non-Aligned Movement.

Reagan seized the high ground in his speech, declaring: "If we are destined by history to compete, militarily, to keep the peace, then let us compete in systems that defend our societies rather in weapons which can destroy us both, and much of God's creation along with us."

While it is certain that no Third World delegation will reverse its opposition to the Strategic Defense Initiative (SDI) on the basis of the speech, Reagan's moral vision of the SDI and his commitment to the concept of the defense of life prompted a sustained ovation from the General Assembly—longer than that given to any other speaker. Secretary-General Pérez de Cuellar and General Assembly President Jaime de Pinies halted the General Assembly proceedings to personally escort President Reagan to his car—a courtesy offered to no other

head of state.

Reagan's organizing for the SDI was evident in, at least, one other forum. Italian Premier-designate Bettino Craxi, whose government was toppled by the Mossad-influenced U.S. handling of the *Achille Lauro* affair, nonetheless reaffirmed strong support for the concept of strategic defense. In a press conference given several hours after the President's speech, Craxi said, "President Reagan has talked about a scenario of the future which I think is very interesting. . . . The SDI, as it has been described to me, will mean the whole world completely defended with space shields. And therefore nuclear war would be eliminated. This is a fascinating and convincing picture."

Reagan avoided entirely the international debt crisis which, under Peruvian President Alan García's leadership, has dominated so much of this year's General Assembly. Indeed, in his proposals for dealing with regional hotspots, the President called for "welcoming each [crisis-torn] country back into the world economy so its citizens can share in the dynamic growth that other developing countries enjoy." Such a statement would be laughable were it not so ignorant.

Several political blows against the international banking fraternity that uses supranational institutions as the U.N. to aid in enforcing debt collection were struck during the commemorative week. A behind-the-scenes battle was waged to include Indian Prime Minister Rajiv Gandhi among

the speakers for Oct. 24, the actual anniversary day. Originally, only the permanent and original members of the U.N. Security Council—the United States, U.K., Soviet Union, China, and France—were to speak. That Gandhi, as head of the Non-Aligned Movement, was able to join the "Big Five" was an important, symbolic victory. In his address, Gandhi pointed to the economic holocaust caused by the debt crisis, and warned, "The consensus on development which was painstakingly built in the decades after the Second World War has broken down today. It is fitting that we use this session to make a start at repairing the damage. The consensus must be built."

In an unmistakable reference to the International Monetary Fund, Gandhi charged, "While experts painfully hammer out agreements, in many parts of the world hunger stalks hundreds of thousands. We must unite to save them."

Gandhi's sentiments were echoed by Abdou Diouf, President of Senegal and current president of the Organization of African Unity. Speaking in both capacities at an Oct. 22 press conference, Diouf attacked "palliatives" to the international debt crisis, such as proposals for short-term debt stretch-out. He said that Africa needs stretch-outs of up to 30 years, with a 5- to 10-year grace period and very low interest rates. This is necessary, he argued, so that "we can invest more in production and productive projects," and can then eventually meet debt obligations. Diouf is calling for a special General Assembly session on the African crisis and for an Africa-wide conference on the debt. Observers have warned, however, that the United States, in its role as IMF-enforcer, may back such an Africa-only special session in an attempt to fragment the international debt fight.

An 'unrealistic' agrarian policy

Forty percent of Mexicans are malnourished, yet the government is sticking with the IMF's agriculture policy.

It would appear that "realism," the supreme political currency of the de la Madrid regime, is only applied case by case in Mexico these days. While "realism" is the argument invoked to justify acceptance of the International Monetary Fund's austerity programs, this presumed realism is put aside when dealing with the desperately needy agricultural sector.

This practice is proving highly dangerous. The Mexican government is behaving like a distracted automobile driver crossing railroad tracks without realizing that a train is bearing down on him at full speed. In this case, the "train" is the food scarcity which threatens mass starvation and social explosions, far more devastating for the nation than the Sept. 19 earthquakes.

While de la Madrid's economic cabinet endlessly debates the "failures in application" or the niceties of the program dictated by the International Monetary Fund (these same officials become upset when one calls "their program" what they prefer to call the Immediate Program of Economic Reordering), agriculture is collapsing.

Look at a few facts. According to a report in the Oct. 14 edition of the Mexican daily *El Universal*, some 40% of all Mexicans lack sufficient income to feed themselves adequately. According to another report published by the Mexico City daily *El Financiero*, the minimum wage has lost 39.13% of its real buying power

in just the past few years.

This means that the fall in the minimum wage is almost exactly equal to the percentage of Mexicans who are starving.

How does the wage "factor" affect the agricultural "sector," the "realistic" technocrat may ask? According to the National Cattleraisers' Association, the National Union of Pig Farmers, and the National Union of Chicken Farmers, the demand for meat of all kinds fell 40% in the last few years.

But that is only part of the picture. The destruction is spreading to other sectors as well. According to a mid-October report by the Ministry of Agriculture and Hydraulic Resources, harvests of all sorts shrunk by 3% during the month of September. This confirms that Mexico is suffering an annual decline of approximately 40% of its crops, according to official statistics. The ministry reports that 320,000 hectares once dedicated to the cultivation of beans, safflower, and cotton have been abandoned, while the fall-winter harvests are expected to fall 11%.

Natural catastrophes are compounding the economic disaster. Apart from the devastation caused by the earthquakes, in the states of Sonora and Sinaloa, two of the country's largest food-producers, more than 150,000 hectares of corn, soy, and legumes were destroyed by hurricane Waldo.

However, the problem of the producers and cattle raisers cannot be reduced to the current 40% collapse in

demand. It goes back further, to when interest rates were drastically increased, to when the cutoff of imports substantially increased the cost of the vital tools and fertilizer used by the producers, to when the government decided to let the sector die by refusing to establish a fair price for the sale of rural products in the cities, while importing these same products, at much greater cost, from abroad.

The dramatic situation of agriculture is immediately reflected in the drastic increase in malnutrition reported in the country. Mexico, like the rest of the so-called Third World countries, suffers a chronic problem of malnutrition, which the agricultural collapse will aggravate horribly. The official statistics spell it out. Alfonso Cabrera, an official of the National Food Program (PRONAL), spoke Oct. 11 of at least 33 million malnourished Mexicans, out of a population of nearly 75 million—that is, nearly 40%.

Blanca de Peredo, official of the U.N.'s World Food Program, referred at the same time to 40% of Mexican children suffering "first-degree malnutrition"—very dangerous, according to the official, because the symptoms are not noticed until serious diseases have already been contracted. The officials of PRONAL explained that 54.2% of all Mexicans have a daily food deficiency of 903 grams, out of a minimum total diet of 2,116 grams.

At this point, the observer may well ask: When will the bomb explode? The answer is, at the point that food scarcities begin to affect the supplies of the major cities like Monterrey and Mexico City. A spokesman for the ministry of trade declared Oct. 11, "We still have at least six months worth of basic food stocks in reserve." Many observers consider this optimistic estimate most "unrealistic."

International Intelligence

Warsaw Pact nations parrot Moscow

As the leaders of the Warsaw Pact countries went into a second day of closed-door meetings in Sofia, Bulgaria, on Oct. 23, Radio Moscow reported that the "main attention" at the sessions is being given to "the situation in Europe" and "preventing an arms race in space."

Soviet leader Gorbachov delivered two major speeches at the Oct. 22 sessions. A joint Warsaw Pact final communiqué stated: "First and foremost, the Warsaw Treaty countries want Europe free of nuclear weapons. Europe has been the breeding ground of two world wars . . . and it is there where the two military alliances face each other. . . . There is no problem that cannot be solved, by constructive negotiations. . . . There is not one type of weapon that the Warsaw Treaty organization is not ready to reduce."

The meeting "welcomed" all the Soviet proposals, including the "total ban on space weapons."

Gaullist mayor supports SDI

At a "Colloquium on the SDI" held at the French National Assembly on Oct. 18, organized by the European Center of International Relations and Strategy, Jacques Chirac, Gaullist mayor of Paris, was a featured guest, and spoke strongly in favor of French participation in the American SDI.

Said Chirac: "The Europeans couldn't possibly do without American experience. However, those same Europeans must consult each other in order to establish, in common, the purposes of the transatlantic cooperation. . . ."

"France seems to me very well placed to take, in any case, the appropriate initiatives, which means that it doesn't adopt an attitude of *a priori* refusal in regard to the American project."

He stressed the "considerable scientific, technological, and industrial spin-offs" that SDI will necessarily involve.

Foreign ministers attack Palme's policy

The foreign ministers of three Scandinavian nations have issued an unprecedented attack on the foreign policy of the Swedish regime of Olof Palme.

