

EIR

Executive Intelligence Review

March 14, 1986 • Vol. 13 No. 11

\$10.00

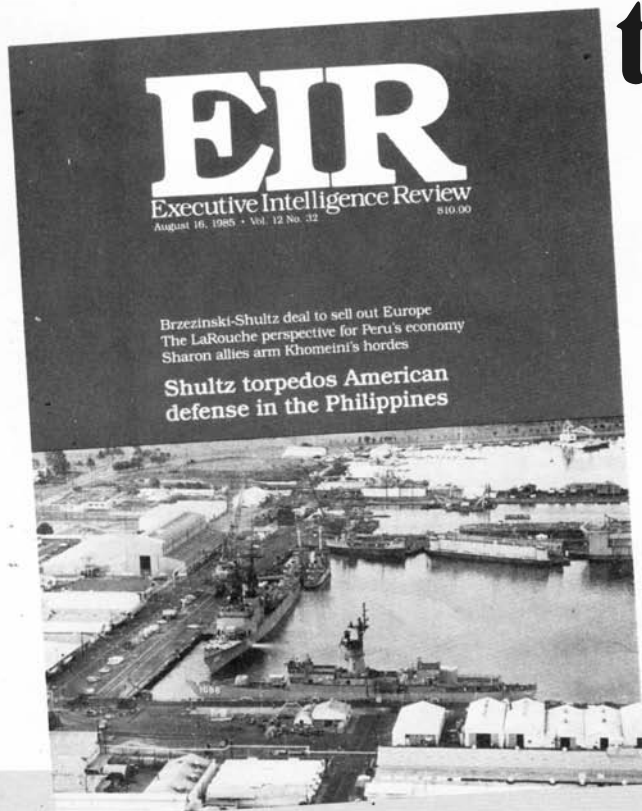
London debates merits of a financial crash
Curtain drops on gasohol farce in Brazil
AIFLD, no friend of labor or freedom!

**Gorbachov mobilizes for war—
as West's economy falls apart**



State Department coup in the Philippines

Who Said it First? **EIR** Did!



How did the U.S. State Department destroy Ferdinand Marcos, America's long-term ally in the Pacific? EIR on-the-scene reporters had the story, seven months before the Philippine tragedy unfolded, and President Reagan succumbed to the State Department conspiracy: they documented how traitors in the U.S. State Department and Senate had *already* plotted a coup against Marcos. By August 1985, Philippine traitors Lt.-Gen. Fidel Ramos and Defense Minister Juan Ponce Enrile had been tapped to lead the coup.

Subscribe to Executive Intelligence Review, the most comprehensive, and accurate political intelligence service in the world.

Executive Intelligence Review

U.S., Canada and Mexico only

1 year \$396
6 months \$225
3 months \$125

Foreign Rates

Central America, West Indies, Venezuela and Colombia: 1 yr. \$450, 6 mo. \$245, 3 mo. \$135

Western Europe, South America, Mediterranean, and North Africa: \$1 yr. 470, 6 mo. \$255, 3 mo. \$140

All other countries: 1 yr. \$490, 6 mo. \$265, 3 mo. \$145

I would like to subscribe to
Executive Intelligence Review for

1 year 6 months 3 months

I enclose \$_____ check or money order

Name _____

Company _____

Phone () _____

Address _____

City _____

State _____ Zip _____

Make checks payable to EIR News Service Inc., P.O. Box 17390, Washington, D.C. 20041-0390. In Europe: EIR Nachrichtenagentur GmbH, Postfach 2308, Dotzheimerstrasse 166, 62 Wiesbaden, Federal Republic of Germany, telephone (06121) 44-90-31. Executive Director: Michael Liebig.

Founder and Contributing Editor:

Lyndon H. LaRouche, Jr.

Editor-in-chief: *Criton Zoakos*

Editor: *Nora Hamerman*

Managing Editors: *Vin Berg and Susan Welsh*

Production Director: *Stephen Vann*

Contributing Editors: *Uwe Parpart-Henke,*

Nancy Spannaus, Webster Tarpley,

Christopher White, Warren Hamerman,

William Wertz, Gerald Rose, Mel Klenetsky,

Antony Papert, Allen Salisbury

Science and Technology: *Carol White*

Special Services: *Richard Freeman*

Advertising Director: *Joseph Cohen*

Director of Press Services: *Christina Huth*

INTELLIGENCE DIRECTORS:

Africa: *Douglas DeGroot*

Agriculture: *Marcia Merry*

Asia: *Linda de Hoyos*

Counterintelligence: *Jeffrey Steinberg,*

Paul Goldstein

Economics: *David Goldman*

European Economics: *William Engdahl,*

Laurent Murawiec

Europe: *Vivian Freyre Zoakos*

Ibero-America: *Robyn Quijano, Dennis Small*

Law: *Edward Spannaus*

Medicine: *John Grauerholz, M.D.*

Middle East: *Thierry Lalevée*

Soviet Union and Eastern Europe:

Rachel Douglas, Konstantin George

United States: *Kathleen Klenetsky, Stephen Pepper*

INTERNATIONAL BUREAUS:

Bangkok: *Pakdee and Sophie Tanapura*

Bogotá: *Javier Almario*

Bonn: *George Gregory, Rainer Apel*

Chicago: *Paul Greenberg*

Copenhagen: *Poul Rasmussen*

Houston: *Harley Schlanger*

Lima: *Sara Maduëno*

Los Angeles: *Theodore Andromidas*

Mexico City: *Josefina Menéndez*

Milan: *Marco Fanini*

New Delhi: *Susan Maitra*

Paris: *Christine Bierre*

Rio de Janeiro: *Silvia Palacios*

Rome: *Leonardo Servadio, Stefania Sacchi*

Stockholm: *Clifford Gaddy*

United Nations: *Douglas DeGroot*

Washington, D.C.: *Nicholas F. Benton,*

Susan Kokinda, Stanley Ezrol

Wiesbaden: *Philip Golub, Mary Lalevée*

EIR/Executive Intelligence Review (ISSN 0273-6314) is published weekly (50 issues) except for the second week of July and first week of January by New Solidarity International Press Service 1612 K St. N.W., Suite 300, Washington, D.C. 20006 (202) 955-5930 Distributed by Caucus Distributors, Inc.

European Headquarters: Executive Intelligence Review Nachrichtenagentur GmbH, Postfach 2308, Dotzheimerstrasse 166, D-6200 Wiesbaden, Federal Republic of Germany
Tel: (06121) 44-90-31. Executive Directors: Anno Hellenbroich, Michael Liebig

In Denmark: EIR, Haderslevgade 26, 1671 Copenhagen (01) 31-09-08

In Mexico: EIR, Francisco Díaz Covarrubias 54 A-3 Colonia San Rafael, Mexico DF. Tel: 705-1295.

Japan subscription sales: O.T.O. Research Corporation, Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160. Tel: (03) 208-7821.

Copyright © 1986 New Solidarity International Press Service. All rights reserved. Reproduction in whole or in part without permission strictly prohibited. Second-class postage paid at Washington D.C., and at an additional mailing offices. 3 months—\$125, 6 months—\$225, 1 year—\$396. Single issue—\$10 Academic library rate: \$245 per year

Postmaster: Send all address changes to EIR, 1612 K St. N.W., Suite 300, Washington, D.C. 20006 (202) 955-5930

EIR

From the Editor

Why is Gorbachov smiling? Not only has he won a central committee 50% composed of *military engineers* at the 27th CPSU Congress (*Feature*, page 26), but the U.S. administration seems to be following a Kremlin-authored script for handing over every world choke-point to the Soviet Navy. President Reagan on March 7 named Philip Habib as his new special ambassador to Central America. Habib, fresh from the role of undertaker for Lebanon and the Philippines, is himself a message to the region, that it is going to be sold out by the United States, and destroyed.

The destabilization of Panama which we exposed last week is going ahead full force. The United States is fully backing IMF demands for implementing labor austerity, ordering the government there virtually at gunpoint to rip the country apart. Under this pressure, the government has conceded, thus giving labor no choice but to go out on strike (see page 47).

EIR is focused on stopping this latest giveaway to the Soviets. We made available, for use at Sen. Jesse Helms's March 10 hearings on Panama, explosive new documents on the past of the man Helms is pushing to "democratize" Panama, Arnulfo Arias. Even the Encyclopedia Britannica calls Arias "pro-Fascist"; the record shows him as a Hitler-saluting Nazi. (We'll print the documents next week.) A letter from *EIR* editor-in-chief Criton Zoakos to Helms on the salient facts of the case, was run on March 7 in the Panamanian press.

The pace of the destabilization planned for Central America has everything to do with impending economic blowout (see page 4). All of the Ibero-American nations but Peru and Mexico may have signed with the IMF, but the situation is still out of control from the international bankers' standpoint. Mexico is threatening to act unilaterally to protect its sovereignty, and the labor movement in various nations is threatening sovereign action in the spirit of Peru's Alan García.

Perhaps the most explosive blowout, however, is set for the United States. The impact of the oil price collapse is being felt beyond Texas now, and for the first time in some time, some glimmer of economic reality is being reflected in official figures.

Texas Governor Mark White sees parallels to 1929. Look for his exclusive interview in the next issue.

Nora Hamerman

EIR Contents

Departments

- 55 Report from Rome**
Andreotti exposed in Qaddafi trial.
- 56 Report from Madrid**
González creates anti-NATO wave.
- 57 Report from Bonn**
A debacle in Schleswig-Holstein.
- 58 New Delhi**
India, South Korea expand ties.
- 59 Southeast Asia**
World Bank says own plan failed.
- 72 Editorial**
Rule of Law murdered in Manila.

Investigation

- 36 AIFLD: It's not labor, nor is it for freedom**
A dossier on the American Institute for Free Labor Development, friend of the drug-pushers in Ibero-America.
- 40 AIFLD's origins: Subversion by Grace, Romualdi, Rockefeller**

Economics

- 4 London and Zurich debate merits of financial crash**
- 7 Brazil's new 'cruzado plan': how to do nothing about debt**
- 9 Curtain drops on the farce of the Brazilian experiment in 'gasohol'**
- 13 'Privatization' to ravage German economy**
- 14 Currency Rates**
- 15 Agriculture**
Not the man for the job.
- 16 Labor in Focus**
Pilots, attendants warn on safety.
- 17 Africa Report**
Preparing for a debt conference.
- 18 Business Briefs**

Science & Technology

- 20 Disastrous cuts in 1987 budget for fusion power**
Charles B. Stevens reports on the consequences of amputating America's most promising energy source of the future.

Feature



AP/Wide World

Why is this man smiling? Since his summit meeting with President Reagan, shown here, Mikhail Gorbachov has consolidated his power to build up the Soviet war machine.

26 Gorbachov mobilizes for war—as West's economy falls apart

Heads are rolling in the Soviet bureaucracy, but there's more to it than the Kremlinologists think.

29 'Russian Party' drops river diversion plan

30 The new Soviet scheme for world debt reform

31 Build up science, technology

Speeches to the Party Congress by Prime Minister Ryzhkov and KGB chief Chebrikov.

33 Trilaterals offer Soviets help in war economy mobilization

International

42 NATO elite is told: We must keep economy strong

The Wehrkunde meeting of defense experts in Munich discussed sensitive issues in Alliance relations, which are hardly ever mentioned in public.

44 Investigating the Palme killing: investigative hypotheses

By Lyndon H. LaRouche.

47 Central America: Contadora seeks war on narco-terrorism

48 Aquino government in the Philippines faces the Int'l Monetary Fund test

Documentation: President Marcos's letter to the Filipinos.

50 Queen backs New Yalta in Pacific

52 French Socialists plot against Tunisia

53 Trilateral Commission being put to the test in French elections

60 International Intelligence

National

62 Russian demands defense cuts, U.S. lawmakers comply

64 LaRouche candidates define issues in March 18 Illinois primary

66 Robert Penn Warren: Southern secessionist

A blood-and-soil anti-industrialist becomes the first U.S. "poet laureate."

67 Eye on Washington

GOP presidential hopefuls gather.

68 Congressional Closeup

70 National News

London and Zurich debate merits of financial crash

by David Goldman

Just before the spot oil price sank below \$12 per barrel, Standard Chartered Bank's chief economist, Jan Toporowski, brought to the surface the subterranean debate concerning the merits of a financial collapse, in a Feb. 19 article published in the London *Financial Times*, under the title, "Why the world economy needs a financial crash." The *Financial Times'* Anatole Kaletsky argued the contrary two days later, speaking for that section of the City whose livelihood depends on trading an ever-expanding, polymorphous variety of dollar-denominated paper instruments.

Toporowski begins by citing the doyen of Marxist capitalist-breakdown theory, the turn-of-the-century economist Rosa Luxemburg, and continues as follows:

. . . The old solution of ruining the rentiers (in this case the international banks and their creditors) no longer seems to be available. The position of the international banks is reinforced by central banks' implicit, if not explicit, willingness to act as lenders of last resort in order to avoid precisely that financial crash which would resolve the debt problem by devaluing it all. . . .

Nevertheless, the decision of debtor countries such as Poland, Nigeria, Peru, and Argentina to limit debt service payments to a minority share of their export earnings testifies to the urgent need of those countries to be released from the grip of rentier claims that are paralyzing their trade and development. . . . Undiminished by devaluation, the acceleration in the growth of these claims must eventually crush either the rentiers, or the countries themselves. . . .

Those drawing their main incomes directly from

City activities are relatively few. There are many more in Britain who would stand to gain from a revival of trade, investment, and production which are currently suffering progressive paralysis from the burden of rentier claims. The devaluation of those claims is a necessary, if insufficient, condition for the quickening of real economic activity and perhaps even the survival of the capitalist system.

Anatole Kaletsky's reply Feb. 23 was at once less convincing; but far more in consonance with the thinking of the major Western governments. It adopts the usual format of "I never saw that horse before, your Honor, I was only borrowing him, and besides, he was lame anyway."

Default by the major Third-World debtors "would leave the world banking system broadly intact," Kaletsky argues. "Most, if not all of the international banks are now strong enough to withstand substantial losses on their Third World lending," he argues, citing the specific case of Lloyds International, the bank with the most exposure proportionally in Mexico debt, analysing the effect of a theoretical 6% Mexico ceiling on interest, a de facto repudiation of two-thirds of current interest requirements. Kaletsky argues this will mean only a 5% reduction in that bank's annual profits. In any case, he asserts that U.S. banks may have convinced the White House to step in to prevent a full Mexico default crisis by telling the President that the consequences of such a default would be disastrous.

Winners and losers

Mr. Toporowski's sly concluding comment about the small number of people who actually make their living from

the "City," i.e., the world's premier market in dollar-denominated paper, indicates what is at stake. His argument must be read in the context of the discussion on the European continent concerning what will happen to the dollar, should a financial crash actually take place.

The chief economic spokesman for the Paris bank, *Crédit du Nord*, predicted March 1: "Before the end of 1986, the entire world monetary system will be reformed." *Crédit du Nord* is historically associated with the French Rothschild interests. The spokesman, Michel Lutsalla, wrote in the daily *Quotidien de Paris* that the situation in the international monetary system is "extraordinarily delicate." He further rejected the likelihood of a "new Bretton Woods system of fixed exchange rates, or a new expanded European Monetary System" of currency bands. *Quotidien*, in its own commentary, speculated that the new system, "according to rumors circulating in high financial circles" will limit exchange fluctuations and reduce the role of the dollar internationally." The chairman of the Banque *Crédit du Nord*, Bruno de Maulde, is former French representative to the IMF.

No one in "high financial circles" is silly enough to worry much about the shape of a new monetary system; that is like speculating about the layout of a camp of shipwreck survivors, before the shipwreck. Their present concern is more to ensure that they survive the shipwreck, by pushing fellow-passengers overboard. However, the catch-phrase, "reduce the role of the dollar internationally," refers to something specific: a financial crash would take down with it the mechanisms by which dollar credit is now generated.

The \$2 trillion-plus Eurodollar market is now as pure an example of what Andrew Jackson's contemporaries called "wildcat banking," as has ever existed in financial history. Foreign-exchange transactions now exceed 23 times the volume of merchandise trade. Even more important than the cash foreign-exchange market, however, is the market in futures contracts for foreign exchange, Treasury securities, certificates of deposits, and other financial instruments.

Since the Eurodollar banks have no reserve requirements, they may generate, in theory, an infinite multiplier of banking credit. The entire, vast mechanism of currency, commodities, and financial instruments futures trading depends on this infinite banking multiplier. A financial crash would produce a chain-reaction of defaults, wiping out many market participants and damaging the ability of banks to keep their worried depositors away from the withdrawal window, reducing the dollar's international role in an extremely sudden, brutal fashion.

Exactly such a chain reaction is happening, in slow motion. One of the world's most important commodities markets, the London-based oil futures market, ceased to exist late in February after a series of defaults by leading traders. Previously, the average barrel of North Sea or other oil brought to the "spot" market was bought and sold an average of 100 times, according to industry sources, before its ultimate purchase by a refiner. The collapse of oil prices from \$28 per barrel in November to only \$12 per barrel has wiped out

traders with long positions.

The same process has occurred in the tin and sugar markets, in disarray after falling prices destroyed the resources of joint producer-consumer agreements. Neither has much hope of coming back together in the foreseeable future.

Of course, the banking system's direct losses in the commodities debacle are relatively small. But the entire inventory of dollar-based paper, including the recent fad of bank-backed international commercial paper, will cease trading at the moment that the sanctity of some major names in the market are questioned. Given the impact of collapsing oil prices on developing nations, Texas oil producers, and the oilfield industry internationally, the continued faith shown in some of the largest American banks might have awed the most devout 12th-century Hashishin.

Volcker's fear

That is precisely what Federal Reserve Chairman Paul Volcker warned the House Banking Committee Feb. 20. Banks' wildcat activities, sometimes referred to as "off-balance-sheet liabilities," include potential obligations through financial guarantees and securities repurchase agreements equal to twice their *official* balance sheets. Volcker, whose own policies *caused* the current crisis, warned in testimony that current U.S. banking laws "pose a clear threat not only to the coherence, but also to the safety and soundness" of the banking system, adding, "time is growing short." Volcker, as the London *Financial Times* commented, sought to impress a "new sense of urgency" upon Congress, because of the combined impact of the oil price collapse and agriculture debt defaults, as well as "a series of recent dramatic court rulings" which allow brokerage houses like Merrill, Lynch or E. F. Hutton to take on banking activity "without the protection provided by the federal safety net" of the Federal Deposit Insurance Corporation.

While the fuse burns towards the core of the dollar banking system, the dollar is meanwhile collapsing of its own grotesque weight. It has lost about one-third of its parity against the West German mark during the past year, and stands to lose much more. The global system of wildcat banking, fueled by a \$400 billion annual worldwide flow of narcotics and other illegal money, has a wobbly base: America's dependency on foreign suppliers of essential goods. Last year's trade deficit topped \$150 billion, and this year's is already running at a more than \$200 billion rate, largely because America must pay more devalued dollars for the same essential goods. At a time when the dollar is falling sharply, the United States must pay (and therefore borrow) at an accelerating rate to import essential goods. The ingredients for a true dollar crash are unmistakable to anyone.

Since 1979, when newly appointed Paul Volcker imposed a credit squeeze on the U.S. banking system, the rest of the world has lived in a chronic dollar shortage, beholden to the largesse of the Fed. Foreign central bankers could not visit the men's room without first checking with the trading desk of the New York Federal Reserve Bank.

All that changed during the first week in March, when all world markets waited breathless to see whether the German central bank would reduce its discount rate, supposedly permitting the Fed to also reduce rates without crashing the dollar further. (The German central bank did reduce its rate, for whatever that is worth.)

The dollar does stand to lose its international role, with terrible consequences for the United States; for if the dollar is no longer the ruling international currency, why should foreigners accumulate \$200 billion a year of additional dollar paper, in return for the goods they sell us in excess of their purchases?

What is most remarkable—and the source of grim concern in the London dollar markets—is the fact that the U.S. Treasury is so fixated on the supposed benefits of a falling dollar (to increase exports the United States can't even produce), that it is riding the dollar down—in fair imitation of Slim Pickens astride the H-bomb in *Dr. Strangelove*. Even Paul Volcker's cautionary voice concerning the dangers of devaluation mania has been lost, the British note with worry. It is of special interest that the Treasury official now in control of international policy, Assistant Secretary for International Affairs David C. Mulford, has extremely close personal ties to the Swiss: he was part of the team which sold the old-line

investment bank White Weld to Crédit Suisse in 1978. A cynic might suggest that Mulford is a Swiss agent, promoting the interests of continental European financiers at the expense of the Anglo-Americans.

1934 all over again?

In a very broad sense, the debate over the merits of a financial crash replicates the division of the world at the disastrous London International Monetary Conference of 1934, when President Roosevelt devalued the dollar by 40% against gold. The British, who lost the benefit of their 1931 competitive devaluation of sterling as a result, were livid, to the point that the Queen Mother cut dead the American ambassador at Buckingham Palace garden parties. (Only John Maynard Keynes supported Roosevelt, on the crackpot assumption that a devalued dollar would automatically reverse the 50% deflation of world trade prices. No such thing happened.)

But what was then called the "gold bloc," i.e., France, Switzerland, and Italy, took advantage of the simultaneously cheap dollar and cheap U.S. share prices to buy up a big chunk of the American market at pennies on the dollar. Those who call for a reduction in the dollar's international role today have something similar in mind.

What should be done about a financial crash?

In a nationally televised address to the American people on Feb. 4, 1984, and in a series of other broadcasts prior to the Nov. 6 presidential elections, *EIR* founder Lyndon LaRouche explained exactly how a financial crash could be averted and the current world depression in production and trade brought to an end—by an American President not particularly concerned with preserving the power of London, Zurich, or their cousins in usury in New York and Boston.

The United States has the idle plants to produce, and the unemployed or misemployed workforce to man them. Where is the "demand" to come from? The real demand is already there: the nation needs highways, bridges, waterways, railroads, industrial plant, agricultural machinery and equipment, vehicles, ships—and exports to meet the enormous needs of Third World nations.

But how do you pay for it. *The answer is credit.* Low-interest, long-term credit issued by the U.S. Treasury to

agriculture and industry. LaRouche prescribed the following emergency steps:

- 1) "Federalize" the Federal Reserve Board, so that it no longer controls the credit of the nation and cannot set interest rates. The Federal Reserve as it now exists is a violation of Article I, Sections 8 and 9 of the U.S. Constitution.

- 2) Issue \$500 billion in gold-reserve backed, 2-4% interest Treasury notes through a regulated private banking system to specified productive categories of manufacture, agriculture, transportation, and infrastructure, to put 5 million people back to work quickly.

- 3) Convene an emergency summit of, at minimum, the heads of Western Hemispheric governments and other allies to reorganize the international monetary system with 2-4% refinancing to allow Third World nations to import again—allowing the United States to export again. Establish gold-based parities between currencies, and work out a framework of credit and "foreign aid" based on "great projects" to industrialize the underdeveloped world.

This implies that the British doctrine of "free enterprise," "free trade," "free market," as re-popularized in the 19th century by Karl Marx, be once again thrown out the window to rebuild the nation and industrialize the world, just as America's Founding Fathers threw such "free market" dogmas out the window to originally build the American Republic out of colonialism.

Brazil's new 'cruzado plan': how to do nothing about debt

by Mark Sonnenblick

The "Cruzado Plan" unveiled by Brazilian President José Sarney Feb. 28 is one of the most flamboyant exercise yet for *not* dealing with the debt crisis. While throwing the brakes on an inflationary spiral, it does nothing to deal with the real causes of Brazil's hyperinflation.

Under the plan, Brazil joins Argentina in applying what economists call "heterodox shock" to outlaw inflation. Wages are frozen for a year and prices are frozen indefinitely. As with the Argentine Austral Plan, a new "inflation-proof" currency was born and its relationship to the dollar fixed.

The wonder of the plan is that it gives hope of ending inflation, which has been over 200% for the past two years and whose February rate of 14.36% gave every promise of an annual rate soaring over 300%. The Cruzado Plan differs, at least on the surface, from orthodox economic shock as applied in Germany by Hitler's economics minister, Hjalmar Schacht, or in Pinochet's Chile, and Shimon Peres's Israel by the academic children of Milton Friedman. In these cases, police repression had to be applied against workers whose wages were cut from the beginning. In Brazil, most wages were raised at the onset of the program, while prices were frozen.

Psychological warfare

All Brazil stopped working at 9:30 a.m. on Friday February 28 morning so all could hear the announcement of a surprise economic package. Film clips of President Sarney meeting the day before with top military leaders were flashed repeatedly on the screen. Then Sarney told his countrymen, "Today is the beginning of a life-and-death war against inflation." He quickly passed the microphone over to Finance Minister Dilson Funaro, who explained how the new program is to work.

At first, people were perplexed and confused, our Rio Bureau reports. Brazilians had learned to live with what for most others would be unimaginable inflation. Everything in the economy was indexed, rising roughly in tandem with inflation itself. Interest rates and other financial factors were totally protected from growing inflation, while wages, which caught up with inflation only every six months, were seriously eroded.

Sarney's wage-price freeze brought more popular euphoria than when he proclaimed a "New Republic" at his

April inauguration as the first civilian president in two decades. Political commentators said the "New Republic" only started Feb. 28. Knowing full well that the government's price-control board, SUBAN, could never enforce fixed prices over a land area larger than the continental United States, Sarney implored consumers to take responsibility for enforcing the measure.

They hardly needed to be asked. When a dozen stores tried to raise their prices immediately after the Sarney speech, angry customers ripped them apart. Hours later, Federal Police Chief Romeu Tuma, long known for his highly centralized law-enforcement practices, went on television to encourage citizen arrests of price hikers.

Consumers armed with official price lists patrolled store aisles. Two prestigious members of the National Monetary Council were caught having ordered their store employees to spend the night before Sarney's speech marking up prices, and were fined. Following over 10,000 consumer complaints and dozens of highly publicized arrests, the price freeze was made to stick, at least in the beginning.

The consumer enforcement orgy, a virtual second Carnival, was part of the "psychological" aspect of the Cruzado Plan, which its drafters consider more important than any other aspect. Such a novel de-indexation plan was formulated in studies commissioned in 1984 by International Monetary Fund director Alexandre Kafka. This shadowy Czech-born economist with Brazilian nationality sits out of sight in Washington running the economic policies of most Third World countries like a master puppeteer.

Kafka's original plan was for Tancredo Neves, the father-figure who was supposed to be the first civilian President, to use his immense popularity to impose shock austerity policies with the new psychological packaging shortly after his April 15, 1984 inauguration. But Neves died before being sworn in, and Sarney was thrust into the presidency with the image of a graceless hatchet man who had forced the Senate to rubber stamp unpopular measures for the military dictatorship.

To build credibility, Sarney made nationalist speeches against the IMF and ruffled the economy by means of running the "printing press" for yet more credit and subsidies to the nation's exporters, and for small increases in real wages. As a result, the GNP grew by 7%, recuperating a small part

of what it had lost during the previous three years of depression.

Dilson Funaro, who became finance minister in September, emerged as the champion of Brazil's recovery. Funaro has taken a hard line against the IMF in public and is committed to maintaining 5-6% growth this year. He has concentrated economic policy control in his hands, even more than Delfim Netto, Brazil's "economic czar" from 1979-85, had done. The difference is that Funaro, a not-so-successful Sao Paulo toy manufacturer, is a "nice guy" and knows how to make friends in democratic society.

Even more than Delfim, for whom winning over a handful of backroom authoritarians was all that was required, Funaro is a master at "packaging" economic policy. It also seems that he shares Delfim's very Brazilian character of being a pragmatist, of utilizing higher principles like "sovereignty" and "justice" as rhetoric for the end of winning some mundane advantage.

Thus, Funaro proclaimed with great aplomb on the morning of Feb. 28, "Brazil will never again sign agreements with the IMF which allow Fund economists to come here and determine our economic policies." Three days later, the *New York Times* quoted him confiding, "I'm carrying out a very tough policy, much tougher than if I went to the IMF. And I'm achieving, because I don't have the IMF behind me. My Congress would not approve policies imposed by the Fund. . . ."

Rather than being scandalized, Brazilians tend to admire someone with *jeitinho*, a person who pulls off a clever hustle, even at their own expense.

Sarney and Funaro embarked on the Cruzado Plan for primarily political reasons. People were getting bored with the government. On Feb. 25, the largest element of the governing coalition, the old PMDB party of opposition to the military government, announced it was going its own way. The left end of the party was already in alliance with Rio socialist Leonel Brizola. And many former supporters of the military regime from the Sarney side of the coalition, were making deals with Sao Paulo populist Mayor Janio Quadros, who is anxious to return to the presidency as a right-wing authoritarian.

So, Sarney chose to prove his leadership with a crusade against inflation, which the media had projected as Brazil's crucial problem. The pundits say that if he succeeds, his group will sweep the Nov. 15 elections for governors and a constituent assembly. If he fails, he will blame it on Funaro in an effort to prevent Brizola and Quadros from shortening his term.

Bankers rejoice

During the days before the Cruzado Plan, Brazil's foreign creditors forced the issue by suddenly canceling \$71 million of the \$15.5 billion in short-term credit lines which keep Brazil solvent. Within 48 hours after Brazil "bit the bullet," Funaro was rewarded. Not only was the full \$15.5 billion

guaranteed for another year, but interest rates were reduced on an equal amount of principal due in 1985 and 1986.

Funaro got a gift. Brazil would receive interest rate cuts of 7/8 of one percent on \$15.5 billion of its \$104 billion debt. Finally, Brazil would be paying the same rate as Mexico. It was a good start, though not Funaro's ultimate ambition, which he had expressed Feb. 26: "I expect within the next months to use Mexico's fight with the bankers over interest rates like a judo fighter, to win better rates than Mexico."

So much for the solidarity among debtors which the Cartagena Group proclaimed at its Punta del Este meeting on Feb. 28! Funaro, of course, did not go to the meeting. Brazil has "astutely" played off the hardships of others, but has consistently thwarted efforts to unite debtors to reform the world financial system so that real investment and growth could take place.

How much was Brazil rewarded for fighting against both inflation and debtor unity? Funaro himself gave the figure of \$150 million. That is, just over 1% of the \$11 billion Brazil will pay in interest this year.

Further interest relief is dependent not on inflation statistics, which bankers really could care less about. The critical question is whether Brazil continues to divest ownership of such strategic industries as the state oil company, Petrobras, and the state mineral company, Vale do Rio Doce.

The banks that Henry Kissinger represents demand their debtors cut "inflation," because "shock therapy" gimmicks generally end up handing a country's natural-resource and industrial base over to foreign interests. The Brazilian government has been milking the state-run productive sector so much that companies have to sell off assets in order to fund priority projects. As a prelude to the Cruzado Plan, it increased tax collections by 10% in real terms last fall. Any "anti-inflation" move which implies further budget cuts or tighter credit, will cause further divestment, and further domestic recession.

The real cause of Brazil's inflation is the incredible cost borne by the domestic economy so that Brazil could export double what it imports and use the \$12-13 billion trade surplus to keep current on debt interest payments. There are a myriad of these costs. The Brazilian government wastes the equivalent of \$2 billion per year in subsidizing alcohol production (see page 9) to achieve marginal foreign exchange savings. Brazilian steel sells cheaper in Baltimore than in Sao Paulo, thanks to generous export subsidies, fuel discounts, tax rebates, bounties, and losses taken by producers on export sales. The population pays in a myriad of ways, which boil down to radical cuts in consumption levels. When the government briefly let consumption recover a bit at the end of last year, without allowing imports to increase, inflation started to mount.

So long as Brazil continues to sabotage debtor unity, it is doing nothing but wearing out its population and its productive apparatus, if not giving it away to creditors to pay unpayable debts.

Curtain drops on the farce of the Brazilian experiment in 'gasohol'

by Lorenzo Carrasco

Since 1979, the forecasts of the LaRouche-Riemann economic model have indicated that the Brazilian energy program, which called for replacing gasoline consumption by combustible alcohol ("gasohol"), was an incompetent farce, and that it would lead, sooner or later, to a debacle, bringing in its wake far greater losses than the apparent short-term benefits. The predictions, which first appeared in *Fusion* magazine, foresaw the same effects from the solar energy program put forward by then-U.S. President Jimmy Carter.

Except for a few crazed environmentalists who kept on worshipping the Sun, the solar energy program has fizzled out, while Brazil's alcohol program underwent a strong expansion, to reach the stratospheric production level last year of nearly 10 billion liters of alcohol, and is expected to climb this year to 12 billion liters. Such production levels have required devoting more than 4 million hectares of Brazil's best arable land to the program, and the labor of more than 1.5 million workers and peasants who are dying of hunger and overwork.

The fall of oil prices casts any remaining argument in favor of this program on the garbage heap; anyone who defends it at this point is either a hopeless idiot, or belongs to the tiny band of landowning oligarchs who found in Pro-Alcohol an ideal means of securing the ownership of their absurdly vast land holdings under the justification that they were lending "a service to the nation," while pocketing the juicy subsidies dished out by the federal government.

Thus, the so-called Brazilian energy miracle, Pro-Alcohol, has been, when you get right down to it, the biggest farce mounted by the sugar barons, to fill their pockets at the expense of Brazilian taxpayers. Last year alone, the staggering energy inefficiency of alcohol earned the producers of that fuel the fabulous subsidy of several hundreds of millions of dollars. If the policy of government support for Pro-Alcohol continues, it will cost Brazil more than \$100 million a month, *merely in price subsidies*, according to calculations put out by the state oil firm, Petrobrás. (Because of alcohol's energy inefficiency, one liter of gasoline is replaced by 1.3 liters of alcohol and at the cost of much greater corrosion of the vehicle.) Since alcohol, by Brazilian law, must cost 65% percent of gas, the difference is subsidized by the State. Likewise, the prices of alcohol-driven cars are kept down by

certain tax exemptions. In other words, the greater cost of a car running on alcohol, which has a shorter lifespan, is government-subsidized.

Through such subsidies, the alcohol producers have received a total of nearly \$20 billion since the program began about a decade ago, rather than the \$8 billion official figure. According to investigators Fernando Homem de Melo and Eli Roberto Pelin, Petrobrás, with a \$10 billion investment—a lot less than the government handout to the alcohol interests—raised oil production from 168,000 barrels per day in 1973 to 600,000 barrels per day in 1985, a rise of 432,000 barrels, which compares to only 140,000 barrels-equivalent per day in alcohol. And the alcohol producers, with this low



productivity, occupy millions of hectares of the best fertile land in Brazil.

According to the same investigators, in 1981 the cost of a barrel-equivalent of alcohol was \$80, but by 1983 the cost of production was \$73.4 dollars per barrel-equivalent. This drop was due first to over-harvesting in the state of Sao Paulo, which went from three to four cane cuttings per year, and second, to the drop in production costs due to the cheapening of manpower and industrial inputs in this period.

The absurdity from the energy standpoint is seen in that while in 1983 the cost of a barrel of gasoline refined domestically with imported oil was \$41 (and sold retail in Brazil for \$120, with the difference being used mostly to pay the subsidies to alcohol producers), the equivalent in alcohol cost \$73.4 dollars. The drop in oil prices has made this price gap a yawning chasm.

Energy flux density

These differences in monetary costs are not due to "market circumstances," as the alcohol producers and the auto-makers claim. The problem is more basic. Since September 1979, *Fusion* magazine has warned against the establishment of the Pro-Alcohol program because the entire process had a very low energy-flux density. As is shown by **Table 1**, alcohol, as biomass energy, has the lowest energy flux density, even lower than solar energy. A square meter planted in sugar cane produces during one year a maximum of 3.7 liters of alcohol. From this quantity we must subtract the corresponding area occupied by the process of refinement or distillation. With this amount of alcohol we could run a *light bulb of less than one watt per year!* As can be seen in comparing the other sources of energy, this system turns out to be absurd. The best form of using biomass energy is to produce food, cultivating the earth with the highest technologies.

