

# EIR

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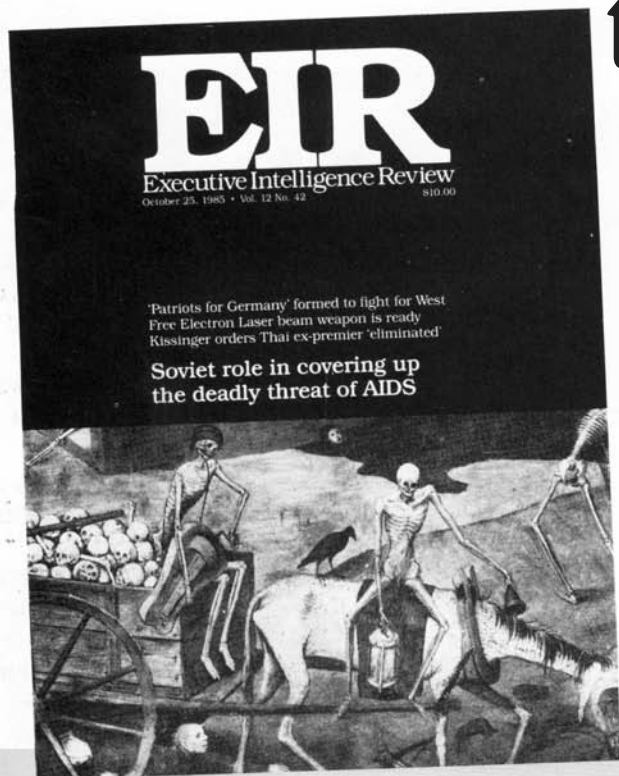
Libya raid upsets the New Yalta deal  
How U.S. food production is being shut down  
High technology makes health care cheaper!

**Donald Regan and the fine art  
of laundering drug dollars**



# AIDS is now a threat to everybody

Who said it first?  
**EIR** did!



On March 2, the New York Times Magazine finally admitted that AIDS could spread outside of the so-called risk populations of homosexuals and drug-users. EIR had the story six months before: that millions of Africans, men, women, and children, had the disease; that AIDS is a disease of economic breakdown, spreading under conditions of overcrowding, lack of sanitation, etc.; that quarantine was mandatory—and that the Soviet Union, in control of the World Health Organization, was playing the principal role in covering up AIDS' nature and spread.

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# EIR

## From the Editor

As usual, *EIR* is presenting you with a problem to be solved. Last week, we put the impudent mug of Muammar Qaddafi on our cover, after terrorists supported by his logistical bases in Libya bombed our Paris office. After we went to press, the United States took action along the lines we have indicated—the beginning of the right solution, and we intend to press in every way to make sure this direction is continued. This week's cover story takes up an equally timely, and not unrelated, piece of business: the Don Regan file.

*EIR* editor Lyndon LaRouche charged, at an April 9 Washington press conference, that former Treasury Secretary and current White House chief of staff, Don Regan, was protecting drug-money laundering. The dossier on pages 28-37 outlines how Mr. Regan helped his cronies in the international banking fraternity, particularly its Swiss and Boston branches, to transform the world monetary system into a mastodontic laundromat for the dope trade's illegal proceeds—while the productive economy and our national defense capabilities rot away.

Indeed, at the beginning of this year, *EIR* projected a 15-25% drop in the physical output of the American economy, as the bubble of apparent stability of the last three years bursts. Now, even the official figures, always manipulated to promote the mirage of "recovery," confirm that devastating scenario: See the lead story in *Economics*.

The *Feature* starting on page 16, reflecting the data our research staff has collected for the first *EIR Quarterly Economic Report* for 1986, shows how every major sector of U.S. agriculture, the most productive in the world, is now losing large fractions of its producing capacity. That will translate into hungry families in the United States, and crushed hopes for the millions of Africans and others in the so-called developing sector who are dying of starvation. They are the innocent victims of the Wall Street clique that has dictated the economic policies of every U.S. administration over the past 20 years.

Some people say we paint too dark a picture. World realities being what they are, I say that there is no greater joy than pinpointing and defeating the enemies of mankind, once and for all. That will assure the continuation of human history, and our place in it.

*Nora Hammerman*

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## Investigation



NSIPS/Phiep Ulanowski

Donald Regan puts his name to some legislation in 1984. His policies at Treasury helped turn the U.S. banking system into a money laundromat for illegal drug dollars, just as his policies at Merrill Lynch put that firm at the top of the money-laundering business.

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After he engineered its effective merger with Crédit Suisse in 1978, Merrill Lynch became one of the world's premier laundromats.

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## Economic downturn bears out EIR's year-end warning

by David Goldman

Adolf Hitler reacted to his 1943 disaster at Stalingrad by promoting the German commander to field marshal, and the U.S. Department of Commerce celebrated the third-quarter decline of U.S. output with a "flash estimate" that Gross National Product had risen at a 3.2% annual rate during that period. Although the supposed "economic recovery" has depended heavily on statistical fraud to begin with, two months' consecutive decline in the Federal Reserve's industrial production index puts the "flash estimate" in a class by itself.

A Reuter wire of April 17 announced laconically: "The dollar continues its slide today as a larger than expected increase in the Gross National Product failed to shake the market's skepticism over U.S. economic strength, dealers said. 'No one believed the GNP numbers,' said one dealer."

The United States economy began a new, "bouncing-ball" descent during the first quarter, precisely as *EIR's Quarterly Economic Report* warned at year-end.

Three developments are pushing physical output downwards:

- 1) a sharp contraction of credit issuance to the non-financial corporate sector;
- 2) the crash in commodity prices, led by oil; and
- 3) the decline of the U.S. dollar on foreign markets.

As we warned, these changes mark a reversal of the perverse twist in financial affairs which permitted the United States to import one-sixth of its total physical consumption bill, and mask the unabated disintegration of our agro-industrial base.

The falling dollar raises the current and anticipated costs of production components obtained from overseas sources. Meanwhile, the commercial banks are taking pre-emptive action to limit their exposure in the face of a catastrophe now building in the oil-producing states. On top of this, the collapse of oil and other commodity prices disrupts precisely

those industrial sectors which gained prominence after 1979, when oil prices and interest rates both doubled.

In consequence, the Federal Reserve index for U.S. industrial production fell by 0.5% in March, following a 0.7% decline in February, the Fed reported April 17. Continuing declines in oil production, which have brought the mining index down 6% since March 1985, contributed to the drop, along with declining auto production, and consequently reduced steel and related durable-goods production. That is not to endorse the Fed index, which *EIR* has repeatedly exposed as a forgery conforming to the Fed's policy whims. What the decline shows is, simply, that the Fed can no longer cover up the accelerating rate of decline of output.

General Motors had already announced an additional 4,600 layoffs at the beginning of April, the largest number since the 1982 "bouncing-ball" decline. Contrary to popular impressions, the decline of the dollar does not help the U.S. auto industry; its main foreign competitor, Japan, adopted export quotas three years ago, placing an absolute limit on the size of foreign competition. On the contrary, "foreign sourcing" of auto components accounts for about 25% of the value of American-made automobiles. The 30% decline of the dollar since September 1985 represents a 7.5% increase of automakers' production costs.

For all practical purposes, the rise in production costs due to the collapsing dollar places an immediate clamp on production. The auto industry has managed to maintain sales only with the help of expensive subsidies for car purchasers' borrowing costs, which cost the industry between 3 and 4% of the average price of each new car sold. Even with the subsidies, General Motors and Chrysler have built up an 80-day inventory of automobiles, against the industry's 60-day norm. An increase in the cost of each car in the range of several percent is sufficient to make these marketing

techniques prohibitively expensive, and force a cutback of production.

What applies to the automotive industry is true for a broad range of manufacturing, including electronics, household appliances, and heavy machinery. America cannot subsist with only 17% of its civilian workforce employed in goods-producing industries; the remainder of our requirement for physical goods has been provided by other countries, through the trade deficit. Long before consumers notice the increase in the price, for example, of Japanese automobiles and microwave ovens, industrial purchasers of foreign materials and components will have to reduce production.

Federal Reserve chairman Volcker's efforts to the contrary, the dollar has resumed its decline. Volcker and Treasury Secretary Baker began maneuvering last January for a reduction of European and Japanese interest rates, in order to provide cover for the Federal Reserve to throw money into the endangered American banking system. Japan's and Germany's central banks agreed to such a global cut in rates last March, temporarily arresting the dollar's fall; but their failure to agree to another round at the April 11 meeting of the International Monetary Fund in Washington sent the dollar tumbling again. The dollar had fallen to little over DM 2.20 before the March agreement to reduce interest rates, and then rose to DM 2.42; on April 17, it closed below DM 2.25. Significantly, dealers cited European worries about U.S. economic statistics. A self-feeding spiral of dollar-dumping and economic decline is under way.

### The oil collapse

According to the Bureau of Labor Statistics, employment in goods-producing industries declined 79,000 in March, following an even larger decline in February. The largest decline was registered in the mining sector, which lost 30,000 jobs in March, in immediate response to the oil-price collapse. The BLS added that the decline was offset by a rise of 271,000 jobs in the service sector of the economy. About 671,000 Texans were without jobs in March for an unemployment rate of 7.2%. In the oil patch alone, Texas has lost 40,000 jobs since February 1985, according to government statistics.

Some simple arithmetic shows how devastating the collapse will be. Oil production itself accounts for 7% of durable-goods output, according to the Federal Reserve, and a 40% reduction will knock 3% off total output. Cutting oil-exploration budgets by half will knock another 2% off the total economy, bringing the *immediate* impact of the oil price decline to a 5% reduction in total durable goods output. \$10-12 oil, i.e., the April 17 trading range, will eliminate virtually all investment in oil production, implying a decline of 7% in industrial output. The secondary shocks detonating in the financial sector will be much greater.

We see in these developments confirmation of our December warning that the 1986 rate of decline of the American

economy will fall in the 15-25% range.

Salomon Brothers' Henry Kaufman wrote April 11: "By how much has the record-setting first quarter bond issuance enabled domestic corporations to refinance their outstanding high-coupon debt? The strong level of first quarter refinancing activity amounted to a whopping 35% of the record \$35 billion of new taxable bonds. . . . Corporations raised only a net \$20 billion in long-term funds—no more than in either of the prior two quarters. . . . [Short-term] borrowings were merely \$8 billion quarter to quarter, compared with \$18 billion on average in the first period over the past five years."

Corporations raised \$37.9 billion from all external sources during the last quarter of 1985, and the quarterly average was \$25 billion, against only \$15.5 billion during the first quarter of 1985. The first-quarter rise in commercial paper volume was \$7.5 billion, the smallest in a year. Nonfinancial commercial paper rose by only \$1.7 billion in the first quarter, while bank loans at the large weekly reporting banks declined; that is, virtually no new net credit was extended to the non-financial sector!

Salomon's estimates for first-quarter external financing of non-financial corporations are as follows:

Total external sources of funds (billions)	
1Q 1986	\$15.5
4Q 1985	37.9
3Q 1985	14.4
2Q 1985	28.1
1Q 1985	19.4

Most remarkable is that the boom in the stock and bond markets has contributed virtually nothing to the resources available to non-financial corporations, largely because redemption of stocks by corporations (through leveraged buy-outs and related market manipulation) nearly outweighs total long-term debt issues by the same corporations.

Corporations retired \$81.7 billion of stock between the first quarter of 1985 and the end of the first quarter of 1986. In the same period, corporations issued \$113.9 billion of long-term debt. Since the non-financial corporate sector, as a whole, finances stock purchases by issuing long-term debt, these two developments find themselves on opposite sides of the same equation. That leads to a remarkable conclusion: Roughly speaking, we can say that two-thirds of all long-term bond issues during the past five quarters financed stock-market speculation, directly or indirectly. Nothing like this happened in 1928.

The principal source of financing for current operations of non-financial corporations was short-term debt. On average, they borrowed \$19 billion during each quarter of 1985. Their short-term borrowings, in Salomon's estimate, were a bare \$7.6 billion during the first quarter of 1986, 60% below the 1985 average.

Equity repurchases by corporations, including leveraged

buyouts, are a combination of stock-market speculation and tax wingding. If the equity appreciates, the operation is doubly profitable, since the additional interest paid against debt issued to buy the equity is simply written off the corporation's tax bill. If the operation fails, and corporate cash flow declines, the operation becomes a disaster, for lenders in particular.

The disaster in the oil patch, which threatens to topple \$200 billion of Texas banking assets, among other things, appears to have caused an epidemic of sobriety among bankers and their regulators. The deadpan statements of the bank regulators have a clear message: "Head for high ground, boys, the dam's a-bust!" As noted, short-term credit lines to non-financial corporations have dried up, the orgy of leveraged buyouts, corporate equity repurchases, and so forth, has quieted a bit. Net stock repurchases were at \$23 billion in the third quarter of 1985 and \$25.3 billion in the fourth quarter, but fell to \$11.7 billion in the first quarter of 1986.

Not merely oil patch banks, but larger, troubled institutions like Bank of America, are in no position to finance the additional \$100 billion per year or so that America will need to buy the same amount of foreign goods with cheaper dollars.

The disappearance of commercial banking in the international markets is now repeating itself in the domestic markets. In 1981, international bank lending reached a peak of \$500 billion. By 1985, international bank lending had fallen to less than \$80 billion. What replaced the banks was the Eurobond market, funded by international dirty money. From barely \$20 billion a year in 1981, the Eurobond market grew to \$140 billion at present rates. Now, the domestic bond markets have virtually replaced domestic lending; but the bond markets have financed nothing better than 1928-style stock market speculation.

The result is evident from the international trade data, which show that the undeflated dollar volume of international trade was lower in 1985 than in 1980. At home, the first signs of downturn will create a new category of problem loan: the "leveraged buyout loan." Regulators will tear their hair out over corporate over indebtedness, at the same time that oil banks, farm banks, and major international lenders slide further over the edge.

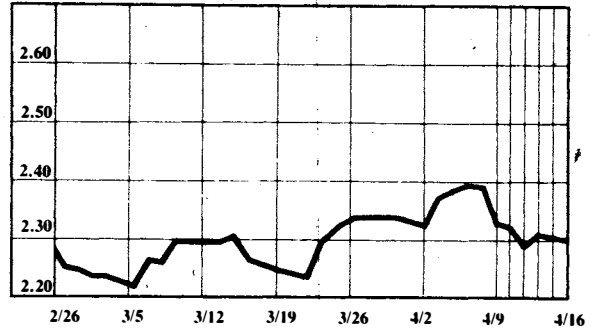
The financial consequences of the current downturn are unpredictable, particularly since \$1.26 trillion of "off-balance-sheet" liabilities on the part of the 15 largest U.S. commercial banks may turn sour very quickly. These include loan guarantees, currency and interest-rate swap agreements which depend on the solvency of the participants, standby letters of credit (guaranteed loan facilities), and other risks.