According to *Svenska Dagbladet*, the foreign ministers of Denmark, Norway, and Iceland sharply rebuked their Swedish colleague the week of Oct. 14 at a meeting of the five-nation Nordic Council. Danish Foreign Minister Uffe Elleman-Jensen explicitly charged that the foreign policy of Sweden is "only aiding East bloc strategy."

The ministers charged that the Palme government has consistently refused prior consultation before announcing new foreign-policy initiatives, contrary to the express purpose of the Nordic Council, and charged that Sweden's policy is "one-sided in favor of the East bloc."

Peruvian drug fighter cleared of slander charge

On Oct. 22, Judge S. Armas of the 33rd District Court of Lima completely absolved Luis Vásquez Medina, president of the Peruvian Anti-Drug Coalition, of charges of slander brought against him by former Prime Minister and Finance Minister Manuel Ulloa.

Ulloa sued Vásquez for 100 billion soles (about \$20,000) because of an article which Vásquez authored in the Anti-Drug Coalition's magazine, *Guerra a las Drogas (War on Drugs)*, charging that Manuel Ulloa's economic policy was responsible for the "meteoric" growth in Peru's drug trade over a three-year period. Ulloa loudly announced that if he won the suit, he would donate the 100 billion soles to orphaned children in the

poverty-stricken area of Ayacucho, in southern Peru.

In the course of the trial, Vásquez affirmed that his attacks on Ulloa's economic policy "do not constitute slander. . . . These are facts which can be substantiated." Vásquez provided the court with ample evidence to back up his statements.

Ulloa had also threatened to sue *EIR*, whose Aug. 16 article entitled "Open the Ulloa File," named this "citizen above suspicion" as having connections to international networks involved in laundering drug money. *EIR* also published the Spanish-language book *Narcotráfico SA*, which reveals Ulloa's drug connections.

To date, the former Peruvian prime minister has not filed suit against the *EIR*.

In an interview following judge Armas' ruling, Luis Vásquez noted that the orphans of Ayacucho are still in need of the \$100 billion soles offered by Ulloa, and suggested: "He should donate the money anyway, subtracting the sum from one of his oversized accounts in the Bahamas."

Nancy Reagan means well

"This is a mother-to-mother forum," First Lady Nancy Reagan said at the U.N. on Oct. 21 as she opened the second First Ladies Conference on Drug Abuse, with participation of 30 First Ladies from Africa, Asia, Ibero-America, the Middle East, and Europe.

She made an emotional appeal for "mothers" of the world to unite in fighting a "crisis threatening children."

Mrs. Imelda Marcos, first lady of the Philippines, told *EIR*, in answer to a question on her impression of Mrs. Reagan's conference: "For a first lady of America to start a program such as this [against a problem] which seeks to destroy the very foundation of society, is really a most laudable cause. . . ."

But Mrs. Reagan's conference has proceeded on the drug issue as if it were purely

a family matter, with no mention of political or economic reality. The first lady from Sri Lanka broke with Mrs. Reagan's agenda and took the floor without a microphone to point out that in the Third World, drug consumption was the result of the "economic crisis." The microphone was never turned on for her to continue her remarks.

EIR holds first seminar in London

Seventy-two members of the diplomatic corps, press, and subscribers attended a three-hour seminar sponsored by *EIR* in London on Oct 23.

The seminar began with a press conference opened up by Laurent Murawiec with a presentation on the general strategic situation. *EIR* Executive Director for Europe, Michael Liebig, and a co-author of *EIR*'s *Global Showdown* report on the Soviet military buildup, Konstantin George, presented the Soviet war-plan. Mark Burdman spoke on Soviet unconventional warfare and commented on an *EIR* film on the case study of Guatemala, which was shown.

Craxi still a U.S. ally

Italian Prime Minister-designate Bettino Craxi reaffirmed his strong support for the concept of strategic defense at a press conference at the U.N. on Oct. 24.

Referring to President Reagan's U.N. address, Craxi said, "At my own request, President Reagan has talked about a scenario of the future which I think is very interesting. . . . The SDI as it has been described to me will mean the whole world completely defended with space shields. And therefore, nuclear war would be eliminated. This is a fascinating and convincing picture. . . . Let us see now if the President can convince the Soviets."

Later, when a reporter referred to the program as "Star Wars," Craxi corrected him, saying, "This is not a project of Star

Wars, this is peace from the stars." Craxi said that discussions of Italian participation are ongoing.

Asked if he "blamed" the United States for the downfall of his previous government, he replied: "No, this was a crisis made in Italy."

However, he excoriated the U.S. press for their coverage of the *Achille Lauro* affair, saying that he found "offensive, some of the things written about my country."

Craxi spent one hour with the U.S. press, explaining the military, diplomatic, and legal considerations involved in the *Achille Lauro* seajacking.

German leftists attack German Patriots

On orders from the office of former German Chancellor Willy Brandt, the Oct. 21 issue of the left-wing Social Democratic newsletter, *Blick Nach Rechts*, (*Spotlight on the Right*) carries a front-page attack on Patriots for Germany as a "new German-nationalist mass movement."

The article uses "nationalist" as if it were the equivalent of "Nazi."

The article singles out the passages from a recent Patriots' newspaper ad declaring "no" to decoupling from the United States, and "yes" to the American SDI, and its warning against a red-green coalition—i.e., a coalition of the Green Party with the Social Democrats. It mentions that "Helga Zepp-LaRouche, chairwoman of the U.S.-launched right-wing European Labor Party, led preparatory discussions with the expelled functionary and right-wing ideologue Prof. Emil Schlee for this German-American initiative in Washington.

"Behind it are U.S. circles, especially the movement Peace Through Strength, led by Milton Croom." It reports that signers Angelika Raimondi, Rainer Apel, and Michael Liebig, as well as Volker Hassmann, are "working for *EIR* together."

Blick Nach Rechts is controlled by Klaus Henning Rosen, the personal aide to SPD chairman Willy Brandt.

Briefly

● **TAZ** (*tageszeitung*), a radical Nazi-communist newspaper in West Germany, had its production facilities virtually destroyed by fellow radicals after it ran an interview with counterintelligence officials who said that local urban squatters had been infiltrated by the RAF (Red Army Faction).

● **PLO CHIEF** Yasser Arafat called in late October for a boycott of U.S. goods in the Mideast: "Those who use Cadillacs can use Mercedes and Peugots instead."

● **CONSERVATIVE** opposition leader Constantine Mitsotakis told the mid-October Athens rally against Greek Prime Minister Andreas Papandreou's new austerity package that Papandreou is "consciously misleading and deceiving the Greek people about the economy and stealing their vote by promising them better days." He then led a march to Parliament to deliver a petition of protest against the austerity measures.

● **RABBI MEIR KAHANE**, Israel's racist demagogue, was refused entry into Canada in late October. The federal government said his presence would fuel tensions between the country's Jewish and Arab communities and among Jews.

● **ADMIRAL** James Watkins, Chief of U.S. Naval Operations, told a group of nearly 50 naval leaders from around the world on Oct. 21: "If deterrence fails, we must be ready to fight and win. Visible maritime alliances are absolutely essential parts of any strategy to defeat unwanted aggression. . . ."

● **WASHINGTON** has to accept Moscow's involvement in the Mideast peace process, wrote the *London Times* on Oct. 22. The *Times* stressed that President Reagan should make that step at the upcoming Geneva negotiations. Such an understanding between Washington and Moscow, which would bring in Syria, is the only serious chance for peace in the region, the article concludes.

Why the U.S. should abandon the ABM Treaty

by Kathleen Klenetsky

Over the past weeks, a factional brawl has broken out within the Reagan administration over the question of the proper interpretation of the 1972 ABM Treaty.

The fight pits supporters of the Strategic Defense Initiative (SDI), who believe national security urgently requires the development of a defensive shield, against a faction led by Secretary of State George Shultz, which, in the spirit of Metternichean balance-of-power politics, is more than willing to sacrifice SDI to strike a "New Yalta" deal with Moscow.

The pro-SDI faction, headed by Secretary of Defense Caspar Weinberger, argues that the United States must adopt a broader reading of the ABM treaty. Their foes demand a "restrictive interpretation" limiting SDI.

Underlying all the legalistic arguments is the real question: Will the United States continue to be bound by a treaty which the Soviets have made a dead letter through blatant violations of its major provisions? Or will it drop the ridiculous restraints—including ones not even mentioned in the treaty itself—which have so restricted anti-missile defense that the Soviets are now way ahead of the West in this crucial area?

As *EIR* has argued since Reagan first unveiled the SDI in March 1983, the so-called "broad interpretation" of the treaty is the only permissible reading.