The high inefficiency of Pro-Alcohol reached the limits of criminality, as can be seen by the following data: During 1985, about 10 billion liters of alcohol were produced (see **Table 2**), which meant more than 4 million hectares planted with sugar cane in the most fertile lands of the country of the south-central zone, especially the state of Sao Paulo. For this year, the installed capacity already exists to produce 12 billion liters, and for 1990 the thinking has been to double the present alcohol production for fuel, which would mean about 10 million hectares supporting this industry. In this area, we are not quantifying the surface occupied by the 380 immense alcohol refineries and the new ones that would have to be built.

Busbusinessman João Augusto Gurgel points out that, given that a ton of cane produces between 60 and 75 liters of alcohol, to supply the fuel for a taxi for one day of work, one needs one ton of sugar cane. We can finish the calculation by saying that if this taxi runs 350 days a year, in that year it would consume more than 26,000 liters of alcohol. Since one hectare produces 60-70 tons of cane and, therefore, 3,700

liters of alcohol, the bottom line is that to move a taxi for one year we would need about 7 hectares of very fertile land! To run a private car would take more than a hectare of land per year. To move 2.5 million alcohol-fueled automobiles, more than 4 million hectares are being planted, and more than 1.5 million workers and peasants work directly or indirectly in the production of alcohol.

This alcoholization of the economy has led to a reduction by 17% of the area allotted to food production for internal

TABLE 1
Energy flux density

Energy source	Power density (kilowatts per square meter)
Solar-biomass	.0001
Solar-earth surface	.2
Solar-near solar orbit (5 million miles)	1.4
Fossil	10,000
Solar at sun surface	20,000
Fission	70,000
Fusion (early commercial)	70,000
Fusion (theoretical limit)	over several millions of trillions of watts

TABLE 2
Brazilian gasohol output

Year	Alcohol production from sugar cane (thous. liters)	Required arable land area* (thous. hectares)	Alcohol sales (number)
1975	175	47	
1976	175	47	
1977	636	172	
1978	1,510	408	
1979	2,210	597	
1980	2,591	700	241,000
1981	3,036	820	137,000
1982	4,165	1,126	234,000
1983	5,822	1,400	590,000
1984	7,864	2,000	590,000
1985	9,244	3,243	590,000
1986	12,000	(+) 4,000	** 2,400,000

* Arable land calculated on a productivity rate for sugar cane per hectare of 60 tons per hectare; and a rate of conversion into alcohol of 3,000-3,700 liters per hectare.

** Number of existing alcohol-driven vehicles at the end of 1985.

consumption. It is now being used not only for growing sugar cane, but other export products such as soybeans, coffee, and oranges. These four products currently occupy about 35% of the cultivated area of Brazil, optimistically estimated at 50 million hectares. With the 4 million hectares devoted to sugar cane, the food problems of the entire population of Brazil could be solved.

Schachtian model of slave labor

The reasons why Pro-Alcohol initially seemed to work were three:

First, oil prices were extremely high. But even assuming this condition, the Pro-Alcohol program could never have produced at prices below that of gasoline, if it were not for the other two conditions.

Second, the government granted huge subsidies to the production and refinement of sugar cane, with subsidized credits at negative interest rates, or even written off. Above all, the government stopped collecting taxes on the potential production of the area now cultivated in sugar cane, and stopped collecting the taxes owed by the landholders who owned these immense tracts of land. For these conditions the government paid, in fact, out of the national coffers, the usury of ground rent to these latifundist "patriots."

Gasohol pushed on U.S. farmers

Despite the fiasco of "gasohol" in Brazil, there is a major push in the United States for production of the absurdly inefficient energy source, combustible alcohol, from valuable foodstuffs, particularly corn. Desperate farmers are being pushed into this as a means of getting rid of surplus crops. The U.S. industry currently uses about 500 million bushels of corn to make ethanol, the octane-enhancing additive which is used in unleaded gasoline. Interestingly, this industry has "boomed" since the environmentalists succeeded in their campaign against lead in gas. The high price you pay for unleaded gas includes the subsidies to the ethanol industry.

The biggest distiller of corn alcohol is Archer Daniels Midland (ADM) of Decatur, Illinois, which has grown so rapidly that it nearly ranks with the major grain cartels. ADM in 1984 produced over 300 million gallons of ethanol, a large percentage of the industry. On the board of ADM are, among others, Mrs. Nelson Rockefeller and Robert Strauss, the former chairman of the Democratic National Committee from the days of Jimmy Carter.

Third, the most serious and the principal key to the "success" of the Pro-Alcohol program is that the country legitimized a system of intensive labor which keeps several million peasants enslaved. Whereas a peasant in one day of work, for example, in cutting cane, uses up more than 4,000 calories per day, he receives as payment the equivalent of that—for himself and his entire family. This is the reason why the president of Volkswagen in Brazil, Wolfgang Sauer, enjoys repeating, "the alcohol-fueled car is an authentic Brazilian miracle."

This model of super-exploitation of labor power was promoted by Adolf Hitler's economics minister, Hjalmar Schacht, starting in 1933, and led later to the organization of the concentration camps under the Nazi terror. Schacht imposed this program by making people believe that intensive labor was a national strategic imperative for Germany to fulfill the conditions imposed by the international bankers through the Versailles Treaty. With this same twisted reasoning, the Pro-Alcohol program was imposed in Brazil, to run 2.5 million cars with the genocide of millions of human beings who toil in bestial conditions in the fields.

Who benefits from Pro-Alcohol?

As we indicated, it was a nucleus of latifundist Brazilian and European families who discovered the horn of plenty in Pro-Alcohol. The whole business was fraudulent from start to finish and marked by the role of the transnational automobile manufacturing companies.

An irony which should not escape the reader's attention is that while Brazil's "gasohol" boondoggle has received the biggest government handouts in history, prominent among the beneficiaries are such apostles of "free enterprise" as ex-U.S. Treasury Secretary Bill Simon, a bitter foe of state intervention to foster *productive* industry and author of the introduction to the book *Free to Choose*, by Milton Friedman, the high priest of "magic of the market place" economic theories.

This has to do with a peculiar financial organization which was born with Pro-Alcohol: *Brasilinvest*. Its president, Mario Garnero, founded it in 1975, the same year in which, as director of Volkswagen of Brazil and president of the National Association of Vehicle Manufactures, he launched the Pro-Alcohol program. He gained his Volkswagen post by marrying the daughter of Joaquín Monteiro de Carvalho, who is chairman of the powerful economic group, Monteiro Aranha. This group in turn bought up the Volkswagen stocks at the close of World War II, cashing in on previously concluded barter deals of grain for machinery, which had been worked out by the Nazi financial "wizard," Schacht.

Among *Brasilinvest*'s partners were found, when the institution was liquidated last year, Wolfgang Sauer, president of Volkswagen of Brazil, and the president of the airline company Varig, Hélio Smidt, who turned up as a former member of the board of directors, alongside U.S. Secretary

of State George Shultz and ex-U.S. Treasury Secretary William Simon. (Simon jumped off the sinking ship one month before Brasilinvest's bankruptcy was announced, but went to Brazil to testify as a character witness for Mario Garnero!) The network of Brasilinvest partners and executives is lost in the muddy waters of the transnational auto assembly plants. One example is Newton Chiaparini, vice-president of Brasilinvest, and ex-vice-president of Ford Motors. Garnero himself, besides having been a VW executive, kept tight relations with Gianni Agnelli, the owner of the giant Italian auto firm FIAT, and had interceded with the late Brazilian President Tancredo Neves in FIAT's favor.

And so, in 10 years, Garnero succeeded in making Brasilinvest into one of the biggest financial groups in Brazil, with a network of operations in the Bahamas, Panama, Switzerland, and Liechtenstein, the notorious centers offshore banking centers, which allow every kind of money laundering and capital flight operation.

In early 1985, as a result of investigations by the Treasury Ministry, Brasilinvest was ordered liquidated for having carried out fraudulent operations, for issuing financial instruments out of thin air, without backing. For these proven financial crimes, Garnero, an erstwhile agent of the U.S. State Department, deserved to be jailed, and this was demanded by the Treasury Ministry and the Justice Department's prosecutor. But from then on, the judicial process against Garnero got bogged down, and in the end he got off the hook, when the Central Bank allowed Italy's Ferruzzi group to buy up Brasilinvest, in partnership with the Monteiro Aranha group. Thus, the former brother-in-law of Garnero, Joaquin Monteiro de Carvalho, who owns 10% of the stocks of VW Brazil, picked up the tab on the mess—but everything stayed in the family!

The Ferruzzi group, headed by Italian entrepreneur Raul Gardini, is not exactly alien to the sugar business. Besides producing grain, concrete, cement, ships, and tents, it holds the reins of the biggest sugar monopoly empire in Europe. The Ferruzzi group is the main producer of sugar in Italy, and the main producer of sugar in France, besides controlling a large volume of soybean imports and owning 800,000 hectares of land between Brazil, Paraguay, and Argentina.

It must be remembered that the Monteiro Aranha group was a key part of the Atlantic Community Development Group for Latin America (ADELA) created by Nelson Rockefeller to run the policy of the big oligarchist interests in Latin America. Among the creators of ADELA were FIAT's Gianni Agnelli and Olivetti/FIAT executive Aurelio Peccei, who founded the Club of Rome to push a genocidal policy toward the Third World. It was precisely the year of the creation of the Club of Rome when the Pro-Alcohol program got under way in earnest in Brazil, spurred by the same wealthy families and having the same genocidal aim—the reduction by any means possible of the “non-white” populations of the world.

Why did VW have so much interest in the Pro-Alcohol program? Not only does it produce 250,000 alcohol-fueled

cars per year. VW is the biggest feudal landlord in Brazil, together with Italian-based Pirelli conglomerate and the Swiss-based Nestlé. These are part of the 342 landholders who own 47 million arable hectares in Brazil.

These Brazilian and European families are the only ones who benefit from such an energy program, which has to be one of the major causes of internal inflation in Brazil. It is this clique of families that has let loose its dogs, in the Society of Sugar and Alcohol Producers (SOPRAL), in the National Society of Vehicle Manufacturers (ANFAVEA), among the distillery producers, and in the Central Cooperative of Sugar and Alcohol Producers of Sao Paulo, to howl and bay against those who want to impose reason, and dismantle the insanity called Pro-Alcohol.

Fuel from food in Europe, too?

Recently, a proposal circulated in Europe to produce ethanol with Common Market surpluses, i.e., fuel made substantially from grain, and alleged to be more economical, cleaner, and more “ecological” than petroleum. The proposal came from the Ferruzzi group, headquartered in Ravenna, Italy, one of the biggest agricultural groups in Europe and the world—and a leading player in the Brazil Pro-Alcohol hoax.

The Ferruzzi group, managed by Raul Gardini, is quoted on the Milan stock market, but its empire extends to every corner of the globe. It has land and livestock in Paraguay, Brazil, and the United States, and finance companies in Luxembourg, Belgium, France, the U.S.A., and Brazil. Its annual turnover surpasses \$4 billion. Ferruzzi is the only Italian firm, besides the Venetian insurance giant Assicurazioni Generale, to have been recognized by Edmond de Rothschild, the “Swiss-Venetian” financier, as having international stature.

The Ferruzzi group is said to be allied to Italian financier Carlo De Benedetti, who recently made an unsuccessful bid to buy the Italian state-held food finance company, SME, as part of a growing trend toward the takeover of Italy's food processing companies by multinational financial blocs. De Benedetti has been praised by Henry Kissinger as his favorite European entrepreneur. Among the partners in De Benedetti's finance company, COFIDE, is First Boston International bank, whose chief executive officer, Pedro-Pablo Kuczynski, was indicted by the Peruvian government for illegal practices during his term as Peru's Mining Minister.

'Privatization' to ravage German economy

by William Engdahl

West German Economics Minister Martin Bangemann (Free Democrat) has just won the agreement of Chancellor Helmut Kohl's coalition government to a series of proposals which, if implemented, will ensure that the remaining industrial base of West Germany will go the way of that of Britain and the United States. Bangemann's *Annual Economic Report*, on the theme "dismantling dirigism," calls for selling off state-owned enterprises, using the fashionable liberal term, "re-privatization." The document has been approved by the entire cabinet as government policy.

Bangemann proposes to remove the last of the protective barriers which West German industry has built up over a century and half, and which restrict "wild west" stock-market speculators from using the bourses to play with major industries as though they were chips on a Monte Carlo gaming table. The proposals will remove taxation on stock transactions, open medium-size companies to the lure of the unregulated bourses, and sell off such state enterprises as Veba, VW, and Salzgitter. Even Lufthansa, Airbus, and the Bundesbahn (Federal Railway) can become targets for privatization. In the 1920s, Hjalmar Schacht, Hitler's economics minister, opened German steel and other industry to the looting of the London and New York financiers around Morgan Bank. That swindle was known as the Dawes and Young Plans after the signing of the Versailles Treaty. But Schacht would drool in envy to see what Herr Bangemann and his colleagues now want to impose on a largely unsuspecting German nation.

The Thatcher model

The "privatization" frenzy of recent years swept from Thatcher's bankrupt England, via her Swiss-based economics advisers, to Ronald Reagan's Washington, and now threatens the industrial capacity of Western Europe. The Bangemann strategy is "Made in England" by Swiss tailors. With finishing touches by such as the Kiel Institute's Herbert Giersch, Germany's "privatization" actually originates with an elite circle of secretive economists around the aged Friedrich von Hayek, Milton Friedman, Max von Thurn, and Karl Brunner—the so-called Mont Pelerin Society. These "economists" go so far in their "free market" economics (read: usury) as to call for the legalization of heroin.

In 1979, Britain's "Iron Lady," Margaret Thatcher, came into office with a commitment to dismantle the state sector

and reduce the role of government in economic policy. Thatcher's private economic advisers were coached by Prof. Karl Brunner of the Mont Pelerin Society. Brunner, who alternates between residence Geneva and New York, has been perhaps the single most influential strategist of the "Thatcher Revolution" and the Reagan "Supply-Side Revolution." As a result of the policy imposed by Thatcher's retreat from dirigism, British industry is a wreck of rusty, outmoded technology.

Britain's most important asset of recent decades, the vast reserves of oil and gas discovered in the North Sea, has been turned over to private companies which are presently collapsing investment in the area because it is cheaper for them to get oil on other markets. Already privatized under Thatcher's program are Britoil, the state oil company; National Telecom, the telephone and telegraph utility; Associated Ports Holdings, the national harbor authority; British Petroleum; British Gas; British Airways; British Shipbuilders; and British Aerospace. It is now proposed that the state sell off the National Water Authority, which regulates the provision of basic drinking and industrial water to the nation.

Junk bonds and stock bubbles?

The sale of German state enterprises to the "private sector" is only one side of what has become the biggest stock swindle in human history—worldwide deregulation of financial markets. This scheme, the most ambitious project of the Mont Pelerin strategists, will make banking nothing but one vast money-laundry for moving hundreds of billions in world criminal revenues into the takeover of entire national economies. The model for this fraud is the New York Stock Exchange and the development of what are known as "junk bonds."

Last year, through one firm, Drexel, Burnham, Lambert, with headquarters in New York, \$47 billion was raised in so-called junk bonds to finance huge, speculative corporate takeovers.

Under recently passed U.S. laws, financial markets are effectively removed from any and all state control and supervision. They can literally "get away with anything." An estimated 70% of the "boom" in the U.S. stock market in the past three years has come from purely speculative stock mergers or rumors of mergers, financed largely by "junk bonds."

Revisions of U.S. law, very similar to what Herr Bangemann plans to impose in the Federal Republic, permit tiny, often unheard-of firms with assets of millions to take over billion-dollar giants like Gulf Oil, Bethlehem Steel, or Trans World Airways. Names like T. Boone Pickens, Carl Lindner, Saul Steinberg, Vic Posner, Stephen Wynn of the Atlantic City "Golden Nugget" casino, people who, a decade ago, were buried in the dark recesses of arbitrage or "loan sharking," suddenly become "respectable" giants in corporate America. How?

Junk bonds are totally unsecured debt—or rather, debt

secured only by the value of the firm to be taken over by use of the borrowed funds. Thus, a small firm, targeting a corporate giant, uses, not its own net worth, but the net worth of the targeted giant to secure the loan. The borrowed debt is then repaid by "asset stripping" of the victim company. Thus, in one case, little-known Triangle Industries, with a net worth of \$65 million and annual sales of \$2 million, borrowed \$428 million at 18% interest. Why? In order to take over one of the top 500 U.S. industrial companies, National Can Corporation, with assets in the billions.

The loans come to this select circle of takeover specialists from one company, Drexel, Burnham, Lambert of the Belgian Baron Lambert. Drexel raises capital from international sources in the form of junk bonds. (Because junk bonds are totally unsecured, if the firm goes into bankruptcy, holders of these bonds get nothing for their paper. Hence the name "junk.")

Drexel, Burnham, Lambert is reliably reported to be linked to the murky world of offshore money laundering and the secret Luxembourg, Swiss, and Panamanian bank accounts used by the narcotics mafia to "launder" billions in illegal drug revenues back into the legitimate economy. Gambling casinos such as those in Las Vegas have been run by organized crime since the 1930s for just this purpose. But as the revenues of criminal activity have soared in recent years, new innovations have been developed. Enter financial deregulation and "financial innovations" in world stock markets.

At the center of the "financial revolution" has been Donald Regan's Wall Street firm, Merrill Lynch. "Merrill Lynch, E. F. Hutton, these firms are synonymous with fraud," commented one veteran attorney in the Federal Republic familiar with a wave of law suits against these firms' branch offices in Germany and elsewhere. "Why else do Merrill Lynch or E. F. Hutton have offices in Lugano, Switzerland? The 'Pizza Connection' is only the one that got caught laundering illegal money across the Italian border into secret Swiss banking accounts."

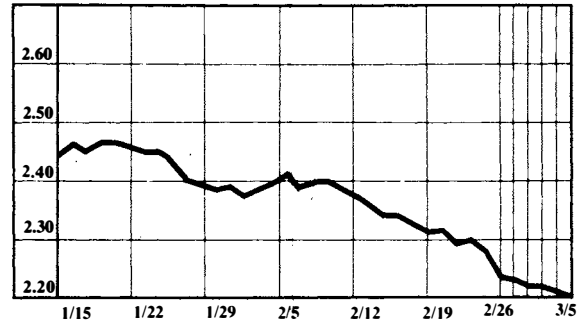
In October, under what is called by the financial speculators the "Big Bang," the City of London will complete the Thatcher process of deregulation of financial markets. At that point, 24-hour Hong Kong to London to New York computerized speculation in the billions will be unleashed daily. Frankfurt and other German bourses and banks are simultaneously removing the last vestiges of defense against this "offshore" attack. There will be no restriction on "foreign capital" coming in to buy up German industry, loot it of value, and sell the remains for scrap. Meyer Lansky's defunct Investors Overseas Services, the most famous money laundry of the 1960s, pales by comparison with this computer-age swindle.

Leading Mont Pelerin official Max von Thurn, relative of Bavarian financier Prince Johannes von Thurn und Taxis, three years ago delivered a speech in which he advocated government legalization of the "black economy." The Bangemann plan will do just that.

Currency Rates

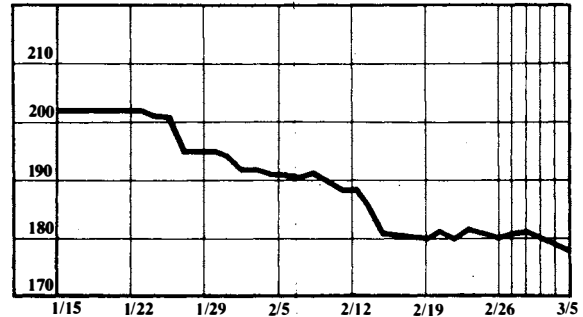
The dollar in deutschemarks

New York late afternoon fixing



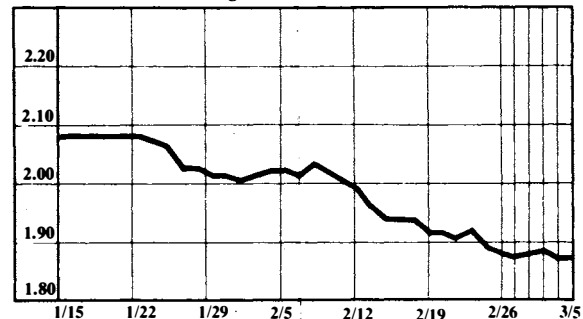
The dollar in yen

New York late afternoon fixing



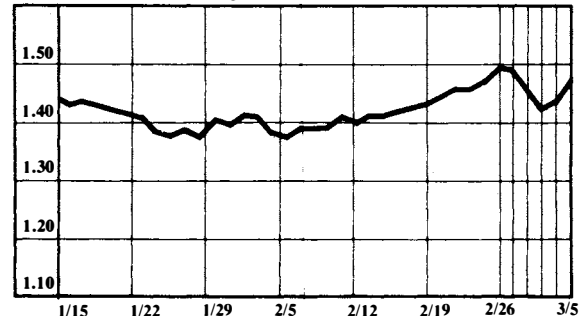
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Not the man for the job

The difference between Richard Lyng and John Block is "more style than substance."

Testimony was presented March 4 in the Senate Agriculture Committee on the matter of the nomination of Richard Lyng as the next secretary of agriculture. Lyng is just the kind of "grey man" that does not evoke controversy in Congress, so there were no sparks flying at the hearing, and confirmation by the committee came on March 5, by voice vote.

Lyng was state agriculture director in California from 1967 to 1969, and served in the USDA during the Nixon administration, and the first four years of the Reagan administration. From 1977 to 1979, Lyng was president of the American Meat Institute.

The state of disarray and collapse of U.S. agriculture as of March 1986 shows that only a "superman" could cope with the USDA job under the disastrous policy direction taken by the administration and Congress. Both government branches have acted under the myths that there are food "surpluses" in the United States, that lowering farm crop prices will promote "competition" on world export markets, and that everything will improve. In fact, serious food shortages will inevitably be the result of the current acreage reduction and farm bankruptcy programs, and world famine and epidemics will be guaranteed.

In the meantime, low crop prices are simply guaranteeing the domination and profits of the major food cartel export houses—Cargill, Bunge, Continental, Louis Dreyfus, André, and the rest.

Testimony to this effect was presented in writing to the Senate Agriculture Committee on March 3 by the National Democratic Policy Commit-

tee. On March 4, the day of the hearing, committee chairman Jesse Helms contrived the time and circumstances for the NDPC to speak in a way intended to play down criticism of the USDA.

Helms invited the NDPC spokesman, Gerald Kopp—a wheatgrower and Democratic Party contender for Congress from North Dakota, to speak soon after 12:00 noon. That is the time when the MUZAK goes on in the Russell Office Building corridors, so no one in the back of the hearing chambers can hear anything.

Just before introducing Mr. Kopp, Senator Helms publicly announced that Richard Lyng was welcome to leave at that time. So, Lyng did not have to meet the NDPC farm leader face to face.

Kopp began his testimony, "I am advising against the confirmation of Richard Lyng as secretary of agriculture, because, based on his previous USDA service record, and his performance to date, he has not shown himself disposed to take on the tasks of reversing the disastrous policies, and moral and bureaucratic breakdown, of the U.S. Department of Agriculture. The requirements that the next agriculture secretary must meet include, in particular, the willingness to stop the domination of USDA policies by Cargill, Inc., and similar cartel interests, through the office and channels of influence of Undersecretary of Agriculture Daniel Amstutz. Amstutz himself should be removed from his position on grounds of conflict of interest."

Amstutz joined the USDA in 1983. He had spent 25 years with Cargill,

and then established the commodities trading division of the Wall Street brokerage house, Goldman, Sachs. Since 1983, Amstutz has personally shuttled between Washington and Moscow to guarantee cheap U.S. food exports to the Soviet Union, and at the same time, has collaborated with George Shultz to initiate "food trade war" programs against U.S. allies.

During the Senate confirmation hearing, Lyng deferred to this policy, called euphemistically the "export enhancement program," by announcing that increased farm exports would be his top priority. Next month, for example, the rice "export enhancement" program goes into effect, in which government-owned Commodity Credit Corp. (CCC) rice stocks will be given for free (at taxpayers' expense) to the cartel rice exporters, to undercut farm exports of allies of the United States, like Thailand.

Ironically, the same week as the hearing, the Commodity Credit Corp. requested an emergency \$5 billion authorization from Congress to continue meeting its purchase obligations to farmers.

Lyng testified to the committee that the new five-year farm law, which lowers CCC and all price supports to U.S. farmers, will make their products more competitive. He used hem-rhetoric to reassure the committee he would conduct a "hands-on, full-pressure effort" to improve exports, which, he finally added, "would not be easy."

On farm bankruptcies, Lyng lamely commented, "I have a concern and compassion for these people and realize that USDA has a particularly significant role in trying to bring solutions wherever possible."

Perhaps his most accurate statement concerned the difference between himself and the outgoing John Block: It "would be more in style than in substance."

Pilots, attendants warn on safety

Under attack by the airlines' creditors, employees are publicly warning that safety has deteriorated beyond acceptable limits.

In an unprecedented action, brought about by "the pilots' concern over the reduced standards of safety since the airlines were deregulated in 1979," the pilots of United Airlines on Feb. 25 passed a "vote of no confidence" in United's flight management policy. The Master Executive Council, leadership arm of the 6,000 United pilots who belong to the Air Line Pilots Association, denounced United for its new policy "of merely meeting the minimum standards as set by Federal Aviation Administration regulations."

The council also revealed that United recently petitioned the FAA to have certain minimum standards reduced. Roger Hall, chairman of the council, said, "Considering the safety record of the airline industry this past year, the pilots of United believe safety standards should be raised, not lowered. This is an absolute necessity to insure the safety of the traveling public."

This striking development occurred in the context of the greatest turmoil in the nation's airline industry since deregulation. Two major airlines, TWA and Eastern, are embroiled in bitter disputes with their unions over cutbacks being forced by the depression conditions in the industry.

Eastern Airlines attendants, who settled on a new three-year contract on Friday, Feb. 28, narrowly avoiding a strike, have also denounced their airline for safety violations. New austerity-driven working conditions are "the

greatest threat to safety," Eastern Transport Workers Union spokesman Cathy Nelson told a Chicago press conference the day before the settlement. Under new work rules imposed by the company, she said, flight attendants are working up to 18 hours a day and spending, in many cases, more than 25 continuous days away from home.

The Eastern attendants accepted a new accord including 20% pay cuts, reduced vacation and benefits, and more flight hours. The mitigating factor in the contract was the company's agreement to rehire many of the 1,010 attendants laid off in February when the company moved to prevent liquidation by its more than 60 banking creditors.

Trans World Airlines attendants are heading toward a possible strike in early March. Like their Eastern counterparts, the TWA attendants have offered to take a 15% wage cut, but new TWA chairman Carl Icahn has demanded a 22% wage cut and a 23% benefit cut too, a condition the attendants have so far refused.

Icahn, one of the nation's leading "asset-strippers" (financiers who "save" companies by selling off their tangible assets) said that a successful strike might force him to "dismantle" the airline and sell the pieces. "I expect to be able to operate TWA with or without a settlement" with the attendants, Icahn told the press. TWA has trained about 1,500 reservations clerks to replace the attendants, and plans to hire 1,500 additional attend-

ants in the event of a strike.

The nation's airlines are victims of the vicious "free enterprise" vice created by the twin pressures of deregulation and high interest rates. Eastern's plight is paradigmatic. Eastern Airlines holds a debt of \$2.5 billion. When deregulation hit in 1978, the airline attempted to cut costs by modernizing. It was forced to incur debt at Paul Volcker's stratospheric interest rates, and today pays \$250 million a year in interest to its American and European creditors, led by Chase Manhattan Bank and Citicorp.

To ensure payment on that debt, the banks installed their chief "asset-stripper," Texas Air Chairman Frank Lorenzo, as new CEO at Eastern in late February. Lorenzo is a close friend of Chase Manhattan president and Tri-lateral Commission founder David Rockefeller. Mere mention of Lorenzo's name, so hated and feared by the unions, forced a quick settlement with all but the machinists, who refused to open their 1987 contract to renegotiation, as the banks demanded. Lorenzo last year purchased the bankrupt Continental Airlines, put it through Chapter 11 bankruptcy reorganization, and ripped up its union contracts.

The brutal treatment of the nation's airlines workers has ramifications not only for union members. The breakdown in what most Americans have considered to be untouchable safety standards is the direct result of the bankers' determination to break the airline unions and cut costs.

The fare war that has already begun as a result of Eastern's buyout by Lorenzo may bring airline passengers a few dollars in immediate savings. Its long-term effect, however, will be further cannibalization of the airlines' infrastructure, greater sacrifices demanded of the already-stretched workforce, and, necessarily, a rapidly declining safety situation for the nation's airline passengers.

Preparing for a debt conference

Many creditor countries have rejected OAU proposals to "globalize" the debt problem—but it may happen anyway.

A series of top level meetings are due to take place at the headquarters of the Organization of African Unity in Addis Ababa, Ethiopia over the course of March, preparing for two major international conferences on Africa.

The first is the United Nations Emergency General Assembly Session on Africa, due to take place from May 27-31. The two key themes there will be agriculture and debt. The OAU chairman and President of Senegal, Abdou Diouf, said in an interview to the *Frankfurter Allgemeine Zeitung* on March 4, that this U.N. conference "must not fail." A "development charter for Africa" should be signed at the session, whose central point will be the rehabilitation of agriculture.

Diouf is going to Germany March 17-20, after a visit to Austria, to seek support for his proposal. He will also visit Moscow, with the same aim. Soviet contributions to Africa's economic development have been virtually nil over the last 30 years.

The key question remains Africa's debt. Sources have stressed: "Unless the debt problem is solved, all other measures will be useless."

President Diouf has been campaigning broadly for the holding of a conference on African debt, and in the *Frankfurter Allgemeine* interview, he said that he would be calling for German support for such a conference on debt during his visit.

Diouf sees the danger, wrote the German paper, that too many technical details at the U.N. session will hide

the need for political steps to be taken. A Somali source said that Diouf is determined that the debt problem should not be handled by bureaucrats, but by Presidents and heads of government, as a political problem.

According to Diouf, in his talks so far, his call has been rejected: Every government has insisted that the debt problem can not be "globalized," but should be handled on a case by case basis. Only French President François Mitterrand supports him, he is reported to have said. But even the French bureaucracy has spoken out against such a conference.

Moves to strengthen South-South cooperation are being taken within Africa, very much along the lines of that *EIR* founding editor Lyndon LaRouche proposed for Latin America in his 1982 *Operation Juárez* document. During Tunisian Prime Minister M'zali's recent tour of West Africa—the first ever by a Tunisian government leader—discussions took place about increased barter deals, and economic and political cooperation between sub-Saharan countries and North Africa. The first results of this are a planned "Tunisian fortnight" in Ivory Coast and Gabon, a trade fare presenting Tunisian products to the public. Gabon's President Bongo spent four days on an official visit to Tunisia at the beginning of March to concretize efforts at collaboration.

Urgent solutions have to be found to Africa's economic problems: the falling price of commodities, including oil, is hitting Africa very hard.

Nigeria is being forced to freeze all import licenses, on which domestic industry depends, following the fall in oil prices, and one businessman was quoted in the *Financial Times* saying, "I have written this year off."

What could result from such problems was hinted at in an article in the weekly *African Concord*, by editor Lewis Obi. Writing on the shock that the fall in oil price had caused to the economy, he concluded, "No-one is certain what Nigeria would do in the circumstances [of a further fall in the price], but debt-servicing would certainly not be the priority of a country which had consistently earned more than \$7 billion yearly from oil in the past 10 years and would have to settle for slightly more than \$2 billion."

Zaire's President Mobutu is also hinting at action on his country's debt: In a speech given at the New Year, but only recently drawn to our attention, he pointed out that Zaire had implemented all the IMF's demands, and the result had been: "In three years, Zaire has paid a total of 1,371 million SDRs to pay its debt. During the same period, loans made to our country were only 893 million SDR. If you examine these figures, you will see that we are paying a lot without receiving anything in return. This is not fair for a young country which has to develop. . . . During these three years, the Zairean people has accepted deprivations and agreed to enormous sacrifices. . . . However, there are limits. . . . I do not lead sheep, I lead men. Rigor, payment of external debt, the 'bravos' and the congratulations, they are all good, but you can't 'eat' rigor, you can't 'eat' congratulations. I have another debt, a very important one: the one I have contracted to my people for its happiness and prosperity. When will I be able to honour this debt?"

Business Briefs

Ibero-America

U.S. to cut off aid to Bolivia

The U.S. government intends to cut off all new aid to Bolivia, until Bolivia wipes out at least 10,000 acres of coca bushes, the U.S. embassy in La Paz announced the first week of March.

President Victor Paz Estenssoro replied that the withholding of aid "endangers our delicate program of economic and political stabilization." The Bolivian military is now considering canceling some small joint maneuvers with the United States.

The aid involved totals \$1.5 million, but the fact of Bolivia falling into the bad graces of the United States suggests that pressures on Bolivia from the International Monetary Fund and bankers will escalate.

Almost simultaneously, on March 4, Hugo Banzer, Bolivian dictator from 1971 through 1978, was in Washington, D.C. as part of a secretive visit which will also take him to Europe and Israel.

Banzer, who overthrew an elected government and ruled during the period in which Bolivia was made into a cocaine paradise, was an "honored guest" at the 1984 Republican Party convention in Dallas. Banzer has a pact with President Paz Estenssoro to protect the regime from the workers' movement, but claims no responsibility for the government's failures.

Austerity

Panamanian workers in anti-IMF demo

Panamanian workers held the largest anti-International Monetary Fund (IMF) demonstration in Panama's history on March 4. Leaders of the National Council of Organized Workers (CONATO) said that 40,000 were in the street.

The demonstrators marched peacefully to the National Assembly, chanting slogans such as "Delvalle, respect us, or you go like Barletta," referring to the resignation last

fall of ex-President Nicolás Ardito Barletta, who was implementing IMF dictates. He was replaced by then-Vice President Eric Delvalle.

CONATO leaders were then permitted to go inside to address the assembly and condemn "undeniable pressures on our country from the IMF and World Bank." The speech given by a CONATO representative was broadcast on National Radio, which covers every session of Congress.

Nevertheless, the Panamanian government on March 6 introduced the legislative package demanded by the IMF and the World Bank. By all reports, this was the result of intense blackmail by the U.S. State Department.

That legislative package, the same as that which forced Ardito Barletta to resign, includes anti-labor changes in the labor code, and reforms in investment laws to allow foreign capital to take over companies and local markets. The reforms are opposed by both labor and industry. The whole package is expected to be approved by the Congress on March 10.

The Panamanian labor movement immediately held an extraordinary general assembly, in which they decided to hold a general strike March 10.

U.S. 'Recovery'

Measures to liberate the poor from 'dependence'

In a desperate effort to cut the domestic side of the federal budget to conform to the dictates of the Gramm-Rudman law, President Reagan has called for a cap of \$10,990 as the maximum income allowable for families receiving federal assistance through any combination of welfare, Medicare-Medicaid, subsidized housing, and other such programs. That figure represents the official poverty line for a family of four.

Right now, the percentage of recipients of such programs with incomes above the poverty line ranges from 46% for Medicaid to 27% for subsidized housing. Thus, the "cap" would create hordes of "new poor." In addition, in six months' time, as inflation

continues to soar—despite administration claims—the poverty-line ceiling will crush more and more families.

The proposal, which the President is pushing as a way to "disentangle" the poor from "dependency" on the federal government, attacks the welfare system for destroying families, eliminating work incentives, etc.

Development

García buys into Nestlé milk production

Peruvian President Alan García's government will buy out 15% of the Nestlé milk plant in Arequipa.