Without drawing on metaphoric language from the vocabulary of nuclear explosive devices, we can state clearly that the phony stability of the past three years is over, and reiterate our year-end 1985 forecast: a 15-25% downturn of U.S. physical output during 1986.

## Currency Rates

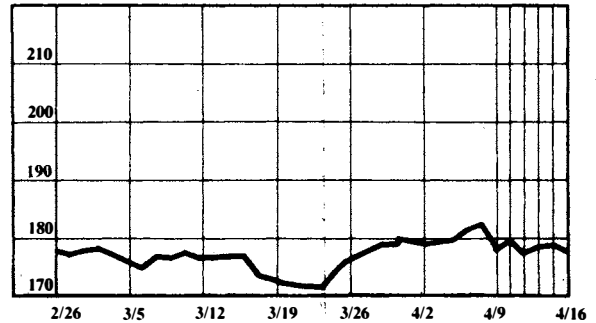
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New York late afternoon fixing



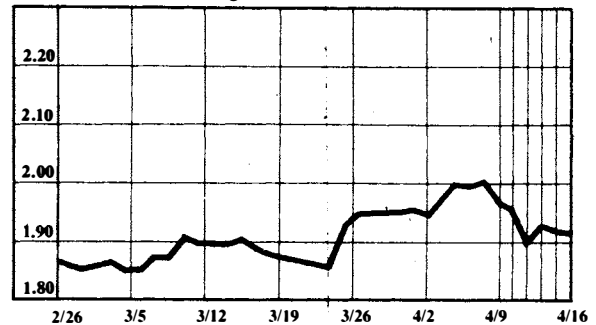
### The dollar in yen

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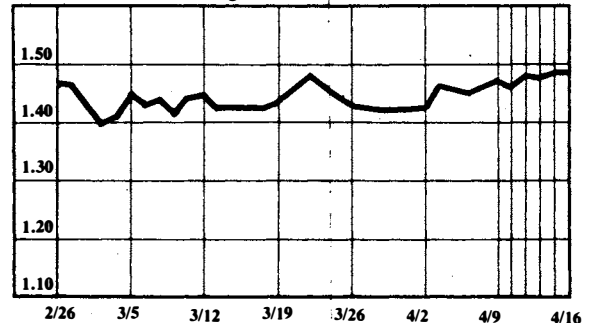
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing





# W. Allen Wallis expounds the lunacy he will take to the Tokyo summit

*The following is excerpted from the transcribed remarks of W. Allen Wallis, Undersecretary of State for Economic Affairs, before the American Enterprise Institute in Washington on April 7, 1986. Wallis exemplifies the "free market, free market, free market" economic lunacy of the Reagan administration. A strong advocate of Hitler's racial theories and "eugenics" during the 1930s, Wallis also advocates the monetarist economics of Hitler's economics minister, Hjalmar Schacht. Wallis was Secretary of State George Shultz's monetarist mentor at the University of Chicago, and he will accompany President Reagan to the May summit of the industrial nations in Tokyo. After praising the "freedom of international trade" and the "growth" being experienced in all the industrial nations thanks to the "economic recovery," Mr. Wallis stated:*

We are concerned, however, about some aspects of the economic performance of certain of the summit countries.

There are serious structural barriers to growth of employment in Europe. Unemployment rates in Europe which historically have been much lower than ours, are now much higher than ours and are well into double digits and if anything rising. And there's no improvement in sight. The essential problem in Europe is deeply rooted resistance to change. That thwarts the efficient use of economic resources and those structural barriers are particularly troublesome in labor markets where they distort both the supply of and the demand for workers. Labor market rigidities, as I'm calling them, are usually referred to include high minimum wages, limitations on rights to hire and fire, subsidized housing programs which reduce availability of housing and reduce the mobility of labor, and in some countries, excessive unemployment and welfare benefits reduce . . . the economic incentives to work.

And although such rigidities are the most serious in Europe, Japan also is saddled with inefficiencies. One of the major reasons that Japan has such a large trade surplus is that there are so few good opportunities for investment there, aside from a few export sectors. Much of Japan's domestic savings which are large are invested in other countries and especially here in the United States. And although we benefit from the inflow of Japanese capital, it would be healthier if

Japan's economy were more efficient and then more of Japan's capital would be invested at home. Its trade surplus with us would be less and trade between Japan and the United States would be more beneficial to both countries.

The recent decline in oil prices, which is the result of the dictates of the marketplace, will no doubt be discussed at the summit. In the interaction of consumers and producers in the market, high prices have induced consumers to cut down sharply on their use of oil and producers to increase capacity. Capacity now exceeds consumption by a substantial margin, and the price of oil has declined toward the operating cost of production. And as a result, real growth in the major industrial countries may rise by as much as a full percentage point in 1986, and inflation may fall by as much as two percentage points, unless, of course, it's offset by monetary policies. And permitting the benefit of low oil prices to pass fully to oil consumers will increase consumption and investment and thereby strengthen growth and employment.

Well, the second of the objectives I mentioned is strengthening the growth prospects of the rest of the world, including the heavily indebted developing countries. Secretary Baker advanced a U.S. proposal for a program of sustained growth last October at the annual meeting of the IMF and the World Bank in Seoul. That U.S. initiative is designed to improve growth for heavily indebted middle-income debtor countries through economic reforms supported both by more effective lending by the multilateral development banks and by additional lending from commercial banks.

The initiative envisions that the World Bank, in close coordination with the IMF, will make more structural and sectoral loans rather than project loans in order to help debtor nations adopt market-oriented policies. The IMF, however, is still central to our strategy. While we expect programs supported by the two institutions to be consistent and mutually supportive, each does have a distinctive role and distinctive technical expertise.

The fund is a monetary institution. . . . Its particular challenge will be to ensure that its programs and policies help to promote structural reforms without which the money will be mostly wasted.

While the U.S. initiative envisions an important increase

in lending by both the World Bank and commercial banks, that lending will be provided only in support of strong, economic adjustment programs. Secretary Baker emphasizes that point first and foremost. Without such reforms as the development of more efficient capital and equity markets, rationalization, and privatization of public enterprises, liberalization of foreign trade and investment policy, reduction of subsidies, price controls, corruption, no amount of external financing can ensure sustained growth.

The third objective I mentioned was preserving the open trading system. International trade and investment are essential to global prosperity, but events of recent years threaten the open international trading system. It has become increasingly difficult for the United States, which for half a century has been the leading champion of free trade, to keep its own markets open in the face of a growing trade deficit and a perception that others are taking advantage of our openness but are not reciprocating.

Last September, President Reagan announced a comprehensive strategy for strengthening the open trading system. That strategy has three essential elements. First was vigorous pursuit of U.S. rights and interests in international commerce under both U.S. law and under the General Agreement on Trade and Tariffs, the GATT, and also in bilateral negotiations. The second element was encouraging a new round of multilateral trade negotiations in the GATT. The third was cooperative international efforts to promote stronger and more balanced growth in the major economies and to strengthen the exchange value of other currencies.

We have made progress in each part of that program. Unfair trade cases initiated by the administration have sent an important message to our trading partners and indeed, some cases that we were planning were not filed because the mere prospect prompted other nations to remedy the practices to which we were objecting.

Under Prime Minister Nakasone's leadership, Japan is making an unprecedented effort to open its trade and financial markets. That is an effort which has yielded significant new opportunities for U.S. firms. The so-called MOSS talks, despite frequent assertions to the contrary, have in fact achieved significant success in opening Japan's markets for telecommunications, pharmaceuticals, medical equipment, and forest products. Improved access to Japan's markets is a desirable goal, but a significant reduction of our bilateral trade imbalance requires more fundamental changes.

Prime Minister Nakasone is making an effort to launch a basic restructuring of the Japanese economy. . . .

Discussions of trade at the Tokyo summit will focus on a new GATT round of multilateral negotiations. That's the most promising way to achieve fairer trade, to increase access through exports, to provide more effective resolution of disputes, and to strengthen the fabric of the international trading system. . . .

The United States has six major objectives in the new round. First, strengthening the GATT procedures for settling disputes; and second, improving discipline over so-called safeguards which are the emergency actions that can be taken by governments to protect domestic industries from surges in imports; and third, ending the chaos in trade in agriculture. Of course here, the United States is a sinner as well as sinned against. Both we and the rest of the world would benefit greatly by putting agriculture on a more market-oriented basis, by eliminating export subsidies and reducing barriers to imports.

The fourth objective in the GATT negotiations is to improve discipline over non-tariff barriers to trade, including issues in government procurement, aircraft trade, and subsidies.

The fifth is improving market access in traditional areas of trade and merchandise through lower tariffs and less restrictive quotas; and the sixth is to extend the GATT to new areas, especially services, investments, and intellectual property.

Returning finally to the international monetary system--the fourth of our main topics of the summit. President Reagan, in his State of the Union message in early February, called for greater coordination of the economic policies among the major industrial countries in order to improve the stability of exchange rates. He also asked Secretary Baker to recommend whether the nations of the world should convene to discuss the role and relationship of our currencies. Now, that statement by the President has excited a great deal of speculation, and it has given a new sense of urgency to discussions in the International Monetary Fund and other institutions.

Exchange rates are the principal links between economies, and the exchange rate of a country's currency is perhaps the most important price in its entire economy. As we consider international action to improve the stability of exchange rates, we must be clear about the causes and functions of changes in rates and about what cooperation can and cannot do.

There is little serious disagreement about the reasons for changes in exchange rates during this past decade. No matter what institutional arrangements governments contrive, the fact is that markets will determine exchange rates on the basis of assessments of underlying economic conditions and prospects.

Most observers welcome the exchange rate movements which have taken place during the last 14 months, as well as the spirit of cooperation among monetary authorities [to drive down the dollar]. . . .

We need to explore whether this tendency can be strengthened through changes in institutional arrangements. If so, that would, of course, be beneficial. But we must not lose sight of the fact that in the final analysis better exchange market performance can come only from better economic

performance and more consistent policies among the major economies.

Well, in conclusion, we expect the Tokyo summit to continue the recent trend toward closer and more effective cooperation across a wide range of economic and political issues, and indeed that trend has not been limited to the summit countries. Both democracy and free markets are spreading throughout the world. Both developed and developing nations share our desire to find solutions to problems of growth and trade and of peace and security. Free nations pursuing sound economic policies have accomplished a great deal already. The United States can be proud of its contribution, indeed, of its leadership in these accomplishments. At the summit President Reagan will make it clear that we stand ready to help lead the world to a still better future.

*Wallis was asked: "Do you think that trade frictions with Europe will overtake the traditional trade frictions with Japan during this summit?" He replied:*

I'd hesitate really to predict. . . . The Japanese yen has skyrocketed and that'll begin to have an affect on our balance with Japan in about a year or so. In addition, Japan has been doing a lot to open its markets. They're the only country in the world that has. Of course, they had an awful lot more to open than anybody else did, and still have--a tremendous number of barriers--but they're moving that way. . . . Whereas Europe is becoming somewhat more protectionist, [and] probably is really the most disruptive factor in the world trading system now. And it may be that over a year or two . . . there are these elements that might build in that direction, but whether they actually will, I don't know.

We would hope that the new round will get going. In fact, it seems like a good time for the new round, while things are about to subside--problems with Japan may be edging off prior to their really getting more acute in Europe, and it may be an ideal time to get it going, and it may be able to forestall that trouble with Europe.

*"What degree of sensitivity in summit preparations have the representatives from the other countries shown to the growing pressure from Congress on trade--the growing heat of the issue here?"*

The Japanese are certainly very acutely aware of that and well informed on it, and I believe the Europeans probably are maybe not quite as acutely sensitive to it. But what happens is that the Europeans talk all the time about protectionism in the United States as one of the major problems in the world economy. And, of course, there is a lot of protectionism in the United States, but the truth is, there hasn't been a lot of protection. . . .

*"I'm not sure I understand your introductory comment about there being a fair amount of agreement at this point. Are you*

*suggesting that there is agreement simply on the agenda, or the substance of the talks? I mean, there's obviously disagreement on trade issues. There's obviously disagreement on monetary issues. Where is the agreement that you're talking about?"*

Well, I don't know what disagreement you'd say there is on trade issues. When you're talking about principles, what ought to apply, what should we aim for--if you're talking about practices, we don't even claim that we conform to ideal practices in all respects and neither does anybody else. I think what you have is general agreement on the fundamentals.

*"What about Japan's 'inefficiency'?"*

Well, they have all kinds of government regulation and intervention, intrusion, and all the basic industries are classified as depressed industries and that means the government gives them various handouts and special privileges, and they try to preserve these depressed industries that they ought to get rid of. They are going into a state of decline. They are unwilling to let them decline and move resources where they would be more efficient. So they've got some 21 basic industries that they classify as depressed and the government then attempts to keep them alive. It is the same kind of thing that happens in Europe, but it is more extreme in Japan, who has a remarkably inefficient economy. I mean, what we focus on is the part that is efficient, the export industries. The rest of it is encrusted in a thousand years of tradition and custom and you will note that where they are efficient is mostly on brand new things that weren't around a thousand years ago or a hundred years ago to get encrusted with all of these pasts and traditions and permanent customs and ways of doing things. I think they need--they have a long way to go. . . .

*"What effect do you see with the oil price situation?"*

Well, as I said in my remarks earlier, we think the fact of the falling oil prices will be very beneficial to all of the summit countries. If you look at the United States, you know, it is uneven. Some parts of the United States are rather hard hit by that. In fact, the lady next to me is from Houston and you can ask her about it if you have any doubts. And summarily around the world. Some countries, the producing countries, will be hurt. But in general the net effect will be very beneficial by making energy more available and almost everything in the economy is based on energy and having to use up less of resources. I think that there will almost certainly be some discussion of that at the summit, but I don't know how much. . . .

I should emphasize again, as we've tried to every year, that the very nature of a summit--at least as it's been in the last six or seven years--is not really a newsmaking event. The only thing that's really newsworthy about it is that you've got the heads of the seven largest industrial democracies all together so you can take their pictures and things like that. . . .

# Soviet-Dope, Inc. coalition makes war on Peres 'Marshall Plan' proposal

by Mark Burdman

In the two-week period following Israeli Prime Minister Shimon Peres' April 1-3 trip to the United States and his enunciation of a "Marshall Plan" for the comprehensive economic development of the Middle East region, that Peres proposal has become a focus of intense international polarization and debate.