There are two major factors which must be considered in the debate over the treaty. The first is whether it still holds any legal force. That's not a spurious issue. The treaty states that unless it is quickly followed by negotiations leading to significant cuts in offensive nuclear arsenals, the United States retains the right to withdraw from it. It was on the basis of this provision, contained in a "Unilateral Statement" appended to the treaty by U.S. negotiator Gerard Smith, that the treaty was ratified by the Senate (see *Documentation*).

Yet, as Weinberger and SDI director Gen. Abrahamson

have stressed repeatedly, instead of a decrease in the superpowers' nuclear arsenals, the post-ABM era witnessed an unprecedented Soviet offensive buildup. The implication is clear: The treaty has already been abrogated by the failure to achieve offensive arms reductions. On Oct. 22, Weinberger threw more fuel on the fire when he announced that the Soviets are deploying a new ICBM, the SS-25, which "violates the Salt II agreement that permits development of only one new type of ICBM." SS-25 deployment is part of an escalating pattern of Soviet violations of arms treaties, including the ABM accord, which, Weinberger charged, "shows that arms control has hardly been a raving success."

The other key consideration is what the ABM treaty actually allows, and what it prohibits. It is evident from the treaty's language that its restrictions apply only to ABM technologies existing at the time it was negotiated, specifically, ABM interceptor missiles, ABM launchers, and ABM radars.

In addition, the treaty includes a section known as "Agreed Statement D." This section, which has been at the nub of the debate, asserts that in the event ABM technologies based on "other physical principles" are "created in the future," limitations on them would be subject to discussion between the treaty signatories.

While the arms-control mafia now claims that Agreed Statement D proscribes all testing and development of new defensive technologies, Gerard Smith himself testified the opposite in Senate Armed Service Committee hearings in June 1972.: "Work in that direction is not prohibited."

Agreed Statement D was inserted into the treaty at Moscow's insistence, a fact recalled by a key member of the treaty negotiating team, Reagan arms adviser Paul Nitze. Nitze disclosed Oct. 23 that it was the Soviets—not the United States, and despite U.S. opposition—who insisted that the treaty contain language which would expressly per-

mit the development of new defensive technologies. The United States tried hard to close the door on all new defensive weapons, said Nitze, but the Soviets "would not agree to that."

Similar testimony comes from the Russians themselves: In 1972, Minister of Defense Marshal Grechko told the Soviet Presidium that the ABM accord "places no limitations whatsoever on the conducting of research and experimental work directed towards solving the problem of defending the country from nuclear missile strikes."

Shultz vs. SDI

These are the issues at the center of the raging dispute which first surfaced publicly when McFarlane stated on national television Oct. 6 that the administration had decided to adopt a broader reading of the ABM treaty. Citing Agreed Statement D, he declared that research, development, and testing of defensive technologies based on "other physical principles" is permitted by the accord.

McFarlane's announcement was part of an intense campaign by the pro-SDI grouping to make a case for a "break-out" from the treaty. Whether Weinberger et al. intend to follow this up with a restructured and accelerated SDI program is not known. But it has been coupled with recent statements by Weinberger, Abrahamson, and others blasting Soviet violations of the ABM and other treaties, and documenting the Russians' offensive and defensive buildup.

McFarlane made his disclosure following an Oct. 4 meeting of the Special Arms Control Policy Group, at which the results of a new Pentagon study of the treaty negotiating record were discussed. The study concluded that the ABM Treaty does indeed allow for research, testing, and development of all kinds of ABM technologies based on "other physical principles."

State Department representatives, including Nitze, attended the meeting, but did not object to the new reading. But when McFarlane went public with the new reading, Shultz threw a fit. Working with West German Foreign Secretary Hans-Dietrich Genscher and other European foes of the SDI, Shultz and his underlings (including, according to Senate sources, Ambassador to Bonn Richard Burt and Assistant Secretary of State Rozanne Ridgway), orchestrated a wave of letters from such leaders as Prime Minister Thatcher and Chancellor Kohl vehemently objecting to the McFarlane interpretation.

An irate Shultz confronted Reagan with these letters on Oct. 11. Later that day, at a meeting with Shultz, Weinberger, McFarlane, and several other top advisers, the President decided to compromise. As expressed by Shultz, Nitze, and other administration officials, the compromise position acknowledges that the broad interpretation of the treaty is "fully justified," but that it is a "moot point," because the SDI program itself will continue to be structured to comply with a restrictive interpretation of the treaty.

Not surprisingly, the Soviets, too, leaped into the fray.

Soviet Army Chief of Staff Marshal Sergei Akhromeyev, in an article published in the Oct. 18 *Pravda*, called McFarlane's reading a "deliberate deceit," and accused the United States of "distorting the essence" of the agreement. "The treaty absolutely unambiguously bans the development, testing, and deployment of ABM systems regardless of whether these systems are based on existing or future technologies," lied Akhromeyev, who then warned that if the SDI is continued, "nothing will remain for us but to adopt countermeasures in the field of both offensive and other armaments, not excluding defensive ones, and including those based in outer space."

A moral issue

While Reagan has indeed compromised on the issue, there are numerous indications that it could be a very temporary compromise, indeed. For instance, Assistant Defense Secretary Perle told reporters Oct. 16 the restrictive interpretation of the treaty advocated by Shultz was "erroneous," and that "the one correct view" of the treaty would allow testing and development of advanced SDI technologies. "One could in fact, make the case" that even deployment was permitted, Perle said.

The President himself continues to argue eloquently for the SDI, most recently in his Oct. 25 speech to the United Nations, in which he made clear he is committed to testing of new systems: "The ballistic missile is the most awesome, threatening, and destructive weapon in the history of man," he said. "Ultimately we must remove this menace from the face of the Earth. . . . Until that day, the United States seeks to escape the prison of mutual terror by research and testing that could, in time, enable us to neutralize the threat of these ballistic missiles and, ultimately, render them obsolete. . . ."

Reagan also quoted from a 1967 statement by then-Soviet Premier Aleksei Kosygin stoutly supporting defensive systems. Kosygin had said, "Maybe an anti-missile system is more expensive than an offensive system [not true—ed.], but it is designed not to kill people but to preserve human lives."

A few days earlier, Weinberger had made an equally impassioned plea for the SDI in a speech to a conference on morality and strategic defense sponsored by the Ethics and Public Policy Center in Washington. Weinberger stressed: "In the actual conduct of war, moral issues do play an important, sometimes decisive, role—at least in those nations that believe in the existence of things beyond the merely material. And it is surely proper that the strategic, technical, and political aspects of SDI, or any defense system, be subject to vigorous debate. But does it not strike you as odd that the very idea of defending oneself, and defending one's notion of the good, should cause an ethical dilemma?"

"It would seem to me that in a nation based on the idea of inalienable rights, the obligation to defend the idea that all men are created equal would be simply unquestionable."

'Narrow' ABM reading is a fraud

Ambassador Gerard Smith, in his letter to the *New York Times* reproduced below, quotes from Article V, Section 1 of the 1972 ABM treaty, which he asserts is so unambiguous as to need no further explanation. In fact, Ambassador Smith himself authored the provision under "Unilateral Statements," reproduced below, which states that failure to achieve an agreement to limit offensive arms constitutes a basis for withdrawing from the treaty. The language here appears just as unambiguous.

In fact, the documentation we reproduce below indicates that there are several reasons why the United States can go ahead with development and full deployment of a directed-energy layered defense system:

1) Article XV permits either party to withdraw if its supreme interests are violated. It would appear that Soviet offensive superiority would be grounds enough for the United States to exercise its rights under this provision.

2) Persistent Soviet violation of the provisions of the treaty (see below) Again, Article XV would apply.

3) The incontrovertible fact of a Soviet offensive buildup in the period 1972-85. The relevant article of the treaty is Ambassador Smith's unilateral statement.

4) Agreed Atatement D, which clearly indicates that the development of defensive systems based on new physical principles (such as a laser defense system) would not be banned but are subject to "discussion" prior to deployment. (This point was already made as early as April 1983 in this publication, see below.)

Contrary, therefore, to Ambassador Smith's assertion of the unequivocal and inviolable nature of the treaty, the truth is, it is a dead letter, and should be declared so. Smith's real purpose is set forth at the beginning of his letter: "This new version of the treaty has drastic implications for the survival of the treaty and indeed of the whole arms-control process." Arms control has been the cover under which the appeasement faction in the West has organized for a new set of understandings with the Soviets, rightly called a New Yalta. The so-called broad interpretation represents a very partial effort to break this control. Smith's letter seeks to provide a rationale for the efforts of West German Foreign Minister Genscher, NATO Secretary-General Carrington, and Secretary of State George Shultz to prevent this from happening.