Peru will make its investment in terms of new packaging equipment so that milk can be provided more cheaply to the poorest sectors. García, while visiting a poor Lima slum, stated: "It is preferable to drink powdered milk packaged in plastic bags that would cost 5% of the milk's total price" than wasting one-third of the cost on cans for the evaporated milk Nestlé now markets.

He also condemned Nestlé, a Swiss-based food-cartel giant, for having a "monopoly" over milk in Peru. It takes powdered milk imported and subsidized by the government, only to add water, can it, and sell it.

International Trade

U.S.S.R., Kuwait sign agreements

The Soviet Union and Kuwait signed important oil market and banking accords in February. According to the Feb. 11 KUNA news agency of Kuwait, the protocols include joint construction of oil installations and other projects in the two countries, as well as the building of such facilities in third countries; an agreement to regularly exchange information on conditions in the oil markets; and an agreement to cooperate on

Briefly

trade exchanges involving oil and its by-products.

The protocol also provides for "financial cooperation between banking institutions in the two friendly countries. . . ."

They also stated something the Russians have never before said, and certainly have never done, their intention to jointly lend assistance to underdeveloped countries in developing their national economy, and to implement oil projects as well as energy and irrigation schemes in third countries.

Labor

Turkish workers demand strike rights

On Feb. 22, more than 20,000 workers seeking greater union and strike rights staged Turkey's first protest rally since the September 1980 military coup.

Approximately 3,000 police cordoned off Izmir's Republic Square and searched workers attending the rally, organized by the country's largest trade union confederation, Turk-is.

The demonstration was held under the slogan "Bread, Peace, and Freedom"; Some demonstrators, however, chanted slogans calling for the government's resignation.

Turkey has been under intensive strategic pressure from the Soviets and their ally Syria, as well as from Greece, while U.S. military aid has been held up. The nation is known to be on the same U.S. State Department destabilization list which featured President Marcos of the Philippines.

'Free Enterprise'

Reagan reverses stand on oil-import fee

Acting on the advice of his arch-"free enterprise" Counsel of Economic Advisors chief Beryl Sprinkel, President Reagan in early March definitively rejected an oil import fee as part of a larger tax-reform package, over

which he is now wrangling with Congress.

Earlier, on Feb. 4 Reagan had stated that such a tax might be in order, to offset some changes in tax laws that would otherwise tend to discourage investment in oil-production. Now he says he's thought better of it.

The fee, more importantly, would also have functioned as a protective measure, safeguarding domestic producers against the ongoing collapse of international oil prices.

This decision followed testimony by Deputy Assistant Secretary of State E. Allen Wendt to the Senate Finance Committee that an oil import tax would "set back relations with our neighbors and closest allies," and "strengthen the hand of unfriendly elements in key developing countries."

At the same hearing, Texas Railroad Commissioner Mack Wallace testified that 30% of the nation's oil producing capacity will be shut down if prices remain at the \$15 per barrel level for another six months.

Disease

AIDS situation called 'terrible,' but secret

"The plague of the 20th century," has been the theme of a conference on "AIDS, A Problem of Public Health," taking place in Madrid, Feb. 27-March 1. The conference has been co-sponsored by the National Center of Microbiology, Virology and Immunology, and Administration, of Madrid.

According to speakers, the number of cases of AIDS in Spain has risen from 8 in 1983 to 83 in 1985. Cases are expected to double within the next six months. One speaker revealed that the spread of AIDS in Spain is greater among heterosexuals than homosexuals, for various reasons, one being that Spain must import blood for its hospitals from countries with high incidence of AIDS. This has exacerbated the situation, particularly in Madrid.

One speaker at the event was Dr. D. Armstrong of the Cornell University Medical College in New York City, who reported that the AIDS situation in New York is "terrible." He said that panic has not yet hit New York, because of various panic-prevention measures and a "good publicity campaign."

● **ABOUT 10,000** people are applying for *only 270 jobs* at the soon-to-open General Electric plant in Buffalo, N. Y. The jobs are to overhaul New York City subway cars.

● **MEXICO** will de-nationalize \$1 billion in state-sector industries, Planning Minister Carlos Salinas de Gortari said in late February. He was quoted in the *Financial Times* saying "at least" 80 more public companies would be put on sale, including Mexicana airlines. The *Financial Times* believes the government will persist in efforts to sell half of the \$3 billion Sicartsa steel complex to Japanese interests.

● **SAUDI ARABIAN** Oil Minister Zaki Yamani blamed non-OPEC producers for the collapse of world oil prices, and he called on Japanese Prime Minister Yasuhiro Nakasone to take up the issue at the May economic summit. Yamani said he hoped that Britain and other oil producers outside OPEC would help stabilize the market by curtailing production. Britain "was not cooperating," Yamani said.

● **THE U.S.S.R.** plans to increase shipping and trade links with Singapore, according to Soviet Trade Representative M. A. Vilenchik on March 4. He said that some 965 Soviet ships passed through Singapore last year, making the Soviet Union the leading merchant navy in the area. Despite a decline in Soviet-Singapore trade in 1985, Vilenchik said his country was "exploring ways to expand economic ties."

● **DR. STEPHEN BARRETT**, a psychiatrist from Allentown, Pennsylvania, in the keynote address at the 115th annual California Medical Association Convention the first week of March, said that "medical quackery" is a \$10 billion business in America. It is not known if he included psychiatry in that category.

Disastrous cuts in 1987 budget for fusion power

Charles B. Stevens reports on the consequences of amputating America's most promising energy source of the future.

Soviet physicist Academician Nikolai Basov, the scientist who shared the Nobel Prize for developing the laser, announced to the 27th Congress of the Soviet Communist Party in Moscow at the end of February, that inertial fusion could be perfected for industrial applications before the year 2000. Evidence is already emerging that Mikhail Gorbachov's chief science adviser, Yevgenii Velikhov, has perfected a combined form of inertial and magnetic fusion energy production for powering space-based beam weapons.

These developments serve to underline the shocking inadequacy of the budget for fusion power research and development proposed by the Reagan administration for Fiscal Year 1987. If passed by Congress, it will undermine any prospect for development of commercial fusion power on the timetable proposed by scientists during the Carter administration; it will put a brake on any effort to reindustrialize the U.S. economy over the coming decades and, more immediately, it will sabotage President Reagan's Strategic Defense Initiative (SDI) project for developing effective missile defenses, since the technologies required for achieving "break-even" in fusion power, are closely interrelated with those required by an antiballistic missile defense system.

Although the proposed budget might appear to be a linear continuation of previous real cuts implemented each year since the Carter administration in 1976, the cumulative impact has reached a point where the very scientific base of this essential program is endangered. Further cuts mandated under the Gramm-Rudman bill will intensify this process.

The actual appropriations from 1976 to 1986, together with the FY 1987 Reagan request for magnetic fusion re-

search, are shown in **Figure 1**. The dotted line plots the projections made by the government in 1976 for the budget necessary to realize commercial fusion electric power plants by the year 2005.

As the figure shows, the actual budget is now at about one-third the level needed for fusion energy development, by the government's 1976 projections. The proposed 1987 budget will cut deep, as funding descends to levels below those of 1976.

Whereas previous cuts have primarily undermined the technological prospects of realizing the commercial potentials of fusion energy, the current round of cuts will destroy substantial portions of the program's scientific base. The scientific manpower of the fusion program will be reduced to a fraction of what it was in mid-1970s. The proposed cuts will mean lay-offs for scientists, engineers, and other staff in university research programs throughout the country. Highly trained researchers working on basic theoretical issues will find themselves with no job in the plasma physics field.

This disaster is exacerbated by the distribution of the remaining resources of the program. To a government accountant, it might appear more rational to maintain a large, capital-intensive experimental facility, than to fund a diversity of smaller efforts with higher operating costs per scientist. But the direct result of this reasoning is that the proposed budget cuts will wipe out large areas of basic fusion and plasma research. The situation is aggravated by the fact that government estimates of inflation rates are generally much too low, particularly for scientific R&D.

Ironically, despite the continuing trend of budget cuts

since 1976, the U.S. fusion program has been able to meet—and in many cases substantially exceed—all of the scientific goals projected in the 1976 government study. As **Figure 2** shows, there has been consistent progress as fusion experiments have moved toward meeting the physical parameters needed for fusion energy production. It is now likely that both the European JET tokamak and the U.S. light ion beam PBFA-II (Particle-Beam Fusion Accelerator) at Sandia National Laboratory will demonstrate the conditions needed for substantial net energy production—despite the fact that neither device was originally designed to attain this goal.

As the budget has decreased, the economic stakes have increased. In recent years, studies of fusion's economic potential—such as those carried out under the direction of Dr. John Nuckolls of Lawrence Livermore National Labora-

tory—have shown that current economic potential for fusion energy is far greater than that originally projected in the mid-1970s. According to one 1983 study, fusion has the potential of producing electrical energy for as little as half the cost of current and future nuclear fission and fossil fuel power systems, and commercial prototypes could still be achieved before the year 2000.

A detailed review of the FY 1987 budget request demonstrates that this potential is being forfeited and that substantial segments of the scientific base are being gutted. **Figure 3** gives a breakdown for the magnetic fusion R&D program from FY 1985 to FY 1987 in current dollars.

It should be noted that it is impossible to give any comparable analysis for the inertial confinement laser and particle beam pellet fusion R&D effort, because this program was not even given a separate budget line in the current request. The detailed figures for this program will not be released until and unless the directors of the U.S. national laboratories—Los Alamos, Sandia, and Lawrence Livermore—decide to make them available. In FY 1986, the Reagan administration had proposed a zero budget increase for inertial confinement.

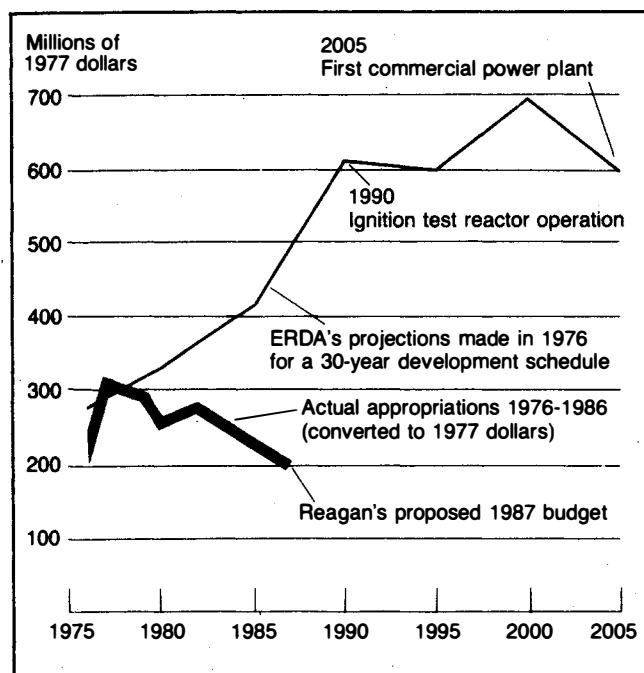
We present here the situation with each subprogram of the magnetic fusion program.

Applied Plasma Physics. This subprogram is directed at developing the fundamental scientific knowledge of the nuclear fusion process and the extremely high temperatures—from tens to hundreds of millions of degrees—needed to ignite it. This subprogram represents the scientific core of the fusion effort. It funds the small groups of theoreticians and experimentalists based within the universities and colleges of America. These smaller-scale efforts complement and reinforce the larger, national laboratory-based experiments, such as the Princeton Tokamak Fusion Test Reactor. The smaller, university-based programs provide the essential environment for a full scientific elaboration of discoveries made on these larger experiments. The Applied Plasma Physics subprogram relies on people and ideas more than hardware. It provides fertile ground for the development of entirely new concepts.

Most of the international exchange of concepts and research is carried out by this part of the fusion effort. International activities consist of joint workshops and study teams, together with exchange visits to experimental facilities, and sometimes exchange of experiments.

The primary mission of the Applied Plasma Physics division is the development of the theory of fusion, exploration of plasma behavior with small experiments, fusion-related atomic physics, and development of new diagnostic techniques required to determine fusion plasma behavior. The program also develops and tests alternative fusion confinement schemes. Through its support of university programs, it trains a large percentage of the scientists employed in all other areas of both the fusion and beam-weapon programs. It also manages the Magnetic Fusion Energy Computer Net-

FIGURE 1
Fusion budget versus requirements for fusion development

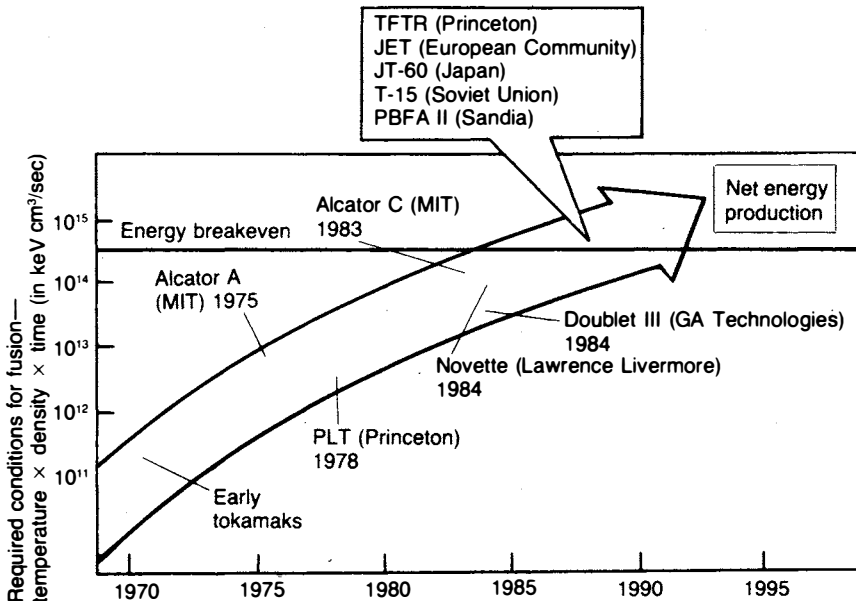


The actual fusion appropriations from 1976 to 1986 (solid line) are shown, in addition to President Reagan's proposed budget for Fiscal Year 1987. The Reagan budget, as can be seen, sinks significantly lower than the Carter administration's budget. More startling is the comparison of the actual funding with that projected in 1976 (dotted line) by the U.S. Energy Research and Development Agency, the predecessor to the Department of Energy, for the achievement of commercial fusion by the year 2005.

Source: Fusion Power Associates

FIGURE 2

Progress in achieving conditions required for fusion power



While the fusion budget has been steadily eroded, the major fusion experiments have proceeded to make more than the expected progress toward the goal of net energy production.

Source: Fusion Power Associates

work, which provides all of the large-scale computing used by the fusion program as a whole for experimental data analysis, theoretical and engineering modeling, experimental design, and system studies.

Confinement Systems. This subprogram works on two of the four key technical issues facing the realization of commercial fusion power—the development of the magnetic confinement systems to contain fusion plasmas at the high temperatures needed to maintain nuclear fusion reactions, and the exploration of the scientific principles governing the behavior of burning plasmas. This is achieved by conducting large-scale experiments, which are directed at producing the required conditions.

The tokamak, the stellarator, and the tandem mirror magnetic confinement concepts have been the major magnetic systems researched by this subprogram. The Princeton Tokamak Fusion Test Reactor is the largest such experiment, and is directed at producing the physical conditions for burning fusion plasmas with deuterium-tritium fuel by 1987. Actual fusion fueling with deuterium-tritium has now been set back to 1989 by the Reagan budget.

Development and Technology. This subprogram provides for the realization of the technologies and engineering science needed for existing experiments and future power reactors. Four major areas have developed: 1) superconducting magnets for generating the fields to confine hot plasmas; 2) specification of fusion plasma conditions from an engineering standpoint; 3) nuclear technology and knowhow essential for design and operation of fusion power reactors; 4) materials science for the realization of systems which can withstand the fusion reactor environment at economical costs.

Recent progress in this subprogram area has included tests of three large superconducting magnets in the International Fusion Superconducting Magnet Test Facility; operation of a multi-pellet pneumatic fuel injector on the Tokamak Fusion Test Reactor; successful demonstration of sources for long pulse neutral beam heaters; development of new concepts for compact, high-power radio frequency electromagnetic wave launchers for plasma heating and current drive; increased confidence in vanadium as a reduced activation material for power reactors; first results of steady-state erosion and deposition materials changes using the Plasma Interactive Surface and Components Experimental System.

Planning and Projects. This is the division of the magnetic fusion program which, in the past, has designed and built the program's major experiments and carried out studies for experimental and engineering test reactors.

'Phasing out the future'

As Figure 3 shows, Planning and Projects is now all but phased out. The budget request notes that it is hoped that "international collaboration" will lead to some kind of future development—a myth fostered by former presidential science adviser George Keyworth, a zero-growther.

While the overall Applied Plasma Physics subprogram budget does not appear to be taking a substantial cut—about an 8% reduction from FY 1985 levels—a closer examination of this subprogram's budget, as seen in Figure 4, shows that the most manpower-intensive portions of the division are the ones being targeted.

This can be immediately seen in the 42% overall reduction from FY 1987 levels in the experimental research oper-

FIGURE 3

Department of Energy FY 1987 congressional budget request

	FY 1985 Appropriation	FY 1986 Appropriation	FY 1987 Base	FY 1987 Request	Request vs Base
Magnetic Fusion Energy					
Applied plasma physics					
Operating expenses	\$ 78,937	\$ 69,692	\$ 69,692	\$ 70,700	\$+ 1,008
Capital equipment	3,170	5,619	5,619	4,500	- 1,119
Subtotal	82,107	75,311	75,311	75,200	- 111
Confinement systems					
Operating expenses	26,395	188,650	188,650	177,500	-11,150
Capital equipment	15,400	14,529	14,529	7,100	- 7,429
Subtotal	221,795	203,179	203,179	184,600	-18,579
Development and technology					
Operating Expenses	67,900	57,059	57,059	50,510	- 6,549
Capital equipment	5,100	4,330	4,330	1,890	- 2,440
Subtotal	73,000	61,389	61,389	52,400	- 8,989
Planning and projects					
Operating expenses	12,201	5,528	5,528	4,780	- 748
Capital equipment	3,800	3,801	3,801	3,820	+ 19
Construction	32,500	12,653	12,653	8,200	- 4,453
	48,501	21,982	21,982	16,800	- 5,182
Program Direction					
Operating expenses	4,150	3,608	3,608	4,000	+ 392
	4,150	3,608	3,608	4,000	+ 392
Total					
Operating expenses	369,583	324,537	324,537	307,490	-17,047
Capital equipment	27,470	28,279	28,279	17,310	-10,969
Construction	32,500	12,653	12,653	8,200	- 4,453
Magnetic fusion energy	\$429,553	\$365,469	\$365,469	\$333,000	\$- 32,469

ations and the 18% reduction in the basic experimental plasma research budgets of this division—the first and third line of the table. These funds are used to support small, university-based experiments. The proposed cuts will continue the devastation that has occurred to this essential scientific base of the fusion program over the past several years. The point is not that it will lead to simple reductions in staff and oper-

ations at these widely dispersed university facilities, but rather, that the result will be their total obliteration. The scientists involved will now be forced to seek work in areas outside the fusion program—in many cases, in totally different disciplines.

The 23% reduction from FY 1985 levels proposed for the fusion theory program is even more catastrophic. Entire university-based groups will be dispersed as a direct result. These theoretical groups work as an organic team; they attack a specific problem in a combined effort, where various avenues of approach are combined to produce a solution or at least the elements of a solution. They cannot function with a half a tank of gas! Instead of facing the disintegration of the team through slow attrition of the group, they search out alternative fields for the work of the group as a whole.

The FY 1987 cuts will provide the straw to break the proverbial camel's back, in this case. Already, teams which have worked in the fusion field for three decades and more, are now planning to move to entirely different disciplines. In some cases, leading scientists are considering abandoning fundamental research altogether.

FIGURE 4

Budget breakdown in Applied Plasma Physics (thousand \$)

	FY 1985	FY 1986	FY 1987 request
Experimental research	21,501	14,413	12,455
Fusion theory program	22,644	19,046	17,500
Basic experimental plasma research	16,024	14,866	13,215

The devastation being wrought by the fusion cuts is being nonlinearly amplified by the effects of the explosion of the Space Shuttle Challenger. For example, many proposed basic plasma and directed-energy experiments have now been postponed by several years, as a direct result of the loss of one Shuttle and the delay in the launch of the others. These basic science experiments will now have to compete with full-scale hardware demonstrations of the Shuttle in the outlying years. Given the priority of the Strategic Defense Initiative, program managers are being forced to cancel these smaller experiments and cut them completely out of the SDI program.

The effects of the Shuttle disaster extend even to space-based experimental astrophysics. The net result is that there is nowhere for these basic plasma physics scientists to go, for work in their field.

Although it would appear that the Confinement Systems portion of magnetic fusion R&D—which has consisted of two main lines of approach, the linear tandem mirror and toroidal systems like the tokamak—is at least being maintained near previous levels, the actual budget proposal states that “to accommodate present fiscal constraints, further research on tandem mirrors is being deferred.”

The result is that the world’s largest fusion experiment,

What is fusion power?

Fusion, the fusing together of atomic nuclei, is the energy source that powers the Sun and the other stars, and will be the energy source of the 21st century. Unlike nuclear fission, which splits heavier elements like uranium up into lighter ones and makes use of the energy released, fusion fuses lighter elements into heavier ones. Fusion’s basic fuels, deuterium and tritium, are found in sea water. Deuterium is sufficiently abundant that there is enough in sea water to fuel fusion reactors for millions of years.

When it fuses, a fusion fuel releases one million times more energy than burning a comparable weight of coal or oil, so it is a very efficient producer of energy. A single gallon of sea water can fuel as much fusion energy as five barrels of oil can fuel conventional energy. The fusion fuel produces about eight times more energy than a fission reactor produces from a comparable weight of uranium.

The electromagnetic energy in the fusion-energized plasma will make it possible to build fusion reactors with a closed cycle of materials and energy flows that will have no waste and no radioactivity. Further, fusion would permit man to redefine his earthly supply of raw materials, through the use of plasma processing.

How will the reactors work? The key element in a fusion reactor is a fusion plasma, a very high-temperature gaslike mixture of ions and electrons. The gas is at such a high temperature that when the nuclei of the atoms in it collide, they fuse together and form new elements. Heat is released, which heats up a moderator; a coolant circulating around the moderator produces steam, which can be used to produce electric power.

The requirement for a “break-even” fusion reactor is to make a fusion plasma that has high temperatures, like

those on the Sun, but very low density, so that it does not melt the materials with which it comes in contact. If the fusion plasma were to come in contact with the reactor wall, the wall would cool the plasma, stopping the fusion reaction.

The fusion reaction requires an energy investment to create the high-temperature plasma and a confining force to keep the plasma under control. In order to achieve net energy output, the following conditions are required: 1) the temperature must reach 50-100 million degrees C; 2) the density of the fusion fuel times the length of time it is confined—a measure of the energy output—must reach about 10^{14} particles per cubic centimeters times seconds (100,000 times less dense than the density of air in an ordinary room).

There are two basic approaches to confining the fusion plasma, magnetic confinement and inertial confinement.

For magnetic fusion, magnetic fields are generated either by external electric circuits, such as sets of copper coil magnets, or by electrical currents induced within the confined plasma itself. The magnetic field acts as a countervailing force to the gas pressure of expansion exerted by a hot plasma. There are two types of magnetic confinement devices: an open system or magnetic mirror, and a doughnut-shaped system (e.g., the tokamak).

Inertial confinement, on the other hand, makes it possible to eliminate the magnetic coils. Only the inertia of the fuel itself is utilized to confine it to a specific density while it is heated to fusion ignition temperatures. In inertial confinement fusion (also called laser fusion), a tiny hollow pellet is filled with deuterium and tritium fuel, then irradiated with a laser beam, ion beam, or electron beam. This force heats and compresses the pellet to produce a burst of energy, before the pellet flies apart. It is essentially a miniature explosion, the same process that goes on in the hydrogen bomb. But the pellets are so small that the microexplosions don’t damage the reactor vessel.

the nearly completed MFTF-B (Mirror Fusion Test Facility) at Lawrence Livermore National Laboratory, will be "moth-balled"; qualitatively speaking, half of the magnetic fusion confinement systems will be cut.

Cutting national security: the x-ray laser

The U.S. fusion R&D program has demonstrably provided the lion's share of the technology, science, and personnel for the Strategic Defense Initiative. Because of its broad scope, the fusion program has especially encouraged innovation in science and technology. The proposed FY 1987 fusion budget will significantly curtail any such future contributions.

Some measure of the resulting strategic loss to the national security may be judged by this example:

The most potent missile defense weapon yet developed is that of the nuclear-explosive-pumped x-ray laser. The first generation x-ray system could destroy a score or more ICBMs per x-ray nuclear explosive. Recent basic science advances indicate, that this capability could be vastly increased to a point where one x-ray nuclear explosive could take out the entire Soviet ICBM fleet. And the x-ray laser is just the first of an entire family of new types of directed-energy systems made possible by the high energy densities of fusion.

Currently U.S. researchers can access these high energy densities only with expensive nuclear weapons tests. This greatly hinders the development and perfection of the existing x-ray laser, as well as new possibilities, like the gamma-ray laser. An economical alternative is to use laboratory inertial confinement fusion, like that produced by laser or particle beams. Inertial confinement fusion in the laboratory, in fact, can attain even higher energy densities than those generated by thermonuclear weapons.

Recent intelligence reports from the Soviet Union indicate that under the direction of Academician Velikhov, Soviet scientists have succeeded in combining magnetic fusion with inertial confinement to obtain significant fusion plasmas on a laboratory scale.

It is reported that compact tori magnetic plasmas, in which the confining magnetic fields are primarily generated by induced electrical currents within the plasma "doughnut" itself, have been injected into metal cylinders that are then imploded—an approach generically known as the imploding metal liner. This combined magnetic-inertial approach appears to be the technologically most accessible means for laboratory generation of fusion plasmas. Is the United States researching this area of fusion development? No. The U.S. imploding liner R&D effort was killed in 1978 by Jimmy Carter's energy secretary, James Schlesinger. The Soviets, however, apparently maintained a program on the scale of the overall U.S. tokamak effort.

Having such a cheap and readily accessible source for laboratory high-density fusion would put Soviet researchers in a vastly superior position. The cost of conducting full-scale testing, for example, could be reduced by as much as

three orders of magnitude, and the time span from conceptualization to actual test could be reduced from years to months.

Even more significant for the Soviets is that such laboratory experiments are virtually impossible to detect, while underground weapons tests are easily discerned—especially in the United States. In fact, the recent Soviet initiative to implement a comprehensive nuclear weapon test ban treaty may indeed be based on the ability to produce laboratory-scale undetectable "weapons tests."

The direct potential for revolutionary spin-offs from the fusion program into the beam-weapon effort has already been demonstrated in the United States. Researchers at the Princeton Plasma Physics Laboratory—the flagship facility of the magnetic research program—began investigations into magnetically confined plasma x-ray lasers a few years ago. While initially scoffed at by more conventional x-ray laser scientists, there are recent indications that this Princeton work has directly led to revolutionary developments in nuclear-bomb-pumped x-ray laser systems.

Although this conclusion has not yet been fully confirmed, the example serves to demonstrate how the proposed Reagan fusion budget cuts could immediately result in a major national security deficit.



FUSION

The magazine for people who believe in scientific progress

- *Fusion* has fought an 11-year battle for fission and fusion power, against the environmentalists and budget-cutters;
- *Fusion* is campaigning internationally for high-technology industrial development, against the zero-growthers;
- *Fusion* advocated a beam-weapon defense system as early as 1977—the program now known as the Strategic Defense Initiative;
- *Fusion* advocates the colonization of the Moon and Mars—but why stop there?

Subscribe Now!

- \$20 (1 year—6 issues)
- \$38 (2 years—12 issues)
- \$40 (1 year—foreign air mail)

Order from: Fusion Energy Foundation, P.O. Box 17149, Washington, D.C. 20041-0149 Telephone: (703) 689-2490

Gorbachov mobilizes for war, as West's economy falls apart

by Edith Vitali

The 27th Congress of the Soviet Communist Party concluded in Moscow on March 6, consolidating the drive of "Czar Mikhail" Gorbachov to reorganize the Soviet economy for the biggest military build-up since World War II. The sweeping personnel changes which have been under way for the past year, were officially rubber-stamped, as half of the former Central Committee was replaced (134 of the total 319 members). According to the West German magazine *Der Spiegel*, every second CC member now has training as a military engineer! Confirming the emergence of the chauvinistic "Mother Russia" tendency which *EIR* has reported on at length, 97% of Central Committee members are Europeans and 80% are Great Russians, according to *Der Spiegel*.

Contrary to the endless ruminations of the Kremlinologists, the significance of the personnel changes effected by the Congress is quite obvious. The octogenarians and holdovers from the Brezhnev era have been dropped, leaving the engineers, industrial managers, KGB officers, and military men who will oversee the war-economy transformation.

The results of the Congress strikingly confirm the forecast published by *EIR* in July 1985, in our Special Report titled *Global Showdown*. We said that a U.S. drive to implement the Strategic Defense Initiative (SDI) for antiballistic-missile defense, would threaten to unleash an unprecedented economic recovery in the West, and hence would propel the Soviet leadership to adopt a "brute force" effort to outstrip the United States, by adopting a "Plan B" mode of economic mobilization which would entail "a virtual revolution in Soviet economic policy of practice." This would mean a purge of the Soviet bureaucracy, an attempt to challenge the Soviet people's ingrained resistance to rapid technological progress, and a shift of managerial and investment policy to very high rates of technological progress. Exactly this approach is outlined in the speeches by Gorbachov (excerpted in last week's *EIR*) and by Prime Minister Nikolai Ryzhkov (see *Documentation*, below).

Equally clear from the proceedings of the conference, is that the Kremlin leadership is counting on the economic collapse of the West to pave the way for



NSIPS/Uwe Parpart

The poster pictured here exhorts the Soviet population to fulfill the directives of the Five-Year Plan for economic growth. This photo was taken in 1981; five years later, Gorbachov has revealed that the economic program of the Brezhnev era was a resounding failure. Now the leadership has been overhauled, placing those on the Central Committee who will transform the economy for an extraordinary war build-up.

its own drive for world domination. Gorbachov and other leaders emphasized that sales of Western technology, particularly from Western Europe, will provide a crucial margin of input for the Soviet build-up. As the response of such political figures as West Germany's Helmut Schmidt and Theo Sommer indicates, the western side of Moscow's "New Yalta" arrangement is indeed fast coming into place.

In the dossier which follows, we report some of the more significant changes in the Kremlin leadership under Andropov and Gorbachov.

The new guard

A prime example of the type of party functionary now on the rise, is Central Committee Secretary **Lev Zaikov**, former party chief of Leningrad, a crucial scientific-technological center and bastion of the military-industrial complex in the Soviet Union. Zaikov is the only addition to the Politburo, the main executive body of the party, which includes 12 members now. Zaikov, who began his career as director of a major defense-linked electronics firm in Leningrad, is responsible for the overall military-industrial production of the U.S.S.R. By holding the position of Politburo member and Central Committee secretary simultaneously, he is now basically number three in the Soviet hierarchy, after Gorbachov and Yegor Ligachov, the main organizer of the purges of the past year.

Of the 12 Politburo members, only three rose into this position under Leonid Brezhnev: Andrei Gromyko (78), the President of the U.S.S.R., Dinmukhamed Kunayev (74), first party chief of Kazakhstan, and Vladimir Shcherbitskii

(68), first party chief of the Ukraine. All the others owe their full membership status to either Yurii Andropov or Mikhail Gorbachov. In the period before the Congress, Kunayev and Shcherbitskii had to undergo a humiliating process of criticism and self-criticism, as a precondition for remaining in the leadership. Gromyko had proposed Gorbachov for the post of general secretary in March 1985, and the powerful foreign minister was later "rewarded" by being kicked upstairs into the office of President.

Mainly for age reasons, at the Party Congress the 81-year-old Boris Ponomaryov and the 85-year old Vasiliu Kuznetsov, first deputy chairman of the Presidium of the Supreme Soviet (formally the second highest position in the hierarchy of the Soviet state), resigned as alternate members of the Politburo. Ponomaryov, a leading functionary of the Communist International under Stalin, headed the powerful International Department of the Central Committee, which cultivates relations to Soviet assets in the West, including socialist and social democratic parties as well as terrorists and "national liberation movements" in the developing countries. **Yurii Solovyov**, the new first party chief of Leningrad, and **Nikolai Slyunkov**, the head of the Byelorussian party organization, were newly elected as alternate members.

With the election of five new Central Committee secretaries, the role of the Secretariat has been strengthened. The five are: **Anatolii Dobrynin** (long-time ambassador in Washington), **Georgii Razumovskii** (chief of the Department of Organizational Party Work), **Alexandra Biryukova** (a trade union secretary and first woman in the leadership since Yekaterina Furtseva, who made her career during the Khrushchov

era), **Vadim Medvedev** (chief of the Department of Science and Educational Institutions), and **Alexander Yakovlev**, former ambassador to Canada and former director of the foreign policy think tank IMEMO, who is now chief of the Central Committee's Propaganda Department. Central Committee Secretary Ivan Kapitonov (71) was deprived of his post, and elected instead to be chief of the party's Central Auditing Commission.

With Dobrynin and Yakovlev, two specialists in the West, and the North American continent in particular, have been added to the Secretariat. It can be expected that they will apply their intimate knowledge of Western politics to intensify Soviet strategy and propaganda aimed at eroding the Western alliance and wrecking President Reagan's SDI.

Gorbachov has at the same time upgraded the role of noted Germany experts, reflecting the fact that breaking West Germany away from NATO is one of the cornerstones of Soviet foreign policy. Shortly before the Party Congress, Gorbachov promoted **Anatolii Chernyayev**, deputy chief of the International Department, to his foreign policy adviser, as a replacement for Andrei Aleksandrov-Agentov, who for 22 years was an aide to Leonid Brezhnev. Chernyayev is considered an expert on West Germany and responsible for building the relationship between the CPSU and Willy Brandt's Social Democratic Party. **Valentin Falin**, longtime ambassador in West Germany in the '70s, has been elevated to chief of the Novosti press agency. **Leonid Zamyatin**, another frequent visitor in Bonn, who is currently chief of the Information Department, might return to his former position as general director of the news agency TASS, according to Soviet "leaks."

Finally, the name of **Yulii Kvitsinskii**, who is heading the space weapon group on the Soviet negotiating team in Geneva, is being mentioned as a possible replacement for the current Soviet ambassador in Bonn, Vladimir Semyonov. Kvitsinskii, whose profession it has become to destroy the SDI and who is the darling of the Western "arms control mafia," would be the perfect man to strengthen the anti-SDI forces in Germany.

Boris Yeltsin, the new first party secretary of Moscow and successor of Gorbachov's 72-year-old rival Viktor Grishin (who was dumped from the Politburo on Feb. 24, together with Konstantin Rusakov, another old-timer who lost his job as Central Committee secretary), announced major structural changes of the Central Committee apparatus. He emphasized strengthening the role of the Department for Organizational Party Work, or Cadre Organization, as it is also called. Yeltsin named the republics of Uzbekistan and Kirgizia as the two main areas where cadre policy had been neglected by those responsible in Moscow. These two republics have been the site of massive purges in the last months.

Yegor Ligachov, Gorbachov's powerful number-two man, made clear that nobody will be "outside control or

outside criticism" in the future. His attack on the editorial board of *Pravda*, which, he said, had gone to the other extreme, by publishing readers' letters criticizing the privileges of party functionaries too strongly, added new fodder to the speculation that *Pravda* Editor-in-Chief Viktor Afanasyev is on the way out. After Ligachov's speech, Afanasyev called a press conference where he confessed: "I agree to Ligachov's criticism." Speculation has it that **Boris Pankin**, currently Soviet ambassador to Stockholm, will become the new editor-in-chief.