On the one hand, Peres himself, and his economics and planning minister Gad Ya'acobi, have insisted on their commitment to seeing this plan through, and on the benefits it would have to an economic crisis ridden Middle East. On the other hand, a "strange-bedfellows" coalition of the Soviet government, Israeli Gen. Ariel Sharon, and the semi-official press mouthpieces of the City of London and New York bankers, has formed to declare their total opposition to the "Marshall Plan" idea.

In Israel itself, the "Marshall Plan" is the main, underlying issue of political debate and polarization, even if certain issues—like Peres's April 8 declaration that "Israel recognizes the Palestinian nation," or the still-unresolved battle for power within Israel's Labor Party-Likud Party coalition government—are up front in the headlines. But even Peres's triumph, in forcing Yitzhak Modai out of his post as Israel's finance minister, during the course of the weekly Israeli Cabinet meeting on April 13, can be seen as a tactical victory for the "Marshall Plan," as Modai, an ally of Sharon and the International Monetary Fund, is a strong opponent of Peres's proposal.

What is emerging, is a sharp international debate over the necessary responses to the economic crises in the Middle East, which are affecting *both* the Arab nations and Israel.

In what follows, *EIR* presents some of the excerpts of the debate over the Marshall Plan, from the protagonists in the fight themselves.

## Motivations behind the Peres proposal

*Jerusalem Post*, Sunday, April 6 (headline): "Peres Says He Favours Strong Arab Economies" (Text): "Israel wants the economic situation of the Arab states to be 'strong enough to enable them to seek peace,' Prime Minister Peres said last night.

"Speaking at an International Israel Bonds conference . . . Peres indicated that his proposal for a 'Marshall Plan for the Middle East' is motivated by his concern that the entire

situation in the region could be shaken by the continuing drop in the price of oil.

"The time has come, he said, for the developed countries 'to supply the infrastructure to assure the supply of oil.'"

*Jerusalem Post*, Sunday, April 6, carried an op-ed by Economics and Planning Minister Gad Ya'acobi, who had three days earlier given an interview to *EIR*, describing the "Marshall Plan" as a "comprehensive economic development plan" for the Middle East. Ya'acobi, one of the chief architects of the Marshall Plan in the Peres cabinet, wrote his op-ed, to stress the necessary directions for Israel's own development over the coming years, in the context of a development plan for the region. Many of Yaacobi's formulations are similar to those put forward in a December 1983 White Paper on a proposed long-term economic development perspective for Israel, put forward by *EIR* founder Lyndon H. LaRouche, Jr.:

"Israel is currently at the apex of its struggle to maintain a democratic state and society. This state must be based on a modern economy—with advanced technological and scientific sectors, on a strong military to deter and defend against aggression, and a commitment to cultural excellence. . . .

"Our economic and social potential is enormous. We have proved it in the past. At times our economy and population grew at unprecedented rates for the 20th century. What we did before—we can do again. . . .

"Our high-tech industry and R&D, partly spurred by our defence efforts, are among the best in the world, and allow us to move forward to the next stage of our economic, scientific and social development. . . .

"All of these factors create the potential for renewed growth. In order to trigger that growth . . . a new partnership is needed between Israel and the Diaspora. . . .

". . . In order to command its own future, Israel must experience new industrial, scientific, and academic revolutions.

"For Diaspora Jews, who are among the best educated and most highly skilled group in the West today, joining in a new partnership with Israel will mean a chance to be taken seriously, as equal partners in a joint enterprise. In shaping the future of the Jewish State and the Jewish people, the Diaspora will have input at all levels. . . .

"We must focus our resources on the pursuit of excellence

in scientific and technological research and development, in education and cultural expression, and in economic achievement. . . .”

### ‘Strange bedfellows’ war against the plan

The following attacks on the Peres-Ya’acobi economic perspective have been monitored by *EIR*. We present them in chronological order:

**April 6:** The Soviet government newspaper *Izvestia*, in a dispatch from Beirut, Lebanon, written by correspondent V. Lashkul: “The United States is rendering extraordinary financial support to Israel in the sum of \$375 million. This was reported by Israeli Prime Minister Peres upon his return from abroad. . . . After his trip to the U.S.A., Peres has again begun to talk about a Middle East development plan according to the [post-World War II] American model, once again attempting to befriend certain Arab regimes on the basis of a ‘strategic alliance.’ In other words, to push ‘American-style’ capitulation, in place of a radical and just solution to Middle East problems, especially the Palestinian problem.”

**April 7:** The *Jerusalem Post*, reporting on the evening before’s weekly Sunday cabinet session, headlined, “Sharon Scorns Peres Proposal for Mideast ‘Marshall Plan.’” The *Post* reported: “Sharon said the Arab states would increase their strength if Peres succeeded in convincing the major industrial powers to provide massive economic aid to the region, as the U.S. had granted Europe under the original Marshall Plan during World War Two.” The *Post* quoted Sharon, attacking Peres “scornfully”: “Just for the sake of some public relations gimmick, are you prepared to weaken the State of Israel? What possible benefit do you see in building up the power of the Arabs? What reason can you have for suggesting massive aid to Saudi Arabia and Syria?”

**April 10:** Again, *Izvestia*, this time correspondent Konstantin Geyvandov, just returned from a trip to the Middle East: “After Peres’ visit to the U.S., he announced that the U.S. and Israel started discussions concerning . . . [a] ‘Marshall Plan’ for the development of the countries of the Middle East, so as to create a more congenial atmosphere towards achieving peace in the region. . . . What can we say about that? First, if such a multi-billion dollar fund is going to be created, the lion’s share of the money collected will go to Israel. With only one difference: the bulk of the expenses which will go for sustaining the chronic crises of Israel’s economy will have to be shared by Washington, its West European allies, and Japan, who are being drawn into the financial fund. And, secondly, if after that, the Middle East variant of the ‘Marshall Plan’ has any money left over, then the American-Israeli partners, without question, are counting on it to finance [their] planned separate and capitulative deals [with the Arabs].”

**April 10:** The *Wall Street Journal*, mouthpiece of the New York banking community, whose chief editor, Robert Bartley, has been a member of David Rockefeller’s Trilateral Commission, wrote an editorial entitled, “The Peres Gam-



Gen. Ariel Sharon, at a New York press conference in August 1982.

bit,” which said, in part: “Mr. Peres has just visited the United States to ask for more aid. . . . All U.S. aid should be put on hold until it is known whether Israel is going to be have any economic policies worth supporting. That probably won’t be the case if Mr. Peres wins [his political fight against Finance Minister Modai]. . . . Years of socialist rule . . . have turned Israel into an economic basket case. . . . U.S. policy [now is] to direct help only to those countries willing to adopt the right policies for helping themselves. What Israel needs to be told by the Reagan Administration is that America won’t pay to socialize the country’s economy.” (*Nota bene*: On the same day, April 10, *EIR* received information from a Rome source that the Trilateral Commission was taking credit for having authored the “Marshall Plan” in the first place! This curious piece of disinformation was being circulated by Italian Trilateralist Arrigo Levi, a friend of Henry Kissinger and David Rockefeller and columnist for the daily *La Stampa*, who had written a Trilateral Commission report on the Middle East, issued in 1984.)

**April 12:** The London *Economist*, the weekly mouthpiece of the City of London banking elites, had the following to say, en passant, in its April 12 lead editorial, entitled, “The Third World Smiles”: “Money is not what counts—but how it is used—and that depends on the economic policies of governments, and how businesses and farmers respond to them. Nothing could be more irrelevant than the idea proposed by Israel’s prime minister last week. He wants the West to finance a Marshall plan for the Middle East, a region which had about an extra 3% of gross world product thrown at it for most of an OPEC-dominated decade. Largesesse is often lethal, disguising the consequences of bad economic policies until it is too late.”

# California moves toward AIDS testing

by John Grauerholz, M.D.

Confronted with an estimated 300,000 to 500,000 individuals infected with the AIDS virus, California state health officials are asking for the authority to conduct mandatory AIDS testing "when there is a compelling public health need to do so." The request is part of a comprehensive plan released on April 9, 1986 by Dr. Kenneth Kizer, director of the Department of Health Services. Kizer's request, and the opposition it has stirred from such luminaries as Dr. Neil Schram of the Los Angeles City/County AIDS Task Force, and Assembly Speaker Willie Brown (D-San Francisco), is symptomatic of the more fundamental problem which AIDS represents.

The authority which Kizer seeks, already exists on the statute books of the state of California, and just about every other state in the union. AIDS is a communicable disease, just like hepatitis, tuberculosis, and more than a score of others for which public health statutes exist. These statutes provide for case reporting, screening, and isolation and quarantine where needed to prevent the spread of infection. Medically, AIDS is a communicable disease, and a highly lethal one, with the potential to become the Black Death of the 20th century. Politically it has become the property of the so-called "Gay Lobby," which in the name of "civil rights" is vigorously opposing any attempt to confront the public health implications of the disease.

Under this sort of pressure we see the spectacle of the health director of California trying to get the State Legislature to grant him an authority which he already possesses, so that they can take the heat along with him, or more likely, share the blame when the full extent of the catastrophe is evident to all. Symptomatic of the absurdities to which this can lead is the role of the Health Department and the Gay Lobby in California State Senate committee hearings on two bills related to the AIDS problem.

On April 8, hearings were held before the Judiciary Committee on Senate Bill 1513, sponsored by State Sen. John Doolittle of the First District, which would give prison medical officers the right to test any inmate suspected of having AIDS without having to obtain prior written approval from the prisoner. To date, nearly 800 cases of AIDS have been

documented in prisoners, predominantly in the northeast United States. The potential for transmission of the virus, under conditions of crowding and in situations in which homosexual rape is common, is enormous. In addition, to argue that a prisoner who has already been deprived of his civil rights under due process of law retains a right to spread a deadly communicable disease to his fellow inmates, is truly ludicrous. Nonetheless, a dying homosexual, in the terminal stages of AIDS virus brain disease, wheeled his wheelchair up to the witness table to plead for the civil rights of the AIDS virus, contending that any attempt to control the spread of this deadly disease in the state's prisons was a threat to his lifestyle.

A representative of an association of medical officers recited the line from the Centers for Disease Control (Atlanta) against testing, in opposition to the bill. He was somewhat taken aback when the author of this article cited growing evidence that 100% of those infected with the virus would ultimately die from it. So was the committee, which voted the bill up, 6 to 1.

The second bill sponsored by Senator Doolittle, was SB 1478, calling for premarital testing for AIDS virus infection along with the already mandatory test for syphilis. Hearings were held in front of the Senate Health Committee. The bill proposed that the test would be required for obtaining a marriage license, but that the results would only be reported to the individual tested. The purpose of the bill, as explained by Senator Doolittle, was to protect unborn children by making potential parents aware that if they tested positive, there was a high probability of transmission to their children. The confidentiality even extended to not informing the prospective spouse.

Since the bill applied only to heterosexual couples contemplating marriage, and therefore potential parents, the Gay Lobby was out of this one and did not put in an appearance, or at least an overt one. Instead two representatives of Dr. Kizer's Health Department showed up and testified that the tests would cost \$30 each, and that a confirmation by Western Blot would cost an additional \$110. They were somewhat disconcerted when Gus Sermos, who negotiated the contract with Abbott Labs for AIDS tests in Florida, testified that Florida got the tests for \$3 apiece. Their discomfiture was complete when a doctor from the Blood Bank, who was present to testify against the bill, admitted, in response to a question from a committee member, that the cost of the ELISA test, plus two repeats and a Western Blot, came to a total of \$65, and that a single test was \$3, as Mr. Sermos had stated. The ACLU then testified that the bill, which they apparently had not read, was entirely too broad and all encompassing, while being too specific. Senator Doolittle, in his summary, pointed out the numerous, and in some cases, ludicrous, inconsistencies in the testimony against the bill. The committee voted to put the bill over to the following week. This represented a significant accomplishment, since this is a very liberal committee.

## **\$3 trillion off the balance sheets**

*Regulators have no idea of how to defuse this time-bomb in the international banking system.*

**D**espite tough statements from Federal Reserve chairman Volcker, bank regulators are treating commercial banks' "off-balance-sheet liabilities" the same way that a small-town police bomb squad might view the discovery of a thermonuclear explosive device. They don't know how to defuse the \$3 trillion bomb in the international banking system, and wouldn't touch it if they did.

The Office of the Comptroller of the Currency (OCC), the Treasury agency responsible for regulating the nation's banks, said as much in a recent statement concerning off-balance-sheet liabilities.

The 15 top American banks have \$1.26 trillion in obligations not counted on their balance sheets—against a balance sheet of only \$750 billion. If these were counted as risk assets, the banks' capital would cover only 4% of their liabilities, against the 7% considered standard for banking safety.

On March 25, the OCC published in the *Federal Register* a proposal for accounting for risks not reported on banks' balance sheets. The most remarkable thing about this proposal is the section regarding foreign-exchange and futures-market commitments of commercial banks, which (as reported below) comprise by far the largest section of such liabilities:

*"Swaps, options, and foreign exchange contracts. The OCC seeks comments concerning how best to incorporate the off-balance-sheet risk*

*associated with securities trading, foreign exchange trading, and managing interest rate risk.*

*"At present, the OCC does not propose incorporating off-balance-sheet items used for hedging interest rate and currency risk (specifically swaps, options and futures, and foreign exchange contracts) into the risk-based capital standard. Those contracts may reduce interest rate risk or foreign exchange risk; however, they do entail some credit risk."*

That is quite an understatement. Commercial banks have sold more than a trillion dollars' worth of "swaps" of various kinds. Under such arrangement, a bank automatically converts a loan in one currency into a loan in another currency, by matching the requirements of borrowers and lenders in different countries. Strictly speaking, the bank has not lent the money; it has simply acted as an intermediary between holders of different currencies, and taken a fee for its trouble. However, if the borrower defaults, the bank is stuck with the bad debt.

Currency swaps are no different in principle from the traditional trade-financing instrument, the bankers' acceptance. An exporter will accept an importer's IOU on condition that it is "accepted," i.e., guaranteed, by a bank of international standing. The bank purchases the importer's paper, and either holds it as an asset until maturity, or sells it like any other tradeable asset.

Securities trading is another matter. American Express announced April 17 that it had to put up a special \$55 million fund to cover losses from the collapse of the London tin market, after the inability of insolvent tin traders to meet their obligations caused hundreds of millions of dollars in losses. The OCC does not mention the \$1.4 billion bankruptcy of the EPIC securities-trading firm, or the failure of ESM Securities in Florida, which brought down one of Ohio's leading savings and loan institutions, in a money-laundering scandal concerning Marvin Warner, the Carter administration's ambassador to Switzerland.