Smith in 1985, vs. Smith in 1972

In a letter to the editor printed in the New York Times of Oct. 23, career arms-controller Gerard C. Smith claims that the administration's interpretation of the 1972 treaty to permit the SDI is "new," and that the treaty forbids any development of ABM systems. Excerpts follow:

... The Reagan administration has repudiated its former position, and that of all previous administrations, that the anti-ballistic missile treaty bars development and testing of space-based strategic defenses or components of them that use lasers, particle beams, and other types of nontraditional technology. This new version of the treaty has drastic implications for the survival of the treaty and indeed of the whole arms-control process.

As head of the United States delegation to the strategic arms limitation talks that negotiated the ABM treaty, I would like to record that it was not our intention that any type of technology for space-based ABM systems could be developed or tested under the treaty. This has been the official view of the United States government for more than 13 years. . . . The controlling provisions of the treaty (to which the Senate consented to ratification by a vote of 88 to 2) is Article 5. Section 1 reads, "Each party undertakes not to develop, test or deploy ABM systems or components which are sea-based, air-based, space-based or mobile land-based. . . ."

... The administration . . . now has concluded that space-based systems or components using new technology may be developed and tested under the treaty. . . .

This radical change in a central provision of the treaty, which is the supreme law of the United States, was apparently accomplished in secrecy without consultation with the Congress or United States allies. . . .

... the Article 5 ban seems unambiguous to this writer. . . .

Smith's letter contradicts his own sworn testimony before the Senate Armed Services Committee in June 1972, when he was asked by Sen. Margaret Chase Smith (R-Me): "...you say that the treaty prohibits the development of other ABM systems. Would this affect a development of a laser ABM system by the U.S.?" Smith replied:

. . . One of the agreed understandings says that if ABM technology is created based on different physical principles, an ABM system or component based on them can only be deployed if the treaty is amended. Work in that direction, *development work, research, is not prohibited*. . . [emphases added]

From the ABM Treaty itself:

Article XV

1. This Treaty shall be of unlimited duration.
2. Each Party shall, in exercising its national sovereignty, have the right to withdraw from this Treaty if it decides that extraordinary events related to the subject matter of this Treaty have jeopardized its supreme interests. It shall give notice of its decision to the other Party six months prior to withdrawal from the Treaty. Such notice shall include a statement of the extraordinary events the notifying Party regards as having jeopardized its supreme interests.

From the Agreed Statements, Common Understandings, and Unilateral Statements regarding the Treaty Between the United States of America and the Union of Soviet Socialist Republics on the Limitation of Anti-Ballistic Missiles

Agreed Statements

. . . [D.] In order to ensure fulfillment of the obligation not to deploy ABM systems and their components except as provided in Article III of the Treaty, the Parties agree that in the event ABM systems based on *other physical principles* and including components capable of substituting for ABM interceptor missiles, ABM launchers, or ABM radars are created in the future, specific limitations on such systems and their components would be subject to discussion in accordance with Article XIII and agreement in accordance with Article XIV of the Treaty.

Appended to the 1972 ABM treaty was the following "unilateral statement," made by Ambassador Gerard C. Smith on May 9, 1972:

The U.S. Delegation has stressed the importance the U.S. Government attaches to achieving agreement on more complete limitations on strategic offensive arms, following agreement on an ABM Treaty and on an Interim Agreement on certain measures with respect to the limitation of strategic offensive arms. The U.S. Delegation believes that an objective of the follow-on negotiations should be to constrain and reduce on a long-term basis threats to the survivability of our respective strategic retaliatory forces. The U.S.S.R. delegation has also indicated that the objectives of SALT would remain unfulfilled without the achievement of an agreement providing for more complete limitations on strategic offen-

sive arms. Both sides recognize that the initial agreements would be steps toward the achievement of more complete limitations on strategic arms. If an agreement providing for more complete strategic offensive arms limitations were not achieved within five years, U.S. supreme interests could be jeopardized. Should that occur, it would constitute a basis for withdrawal from the ABM Treaty. The U.S. does not wish to see such a situation occur, nor do we believe that the U.S.S.R. does. It is because we wish to prevent such a situation that we emphasize the importance the U.S. Government attaches to achievement of more complete limitations on strategic offensive arms. The U.S. Executive will inform the Congress, in connection with Congressional consideration of the ABM Treaty and Interim Agreement, of this statement of the U.S. position.

This was published in EIR's April 12, 1983 issue, under the headline, "ABM accord does not ban beam weaponry."

Charges to the effect that President Reagan's energy-beam development policy violates the 1972 Anti-Ballistic Missile (ABM) treaty between the United States and the Soviet Union, are false. The treaty, which is currently under a scheduled 10-year review by the United States and the Soviet Union in Geneva, does not prohibit research and development on ABM systems, though it does sharply curtail deployment of launchers and radars.

In the section entitled "Agreed Statements and Common Understandings Regarding the Treaty," is the "overview" of how the specific predicates of its prohibitions were viewed by the two nations in 1972.

Agreed Statement "D" clearly states: "The Parties agree that in the event ABM systems based on other physical principles [than those of 1972] and including components capable of substituting for ABM interceptor missiles, ABM launchers, or ABM radars are created in the future, specific limitations on such systems and their components would be subject to discussion in accordance with Article XIII and agreement in accordance with Article XIV of the Treaty."

Energy-beam ABM systems do in fact clearly involve fundamentally new physical principles, and they replace ABM interceptor missiles with energy or particle beams: launchers with lasers, accelerators, or pulsed power sources; and radars, at least in part, with long-range long-wavelength infrared sensing devices.

The cited Article XIII of the treaty provides for a "Standing Consultative Commission," to "consider questions . . . and related situations which may be considered ambiguous." Further, to "consider possible changes in the strategic situation which have a bearing on the provisions of this Treaty"; and further, to "consider as appropriate, possible proposals for further increasing the viability of this Treaty; including proposals for amendments. . . ."

Congressional candidate is illegally jailed

by Edward Spannaus

A Boston federal judge and U.S. Attorney, who have previously teamed up to cover up drug-money-laundering and to conduct political frameups, have again collaborated in the illegal jailing of a LaRouche Democrat who is a political leader and congressional candidate in New Jersey.

Elliot Israel Greenspan, candidate for the 9th Congressional District in New Jersey, was held in custody for 48 hours without just cause, in what was described by observers as "judicial terror tactics." It is believed that the jailing of Greenspan was purely for purposes of intimidation, and to "make an example" by jailing a LaRouche supporter, since Greenspan was not in contempt of court under any known legal standard.

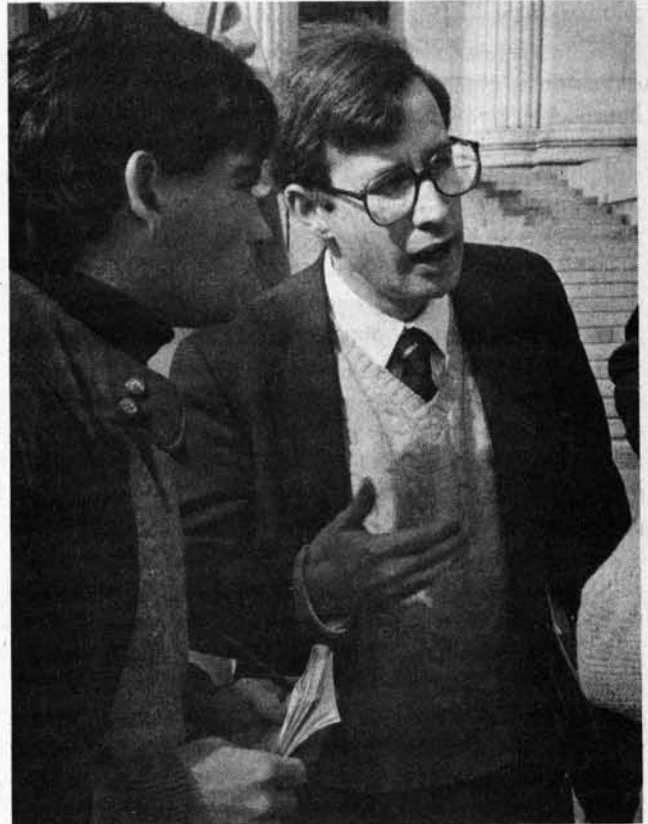
Greenspan's jailing came as part of an effort by the FBI and U.S. Attorney William Weld to revive their flagging "investigation" of the 1984 LaRouche presidential campaign and other organizations they describe as "LaRouche-related." The Grand Jury investigation has proceeded for one year without any tangible result, and sources report that Weld is no closer to indicting anyone than he was one year ago.

Weld is well known for the use of such tactics. He was previously criticized in the *National Law Journal* for "misusing his powers to bully witnesses and manipulate the political process." He was described as using improper pressure tactics to harass witnesses, leaking information to the press, and conducting a "pernicious offensive."