Although a full evaluation of the military component of the new Central Committee is not yet available, it is important to note that Marshal Nikolai Ogarkov is still a member—despite speculation by Kremlinologists in the Western press that his replacement as Chief of the General Staff in 1984 represented a "demotion." *EIR* has extensively refuted that claim, and shown how Marshal Ogarkov has been playing a crucial role in leading the Soviet war build-up.

Mother Russia—in the space age

Ligachov's speech gave considerable insight into how the Russian leadership intends to combine the old, oligarchical culture of Russia with the achievements of modern technology—lasers, electronics, and computers. "The party has to care for everything which is dear to the memory of the people," he said, citing the example of the fight to protect the estate of the Tolstoy family from environmental pollution! "Those who are raising their voices in alarm to save the architectural appearance of our famous ancient cities, are absolutely right." It is the duty of the party to "safeguard the national holy things," he said—one reason being that "history . . . is a powerful source for the education of a people."

At the same time, Ligachov called for a "crash development of intermediate and higher education," because scientific-technological progress must be based on the "continuous professional upgrading of the cadres." Workers must be prepared to "work under new conditions." He said that "modern informatics and electronics" must be introduced into all spheres of learning and ideological work. This involves "the creation of major facilities for the production of video-technologies" and "modernizing the technical basis of television."

The counterpoint to Ligachov's demands was put forth by Prime Minister **Nikolai Ryzhkov**, who sharply criticized the stagnation during the Brezhnev era. Outlining the guidelines of social-economic development until the year 2000, Ryzhkov announced that by 1990, the share of atomic energy in the generation of electricity will be doubled, from 10% to 20%. Primary attention will be given to "fundamentally new technologies," including laser and plasma research. Investments in the metal-working industry, a driving motor of scientific-technological progress in production, will increase by 80% in the next five years.

'Russian Party' drops river diversion plan

by Luba George

A multi-billion-ruble project to divert the northern rivers of the U.S.S.R. southward, where they would irrigate the dry regions populated largely by Muslims, will be postponed, the deputy chief of the State Planning Commission (Gosplan) announced at the 27th Party Congress in Moscow. The river-diversion scheme has long been opposed by the "Russian Party" now in power in the Kremlin, and its moth-balling signals a consolidation of that power.

For the Russian chauvinists who put Mikhail Gorbachov in power, there is no need to spend scarce resources to benefit non-Russian populations. Instead, the emphasis is on relocating those populations to areas of extreme labor shortage, to help with the war-economy build-up.

The cancellation of the river-diversion project fits in with the economic guidelines approved unanimously by the Party Congress for the 12th Five Year Plan and the next 15 years, to prioritize investment in the modernization of existing industry and agriculture, and confining new large-scale investments to Siberia, the Soviet Far East, and the northern part of European Russia.

The project was mentioned in the original draft Five-Year Plan, which has now been scrapped. It would have dug channels to divert water from the Onega and Dvina rivers into the Volga, which flows south into the Caspian Sea. The reason given by Gosplan Deputy Chief Leonid Vid was: "The water level of the Caspian Sea is no longer falling."

Another ambitious scheme—an essential element of the Brezhnev-era "food program"—to take water from the Irtysh and Ob rivers by means of a 1,500-mile canal to the plains of Uzbekistan in Central Asia, fell out of favor after Mikhail Gorbachov came to power last year. It was not mentioned in the new Five-Year Plan. Despite the fact that Uzbekistan and four other Soviet republics in Central Asia heavily depend on irrigation, the project was attacked by Gorbachov's "economic reformers" and other "Russian Party" chauvinistic environmentalists as "wasteful" and "damaging."

The fate of the northern rivers project was already sealed in February, when the project was attacked in the official Party daily newspaper *Pravda* by Gorbachov's chief economic adviser and architect of Moscow's new 15-year economic modernization program, Abel Aganbegyan. He ar-

gued that the project was not "cost effective" and that the money required would be much better spent on "soil improvement schemes in traditional farming areas."

Aganbegyan was transferred to Moscow recently on orders from Gorbachov, from his post as director of a Siberian think tank, the Institute of the Economy and Organization of Industrial Production. This is the Novosibirsk command center for scientific and modernization programs central to the Soviet defense build-up.

The Muslim populations

Mikhail Gorbachov has shown little enthusiasm for grandiose irrigation projects, especially when the regions to benefit the most by them would be the non-Russian, largely Muslim areas undergoing so-called demographic explosions.

Any severe drought in these regions, where local water sources are already seriously depleted, Soviet analysts admit, would force the Muslim populations to relocate—to Siberia, for example, where the war economy drive suffers from severe labor shortage.

Given the Soviet Union's war economy mobilization requirements, the problem of the labor shortage was underscored at the Party Congress in a speech by Aganbegyan. He said that the Soviet labor force, because of the "long-term demographic impact of the war," is growing "very slowly." It has increased by 10 million over the past five years, but would rise by only 3.2 million over the next five. Much of this increase will be in Central Asia—away from the key industrial regions of the country.

A spate of recent articles in the Russian Republic's newspaper *Sovietskaya Rossiya* stressed the need to relocate at least one million workers and their families from Russia and the Ukraine into Siberia during the current Five-Year Plan (1986-90).

The Muslim republics are being told to make do with what they have and concentrate on "upgrading" their present industrial and agricultural capacities. It was striking that Gorbachov, during his keynote speech at the Party Congress, singled out the Muslim republics for economic "mismanagement." The Muslim Communist Party leadership of Uzbekistan and Kazakhstan—the two largest republics—received the brunt of the attacks. Starting in November, in the build-up to the Party Congress, a massive purge swept out most of the party leadership in the Muslim republics, including three first secretaries from Turkmenistan, Tadjikistan, and Kirghisia.

The catastrophic decline of the Russian birth rate, and the explosion of non-Russian, especially Muslim, populations in the Soviet Union, are uppermost among Gorbachov's concerns. When asked in a recent interview with the French Communist Party newspaper *L'Humanité* which problems in the Soviet Union he considers most significant, he answered: "the demographic situation of the Russian population."

The new Soviet scheme for world debt reform

by Rachel Douglas

The Soviet government, seeking to capitalize on the international debt crisis and the opposition among Third World countries to the austerity dictates of the International Monetary Fund (IMF), has launched a propaganda offensive aimed at securing a political stranglehold over those debt-strapped nations. Recent moves include a memorandum issued to the United Nations calling for an international conference on the debt crisis, and high-powered diplomatic courtship of key debtor nations in Ibero-America.

The memorandum, issued on Jan. 27 by Foreign Minister Eduard Shevardnadze, was titled "International Economic Security of States: An Important Condition for the Improvement of International Economic Relations." Its thesis is an old one for the Soviet propaganda mills: cuts in arms spending are the means to create funds for economic development in the Third World. It states:

The problem of external indebtedness of developing countries to the West has assumed unprecedented acuteness in recent years. Payment of the interest on the debts leads to a speedier pumping of financial resources out of developing countries, and renders the economies of newly independent states lifeless. These resources are enriching the monopolies and are spent on financing the budget deficits and military programs of Western countries. . . . The necessary condition for the solution of the problem of foreign debt is the lowering of interest rates on loans and credits, stabilization of currency rates, rejection of protectionism in trade, restructuring of the international financial system to take into account the interests of all states, and democratization of financial institutions functioning within its framework.

The Soviet memorandum has nothing, in fact, to do with reforming the world monetary system; Moscow has not the slightest interest in fostering the growth of Third World countries, as its recent efforts to blackmail Peru with the "food weapon" attest. The current propaganda offensive is intended to align the countries of Ibero-America against the United States, and especially against the U.S. Strategic Defense Initiative. It is further intended to block the emergence of a continent-wide alliance for development, independent

of the IMF, as proposed by Lyndon LaRouche in his 1982 document *Operation Juárez*, and as currently being put into place by Peruvian President Alan García.

The last Soviet bloc leader to come up with a plan for international monetary "reform," along the lines of the Shevardnadze memorandum, was Fidel Castro, who in June 1985 issued a plan for what he called "saving capitalism" from the debt crisis (see *EIR*, July 2, 1985, "LaRouche Replies to 1988 Doomsday Forecast by Castro"). Lyndon LaRouche described the purpose of Castro's scheme at that time:

Soviet and Cuban strategic policy toward the Americas is, to use the destabilizing effects of IMF "conditionalities," to promote conflicts between the U.S.A. and Ibero-American states. Castro is not debating President Reagan; he is laughing at the follies of the Kissinger Associates-steered Reagan administration.

Castro is not debating President Reagan; he is debating Lyndon LaRouche, LaRouche's "Operation Juárez." Castro, like the Soviet Academy of Science's Tashkent-directed subversive operations in Ibero-America, fears nothing from the United States except LaRouche's proposed transformations in U.S. foreign policy, as typified by LaRouche's 1982 policy-paper, *Operation Juárez*.

The Soviet-Cuban diplomatic offensive is now targeting especially those countries of Ibero-America which President García has identified as the key to forging his continental alliance: Brazil and Argentina, the economic giants. At a press conference on Feb. 15, García proposed that the Andean Reserve Fund serve as the starting point for a new regional monetary system. "The day that Argentina or Brazil were to join the Andean Reserve Fund," he said, "that agency would have much more capacity to act than the IMF."

To head off such a development, two "firsts" occurred: visits to Moscow by Brazilian Foreign Minister Olavo Setúbal in December, and Argentine Foreign Minister Dante Caputo at the end of January.

Setúbal discussed the debt crisis with Soviet Foreign Minister Eduard Shevardnadze, and the two laid the basis for expanding Brazilian steel exports to the U.S.S.R. in 1986.

Caputo, the first Argentine foreign minister to visit the Soviet Union in decades, signed several trade agreements, including for the import by the Soviet Union of 4.5 million tons of Argentine fodder grain and soybeans per year until 1990. Argentina will buy Soviet industrial equipment and heavy machinery. Shevardnadze told Caputo at a luncheon on Jan. 29, that "a huge and ever-increasing foreign debt is arising as an insurmountable barrier on the path to the socio-economic progress of the peoples of the developing countries."

Ryzhkov: Build up science, technology

The following are excerpts from the speech delivered to the 27th Soviet Party Congress on March 3, by N. I. Ryzhkov, chairman of the Council of Ministers of the U.S.S.R. Ryzhkov delivered a report on the Central Committee's new draft document, "Basic Directions of the Economic and Social Growth of the U.S.S.R. for 1986-90 and the Period to the Year 2000"

... The draft "Basic Directions" assesses the results of the Five-Year Plan which is now ending. These give every reason to conclude, that through the labor of the Soviet people, a significant contribution was made to strengthening the economic might of the country. Because of this, the well-being of the nation grew, and the defense capability of our Motherland was kept at the necessary level.

Nevertheless, as is generally known, the execution of the tasks laid out at the 26th Congress did not proceed under simple circumstances, and in the first stage, things were even quite difficult. Unfavorable tendencies which had appeared in the development of the economy during the '70s, not only did not improve, but even worsened at the beginning of the '80s. And this had its effect on the fulfillment of the 11th Five-Year Plan. In the first two years, the rate of growth continued to fall. Qualitative economic indicators deteriorated. In 1982, the rate of growth of industrial production was one-and-one-half-times lower than it had been, on the average, during the years of the 10th Five-Year Plan. The growing difficulties could not help but affect the solution of the most important problems in the social sphere as well. Thus, in the second year of the Five-Year Plan, the rise in the real income of the population had actually stopped.

Various factors were involved. The most fundamental reasons for the deficiencies, were the failure to take into account, for practical activity, the changing economic situation as a result of the exhaustion of the potentials of *extensive* growth, the lack of the necessary persistence in applying the achievements of scientific-technological progress. . . Both in the center and in the regions, many managers continued to work with outdated methods and proved unprepared for work in the new conditions. Discipline and order deteriorated to an intolerable level. There was a fall in exactingness and responsibility. The vicious practice of revising plan targets downward became widespread. . . .

Having critically analyzed the situation, the party took measures to strengthen the leadership of economic institutions, and especially to raise the level of organization and labor discipline. It received the support of the whole people and gave the impulse which has made it possible for us to move ahead. As a result, beginning in 1983, definite positive moves took place, which somewhat improved the fulfillment of the 11th Five-Year Plan. . . .

Thus not a little was accomplished during the years of the Five-Year Plan. But at the same time, we are obliged to give an objective evaluation of its results, and to expose, in a principled manner, its serious deficiencies, which are putting a brake on our forward motion, in order to draw the necessary consequences for the future.

It must be said plainly, that we did not fully succeed in carrying out the tasks of the Five-Year Plan. Many branches of industry were not able to achieve their planned targets. As

"Many managers continued to work with outdated methods and proved unprepared for work in the new conditions. Discipline and order deteriorated to an intolerable level. There was a fall in exactingness and responsibility. The vicious practice of revising plan targets downward became widespread."

a whole, the Five-Year Plan fell short by 35 million tons of finished goods, 145 million tons of coal, over 50 million tons of oil, 16 billion rubles of consumer goods. The structure, technical level, and quality of machinery and equipment did not always correspond to the demands of the national economy. Systematic lagging behind was tolerated in the chemical, forestry, and woodworking industries. From year to year, the basic construction ministries were not able to keep up with their plans. We did not receive the expected returns from the large resources invested in agriculture. . . .

All of this could not but affect the results of the growth of the economy and its proportions, causing the loss of billions of rubles of national income. As a result, various targets were not met for increasing the general well-being, such as those for real income and retail trade. Finances and monetary circulation were made more difficult.

Thus, comrades, the burden of deficiencies, which had piled up over a long period, was so large that it was not possible to eliminate them in a short period of time. Individ-

ual measures which were taken could not overcome the negative tendencies in the economy, and send it on the path of steady and dynamic growth. Fundamental reforms were needed, a far-reaching transformation, and the Party persistently sought out the solution of the tasks facing the country. . . .

In the document under discussion, a fundamentally new approach to satisfying the economy's need for material resources is laid out. Whereas, in the preceding years, this need was met mainly by increasing production, the long-term task is that 75-80% of the growth rate for fuel, energy, raw and other materials, will be met by conserving these materials. . . .

The first and very crucial stage of the practical realization of the long-term economic strategy of the Party, is the 12th Five-Year Plan. In these years, we must ensure the substantial growth of our economy and shift it onto a higher trajectory of growth—the trajectory of acceleration.

From this standpoint, the main task of the Five-Year Plan is defined. This is to raise the rate of growth and effectiveness of the economy, on the basis of the speeding up of scientific-technological progress, the technical renovation of production, the more intensive use of existing productive potential, the improvement of the system of management and economic mechanisms, and the achievement, on this basis, of greater well-being for the Soviet people. . . .

To implement the achievements of science and technology today, means to accelerate scientific-technological progress in the top-priority areas, to ensure the rapid and widespread mastery of all the most advanced technology, the qualitative transformation of the productive forces. This means also joint planning for effective use of the scientific-technological achievements of the states of the socialist community, and active participation in the world division of labor. . . .

At the April (1985) Plenum of the CC CPSU and at the June conference of last year, in the Central Committee of the Party there was sharply posed, on the basis of a profound analysis, the question of how to decisively overcome the barriers standing in the way of scientific-technological progress. . . .

One of the most important aspects of scientific-technological progress, is the broad mastery of advanced technology. Having taken this path, we will be able to take a step that will lead to a qualitatively new situation, not only for individual productive processes, but for whole industries. In the 12th Five-Year Plan, there will be a 1.5- to 2-fold increase in the use of progressive technologies, essential to each branch of industry. A noteworthy place will be held by fundamentally new technologies, like membrane, laser, and plasma technologies, technologies using super-high pressures and pulsed power, etc. The scale of their use will grow by several-fold, which will, undoubtedly, have a tremendous economic effect. . . .

KGB chief: U.S. spies uncovered

This speech was delivered Feb. 28 by KGB chief B. M. Cherbrikov:

. . . Unfortunately, the leading imperialist states are not displaying any inclination to stop the arms race, and are continuing to carry out their policy "from a position of strength." The pivot of this policy is open anti-Sovietism, feverish efforts to achieve military superiority over the U.S.S.R. And it is the U.S. administration which is setting the tone for this. Washington is continuing to interfere in the affairs of sovereign states, and is conducting a policy of state terrorism. A special role in the practical realization of this, is played by the American secret services, in whose activity political and armed provocations, as well as ideological and economic diversions, are playing a greater and greater role.

A special target of the intelligence activities of the imperialist states, of various foreign subversive centers and organizations, is the Soviet Union and other socialist countries. Our enemies have not renounced the intention to liquidate socialism as a social system. The secret services of the U.S.A., of various other NATO countries, are undertaking persistent efforts to compromise the domestic and foreign policies of the U.S.S.R., carrying out actions aimed at undermining the Soviet economy. They are poking into our political, military, economic, and scientific-technological secrets, striving to penetrate our state institutions, important military objectives, and scientific research institutions. Using the proliferation of international ties, the imperialist intelligence services are seeking out the social degenerates, the politically immature and morally corrupted people in our society, and through bribing officials are trying to get from them information which is a secret of the state or of the services.

Most recently, in several ministries and departments, a number of agents of the imperialist intelligence services have been uncovered, renegades who have sold important secrets to foreign organizations. The people concerned, having committed a state crime, were dealt with severely but justly, in accordance with the law. Such an inglorious end awaits all who betray the interests of the Motherland. . . .

Trilaterals offer Soviets help in war economy mobilization

by Vivian Freyre Zoakos

In the wake of the Soviet Party Congress, with its stated determination to reorganize the Soviet economy for maximum industrial/war mobilization, spokesmen for the Trilateral Commission have begun to air the curious view that Western aid in backing up this mobilization is the only sure guarantor of peace.

The proposal is not actually a new one for the Trilateral Commission. It was publicly introduced back in 1982 by Trilateral member Bertold Beitz, currently chairman of the West German Krupp Foundation. At that time, Beitz surfaced a public plan for virtually merging the West German and Soviet economies. He stated that the Federal Republic of Germany need not rely on markets across the seas in the developing nations. The Soviets, he argued, need German technology and know-how, and Soviet labor and raw materials are cheaper than what is otherwise available to West Germany. The combination, he concluded, would be ideal.

Now that the U.S.S.R., under Gorbachov, has shown its categorical determination to reverse the inefficiencies of the Soviet economy—inefficiencies which have to date hampered the full potential for Soviet war production in depth—offers to participate in this economic transformation are being repeated by Trilateral Commission spokesmen and their co-thinkers.

'Gorbachov needs Western credits'

In an article entitled "Let Peace Become Conceivable," published in the March 3 edition of the West German weekly *Die Zeit*, Trilateral Commission member and *Die Zeit* editor Theo Sommer returns to the Beitz program. Speaking of Gorbachov's sweeping plans for the Soviet economy, Sommer writes:

"It is difficult to see where the advanced technology and the financial means for it are supposed to come from, other than from the capitalist West. Eastern Europe can hardly expand its exports into the Soviet Union significantly . . . and there are also problems with their quality. Without investment goods from the West, Gorbachov cannot implement his program. He needs cooperation with Western exporters. He needs training centers in his country, entirely or partially staffed with Western technicians. And he will not get by without Western credits. . . .

"If Gorbachov does not want the power balance in the world to turn against the Soviet Union, he must seek coexistence with the West in all areas, including disarmament."

One day before Sommer's article appeared, West German Foreign Minister Hans-Dietrich Genscher broadcast an interview over the German Saarland radio advancing the argument that Gorbachov's speech at the Soviet Party Congress proves that Soviet interest lies only in technological modernization of the economy. From this, Genscher concluded that the U.S.S.R. can have no interest in "existing in a foreign policy environment characterized by a confrontation which wastes one's powers, and a costly arms race." For that reason, "the West cannot interpret Gorbachov's arms-control proposals as propaganda."

Later that week, Genscher had his Chief of the Planning Staff, Konrad Zeitz, author a discussion of the implications of Genscher's argument for creating "stability" in Europe.

Zeitz began by reviewing the threat to the "security structure in Europe" represented by "the imbalance of conventional forces to NATO's disadvantage," and the fact that "the Western alliance . . . neutralizes the threat . . . with the counter-threat to escalate a war begun conventionally by the other side, with nuclear weapons." After detailing the problems inherent in this form of deterrence, Zeitz concludes:

"What would move the Soviet Union to offer Western Europe a condition of 'equal security'? . . . What would move the Soviet Union to give up the offensive structure of its armed forces, which gives it such a comfortable conventional superiority in Europe? The answer is obvious: The present structure of armed forces prevents real détente and large-scale economic and technological cooperation between West and East in Europe. This is disadvantageous for both sides, but the costs are incomparably higher for the Soviet Union.

"The democracies of the industrial triangle America/Western Europe/Japan are in the midst of a new technological revolution. They are on the threshold of a transition into the information age.

"If the Soviet Union and the other countries of the Warsaw Pact only rely on themselves, then in the course of this technological revolution, they will fall increasingly behind. They can connect up to this revolution only under two con-

ditions: They must liberate their economies from the pressure of an exaggerated armament, and they must create a situation which makes possible a broad technological exchange and large-scale economic cooperation between East and West.

"However, the door to a confidence-based, economic-technological cooperation with the West can only be opened entirely if, parallel to nuclear disarmament, conventional disarmament in Europe too can be brought forward. The goal must be to create conventional as well as nuclear stability, and thus to create the basis upon which a dynamic pan-European cooperation in all areas can unfold."

Drive to stop the SDI

In line with Soviet views, the Trilateral faction in West Germany is advancing support for Soviet "disarmament" proposals, side-by-side with denunciations of alleged American aims to achieve "superiority," via President Ronald Reagan's Strategic Defense Initiative (SDI).

U.S. Undersecretary of Defense Fred Iklé has denounced the "club of foreign ministry stability fanatics" in Europe, and no wonder: The foreign ministers and their Trilateral Commission friends are endorsing Gorbachov's offer, that Europe help finance the Soviet war-economy build-up.

Not for the first time, Foreign Minister Genscher said as much at the Wehrkunde meeting of military experts that took place in Bavaria, West Germany, the first week of March. Genscher was responding to statements from U.S. Undersecretary of Defense Fred Iklé, who had argued against what he called the European "club of foreign ministry stability fanatics." Iklé criticized those who think "that we should help the East to modernize its economy, and that our help towards improving the economic development of the Soviet bloc contributes to European stability. Such help will do the opposite."

Genscher countered this with the classic Soviet argument against the SDI: that those who demand Western superiority over the Soviet Union will "endanger stability as much as will the attempt to guarantee security only in military categories [i.e., to reject East-West economic collaboration]."

Theo Sommer, too, discussed the SDI as an impediment to the disarmament-cum-economic collaboration policy he

proposed. But Sommer concluded that, thanks to the Gramm-Rudman budget-cutting amendment, the backers of the SDI will shortly be brought to their knees.

He wrote: "The U.S. budget deficit is now supposed to be cut. Where, and how, and what will be cut is still open. But one thing is clear: The days when Defense Secretary Weinberger could dip his ladle into the soup without worries are over. Not even the budget for Reagan's darling project of a missile defense will go unshorn.

"The SDI program is going to be further thinned out. When the axe falls, it could mean that, of Reagan's demand for \$312 billion for the Pentagon, \$75 billion will be rudely chopped off. A freeze of the defense budget is the best he could hope for. . . . There is a need for rethinking."

Meanwhile, Sommer's fellow Trilateral Commission member, former German chancellor and Social Democrat Helmut Schmidt, has just released a book which is being partly serialized in the national circulation German newspaper *Die Welt*. Entitled *A Strategy for the West*, Schmidt's book is a recipe for the disarming of the West, in which Western Europe would be decoupled from the United States.

Schmidt deals at length with the topic, formerly advanced by the so-called Brandt Commission on International Development, that the "surplus" of funds currently employed for weapons production would be better used for reorganizing Third World debt, under the aegis of the International Monetary Fund. Schmidt's policy agrees well with that of Beitz, whose argument in favor of German-Soviet economic collaboration was premised on a switch from Germany's traditional Third World markets to those of the Soviet Union and its Eastern satrapies.

Despite some progress, says Schmidt, "one would have to say, in the words of Henry Kissinger, 'I have the impression that the present debt management has reached its limits.'

"The economic corrective measures demanded by the International Monetary Fund of the debtor countries are, at core, reasonable, but they do not always necessarily take account of the domestic political situation of debtor countries. . . . It seems essential to me that all of the governments concerned now reach agreement on a common strategy. This strategy would require sacrifices from almost all sides." Schmidt proposes the reorganization of the Third World debt structure, together with a plan, first put forward by Kissinger, for the sale of Third World equity to the developed sector bank creditors.

Returning to the implications of this for the SDI and military policy, Schmidt concludes:

"To a certain degree, European governments understand these necessities better than Wall Street, but up to now the Europeans have preferred to leave the game to the IMF and Wall Street. . . . I am sure that European governments could be more excited about such a plan for joint financial aid for Central America, than they are about the American invitation to deploy budget finances for Star Wars research."

GLOBAL SHOWDOWN

The Russian Imperial War Plan for 1988

What the director of the CIA does not know . . .
What the President's National Security Adviser is incapable
of understanding . . .
What many conservatives lack the guts to read . . .

The only comprehensive documentation of the current Soviet strategic threat available publicly in any language. This 368-page Special Report has been compiled by an international team of *EIR* experts. Includes 34 maps, plus tables, graphs, index, and extensive documentation.



Contents

Part 1:

The Soviets Have Already Declared War on the U.S.A.

- 1.1 The Two Qualitative Facets Of Soviet Strategic Mobilization Under the Operational Ogarkov Plan
- 1.2 Soviet Doctrine on the War-Economy
- 1.3 Soviet Conclusions from World War II
- 1.4 The 'Maximum Option' of the Ogarkov Plan: Winning Thermonuclear War
- 1.5 The Soviet Military Command for World War III

Part 2:

Soviet Imperial Motives

- 2.1 Soviet Imperial World-Domination by the 1990s?
- 2.2 The History of the Soviet Imperial Tradition
- 2.3 Imperial Soviet Russia and the Chaldean-Byzantine Model of Empire
- 2.4 The Andropov Dynasty: 'Stalin's Children'

Part 3:

Soviet Imperial Objectives

- 3.1 Redrawing the Political Map of the World
- 3.2 The Northern Flank
- 3.3 The Imminent Knockout of NATO's Southern Flank
- 3.4 Germany—the Key to Europe
- 3.5 The Socialist International-Comintern 'Popular Front'
- 3.6 Syria and Israel Within the Soviet Strategic Sphere
- 3.7 China vs. Japan and Vietnam, Under Soviet Strategic Hegemony
- 3.8 The Anglo-American Liberal Establishment and Its Penetration by Soviet Intelligence

Part 4:

The Build-Up of Soviet Absolute Superiority

- 4.1 The Soviet Military Build-Up's Two-Fold Role
- 4.2 Active Defense: The Soviet 'Star Wars' Program
- 4.3 Passive Defense: Survival After War
- 4.4 The Build-Up of the Soviet War Economy
- 4.5 The U.S. and Soviet Economies Since MAD
- 4.6 What Are 'Acceptable Losses' for the Russian Command in a Global Nuclear War?
- 4.7 The Religious Factor: Call to Arms for 'Holy War'

Part 5:

Soviet Strategic Sabotage and Assassination Programs

- 5.1 Andropov's Rise in the KGB: Warsaw Pact Enters International Drugs-and-Terrorism Business
- 5.2 Soviet Surrogates Provide 48 Months of Prewar Assassination and Sabotage

Part 6:

The Soviet Plan of Attack

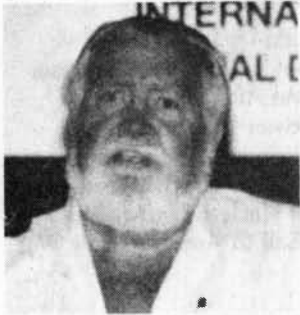
Part 7:

Keys to U.S.A. and NATO Counter-Strategy

Order from: **EIR News Service**, P.O. Box 17390 Washington, D.C. 20041-0390
Order #85006

Price: **\$250**

AIFLD: It's not labor, nor is it for freedom



AIFLD Director Doherty

In 1962, something called the American Institute for Free Labor Development (AIFLD) was founded under the auspices of the Alliance for Progress. Its formal mandate was to provide an anti-communist counterweight to the influence of Fidel Castro's revolution within the Ibero-American labor movement. In fact, it was to function as a "dirty tricks"

arm of the U.S. State Department. The subversive activities of AIFLD have been repeatedly denounced by anti-communist trade unions and political leaders across Ibero-America. It has participated in the corruption, destabilization, and destruction of labor movements and governments throughout the continent.

But, hitherto kept tightly under wraps is AIFLD's collaboration with the drug mafia of Ibero-America, and with the Communist-terrorist networks which serve as its partners and, frequently, its sponsors.

As we reported in our Feb. 14 issue ("State Department-Funded Labor Institute Tied to Mob"), the AIFLD connection to the drug mafia was established during the course of an investigation by the Schiller Institute into a directive issued by the Union of Colombian Workers (UTC) on Jan. 28, demanding the severing of all contact between members of the labor federation and the Institute. The Schiller Institute

was formed in 1984 by Helga Zepp-LaRouche, to strengthen the Western Alliance and press for a new world economic order.

The directive against relations with the Institute was issued under orders from AIFLD representatives. The Schiller Institute has demanded a full investigation, and has called upon the U.S. government to immediately suspend funding to AIFLD, which received \$13.5 million in 1985 from the State Department's Agency for International Development (AID).

The Schiller Institute's own investigation has established the following facts, which should guide future investigative and law enforcement action:

- **Bernard James Packer**, currently director of AIFLD operations in Colombia, is a personal intimate of the Peruvian **Carlos Langberg Meléndez**, who is currently sitting in prison in Peru on drug-trafficking charges.

- **The Colombian Workers' Bank** (Banco de los Trabajadores), established in 1974 with a grant from the Inter-American Foundation, on whose board sits current AIFLD Executive Director **William C. Doherty, Jr.**, has been publicly cited as a "laundromat" for illegal money transfers of drug money launderer **Hernán Botero**, who is currently imprisoned in the United States for his crimes.

- **Tulio Cuevas Romero**, the former UTC secretary general who for many years served on AIFLD's board of trustees, founded the same Colombian Workers' Bank, and immediately sought to allow sale of UTC stocks in the bank

to **Gilberto Rodríguez Orejuela**, a Colombian who is currently residing in a Madrid jail, awaiting extradition to the United States on drug-trafficking charges. With the help of AIFLD's Cuevas, Rodríguez Orejuela was placed on the board of directors of the bank, and by 1978 was its majority stockholder.

- Cuevas's behavior was so blatant that the U.S. embassy in Bogota forced AIFLD to conduct an inquiry into his ties to Rodríguez Orejuela—but the results were never released. AIFLD continues to defend Tulio Cuevas.

- UTC Secretary-General **Alfonso Vargas** traveled to Spain in 1984 to plead against the extradition of Rodríguez Orejuela to the United States. This was the same Vargas who signed the UTC directive of Jan. 28 against the Schiller Institute, along with UTC President **Víctor Acosta**.

In the dossier which follows, we expose the history of AIFLD's 24-year collaboration with the dirtiest networks of organized crime.

AIFLD and the mafia

To understand AIFLD's links to organized crime, it is necessary first to know that AIFLD has nothing to do with the American labor movement from which it stole its "credentials." Rather, it was founded by "dirty tricks" specialists deployed into the American labor movement by the State Department, the CIA-predecessor OSS (Office of Strategic Services), and by the mafia.

Exemplary is the case of **Jay Lovestone**, the KGB agent and former head of the Communist Party USA who turned "anti-Communist" and joined the payroll of the State Department/CIA as a leading mole deployed against the U.S. and Ibero-American labor movements. Lovestone, a mentor of AIFLD's first director, Serafino Romualdi, was a principal figure in the creation of AIFLD.

Even as early as the 1920s, while still formally identified with the Communists, Lovestone collaborated with the criminal-underworld. His Communist Party accepted millions of dollars in loans from New York underworld chief Arnold Rothstein, to lead the garment workers' strike which turned Lovestone associate David Dubinsky's International Ladies Garment Workers' Union (ILGWU) into one of the nation's leading trade unions. Dubinsky's own mob connections have repeatedly surfaced on the public record.

'Don Pepe' and the mob

One of AIFLD's closest associates in Ibero-America has for decades been former President of Costa Rica, "**Don Pepe**" **Figueres**, an intimate friend and collaborator of AIFLD's first director, **Serafino Romualdi**, a continued close associate of AIFLD's current director William C. Doherty, and one of the most corrupt figures in recent Ibero-American history. Together with Romualdi, Figueres helped to create a generation of "trade union leaders" (like outgoing Costa Rican President Luis Alberto Monge) at the service of the mob and of "business" empires like that of "El Pulpo" (The Octopus),

United Fruit Company. In his 1967 autobiography, *Presidents and Peons*, Romualdi declared regarding his friendship with Figueres, "In every major activity in which I was involved since 1949, I have had the cooperation and support of 'Don Pepe.'"

Figueres's 1947 coup in Costa Rica was financed by what was then the United Fruit Company (today **United Brands**), through the mediation of a Costa Rican businessman and head of its Social Democratic Party, **Fernando Castro Cervantes**, a favor "Don Pepe" has returned many times since to that cocaine-trafficking company.

Figueres was a founding member of the Caribbean Legion back in the 1940s and 1950s, which provided the bulk of the funding to Fidel Castro's July 26th movement. Figueres was a major financier of guerrilla movements in the region, his lands serving as guerrilla training centers and his financial connections as weapons procurement networks. Figueres personally financed the Southern Front of the Sandinista movement in Nicaragua along with "Commander Zero" Eden Pastora.

Figueres's most overt embrace of the drug-trafficking criminal underworld came in the instance of master money-launderer Robert Vesco, who, as a fugitive from U.S. justice in 1972, found a ready haven in Don Pepe's Costa Rica. Vesco was a major investor in Figueres' company, and the Costa Rican President's New York bank accounts began to swell dramatically as a result of their partnership.

Figueres extended the protection of his presidency to the criminal, providing Vesco with a diplomatic passport stamped "financial advisor to the President," and writing a letter in July 1972 to then U.S. President Richard Nixon noting that Vesco was helping Costa Rica "establish some new instruments of finance and economic development" and expressing his concern that "any adverse publicity from the S.E.C. (U.S. Securities and Exchange Commission) against Mr. Vesco might jeopardize the development of my country. . . ."

Vesco agreed to invest heavily in Costa Rica in return for the creation of an "international free zone" complete with gambling and banking concessions, which would serve as Vesco's new base of operations, a project which Don Pepe went to bat for—including writing a pamphlet defending offshore mutual funds, Vesco's specialty. (It is no accident that in the 1940s, Meyer Lansky had considered Costa Rica as the site of a gambling haven, but found the Bahamas and other such territory more to his liking.)

Figueres was not Vesco's only prestigious partner. Later, Vesco was to join in partnership with Colombian cocaine czar **Carlos Lehder Rivas** in organizing a Caribbean-based cocaine trade, the same Nazi-Communist Lehder wanted today by the Colombian government for involvement in the April 1984 assassination of that country's justice minister, Rodrigo Lara Bonilla. Forced out of Costa Rica when the U.S. authorities got too close for comfort, Vesco has a new safe haven in Havana, Cuba—courtesy of another old friend of Don Pepe's, Fidel Castro.

In the various Ibero-American countries in which AIFLD operates, it has helped create "workers' banks," either by providing the seed-money itself, or arranging donations or loans from foundations and institutes with which it maintains ties. The Colombian Workers' Bank, set up with help from AIFLD Executive Director William Doherty and former trustee Tulio Cuevas, has operated as a laundromat for drug money, and it is not an isolated case.