The banks themselves may claim that they are not taking speculative positions, but merely hedging their own or their customers' bets on the high-risk foreign exchange, securities, and commodities markets. To say anything else would be to admit that they are taking their depositors' money to the racetrack.

Even if the banks were as prudent as they claim to be—and they are not—they must trade with hundreds of firms who are in the market for pure speculation, like ESM securities. It does not matter whether the banks or their supposedly less prudent trading partners take the beating; if a small security firm goes down, it will not be able to pay on contracts written with the banks, and the banks will take a loss in any case.

That is why Federal Reserve chairman Paul Volcker warned the House Banking Committee Feb. 20 that off-balance-sheet liabilities "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."

The regulators' limp response, however, indicates that the situation is out of Volcker's control.

# Business Briefs

## Oil

### Governors of energy states call for tariff

The governors of six energy-producing states issued a call for a tariff on imported oil, contending that the United States could not have carried out its bombing raid on Libya if America were still dependent on foreign oil.

The joint resolution for a tariff was prepared at an energy summit convened April 15 by Texas Gov. Mark White, and attended by governors from Oklahoma, New Mexico, Wyoming, Kansas, and North Dakota. The states' plea for economic relief will be presented to President Ronald Reagan at a meeting on April 22 in Washington.

The six Democratic governors agreed to a resolution urging Reagan to impose a variable and temporary tariff on crude-oil imports.

"What we need is certainty and predictability that will give us an incentive to find more oil and conserve what we have," Governor White said. "I believe the President will take whatever action is appropriate."

## Debt

### Peru retains policy, despite IMF ultimatum

Peru is rebuilding bridges to creditors, but President Alan García is not relinquishing his policy under which only 10% of export-earnings are allocated to servicing the country's \$14 billion debt. Were Peru to pay all arrears, it would consume 80% of export earnings for at least the next four years.

Peru made its first payment in over a year to the International Monetary Fund (IMF) on April 14. It paid \$35 million of the \$120 million in interest which the IMF said was required to keep Peru from having a big "ineligible" label stuck on it. The IMF backed off from an immediate confrontation with Peru, which could have triggered an explo-

sion of support for Peru from beleaguered debtors throughout Ibero-America.

Instead the IMF gave a new ultimatum: By Aug. 15, Peru must pay all \$180 million in interest then due to the IMF; and, by May 5, it must give the IMF its schedule of payments for doing that.

Peru paid \$15 million in overdue interest to the United States on military and aid loans on April 16; in return, the United States lifted the ban on aid to Peru applied in October of 1985. The central bank head also indicated that a payment of somewhat less than \$35 million would be made to private creditor banks. Bankers responded positively to the idea of Peru's debts not being totally non-performing.

Creditor bankers also grasped excitedly at reports which surfaced April 15 that Peru's 10% limit would expire July 28 and after that the ceiling would be raised. However, two days later, central bank head Leonel Figueroa said his statements had been twisted.

Amid speculation in New York and in Lima that Peru would now become a pliant debtor like Mexico, Argentina, and Venezuela, García uttered a single sentence: "We are going to pay what we can pay according to our means, so that we can develop the country."

## Austerity

### FAO head predicts worse famine in Africa

Edouard Saouma, director general of the U.N. Food and Agriculture Organization (FAO), said on April 11 that Africa's poorest countries would be in worse condition than today in 1990, and more dependent on foreign food aid. He told a news conference that projections showed that 20 low-income, food-deficit countries in Africa would be unable to import food because of foreign-exchange difficulties, despite abundant world supplies of cereal and low prices.

"In real terms, the value of their commodity exports, usually based on a single crop, is dropping," Saouma said. The FAO

chief arrived in Nairobi, Kenya, on April 11 to begin a tour of African countries before the special U.N. General Assembly session on Africa's economic crisis in May.

Saouma said that Africa was expected to be the only region in the world where food consumption would decline by the end of the decade. Saouma urged donor countries to concentrate on helping African countries build up their agriculture rather than dumping food surpluses there in times of emergency. He said fertilizer and other agriculture inputs should replace food aid, adding that in Ethiopia, some 220,000 tons of fertilizer for next year's harvest would produce an additional 1 million tons of food.

## Agriculture

### Talks held on U.S.-EC trade war

U.S. Agriculture Secretary Richard Lyng was in Brussels on April 17 to discuss the escalating agriculture trade war between the European Community (EC) and the United States.

According to Brussels sources, the new U.S. agriculture secretary will meet with leading EC officials in a "cosmetic attempt to lower the temperature without making any fundamental concessions" on the U.S.-EC trade war looming over agriculture exports of grain and high-protein oilseeds to Spain and Portugal.

The dispute erupted in March when the first phase of integration of these two countries into the European Community system of agriculture tariffs and subsidies went into effect. As *EIR* has documented, however, the trade war is actually a well-planned affair, with Trilateral Commission members on both sides of the Atlantic, influencing the agriculture policies of both the United States and European countries, conniving to produce the confrontation. Only the supranational grain cartel can come out the winner.

The head of the West German Grain Trade Association in Hamburg stated with regard to the confrontation over farm export markets triggered by U.S. Trade Representative Clayton Yeutter last month: "It is not



## Briefly

believable that this problem is arising now, after 10 years of negotiations."

Both Yeutter on the U.S. side and Willy De Clerq, the EC director general for external relations, are closely tied to a Trilateral Commission project to impose the "free market" trade war. Yeutter, as president of the Chicago Mercantile Exchange, assisted preparation of the basic Trilateral strategy document in 1985. De Clerq, a Belgian banker and Trilateral Commission member, escalated things toward confrontation when, on April 15, he responded to a new U.S. initiative from Yeutter by attacking Washington for "Rambo-type diplomacy."

### Housing

#### Contractors worry over 'Ginnie Mae'

Homebuilders are worried that the Office of Management and Budget won't push for an extension of the Government National Mortgage Association's borrowing ceiling.

GNMA ("Ginnie Mae") borrows with a federal guarantee to support the mortgage market. Running at double last year's rate, and quadruple 1984's, GNMA ran out of its \$65 billion ceiling in March.

Ken Colton, executive vice-president of the National Association of Home Builders, called administration inactivity on the issue a "back-door attack" on federally supported housing.

Many mortgage rates could rise by half a percent if funding is not obtained, undercutting the housing bubble.

### Narco-dollars

#### Most paper money tainted with cocaine

More than nine out of ten \$20, \$50, and \$100 bills are tainted with cocaine, according to the Toxicology Testing Service of Miami. "We're convinced that 95% of the bills out there—at least, the larger bills—contain cocaine," said Lee Hearn of the TTS.

"We've tested 75 bills that have come in from cities all over the country. Everytime somebody takes one out of their wallet and says, 'Here, test my bill,' it almost always comes out positive. . . . Most of the bills from all over the country contained some cocaine, but the largest quantities were found on bills that come from Miami and Los Angeles. Much smaller amounts were on the bills from places like Seattle, Milwaukee, and Pittsburgh."

Terry Hall of TTA said, "It just has to mean that there's an awful lot of cocaine use. If the cocaine on money is an indication of how much exists, it's far beyond an epidemic."

TTS is a Drug Enforcement Administration-registered laboratory that uses a mass spectrometer in its tests. The DEA has conducted similar tests at regional laboratories, and found similar results.

### Aviation

#### Budget cuts mean flying is unsafe

The head of the National Transportation Safety Board (NTSB) said on April 15 that the federal government does not have enough inspectors to ensure adequate maintenance of the nation's passenger jets, Reuters reports.

"They're a long way shy of what they need in terms of an inspection force," NTSB chairman Jim Burnett said of the Federal Aviation Administration (FAA), testifying before a Senate panel. Even if 500 more inspectors are hired by 1988, as Transportation Secretary Elizabeth Dole has promised, there would still be a shortfall, he said.

Burnett also said FAA is not paying enough attention to the problem of aging airplanes. During 1985, the international commercial aviation industry had a record 1,622 fatalities. The number of reported near mid-air collisions rose to 777 last year, the FAA said on April 14, attributing the higher figure to better record keeping, not weakening of safety. In 1984, there were 589 near mid-air collisions.

● **VENEZUELAN BISHOP** Ovidio Pérez Morales was quoted in the daily *El Nacional* on April 15: "Only the great powers benefit from the fragmentation of Latin America. . . . I think the debt problem must be faced jointly, by all the Latin American countries. Each one dealing for itself . . . makes it easier for the empires to get what they want. . . . Debt payments have to be in harmony with the country's development. We cannot sacrifice our people to pay the debt."

● **BOLIVIA** paid out 60% of its export earnings for foreign debt in 1985. The flow of foreign exchange for 1985 was negative, and the country became a net exporter of foreign exchange, despite its economic crisis.

● **THE DEATH** of Resorts International chairman James M. Crosby on April 10 leaves uncertain the long-term control of the company, closely tied to Dope, Inc. Crosby and his family controlled about 60% of the Atlantic City-based company's voting stock.

● **LLOYD REUSS**, executive vice president of General Motors' North American car operations, announced on April 10 that GM plans to eliminate one of every four salaried jobs of the current 48,000 in its North American car group by 1990.

● **THE 88,000-MEMBER** United Transportation Union announced on April 11 that it has disaffiliated from the national AFL-CIO. Fred Hardin, UTU president, told the AFL-CIO that the UTU disagreed on various labor issues and the AFL-CIO's support of political candidates.

● **AN IMF** mission arrived in Argentina on April 11 to study the completion of the economic program agreed to by Argentina, according to government sources. In case of satisfactory performance, Argentina will be granted 260 million in SDRs.

## 'Conservationists' are shutting down food production

by Marcia Merry

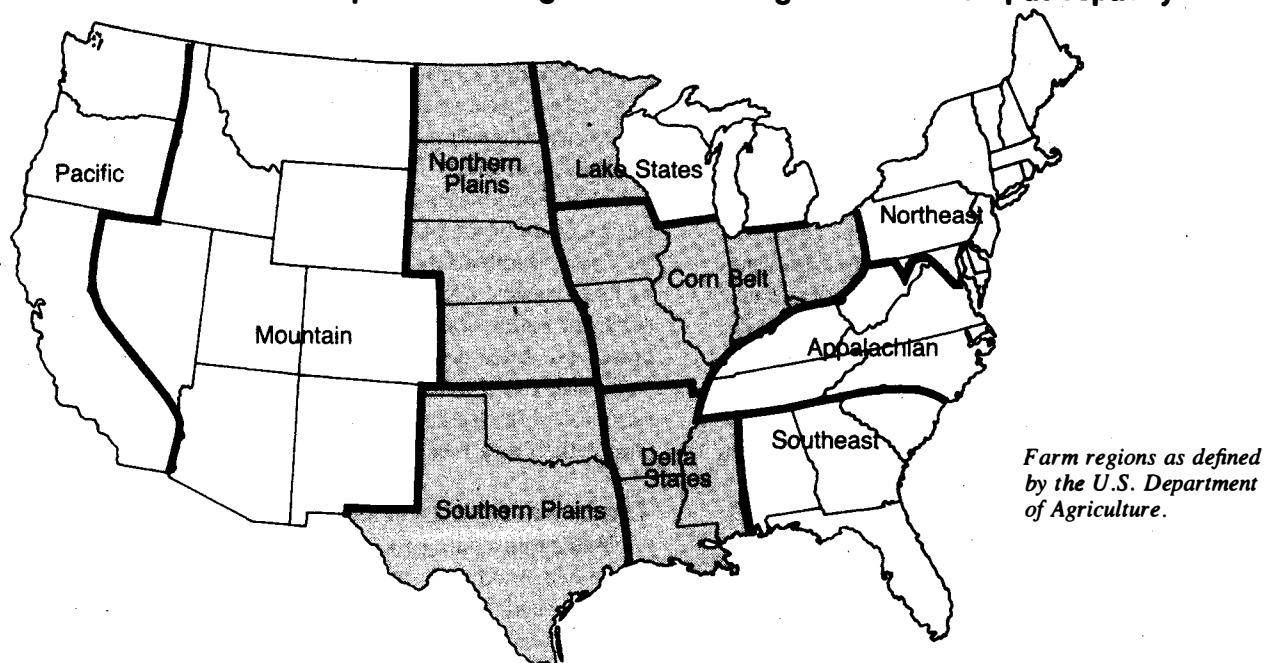
For approximately the last 20 years, the U.S. Department of Agriculture (USDA) has periodically cut back crop harvests by temporarily setting aside land, keeping farm commodities off the market, or otherwise take curtailing food output. These programs were always promoted in the name of "evening out" variations in weather, swings in prices, and so forth, so that farmers' incomes and production conditions would remain stable enough to guarantee the nation's food supply. Even the notorious Payment-in-Kind (PIK) program, which cut 1983 corn output in half, and the 1984 "milk PIK," were intended as episodic projects to temporarily reduce production.

But the USDA policies in effect in 1986, based on the new farm law, the Food Security Act of 1985, are of a completely different order: Their intent is to shut down *permanently* a large part of the production capacity of this nation. Similar programs are underway in the European Community, based on radical alterations of the Common Agriculture Policy. The rhetoric on both sides of the Atlantic is familiar: Government intervention to maintain the farmer and national food supplies should stop, in the name of the "competition of prices in the free market."

However, behind the rhetoric, government farm policies are protecting the special interests of the international food cartel companies and private money trusts, which are dictating the shutdown of independent farms and food processing and distribution capabilities, while positioning themselves to dominate food supplies. In service of this policy, the "conservationist" societies and think-tanks are churning out the legislation for governments to implement.

The food cartel includes the five firms which control at least 90% of the world grain trade: Cargill, Louis-Dreyfus, Continental, André, and Bunge. Together with agri-business giants such as the Swiss firm Nestlé, they dominate the world food market, including the U.S. domestic market. Operatives of the food cartels infiltrated into the USDA—such as Orville Freeman during the 1960s, and Cargill's Daniel Amstutz today—have masterminded the multi-billion-dollar grain deals with the Soviet Union, even as they are wiping out the American and European independent family farms.

## Core states of U.S. farm production regions are shutting down food output capacity



The statistics presented in this *Feature*, based on first-quarter 1986 crop output estimates, make clear how the current Washington policies will devastate the food output of this country. The 1986 dairy termination program is designed to kill off milk herds over 18 months, to reduce national milk output by 9-10%. The cropland retirement program—the Conservation Reserve—is designed to reduce crop output by under 5% this year—but ultimately by 25% over a five-year period. The Farmers Home Administration policy to foreclose on farm borrowers is designed to put about 60,000 farms out of operation. Inaction from Washington on the overall farm crisis is resulting in an unprecedented farm failure rate.