Greenspan originally appeared before the Grand Jury as a "keeper of the records" for Caucus Distributors, Inc. During his appearance, Assistant U.S. Attorney Daniel Small caused Greenspan to be served with a "forthwith" personal subpoena, demanding his immediate appearance before the Grand Jury to answer any and all personal questions. His attorneys moved to quash the subpoena, which was denied. On Oct. 3, Greenspan was held to be in "contempt of court" by Judge A. David Mazzone for refusing to answer three questions, although Greenspan had already indicated that he would answer those questions, if he was not waiving his First Amendment rights.

During the contempt hearing, Greenspan's attorney argued that the U.S. Attorney was intruding into areas protected by the First Amendment. Mazzone said: "Although these are sensitive matters, of course, when the First Amendment

is involved, what essentially the government has indicated and affirmed that it is doing is inquiring into credit-card transactions. . . . Mr. Small . . . concludes, after a series of questions, that Mr. Greenspan has disclosed all of the information he has about credit cards. Then somehow Mr. Small is going to embark on a side trip into political philosophy. . . . If he does, why doesn't Mr. Greenspan have the right at that point to refuse to answer? . . . I don't see that, if he should dare to ask those questions, Mr. Greenspan would not be alert enough to say, 'I am sorry. That's a question I want to ask my attorney about.' And you and Mr.



Congressional candidate Elliot Greenspan (r) talks to the press.

Small outside can come back to me."

When Greenspan appeared before the Grand Jury the following week, Small did not even ask the original contested questions until after four hours of questioning Greenspan about his employment, taxes, his associates' political activities, and so forth. When he finally did ask the questions, Greenspan answered them, to the effect that he had no knowledge of unauthorized credit-card charges. At that point he should have been dismissed, according to what Mazzone had said in the Oct. 3 hearing: "The answer to the first question would be either 'yes' or 'no': 'Do you have any knowledge of the credit-card scheme?' We assume the answer is 'yes,' only because if it is 'no,' we go no further; Mr. Greenspan goes home."

Small instead demanded that Greenspan return and appear again before the Grand Jury. His attorneys again moved to quash the subpoena, or at least to limit it to credit-card matters. Mazzone summarily denied the motion on the morning of Oct. 22. When Greenspan went back in front of the Grand Jury, Small produced a list with names and phone numbers stolen out of the offices of Campaigner Publications. When he started asking about names on the list, Greenspan asked the Grand Jury foreman if he could be excused to consult his attorney, and go to the judge for a ruling on the relevance of such questions. The foreman excused him.

About-face by Mazzone

When they got in front of Mazzone, Mazzone abruptly said, "I'm not convinced that this gentleman has ever purged himself of contempt. I've never seen a motion or heard that he has purged himself"—an outright lie on Mazzone's part, since the motion filed that morning by Greenspan's attorney had stated that Greenspan had answered the three questions which were subject of the original contempt. Mazzone then ordered Greenspan into the custody of the federal marshals, despite the protestations of Greenspan's attorney that Greenspan had purged himself of contempt two weeks earlier.

Greenspan was sent to the Essex County jail in Lawrence, Massachusetts, an ancient, filthy, overcrowded facility where he was forced to sleep on the floor in freezing temperatures, without heat, for the first night. (On the second night, after numerous inquiries from Greenspan's supporters and the press, heat and cots were provided.)

At a hearing on a "motion for reconsideration" on Oct. 23, Mazzone stated disingenuously that all that was needed was a formal motion to purge Greenspan of contempt, which could be brought to him the next morning, since "it is not my intention to keep this witness in jail." Although such a motion was presented early in the morning on Oct. 24, Mazzone's office did not issue the Order of Release until late that afternoon, forcing Greenspan to remain in custody until the end of the Grand Jury session on that day.

Observers believe that this whole scenario was orchestrated by Mazzone with Weld's office to keep the maximum physical and psychological pressure on Greenspan. It is not irrelevant that, on Oct. 21, the evening before Greenspan's appearance, a reliable intelligence community source stated that Greenspan would be jailed the following day.

The normal procedure on contempt is that, if a witness refuses to answer a question put to him by a prosecutor, he is ordered by the foreman to answer. If he refuses again, he is taken before a judge. If he refuses a direct order from the judge to answer, he is then held in contempt. Greenspan had not refused to answer any questions, but was still jailed—thus tending to confirm that the jailing was strictly a terror tactic aimed at intimidating both Greenspan and other future witnesses—the type of behavior for which Weld has become famous.

Treason in America

The history of the Bank of Boston

by Anton Chaitkin

Earlier this year, the First National Bank of Boston was caught "laundering" over a billion dollars of organized criminal money to Switzerland. It was fined only one-half million dollars, thanks to a friendly U.S. Attorney, William Weld. Today, without the necessary general crackdown against the Bank of Boston and other offenders, dope money from the world narcotics syndicate continues to pour through "respectable" channels into and through their Swiss haven.

Since the consequences of such criminal activities are so terrible to the community—starting with drug addiction and violent crime, and running through AIDS—one might be tempted to ask, don't such bankers feel themselves a part of the community? In the character of an answer, we will provide in this space some historical information that may throw light on the attitude of the Bank of Boston and its sponsors toward the United States of America.

I. Start-up money

The Bank of Boston (originally named Massachusetts Bank) was founded in 1784 by "Old Judge" John Lowell. The founder's Tory sympathies were flagrant: He was the lawyer and business agent for the most important of the Royal officials and Tory hangers-on who had gone into exile in England at the end of the American Revolution. The fortune that Lowell and his family incorporated into their bank came primarily from funds sent to the United States for investment by his Tory exiles, and from those of their family members who had remained in the United States.

The Bank's Tory associations are well-known history in Boston. But let us look closer at the actual origin of the Bank's deposits and capital.

Probably the most notorious of Lowell's client-families was the Loring clan. Insofar as a chunk of the Bank of Boston start-up money came from them, the *terrible sufferings* caused to Americans in the accumulation of this money will be seen to be relevant to the question under consideration.

In early 1777, turncoat Bostonian Joshua Loring had been appointed Commissary General to supervise the day-to-day administration of the prisons in British-occupied New York, and the feeding and other provisioning of all Americans held prisoner of war by the British. Joshua Loring secured this appointment by allowing his wife to be used as a mistress by the British commander, Gen. William Howe; their bargain was roasted in a popular ditty during the war:

Sir William he, snug as a flea,
Lay all this time a snoring,
Nor dreamed of harm as he lay warm,
In bed with Mrs. Loring.

Loring stole something on the order of two-thirds of the funds given him by the British to feed their American prisoners. The most horrible results of this crime occurred on the British prison ships anchored in New York harbor. Quoting from recent authorities: [Lindsey, William R., *Treatment of American Prisoners of War During the Revolution*, Emporia State Research Studies, Kansas State Teachers College, Emporia, Kansas, Vol. XXII, Summer, 1973, p. 15:]

"The prisoners aboard were allowed to keep any clothing and bedding, but received no more of such commodities while on the ship. They were accorded no medical attention, regardless of their health. Inferior provisions and bad water added to the misery of the condemned men. As a result of such neglect, disease was unrelieved, and hundreds died from pestilence or, worse, starvation, because the British commissaries aboard ship cut down rations or substituted bad for wholesome food. The commissaries thus amassed venal profits at the cost of human distress.

"By May, 1777, sandy beaches along the bay were filled with the graves of the dead. The prisoners aboard the *Whitby* were transferred to two other vessels. Seeing no hope for an exchange, they set fire to one of the vessels, choosing death in the flames to the lingering sufferings of disease and starvation. In the month of February, 1778 . . . [another] prison ship was burned.