As early as 1964, AIFLD Executive Director Romualdi helped set up a Workers' Retail Bank in Buenos Aires, under the auspices of the General Confederation of Commercial Employees. **Armando March**, the confederation's general secretary and close associate of AIFLD, became president of the bank. By 1969, however, repeated fraud and embezzlement forced the bank into bankruptcy, and the ensuing scandal led to March's expulsion from the confederation.

Colombia: The Colombian Workers' Bank was founded in 1974 with a \$500,000 grant from the U.S. Interamerican Foundation to the Union of Colombian Workers (UTC), whose president at the time was Tulio Cuevas Romero. On the advisory board of the Interamerican Foundation sat (and continues to sit) the executive director of AIFLD, William Doherty; Cuevas himself was a member of AIFLD's board of trustees.

Within six months of its founding, Cuevas and UTC Finance Secretary **Antonio Beltrán** began to seek a way of changing UTC statutes to permit the sale of the labor federation's stocks to drug-trafficker Gilberto Rodríguez Orejuela. Beltrán's brother was an employee of Rodríguez Orejuela, as Beltrán himself would later become. Although Cuevas was unable to get legal approval for a change in UTC statutes, he did succeed in making Rodríguez Orejuela a partner in one of the UTC's housing cooperatives—thus qualifying Rodríguez for purchase of the UTC stocks. Despite the subsequent sale of UTC holdings in the Workers' Bank, Cuevas and Beltrán remained on its board of directors, along with Rodríguez.

Rodríguez, one of Colombia's prominent financiers and businessmen, was also a top drug trafficker. According to recent revelations in the Colombian press, in 1979, he hired lawyer **Diego Pardo Koppel** (later to be named mayor of Bogota, until a scandal forced his resignation) to argue in a U.S. court in favor of Rodríguez's ownership of a wayward suitcase discovered at a U.S. airport and containing a quarter of a million dollars.

In March of 1985, Panamanian authorities intervened against First Interamericas Bank, S.A., shutting it down for "failure to heed Panamanian laws" and for unexplained transfers of funds abroad. The majority stockholder in First Interamericas was Rodríguez Orejuela, who had been arrested on trafficking charges five months earlier in Madrid, where he remains imprisoned today, facing possible extradition to the United States on a wide range of drug-running and money-laundering charges.

First Interamericas Bank had been operating in Panama

since September of 1975. Another major stockholder in the bank was **Jorge Luis Ochoa**, who was arrested in Spain along with Rodríguez. When First Interamericas was shut down by the Panamanian government, its manager was none other than the former UTC treasurer and Colombian Workers' Bank director Antonio Beltrán.

Although Rodríguez divested himself of his holdings in the Colombian Workers' Bank in early 1984, those holdings were sold to an associate who, together with his family, remained a majority stockholder in the bank until the Colombian banking superintendent began investigating him for illegal financial maneuvers last year. However, even after Rodríguez Orejuela's departure from the Colombian Workers' Bank, it was publicly named as one of four Colombian banks involved in drug money laundering for one **Hernán Botero**, a businessman and soccer-team owner who became the first Colombian extradited to the United States on drug charges.

Peru: AIFLD's foothold in the Peruvian labor movement was gained through **Julio Cruzado Zavala**, secretary general of the Confederation of Peruvian Workers (CTP) and, like Colombia's Tulio Cuevas, a member of AIFLD's board of trustees. Cruzado's controller was AIFLD's country director Bernard J. Packer. In 1982, Cruzado and Packer attempted to create a Peruvian Workers' Bank, on the Colombian model, the funding for which was to have come from AIFLD, among other sources. The bank never got off the ground, however, due to opposition within labor circles to Cruzado's notorious mafia tactics.

Insider sources within the Peruvian labor movement report that standing in the shadows of Cruzado and Packer's banking venture was the now-jailed drug trafficker and cocaine addict **Carlos Langberg Meléndez**. During Packer's tenure in Peru, the AIFLD official made regular visits to the home of Langberg, along with Cruzado.

Beginning in 1982, and culminating in 1983, Cruzado and Packer's unwholesome alliance was the center of a scandal within Peruvian labor and political circles. Cruzado's efforts to turn his presidency of the CTP labor federation into a dictatorship for life were resisted by a faction within the APRA party and its trade union confederation.

AIFLD's funneling of tens of thousands of dollars into the CTP was denounced by nationalist trade union forces as "imperialist intervention," but worse was the charge that Cruzado, who received the funds through Packer, an officially designated CTP adviser, was pocketing the money instead of investing it in CTP activities. Memos written by Packer to AIFLD headquarters were published in the Peruvian press, including the political profiles of various Peruvian trade unionists and their designation by Packer as "troublemaker," "untrustworthy," and the like, prompting furious charges of intervention in the internal affairs of Peru.

The fact that Packer's office telephone was directly linked to the U.S. embassy, clinched the matter. Following a huge public brawl in which Packer was accused of being a CIA

agent and Cruzado “a traitor to the working class,” Packer was recalled from Peru, and Cruzado suspended from the APRA party, of which he had been a representative in the Peruvian senate. Cruzado retained his fiefdom in the CTP, however, and his special relationship to AIFLD continues to this day.

The State Department’s hatchet-man

El Salvador: After his exit from Peru, Packer was sent to El Salvador, where preparations for presidential elections were already under way. Although AIFLD had been expelled from El Salvador in 1973, its influence continued through the peasant unions it had helped form during the 1960s.

AIFLD returned to El Salvador in 1979, and was designated the guinea pig of a State Department policy of “endless civil war” in Central America. AIFLD, coordinating with a group of Jesuits at the San Salvador University and with the Socialist International, brought in “agrarian reform” expert **Roy Prosterman** to draw up a radical agrarian reform program for El Salvador. Prosterman transferred to El Salvador his experience in drawing up the “strategic hamlets” program applied so unsuccessfully by the United States during the Vietnam War. The reform, which divided the land into plots too small to produce, and herded peasants into army-run compounds, without credits, capital, or technical advice, hit El Salvador like a bombing raid. Agricultural productivity collapsed, and the country devolved into the right-left terror that has ripped it apart ever since.

AIFLD then set out to turn labor into a weapon of instability. In 1980, AIFLD funding helped to found the Popular Democratic Unity, a new labor-peasant coalition which grew quickly to 200,000 members and became the backbone of U.S. electoral policy in El Salvador. In 1982, the UPD, with nearly 80% funding by AIFLD, committed its substantial union forces to getting the Christian Democratic candidate, Napoleón Duarte, elected to the presidency. During 1984, however, with what many observers described as a U.S. policy shift away from Duarte, Packer—as the AIFLD country director in El Salvador—became the point man for a pressure campaign on the trade unions to pull their support out from under the Salvadoran President.

According to a *Washington Post* article of March 20, 1985, Salvadoran labor leaders and some Christian Democrats “complained that the U.S. shift was undermining Duarte’s declared goals,” which included peace talks with the rebels. Their view was confirmed when acting U.S. Ambassador **David Passage** blithely told a group of visiting U.S. labor leaders that a defeat for Duarte in the upcoming assembly and municipal elections “would be fine” with the U.S. embassy.

An embassy report at the time explained: “The long range plan, according to Director Bernard Packer, is to help create a large confederation of urban labor organizations for El Salvador, with links to ORIT [Interamerican Regional Organization of Workers]. This confederation would mean the

phasing out of the UPD as a labor/peasant umbrella organization. . . .” One UPD leader, however, was more explicit in describing Packer’s plan as an attempt to “destroy the base of the Pact [between Duarte and the UPD—ed.] and to pursue a military solution to the war.”

When the UPD unions balked at AIFLD’s prodding to “de-politicize,” i.e., withdraw backing for the President, Packer created a parallel labor federation called the Confederation of Democratic Workers (CTD), and used threats of cutting off financial and logistical support to try to pull unions out of the UPD and into the CTD. AIFLD began to repossess vehicles and communications equipment used by the UPD unions, and then to label certain of the more resistant UPD leaders “subversive” or “Marxist-leaning”—charges which amounted to death sentences in a country where the death squads were working overtime.

A furious letter was sent by the political commission of the UPD to AIFLD Director William Doherty, blasting AIFLD’s “absolutely shameful” manipulations and condemning “the insufferable and contemptible insolence of Señor Packer.” From now on, insisted the letter, “We want no contact whatsoever with Packer.” Within a week, Doherty had arrived in El Salvador to try to calm things down, and Packer was recalled. The AIFLD “trouble-shooter” was assigned to Guatemala, but his reputation had preceded him and his appointment was refused. Packer was re-assigned to Colombia.

Colombia: Bernard Packer’s stint in Colombia, while brief, has been active. His associate Tulio Cuevas is no longer formally linked to the UTC labor federation, nor is he any longer a member of AIFLD’s board of trustees (too hot to handle, perhaps?), but his influence in the UTC lives on in the new president and secretary-general, **Víctor Acosta** and **Alfonso Vargas**.

In 1984, Acosta and Vargas rammed through the UTC executive committee a public denunciation of the U.S.-Colombian Extradition Treaty, the same treaty which every leading Colombian drug mafioso has publicly denounced, the treaty for whose defense and enforcement Justice Minister Rodrigo Lara Bonilla was assassinated by the drug mob in April 1984, the same treaty whose approval by the Colombian Supreme Court led to the narco-terrorist siege of the Justice Palace in November 1985, during which half the Supreme Court magistrates were murdered.

Vargas was later sent by Acosta, and in the company of Tulio Cuevas and CTC labor federation head **Felipe Hurtado**, to Spain to plead the cause of drug trafficker Rodríguez Orejuela before the Madrid courts.

In January 1986, it was Vargas and Acosta who put the names of the UTC executive committee to the directive demanding a cutoff of relations between the UTC and the Schiller Institute, whose Colombian members had been offering courses in political economy and science to UTC members, as well as organizing drama, musical, and other cultural works with UTC affiliates.

Subversion by Grace, Romualdi, Rockefeller

The American Institute for Free Labor Development (AIFLD) was founded in 1962, under the auspices of the Alliance for Progress, with the alleged purpose of providing an anti-communist counterweight to the influence of Fidel Castro's revolution within the Ibero-American labor movement. AIFLD's real mandate, however, was quite different.

AIFLD's first chairman, leading contributor, and propagandist was **J. Peter Grace** of the company W. R. Grace, Inc. The Grace empire, comparable in many respects to Britain's East India Company of the 18th century, derived its vast fortune from nearly a century and a half of looting in Ibero-America. Starting out by collecting bird guano off the Peruvian coast and exporting it home to Britain, the Grace family—transplanted to the United States—rapidly evolved into shipping, and from there to sugar plantations, mining, textiles, and banking. Like the infamous United Fruit Co. (today, United Brands), the Grace empire extended its tentacles across the continent, buying up resources, towns, and people.

In a recent interview, *EIR* founder Lyndon H. LaRouche, Jr. told the Argentine publication *Nueva Provincia*, that J. Peter Grace is part of that circle of nominal Catholics implicitly attacked by the Vatican at the recent Extraordinary Synod of Bishops in Rome. Along with Grace, LaRouche names CIA director William Casey, former U.S. Treasury Secretary William Simon, and Notre Dame University president Father Theodore Hesburgh.

These men, who have embraced the "Protestant ethic," declared LaRouche, "accept the Teddy Roosevelt doctrine that Latin Americans suffer a natural cultural inferiority to the British and North Americans . . . and seek to wipe out existing Latin American institutions, to replace them with institutions and practices which correspond to the doctrine of Adam Smith. . . ."

The Grace empire has spawned any number of individuals who have been implicated in dirty tricks and destabilizations in Ibero-America. Among them are:

Manuel Ulloa, former Peruvian prime minister who played a leading role in implementing economic policies conducive to the flourishing of the drug trade there. Ulloa got

his start in the 1940s running the public relations office of Pan American Grace Airways, Panagra, and then W.R. Grace's Latin American Division in Peru;

Robert Hill, U.S. ambassador to Costa Rica during the Figueres period who helped to consolidate United Fruit control over that nation, and later was to be rewarded with a directorship in the company. Hill had earlier served as vice-president for W.R. Grace Co.;

Arthur H. Davis, current U.S. ambassador to Panama whose public pledge to destabilize that country's government nearly led to his being declared *persona non grata*. Davis worked for the Grace empire's Panagra airline during the same period as Ulloa, from 1945-56.

Rockefeller agents

The first executive director of AIFLD was **Serafino Romualdi**, an agent of the Rockefeller family. He began as an employee of Nelson Rockefeller's Office of the Coordinator Inter-American Affairs (CIAA) during World War II, and as an operative of the Office of Special Services (OSS), precursor to the Central Intelligence Agency. Romualdi's qualifications for the AIFLD post were not only his years of service to the Rockefeller interests in Ibero-America, but the sobriquet he earned as Gen. Juan Perón's "Enemy Number Two"—after former U.S. Ambassador to Argentina Spruille Braden. Perón's efforts to forge Argentina's labor movement and industrialist class into a single political movement for the industrial modernization of Argentina, was anathema to Rockefeller and Grace interests on the continent.

Romualdi was trained by master labor manipulator **Jay Lovestone**, former head of the Communist Party U.S.A. Together with Braden and other Rockefeller agents in the State Department, Romualdi plotted the creation of a new inter-American labor organization through which to isolate and destroy the Peronist "virus." In 1948, the Inter-American Confederation of Labor was born, to become the Interamerican Regional Organization of Workers (ORIT) one year later. Romualdi served as ORIT's assistant secretary general in 1951.

ORIT, as an umbrella organization of most of the democratic labor confederations of Ibero-America, was not an easily manipulable instrument, and therefore not useful for deployment against Peronism. It was determined that a new entity with finer-tuned political control over the flow of funds and indoctrination into Ibero-America's labor movements was required. Thus, AIFLD was born. The majority of AIFLD trustees, American and Ibero-American alike, can be traced to Rockefeller family interests. Exemplary is AIFLD's vice-chairman and trustee until his death in September 1985, **Berent Friele**.

Friele, like Romualdi, was a Rockefeller employee at the CIAA during the '40s, and from 1946 to 1968 was senior vice-president of the Rockefeller family's American Inter-

national Association for Economic and Social Development. In 1968, he served as special assistant to New York Gov. **Nelson Rockefeller**, during the latter's famous "fact-finding tour" of Ibero-America.

AIFLD's commitment to defend the usurious interests of the Grace and Rockefeller empires in Ibero-America was never more clearly stated than in its executive director's wholehearted endorsement of the Kissinger Commission Report on Central America, which AIFLD helped to formulate. AIFLD Executive Director **William C. Doherty, Jr.** enthusiastically testified at hearings of the House Committee on Foreign Affairs on Feb. 23, 1984, that the Kissinger recommendations "embody the major requirements for a successful foreign policy in Central America. They include, in particular, the concept of 'conditionality.'" That concept means making financial or military aid to those countries contingent upon conversion of Central America's economies into "Hong Kong"-style, labor-intensive "free ports" which would facil-

itate the trafficking of drugs through the region and, ultimately, convert all of Central America into a "free enterprise" drug plantation.

Funding

Funding sources for AIFLD in 1985 included \$900,000 from the AFL-CIO, \$4.8 million from the quasi-governmental National Endowment for Democracy, and \$13.5 million from the State Department's Agency for International Development (AID). However, trustworthy sources report that the funds which AIFLD handles are actually at least five times that.

AIFLD's effort to pass itself off as a labor organization is limited to putting a handful of labor leaders on its board of trustees. It is run by multinationals with the worst record in labor relations in Ibero-America—the Grace and Rockefeller empires. Upon close inspection, one discovers that it is not labor they are financing, but drugs and communism.

AIFLD aids communists and terrorists: toppling of the Sudan government

Despite the claims of the American Institute for Free Labor Development (AIFLD) to be anti-communist, it and its fellow institutions—the African-American Labor Center and Asian-American Free Labor Institute—have been repeatedly caught running operations of benefit to communist or terrorist drug-running regimes, such as those of Fidel Castro and Muammar Qaddafi. Exemplary is the case of AIFLD's link through José "Pepe" Figueres to Robert Vesco, the Lansky money-launderer who today lives in Havana as Castro's drug-runner in residence.

The U.S. State Department deployed one of its dirty tricks operations, the African-American Labor Center, in tandem with the International Monetary Fund to bring down the government of Sudan.

Business Week magazine reported the following on Nov. 4, 1985: "[Executive Director of the African-American Labor Center Patrick] O'Farrell describes a revolution last April in Sudan against the government of President Gafar Mohammed Numayri: 'It was brought down largely by the unions, especially the doctors, and we had been helping to train some union members. Now, for God's sake, don't say we were training people to overthrow the government, because we weren't,' says O'Farrell. 'But the unions did go to the streets to help bring

down the government.'" *Business Week* adds, "Today, Sudan's prime minister is a former leader of the doctors' union."

The sequence of events leading up to the fall of the Numayri government on April 6, 1985 was summarily as follows:

- In December 1984, the U.S. State Department privately informed the Sudanese government that all U.S. funds would be cut off until the government implemented further austerity conditions, as demanded by the International Monetary Fund. Sudan's neighbor, Libya, immediately opened negotiations with the Sudanese government, offering to exchange financial aid for a military and political alliance between the two governments.

- By February, when the Numayri government still had not implemented the IMF program, the State Department publicly reiterated the U.S. aid cut-off threat. Within 48 hours, Col. Muammar Qaddafi announced that he was "deeply disgusted with American attempts to interfere" in the Sudan, and therefore, "Libya . . . will pay the cost, no matter how much the financial burden."

- On March 27, the Sudanese government acceded to U.S. pressure and imposed the IMF measures, including a one-third increase in the price of basic foods. Immediately, the African-American Labor Center-influenced unions led demonstrations against the government, mobilizing 15,000-20,000 people at a time.

- On April 6, Numayri was overthrown by military officers seeking to restore order. Sudan has suffered continuous instability ever since, and is now in alliance with Libya.

NATO elite is told: We must keep the economy strong

by George Gregory

“Our adversaries have learned that if our democracies become sufficiently aroused, we might mobilize our full economic strength to rebuild insuperably superior military forces. Our security therefore demands that we maintain overall economic superiority.”

Those were the words of U.S. Undersecretary of Defense Fred Iklé to the March 1-2 annual meeting of the NATO alliance's military elite, the International *Wehrkunde* (Defense Sciences) meeting in Munich, West Germany. Some 150 of the most prominent figures in the military establishment of the Western Alliance were in attendance.

Iklé, the featured American official, faced not a few among his European audience who relegated him to “that small bunch of ideologues around Weinberger—whose influence on [President] Reagan is steadily decreasing, however.”

This *Wehrkunde* meeting took place under conditions which demanded a strong American demonstration of commitment to U.S. defense and the integrity of Western political and strategic relationships worldwide. These conditions include the first phase of Gramm-Rudman budget butchery, which went into effect on March 3, one day after the beginning of the Munich assembly; second, by the fall of the Marcos government in the Philippines. The weight of U.S. policy is evaluated in Western Europe, by both friend and foe, according to criteria of credible U.S. power, and U.S. loyalty to established security commitments based upon that power. Gramm-Rudman and the Philippine destabilization call that credibility into question.

As perceived in West Germany, the U.S. State Department, the Trilateral Commission, the West German Foreign

Ministry, et al. have decided upon one of two possible policy responses to U.S. financial chaos and degraded credibility and power internationally: a re-run of the Kissinger-Nixon détente and arms-control program, with large-scale economic deals with the Soviet Union, including Soviet access to Western European technology, from an admittedly weaker position than last time around, but in the curious hope that the Russian leadership will not cheat this time.

But the *Wehrkunde* conference steered a course in the direction of the other possible policy response. There were no fixed moorings visibly guiding policy discussion, but there was also no mouthing about the “new phase of détente,” “new era of cooperation born in Geneva,” nor “back-channel crisis management of the superpower relationship.” Instead, there was a focus on fundamentals, and a number of sensitive subjects were discussed which are hardly ever mentioned in public.

West German Defense Minister Manfred Wörner, in his key-note address, “Strategy in Flux,” stated that, for Western European countries “to fully satisfy the Soviet need for security, they would have to surrender.” The 19th-century Prussian master of strategy, Clausewitz, gave a characterization which applies perfectly to the Soviet Union, when he noted that any “conqueror would prefer to invade a neighbor's country peacefully.” Contrary to notions of entering a “security partnership” with the Soviet Union, the new name for the rerun of Kissinger's détente program, Wörner noted that the West German government had received messages loud and clear from Moscow concerning policy expected of West Germany in this “security partnership”: “good behavior

in general, and prevention of SDI in particular. . . . The Soviet notion of security would in effect be our insecurity."

As for arms-control, the West German defense minister's evaluation was based upon the "Soviets'" thoroughly Russian drive to minimally "secure the empire acquired in the course of a history of several hundred years," rather than mere scepticism: "To them, arms control policy is primarily an instrument of diplomacy by which their own positions are consolidated, and Western freedom of action is curtailed."

Concluding the series of exploded myths and perceptions, Wörner stated: "It makes little sense to distinguish between 'a strategy of deterrence' and a 'war-fighting strategy.'" Western Europe confronts an overwhelming Soviet conventional superiority, which is becoming an even more enhanced threat for reasons Wörner outlined. Development of Soviet strategic missile defense is progressively degrading the deterrent value of U.S. strategic nuclear forces; likewise, upgraded Soviet air-defense systems, also in Eastern Europe, immediately degrade NATO's air forces, and will soon be able to defend against NATO's nuclear missiles in Europe; at the same time, improvements in the precision and armament of Soviet short- and medium-range ballistic missiles, which are armed with conventional and chemical warheads, and accelerated production of cruise missiles, means that "in the foreseeable future the Soviet Union will possess some kind of conventional first-strike capability in Europe."

While dealing with Soviet conventional supremacy itself "can not be accomplished without the participation of the United States," "the need for a European defense system is as logical as it is imperative." The evaluation in the relevant West German military staffs is, in fact, that the time latitude on developing and installing an enhanced European air-defense capability against short- and medium-range missiles, whether nuclear or conventionally armed, cruise missiles, and the 4.5:1 superiority of Soviet air forces, is probably even less than for SDI itself.

The only debate over the issue of whether SDI should be "restrained" or bargained away in exchange for Soviet missile reductions occurred between American senators, not with the Europeans, who have made up their minds, that they do not want it bargained away.

Wörner's argument is, that the need for a European defense system "could be met by an extension of the American defense system" (and West Germany does intend to participate), but other Western European countries, which are less obviously enthusiastic about SDI, have to contribute to an enhanced air defense for Europe, or recommend surrender. "Even if it did not come to war, Western Europe would, under the influence of numerically superior Soviet military power, be susceptible to political blackmail, and in the longer run submissive to the Soviet Union."

Undersecretary for Defense Iklé was also aiming to shake up his listeners. His jokes about the "dozens of papers by NATO experts" who can employ only "euphemisms" to describe a possible attack on NATO by "an aggressor, alluding

perhaps to some fairy tale creature like Rumpelstiltskin," came right after he derided any quest for "arms stability," pursued in the West with such complacency that the Soviets were virtually invited to seize superiority, while nothing at all became stable in the developing countries.

One day after the conference, liberal West German Foreign Minister Hans Dietrich Genscher flooded the media with protests that "those who seek superiority" are "undermining East-West stability," arms control negotiations, and prospects for cooperation. A foreign policy spokesman for Genscher's Free Democrats named Iklé as the culprit who had committed this heinous crime, and demanded that President Reagan "shut Iklé up, or risk losing credibility himself."

Fred Iklé had, in fact, quoted a widely circulated policy statement of Genscher's from December 1985. "I disagree," Iklé said, "with a view sometimes expressed by European officials that we should help the East to modernize its economy, and that our help toward improving the economic development of the Soviet bloc contributes to European stability." Iklé charged that this would merely "make it easier for the Soviet leadership to accelerate its military buildup."

Doctrinal debate

There is a raging debate in the ranks of West German commanders on NATO operational doctrine, for which West German officers have no responsibility, according to NATO rules. Officially, there is no West German staff for operational planning; the operational levels of maneuvers are planned at NATO. The issue is the insanity of expecting to defend by waiting for the enemy to storm across the East-West divide, with no depth of territory to fall back into, but with a NATO prohibition against crossing the border to the East at the very moment of attack to carry out flanking and envelopment counter-attacks within the enemy's own territory.

It was a mistake for Iklé not to demand a corrective NATO command guideline to incorporate West German officers in responsibilities for operations planning. But he did denounce the insanity of "the dogma of immaculate aggression . . . which holds that our enemy, after launching a full-scale attack onto our territory, would remain immaculate of any sin," so that it would be a sin, in turn, to hit him on his own territory. With the exception of those West German flag officers who earned most of their stars under Helmut Schmidt, who went so far as to eliminate courses in tactics at West German military academies, it is rather obvious—hot potato or not—where the majority of army commanders stand on this issue.

American participants at the Wehrkunde conference, particularly congressmen and senators, repeatedly dodged questions about the U.S. budget, and merely responded with "it [Gramm-Rudmann] hasn't gone into effect yet, don't worry." These are the kinds of Americans, said the Europeans, who would pull U.S. troops out of Europe on "cost effectiveness" grounds. Then, they would try to convince Europe it was all done because they thought Europe wanted a troop-reduction deal with the Russians at any price.

Investigating the Palme killing: investigative hypotheses

by Lyndon H. LaRouche, Jr.

The international newsweekly, *Executive Intelligence Review*, hereby structures its ongoing investigation, to the purpose of defining editorial judgment on both a) the killing of the late Prime Minister of Sweden, Olof Palme, and b) the indicative features of international coverage of the killing, by news media, governmental agencies, and other relevant agencies.

This investigation is herewith named *Operation Edgar Allan Poe*. That name is adopted for the practical purpose of identifying the methods and outlook to be employed in the inquiry: to emphasize our abhorrence of the contrary, more popular methods identified with the fictional Sherlock Holmes.

The general investigative hypothesis to guide the inquiry at this stage, is based on efforts to arrange the full array of available evidence in such a manner as to narrow the investigation down to one among the following general and more particular choices of motives for, and character of the assassination.

1. The Killing was Motivated Either:
 - 1.1 Simply to Kill Olof Palme;
 - 1.2 Less to Kill Palme, than to produce the effect which the killing of Palme was intended to produce.
- 2.1 The Motivation Was of a Personal or Business-Interest Nature, or Some Combination of the Two;
 - 2.11 Personal Revenge
 - 2.12 Action in Defense of Some Personal Interest;
 - 2.13 Revenge for Injury to Business Interests;
 - 2.14 Action In Defense of Perceived Business Interest;
3. The Motivation Was Political, and was either one or a combination of the following:
 - 3.1 Swedish National Matters;
 - 3.11 Intra-Party Motives;
 - 3.12 Non-Intraparty National Motives;
 - 3.2 International Political Matters;
 - 3.3 Strategic Matters As Such.

For purposes of files-organization, each element of the foregoing listing is to be treated as a "Boolean" conception,

overlapping or not-overlapping other elements of the array.

The foregoing list is an array of alternative or overlapping elements consistent with the probable indications that the perpetrator operated in the mode of a professional killer.

The most important clues to be considered, come from the area of news-media coverage of the killing and investigations. Two characteristics of such news-media coverage must receive special emphasis in the inquiry:

4. Efforts to divert suspicion to or away from certain classes of suspects.
5. Efforts to exploit the killing to generate a politically or strategically significant reaction.

It need only be mentioned, that the Soviet disinformation channels are, so far, most active in attempting to generate variously politically or even strategically significant reactions to the killing. The pivotal question, is whether political exploitation of the killing is merely opportunistic, or whether the exploitation reflects in one sense or another the motivation for the killing.

So far, the most probable hypotheses are:

A. That Palme had been actually or plausibly instrumental in some recent action or action-in-preparation, which prompted some agency to require the immediate killing of Palme as either revenge or prevention.

B. That Palme was killed by the Soviets or some related agency, because the political value of Palme's bloody shirt was esteemed to greatly outweigh the usefulness of the living Palme. This would coincide with the use of either elements of international terrorism or Soviet-steered ultra-right-wing groups as accessories to the action.

The special difficulty, is that the public and covert Olof Palme represent somewhat distinct images. That is to emphasize the query: Did the motive for ordering Palme's killing bear upon the authors' perception of Palme's public or covert role?

Obvious circumstances local to Sweden, include:

- 1) The Gyllenhamer affair, and effects bearing upon the fall of the stock-exchange values.
- 2) Increased threats to Sweden's national security.
- 3) Widespread expressions to the effect that Palme's actions had betrayed allies and supporters.



NSIPS

Olof Palme: Who benefits, politically and strategically, from his assassination?

The distinctive political circumstance, was that Palme's standing was at a lower ebb than during his earlier electoral defeat. The best way to eliminate Palme politically, was to keep him alive as a target of growing hostility from all national sectors, including much of his former electoral base. The effect of his murder, is to revitalize "Palme the martyr," and thus strengthen the perpetuation of the policies with which Palme was associated.

The fact that Palme's killing has features of a professional killing, is strong indication of authorship by some agency qualified to pre-calculate the political sequelae of such a murder. An agency which had the means to deploy a professional killing, would have, "instinctively," reckoned with the fact that killing the politically discredited Palme would elevate his standing to that of a "martyr." This suggests either an agency which intended to produce such political sequelae, or which was so blinded by desire to kill Palme that they were prepared to risk the political after-effects as part of the price for immediately conducting the killing.

Who benefits politically and strategically? Most narrowly, Moscow benefits. More broadly, the benefit accrues to the modern outgrowth of the 1920s "Trust," the political "joint-stock company" interests of the contemporary form of the "bi-polar arrangements" between certain wealthy Western interests and Moscow, including the so-called left wing of the Socialist International. This benefit was pre-calculable; the success of the killing, at first try, in an operation with the characteristics of a professional assassination, strongly indicates an agency which either intended to produce such a pre-

calculated effect, or which was so powerfully motivated by more narrow considerations, as to disregard such pre-calculable effect.

Moscow's charges against the CIA

The Moscow allegation, that the CIA was involved in the killing of Palme, is worse than absurd insofar as this charge is understood to mean the U.S. Central Intelligence Agency. However, there are certain powerful, private agencies, which public opinion might confuse with the CIA, which are fully capable of complicity in such a killing. I shall not name any of these agencies (for obvious reasons of discretion), although I have several such immediately in mind. I shall merely indicate the characteristic features of the relevant problem, so that investigators may bear this line of inquiry in mind as they weigh the evidence.

The killing of Palme occurs in the context of two global sets of events:

- 1) The global banking-collapse crisis now in progress, and
- 2) A cascade of extraordinary unleashings of coups d'état and kindred events in the setting of the period from the Geneva Reagan-Gorbachov summit to the present Soviet 27th Party Congress. A powerful faction of bankers in the West, which has reached a global, "bi-polar" agreement, through "back-channels," with Moscow, is acting to pull the United States out of the Strategic Defense Initiative, to pull U.S. strategic influence, rapidly, out of Europe, Africa, and Asia, and back to the Americas. This same faction, is faced, si-

multaneously, with an imminently threatened general collapse of the U.S. banking system, and the chain-reactions this collapse portends for most of the world.

This "bankers' faction" in the West, is an integral part of the present-day equivalent of the 1920s Soviet "Trust" organization, the continuing "Trust"-linked organization within which Olof Palme's political activities have been situated. The killing of Palme by such circles, or by aid of such circles, would be, therefore, an "inside job."

This "bankers' faction" of the West, has built up a massive, privately operated, international intelligence capability, akin to the fictional "third force" of the famous James Bond movies. This capability has penetrated deep into the policy-making and operations capabilities of Western governments, and is able to orchestrate the policies and actions of such governments to suit its own purposes, in an increasing number of cases. It has an operational capability more or less equivalent to that formerly commanded by the CIA.

With aid of the Socialist International and other left-wing and left-liberal political forces, this "third force" (which could be named by names of organizations and key personalities) has gained great power over nations of the West and developing nations. Yet, at the point this "third force" is at the verge of realizing its political objectives within the West, the imminent collapse of the U.S. banking system threatens to destroy much of that power. This powerful "third force" is currently operating with blind fanaticism and desperation, seeking to crush any force which resists it, or even threatens to resist it.

The case of the destabilization of the Philippines, planned first under President Jimmy Carter, and set into motion beginning 1982, is an example. First, this "third force," exerting great power on the U.S. and other governments, toppled President Ferdinand Marcos, and is now moving to dump soon the new provisional President of the Philippines, Mrs. Corazon Aquino. At the same time, the same "third force" is moving to destabilize South Korea, completing another operation first set into motion under President Jimmy Carter. This means, in short order, that the U.S. bases in the Philippines are lost, and the United States is out of the western Pacific and Southeast Asia strategically, altogether.

The same forces are acting to destabilize Egypt, and to turn control of southern Africa over to Soviet naval, air, and missile forces based in Angola and Mozambique. They are moving to a bloody destabilization of Panama, backing the professed Nazi, Arnulfo Arias Madrid, as the "democratizing" agency for the region of the Panama Canal. The list goes on, and is very long.

It is to be said of this "third force," this agency of the "bankers' faction," that "whom the gods would destroy, they first make mad."

The political ideology of this nameable "third force," is not exactly pro-Soviet. They are, after all, an asset of a variety of wealthy financier families joined, in common if

also conflicting aims, with Moscow, in an arrangement for consolidating a "New Yalta" version of a "bi-polar" dictatorship over the planet. They work with Moscow on common interests, but also in conflict with Moscow on other matters. They are turning over Europe, Asia, and Africa, to Soviet strategic domination, while simultaneously acting desperately to preserve their financial interests in both the Americas and parts of the world being abandoned to Moscow's strategic domination.

It is my first-hand knowledge, from a large accumulation of isolated cases of such first-hand knowledge, that this "third force" is presently so hysterical that it appears to have lost its senses entirely. This is the one major force in the West which would have been capable of killing Palme with the view of using Palme's "martyrdom" to reestablish Socialist International control over Sweden in particular. Or, this force would have readily killed Palme, if Palme were suspected of moving as part of a Socialist International effort to coopt the anti-IMF movement now rising in the developing sector and parts of Europe as well. I have no indication that this "third force" was implicated in the killing, only that, on the basis of patterns of recent performance, they would be perfectly capable of such a hysterically insane act.

The "third force" must be included among the list of general suspects, for an additional reason. Under the "back-channel" arrangements between Moscow and the Western, bankers' element of the present-day "Trust," the Soviets leave problems in the Western sector of "bi-polarity" to their back-channel partners of the West, while the Western partners leave matters in areas of Soviet strategic responsibility to Moscow. So, Moscow left the destabilization of the Philippines and South Korea, to the "bankers' faction." So, most of the assassination-plots, harassment, and defamation operations against me ordered by the Soviets, are run through the resources of Western-based, or Sharon-linked private intelligence capabilities. In certain matters of agreement within the "Trust" arrangement, Moscow would say to the bankers' faction: "That's your responsibility; take care of it." In other matters, the Western partners would make the same sort of observation to Moscow, as in the case of the projected political elimination of Yasser Arafat.

If a "Trust"-centered killing of Palme were the case, Palme lies between the cracks of Moscow's and bankers' faction responsibility. Either could be responsible for the act, it could have been conducted jointly, and would almost certainly have been done with a "need to know" degree of knowledge of both.

I can not draw the conclusion that it was the "Trust" which killed Palme; there are other possibilities not to be excluded. One can only say, that whether the "Trust" was directly involved or not, the sequelae of the killing will involve both principal components of the "Trust"; and, if it was not the "Trust" which authored the killing, this fact itself would be a most remarkable feature of the operation.

Contadora seeks war on narco-terrorism

by Gretchen Small

Buried by the American media under the debate over funding Nicaraguan "contras," called "freedom fighters," were two Ibero-American initiatives which have opened new flanks for *winning peace* in Central America, instead of Washington's current, Soviet-supported, no-win strategy of fomenting violence and counter-violence in the region.