The cartel-orchestrated “free market” farm price declines will reduce output potential in this nation by over one-third—about the size of the current output for export of the United States. Thus U.S. food potential is being reduced to the level of minimal domestic demand, and the ability to produce for international need, and for emergency, is being wiped out.

The solution to the American agriculture crisis, as we shall elaborate elsewhere in this package, is to initiate the kind of emergency food production measures that were implemented in World War II and other periods of crisis, including low-interest production credits, a stay on farm foreclosures, and a shift in foreign food policies. It is essential to mobilize for such a policy shift in Washington, because the current measures coming from the administration and Congress alike are the result of pressure and influence by those who are committed to reducing Western food supplies, and shrinking the human race.

### Blueprints for famine

Over the past few years, there has been a series of policy documents circulated in Washington and in the capitals of Western Europe, promoting bogus “benefits” of the current policies. There are two levels of documents: the government-connected recommendations for “restructuring” farming, and the more rarified plans to “conserve” the globe, by food reduction and depopulation.

Consider the “restructuring” reports first.

The U.S. Department of Agriculture has done a series of studies on how and where to remove land from crop production. In the name of fighting erosion, the studies are all aimed at reducing the food crop base of the country. There are no studies being done of how and where to build up and improve soils, or how to develop large-scale irrigation projects to bring additional land under cultivation or increase productivities.

In April 1985, the USDA released its “Analysis of Policies to Conserve Soil and Reduce Crop Production” (USDA Economic Research Service, Agr. Econ. Report No. 534), which listed exactly which parts of the country should have land retired, what percent was to be removed, and from what crops. For example, for the cornbelt region, which in 1984 harvested 84.2 million acres, the USDA recommended removing from 12.7% to 60.8% of the cropland from production. Such plans were worked up to target the heartland farm states, as shown on the map.

The USDA recommends that 50-100 million acres, out of a base acreage of 421 acres, be permanently removed from food production. This amount of land would produce 361

million bushels of wheat over the next five years—a year's wheat supply for 29 million persons—and 402 bushels of corn over the next five years—food for 17 million persons.

On March 17, 1986, the congressional Office of Technology Assessment released a similar report ("Technology, Public Policy, and the Changing Structure of American Agriculture," GPO No. 052-003-01018-6), claiming the inevitability of the extinction of small farms and the emergence of large farms based on biotechnology advances. The report announced that approximately one million farms will disappear between now and the year 2000, mostly moderate-size and small farms. About 50,000 large farms will account for 75% of U.S. agriculture production by the end of the century, the OTA predicts. The rationalization given for this policy is that only large farms will be able to afford and apply new biotechnology advances. This is untrue—unless government or cartel policy makes it so.

### **Aristocrats and conservationists**

On a different plane, policy pronouncements favoring shutdown of agriculture have come from an international clique of aristocrats, their commodity cartel trusts, and their hired think-tank "experts," who are committed to making food output shrink, bringing the remaining capacities under their own control, and imposing depopulation on whole portions of the Earth.

Earlier this year, at a meeting of the Business Forum at Davos, Switzerland, Britain's Prince Philip, representing the World Wildlife Federation, recommended that the human race "be culled, like sheep," because they have exceeded the limits of their habitat, and like any other animal species, their numbers should be reduced from time to time.

The arm of the World Wildlife Foundation most active in U.S. agriculture policy in recent years has been the Conservation Foundation, which shares staff and offices with the Wildlife group in Washington, D.C.

In 1980, the Conservation Foundation released a study, "The Future of American Agriculture as a Strategic Resource," recommending that the food output potential of the United States be scaled back significantly, because the task of supplying food exports was permanently depleting American soils.

This theme has been repeated constantly in recent years, to the point that the Conservation Foundation staff was holding joint policy sessions with the USDA soil conservation department, and making policy decisions for the government. (See the 1985 Conservation Foundation report, "Eroding Soils: The Off-Farm Impacts.") The Conservation Foundation wrote the farmland retirement program called "Conservation Reserve," enacted by Congress in December 1985.

Under the unprecedented measures of the new farm law, by 1991, a farmer can be fined by the government for draining a swamp to grow food or control mosquitoes. Centuries of progress in agronomy and animal husbandry are to be rolled

back in the name of "preserving wetlands" and making the world "safe for wildlife."

The Conservation Foundation was founded in 1948, by a group including Laurance Rockefeller, and directed by Fairfield Osborn, whose uncle, Henry Fairfield Osborn, headed the pre-war Eugenics Society, funded by the Harriman family and the Rockefellers. The European predecessor of the Conservation Foundation, the Nature Conservancy Society, was run by many of the old oligarchical family trusts, including by Prince Bernhard of the Netherlands, and was discredited by its advocacy of selective euthanasia for human beings on behalf of nature conservancy, the animal world, and feudal preserves. After the war, these advocates of eugenics and euthanasia toned down their Nazi doctrines in favor of "conservation of the Earth's scarce resources," as a way of maintaining their own feudal and cartel privilege.

### **Trade warfare diversion**

While transatlantic food production capabilities are being shut down, food trade warfare has been revved up to divert attention, and speed the cartelization process. In 1985, the United States enacted the "export enhancement" program, which subsidizes private cartels to offer U.S. food commodities for sale at a discount rate to overseas buyers, in an attempt to beat out the European and other competition. Sales commodities include wheat, rice, eggs, poultry, and dairy cattle.

The program is really just a giveaway to the cartel companies. The government Commodity Credit Corporation (CCC) gives away its commodity stocks for free to the private trading companies, to guarantee their profits. Of the more than \$1 billion worth of taxpayer-purchased food stocks given away last year, Cargill, the giant Minneapolis-based food cartel, received 44%; Continental Grain received 15%; Louis Dreyfus received 10%; and Peavey 9%. The same companies represent foreign sales for other nations around the world, so they gain whatever the trade war patterns may be.

The European Community, in retaliation, has put duties on citrus imports from the United States. The United States has placed duties on imports of European pasta. And the war goes on.

Meantime, world grain prices have fallen 27% in the last 18 months. The farm failure rate in Europe is close to matching that now prevailing in the United States. West German farm income has declined by an estimated 15-20% over the last year, and is set to decline that much again. To justify this shutdown process, a report was prepared in March by EC Commissioner of Agriculture Franz Andriessen, called the Green Paper, that calls for a dismantling of price supports for grain and other commodities, and making other radical changes in the Common Agriculture Policy. On April 12, an estimated 40,000 farmers marched through 57 German towns to publicize the food crisis which this shutdown policy will create.

# Farm debt crisis means food shortage

by Marcia Merry

The "restructuring" of agriculture that Washington think-tankers and congressional aides are mapping out is now reaching the stage of mass farm bankruptcies and close-outs so extensive that the nation's food production potential is threatened.

One measure of the degree of collapse, is the failure rate of farm banks. On April 9, three bank regulators (from the Federal Reserve, the Federal Deposit Insurance Corp. [FDIC], and the Comptroller of the Currency) presented a summary picture to the House Banking Committee on Financial Institutions.

According to FDIC figures, the number of "problem banks" nationwide has increased from 481 in June 1983, to 1,156 in February 1986. Of these, farm banks—those with at least 25% of their loans related to agriculture—account for more than 40%. There were 120 bank failures in the United States last year, with about half of them being farm banks. In the first three months of 1986, there have been 24 farm bank failures.

What these failures represent, is the inability of the agricultural borrower to pay the debt service from his plunging "market price" income, and the reduced value of his collateral, in particular the farmland valuations.

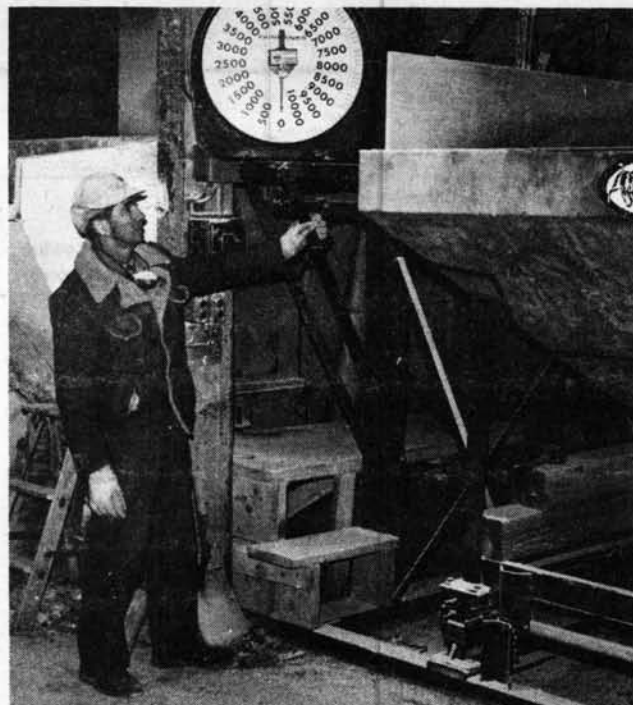
In the past two to three years, the food cartel-serving policies in Washington have driven down the prices received by farmers, domestically and on a world scale, by as much as 25%. Even figures for the last six months show a decline. In January this year, there was a drop of 3.1% in prices received for raw farm products. In February, there was a 1.6% fall, and in March another drop. By mid-March, prices were 9.7% lower than a year ago.

## Plunge of farmland values

Figure 1 shows the depth of the drop in farmland value over the last five years. The only region in the country where farmland has increased in value is in the New England states, where the land has been in demand for high price-tag estates and developments—not a base of economic activity.

In the core farm belt states—the cornbelt, the Delta region, and others—farmland values have plunged a full 50% in only five years.

Overall, U.S. farmland values fell by 12% last year, for



A New Jersey dairy farmer.

NSIPS/Carlos Wesley

the second year in a row. The national index of farmland values has fallen by 29% since a 1981 peak. In dollar terms, the average price per acre of farmland was \$596 on Feb. 1 of this year, compared with \$679 on April 1, 1985, and a peak of \$823 in the early 1980s.

The 12% declines for each of the past two years were the sharpest annual drops since land values fell by 27% in 1932 and by 19% in 1933.

Iowa, with some of the richest soils in the nation, experienced the deepest five-year plunge of 59% in farmland value. Since last year, Iowa land values have fallen 21%.

This crisis is hitting all sources of farm credit. The commercial banks hold about 17% of the national \$210 billion farm debt. The Farm Credit System (FCS) holds about one-third of the debt, or over \$70 billion, and the Farmers Home Administration (FmHA), a division of the Department of Agriculture, holds a loan portfolio of about \$28 billion, or 13% of the national agricultural debt.

The situation with the FmHA—intended to be the government lender-of-last-resort—reveals the scope of the crisis all across the farmbelt (Figure 2). About 65,000 of the FmHA's 321,000 farm borrowers are delinquent. Almost half of these delinquent farms are located in the states running from Texas and Louisiana up through to the Canadian border—the heartland of U.S. food production.

Mississippi has 4,595 loan delinquencies, the next-highest only to Texas, which has 5,818. A farmer in northern Mississippi described the situation in his county: "The tractors are in the sheds. The fields just sit empty. Last year in my county there were 85 farm operating loans through the

FIGURE 1

## The change in the value of farmland

Region	Change in value from 1985 to 1986 (%)	Change in value from 1981 to 1986 (%)	Current value (\$ per acre)	Region	Change in value from 1985 to 1986 (%)	Change in value from 1981 to 1986 (%)	Current value (\$ per acre)
<b>Cornbelt</b>							
Iowa	-21	-59	841	<b>Southern Plains (continued)</b>			
Missouri	-8	-43	606	Texas	-17	+20	541
Illinois	-13	-49	1,143	<b>Southeast</b>			
Indiana	-16	-50	1,058	Florida	-6	-12	1,435
Ohio	-10	-49	1,013	Georgia	-5	-21	822
<b>Lake states</b>				Alabama	-1	-13	761
Minnesota	-26	-55	609	South Carolina	-3	-14	872
Wisconsin	-16	-41	711	<b>Appalachian</b>			
Michigan	-11	-31	936	Virginia	+5	-1	1,146
<b>Northern Plains</b>				West Virginia	-3	-13	537
Kansas	-17	-41	387	Tennessee	+1	-12	992
Nebraska	-18	-55	364	Kentucky	-4	-19	870
South Dakota	-14	-42	215	North Carolina	-9	-17	1,130
North Dakota	-12	-30	317	<b>Northeast states</b>			
<b>Delta states</b>				Maine	+16	+50	993
Arkansas	-17	-33	705	Vermont	+16	+50	1,180
Mississippi	-10	-26	752	New Hampshire	+16	+50	1,646
Louisiana	-20	-28	1,005	Massachusetts	+16	+50	2,752
<b>Mountain states</b>				Connecticut	+16	+50	3,721
Colorado	-18	-22	357	New York	+2	+4	824
Montana	-8	-22	204	Pennsylvania	-4	-15	1,450
Wyoming	-13	-21	154	New Jersey	+11	+27	3,913
Utah	-7	-15	478	Delaware	+7	-13	1,757
Nevada	-13	-21	199	Maryland	-10	-24	1,887
New Mexico	-18	-25	134	Rhode Island	+16	+50	3,867
Arizona	-13	-21	231	<b>Pacific states</b>			
Idaho	-14	-23	644	California	-9	-9	1,571
<b>Southern Plains</b>				Oregon	-10	-29	521
Oklahoma	-15	-31	481	Washington	-12	-9	812

FmHA. This year there are only 4, and they haven't been approved yet. The local farm supply stores that are still open will only take cash, no credit. This is a disaster."

The "solutions" circulating in Washington are no help at all.

Addressing the problem of the collapse of the commercial banks, Preston Martin, outgoing vice chairman of the Federal Reserve Board; William Seidman, president of the FDIC; and Robert Clarke, Comptroller of the Currency; asked Congress to pass emergency legislation authorizing interstate acquisition of failed banks. They urged the committee to initiate renewal of the existing authorization-expiration date on April 15, with liberalized rules. They requested 1) that

out-of-state takeovers be permitted, of banking institutions smaller than the current size of \$500 million in assets; 2) that the acquiring institution be permitted to open up branch offices of their own in the new state; and 3) that failing banks—not only failed banks—be approved for takeover.

Besides the drawback of the monopolization of credit by the few "mega banks," the fundamental questions of the preservation of the independent, productive farm sector, and the security of the national food supply, are not even addressed in these proposals.