"The most infamous of the prison ships was the *Jersey*, which, until the final exchange of American prisoners, was known more often as 'Hell' or 'Hell Afloat.' . . . [The] rations, insufficient and miserable, frequently were not given to the prisoners in time for boiling on the same day, and thus, they were forced to fast for another twenty-four hours or to consume the food in its raw state. Since there were no provisions for fresh vegetables, scurvy was naturally one of the diseases which afflicted the prisoners. The bread was also bad and full of living vermin, but they were reduced to eating it, worms and all, or starve." [Dandridge, Danske, *American Prisoners of the Revolution*, The Michie Company, Charlottesville, Va., 1911, p. 492-493:]

"The men were crowded in these small vessels under conditions which pass belief. They suffered untold misery and died by hundreds from lack of food, from exposure, smallpox and other dreadful diseases, and from the cruelty

of their captors. The average death rate on the *Jersey* alone was ten per night. A conservative estimate places the total number of victims at 11,500." We now quote from a Tory, a former Royal official in New York, who was outraged at Loring's venality and the disgrace it heaped on the British cause. [Jones, Thomas, Justice of the Supreme Court of the Province, *History of New York During the Revolutionary War, and of the Leading Events in the Other Colonies at the Period*, Edited by Edward Floyd de Lancey, New York Historical Society, New York, 1879, p. 351-352:]

"Upon the close of the campaign, in 1776, there were not less than 10,000 prisoners, (sailors included) within the British lines at New York. A Commissary of Prisoners was therefore appointed, and one Joshua Loring, a Bostonian, was commissioned to the office. . . . In this appointment there was reciprocity. Joshua had a handsome wife. The General, Sir William Howe, was fond of her. Joshua made no objec-

Among the Bank of Boston's original stockholders and depositors was Joshua Loring, who made his money by appropriating to himself the rations allowed to American prisoners of the British during the Revolution, starving hundreds of them to death. Others were George Cabot, Stephen Higginson, and Thomas Handasyd Perkins, dealers in opium to China.

tions. He fingered the cash, the General enjoyed Madam. Everybody supposing the next campaign (should the rebels even risk another) would put a final period to the rebellion, Loring was determined to make the most of his commission, and by appropriating to his own use nearly two-thirds of the rations allowed to the prisoners, he actually starved to death about 300 of the poor wretches before an exchange took place. . . . And hundreds that were alive at the time were so emaciated, and enfeebled, for the want of provisions, that numbers died on their way home, and many lived but a few days after reaching their habitations. The war continuing, the Commissaryship of Prisoners grew so lucrative that [commissaries were appointed for French, Spanish and Dutch prisoners] . . . the prisoners were half starved, as the Commissaries filched thier provisions and disposed of them for their own use . . . whenever an exchange was to take place, the preference was always given to those who had, or could

procure, the most money to present to the Commissaries who conducted the exchange; by which means large sums were unjustly extorted, and demanded, from the prisoners upon every exchange, to the scandal and disgrace of Britons. . . . [These] blood-sucking harpies did not swallow up less than twenty millions sterling of the money raised by Great Britain for the support of the American War.”

II. The syndicate

Among the original depositors and stockholders of the Bank of Boston were George Cabot, Stephen Higginson, and Thomas Handasyd Perkins, whose families formed a syndicate under Perkins' leadership—known familiarly as The Boston Concern—to sell opium to China. The Bank served permanently as the syndicate's depository. The particular syndicate employee who concerns us here is Joseph Coolidge (1798-1879).

In 1833, Joseph Coolidge was sent to India to arrange for the shipment and smuggling to China of Indian opium, as opposed to the Turkish drug which the Bostonians had earlier pushed. With Coolidge's connections, the Boston Concern became increasingly involved as mere commission agents for British opium dealers, particularly Jardine, Matheson & Co.

Coolidge set up a new firm—Augustine Heard and Co., on Jan. 1, 1840—which acted as a front for Jardine, Matheson while that and other British firms were blocked by Chinese opium-fighters; Coolidge reported that the Jardine “commission business” was worth “much over \$10,000,000 a year.”

With this astonishing fortune, made as a “branch manager” for the British criminal syndicate, the Coolidges later expanded their horizons from Asia to Latin America.

Just after the 1896 U.S. presidential election, Massachusetts Sen. Henry Cabot Lodge (whose personal secretary was a Coolidge) recommended to President-elect William McKinley the appointment of gangster Joseph Coolidge's son, **Thomas Jefferson Coolidge** (1831-1920), as the U.S. Secretary of the Navy. McKinley said no. Cabot Lodge came back with the request that young Theodore Roosevelt be appointed *assistant* secretary of the navy, to which McKinley agreed. Soon thereafter, Assistant Secretary Teddy Roosevelt ordered ship movements that precipitated the Spanish-American War. Immediately, Thomas Jefferson Coolidge founded a new firm, the United Fruit Company, to acquire for the Boston syndicate great tracts as quasi-colonial plantations from lands made available by the war in the Caribbean and Central America.

The Philippines was among the territory the United States had won from Spain, and Gen. Arthur MacArthur, Douglas MacArthur's father, stayed on as U.S. commander to help the Philippines on the road to modernization and independence as a U.S. ally. But Thomas Jefferson Coolidge's secretary, his nephew Archibald Cary Coolidge (1866-1928), went with the Taft party to the Philippines in 1905-06, starting an insane “colonial” faction within American diplomacy

in Asia which continues today, in the efforts of certain State Department figures to give the Philippines away to the Soviets.

In the 1920s, while Archibald Cary Coolidge and others founded the Council on Foreign Relations, Thomas Jefferson Coolidge III merged the family's Old Colony Trust Company with the syndicate's bank, the Bank of Boston; he became vice-president and a lifetime director of the bank. (Distant cousin Calvin Coolidge had moved from Vermont to Boston to be closer to the family trough, became governor of Massachusetts, and then 1920s President of the United States).

At the close of World War II, the Bank of Boston's primary owner-family figured in one of the saddest and ultimately most disastrous episodes in American diplomatic history. American, British, French, and Japanese forces were sorting themselves out for the Japanese surrender in Southeast Asia, in the former French Indochina. The Viet Minh—Ho Chi Minh and the Vietnamese nationalists—were trying hard to get American help to obtain their independence, after fighting the Japanese, rather than be handed back to the broken French Empire. This was before their movement was owned by the Communist bloc.

At that time, Harold Jefferson Coolidge II, great grandson of opium-millionaire Joseph Coolidge, nephew of Archibald Cary Coolidge, and a former zoologist on a Teddy Roosevelt Indochina expedition, was a top Asian section officer for the Office of Strategic Services (OSS). Rather than pursue the independent interests of the United States—as President Franklin Roosevelt had wanted to do, to promote independent nations as American allies—the syndicate colonialists acted on the premise that American republicanism had no future in the world.

A French police officer turned over to Harold Coolidge's employee in Vietnam, young Office of Strategic Services (intelligence agency) Captain Joseph Coolidge, his Harvard-graduate cousin, a list of Viet Minh cadres in hiding. Captain Coolidge gave this list to the British Intelligence officials in the area, whereupon British commander Gen. Douglas Gracey armed and deployed the Japanese-disarmed French military to hunt down and murder all the Vietnamese nationalists they could find. France temporarily retook Indochina, but America was disgraced there and was the big loser.

After the French collapse in 1954, American allies managed to salvage South Vietnam. But in 1963, U.S. Ambassador Henry Cabot Lodge, grandson of the senator, organized the coup that led to the assassination of American ally President Ngo Dinh Diem, and the ensuing succession of South Vietnamese regimes was unable to stem the Russian-backed tide.

Boston's “First Families” have had a rather consistent attitude toward the United States of America since their side lost the American Revolution. It should not be surprising, therefore, if their bank should do things that cause misery in this country.

Federal insurance programs near bankruptcy

Congress has been told that unless it comes up with somewhere between \$8 and \$12 billion, the Federal Savings and Loan Insurance Corporation is insolvent.

Testifying before the House Banking Subcommittee on Institutions, Edwin Gray, chairman of the Home Loan Bank Board, acknowledged that the FSLIC is faced with bankruptcy. Effective funds in hand are \$3.2 billion, while obligations to cover all thrifts now considered insolvent would cost some \$15 billion.

To avoid the consequences, the bank has simply not acted to protect depositors in several cases, because it would not have the insurance money required to deal with the insolvency.

Gray has asked for recapitalizing of the insurance fund with \$8.5 billion in new money. He proposes to raise this by a 1% surcharge on the assets of the nation's thrifts. By his own admission, 50-100 banks would go under if they had to come up with that amount of cash. Overall, it is estimated that between 150 and 300 S&Ls are insolvent.

Gray's testimony follows earlier reports on the state of the nation's Farm Credit System. To cover the conservative estimate of \$11 billion in bad debt, the system requires an immediate infusion of some \$10 billion.

Baker: billions for debt, nothing for U.S.

The true insanity of Paul Volcker's debt policies were displayed on Capitol Hill in mid-October, as congressmen, whipped up into a domestic budget-cutting frenzy by Volcker,

Treasury Secretary James Baker, and others, were suddenly told by Baker that billions were needed for supranational financial institutions. Congressional nerves, already badly frayed over the "balanced-budget" fight, were left traumatized.

Baker, in an appearance before the House Banking Committee on Oct. 15, demanded that Congress put up major funding increases for the World Bank to permit it to play a greater role in the global debt crisis.

Having spent several intensive weeks being re-programmed around an austerity budget, congressmen reportedly "reacted harshly" to Baker's proposal for opening the money spigots for a U.N. agency. A mild, public form of this came from Committee Chairman Fernand St Germain (D-R.I.):

"I ask you, what worthy domestic programs will have to be cut in order to balance the budget, and support the administration's newest International Monetary Fund-World Bank funding request? I assure you that the Congress will never allow domestic programs to take a back seat in the budget process."