While Washington talked, a quick "working and goodwill" visit to Colombia by Panama Defense Force head Gen. Manuel Noriega on Feb. 28 concluded with plans to make their borders "impervious" to drugs and arms traffic, and initiated discussion on how to close off the Panama Canal to clandestine arms and drug traffic.

General Noriega was received with honor in Colombia, greeted at the Bogota airport by Colombian Defense Minister Miguel Vega Uribe, and hosted by the commanders of all of Colombia's military forces during his two-day visit. In a brief comment with the press, he explained that the purpose of his trip was to work out the "joint infrastructure" required to fight narco-terrorism. "Because of our geography," the general explained, Panama "is vulnerable for our soil to be used as a trampoline for cocaine and marijuana towards the consumer markets. Narco-terrorism is a new concept of the violence we are living in these days, in which anti-social elements make use of the enormous economic power and resources of drug traffickers to achieve their ends."

Noriega noted that the Panama Canal functions as a sieve for illegal arms and drugs shipments. "The canal zone is very big, since ships of all nationalities go through it." He proposed that "a special police to inspect the holds of those ships" be created. Before leaving Colombia, Noriega signed an agreement with Colombian Army Chief Gen. Rafael Samudio Molina, to cooperate in keeping their common border "impervious" to arms and drug trafficking.

Every major Ibero-American government, minus the Israeli client state of Ecuador, has warned the United States that its so-called "military solution" in Central America—arming tens of thousands more combatants in the region—will create the strategic crisis in the Western Hemisphere which the Soviet Union seeks. Hitting the terrorists on their vulnerable flank, their logistical supply lines, however, isolates and weakens the insurgents, while avoiding the Soviet trap. As the drug trade is the primary source of weapons,

money, and logistical support for all sides in Central America's war, a war on narco-terrorism outflanks the Soviet gambit.

Ibero-American governments, therefore, have taken a new step to block U.S. strategic disaster. As Noriega arrived in Colombia, the foreign ministers of the Contadora Support Group, Ibero-America's diplomatic coordinating council, announced at the end of a two day meeting in Uruguay, that they have agreed to establish a multinational civilian peace force along the Costa Rican and Nicaraguan border. "We are talking of a commission for observation, prevention, and inspection," Colombia's foreign minister, Augusto Ramírez Ocampo, explained, "not an armed force aimed at separating the two sides, or at intervening in armed conflicts." The Commission, which will patrol the border against illegal weapons shipments and troop incursions, was requested by Costa Rica last month, to halt the continuous border skirmishes between Nicaraguan military forces and the "contras" based in Costa Rica.

Peru immediately volunteered to participate in the commission. The Contadora Support Group, joining Panama, Mexico, Venezuela, Colombia, Peru, Argentina, Brazil, and Uruguay, announced they will invite the nations of Europe, Japan, and Canada to provide communications and transportation equipment for the Commission.

The Nicaraguan/Costa Rican patrol force is viewed as a precedent for the creation of others throughout the region, especially along the "hotter" Honduran/Nicaraguan border, where much of the "contra" activity is concentrated. "We hope there will be a chain reaction of this magnificent idea in the region," Ramírez Ocampo stated. Final details of the new peace commission are to be hammered out on March 12, at a meeting in Costa Rica.

The Commission challenges stubborn U.S. insistence on escalating war in the area. The final statement from the Support Group meeting reiterated that a cessation of *all* foreign support for guerrilla and irregular operations in the area "is an imperative need." Costa Rica's new President, Oscar Arias, reiterated another basic principle of Contadora strategy in a U.S. television interview March 2: "If I were President Reagan, I would give those funds to Guatemala, El Salvador, Costa Rica, and Honduras in economic aid, instead of military aid to the contras."

Assistant Secretary for Inter-American Affairs Elliott Abrams flat-out rejected any cooperation with Ibero-American concerns for the region, in a satellite interview with Ibero-American journalists on Feb. 28. "There will never be a Contadora agreement unless there is pressure on the Sandinistas to sign it," Abrams stated. For Abrams, "pressure" means deployed armed insurrection against the Sandinista regime. U.S. officials now speak of arming 25,000 men. "Thousands of Nicaraguans are willing to die," he told the journalists. Under present U.S. policies, undoubtedly they will.

Aquino's Philippines government faces the Int'l Monetary Fund test

by Linda de Hoyos

On Monday, March 10, a delegation from the International Monetary Fund was scheduled to arrive in Manila to survey the Philippines economy and decide whether or not the new government of Corazón Aquino is to be eligible for \$620 million in a standby credit loan that had been denied to the deposed government of President Ferdinand Marcos last September. The new Philippines government's response to the International Monetary Fund, and the conditions that it lays down for advances in credit, will largely determine whether the Aquino government will become but a brief point of transition between Marcos and either a military dictatorship or a Sandinista-style takeover of the Philippines by the left and/or civil war; or whether the Aquino government will carry out its campaign promises and bring about a new era of national sovereignty and justice for the Filipino people.

As the London *Economist* admitted in its March 3 issue, "Among the outsiders most interested in Mr. Marcos's departure are the Philippines' foreign creditors." For the banks, President Marcos was a "wild card" that had displayed a growing potential to challenge IMF authority and force through measures for economic survival similar to those taken by Peru's Alan García. The banks hope, according to the *Economist*, "the Aquino government will get the country's economy growing again and enable it to pay its foreign debt."

However, if the Aquino government carries out the conditionalities set down by the World Bank and the International Monetary Fund, that hope will never be realized. In a 1984 report, the World Bank forecast that even if the Philippines government carried out the Bank's own prescriptions to the letter, it would not reach pre-1983 levels of domestic production and consumption until after the mid-1990s! Reviving the Philippines' productive economy is not the point, for the banks.

The Fund's demands for import tariff liberalization and the breaking up of the sugar and coconut government monopolies have as their objective to pave the way for the debt-for-equity wholesale buying up of the Philippines economy, in the same way the Fund has enabled the commercial banks to take the vacuum cleaner to the nation of Mexico.

If Mrs. Aquino accedes to deals with the IMF and the World Bank on the terms these supranational strong-arm

organizations set, then she will not only have doomed the Philippines economy and her government. An actual solution to the economic devastations that have hit the Filipino people since the banks cut off credit a month after the assassination of her husband, Benigno Aquino, is the *sine qua non* of stabilizing the country. It was President Marcos's delays in taking such action, that allowed his malefactors to finally bring him down. Mrs. Aquino has even less time to learn the same lesson.

The issue is already very much on the table. In an interview with reporters March 4, Finance Minister Jaime Ongpin declared that the Philippines wants its creditors to give the country "some room to breathe." He explained that the 50% ratio of export proceeds going to pay debt does not allow for growth—an implied threat to carry out a unilateral lowering of the ratio. The *Washington Post* nervously commented: "His [Ongpin's] language bore some resemblance to that heard in debt-burdened Latin American countries who are asserting their rights against the Fund." Ongpin himself went on to say: "The primary obligation is to make sure we can feed our people. I worry about that far more than I worry about paying foreign debt." Then Ongpin threatened that the banker-backed "people's power" in the Philippines could backfire completely: As a "private citizen," Ongpin said he might suggest that the loans contracted under the Marcos government that were then siphoned off for the private wealth of Marcos and his cronies could be repudiated by the new "people's power" government.

To counter these threats, the banks are relying upon central bank chairman José Fernández. As the *Economist* assesses the situation: "Mrs. Aquino has said she hopes the IMF and banks will be more sympathetic to a credible regime. Her advisers have said privately that she wants the country's debt payments to be limited to a percentage of its foreign exchange earnings. Bankers fear the new government will wish to appear tough. Their fears of debt populism may be exaggerated: Mrs. Aquino has reappointed the governor of the central bank, José Fernández, whom foreign bankers respect."

Fernández has signaled that he intends to continue the same role he played in the Marcos government, upon which he was foisted by an IMF-dictated banking reorganization.

On March 3, the central bank chief announced that he expected the Philippines to meet IMF conditions: "We are comfortable that the system is responding to the policy we have chosen to use, and while we are still some way from the IMF program targets for March 31, we do not believe that the deviation or slippage, if the measures continue to take effect as they have in the last week, will be all that significant."

But Fernández is fast finding himself the focus of anti-IMF resistance within the government coalition. In an open letter March 3 to Aquino, the Alliance of Bank Employees, Bankers, and Businessmen for Economic Liberation, which formed one of her key bases of support, called for Fernández's ouster from the government. Fernández's tenure is inconsistent with Mrs. Aquino's pledge to clean out all vestiges of the Marcos regime, says the businessmen's open letter. The Alliance accuses Fernández of having been at the forefront in imposing usurious interest rates on the Filipino economy, "higher than those in other countries," which have helped to destroy the productive economy. This policy, the letter states, cost tens of thousands of Filipinos their jobs. He also permitted the printing of junk money and aided capital flight from the country.

How can Mrs. Aquino expect to fulfill her campaign promise of a full employment program with Fernández in the saddle at the central bank, the letter asks. At the Feb. 27 victory rally in Manila, leaflets were circulating demanding the central bank chief's removal.

Political quicksand

The fight against Fernández, although blacked out of the media outside the Philippines, is the key internecine struggle within the new government. If Fernández should win, then the centrifugal forces already pulling at the government coalition, will quickly gather strength.

The coalition that brought Mrs. Aquino to power had one agreement: Remove Marcos. With that accomplished, the anomalies within the coalition have risen to the surface.

On the one hand, Mrs. Aquino's cabinet retains two key elements of the Marcos government. First is the military, led by Defense Minister Juan Ponce Enrile and Chief of Staff Gen. Fidel Ramos, who pulled off the U.S.-directed coup that brought Aquino to power and who will undoubtedly not fail to remind her of that fact at critical points in the factional strife already begun.

Second is the pro-IMF banking community represented by Fernández. This grouping overlaps with the large *latifundista* and banking families epitomized by Finance Minister Jaime Ongpin, and Aquino's own family, the Cojuangcos. In both these cases, a family member has been prominent in both the Marcos and Aquino camps.

There are two new additions to the Aquino grouping. First is Salvador Laurel, vice-president, prime minister, and foreign minister. Laurel, scion of the dynastic political family that collaborated with the Japanese, is the chosen favorite of the U.S. State Department, and his ambitions for the

presidency reach so far that he seriously contemplated, according to sources, the assassination of Aquino. Laurel is placing extreme pressure on Aquino for more cabinet posts for his Unido party patrons; he was originally promised 50%.

The other component is the Laban-PPD party of Mrs. Aquino and the leftist Bayan Party, that has lines running into the Communist Party. This left wing, with strong ties to the Ramsey Clark human-rights mafia, is already at loggerheads with the military.

The coalition equation does not add up; unless Aquino rallies the population to her with an economic program that puts the nation's survival first, the Philippines will not survive the end of the Marcos era.

Documentation

President Ferdinand Marcos on Feb. 28 delivered the following statement to the press, which gave it short shrift in coverage:

My beloved countrymen:

I am now at Hickam Air Force Base, Hawaii, under the hospitality of the United States government. We are presently looking for private quarters to rent or lease and will leave this base to move there as soon as arrangements have been made. We have been accommodated very comfortably and treated with utmost respect and generosity.

When I left Malacanang Palace, I had decided to move to Laoag City in Ilocos Norte, my home province. However, shortly after arriving at Clark Air Force Base I was informed by President Reagan's direct representative that we would have to leave for Guam instead.

I need not explain to you the situation that developed when elements of the defense and military establishment took steps to take over government authority. This created the need to decide whether to eliminate them with military force or negotiate.

This situation came to a point that although I had control of superior military power and several opportunities to employ it, the employment of such an overwhelming force, no matter how legitimate, would have resulted in the bloody carnage of innocent civilians.

I have been called brave in my time, perhaps immodestly, but brave as I may have been against foreign invaders, I have no heart to shed Filipino blood. My life has been devoted to the upliftment of the Filipino by re-establishing his identity and dignity. And so knowing I could lose everything, I chose to use my authority to protect the Filipino people.

Now from where I am, I implore you never to forget the ideals and noble objectives which we will attain only through the peaceful unification of our people.

I remain your humble servant,

Ferdinand E. Marcos

Queen backs New Yalta in Pacific

by Allen Douglas

At almost the same time as the U.S. State Department orchestrated the overthrow of Philippine President Marcos, the Queen of England was in New Zealand helping to hand the Pacific over to the Soviets. In her Feb. 26 address at the State Opening of Parliament in Wellington, speaking in her capacity as the Queen of New Zealand, Elizabeth Windsor endorsed the Nuclear Free Zone Bill introduced into the New Zealand Parliament last year. This bill denies U.S. nuclear-armed or powered warships the right to visit New Zealand's harbors. It is designed to formalize the February 1985 decree of New Zealand's Labor government, prohibiting such visits.

The Queen's Feb. 26 speech is one more move in the "New Yalta" redivision of global power, like the deal Churchill and Roosevelt made with Stalin after World War II—but today to abandon Western Europe, Africa, and the Pacific to Soviet domination. It is to be seen together with the upheaval in the Philippines and the potential for near-term loss of U.S. bases there; the massive Soviet naval buildup in the Pacific; and the declaration by the South Pacific Forum countries, of a "Nuclear Free Zone" over 30 million square miles of the Pacific.

Shortly before Elizabeth addressed the New Zealand Parliament, a delegation of the South Pacific Forum (SPF), the island nations in the South Pacific led by the socialist governments of Australia and New Zealand, trooped off to Moscow to get their marching orders. Led by David Saldier of Australia, the SPF delegation of Christopher Beeby of New Zealand, delegates from the Fiji Islands, Papua New Guinea, and the Solomon and Cook Islands, New Zealand's ambassador to the U.S.S.R. Allison Stokes, and the Australian chargé d'affaires in Moscow, Robert Tyson, met with a series of top Soviet officials in Moscow on Feb. 3-4.

The SPF group lauded the cosmetic arms-control proposals of Soviet party chief Gorbachov, including his "unilateral moratorium on any nuclear explosions." Then the Soviets and SPF issued a communiqué on their discussions: "... the Soviet side said that the establishment of a zone free from nuclear weapons in the South Pacific is an important contribution to fashioning a reliable security system in Asia and

the Pacific, narrows the geographical bounds of the spread of nuclear weapons and facilitates the fulfillment of the task of doing away with nuclear weapons on earth once and for all and preventing an arms race in outer space.

"The treaty on the nuclear-free zone in the South Pacific together with the protocols in it in their present form *basically correspond to the criteria suggested by the Soviet Union for nuclear-free zones.*" But the Soviet group, including not only Foreign Ministry officials, but *Defense Ministry officials,* "... pointed out the importance of *making certain* that the agreement creating the nuclear-free zone really ensures the making of the territories of the signatory states into a zone completely free from nuclear weapons. This presupposes, in particular, a ban on the transit through the nuclear free zone's territory of nuclear weapons and nuclear explosive devices, including visits at ports and air fields there by foreign warships and aircraft with nuclear weapons aboard. . . . The delegation from the South Pacific Forum expressed gratitude for the Soviet Union's support for the decisions taken by the SPF countries to declare the South Pacific a nuclear-free zone. . . ." (emphasis added)

Lange: 'No imbalance in the Pacific'

New Zealand's Prime Minister Lange observed, "There is no imbalance in the Pacific" and there is "no need" for New Zealand to have "strategic capabilities" in defense, such as the ANZUS Pact represents, since if New Zealand does not bother anyone, no one will bother New Zealand. Curiously, Mr. Lange, who, along with his fellow Socialist International asset, Australia's Prime Minister Bob Hawke, was outspoken in his calls for the ouster of Philippine President Marcos, has been quiet regarding the following series of events: 1) Soviet missiles splashing down into his "nuclear free zone" off New Zealand's Cook Islands, 2) the huge buildup of ostensibly "scientific" Russian vessels off Chatham Rise in New Zealand's waters, 3) the unidentified submarine sighted by the New Zealand Air Force north of the country last month, 4) the recent discovery of AK-47 rifles in the north island, associated with "Maori rights" native activists, a core of whom have visited Cuba in the recent past, and 5) the Soviet "cultural invasion" hitting New Zealand in the current period, including visits by the Soviet soccer team and circus, and the upcoming visit by the Russian Ballet, the same ballet company cited by intelligence sources as financing radical activists in New Zealand.

While overlooking these developments, Mr. Lange has actively participated in others: 1) He granted permission for the Soviet airline, Aeroflot, to fly in and out of the country the "fishing crews" which man the extensive Soviet trawler presence, 2) he authorized his finance minister, Roger Douglas, to sell transferable fishing licenses for waters immediately off New Zealand, licenses which *can be resold to the Soviets*, something Douglas lauds, since "it would promote competition," and 3) he has cut back and demoralized New

Zealand's armed forces, since there is "no threat" to New Zealand.

The virtual treason of Lange to his own country, as well as to the Western alliance, has produced alarm among many New Zealand citizens. In fall 1985, a distinguished group of former New Zealand defense chiefs issued an unusual, hard-hitting public paper on the crisis in ANZUS (the Australia-New Zealand-United States defense pact) produced by Lange's actions. Among other things, the paper stressed, "For more than 30 years the collective defense arrangement most directly relevant to New Zealand's security has been ANZUS and as is the case in any alliance, its credibility and effectiveness have depended on the partners exercising their forces together continually and cooperating in every practicable way in peacetime. In the worst case of a direct threat to our homeland—difficult as this may be to envisage at present—the expectation that we would have the support of a major power offers the most significant element in our defense posture. From the point of view of Australia and New Zealand there can be no effective collective defense arrangement for the South Pacific region without the participation of the United States. . . .

"If the ANZUS rift is not quickly repaired, its consequences may yet cut much deeper and extend well beyond defence considerations. Our wider relationships, not only

with the United States but with all our traditional friends within the Western alliance are likely to be threatened," the paper continued.

Other patriots, like the Federated Futures group of John Huston and his associates and the group of pro-ANZUS activists around journalist Ned Halliburton, are working to rally the majority of New Zealand's citizens not disposed to accept Lange's Russian-tinged variety of "independence."

Since the Queen was pelted with eggs in New Zealand, and "Maori rights" agitators showed her their bare bottoms in a "traditional form of Maori protest," the average New Zealand citizen felt a certain pity for her, as the butt of attacks by radicals. This compassion spilled over into the belief that Prime Minister Lange had "used" the Queen to give publicity to his nuclear-free schemes, since she, as the formal head of government in New Zealand, had no choice but to read the government's program to the Parliament, a program which of course contained the "Nuclear Free Zones Bill." The reality is much different.

As a series of *EIR* Special Reports now in progress shows, the British monarchy, since the turn of the century, has been at the core of the complex of institutions used to create the Bolshevik Revolution—the "Trust." It is this decades-old partnership, in which Russia now commands the strategic muscle, that has struck the deal for a New Yalta.

EIR Alert

Alert
Alert
Alert

Our special service for the policymaker who needs the best intelligence EIR can provide—**immediately.**

World events are moving rapidly: The economy is teetering on the brink, and even the largest American banks are shaking at their foundations. Soviet-backed terrorists have launched a shooting war against the United States. In Washington, the opponents of the President's defense program are in a desperate fight to finish off the Strategic Defense Initiative.

We alert you to the key developments to watch closely, and transmit 10–20 concise and to-the-point bulletins twice a week (or more often, when the situation is especially hot). The "Alert" reaches you by electronic mail service the next day. A daily 3-minute telephone hot-line is provided to subscribers.

Annual subscription: **\$3,500**

Contact your regional EIR representative or write:

EIR News Service P.O. Box 17390,
Washington, D.C. 20041-0390.

French Socialists plot against Tunisia

By Philip Golub and Thierry Lalevée

Executive Intelligence Review has been informed by well placed Western intelligence sources that leading elements of the French Socialist Party are involved in a plot to remove Tunisian Prime Minister Mohamed Mzali from office and to replace him with a former interior minister, Driss Guiga.

According to these sources, Eric Rouleau, the French ambassador in Tunis, is the principal actor in the operation. A half-dozen or more French special agents have been sent to Tunis over the past few weeks as part of the operation.

Rouleau

Rouleau is not an ordinary ambassador. Appointed in the early summer of 1985 to the dismay of Tunisian authorities, he is a specialist in Libyan and Palestinian affairs. His self-advertised pro-Libyan sympathies made the assignment to Tunis all the more provocative, coming in the midst of a growing Tunisian-Libyan crisis which culminated in the expulsion of Tunisian workers from Libya in late August and early September of last year. Immediately prior to his appointment, Rouleau, then a "journalist" for *Le Monde*, had played an instrumental role in the secret negotiations between the French Socialist government and Qaddafi over the crisis in Chad, and arranged the meeting between Mitterrand and Qaddafi on the island of Crete.

Born as Elie Raffoul in Egypt some 60 years ago, Rouleau became a member of the re-created Egyptian Communist Party in the 1940s. He socialized with Henri Curiel, another wealthy Egyptian-born communist who later founded the notorious "Curiel network," which operated out of Paris during the 1960s. In 1952, Rouleau became a personal friend of present Foreign Minister Roland Dumas, then visiting Cairo. According to several reports, Raffoul/Rouleau was expelled from Egypt in 1956. In 1960 he joined *Le Monde*. He functioned as a power broker of some influence during the period of the overthrow of the Shah of Iran, and was identified as a strong supporter of the Bazargan/Yazdi/Bani-Sadr wing of the Khomeini regime, having served as their legal and political advisor from the time of Khomeini's exile in Paris.

Rouleau has been assigned to many secret missions and has acted as part of a specific Socialist International intelli-

gence network, with significant power and influence in the present French and Greek Socialist governments.

The July 22 issue of the French weekly, *Valeurs Actuelles*, reports that the American government has issued standing orders to deny Rouleau access to certain American government archives. Such orders are given only in regard to agents of unfriendly foreign powers.

The coup plot

The obvious aim of the coup plot is to derail the succession plan of President Bourguiba. Clearly chosen by the President as his legal constitutional successor, Prime Minister Mzali represents continuity and stability for Tunisia in a period of growing crisis in the Maghreb as a result of both Libyan and Islamic fundamentalist subversion. Trapped like all other developing sector countries in an economic crisis aggravated by IMF policies, Tunisia remains one of the few real allies of the West in the southern Mediterranean, and a true democracy.

Until now, the political strength of President Bourguiba has prevented even major crises from getting out of control. This is true of the quick and determined reaction of the Tunisian government after the Libyan commando attack on Gafsa in 1980, the bread riots of 1984 and, more recently, the positive U.S. reaction to the Israeli raid on Tunis in October. By seeking to destabilize the constitutional succession process, the French Socialist government is not only promoting institutional instability, but playing with the fire of fundamentalist subversion, chaos, and insurrection.

The French Socialists count on some of their Tunisian allies, such as ex-Interior Minister Driss Guiga, presently based in Paris and close to a clique in Tunisia. Guiga was trained by the Socialist-leaning section of the West German BND foreign intelligence agency in the 1950s; he was removed from his Tunisian post in 1984 after attempting to force the removal of Prime Minister Mzali over the bread riots—which Guiga is said to have encouraged.

The French Socialists have clearly encouraged the development and growth of the fundamentalist MTI (Mouvement de Tendance Islamiques) and used it as a pressure point against the Tunisian government. The MTI is financed by both the Libyan and Iranian governments and is close to the Mouvement Democratique Algerien of Ahmed Ben Bella. In turn, the MDA is financed by the Iranians and the Nazi Swiss banker, François Genoud.

Legislative elections occur in France on March 17, and the anticipated victory of the opposition may play a useful role in neutralizing the Socialists' subversive plot. But the network in motion against Tunisia will remain active out of the Elysée and Socialist Party headquarters. Is Qaddafi really so important to the French socialists that they are willing to risk the destabilization of all of Northern Africa? Unfortunately, the answer seems to be yes.

Trilateral Commission being put to the test in French elections

by Mark Burdman

The national legislative elections in France on March 16 might well be a gauge of what the French electorate thinks of the policies of the Trilateral Commission, even if the ballots do not read "for David Rockefeller" and "against David Rockefeller."

The question of the Trilateral Commission has become, explicitly and implicitly, a focal point in the French elections. If the large electoral lists and depth of activity of the Parti Ouvrier Européen, the co-thinker party of Lyndon LaRouche in France, which has campaigned on an overtly anti-Trilateral Commission platform, were not enough to prove the point, there are a number of other telltale signs.

First, the French economy's failures, under the Socialist regime of President François Mitterrand since 1981, have proved the ineptitude and evil of the Trilateralists' economic orientation, which favors opening up national-sector economies to the looting of the private banks, the reinsurance cartels, and the International Monetary Fund. Last fall the Mitterrand regime hosted the Commission at French government offices, and French Economics Minister Pierre Beregevoy gave the opening speech at the Commission's Oct. 25-27 European Members' summit. The *quid pro quo* for Mitterrand's cooperation with the Commission was a series of economic favors promised by the banks and insurance companies which are the Commission's French base. But these promises have not halted the downslide of France's economy, which is one of the central contributing factors to the Socialists' preference rating dipping below 30%, down drastically from the Socialist triumph in 1981.

Second, the stench of treason coming out of the interior ministry of Pierre Joxe, who has become a full-time protector of terrorist networks in France, is associated in the minds of many voters with an "international conspiracy" against France. The motor behind the attempt to destroy French intelligence and military capabilities, during 1985, was the so-called "Greenpeace Affair," in which Joxe pulled dirty tricks to pin the blame on French intelligence for having blown up the ship of the ecologist-terrorist Greenpeace group in a New Zealand port. Greenpeace's lawyer is Washington, D.C. Tri-

lateralist Lloyd Cutler, former chief counsel to President Carter, who is working with the Paris law firm Bernard, Gaillot, Tessler, and Carton (and particularly partner Laurent Gaillot) to sabotage French intelligence capabilities on behalf of Joxe and the Russians. Since Cutler is also the lawyer for the process of destruction of constitutional government in the United States known as the "Gramm-Rudman Bill," the resentment against Cutler in France has international repercussions.

Third, there is the question of the ambitions of former Prime Minister Raymond Barre, the most enthusiastic true-believer "Trilateralist" among France's Commission members. This has become one of the more controversial features of the last days of the election. Particularly, Barre's decision to renege on his earlier electoral arrangement with the four-party non-Communist "Opposition," by refusing to support a "cohabitation" government of Socialists and Oppositionists that would follow the March 16 election, has gained him the bitter antagonism of leading political forces in France.

In the last days of February, controversy broke out over the appearance of a 48-page anti-Barre sheet, "Un Autre Visage de Raymond Barre" ("Another Face of Raymond Barre"). Although the booklet's allegations about Barre's links to the Trilateral "one-world conspiracy" are often inept and even crude, one of the national pastimes of France has become intensive speculation about who is behind the book. Some accuse the Gaullist RPR, some the Socialists, and some even think that Barre himself put it out to try to neutralize the revelations being published by the Parti Ouvrier Européen on the Trilateral Commission and Barre.

The POE 'surprise'

During the late night of Feb. 24-25, the Parti Ouvrier Européen (POE) filed electoral slates in over 20 French "departments" (approximately states, in American political terms of reference). This qualifies the party for three rounds of television time, between the time of candidate filing and March 16. While the Socialist-leaning daily *Libération*, on Feb. 22, marveled about POE hegemony among France's

hundreds of thousands of French Muslim voters, other regional and local newspapers and electronic media have marveled at the depth of POE activity and support.

Mostly, this reflects the POE's role as a vanguard force among those millions of Frenchmen who suspect that France's economic and strategic decline over the past years has not been "spontaneous," but has been the consequence of a conscious targeting of the French nation for destruction, by what is variously called, "one-world conspiracy," "Trilateral Commission," "Raymond Barre," "socialism," "liberalism," or "Soviet subversion."

The POE campaign is vital to provide the ideas and policies that the next coalition government would need. The POE advocates 1) "dirigist," or state-directed credit policies for national development; 2) cooperation with the United States on the Strategic Defense Initiative; 3) the kind of cultural and scientific renaissance necessary to overcome the plagues of formalism and positivism; 4) emergency measures to deal with the spread of AIDS. The last issue underscores the weakness of all Opposition parties, since none has any program to deal with AIDS, and none, outside the POE, even recognizes it as worth dealing with as an election issue!

The Achilles heel

The almost-certain outcome of the March 16 elections is that President Francois Mitterrand, who does not himself face a presidential challenge until 1988 as matters now stand, will have to agree to the formation of a government of the non-Communist Opposition parties, from the bloc of the Rassemblement pour la Republique (RPR) and the Union pour la Démocratie Française (UDF), with RPR chief Jacques Chirac as prime minister. This is the so-called "cohabitation" arrangement.

The immediately most meaningful question is the margin of RPR-UDF victory, or Socialist defeat. It is generally expected that the RPR-UDF bloc would win about 45% of the vote, while the Socialists, who have been losing momentum after a brief rally in the first weeks of 1986, may not gain the 30% they regard as necessary to avoid changing policies. The French Communist Party is expected to gain between 8% and 11%, with the rest split among the list of populist demagogue Jean-Marie le Pen's National Front, which has also been losing momentum, and various left-wing and ultra-radical groups.

The RPR-UDF would need at least the clearcut victory indicated by these figures, if not even a larger margin, to have the political mandate to carry out the policies that many of the Opposition bloc's policy makers want. Under the most optimistic scenario, that would mean "free energy" to oppose the Trilateral Commission's policies, and to set in motion a policy that would include full cooperation with the United States on the SDI, restoration of French intelligence capabilities in the fight against terrorism and against Soviet subversion, and reversal of the devastating collapse of the French economies that has occurred through the 1980s.

It is precisely on this last point, that the main obstacles lie.

The joint election platform of the RPR and UDF favors a radical "deregulation," or "denationalization" of the French economy, an attempt to import a version of "Reaganomics" (or "Thatcherism") into France. This would include denationalizing the Banque de France, and other banking institutions that had been nationalized by Charles de Gaulle, as a first step, followed by "privatization" of the insurance companies, "deregulation" of transport prices, and so on.

Although many RPR and UDF leaders are organically foes of the one-world-federalism of the Trilateral Commission, this policy package is Trilateralist in content, as it opens up the French economy to massive looting by foreign interests, or as the Catholic daily *La Croix* put it on Feb. 25, to "foreign hands." Some RPR and UDF leaders believe that this "denationalization" is a means of injecting desperately needed funds into France. But the result would be to put the assets of the French economy under the centralized control of the international banking and reinsurance-cartel oligarchy: i.e., "socialism"!

The importance of the POE's alternative, nation-building program lies in the fact that Opposition's economic policy is not set in cement, by any means. Aside from the lure of quick money, the "denationalization" platform represents a political compromise. First, in the RPR, the "Gaullist" Party, there is a faction-fight between the Rockefeller-linked "privatizers" and another group, typified by industrial-policy spokesman Michel Noir, which favors a return to "Colbertism," the policy of centrally directed national development, created by the great 17th-century French statesman, Jean-Baptiste Colbert, who oversaw a rapid rise of France's industry and infrastructure.

The UDF is yet more complicated. Its chief is ex-President Valéry Giscard d'Estaing, whose 1975-81 regime was torpedoed by the economic-austerity policies of then-Prime Minister Raymond Barre. Despite the bitterness Giscard harbors for Barre from those days, the UDF is also the party of the "Barristes," candidates in Barre's slate. The UDF is itself a coalition, and one component in it, the Christian Democrats, or CDS, is historically an anti-Gaullist, one-world-federalist grouping, from which Barre draws his main base.

The only way to remove this factor of Barre/Trilateral Commission blackmail, is for the Barre Electoral List that harbors under a nominal UDF cover to lose at the polls on March 16. That would also hurt Barre's longer-term presidential ambitions, which dictate his strategy of sabotaging formation of a new and viable government after March 16; a weak central government, in his view, means chaos, and chaos means calling early presidential elections, before 1988.

Should Barre's list do badly on March 16, and should the Socialists fail to get their 30%, these results would be interesting signals that the French voters have had enough of Trilateral Commission sabotage, and are seeking a dramatic change of policy.

Andreotti exposed in Qaddafi trial

Charging "slander of a head of state" who is not a head of state, has put the Italian foreign minister out on a limb.

On March 5, a legal case unprecedented in the history of the Italian Republic began at the 7th District Penal Court of the Tribunal of Rome; four members of an international organization, the Schiller Institute, are being tried for "offenses against the dignity and prestige of a foreign head of state"—Libya's Muammar Qaddafi!

The issue goes back to July 13, 1983, when four persons now belonging to the Schiller Institute set up a police-authorized picket line denouncing Qaddafi's involvement in international terrorism, much to the delight of Roman passers-by. However, it was not until January 1986 (!) that the Institute was informed that an unnamed party had filed a complaint.

A strange case indeed. For nearly three years, Italian justice was processing a legal case against four persons without informing them. Meanwhile Libya's Qaddafi has grown quite vocal in attacks on those associated with the Schiller Institute. In January 1984, the Libyan news agency JANA denounced *EIR* founder Lyndon H. LaRouche, husband of Institute founder Helga Zepp-LaRouche, for allegedly plotting a military coup against Qaddafi. On Jan. 25, 1986, the Libyan "People's Bureau" (embassy) in Bonn wrote an official letter to the Institute denouncing its "slanders" against Libya. On Feb. 15, a Libyan representative interrupted a speech at a conference of the Institute in Madrid, to do the same.

The charges brought against Insti-

tute members have not been heard in a court here since Italy became a Republic in 1946. Indeed, had they been admissible, hundreds of thousands of demonstrators from all shades of the political spectrum who have held rallies in the past 30 years would have to be tried, too. It would also mean that newspapers and journalists could no longer write unfavorably of a foreign country or a foreign head of state.

The cynicism of those pushing this case is all the more brazen considering the silence of the same courts in the face of numerous public assassination threats and violent denunciations of President Reagan by the Italian left over the last two years.

Obviously, the case is not merely a matter of the Schiller Institute versus Muammar Qaddafi. In fact, as events would prove, it is a political battle between the Schiller Institute and their associates and sympathizers in Italy, and the leading Italian proponent of "New Yalta" accommodations with Moscow and Qaddafi: Foreign Minister Giulio Andreotti.

The personal involvement of Andreotti in this fight emerged clearly during the trial itself, before Judge Bettiol of the 7th District of the Rome Penal Court. A day before the trial, Institute representatives Fiorella Operto, Antonio Gaspari, and this writer held a news conference at the Rome Courthouse. A front-page article in *Giornale d'Italia* had been published the same day. We described the case and presented a new special report by

EIR's European bureaus, Moscow's Terrorist Satrapy: a Case Study of Libya's Qaddafi, to the daily press and news agencies.

In response to questions, we also outlined the line of defense to be pursued by the Institute's lawyer, Silvio Suster: There can be no trial because, according to Libya's own law and formal structure of power, Qaddafi is not the "Peopledom" of Libya's "head of state" or President. Libya has no head of state.

As the trial convened on March 5, Judge Bettiol informed the accused and their lawyer that he had taken some time to study the question of whether or not Qaddafi was a "head of state," and had received an answer by the personal secretary of Foreign Minister Andreotti: "Although on a formal level, Qaddafi is not recognized as a head of state, the treatment he was given by President Mitterrand and Austrian Chancellor Bruno Kreisky, implied that Colonel Qaddafi was given all rights as Libya's representative. For this reason, we consider Qaddafi a head of state, to all intents."

But attorney Suster immediately pulled out Qaddafi's own *Green Book*, and quoted the leader's own words to the effect: "I am not a head of state."

Judge Bettiol decided to postpone the trial indefinitely, announcing that he would next call on a representative of the Libyan embassy to testify on Qaddafi's real status!

The Italian judge never bothered to tell the Institute who had filed the complaint in the first place, but the involvement of Andreotti's office made things quite clear. According to journalists, the case, which continues to be covered in the papers, has become one of the hottest items in Roman political circles. Talk is that this time, the foreign minister has gone too far.