In the case of the Farm Credit System, a request has been made for a multi-billion-dollar federal bail-out. In the meantime, the FCS has had congressional authorization for sweep-

FIGURE 2

**Farms with active FmHA loans and delinquent loans**

(as of Jan. 10, 1986)

Region	Active	Delinquent
Cornbelt	47,102	10,202
Delta states	29,692	10,203
Northern Plains	37,527	7,587
Southern Plains	24,096	7,525
Southeast	19,879	7,241
Appalachian	33,317	6,789
Lake states	23,320	5,382
Mountain states	14,886	4,137
Pacific states	8,426	2,603
Northeast states	15,154	2,952
Puerto Rico	2,855	694
Total	321,581	65,323

Source: Farmers Home Administration

ing powers to merge and shut down whole sections of the farm credit system, at the discretion of a newly created entity called the FCS Capital Corporation.

The FmHA has been proceeding in 1986 to attempt to collect delinquent loan payments and to foreclose. A meeting has been tentatively set for May 1-2 in Minneapolis, at the instigation of attorneys representing the 65,000 delinquent loan farmers nationwide, in order to go over the procedures by which the FmHA is proceeding on collections and foreclosures. The FmHA sent out notices on delinquencies and foreclosure intentions in February this year. Attempts to forestall this legally have not succeeded. Federal Judge Bruce Van Sickle, who ordered a foreclosure moratorium over the past two years, ruled on March 3, that he would not grant an injunction to halt FmHA foreclosures, saying the new FmHA regulations provided adequate notice to farmers. He ruled only that farmers have a right to appeal FmHA denials of requests for family living and farm operating expenses.

The foreclosure process carried out by the FmHA, the Federal Land Bank and Production Credit Associations—part of the Farm Credit System network—and the commercial banks, is removing huge amounts of land from production, and closing down farm communities. For example, in the dryland farm region of Yuma, Colorado, the Federal Land Bank has foreclosed on 19 farms in the area in the past 50 days, comprising 30,000 acres of prime farmland.

The president of the local Federal Land Bank, Mike Harvey, said, "If you restructure refinance, who is going to pick up the difference? If we get government assistance, we can have some latitude to do that. But right now, there's not much I can do."

## Government kills off 10% of milk herds

by Marcia Merry

For those who thought the 1983 Payment-in-Kind (PIK) program for shutting down farm production was a lulu, look at the latest disaster from the USDA: the Dairy Herd Termination Program. The federal government is now implementing a plan to liquidate 14,000 valuable milk herds. Debt-strapped dairy farmers were solicited to submit bids to the government, during the first quarter of this year, on how little each would accept for his herd. Farmers owning nearly 40,000 herds applied for the program, and the government accepted 13,988 for liquidation.

The 14,000 herds represent an estimated 1.5 million cows, heifers, and calves that will go to slaughter. About 10% of the national dairy inventory will be eliminated!

The plan will throw millions of tons of meat on the market, bankrupting many cattlegrowers. The government has been scrambling to make a show of contingency plans to buy up about 400 million pounds of the slaughtered dairy animals. However the details of the plan are worked out, the result will be the same: drastically reduced milk output, a temporary increase in meat supplies, then a plunge in stocks, and liquidation of some of the most precious blood-line breeding stock in the world. It takes years to develop a prime dairy herd.

A leader of the nation's largest farmer-owned milk cooperative warned, "If any emergency again came upon this nation, as in 1940, there will be nothing we can do."

There have been some hasty political skirmishes by farm, church, and civic organizations, to divert some of these animals into export programs so they can at least be of benefit somewhere for the world's milk supplies. But most of the cows, which can produce up to 20,000 pounds of milk a year, will wind up in the grocery meat case. The former dairy herd owner is then obliged to stay out of milk production for five years.

### What dairy 'surplus'?

The rationalization for this crazy program is that there is a "surplus" of dairy products and production capacity. In turn, so the story goes, the dairy products are a glut on the

market, a drain on the federal budget, which is the buyer of last resort, and a drag on the farmer's price per 100 pounds of milk sold. The current price level of about \$11.50 per hundredweight of milk a month, is way below the farmer's cost of production.

The USDA insists that milk output should be reduced by at least 9%. But the milk "surplus" story is just a myth for the gullible; the true story is that the international market for U.S. dairy products is kept down almost to nothing by collusion of the international dairy cartel companies—Nestlé, Unilever, and the New Zealand Dairy Board. The domestic market suffers from the economic depression, which prevents households from buying high-quality dairy products.

The USDA and the media give a lot of attention to the government-owned unsold dairy stocks in storage—cheese, butter, and dry milk powder. However, they exaggerate. If you took all the butter and cheese stocks in government storage in the country and divided these by every person in the United States, here is all you would get (from USDA March 21, 1986 figures): one pound of butter and 2.5 pounds of cheese for every person in the United States (and some of that would be moldy and inedible). If you were to distribute all the dry milk powder to Africa, there would be enough to provide each person three gallons of milk.

The stated intention of the USDA is to eliminate 9% of the national milk output. In fact, much of the basic economic infrastructure—schools and community services, agriculture extension networks, transportation and processing systems—will also be eliminated. Farmers whose cows produced almost one-fourth of last year's milk supply got in line for the program, because they had nowhere else to turn. Of the 14,000 farmers that were convinced to accept a one-shot payment to shut down their farms, fully 40% are in the top

## Rifkin's kooky campaign against farm technology

While the U.S. government is closing down farms, a parallel drive is under way to lower food output by obstructing the development and application of scientific breakthroughs that can increase productivity. The most prominent spokesman for this effort is Jeremy Rifkin, the pseudo-scientist who uses his Washington, D.C.-based Foundation for Economic Trends to prevent the use of biotechnologies in agriculture.

In April, Rifkin won a court judgment staying the use of genetically altered bacteria that can protect row crops and citrus groves against frost damage. These benign bacteria would allow the production of millions of tons a year more fruits and vegetables around the globe.

Rifkin's latest court action is to attempt to block the use of a bovine growth hormone that promises to increase the dairy cow's milk output by up to 20%, without proportionately increased costs to the farmer. Rifkin is demanding that the government do an economic impact study of the use of the hormone, charging that it will put dairy farmers out of work, because the cows will be too productive. Rifkin is also against the use of computerized cow feeding stations and a new chemical feed additive, because they make dairy herds so much more productive.

Rifkin's book *Algeny—A New Word, A New World*, presents his superstitious rationalizations for why scientific advances and applications should be stopped.

FIGURE 3  
**Liquidation of U.S. dairy herds**  
(as of March 1986)

Region	Total number of herds requested for liquidation	Number of herds to be liquidated
Lake states	16,731	4,677
Cornbelt	6,169	2,521
Northeast states	5,502	1,579
Northern Plains	2,903	1,329
Appalachian	3,420	1,089
Pacific states	1,213	705
Mountain states	1,192	658
Southern Plains	1,028	570
Delta states	760	484
Southeast	651	376
Total	39,534	13,988

Source: USDA

six dairy states—Wisconsin, Minnesota, California, New York, Pennsylvania, and Michigan—where the dairy infrastructure has been so well developed over the years, that these states produce more than 50% of all the annual milk output. Now that is being dismantled.

Figure 3 shows the total number of dairy herds to be liquidated, in the 10 agricultural regions of the country (milk production regions do not exactly correspond to these regions of crop output, but the scale of the shutdown process is nevertheless clear).

Regional milk shortages will appear soon after the program begins. Under these shutdown conditions, there are already projects underway for large-scale milk "factory" farms, based on off-shore and foreign investment. There are projects reported in the Carolinas and Georgia, involving Irish and Danish dairy expertise, backed by money flows of dubious origin. These projects are taking place under the expectation that milk will soon become a high-priced luxury item.



# Cropland reduction threatens food output

by Wayne Johnston and Marcia Merry

By the estimates of even the U.S. Department of Agriculture—which is famous for overstatement—acreage planted to grain crops this year will be reduced significantly in almost all grains, except oats.

The danger this policy poses to the nation, and to the world food supply, was shown by the 1983 Payment-in-Kind (PIK) program. At that time, farmers were induced by the government to drastically reduce their corn and other grain acreage in exchange for the promise of certificates that they could then sell. When a record-setting drought hit the country on top of this, the result was a 50% drop in corn production and a 60% drop in soybeans—both key animal feeds.

The federal land set-aside programs this year did not feature prominently a repeat PIK plan, but the incentives are designed to pull maximum acres out of production. According to March USDA estimates:

**Winter wheat:** Fall planting was down to 54 million acres—the smallest since 1979.

**Spring wheat:** Spring plantings are estimated to be down by at least 3% from last year. There will be seeding on only 14 million acres.

**Corn:** Spring plantings are estimated to be about 75 million acres, down by 6% from last year, and the smallest planting since 1983, when around 60 million acres were planted under the PIK program. Corn acreage is expected to fall this year by about 7% in a dozen Midwestern states, accounting for 80% of national production.

**Grain sorghum:** The expected plantings of 15.9 million acres compare only to the 1983 low PIK acreage of 11.9 million acres. Grain sorghum will be down 13% from 1985.

**Soybeans:** Spring planting is estimated to be 62 million acres, the lowest since 1977.

With this kind of picture, any adverse weather or pest occurrence can cause the same kind of disastrous reductions in harvests as those of 1983. It is already expected that grasshoppers may cause extensive damage because of their build-up in western plains states over the past few seasons, in the absence of proper control measures due to austerity budget cuts. In addition, there are always regional pest and weather problems.

In Texas, there is a confirmed appearance of the Russian wheat aphid. The infestation is located in west Texas wheat

fields, and could reduce yields in as much as 50-70% of the state's wheat acreage. The aphid could reduce yields per acre by as much as 10-30%. Currently, the infested area produces about 17% of the Texas wheat crop. The aphid was first noted in southern Russia at the turn of the century, and traveled across continents, until it finally was confirmed in Mexico's northern state of Coahuila, in 1983.

## Anti-food Conservation Reserve.

On top of the large-scale acreage set-aside programs that will cut back grain acreage extensively, an unprecedented food acreage reduction program is now being implemented by the USDA under the title of "Conservation Reserve." This program was passed in the Food Security Act of 1985, under

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*An unprecedented food acreage reduction program is being implemented under the guise of preventing soil erosion. It is designed to permanently take huge tracts of land out of food production, and lock them up as wilderness preserves, in the manner of feudal land-holdings.*

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the public motivation of being a soil erosion prevention plan. In reality, the program is designed to permanently take huge tracts of land out of food production, and lock them up as wilderness preserves in the manner of feudal land-holdings. According to the USDA, the program aims at "creating better habitat for fish and wildlife."

**Figure 4** shows the dimensions of the current program. The plan operates in the following way: During the first quarter this year, farmers owning acreage in areas designated as highly erodible by the USDA, were invited to submit bids on how little financial assistance they wanted per acre to convert their land into non-food grasses or trees, and keep it that way for at least 10 years (in fact, forever).

A total of 44,371 farmers applied, offering over 5 million acres to be taken out of food production. The government accepted 10,302, and intends to reopen bids in the near future. According to Secretary of Agriculture Richard Lyng, the 10,302 farmers will retire 83,356 acres out of production for the next 10 years. He said that the prices per acre agreed upon by this group, ranged from \$5 to \$90 per acre in annual government payments for retiring the land.

The largest number of farms accepted was in the states with the richest land and highest food productivities: the cornbelt states of Iowa, Missouri, Illinois, Indiana, and Ohio, where 2,183 will take land out of food production. The next

largest number of farms is in the southeastern states, with 1,721; and then the three Lake states, with 1,611.

The issue of soil erosion is a real problem—but its solution lies in high-technology management by independent farm families, with the means to decide and implement scientific soil development programs. The solution of land lock-up is a feudalist trick.

Under the Conservation Reserve, the USDA has designated 104 million acres of American farmland as “fragile,” out of a total of about 421 acres of cropland. The current goal is to permanently remove 45 million acres of this land from food production, within the next five years. This year’s goal is 5 million acres.

The USDA has targeted land for removal from the most productive farm states in the nation, for example, 14.5 million acres from Texas; 10.8 million acres from Iowa; and 4-

5 million acres each from Illinois, Kansas, Minnesota, and Missouri.

An analysis of the top 15 agriculture states of the country, which account for most of the national food output, shows how these states are being targeted for food acreage reduction, instead of those Appalachian slopes or other regional erosion areas which common sense would expect to be a conservation “target.”

The top 15 farm states produce 71% of all principal crops, and contain 71% of the acreage designated by the USDA as eligible for the Conservation Reserve. Of this year’s goal of removing 5 million acres out of crop production, fully 3.535 million acres are in the top 15 states. These states account for 83% of national corn production, 70% of wheat production, 75% of soybean production, and 85% of sorghum production.

FIGURE 4  
**Farms taking cropland out of production**  
(For the USDA Conservation Reserve, as of March 1986)

Region	Farms submitted	Farms accepted	Region	Farms submitted	Farms accepted
<b>Cornbelt</b>			<b>Southern Plains</b>		
Iowa	4,235	742	Texas	3,795	161
Missouri	3,760	637	Total	4,530	331
Illinois	2,618	540	<b>Southeast</b>		
Indiana	1,481	157	Florida	333	157
Ohio	872	107	Georgia	1,574	832
Total	12,996	2,183	Alabama	868	456
<b>Lake states</b>			South Carolina	360	276
Minnesota	3,303	1,079	Total	3,135	1,721
Wisconsin	1,210	424	<b>Appalachian</b>		
Michigan	528	108	Virginia	325	114
Total	5,041	1,611	West Virginia	23	3
<b>Northern Plains</b>			Tennessee	2,296	716
Kansas	2,142	681	Kentucky	1,742	382
Nebraska	2,153	415	North Carolina	595	182
South Dakota	728	136	Total	4,981	1,397
North Dakota	998	112	<b>Northeast states</b>		
Total	6,021	1,344	Maine	109	26
<b>Delta states</b>			Vermont	2	1
Arkansas	380	160	New Hampshire	1	0
Mississippi	1,223	665	Massachusetts	6	3
Louisiana	108	33	Connecticut	2	0
Total	1,639	858	New York	262	87
<b>Mountain states</b>			Pennsylvania	397	93
Colorado	1,079	214	New Jersey	18	4
Montana	1,163	46	Delaware	11	0
Wyoming	54	7	Maryland	95	8
Utah	172	40	Rhode Island	0	0
Nevada	5	0	Total	903	222
New Mexico	438	115	<b>Pacific states</b>		
Arizona	0	0	California	60	19
Idaho	1,090	45	Oregon	305	69
Total	4,001	467	Washington	759	80
<b>Southern Plains</b>			Total	1,124	168
Oklahoma	735	170	Totals	44,371	10,302

Source: USDA

# The LaRouche plan to save U.S. farming

*The following recommendations for solving the farm crisis were published in The Independent Democrats' 1984 Platform, issued by the presidential campaign of Lyndon LaRouche and Billy Davis in September 1984.*

The President must act immediately, and move the Congress to act, to effect the following measures:

**1) There must be an immediate moratorium on farm foreclosures, nationwide.**

We must implement a policy of something like the following formulation: Any farm which was in the top 75 percent of economic performance during a five-year period preceding 1981 should be protected from foreclosure. This action must be implemented under the title *National Security Emergency*.