Strategic defense survives House test

The House and Senate are struggling to complete their annual appropriations bills, which provide the funding for programs which have already been approved. Over the week of Oct. 21, House liberals, led by Rep. Vic Fazio (D-Calif.), mounted an attack on the funding for the Strategic Defense Initiative.

The previously approved funding was \$2.5 billion, but Fazio wanted to

cut the appropriation to \$1.9 billion. The administration had originally asked for \$3.7 billion.

The White House mounted a vigorous counterattack two days before the House vote. President Reagan, Secretary of Defense Weinberger, SDI chief Lt.-Gen. James Abrahamson, and others were called upon to argue the case for the approved funding.

Their principal argument was that any cuts would weaken the President's position at the forthcoming summit. The arguments prevailed, and the committee voted up the \$2.5 billion funding by 31 to 23.

The SDI opponents, however, insist that they will continue their fight to destroy the program before the full House.

Nitze, Sofaer testify on ABM Treaty

State Department Counsel Abraham Sofaer told House Foreign Affairs Committee hearings on the "proper" interpretation of the ABM Treaty, that the United States can develop and test strategic systems based on "other physical principles." The treaty only bans the deployment of such systems.

In studying the ABM Treaty, Sofaer told the committee Oct. 22:

"I reached the firm conclusion that, although the U.S. delegates initially sought to ban development and testing" of exotic weaponry, "the Soviets refused to go along and no such agreement was reached."

Testifying with Sofaer, who had previously endorsed the findings of a new Pentagon study which maintains that the "Agreed Statement D" to the ABM Treaty, clearly permits the research, testing, and development of

advanced defensive technologies, was senior arms-control adviser Paul Nitze. Nitze delivered the official State Department line on the issue.

While a broader interpretation of the treaty is "fully justified," he said, this is a "moot point" because the SDI "research program has been structured, and, for solid reasons, will continue to be conducted, in accordance with a restrictive interpretation of the treaty's obligations."

In response to questions from the panel, Nitze said that the SDI "research program is not on the [arms negotiating] table. But with respect to other aspects, of course, they are on the table."

While espousing the State Department's line on the ABM Treaty, Nitze also rejected a proposed amendment by Rep. Norm Dicks (D-Wash.) that would have given the "restrictive interpretation" of the treaty the force of law.

"If the Congress limits the executive branch, then it is not necessary for the Soviet Union to make any trade with the United States with respect to these things," he said.

Senate votes to delay Jordanian arms sale

By a vote of 97-1, the Republican-controlled Senate voted to put off any consideration of the sale of defensive weapons to Jordan until March 1, unless Jordan begins direct peace negotiations with Israel before that date.

The proposed delay was designed by Senate Foreign Relations Chairman Richard Lugar (R-Ind.), on behalf of the GOP leadership, after 74 senators had registered their opposition to the administration request.

"A vote of disapproval was going to occur," Lugar said after the vote. "To the extent that bad things didn't occur and good things could still occur, I think we're all a whole lot better off, including the king."

King Hussein, however, called the delay "totally unacceptable. One wouldn't like to use the word blackmail, but it's totally unacceptable. Obviously, it's not a way to deal with problems among friends."

House opponents of the arms deal, who have 273 cosponsors of a resolution of disapproval, suggested that the House may go ahead with a flat-out rejection of the sale.

The stand of the lawmakers reflects the action of the Zionist Lobby on Capitol Hill, which has sought to use the sale to, indeed, blackmail Jordan into accepting the proposals of Israeli Premier Shimon Peres for direct peace talks excluding the Palestine Liberation Organization—and therefore, any prospects of peace. King Hussein has rejected Peres's proposal.

Deep cuts by House; Senate to act soon

Gripped by the deficit-mania that has seized Capitol Hill, the House voted up a three-year package of budget cuts by a vote of 228-199, largely along party lines.

The bills are part of a "budget reconciliation" process whereby the two houses of congress are to pass spending bills that comply with congressional budget targets previously enacted.

The House bill calls for \$78 billion in cuts through fiscal 1988. A list of the affected programs gives a good idea of the extent of IMF-style auster-

ity now being applied to federal programs. The House bill would freeze federal civilian workers' pay for a year, cut some housing programs, impose a means test on certain medical aid for veterans, reduce highway spending, increase federal insurance costs for some private pension plans, require financial-need analysis for guaranteed student loans, abolish the Synthetic Fuels Corp., slow the fill-rate for the strategic energy reserve, cut small-business programs, and end revenue-sharing for local governments next year.

For both House and Senate, most of the real savings would come from curtailing annual appropriations, including defense spending.

Senate votes for protectionism in textiles

The Senate, by a 54-42 vote, has passed amendments that would curtail imports of shoes and textiles. The votes came on amendments attached to austerity measures being considered by the Senate as part of the budget reconciliation process.

The textile provision would reduce imports from the leading textile suppliers—South Korea, Taiwan, and Hong Kong—by as much as 30% and freeze imports from other textile-producing nations at 1984 levels. The footwear provision would limit annual imports at 60% of the U.S. market for eight years.

According to spokesmen, the American textile industry has lost 350,000 jobs over the past five years. The congressional response has been to blame foreign competition rather than Federal Reserve usury and the overpriced dollar.

National News

Judge throws out anti-nuke referendum

A Staten Island Supreme Court judge on Oct. 23 ruled that a referendum barring a nuclear-capable navy base on New York City's Staten Island is unconstitutional and ordered it off the ballot.

The referendum would have amended the City Charter to bar New York from selling or leasing its land for storing nuclear weapons.

Judge Charles Kuufner wrote in a 19-page decision: "The City of New York alone should not be permitted to compel the Navy to change its decisions as they relate to military strategy."

Councilman Frank Fossella who instigated the challenge to the referendum said, "We are doing the right thing for the city; we share in the nation's benefits, we should share in its defense."

The authors of the referendum are appealing the decision, and claim that they are prepared to carry their appeal to the Supreme Court.

Prince Charlie in controversy

A Nov. 12, \$10,000-per-couple dinner in honor of Prince Charles and Princess Di's visit to Palm Beach, Florida has set off a major controversy in the Florida city because the beneficiary of the dinner will be Armand Hammer's United World College of the West in Montezuma, New Mexico.

The Liberty Lobby has sent a letter to thousands of Palm Beach residences calling "Comrade Armand Hammer" a "Soviet agent." The *Palm Beach Post* ran an editorial in Hammer's defense, claiming, "Common sense suggests that if Dr. Hammer were the traitorous villain the letter writer made him out to be, he would have been discredited long ago."

Other Palm Beach citizens, including former Mayor E. T. Smith, are angry because none of the money from the dinner

will benefit Palm Beach.

The prince has long been involved with Hammer in the United World Colleges movement, which was originated by Lord Mountbatten, who was the prince's chief mentor. Charles attended the opening ceremonies of the New Mexico college, the first branch in the United States, in October 1982. The school features a "back to nature" approach characteristic of the Nazi movement and the Royal Family's interests in general.

McNamara jargon is now 'de-implemented'

Lieutenant-Gen. Robert M. Elton has sent a memo to all Army installations forbidding the use of McNamara-esque jargon when referring to military rank.

For example, the term "service members," used to refer to members of the armed forces, General Elton said, is "a vapid construct which evokes sensings of computer jargon ciphers; or worse, an eight-hour per-day 'employee' of the U.S. government.

"We want soldiers to perceive themselves as soldiers, with all the values that term implies. The term 'soldier' has connotations of valor, duty, honor, sacrifice: noble values of a noble profession."

Hospital let disabled babies die

Four medical-rights groups filed a \$30 million lawsuit on Oct. 3 against Oklahoma Children's Memorial Hospital, charging "life-threatening discrimination" and claiming that doctors there "deliberately" allowed 24 disabled newborns to die, while providing 36 others with superior treatment.

The allegations are based on an October 1983 *Pediatrics* article written by four doctors and a social worker who were then members of the Children's Memorial team treating infants with spinal bifida.

The authors said that, from 1977 to 1982, they used a "selective process" to recommend "vigorous treatment" for 36 spina bi-

fida newborns, and "supportive care" for 33 others. Of the 36, all survived the disease (one died in a car crash). But of the 33 others, 24 died within six months.

The authors used the phrase "quality of life" in the article, saying that such factors as the financial contributions that the newborn could expect in the future from the family and society were taken into consideration in deciding on treatment.

Budget cuts to harm African relief

Representative Tony Hall (D-Ohio), a member of the House Select Committee on Hunger, said on Oct. 23 that Congress's budget-cutting may leave little money for famine relief efforts to Africa.

He predicted that money will be sharply reduced. "I'm very concerned because of the large deficits and some of the kinds of packages that are going through Congress now, like the Gramm-Rudman amendment. The kind of supplemental aid we were able to produce this year, which was large quantities of money to meet this great famine, just might not be there."