González creates anti-NATO wave

If the referendum on NATO membership fails to destabilize Spain, the IMF is waiting in the wings.

On Feb. 23, pacifists streamed along the avenues of Madrid from all over the country, heading for the biggest anti-NATO demonstration so far in Spain. The youngsters screamed "NATO no, bases out," meaning, naturally, the U.S. bases. Over the previous week, some 60,000 persons took part in anti-NATO actions in Spain. The biggest was in Barcelona on Feb. 16, where clashes with the police left some 20 wounded, and several people were heard shouting slogans promoting the Basque terrorist organization, ETA.

In February the walls of major towns were covered with anti-NATO posters. The anti-NATO movement did not exist before; it has sprung up as the result of the absurd referendum on NATO membership proposed by the Socialist government of Prime Minister Felipe González.

Meanwhile, Mohamed Bucetta, ex-foreign minister of Morocco and leader of the Islamic party Istiqlal, has been instigating a movement aimed at capturing the enclaves of Ceuta and Melilla, Spanish possessions in Moroccan territory. Ceuta, right across from Gibraltar, holds a key strategic position. Bucetta, a former official of González's Socialist Workers Party of Spain (PSOE) in Melilla, accused the Spanish government of being the only government in the world besides Israel which unlawfully occupies territories belonging to the Arab people, and of perpetrating on these territories a racist policy like South Africa's.

As long as King Hassan II rules Morocco, these demonstrations will

not turn into a mass Islamic anti-Spain movement. But what if the King were to die? Recently, the weekly *Cambio 16* ran a scenario cooked up by "specialists" at Columbia University in New York, of a possible war between Morocco and Spain, egged on by the Soviet Union, for the control of Ceuta and Melilla.

Bucetta's actions were triggered by a "law on foreigners" recently passed by the Spanish government. In short, both the pacifist movement, which fuses Communists, ecologists, and separatists, and the revanchist movements in Morocco, are by-products of the actions of the Socialist government of Felipe González.

It is only too obvious that this fits into the Soviet grand strategy to make the Mediterranean a Russian lake. Soviet Ambassador to Spain Yuri Dubinin was replaced in February, after serving in Madrid seven-and-a-half years. To interpret this as part of the ongoing Gorbachov purges may be too simplistic. Dubinin had worked to turn Spain into an anti-NATO instrument within the ranks of NATO, by begetting pacifist and separatist movements; maybe it would have been embarrassing to have him in Madrid to reap the fruits of his work, with the March 12 referendum. Dubinin, whose role in financing the pacifists together with the Libyan embassy is notorious here, was suddenly called back to Moscow a few days after González announced that, when the referendum is over, he will fly to Moscow. Dubinin is now in Moscow preparing that visit.

If the referendum went against NATO, Spain could not leave NATO without Parliament ratifying this result. In Parliament, the absolute majority is in favor of NATO. This would be a conflict between "public opinion" and Parliament, and González would have the option of dissolving Parliament and calling early elections—the perfect playground for the pacifists and Communists to create a large united front to try and change the present pro-NATO majority.

Even if the government wins the referendum, the International Monetary Fund (IMF) and the Trilateral Commission are waiting in the wings to stir up social conflict. The IMF has prepared a new report on the Spanish economy. Its publication is being stalled so as not to influence the referendum. In the last two years, the Spanish economy has been functioning on the basis of a pact between government, the industry confederation, and the Socialist union UGT, to control salaries and prices in order to contain inflation and allow "modernization" of industry. The "modernization" has been done at the expense of jobs, as a crisis-management instrument, not in the context of a long-term expansion policy. Now there is over 22% unemployment, and 48% among the youth.

The main opposition party, Alianza Popular (AP), tries to propitiate the IMF, probably in the hope of getting its support for the upcoming election. AP's official policy for Latin America is the Rohatyn Plan, which is a scheme to grab indebted countries' assets while turning over the "management" of their debts to the big New York banks. Nothing could be worse; Spain's only hope is to support Peruvian President Alan García's drive for an Ibero-American Common Market, for which Spain would be the natural bridge to Europe.

A debacle in Schleswig-Holstein

The Chancellor's party, after bad losses in the state's elections, talks of changing candidates, but not policies.

Despite two severe 1985 election defeats in the industrial states of Saarland and North Rhine-Westphalia, the Christian Democrats of Chancellor Helmut Kohl were confident they would beat the opposition Social Democrats in all five elections scheduled in 1986, and that this would cement the chancellor's victory in national elections in January 1987.

On March 2, 1986, these hopes collapsed. The first test run, the municipal elections in the state of Schleswig-Holstein, was a debacle for the Christian Democrats. In the last elections of 1982, they had won a majority of 50.1%, leaving the Social Democrats far behind with 34.6%. Now, four years later, the Christian Democrats came out with only 44.2%, the Social Democrats close behind with 40.5%. Kohl's coalition partners, the Free Democrats, were kept out of all but one of the state's municipal parliaments, falling from 6.8% in 1982 to 2.4% this year. The Green Party, which ran in three different groups in 1982 and tallied 6.1% then, came in with 7.4%.

In sum, most of the Schleswig-Holstein municipalities will be run by "red-green" coalitions of Social Democrats and Greens.

The Christian Democratic loss of an average 6% state-wide included up to 10% in the bigger cities and regions populated by poor farmers. These were also the districts where voter abstention was the highest. In Kiel, the capital of the state, voter participation fell 12% below the 1982 level.

"The CDU should have known beforehand, that the people would not buy this idiotic talk of the recovery any longer," said a leading spokesman for the Social Democrats in Kiel. "This was an economic vote against the policy of the Bonn coalition government. Kohl is the best campaign manager for the Social Democrats, actually. We just harvest the protest votes."

He was correct in reporting that farmers are up in arms over the income losses they have suffered under Chancellor Kohl's agricultural austerity policy. Whole constituency blocs of Kohl's party have turned their backs on the Christian Democrats.

The CDU's worker base is also up in arms, because the employment situation (a jobless rate of 13% in the state) has not improved despite all the talk of "economic recovery," and because the government plans to change strike laws.

Medium-sized businessmen and craftsmen are enraged, because the Bonn policy of high interest rates and budgetary austerity deprives them of vital credit-lines. Medical doctors, another strong traditional constituency of the Christian Democrats, are enraged because of the deep cuts in the medicare budgets. The government has encouraged the insurance companies in a cost-limiting policy for medicare.

Public opinion pollsters and econometricians, when asked for comments on the Schleswig-Holstein elections, were agreed, in spite of all analytic differences, on that one point:

"The air is out of the balloon in Bonn. Three years ago, the people believed this Kohl government would turn things around. Today, no one believes that anymore."

The vote in Schleswig-Holstein is, actually, a firm voter rejection of Kohl's coalition partner, Foreign Minister Hans-Dietrich Genscher's Free Democratic Party. They lost 40% of their vote in the municipal elections. It has not escaped the attention of voters that all of the austerity policies in Bonn have been conceived by the Free Democrats; the policies have, however, been sold as "coalition proposals."

If any Christian Democrat could be held responsible, it is not really Chancellor Kohl, who knows no more about economics than President Ronald Reagan; it is Finance Minister Gerhard Stoltenberg, the "pope of fiscal conservatism" in the Bonn government.

Irony has it that after the election debacle in Schleswig-Holstein, the sentiment is growing among the Christian Democrats to have Kohl replaced as chancellor candidate by Stoltenberg—as if replacing a person, instead of replacing a policy, were the lesson to be learned. This is the more ironic in that Schleswig-Holstein is Stoltenberg's home-state! The election defeat there is, in that sense, his personal debacle.

It is only because Kohl stood out on the frontline in the election campaign, that Stoltenberg was spared from becoming a target of public rage. Were Kohl removed from the scene, Stoltenberg might quickly prove even less popular than the chancellor.

The remedy is not simply a new candidate for chancellor, but a new policy. But there is no indication that anyone in Bonn will learn this lesson in time for the national elections of January 1987.

India, South Korea expand ties

Cooperation in economic, scientific, and technological fields could be a model of South-South relations.

The two-day official visit of South Korean Prime Minister Shin Yong Lho March 2-4 has given Indo-Korean ties a solid boost, and put into clearer focus the enormous mutual benefit such cooperation promises.

The relationship has been quietly building for some time, and a major push was planned around a scheduled visit by Korean President Shin Doo Chun in 1983. That visit was canceled abruptly, however, under tragic circumstances: When President Chun was in Burma, en route to India, a North Korean terrorist attack killed 17 South Koreans, including 4 cabinet ministers.

With the visit of Mr. Lho, who had served as ambassador to India during the 1970s when the decision to elevate diplomatic relations with both of the Koreas was taken, the momentum has been restored. The South Korean prime minister was accompanied by a 30-member economic delegation, led by Mr. Yong Sukyoon, president of the Daewoo Ship Building and Machinery Corporation, one of the largest ship builders in the world, and including the CEOs of all the major industrial and trading companies in Korea.

Besides a 45-minute meeting with Prime Minister Gandhi, which Mr. Lho described as "friendly and fruitful" and which focused on economic and trade relations primarily, the Korean prime minister called on the President and the Vice-President, and had meetings with the ministers for industry, commerce, and electronics.

In an address to Indian businessmen at the Federation of Chambers of Commerce and Industry, Prime Min-

ister Lho urged Indian and Korean businessmen to work out a cooperative structure that would be a model for South-South joint work. Significantly, Prime Minister Lho announced that the Korean government would give special recognition to the three joint economic councils in both the public and private sector.

Korean commitment to a substantially expanded relationship was also seen in the forthrightness with which the problem of the Indo-Korean trade balance—four to one in Korea's favor—was addressed. The stated purpose of the economic delegation accompanying Mr. Lho was to, first, find out how the imbalance can be corrected and, second, promote Indo-Korean joint ventures. Mr. Lho raised the issue publicly, stating his certainty that great scope existed for expanded purchases of iron ore, coal, cotton, and machinery from India.

Trade between the two countries climbed sharply from 1976 to 1984, when it reached the \$1 billion level following Indian purchase of a number of cargo vessels. Since then, it has dropped back to the \$700 million range, with India exporting iron ore and importing machinery, chemicals, cement, etc. from Korea. At present, there are also as many as 67 joint-venture projects in various stages of negotiation, most of them relating to arrangements for technology transfers to India.

India is especially interested in this aspect of the relationship, and is seeking assistance in modernizing its field plants and in developing its automobile industry, in particular the auxil-

iary manufacturing sector, among other things. Korea has already made a proposal for assisting in the expansion of the Paradip port, and is awaiting India's decision.

Both nations share a very practical interest in reducing their technological dependence on the big industrial powers. Moreover, the Indian and Korean economies are in many ways complementary—with Korea's efficient development of basic industries and India's depth in basic scientific work, notably space and nuclear science.

Prime Minister Lho's visit was preceded by the visit of a Korean science and technology delegation in late February, led by Mr. Sung-Tae Chang, director general for technical cooperation. The Korean delegation held talks with science and technology officials in Delhi and toured several scientific institutions to evaluate the prospects for collaboration.

According to newspaper reports, the Korean scientists were very impressed by India's achievements. Delegation leader Sung-Tae stated that nuclear fuel was one field in which South Korea would greatly value Indian assistance. Electronics, communications, computer systems, metallurgy, chemical engineering, and energy were other areas of potential cooperation, he added.

Mr. Sung-Tae discussed Korea's experience in being denied advanced technology by the developed countries and emphasized his country's reluctance to become dependent in crucial areas such as communications. The country spends 1.7% of its GNP on R&D.

The two governments are also discussing a proposal to share freight traffic between the two nations, which could increase dramatically if new agreements materialize. Direct air and shipping links have been discussed privately.

World Bank says own plan failed

Prime Minister Prem has backed down from harsh austerity measures to preserve his government.

World Bank/International Monetary Fund financial pressure has finally reached the limits of toleration in Thailand. As soon as the new 200-page World Bank *Report on Thailand* came up for discussion in Bangkok early this month, Thai officials blew their tops. The World Bank stated that the fifth five-year plan ending this year had failed to achieve its target "and serious macro-economic imbalances remain stubbornly resistant to control."

Nothing could be more humiliating for National Economic and Social Development Board (NESDB) officials than to be told off by the World Bank after precisely following World Bank guidelines.

According to *The Nation*, informed sources said that World Bank loans to Thailand have dramatically declined in recent years—from \$450 million annually during 1980-83 to a mere \$100 million each year for 1984-86. Reportedly, the World Bank office in Bangkok has been scaled down gradually to the point that top bank officials are now contemplating closing it down entirely, due to lack of activity.

Thai government officials are now shifting away from World Bank guidelines, i.e., cancelling austerity programs. A recent Council of Economic Ministers' meeting approved a request by the Bank of Thailand to cut deposit and lending interest rates, from 17% to 15% on bank loans and from 20% to 18.5% on loans made by finance companies. Deposit rates of non-

bank financial institutions under special conditions were down from 15% to 13.5%. For others, the ceiling was reduced from 14% to 12.5%

Leading bankers think that the interest rate cuts will allow consumer-goods producers to lower prices and that the rate of inflation could even hit zero. NESDB Secretary-General Snoh Unakul hopes that the reduction of interest rates along with falling oil prices will help to improve economic growth to more than 4% this year.

At the same time, Prime Minister Prem Tinsulanonda decided to back-track on increases in registration fees for diesel- and gasoline-fueled vehicles. The revised policy will exempt users of older vehicles from the increases, and new vehicles will be taxed at only twice the old rate, instead of the four-fold increase of the original decree. Originally, the government had intended to increase the diesel oil price. When there was too much protest, the government decided to tax diesel- and gasoline-fueled vehicles instead. Then, when this also met with opposition from both government and opposition members in parliament, Prem was forced to back down in order to survive politically. The government is even going through a painstaking process of reimbursing those who had already paid.

At the time of this writing, world oil price drops have sparked tough negotiations between the Petroleum Authority of Thailand (PTT) and Thai Shell Exploration and Production Company, Ltd. on the question of the

price of crude from the Shell concession in the Kampaengpetch province. PTT is trying to impose unilateral cuts on phet crude to \$13.45 per barrel, whereas Shell is insisting on the current \$24.57 per barrel.

The drop in world oil price has also led to the decision by the Electricity Generation Authority of Thailand (EGAT) to reduce electricity prices for private subscribers, industry, and hotels. These cuts were made possible because of the recent government decision to reduce the retail price of bunker oil by 29 satangs (100 satangs = 1 bhat) and the price of liquified natural gas sold to EGAT by 4.38 bhat for every million BTU. The hotel business is expected to gain the most from this measure.

How did this shift away from the IMF/World Bank guidelines occur? The 17% devaluation of the bhat of November 1984 and subsequent economic austerity measures for more than a year have in fact created a quite consolidated opposition to these supranational institutions. The anti-IMF/World Bank momentum was mainly led by the largest labor group, the Thai Trade Union Confederation of Paisal Thawatchainan and the M. R. Kukrit Pramojboonchu Rojanastien group in the Social Action Party. In a recent interview with the Thai economic daily *Koa Sod*, Bangkok Fusion Energy Foundation representative Pakdee Tanapura warned that "persistent implementation of World Bank/IMF policies will lead to a social revolution and favor the rise of communism."

Perhaps the Prem government is beginning to learn the lesson of the Philippines. In February, rumors were numerous of the imminent fall of Prem and early elections. However, the recent shift in economic policies may perhaps have bought the government some time.

International Intelligence

Botha issues plan on Namibia withdrawal

In a March 4 statement before the South African parliament, State President P. W. Botha said that the state of emergency, imposed last July, would probably be lifted in about 30 townships in March. He also proposed that a plan to implement Namibian (Southwest African) independence, along the lines of U.N. resolution 435, be carried out starting Aug. 1 of this year.

It was on Jan. 31 that Botha had proclaimed, in a historic speech to the South African parliament, that apartheid is "outdated" and laid out measures to supersede it (*EIR* Vol. 12, No. 7, Feb. 14, 1986).

Botha said that despite sporadic violence, the situation in the country had improved sufficiently for the state of emergency to be ended in magisterial districts where it still applies.

On the subject of granting Namibian independence, Botha told Parliament that it would still be conditional on a firm agreement with Angola on the withdrawal 30,000 Cuban troops from that country.

The plan for Namibian independence was rejected by the South West Africa People's Organization (SWAPO) as a propaganda ploy. The Soviet-controlled SWAPO enjoys the privilege of being the only Namibian organization recognized by the U.N.

Arbatov threatens Spain with attack

The Kremlin's chief expert on the United States, Georgii Arbatov, has stated that NATO membership for Spain "goes against a sense of history," remarks which appeared in an interview in *El Pais* March 2. "If you have military bases and inside them you have nuclear weapons, you should not be as-tounded if you are the target of another bloc."

He added: "This is a reality, it is not a threat."

The remarks come on the eve of a referendum to determine Spain's status in NATO.

On Feb. 27, two Soviet fellow travelers, West German Green Party leader Petra Kelly and her pet general, Gerd Bastian, gave a press conference in Spain to call upon the Spanish to vote "No" in that March 12 referendum. They came with a petition against NATO signed by ex-generals from West Germany, Holland, the United Kingdom, Portugal, Italy, France, and Greece. Bastian said that Spanish participation in NATO would be "against nature."

Radio Liberty editor may have been mole

Oleg Tumanov, the chief editor of Radio Liberty in Munich who vanished in late February, may have been a Soviet mole. Tumanov had "defected" from the Soviet navy 21 years ago, when he swam ashore in the Mediterranean.

Other reports also indicate that he has now "come in from the cold." An anonymous caller to Radio Liberty's London office said that Oleg Tumanov is in fact "alive and well in Moscow," according to the *London Times*.

Tumanov has been missing since Feb. 25. He was the third-ranking figure at the station.

García's popularity grows in Ibero-America

Le Monde Diplomatique of France carried a long article March 2 on Alan García's popularity spreading throughout Ibero-America. The article highlights "a slogan [which] made itself popular in the streets of Mexico City: Ni Kissinger, Ni Castro! Viva Alan García!"

Ni Kissinger, Ni Castro is the title of a recent booklet by *EIR* founder Lyndon LaRouche, Jr., widely circulated on the continent.

García, whose defiance of the International Monetary Fund has made him a hero to populations throughout debt-strapped Ibero-America, is scheduled to visit Argentina and Panama in the near future. This has provoked fear among international bankers

that close collaboration will be established between the Peruvian President and the opposition Peronists in Argentina.

Rockefeller spokesman Manuel Ulloa, a former Peruvian prime minister, has mounted a campaign to postpone García's Argentine visit. By means of his hired pen, Manuel D'Ornelles, Ulloa attacked the Peronists as "demagogues" and, to avoid a confrontation over debt strategies between the Presidents, proposed "postponing the presidential visit for a moment in which the question of the foreign debt has entered into a new phase, whatever that may be, losing political impact. In the present phase of indefiniteness on the part of the creditors, it is only meat for the Peronist lions."

Insinuations that García will not visit Panama were placed in a feature by dirty tricks journalist Albert Brun, published in the Peruvian daily *La República*. Brun writes that there is a "vagueness" about whether García will go in March or April. Brun boasts that he "exposed" Panamanian Gen. Manuel Noriega's "secret" visit to Peru last year. (Noriega brought a plane-load of journalists with him.)

In 1976, Brun helped expel *EIR* correspondents from Peru and purge nationalist generals from the cabinet.

Egypt riots 'predicted' by Israeli figure

Barely 24 hours before police conscript riots killing 107 began in Cairo and other cities on Feb. 24-25, Jon Kimche, brother of the former chief of the Israeli Mossad, David Kimche, wrote a long feature in the *Jerusalem Post* (Feb. 23) entitled, "Peace and the Egyptian Volcano."

Kimche "predicted" that social explosions would occur. Kimche, based in Great Britain, wrote that senior ministers in Egypt see President Mubarak as "floundering helplessly," and that there are growing "internal frictions" in the Egyptian regime. He added that "Egypt's domestic problems have reached such a pitch that the government is no longer in full control. . . . Egypt faces a situation in which all the elements making for a violent change of authority are coming to the boil. . . ."

Kimche makes no mention of murderous IMF austerity impositions on Egypt, but attributes the major part of Egypt's problems to "the uncontrollable population explosion. . . . At the present rate of growth, Egypt will have reached 65 million, its population target for the year 2000, by the early 1990s."

"... The situation in Egypt has become so volatile that the unexpected may happen. . . ."

The Kimches have extensive banking interests in Switzerland. Brother David is, today, director-general of Israel's foreign ministry.

Greece arrests British diplomat as spy

Greek police, acting on a tip from the CIA, arrested a retired British diplomat Feb. 28 on suspicion of spying for the Soviet Union. The suspect is identified as Egerdon "Eddie" Duckworth, 63, a well-known figure in Athens and a former British embassy commercial attaché who retired in 1979.

Police found five pistols and ammunition in Duckworth's home. A British embassy official, however, rejected the report: "He has absolutely no connection to espionage. . . . He was interviewed by the security police as part of their routine investigation into friends of [former U.S. Navy Lt. Commander John] Bothwell," the embassy official said.

Bothwell, who maintained residences in both Britain and Greece, was arrested shortly after the defection to the United States of Soviet embassy employee Viktor Gundarev, who the State Department says was a colonel in the KGB.

The Athens public prosecutor has ordered an investigation into Bothwell's activities in Greece.

Accuser now accused in Bonn 'Kohlgate'

Terrorist lawyer and Green Party parliamentarian Otto Schily, the accuser in an investigation of West German Chancellor Helmut

Kohl on perjury charges, is now being asked to answer some questions himself.

Dietrich Austermann, a member of Kohl's Christian Democrats, filed a suit against Schily March 5 for slandering Chancellor Kohl. "The impression that Schily knowingly raised false suspicions is growing ever stronger," Austermann said in a statement. Schily knew Kohl has not lied, he added.

Schily accused Kohl of lying in testimony in which he said that he was unaware of monies being paid through certain foundations to the Christian Democratic Party by executives of the Flick firm.

Radio Moscow has hailed Schily's suit as a "German Watergate" which may topple the Chancellor.

Prominent adviser quits Social Democrats

A prominent adviser to the German Social Democrats for many years has quit that pro-Soviet party.

Prof. Martin Kriele left the Social Democratic Party (SPD) after months of hefty controversies over the party's policy in favor of Cuba and Nicaragua. Kriele, who visited Central America in late summer of 1985, wrote a book accusing Willy Brandt and the Socialist International of courting the Nicaraguan regime in "gross violation of all principles which should be followed by democratic parties."

He accused the SPD and party chairman Brandt of collaborating with Managua and Cuba against the United States, thus helping the Soviet cause in the Caribbean. Kriele also said that the party leadership remained silent on the fact that brutal human rights violations were committed in Nicaragua by the Sandinistas.

Kriele's move preempted an expulsion from the party, which his local Cologne-Leverkusen district was debating on orders from SPD headquarters in Bonn.

The professor was a prominent voice in the party, and had done the legal work on Willy Brandt's *Ostpolitik*, the beginning of détente, defending this policy against a conservative law suit in the German constitutional court in 1973.

Briefly

● **THE NEXT TARGET** for KGB assassination, following the killing of Olaf Palme, could be France's President Mitterrand, intelligence experts warn.

● **ARAB TERROR** squads have been dispatched to Europe to attack NATO bases and prominent politicians, West Germany's *Stern* magazine has reported, quoting Interpol. Interpol said it had received a warning from PLO sources that the squads, linked to Abu Nidal, planned "attacks in Italy, Spain, Holland, and Scandinavia." Politicians in West Germany are also targets.

● **A RUSSIAN ORTHODOX** Church spokesman told a Roman newspaper: Pope John Paul II "may want to ruin the Society of Jesus and replace it with Opus Dei, but the Jesuits could take refuge in Russia again, as they did in Catherine the Great's time."

● **NEW FIGHTING** erupted in Chad between Libyan-backed rebels and the government forces after a two-week respite, according to the French defense ministry. A spokesman, quoting Chad government officials, said the fighting broke out March 4 at the strategic outpost of Kalait, on the 16th parallel dividing the rebel- and government-controlled parts of the country.

● **THE TRILATERAL** Commission may hold its next plenary session in Moscow, an Italian leader of the Commission told the magazine *Panorama*. The decision will be taken at the Commission's mid-May in Madrid. "The Trilateral Commission was in a crisis," Piero Bassetti said, "but fortunately the speech of [27th Party Congress] speech of Gorbachov, that re-launches big issues like security, high technology, environment, starvation in the world—themes that are characteristic of the Trilateral Commission—will be able to revitalize our ideas. . . ."

Russian demands defense cuts; lawmakers comply

by Kathleen Klenetsky

In an interview with the Spanish newspaper *El País* early in March, Moscow's top "Americanologist," Georgii Arbatov, praised the U.S. Congress for its "realistic" approach to defense spending. "We agree with a branch of American government: Congress," said Arbatov, mentioning the recent House vote in favor of a resolution calling for a comprehensive nuclear test ban. Arbatov scolded Reagan for insisting that "Congress finance his out-of-orbit budget."

Arbatov's faith in Congress is not misplaced. On March 6, just a few days after Arbatov's remarks appeared in print, the Republican-controlled Senate Budget Committee voted 16 to 6 to reject the President's budget request, with most Democrats, and some Republicans, complaining that the pitiful 3% increase the administration is requesting for defense is "too high." Some experts predict that defense budget cuts for Fiscal Year 1987 could range as high as \$70 billion.

The committee's vote is just a prelude to an expected "great debate" over American strategic policy, in which members of the Trilateral Commission and kindred branches of the Eastern Liberal Establishment are proposing a total overhaul of the American military, on the grounds that Pentagon management is "flawed." These advocates of a "New Yalta" deal with the Soviet Union, will use the pretext of budget constraints under the Gramm-Rudman bill to justify decoupling the United States from its allies.

The London *Times* reported March 3 that, because of the budget deficit, U.S. political leaders are considering cuts in U.S. spending for NATO defense which hitherto would have been unthinkable. This confirms what *EIR* alone had previously warned: that the Gramm-Rudman bill would necessarily lead to U.S. troop withdrawals from Western Europe (see, for example, *EIR*, Feb. 14, 1985, "Economic blowout in 1986: the real state of the Union," by Lyndon H. LaRouche).

Under the heading "Budget-Cutters Eye the NATO Sacred Cow," London *Times* reporter Bailey Morris wrote that there are "hard times ahead for European defense programs. The first hard fact is that Reagan's \$320 billion military budget for the next financial year is in trouble. . . . One study after another in recent months has taken aim at NATO as a 'huge sacred cow' that can no longer be fed by American taxpayers."

The Senate budget panel's vote came despite President Reagan's nationally televised speech of Feb. 26, in which he warned that new cuts in military spending would be "reckless, dangerous, and wrong . . . backsliding of the most irresponsible kind." The Soviets are engaged in a "relentless effort to gain military superiority over the United States," said the President, and they have invested "\$500 billion more than the United States in defense, and built nearly three times as many strategic missiles," between 1975 and 1985.

The President also said that it would be "absolute folly for the U.S. not to press forth" with the Strategic Defense Initiative (SDI).

That latter point was underscored by SDI director Lt.-Gen. James Abrahamson, in testimony before the House subcommittee on research and development on March 4, in which he bluntly asserted that Soviet strategic military doctrine is "first strike."

If Congress does not allocate the \$4.8 billion requested by his office to push ahead with President Reagan's SDI program, the consequences, given Soviet aggressive intentions, will be "a very dangerous world indeed," Abrahamson stressed.

Abrahamson said that Russia's SDI effort dwarfs that of the United States: "Since the 1960s, the Soviets have been pursuing research into advanced technologies for strategic

defense" including "high-energy lasers, particle-beam weapons, radio-frequency weapons, and kinetic-energy weapons. Moreover, during this same period, the Soviets have had an active and expanding military space program."

By contrast, he said, by cutting 25% of SDI funding requests the last two years, Congress has forced the U.S. SDI program "to accept higher program risks, prematurely down-select certain promising technologies and in general pursue a more austere research program," including reducing the effort on "certain major technologies such as space-based lasers, prematurely."

But Congress is in no mood to take national security considerations seriously. The President's speech drew the usual catcalls from liberal Democrats in Congress; but Senate Republicans deserted him as well. House Majority Leader Jim Wright (D-Tex.) accused Reagan of taking money from health, education, and other social programs to finance "this unprecedented build-up in arms." The real question, he said, is "how much [defense] can we afford." Similar responses came from John Heinz (R-Pa.): "There is no doubt in my mind that the President's budget request will not be agreed to by Congress." Even pro-defense Strom Thurmond (R-S.C.) conceded: "We may not be able to get as much as the President wants."

On the SDI front, informed sources on the Hill have told *EIR* that Reagan would be "supremely lucky" if the SDI were to be slashed by only one-third.

Defense 'reform'

If the Pentagon had only to face Arbatov's friends in Congress, that would be bad enough. But a new flank has been opened in the war on defense: Pentagon "reform." There are at least two major sources of this operation—the President's Blue Ribbon Commission on Defense Management (a.k.a. the Packard Commission, after its chairman, former Trilateral Commission member David Packard), and a scheme cooked up by Georgetown University's Center for Strategic and International Studies, and sponsored by Sens. Barry Goldwater (R-Ariz.) and Sam Nunn (D-Ga.), chairman and ranking Democrat, respectively, of the Senate Armed Services Committee.

Early in March, both groups took important steps in the direction of reimposing on the Pentagon the worst aspects of former Defense Secretary Robert Strange McNamara's "systems analysis."

The Packard Commission, whose members include the likes of Wall Street investment banker Nicholas Brady, a close personal friend of both Fed chairman Paul Volcker and Vice-President George Bush, and Boston Brahmin Louis Cabot, issued an interim report Feb. 28, claiming that "there is no rational system" for reaching a coherent national military strategy, and proposing a sweeping overhaul of the defense establishment, including restructuring the Joint Chiefs of Staff, giving greatly enlarged powers to the JCS chairman, and changing Department of Defense procurement methods.

The commission report is being played up in the liberal press as a corrective to Pentagon "waste," but its real purpose, as the report itself acknowledges, is to justify further restraints on the defense budget, and to remove the military as far as possible from defense policymaking. One of its chief recommendations is that U.S. military strategy be keyed to pre-set budget levels, which "would reflect competing demands on the federal budget and projected gross national product and revenues and would come from recommendations of the National Security Council and the Office of Management and Budget." The process would also involve having the JCS chairman "frame explicit trade-offs among the Armed Forces."

The report was greeted enthusiastically by House Armed Services Committee chair Les Aspin (D-Wisc.), a former McNamara "whiz kid," and Senator Nunn, who said its recommendations were "compatible" with those he and Goldwater were fashioning. "The commission may have started out talking about toilet seats, but it ended up proposing to restructure the whole house," said Nunn.

The Packard Commission report has, unfortunately, won the approval of President Reagan as well.

A week later, on March 6, the Nunn-Goldwater blueprint was voted up by the Senate Armed Services Committee, overriding strong objections from Pentagon leaders. Senator Nunn said the "sweeping and historic" legislation—which eliminates 17,000 Defense Department jobs, restructures the JCS, and creates an undersecretary of defense for procurement—would help remedy problems "that have plagued our national defense for decades." Goldwater, boasting that the committee "has had to fight elements of the Pentagon every inch of the way," called the bill "the most significant piece of defense organization legislation in the nation's history."

But others disagree. Heads of all the military services sent fiery protests to Goldwater and Nunn, charging that the legislation would reduce the services' role in strategic planning and make a "hash" of the defense structure. According to the March 5 *Baltimore Sun*, Marine Corps Commandant Gen. P. X. Kelley was especially incensed over the proposals, asserting they would cause "significant degradation in the efficiency and effectiveness of the defense establishment—to the point where I have deep concerns for the future of the United States." Kelley charged that the legislation would also destroy the "corporate nature" of the joint chiefs.

Navy Secretary John Lehman stated that the legislation would undo Defense Secretary Weinberger's work in reversing "30 years of centralization and bureaucratization," and would also "make the offices of service secretary and service chief essentially ceremonial."

In their March 7 syndicated column, Rowland Evans and Robert Novak excoriated Goldwater for making an alliance with "the heirs of his nemesis of over 20 years ago, Robert S. McNamara. . . . Although the reform debate is ostensibly about how the defense establishment should be run, it actually is an inquest on how the military have run it."

LaRouche candidates define issues in March 18 Illinois primary

by Marla Minnicino

The March 18 Illinois primary will put the state's 22 congressmen, its senior U.S. senator, its governor, lieutenant-governor, secretary of state, comptroller, treasurer, and attorney-general to an electoral challenge from supporters of Lyndon H. LaRouche, Jr., *EIR* founder and already a declared candidate for the 1988 Democratic presidential nomination. It is the most complete slate of "LaRouche Democrats" ever filed in the state, and is the first primary of the 1986 electoral season, which will see such slates of "LaRouche Democrats" for senate and congress filed in at least 22 states.

Perhaps that is one reason that Democratic Party officials in the state insist that there are "no issues" in the campaign, no nationally significant trends to be established in the primary, virtually "no chance" of any political realignment. The voters are "not interested" in such matters anyway.

It is not uncommon in Illinois elections for elections to be well-sewn up in advance—at least when times are normal. But times are far from normal. More likely, they are frightened that the voters are growing very interested in what "LaRouche Democrats" have to say, that they are quite well aware of the key political issues at stake and hold their elected officials entirely responsible for the disastrous turn in U.S. foreign and economic policy.

Voters in Illinois—a state considered crucial in every presidential election—could send a very important signal to Washington. Every voter knows, or senses in some fashion, that the present Congress is the worst bunch of traitors in 100 years, losing European allies, undermining the stability of Third World allies, and wrecking the economy back home. The LaRouche slate is campaigning precisely on the theme: "Take Congress Back!"

The view that people "don't care," and can't be taught about national and international issues is precisely what's at stake in this election. That citizens *are* concerned over issues like AIDS, the Soviet threat, the economic blowout, and "morality in politics," is indicated by the response to campaigns now being waged by LaRouche Democrats in Illinois.

On Dec. 18, over 30 candidates backed by the National Democratic Policy Committee, of which LaRouche is advi-

sory board chairman, filed for Congress, Senate, and state-wide office in Illinois, as part of the national effort to "take Congress back" from the KGB liberals in Washington. Nationally, the NDPC has already recruited over 750 citizen-candidates from labor, farmer, patriotic, minority, and cultural organizations.

The NDPC slate has targeted Illinois congressmen of both parties, whose support for genocide, euthanasia, and the destruction of the nation's defense "make Soviet General Secretary Mikhail Gorbachov very happy," in the words of one NDPC spokesman. Policies such as the Gramm-Rudman-Hollings "balanced budget" legislation will eliminate not only the old and infirm, but the productive farmers and workers whose labors have made Illinois a hub of production, manufacturing, distribution, and one of the world's richest farm regions for over 100 years.

Both of Illinois's senators and 12 of its 22 congressmen voted for the bill, which has "put the nail in the coffin of this country's economic sovereignty," according to NDPC-backed Gerald Pechenuk. Pechenuk is the only challenger to Rep. Dan Rostenkowski in Chicago's 8th C.D. "Unless repealed, Gramm-Rudman and the terrible, but less-noticed tax reform bill authored by Rostenkowski's House Ways and Means Committee, will blow out the U.S. economy during 1986," said Pechenuk.

While Illinois Democratic Party officials focus on retaining control of statewide posts such as treasurer and attorney-general, members of the NDPC slate in Illinois are out on the streets, mobilizing the population to "re-take Congress." Led by Sheila Jones, the only opponent to incumbent Democratic Sen. Alan Dixon, the slate includes 11 congressional candidates.