**2) Establish immediately, a policy of intervention to maintain farmers' prices at 90 percent of parity.**

Generally, such a policy is implemented in the following way. If a farmer can not sell a designated crop at the established percentile of a parity-price or higher, the Department of Agriculture intervenes to buy that crop at that price. Then, later, either the grain cartel or agri-business can pay government that price plus a service-charge for its purchase of this stock, or, some of the stock is retained by the government as national strategic reserves, or, the government may directly market such stocks abroad under government to government trade-agreements.

**3) The President and Congress must intervene with emergency measures, to facilitate the reorganization of financial affairs.**

It should be axiomatic, that by rescheduling existing farm debt of viable farms, at interest-rates between 2 percent and 4 percent, a 100 percent repayment of the principal value of the carried-forward debt will be the normal result. Federal action is required to ensure that restructured debt be classed as performing bank assets, and to provide simple procedures for conducting the financial reorganization.

It should be normal procedure, in these cases, that additional loan-capital be supplied, at prime rates of between 2 percent and 4 percent for loans based on lendable issues of gold-reserve U.S. currency notes through local banks. This should include crop-production loans, and also medium-term

and long-term loans for needed capital improvements and replacements.

Such loans should be available to farmers generally.

**4) Disaster relief for farms in relevant regions of the nation.**

For example, in regions hit by persisting drought conditions.

**5) Immediate action to develop fresh-water management systems in areas suffering or threatened by major water shortages.**

Candidate LaRouche has co-sponsored revival of proposals to develop a continental water-management system, to include bringing water now flowing into the Arctic Ocean down through the Western states: one line running in the arid region between California and the Rocky Mountains, and the second to the east of the Rockies, across the river-systems flowing eastward into the Mississippi. The feasibility of such a program was developed years ago by a major engineering firm, a design named the NAWAPA project. . . .

And, for the years immediately ahead of us,

**6) Immediate action establishing in the Department of Agriculture an improved market-forecasting system of service to and cooperation with farmers.**

It is the complaint of farmers, that the Department of Agriculture's forecasts now manipulate the farmers' production planning to create market conditions to the advantage of the grain cartel and agri-business giants. In fact, it is well within the unique talents of the Department of Agriculture to develop a reliable forecasting service, operated through aid of functions of county agents, to assist farmers in fitting their medium-term and annual production programs within the setting of national consumption, export, and strategic reserve requirements.

Operating under the famous Biblical counsel, concerning "fat years" and "lean years," cooperation between government and independent farmer-entrepreneurs can create a nice mesh between supply management and a parity-price system.

**7) The President and Congress must take emergency action in response to the existing and worsening world food shortage. . . .**

## **Food: the key to foreign policy**

In this light, food policy must be the cornerstone of U.S. foreign policy. It is not a substitute for other elements of U.S. foreign policy, but every other feature of proper foreign policy depends for its success upon a sound U.S. international food policy.

Unless a nation can feed its people, that nation is more or less certainly doomed to endure the worst political evils of civil strife and emergence of the most vicious sorts of tyrannical governments. . . .

Thus, in a time of continuing and worsening world food shortages, the increase of the supply of food, as this defines

the vital self-interests of nations, also defines the basis for self-interested relations among nations. A foreign policy not settled upon the solid cornerstone of a sound food policy is a contradiction in terms.

1) The expanded export of food by the United States, especially cereals and dense protein, must be the cornerstone of U.S. foreign policy.

2) U.S. food produced for export (as well as domestic consumption) must be purchased from farmers at not less than 90 percent of a well-determined parity price, and shall be exported through ordinary commercial channels at a price not less than a price based on 90 percent of parity paid to farmers.

3) In the case, that U.S. export is delivered as "Food Assistance" to relatively poorer, hungry nations, the seller shall be the U.S. Department of Agriculture, and the buyer shall be the government of the importing nation, subject to the condition that the importing nation may not export this, or product of the same agricultural type. Under those conditions of export sales, the price paid by the importing nation may be less than the standard, parity-determined, commercial price.

4) The government of the United States shall seek to establish agreements with others among the principal food-exporting nations, including agreement with bodies such as the European Community (EC). The purpose of these agreements shall be to establish a uniform policy of practice consistent with indicated U.S. food policy.

5) Although the U.S. government should not prevent itself from subsidizing grants, of reduced prices, to nations receiving Food Assistance, it were desirable that the United States establish a "Food Assistance Grants Fund," preferably in concert with cooperating food-exporting nations, and with importing nations, and that grants made under Food Assistance programs be issued, usually, as deductions from such a Fund.

6) As part of this same program, the United States should sponsor food-technology programs for needy nations, such as those of Africa. As part of this, the U.S. Corps of Engineers should include, under its expanded functions, a foreign agriculture development task force program. This task force should include teams of skilled farmers. The assignment is to assist other nations a) In developing the essential logistical and related infrastructure for improved production and distribution of food, b) To create as teaching-stations, model farms developed with the assistance of U.S. agronomists and farmers applying American experience in the conditions of that locality, and c) To assist institutions of that government in developing the same kinds of civil-engineering and other task force capabilities represented by the U.S.-assistance units.

We should welcome and seek participation of similar task force elements from other food-exporting nations in such programs.

## What happened to the American farmer?

by Billy Davis

*The presentation which we excerpt here was made to the conference of the Schiller Institute "In Memory of Food," held Feb. 21-22 in Ciudad Obregon, Mexico. Davis, for many years a farmer, ran for governor of his native Mississippi in 1983, endorsed by the National Democratic Policy Committee. In 1984, he was the vice-presidential running-mate of Lyndon H. LaRouche, Jr., in LaRouche's Independent Democratic bid for President of the United States. Davis is currently an agricultural adviser to the NDPC.*

... I have been organizing farmers for years; we have tried every method known to us, to get our government to listen. Not only do they not listen, but it is obvious they don't care. In fact, the Secretary of Agriculture himself told me personally, in 1978, that we needed less than 200,000 farmers. And I said, "But Mr. Secretary, we've got 3 million of us; are you saying we should be only 200,000?" He said, "Don't worry about it; it's a little bit of a problem now, but after everything settles down, *those who survive* will do well."

If there had not been a table between me and him, I would have slugged him! And he was supposed to have been a farmer; it turned out that he was an employee of a cartel, not a farmer. . . .

### How the crisis was created

Now, how did all this happen? Let me tell you the story of how it happened, because I lived it.

From 1942 until 1952, the United States had a base price, on agricultural commodities, of 90% of parity, by law. And most of the money in the farming sector of the United States, was made during those years. In 1952, this law was taken away; and then we began a series of programs to change everything.

Then, from about 1962 through 1974, the real story unfolded. We were told by the agricultural experts and advisers, that we had to feed the world; we must plant fence row to fence row. And we did that. Because we thought our nation needed us, to help feed the hungry of the world. And they

told us, privately, that we could make a little money; and we did, for a short time. Every magazine that we read, every expert that we listened to, and even our fellow farmers, were telling us that the ideal farmer was one who was getting bigger every year, who owned the biggest and best equipment; and it was smart business to do that on the other man's money. If you don't believe me, then *you* read the American journals, and the experts, during that period.

Interest rates were 3-6%; we would go to the bank to borrow money to plant a crop, and ask for \$50,000; the banker said, "No, you might need 60—take 60!" We'd just plant another field.

In 1974, the first shoe dropped. In August, the cattle market was broken. Livestock that was worth thousands of dollars, in a matter of just hours, was worth less than a 100. It happened that quickly; we had no chance. The banks who had loaned the money to the cattlemen, panicked, and demanded that we carry all the cattle to the market and pay the debt immediately. And the market went even further down. The bankers did not care if a man had enough feed to feed his cattle for a year; they wanted to take their losses and get out.

Within a period of four years, every commodity, from corn, to wheat, to soybeans, and feed grain, went down the same way. And we were faced with a situation in which we could not pay our debts. We went to the bank and said, "I can't pay, but I need money to plant my next crop." They said, "No problem! The experts say that next year will be a better year. We'll reorganize your debt; sign this paper, and next year, you'll owe us just a little more, but the market is going to be better." It didn't get any better.

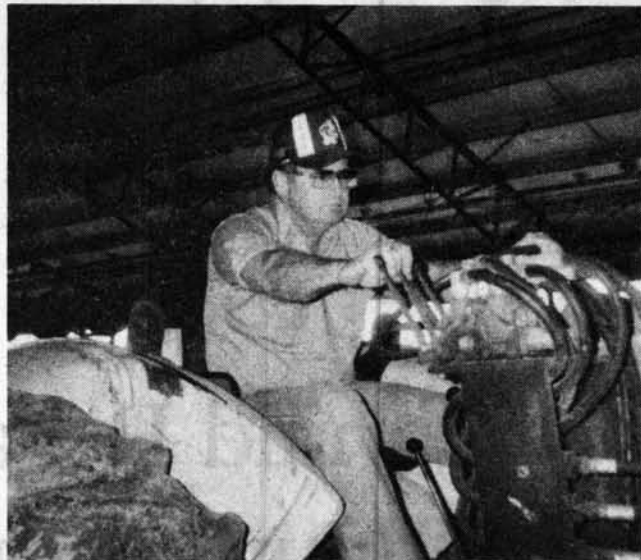
So the next year, we went back to the same banks, and we said, "Please, may we have some money to plant another crop?" The banker looked across the desk, and said, "Your wheat did not do well this year, so I suggest that next year you plant soya-beans—*then* I will loan you the money. Because the experts say that soya-beans are going to be the crop." So we sold all the corn equipment, we sold the cattle, and we planted soya-beans.

The market the next year was so bad, that we almost had to pay the man to take the crop!

We went to the government: "What's wrong?" The government said, "You are *bad managers!* But we will fix the problem, with this new computer." We went to the politician; we even collected money to donate to the politician; but he found a higher bidder!

Now, does this sound familiar to you? Think of what I have just described, as your country; and put the International Monetary Fund where the banker is, and Henry Kissinger where the expert is. Does it sound even *more* familiar? The story has not changed since the days of the Roman Empire.

Because I was a farmer, I did not concern myself with anything but farming, and I didn't know *why* I was having such problems, until I realized that what was happening to me, was happening to my country, and every country which



Billy Davis

I visited, and every farmer in those countries.

It did not just happen; this crisis was created, intentionally. Because you have seen the same thing, if you know the history of your country—whatever country that is—you have seen the same thing happen before. In Mexico, it happened from 1918 to 1925—the same thing. . . .

So what are you to do? In 1983, a group of farmers, farm leaders from the United States, sought the advice of one man, after we had tried everything else. And after he had talked to us for three hours, explaining to us why we were in such a fix, we asked him one simple question: "What can we do?" He didn't smile; he looked us straight in the eye, and he said, "Become a candidate for office!"

I'm a farmer. Politicians?—I don't like them! And you tell me to be a politician? "No! A statesman! Because you must become the government, by proper means!"

I didn't sleep all night. The next day, I became the candidate for the governorship of my state; and I will continue to do the same. Because my problems were not economic; that was a symptom. My problem was a *moral* problem. And the question was whether I had the moral fortitude, to stand up for what I knew was right, and take on all adversaries. Because this man, Lyndon LaRouche, told me more about myself in three hours, than I had learned in all of my life up to that point. He put a mirror in front of me and made me look at myself; and I didn't like what I saw.

One of the greatest citizens of Mexico, in my opinion, before he led his troops into the Revolution, told the troops and the citizens of his town, that it was something they had to do. And I would like to share with you one short statement. He asked them:

"With what right, will we be able to claim the title of citizen for our children, if we are not worthy of being so ourselves?"—*Alvaro Obregon*

## Donald Regan and the art of laundering drug dollars

by an EIR Investigative Team

On March 2, 1986, White House Chief of Staff Donald Regan's firm, Merrill Lynch, was blackballed from the management committee of the London Stock Exchange. Exchange member firms voted against including Merrill Lynch in its Rules Committee, citing a long history of "disreputable practices" at Merrill Lynch, which Regan headed for 12 years.

Among the practices cited was frequent "churning" of accounts, i.e., unwarranted buy-and-sell transactions whose sole purpose is to speculatively alter the value of accounts.

However, Donald Regan's firm merits more than blackballing; its activities over the entire period since Regan's 12-year reign at its head are more than "disreputable." Donald Regan belongs in jail. The grounds? Merrill Lynch, and Donald Regan personally, are at dead center of the banking networks which control a \$400 billion annual flow of narcotics revenues, acting as America's number-one drug bank and protector of drug-money laundering.

So charged presidential candidate Lyndon H. LaRouche during a press conference at Washington, D.C.'s National Press Club April 9. He told the press that the components of the Regan file would be made public during the course of the week—as we do here, now.

In response to pressure from the media and from concerned citizens after LaRouche's charges were aired on nationwide television, the White House felt compelled to issue a denial that Chief of Staff Regan is a "drug money launderer."

"The charge is as outrageous as its source," the White House said April 10.

### Regan's record

When Donald Regan was first appointed White House chief of staff, newsletter publisher Howard Phillips reported that he was, "on the one hand, a member of the Council on Foreign Relations, the Business Roundtable, and the Committee on Economic Development (run by the Rockefellers), at best a pro-Establishment Wall Street Republican." Phillips also gave damning evidence that "Regan positioned himself during the 1970s to become Secretary of Treasury in a Democratic administration," donating thousands of dollars to Democrats, to the Carter-Mondale campaign in 1979, and to Carter personally.

However, Ronald Reagan won the presidency, and in the course of ensuing deal-making with the Eastern Establishment, Regan was appointed treasury secretary. That, as we shall document, was like placing Dope, Inc. in charge of the U.S. Treasury.

Not only had Regan, while at Merrill Lynch, transformed that institution into a drug-money laundry; thereafter, at the U.S. Treasury Department, he was a principal influence on economic and financial policies of the U.S. government which ensured that the entire U.S. banking system would fall into dependency on that margin of liquidity they acquired from illegal narcotics revenues.