Judge denies request for euthanasia

A Massachusetts probate judge on Oct. 22 denied a family's requests to withdraw food and water from a comatose patient.

Judge David H. Kopelman issued an injunction blocking either the removal or the clamping of a feeding tube which is providing nourishment to Paul Brophy, a firefighter who suffered severe brain damage from a broken blood vessel during surgery in 1983.

The judge said it would be "ethically inappropriate to cause the preventable death of Brophy by the deliberate denial of food and water," Brophy's wife has asked the court's permission to have the feeding tube removed.

Judge Kopelman reinstated orders that no special measures should be taken to keep

him alive. However, he enjoined Mrs. Brophy from removing her husband to another nursing home as a patient so that the feeding tube could be removed. He said that the legislature and not the courts should decide the issue.

Democratic committee proposes changes

The Democratic Party's bizarrely misnamed "Fairness Committee" on Oct. 17 moved to expand the role of elected officials and party leaders in the presidential nominating process.

The Commission proposed the creation of 200 new national delegate slots for Democratic governors, members of Congress, and Democratic National Committee members. The Commission also proposed lowering to 15%, from 20%, the threshold of votes a candidate must obtain in presidential caucuses and primaries to qualify for a proportional share of the state's delegates.

The proposals still have to be approved by the Democratic National Committee, which meets in January.

Ads support President's SDI

Lieutenant-Gen. Danny Graham's latest operation, the Coalition for the Strategic Defense Initiative, has launched a multimillion-dollar TV campaign to generate support for the President's SDI program. An ad featuring a little girl in a child-like drawing being defended by an SDI shield aired on Oct. 21 on the CBS and ABC Washington affiliates.

Graham told a press conference that the coalition has raised \$175,000 to pay for the SDI ads in D.C., and plans to raise \$1.7 million to show a dozen 30-second ads in the nation's top 20 media markets between now and the Nov. 19 summit.

The purpose of the ads is to counteract pressure on Reagan to give up the SDI or adhere to a restrictive interpretation of the ABM treaty. The coalition wants 50% of

Americans to view the commercial at least four times.

In the ad, incoming missiles "plink" harmlessly off a peace shield protecting a house, trees, car, and stick figure people. The shield then turns into a rainbow.

Asian crime syndicates invade United States

On Oct. 14, at a Washington, D.C. seminar for members of the International Association of Chiefs of Police, Charles W. Gianetti, supervisory agent in the Federal Bureau of Investigation's (FBI) organized-crime section in Washington, D.C., told American law-enforcement officers that Asian organized-crime networks are becoming a national problem.

Chinese, Taiwanese, Japanese, and Korean crime syndicates are now engaged in such lucrative illicit activities as narcotics, gambling, and prostitution. Gianetti identified New York, San Francisco, and Toronto as hubs of Chinese activity, while Chinese "Tongs" operate in major cities along the West Coast and in San Antonio, Denver, and New York.

The Japanese criminal syndicates, commonly referred to as the Yakuza, have gained a toehold on the West Coast and in Honolulu, Hawaii. Gianetti said that Houston, Texas is a "main operating point" for the ethnic Vietnamese gang called the Thunder Tigers, and the Taiwanese gang known as the Bamboo Union, adding that both had a reputation for violence.

"Our sources tell us the Vietnamese are the most violence-prone of all the Oriental gangs," said Gianetti, adding that, "The Chinese and Japanese gang members are usually hesitant to pull a gun on a cop, but the Vietnamese gangs aren't and, for that reason, are very dangerous," he said.

In the case of the Vietnamese criminal syndicates, Gianetti reported that they extort money by using the excuse of collecting funds to arm anti-Communist guerrillas to liberate Vietnam. "They will say they are going to send the money to camps in Thailand, but it's just a way to prey on the Vietnamese communities in various cities," Gianetti said.

Briefly

● **DON REGAN** will become the new chairman of the Federal Reserve when Paul Volcker steps down, White House sources say. "Everybody will deny it when you ask about it, but the deal is set in cement and it's going to happen," the *Washington Times* quotes a "source" as saying. But other sources say that Drew Lewis will succeed Volcker.

● **SAN FRANCISCO** attempted to close 14 bathhouses frequented by homosexuals, but lost the court case. The court decided that the closure would constitute a violation of the constitutional rights of the owners and patrons, and presumably, of the AIDS virus.

● **DAVID ROCKEFELLER** and Arnaud de Borchgrave, editor-in-chief of the *Washington Times*, were invested with the Order of Hilal-i-Quad-i-azam, "the founder's crescent," at Pakistan House in New York City on Oct. 21. Prayers were said and passages from the Koran were read. Each received a sash and parchment from Pakistani President Zia ul-Haq.

● **HUSTLER** magazine went on trial on Oct. 21 in Houston federal court, accused of provoking a 14-year-old boy into killing himself while attempting masturbation with a noose around his neck. The boy was found with a copy of *Hustler* at his feet, open to the article titled "Orgasm of Death," part of a series called "Sex-play." *Hustler* called these "informative articles."

● **GOP MAYORAL** candidate in New York City Diane McGrath called for an end to bi-lingual education and for re-centralization of New York public schools on Oct. 22. McGrath asserted, "Fluent English is absolutely essential for students who wish to progress in society. Bilingual education is disastrous for the very children it is intended to serve" in that it encourages foreign-born students not to learn English.

Editorial

Justice for Indira Gandhi

It is now a year and a day since Indira Gandhi, the prime minister of India, was killed on Oct. 31, 1984. In October, an explosive new book—*Derivative Assassination: Who Killed Indira Gandhi?*—was released, written by the editors of *Executive Intelligence Review*, and publishing the results of our eleven-month investigation of that crime. The investigation proves definitively that Indira Gandhi's assassination was the result of a conspiracy among British intelligence services; the Israeli secret intelligence agency, the Mossad; and the Soviet Union.

It also points to the complicity in the Sikh terrorist movement of the U.S. Federal Bureau of Investigation, the Anti-Defamation League of B'nai B'rith, and the Heritage Foundation.

"The murder of Prime Minister Indira Gandhi," states Lyndon H. LaRouche, Jr., *EIR* contributing editor, in the book's preface, "was organized by a very special variety of intelligence organization, an organization of a type known to insiders of the intelligence craft as a 'derivative operation.' Derivative operations are a special kind of organization, which has grown out of the underworld of 'back channels' which thrive in the cracks between the Western and Soviet bloc intelligence services."

The starting point for *EIR*'s explosive investigation is the figure of Jagjit Singh Chauhan, so-called President-in-exile of Khalistan, and resident of Redding, England. The results submitted are based upon detailed interviews with Chauhan and those he has named as his sponsors, including officials of the British government, of the Canadian government, the Heritage Foundation, and the Anti-Defamation League.

Derivative Assassination exposes the role of Chauhan's chief sponsor in the United States, Jon Speller, of Robert Speller and Sons Publishers. Speller's key role in the assassination is his functioning as an interface between British, Soviet, and Israeli intelligence services. The book also exposes Chauhan's chief backer in Great Britain, Lord Nicholas Bethell, head of the Committee for a Free Afghanistan, through which, it is

believed, arms are funneled to the Sikhs in Punjab.

Derivative Assassination contains a thorough examination of the command structure and support apparatus for the World Sikh Organization, the separatist outfit founded in New York City in July 1984 which controls the Sikh terrorist apparatus with the aid of the Israeli Mossad, from Canada and the United States. The links between the World Sikh Organization and terrorism in Punjab are also exposed.

Within India, the history of the Sikh separatist movement and its terrorist organizations, the Dal Khalsa, the Babbar Khalsa, and the Dashmesh Regiment, are traced through their emergence from the Ghadar Party of the Communist International, tracing the continuing Russian control over insurgency in the Punjab to this day, including the assassin Beant Singh. The book contains a thorough documentation of continuing Soviet operations against India.

Indira Gandhi was killed, the book shows, not only because she was the leader of the great nation of India, but even more significantly, in order to remove her from the role of an international statesman leading the fight for a new and just international monetary system and for world peace. The murder of Indira Gandhi was a precondition for the realization of the New Yalta deal between Moscow and the oligarchical forces of the West.

The strategic framework for the assassination was laid by the failure of U.S. foreign policy toward India, a failure directed by Henry A. Kissinger, whose animosity toward Indira Gandhi is no secret. The signals for the assassination came in September 1984 from both British and Soviet intelligence.

The book is a reflection of the commitment of the people who love and respect Indira Gandhi, that the intent of her murderers to destroy the great Indian nation, and split it up into many fighting separate entities, will be condemned to fail. We also pledge that one of her last initiatives, the call to conduct a heads-of-state summit to solve the debt crisis, and to establish a just New World Economic Order, will be realized soon.

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