At the top of the statewide slate is gubernatorial candidate Peter Bowen, challenging Adlai Stevenson, Jr., in the primary; Mark Fairchild is running for lieutenant-governor against State Sen. George Sangmeister, author of the state's pro-euthanasia "living will" legislation; Janice Hart for secretary of state; Donald Clark against Democratic Comptroller Ronald Burriss; and Rob Hart for state treasurer, challenging incumbent James Donnewald.

In the U.S. Senate race, euthanasia fighter and anti-drug activist Sheila Jones is challenging Illinois's senior senator, Alan Dixon, who recently told reporters he had "no second thoughts" about supporting the Gramm-Rudman bill. A ranking member of the Senate Agriculture Committee, Dixon voted to confirm Federal Reserve Chairman Paul Volcker, whose credit policies have driven U.S. farms and factories into bankruptcy. Jones has challenged Dixon, also a member of the Banking, House and Urban Affairs Committee and its International Finance and Monetary Policy subcommittee, to renounce his support for the International Monetary Fund and to use his powers on the Banking Committee to clean up illegal money-laundering.

In the gubernatorial race, Peter Bowen is the only challenger to Adlai Stevenson, Jr. Stevenson, who ran a close race against incumbent Gov. James Thompson (a Republican) in 1982, has raised almost no substantive issues. He is leaving that to Bowen, who has toured the state reporting on the effects of the Gramm-Rudman law on the Illinois economy.

Bowen has charged Thompson's administration with "bankrupting the industries of this state and driving farmers off their land." He has pointed out that budget cuts under Gramm-Rudman could mean the loss of as much as \$500 million to the state this year, with \$155 million in federal aid cuts affecting Chicago alone. Virtually every city department will be hit, including community development, health care programs (including Medicaid and Medicare), job training for the unemployed, and housing construction. Transportation cutbacks of \$54.5 million could shut down the metropolitan subway and commuter bus lines and the loss of federal revenue sharing could lead to layoffs of 1,300 city workers.

In his state budget message issued March 5, Thompson put the reins on every operation of state government, with the exception of education, consistent with the austerity dictates of Gramm-Rudman. His budget would, however, increase funds for re-training workers "to meet the changing manufacturing demands of the 1990s," i.e., the transition to a "post-industrial" society where factories have been supplanted by fast food chains.

In five congressional districts encompassing Chicago and its suburbs, NDPC-backed candidates are the only primary challengers to Democratic incumbents Russo, Rostenkowski, Yates, Annunzio, and Crane. In the 3rd C.D., retired city worker Maurice Johnson has charged that Rep. Marty Russo, an "adjunct" to Ways and Means Chairman Rostenkowski, is "economically illiterate." LaRouche Democrat Judy Acheson has shaken up the 9th C.D. by attacking liberal Sidney Yates's support for euthanasia and sodomy ("gay rights"). Acheson has made inroads in Yates' supposed "stronghold" of Skokie, with an aggressive campaign for emergency measures of quarantine and prevention of AIDS, and by counterposing the music of Mozart and Beethoven to Yates' promotion of the rock-drug counterculture.

In the 2nd C.D., once the center of Chicago's steel industry, Ernie Washington, a former firefighter, is challenging liberal Congressman Gus Savage, a proponent of the nuclear freeze who voted to cancel the MX missile and who has won the praise of Libyan asset Louis Farrakhan. Washington is campaigning on the slogan that "Only Beauty Can Defeat the Savage," and has made that concrete in his campaign organizing events—such as a recent fundraiser at Chicago's Southside Steelworkers' Hall, which was devoted to music and poetry. Washington told the audience of unemployed steelworkers, retired citizens, minority community activists, students, and clergy, "We must see ourselves like Prometheus . . . the givers of fire to the population. Then we can create the necessary cultural renaissance."

On March 3, candidates Maurice Johnson and Ernie Washington joined EIR Biological Holocaust Task Force medical coordinator, Dr. John Grauerholz, at a Chicago press conference to endorse *EIR's* recently released special report, *An Emergency War Plan to Fight AIDS and Other Pandemics*.

The NDPC-backed candidates used the occasion to challenge the "dangerous and irresponsible guidelines" issued by the Centers for Disease Control and supported by the Chicago AIDS Task Force, dominated by the "gay lobby," recommending that children with AIDS be allowed to attend public school. The AIDS issue is very hot in many Illinois communities such as Joliet, where 4th C.D. candidate George Lawrence gained headlines last fall, advocating screening and quarantine of AIDS victims.

In other races, candidates endorsed by the NDPC are:

- Marshall Hoffman, 6th C.D., running against incumbent Henry Hyde in the primary.
- Gene Schenck, 10th C.D., running for the seat now held by Republican John Porter. In the Democratic primary, Schenck faces liberal Robert Cleland. In Cleland's own Democratic Party club, Schenck received four votes of endorsement, largely for his campaign to root out the drug-runners on Chicago's northern shore.
- Terry Allen, 11th C.D., is challenging Democratic incumbent Frank Annunzio, a 20-year veteran of Congress. Annunzio was so upset by Allen's entry into the race, that a top Chicago lawfirm was hired in a failed effort to challenge Allen's petition filings.
- Joe Baruch, in the 12th C.D., is running for the seat now held by Republican Phil Crane. In addition to his NDPC endorsement, Baruch is endorsed by Right to Life.
- In the 13th C.D., NDPC activist and former policeman Dominick Jeffrey is running unopposed in the primary, and will face Republican incumbent Harris Fawell in November.
- LaRouche Democrat and farmer William Brenner, Sr., is unopposed in the 15th C.D., represented by Edward Madigan of the House Agricultural Committee.

The NDPC has also endorsed two candidates for state legislature, Rev. Howard Snipe, and William Brenner, Jr.

Poet Laureate is Southern secessionist

by Kathleen Klenetsky

Robert Penn Warren, a fascist-medievalist possessed of an undying hatred of science and progress, has just been named the first Poet Laureate of the United States.

The newly created post, an institution imported from Britain, where Poet Laureates have been singing the glories of British imperialism since the days of John Dryden, is the offspring of Library of Congress head Daniel Boorstin. Three months ago, Boorstin hosted a seminar at the Library, where he and other select scholars discussed with the visiting Prince Charles what is "wrong" with the U.S. Constitution.

Perhaps best known as author of *All The King's Men*, a fictionalized account of Huey Long's rise and fall which effectively justifies Long's assassination by portraying him as a power-mad individual, Warren has spent a lifetime propagandizing for the explicitly Gnostic idea that material progress is evil. His elevation to the status of Poet Laureate drew kudos from Yale University's Harold Bloom, an avowed Gnostic, who called Warren "our greatest living poet."

Warren's 'Southern ethos'

A Kentuckian, Warren attended Vanderbilt University and Yale, and then went to Oxford as a Rhodes scholar. He became an avid devotee of the so-called "Southern ethos," an oligarchically oriented outlook, which is far closer to the Dostoevskian blood-and-soil fixation of "Mother Russia" and the Nazis than anything in U.S. traditions.

Both Warren's grandfathers were Confederate soliders, and he spent his childhood listening to tales extolling the unique virtues of the antebellum South. As an undergraduate of Tennessee's Vanderbilt University, Warren joined the "Fugitives," a group of poets that included John Crowe Ransom and Allen Tate. Drawing heavily on the existentialist tommyrot of T. S. Eliot and the fascist Ezra Pound,* the Fugitives were dedicated to the idea of the poet as an outcast soothsayer.

In 1930, the Fugitives translated their artistic ideas into politics. Dubbing themselves the "Southern Agrarians," they issued a famous manifesto, *I'll Take My Stand*, which aped

the outlook of European fascism. Contributors included fascists, notably Stark Young, who penned numerous articles for the *New Republic* exalting Mussolini and Franco for creating "organic" societies—the kind the Southern Agrarians envisioned for the South. *I'll Take My Stand* assailed industrialization and science, and asserted that the South must maintain a feudal, agrarian-based way of life, in order to protect her unique cultural and economic matrix.

The book's introduction, endorsed by Warren, portrayed industrialism and science as the source of all evil, in contrast to the "land" and "soil" from whence all good derives. It claimed that industrialization was necessarily antithetical to spiritual and humanistic values, as well as to religion, and that the use of technology to save back-breaking labor, robbed labor of its human qualities.

To stop the "incessant extension of industrialization," the Southern Agrarians called on all "communities" opposed to industrialization to join forces and impose an agrarian regime upon the United States. "The culture of the soil is the best and most sensitive of vocations, and therefore it should have the economic preference and enlist the maximum number of workers," a regime which "will be secured readily enough where the superfluous industries are not allowed to rise against it."

Warren's contribution to the book dealt with the "race question," and warned that unless the South rearranged itself around agricultural nuclei, blacks would keep on defecting to an "illusory" better life in northern industrial cities.

Warren has since distanced himself, at least publicly, from the racist overtones in *I'll Take My Stand*, but not from its overall medievalist stance. Recently, he has become loosely affiliated with the *Southern Partisan*, a magazine which maintains that *the South must be prepared to secede from the Union again unless its cultural and political views, as defined by the Southern Agrarians, come to prevail*. The magazine publishes articles like the "Foreign Policy of the South," by Heritage Foundation analyst Sam Francis, who argued that the South is "closer to the cultural values of the old world than the new" and is properly dominated by "pessimism about man and his works."

The views of the *Southern Partisan's* advisory board, which includes F. Reid Buckley, the monarchist brother of William F. Buckley, and John Hurley, curator of the Confederate Memorial Hall, are typified by M. E. Bradford, a University of Dallas historian and a friend of Otto von Hapsburg. One of the leading living spokesmen for the Southern Agrarians, Bradford has written articles on the thesis that the model for the American republic was the Venetian oligarchy!

With a man of Warren's outlook now Poet Laureate, why not name Simon Legree a Founding Father?

* Warren was part of a committee which awarded Ezra Pound the Bollingen Prize for Poetry in 1948 for his *Pisan Cantos*, written while Pound was in prison for treason for his pro-fascist activities during World War II.

GOP presidential hopefuls gather

Under the guise of honoring Sen. Paul Laxalt (R-Nev.), the Republicans got together at a big social event here on March 3. Every potential GOP presidential campaign was represented at the "non-partisan" fête honoring the retiring Senator Laxalt, who is more and more being talked of as a candidate himself.

President Reagan made a few remarks at the dinner. But the real interest was in the line-up of potential candidates for 1988, either there in person or officially co-sponsoring the event.

These figures included, besides Laxalt himself, Vice-President George Bush, Congressman Jack Kemp, former Secretary of State Alexander Haig and, remarkably, television evangelist Pat Robertson.

Yes, Robertson's campaign committee was invited on board the official, prestigious list of Republican leaders and organizations co-sponsoring the event, meaning he has the blessing of the party leadership to be among its bona fide candidates in 1988! The affair was organized by Paul Weyrich, formerly of the Heritage Foundation and a major promoter of religious fundamentalism within politics.

Laxalt, of course, played a key role in pulling the plug on the Marcos regime in the Philippines. He was known by Marcos from the days when Reagan was governor of California, as a close friend of the President—which Marcos also believed he was, himself, until recent events proved otherwise.

This was how Laxalt was able, beginning with his trip to the Philippines

last fall, to pressure Marcos to hold elections in the first place, and then, in the last hours, to convince Marcos that Reagan was not going to back him up.

On a popular local interview show in Washington, Laxalt described his last phone call with Marcos, when Marcos finally asked Laxalt his candid opinion on what he should do and Laxalt told him to leave. Laxalt said Marcos was silent on the other end of the line for over a minute, and then mumbled, "I am very, very disappointed."

Laxalt's public gloating over his decisive role in cracking Marcos has apparently propelled him into favor among Reagan insiders as the preferred option to carry the Reagan banner in the White House, now that it has become clear that George Bush cannot hack it as a candidate.

Bush was lampooned by the national press for his bungled appearance in San Antonio on March 2 to celebrate the 150th anniversary of Texas independence from Mexico. Bush claimed at the Alamo event to be a Texan, which few Texans take seriously (he was born and reared in Connecticut). Bush tried to make his point by listing the out-of-state hometown of every Alamo defender.

Laxalt's so-called "loyalty" to the President is about as reliable as a gypsy's. He sided with the Wall Street Palace Guard—Don Regan and crowd—to put the barbaric Richard Burt into West Germany as ambassador. Laxalt confided his role in convincing Reagan to accept Burt to this reporter in a private meeting one year ago—long before Burt's appointment became public.

In Paul Laxalt, the Republicans are stuck with one more duplicitous charlatan—as if Bush, Haig, Kemp, and Robertson were not enough.

Right and left agree on Nicaragua

Defense Secretary Weinberger's three-hour grilling by the House Armed Services Committee March 5 on the President's request for \$100 million in aid to the Nicaraguan "contras" opposing the Sandinista regime, revealed a telltale convergence of left and right calling for direct U.S. military intervention in Central America.

This was heard coming out of the mouths of leftist sympathizers like Colorado Rep. Pat Schroeder and right-winger Rep. Thomas Hartnett (R-S.C.). Schroeder said that since the Defense Department claims the Soviets have put \$500 million into Nicaragua and 3,400 Cuban advisers, then obviously \$100 million in aid to the contras is inadequate, and we might as well not send anything. If we decide we need to clean that situation up, then we should do it properly, and not keep deceiving the U.S. population by asking for a little money at a time, she argued.

Weinberger, who appeared haggard at the hearing, expressed genuine exasperation at the concept. He added that if the Contadora process fails and the contras fail, over 100 million people in the Central American region from Mexico to Colombia are directly militarily threatened, as well as the U.S. borders. "Then we would be confronted with a major strategic crisis," he said.

Weinberger also made it clear, in contrast to Shultz, that Mexico and the other Contadora nations in no way support Nicaragua, but are forced to modify their public statements only because they have found the U.S. to be unreliable in terms of backing them up, and they cannot handle the Nicaraguan "armed camp" militarily alone.

'Gang of 5' push to extend SALT II

Drawing their inspiration from Neville Chamberlain, five U.S. senators have introduced S. Con. Res. 112, urging the President to continue to abide by the limits set in the unratified SALT II Treaty. The March 6 timing of the senators' resolution is impeccable, coming in the wake of the Soviets' 27th Party Congress which demonstrated, for anyone willing to look, that the Soviet Union is engaged in a full-fledged industrial, technological, and military mobilization.

The five senators involved, John Chaffee (R-R.I.), Dale Bumpers (D-Ark.), John Heinz (R-Pa.), Patrick Leahy (D-Vt.), and William Proxmire (D-Wis.), claim that the timing of the resolution is motivated by the pending deployment of the *U.S.S. Nevada*, the Navy's eighth Trident submarine. With the May deployment of the *Nevada*, the 1,200 multiple warhead missile ceiling of the SALT II treaty will be breached by the United States. The resolution asks the President to stay within the treaty limits and decommission an older Poseidon submarine when the *U.S.S. Nevada* is launched.

The five senators argue that it is in the U.S. interest to abide by the SALT II ceilings, since the Soviet Union is forced to dismantle five-times as many missiles as the United States. What they ignore is the fact that, in the throes of a war mobilization, the Soviet Union is deploying hundreds and hundreds of new launchers and warheads in violation of the ceilings.

That the senators have chosen to ignore Soviet military realities, is no surprise. The wives of Senators Bumpers, Heinz, and Leahy are founders and leaders of Peacelinks, a con-

duit for KGB organizing and disinformation composed of senators' and congressmen's wives.

For a few brief moments in early March, there was a sense of the past on the Senate floor, when the "old" Jesse Helms resurfaced to praise President Reagan's recent reports on Soviet arms-control violations and to warn of a Soviet military "breakout."

Helms pointed out that the administration has now reported on 50 Soviet violations of the treaties. "This pattern confirms that the Soviets are indeed 'breaking out' of both SALT I and SALT II," he warned, "I report: the Soviets are in break out. Does it make sense to worry about SALT III if the Soviets are not abiding by SALT I and SALT II? If the Soviets have abandoned the arms control process, why should the United States adopt artificial restraints that are dangerous to our national security? The Soviets have thrown off all restraints."

In his March 4 floor statement, Helms also documents the role of then-State Department official Richard Burt, now U.S. ambassador to West Germany, in undercutting President Reagan's own stated preference to junk the SALT II treaty.

Solarz to run for U.S. Senate?

As Stephen Solarz (D-N.Y.) flew off to the Philippines to greet the newly installed, unstable, and unconstitutional government of Corazon Aquino, and to further his witchhunt into the financial affairs of former President Ferdinand Marcos, rumors began to emerge that Solarz is considering a run for the New York Senate seat currently held by Sen. Alfonse D'Amato (R). The only declared Democrat in

that race is Webster Tarpley, a senior editor of the *EIR*.

Solarz' confidants are reported as confirming the rumors, noting that Solarz has been surprised and pleased at the national press coverage he has gotten over his involvement in the Philippines crisis. Perhaps Solarz is really in the Philippines to consult with Generals Ramos and Enrile and U.S. Ambassador Bosworth, on tactics to use in New York State if he doesn't like the vote count in the September primary.

Informed sources note, however, that little Sleazy Solarz might find some interesting questions surfacing, should he choose to run. Given his recent public voicings over the validity of the Philippines vote, Solarz may now want to explain his silence in 1976, when political forces associated with this magazine proved in New York State Supreme Court, that enough vote fraud had been committed in New York State, in the presidential election, to have changed the outcome of the vote in the state. A change in New York State's electoral vote would have given the 1976 election to Gerald Ford. A large amount of the documented evidence of fraud came from Solarz' own district. Perhaps vote fraud is not vote fraud, in Solarz' eyes, unless the U.S. State Department determines that it is vote fraud.

Congressman wants to end protection for Marcos

Representative Howard Coble (R-N.C.) called for the President of the United States to discontinue Secret Service protection for President Marcos and his family, in March 5 floor remarks.

Even as the *Washington Post* was admitting the existence of assassination plots against Marcos, Coble decries the fact that Reagan has ordered Secret Service protection for Marcos, "for an indefinite period of time." Showing to what petty depths the Gramm-Rudman mentality and liberal media brainwashing can drag people, Coble says, "I believe that the American taxpayers have provided enough aid and comfort to Mr. Marcos . . . I do not believe we have an obligation to grant Secret Service protection to deposed leaders."

Senators call for new Bretton Woods

Three senators from the "new realist" or "Atari" wing of the Democratic Party have introduced comprehensive trade and monetary legislation which represents their bid to be "in on" the discussions in London and Switzerland over the shape of a new international financial system.

Senators Gary Hart (D-Colo.), Sam Nunn (D-Ga.), and Bill Bradley (D-N.J.) have introduced the "Competitive American Trade Reform Act of 1986," S. 2127. As its first provision, the bill calls for the convening of a new "Bretton Woods" international conference to discuss currency reform, currency intervention, and greater supranational control over domestic monetary, fiscal, and trade policies. Mirroring Swiss interests, the senators would like to see a major devaluation of the dollar and the legislation would direct the President to design long-term strategies for currency intervention to correct the problem of "overvaluation."

The proposals of these senators, to reduce the economic role of the United

States and the dollar in a world increasingly dominated by such supranational institutions as the IMF, World Bank, and the Bank for International Settlements (BIS), is not inconsistent with their previous positions. Each of the senators has advanced strategic policies which agree with Henry Kissinger's admonition that U.S. power in the world should be reduced to one-fourth of its postwar strength. Nunn, of course, is the leader of the drive to pull U.S. troops out of Europe, thus turning that continent over to the Soviet sphere of influence. Hart and Bradley support those efforts, and Hart is a well-known aficionado of a "little navy" which would similarly sink U.S. influence.

Dannemeyer tried to push AIDS legislation

There can hardly be more eloquent testimony to the present level of sanity, or more precisely, its utter absence, on Capitol Hill than the recent fate of an amendment aimed at addressing the deadly AIDS epidemic.

Representative William Dannemeyer (R-Calif.) introduced an amendment to the Health Services Amendments Act of 1985, which would force state governments to close down public bath houses used for sexual relations between males or face a cut-off of certain community health grants.

In raising the amendment on March 5, Dannemeyer admitted that he was engaging in a legislative maneuver to try and force attention to and hearings on bills he introduced last September dealing with reducing the spread of AIDS.

Dannemeyer explained: "Those bills have been assigned to three com-

mittees of the House. On numerous occasions I have asked for hearings, and in writing. . . . I am still waiting for a response from the members of the committees to which those bills have been assigned."

Dannemeyer then says that he is resorting to such tactics because "AIDS is an epidemic that is striking across America. . . . Experts tell us that between half a million and a million Americans today have antibodies of the virus in their blood. . . . From a policy standpoint, we should take reasonable actions to reduce the incidence of this disease. And shutting down bathhouses is one of the options that I think we should be contemplating at this time."

Representative Henry Waxman (D-Calif.), the floor manager of the bill, argued that the amendment was not germane. The amendment was defeated by a vote of 403 to 6.

So do great nations die.

Simon backs balanced budget amendment

A key liberal senator has jumped on the bandwagon for a "balanced budget amendment," greatly enhancing the prospects that the bill, which would effectively write Gramm-Rudman into the Constitution, will be passed this year. Sen. Paul Simon (D-Ill.) has agreed to back a compromise version of the bill, which will be introduced on the Senate floor by Sen. Bob Dole (R-Kan.). The "Simonized" bill, unlike an original version, would allow a tax increase to help balance future federal budgets. "I think this new version will be looked on more favorably by Democrats who want restraint but who don't want a rigid formula," Simon says.

National News

Israeli spy may be set free

Jonathan Jay Pollard, the spy for the Israeli Mossad who was arrested on Nov. 26, 1985 for stealing U.S. military and scientific secrets, may be set free without ever standing trial in the United States, Reuters reports.

Pollard was no "friendly spy" for Tel Aviv, as his defenders in the U.S. State Department and the Anti-Defamation League have claimed; he was a "false flag" agent for the Soviet KGB. He was caught with classified U.S. documents intended for an Israeli spy unit which barter secrets to the Soviets on behalf of a network of Israeli rightists around former Defense Minister Ariel Sharon.

Pollard is now said to be "cooperating" with U.S. authorities, and that is the pretext for his potential release. Pollard's wife, Anne Henderson Pollard, was secretly released on bail in February, despite the fact that she was caught with classified documents going into the Israeli embassy in Washington on Nov. 21, 1985.

Federal prosecutor caught lying in hearing

The tables were turned in federal court in Newark, New Jersey on Feb. 28, as Assistant U.S. Attorney Daniel Small, a would-be "Grand Inquisitor" with a reputation for bullying witnesses in grand jury proceedings, was grilled for two hours by a federal judge.

The hearing was called by Judge Harold A. Ackerman to resolve conflicting sworn statements by Small and lawyers representing The LaRouche Campaign and Independent Democrats for LaRouche, concerning the availability of TLC and IDL documents in Small's possession, which were needed for a court battle between the campaign committees and First Fidelity Bank of New

Jersey. Small is conducting a grand jury investigation into TLC, IDL, and companies associated with Lyndon LaRouche.

Small first tried to claim that he had not given the documents to lawyers for TLC and IDL as requested, because the originals were not in his position; but he was forced to admit under questioning that originals had never been requested—only copies.

Small was also forced to admit his personal animosity toward political associates of LaRouche. "Was there bad feeling between you and the LaRouche people?" the judge asked. Small replied: "They spent a lot of time insulting my boss, William Weld. They called him a 'dupe of the dope lobby' and a 'Harvard punk.' They would chant 'William Weld is a fag' outside the window."

Small admitted to having been in contact with lawyers for First Fidelity for over a year. It has become increasingly obvious to observers that the bank's attorneys are conducting their pre-trial discovery for purposes of assisting Small in the Boston grand jury proceeding. First Fidelity lawyer Al Besser even boasted, "I'm going to make the government's case for them."

Judge Ackerman is expected to issue a ruling soon.

Crime task force seeks military war on drugs

President Reagan's Commission on Organized Crime issued a report on narcotics trafficking March 3, calling on the President to order the military into the fight against "an airborne, amphibious, and overland invasion" of the United States by the drug mafia.

According to the panel, "The Joint Chiefs should be instructed by the highest levels of government . . . that hostile or destructive action from within or without—overt or covert—shall include the . . . invasion of this country by drug smugglers."

Leading military figures quoted in the Commission's report emphasized the link

between drugs and terrorism—in direct contradiction of the Feb. 14 claim by FBI Director William Webster that the two are unrelated.

Retired Army Gen. Paul F. Gorman declared that the drug pushers' infrastructure "is used to move . . . arms and munitions, dangerous persons such as terrorists, spies, subversives or criminals, and pernicious information, such as political, economic, and military intelligence . . . to imperil U.S. national interests. . . . The money, mobility, communications, and transnational resources of the *narcotraficantes* lend wholly new dimensions to threats to U.S. lives and property from terrorists or insurgents."

Admiral William J. Crowe, Jr., chairman of the Joint Chiefs of Staff, told reporters on March 2 that the connection between drugs, insurgencies, and terrorism is well-documented.

Attorney-General Edwin Meese stated his disagreement with the Commission's recommendation of an increased military role in the war on drugs. "We do not use it in an actual law enforcement capacity, and I agree with Secretary of Defense Weinberger that this is not an appropriate role for the military," he said.

Religious coalition formed to support SDI

Approximately 30 conservative Protestant and Catholic groups announced the formation in late February of the Religious Coalition for a Moral Defense Policy to support the Strategic Defense Initiative (SDI).

The Center for Peace and Freedom, a conservative foundation, will coordinate the coalition.

According to the statement issued by the group, "As religious leaders concerned about the morality of public policy, we declare that if genuinely defensive systems can be developed that prove feasible and also practical from an economic and military standpoint, then their development and eventual deployment by the U.S. is not only morally justifiable, but morally imperative."

Signers of the statement include Rev. Jerry Falwell; Rev. Jimmy Swaggart; Rev. Jim Bakker; Rev. Tim LaHaye, president of the American Coalition for Traditional Values; Rev. Ben Armstrong, executive director of the National Religious Broadcasters; and Catholics for a Moral America.

N. Y. Times ends its coverup on AIDS

The *New York Times Magazine* published an article on March 2, "Teaming Up Against AIDS," which reports—finally—what *EIR* readers knew five months ago: that a team of Harvard University medical experts, including notably Dr. Myron Essex and Dr. William Haseltine, is sounding the alarm that the AIDS virus is much more dangerous and widespread than public authorities, such as the Atlanta Centers for Disease Control (CDC), have been willing to admit. (See, for example, *EIR*, Oct. 4, 1985, "Doctor Tells Congress: Ten Million Africans Are Infected With AIDS").

The Times quotes Dr. Essex: "The CDC has been trying to inform the public without overly alarming them. But we outside the government are freer to speak. The fact is that the dire predictions of those who have cried doom ever since AIDS appeared, haven't been far off the mark."

The article reports the findings of the Harvard team, that "there isn't just one AIDS virus, but a score that we know of."

Weinberger ducks issue of U.S. aid to Aquino

On CBS-TV's "Face the Nation" program on March 2, Defense Secretary Caspar Weinberger was questioned on whether the United States had provided assistance to rebel forces that overthrew Philippines President Ferdinand Marcos.

Weinberger replied that the main con-

cern of the United States was to prevent the "threat of bloodshed." He rejected a suggestion that U.S. intelligence was provided to the forces of Cory Aquino, Gen. Fidel Ramos, and Juan Ponce Enrile, but was evasive in confirming whether or not the United States had allowed rebel helicopters to refuel at U.S. bases, to dissuade pro-Marcos forces from attacking.

"Eventually, what was clear was that there could be a major attack on civilians and people loyal to Mrs. Aquino," Weinberger said. "And we did everything we could to avoid that." Weinberger praised General Ramos and said that he had written to Defense Minister Enrile some months ago.

Asked how much military aid the United States might offer the new Aquino regime, Weinberger said he could not say. "We don't know how much military aid we're going to give the U.S. government," he quipped.

Carter dispels myth of Reagan arms build-up

Speaking from his home in Plains, Georgia, ex-President Jimmy Carter performed the useful service of demonstrating that the "Reagan military buildup" is more appearance than reality.

Responding to attacks on his military policies in the President's defense budget message released the last week of February, Carter pointed out that it was he who pushed for deployment of 200 MX missiles (with implicit comparison to the administration's current wrangle to get 50 deployed), as well as insisting that they be mobile-based, rather than in the fixed silos Reagan has settled for.

This latter feature, said Carter, makes the missile a "sitting duck" for Soviet preemptive strikes. He also noted that five of the seven Trident Missile subs currently at sea were commissioned before 1981.

EIR has long noted that Reagan's "black-white" picture of how his administration reversed America's declining military, hardly jibes with the fact that his fiscal 1985 defense budget—before Gramm-Rudman—was less than even Carter's own projection!

Briefly

● **JESSE HELMS'S** chief Israeli liaison, former parliamentarian Michael Kleiner, is hardwired into organized crime networks, an investigator in Tel Aviv reports. "Michael Kleiner does not just have connections to organized crime, he has connections *only* to organized crime."

● **THE STATE** Department has intervened directly in Israeli wage negotiations for the first time ever. Secretary of State George Shultz sent a letter to Histadrut labor confederation Secretary-General Yisrael Kessar, advising that he adopt a "careful" wage policy.

● **JESSE JACKSON**, speaking at the Johnson Space Center in Houston, Texas at the beginning of March, said that the explosion of the Space Shuttle Challenger came only a few months before two missions were to carry interplanetary probes powered by plutonium reactors. If the Shuttle had exploded while carrying one of the probes, he claimed, it "could wipe out all of Florida," or, if the wind were right, "the entire world." The Soviet daily *Pravda* had carried the bizarre charge the week before.

● **BOSTON** Superintendent of Schools Laval S. Wilson announced at a press conference that two students have come down with active cases of tuberculosis already this year. "We don't think this is any major cause for alarm," he said. But the resurgence of the disease known as the "white plague" follows other recent outbreaks in several locations of the city.

● **SDI DIRECTOR** Lt.-Gen. James Abrahamson has won Defense Secretary Weinberger to the idea of creating a think-tank for research on the Strategic Defense Initiative. According to a report in the *Washington Post*, this would be "a Star Wars version of the RAND Corporation"—a government-owned high-tech company doing SDI-related systems analysis, at a price tag of about \$30 million annually.

Rule of Law murdered in Manila

Not President Ferdinand Marcos, but the hallowed idea of the Rule of Law, was murdered by the U.S. State Department's disgraceful intervention in the Philippines, last month. Mrs. Corazon Aquino, now attempting to measure up to the responsibilities of office, is herself painfully discovering this dread truth. The implications of the State Department's criminal act, for the future of political institutions around the world, especially in the Third World, are menacing.

What are the facts? The chief American operative in Manila, former ambassador William Sullivan, ruled that "the facts are irrelevant." However, these facts exist.

Fact: No official or unofficial body, Filipino or American, loyalist or opposition, has yet presented any substantive evidence—let alone proof—either that Corazon Aquino won the election, or that President Marcos's side committed election fraud on any meaningful scale.

Fact: According to the law, the elected parliament of the Philippines, invested with the sole legal authority to determine who is the winner of a presidential election, proclaimed Ferdinand Marcos the winner.

Fact: The United States government, both the State Department and the President through his designated representative, asked President Ferdinand Marcos to leave office "in order to avoid bloodshed."

Fact: According to Filipino law, Ferdinand Marcos, ignoring American advice, took his constitutionally mandated oath of office as President on Feb. 17, 1986, and was subsequently forced by United States military threats to leave the country.

Fact: Ferdinand Marcos has not abdicated his office which, according to the still existing Filipino Constitution, runs until 1992.

Fact: In the first two weeks of its existence, Mrs. Aquino's government had failed to identify the basis of law from which it derives its legitimacy: constitutional or revolutionary. During these two weeks, the unity of

the anti-Marcos coalition disintegrated, as the object of this unity, Mr. Marcos's power, disappeared under the blows of American military threats.

Conclusion: The American intervention in the Philippines, in complete disregard of the facts and of existing laws, created a situation in which the rule of law in that Pacific nation has been eclipsed, and its prospects of returning are diminishing each day.

Finally, Mrs. Aquino selected as her claim to legality "revolutionary right," and not the Constitution, and thus severed her relations with the existing, elected parliament. At the same time, prompted by her vice-president, Salvador Laurel, her government announced that it will draft a new Constitution and submit it to a plebiscite in the next hundred days. General elections for all elected offices are promised to take place soon after the new Constitution is approved in the scheduled plebiscite.

These one hundred days ahead, we fear, shall be very perilous, not only for the Philippines and its people, but also for the very idea of government by law around the world. Our fear derives from what we know the intentions of the State Department, and its agents and collaborators, to be.

As we warned repeatedly in the past, since the heady days of Henry Kissinger's tenure as secretary of state, a growing clique inside the State Department has dedicated its policies to the grandiose objective of wiping from the face of the Earth the traditional institution of the nation-state in all its forms, but especially the form of the democratic republic. The State Department, with George Shultz at its helm, is convinced that the administrative efficiency and profitability of the supranational corporations are more appropriate forms of government than nation-state governments, which are variously slandered as "corrupt," "inefficient," "dictatorial," etc. Mrs. Aquino will soon realize that her friends' and temporary allies' target was not Ferdinand Marcos, but the office of the presidency of the Filipino Republic.

EIR

Special Report

An Emergency War Plan to Fight AIDS

EIR's Biological Holocaust Task Force has prepared the world's only science-intensive "Emergency War Plan to Fight AIDS." The newest discoveries of optical biophysics and advanced laser technology can improve diagnosis and lead to research breakthroughs—if governments move now.

The War Plan begins with the President of the United States, in his capacity as civilian leader and commander-in-chief, declaring a War on AIDS and invoking National Emergency powers to avert disaster. In parallel, heads of state of other nations of the Western alliance shall declare war on this scourge to mankind.

A 150-page *Special Report* for governments, scientists, public health officials, and all citizens concerned with a policy to fight AIDS, before a pandemic wipes out millions.

Contents

- I. The emergency war plan to fight AIDS and other pandemics
- II. The real story of AIDS in Belle Glade, Florida
- III. AIDS in Africa: the unfolding of a biological holocaust
- IV. The biology of AIDS
- V. Flow cytometer and other laser technology potential for combatting AIDS
- VI. The relevance of optical biophysics for fighting AIDS: designing a Biological Strategic Defense Initiative (BSDI)
- VII. How Kissinger and Pugwash destroyed America's biodefense against AIDS and other deadly diseases
- VIII. The Soviet command and control of WHO's AIDS Policy
- IX. Why the Reagan administration has tolerated the CDC cover-up of the AIDS pandemic
- X. The necessary public health program to fight AIDS

\$250.00. Order from: EIR News Service, P.O. Box 17390, Washington, D.C. 20041-0390. Order #85020

EIR

Quarterly Economic Report

The GRAMM-RUDMAN DISASTER

President Reagan's signing of the Gramm-Rudman amendment, which compels the federal government to reduce spending by about a quarter-trillion dollars over the next five years, completes the national bankruptcy of the United States. But even without Gramm-Rudman, living standards in 1986 will plunge 15-30% from the levels of the late 1960s.

Contents

- I. Depression deflation, bankruptcy, and the Gramm-Rudman act
The decline in the productive economy
The geometry of technology
The absurdity of GNP analysis
The available solutions
- II. The world financial system at a breaking point
An orgy of speculation
The farm debt crisis
The non-issue of the budget deficit
Commodity prices and Third World debt
Peru and the debtors' resistance
A crash of the dollar?
Money-laundering in 1985
- III. The world will starve without an emergency production mobilization
The world staples shortages
Attack on U.S. export potential
Downgrading of world food production
Mobilizing for more and better food
The 99th Congress's farm shut-down
- IV. Ceramics and the ceramic heat engine for the automobile of the future
The car of the future
Russians lead West in ceramics
Ceramics take man beyond the Iron Age

Full year subscription: **\$1,000**
Single issue (fourth quarter 1985): **\$250**
Order from: EIR News Service, P.O. Box 17390, Washington, D.C. 20041-0390