Top Reagan administration officials have railed against drug-money laundering:

Charles Harmon, executive director of the now-defunct President's Commission on Organized Crime, said in a March 18, 1985 article in *Business Week*, "If they [bankers] choose not to help in the efforts to prevent narcotics trafficking, they



NSIPS/Stuart Lewis

*Guatemalan troops pile up seized marijuana for burning after February 1985 jungle raids, as reporters look on. The marijuana was bound for the United States. So long as men like Don Regan remain in office to sabotage the U.S. side of the war on drugs, these men are risking their lives in vain.*

should know that every dose of heroin or cocaine, every bribe, every bullet which finds its way into the bodies of federal agents, is paid for by the cash which they never opened their eyes wide enough to see.”

On June 13, 1985, Edwin Meese, the attorney-general, wrote to Vice-President George Bush: “Organized criminal groups, from drug trafficking rings to more traditional organized crime ‘families,’ could not operate as successfully as they now do without the means to launder money, thereby making cash generated by criminal activity appear to come from a legitimate source and hence available for investment in other businesses.”

Yet, can such statements be taken seriously, when White House officials defend Don Regan’s record?

We emphasize that the material presented below is only that which is available in the public domain. *EIR* enjoyed no access to the secret recesses of financiers’ board-rooms and computer banks. This is only a trail, where a thorough investigation of Donald Regan would begin.

In this report, we document:

- *The Merrill Lynch, Crédit Suisse, White Weld Connection.* In 1978, during Don Regan’s chairmanship of Merrill Lynch, the Wall Street financial house entered a series of joint ventures with the New York- and Boston-based White Weld Securities and the Zurich-based Crédit Suisse. That combination now dominates the \$140 billion-a-year Euro-dollar market, a principal haven for hot money, largely drug revenues. It is merely exemplary that Crédit Suisse was the principal recipient of more than \$1.2 billion in “unreported cash transactions,” in violation of federal law, from the Bank

of Boston in one 18-month period in 1982-83.

- *Merrill Lynch and narco-terrorism.* According to a November 1984 report by the President’s Commission on Organized Crime, titled “The Cash Connection: Organized Crime, Financial Institutions, and Money Laundering,” Merrill Lynch was one of the premiere Wall Street financial institutions to open its doors to the dope mafia, both during and after Don Regan’s tenure as chairman. Merrill Lynch, said the President’s Commission, was key to the “Pizza Connection,” a Sicilian mafia network inaugurated in 1981, stretching from Palermo to Milan to the New York-New Jersey area, where it operated through pizza parlors, and which flooded the East Coast of the United States with high-grade Golden Crescent heroin from Iran, Afghanistan, and the Northwest Frontier Province of Pakistan, currently controlled by Soviet-sponsored separatists.

- *Donald Regan and dirty money inflows.* As Treasury Secretary, Donald Regan sabotaged money-laundering law enforcement, and protected known offshore havens for dope money, in order to protect the dirty business dominated by his old firm, and its partner, Crédit Suisse.

## I. Merrill Lynch and the Pizza Connection

Donald Regan’s Merrill Lynch laundered at least \$4.9 million in small bills for Sicilian mafioso *Franco Della Torre* beginning in March 1982, part of what has become known as the “Pizza Connection” case. According the President’s Commission on Organized Crime report on “The Cash Connection. . .,” Merrill Lynch provided special services to help Della Torre launder the proceeds of heroin sales:

"In making large cash deposits at Merrill Lynch, Della Torre's practice was to request that security personnel accompany him from his hotel to Merrill Lynch offices. After several such deposits . . . arrangements were made to escort the money from Della Torre's hotel directly to Banker's Trust, where Merrill Lynch maintained accounts."

Della Torre had an account in the corporate name "Traex" with Merrill Lynch for a year. A bag man for the Pizza Connection ring, Della Torre laundered an estimated \$20 million through Merrill Lynch and other brokerage houses—into sheltered accounts at Crédit Suisse in Zurich. Della Torre, according to the Commission report, brought his gym bags and cardboard cartons full of small-denomination bills to a suite in New York's Waldorf Astoria Towers, where top executives of Merrill Lynch would regularly make pickups of the cash for deposit in the Merrill Lynch accounts at Bankers Trust. The Merrill Lynch officers even arranged for security guards to accompany Della Torre to the hotel.

During this entire period, Della Torre's deposits were under observation by federal Drug Enforcement Administration agents. Yet, to date, no action has been taken against Merrill Lynch.

Italian magistrates are now prosecuting some 440 top mafiosi in Italy in relation to the "Pizza Connection." Their operations tie into more than 100 murders—including those of top law-enforcement officials such as Carabinieri (national police) Gen. Carlo Alberto Dalla Chiesa, chief investigator of the links between organized crime, drugs, and the Red Brigades terrorists in Italy.

The Pizza Connection also cuts directly into the KGB's Bulgarian drug and assassins bureau, through Masullulu Yasar Avni, the Turkish mafia boss, who operates out of Sofia, Bulgaria. Masullulu's heroin-shipping and gun-running operations in Zurich were funded out of the Swiss accounts into which Merrill Lynch funneled money.

Italian sources are convinced that the recent death in prison of Vatican banker Michele Sindona was the latest assassination ordered to protect the Pizza Connection.

## II. **Crédit Suisse, the world's dirtiest bank**

In testimony entered in the June 27, 1985 *Congressional Record*, Sen. Jesse Helms (R-N.C.) linked the June 14, 1985 hijacking of TWA Flight 847 by Lebanese Shi'ites to 100 million Lebanese pounds earlier delivered to the Shi'ites by the Iranian "Martyrs Foundation." Helms had the following to report on the source of these funds:

"It is unclear whether these funds were delivered as actual money or whether they were delivered in the form of a banking instrument which could be drawn against the Martyrs Foundation accounts held, for example, by the Marine Midland Bank in London or by Crédit Suisse in Switzerland."

In September 1978, Merrill Lynch chairman Donald Regan arranged Merrill Lynch's takeover of **White Weld Securities**. This placed Merrill Lynch in effective business partnership with **Crédit Suisse** in the money-laundering

business internationally, since **White Weld** was effectively controlled by **Crédit Suisse**, through its joint venture with **White Weld, Crédit Suisse White Weld**, which provided **White Weld** with 75% of its annual earnings.<sup>1</sup>

**Crédit Suisse** is accused of laundering the bulk of the \$1.67 billion in heroin traffic at issue in the "Pizza Connection" case. Merrill Lynch is accused of having laundered \$3.9 million of this.

For **Crédit Suisse**, this is nothing unusual. It is one of the dirtiest banks in the world, according to U.S. federal prosecutors. It has been cited repeatedly as the recipient of narcotics or other dirty money from American banks. During the 12 months dating from the spring of 1985, **Crédit Suisse** turned up at the top of the list of banks cited by U.S. Treasury investigators for receiving illegal cash deposits from American institutions. On Feb. 7, 1985, when the Bank of Boston was cited for illegally accepting \$1.219 billion in cash deposits from a New-England-based organized crime family, without reporting these deposits to the Treasury, also cited as the principal recipient of these illegal funds abroad was **Crédit Suisse**—\$270 million of the \$1.2 billion.

In the Bank of Boston case, the U.S. Attorney charged with prosecuting the case had a most glaring conflict of interest. He was **William Weld**, son of **White Weld** partner **David Weld**. Federal statutes permit the courts to seize all the illegal money laundered, that is, the entire \$1.2 billion, in addition to fines. But **William Weld** asked and got a mere \$500,000 fine on Bank of Boston, and nothing was confiscated. The fine imposed by **Weld** equals 4/100ths of one percent of the money laundered, or about one day's interest on the \$1.2 billion.

The partners who dominated **White Weld's** money-laundering operations were **Robert Genillard** and **George S. Moore**. **William Weld's** father, **David Weld**, died prior to the 1978 merger with Merrill Lynch, but was personally responsible for putting **Robert Genillard** in charge of **White Weld's** international department, i.e., its relationship with **Crédit Suisse**. These became **Donald Regan's** business partners after 1978. **Genillard** remains an employee of **Crédit Suisse** today. On Sept. 12, 1983, he became president of the **Clariden Bank**, wholly owned by **Crédit Suisse**. **Genillard** and **Moore** remain close associates; they jointly helped form **Ingram Worldwide Investments** in Monaco, with **Frederic Ingram**, a Louisiana "businessman" convicted in 1977 on 29 counts of bribery. Both are still directors of the **Ingram** firm.

On paper, Merrill Lynch sold to **Crédit Suisse White Weld's** 30% of its joint venture with **Crédit Suisse**. **Crédit Suisse**, in turn, formed a joint venture with **First Boston Corp.**, and the old **Crédit Suisse White Weld** became **Crédit Suisse First Boston**. **Crédit Suisse** bought 40%, and effective control, of **First Boston**.

Merrill Lynch and **Crédit Suisse First Boston** now jointly:

1) dominate the Eurobond market, the principal repository for dirty money on a global scale;



2) manage the finances of Spain, and opened the door for reportedly narcotics-linked Venezuelan financial interests to move into Spain;

Moreover, there is a revolving door between the major offices of the two institutions.

### III. The Cisneros group and Manuel Ulloa

Regan's business partner George Moore is the officially listed "international adviser" of the **Organización Diego Cisneros (ODC)**. The Venezuela-based Cisneros group, according to the exhaustive documentation published in the 1985 book *Narcotrafico, SA* (now being released in English as *Dope, Inc.*) has extensive ties to financial interests who launder money for the South American narcotics traffic. *Dope, Inc.* contains the following report concerning the Cisneros interests:

"On July 20, 1984, the Venezuelan magazine, *Resumen*, reported on a story alleging that a member of Venezuela's Cisneros family, one of the country's most powerful monied families, was up to his neck in dope-money laundering in Florida. According to the story, taken wholly from left-wing journalist Penny Lernoux's book *In Banks We Trust*, Oswaldo Cisneros Fajardo had been associated with the World Finance Corporation, an international money laundromat. Caught in one scam too many, the WFC eventually collapsed, and its Cuban-American president, Guillermo Hernández Cartaya, landed in jail on lesser charges of income tax evasion. Details of the seamier side of the WFC operation—arms for drugs in the Caribbean, financial capabilities made available to the Castro government in Cuba—were included in the story. Interest was heightened by the fact that a Caracas newspaper, *Diario de Caracas*, had just printed a picture of Venezuela's President Lusinchi reading the Lernoux book with two of his advisers: The caption asserted that the readers were concentrating on the Cisneros links to the drug world.

"This provoked as much outrage as if *Newsweek* had accused David Rockefeller of laundering dirty money. The Organización Diego Cisneros, the Cisneros family holding company, published full-page advertisements in the Caracas press denying any connection to World Finance Corporation, Credival, or Mr. Hernández Cartaya. Oswaldo Cisneros, in an interview with *Resumen* magazine telling 'his side' of the story, admitted he had hired Hernández Cartaya in 1975 to reorganize the investment company, Inversiones Fenix, later renamed Credival, and that the two had jointly incorporated a subsidiary of the WFC in Caracas. But he insisted that that was the last of their business association and that he had no knowledge that Hernández Cartaya was involved in drugs or drug-money laundering.

". . . From the beginning, according to various accounts, WFC was a money laundromat. By 1977, it owned nine companies plus a bank in Miami, as well as subsidiaries in eight Ibero-American countries. A Panamanian subsidiary, Unibank, controlled outlets in the Netherlands Antilles,

Cayman Islands, London, the United Arab Emirates, and Texas. WFC's balance sheet, in the seven years of its existence, was more than \$500 million. A bad (and allegedly illegal) investment in the United Arab Emirates brought the group down in 1977, costing investors \$55 million. Cartaya fled the country using a phony Colombian passport. The collapse of the WFC revealed, upon investigation, that a 98%-owned subsidiary, the National Bank of South Florida, was involved in money-laundering, so-called insider loans, and sundry other abuses.

"But before any of this happened, the WFC obtained a \$2 million loan from the Moscow Narodny Bank in 1975. From the available evidence, Cartaya had done more than enough to earn it.

"WFC's network included the scum of the continent's financial underworld. The Colombian representative of WFC's Panama holding group, Unibank, was Jaime Mosquera, a Colombian banker jailed for fraud in 1982. Mosquera was a contact of Cartaya's since both worked for Citizens and Southern, Mosquera as C & S's representative in Bogota. One of WFC's first actions was to buy a small Colombian bank, Banco del Estado, and install Mosquera as chairman. In 1975, Unibank negotiated for a lead-managing role in a \$100 million loan to Colombia's state-owned agricultural institute, Idema, with the inside support of Mosquera's brother Christian, then Colombia's banking commissioner. According to testimony to a U.S. congressional committee investigating the WFC scam, Cartaya was also acting as a covert representative of the Cuban government, and sought to use the loan as an incentive for the López Michelsen government to cooperate with Cuba on the 'northern' drug routes.

"WFC's ties into major narcotics traffickers were extensive.

"Drug Enforcement Administration files record that one of Cartaya's closest associates was a narcotics wholesaler working with the Santos Trafficante mafia group. In any case, a finance company linked to Trafficante, Dominion Mortgage Corporation, listed its offices at the same address as Cartaya's WFC. The DEA also claimed that a WFC employee named Enrique 'Kaki' Argomaniz was a suspected drug- and gun-runner, and the brother of a known drug wholesaler, Alberto Argomaniz.

"Oswaldo Cisneros confirmed to Venezuela's *Resumen* magazine on Aug. 12, 1984, that he had worked with WFC's Cartaya, but insisted, 'I never knew, nor can I affirm that Cartaya has been tied' to the drug trade. According to his account, Cartaya and Cisneros did indeed jointly found a subsidiary of WFC in 1975-76; the relationship lasted a year, after which Cartaya's relationship with Inversiones Fenix ended, and nothing more allegedly was ever heard from them."<sup>2</sup>

**Manuel Ulloa**, the former prime minister of Peru, introduced economic policies which encouraged the staggering growth of Peruvian cocaine traffic, according to *Narcotrafico*

co, SA. While Ulloa's policies aided the dope traffic, his principal economic adviser, as a matter of public record, was Merrill Lynch. Ulloa lost a libel suit against the distributors of this book in Peru, the Anti-Drug Coalition, in 1985, and a Peruvian appeals court ruled in March 1986 that the book had, indeed, not been libelous in asserting that Ulloa's policies fostered the dope traffic in the Peruvian jungle.

The first ruling, on Oct. 17, 1985, which absolved the head of the Anti-Drug Coalition of all charges against him, gave de facto juridical legitimacy to the public's widely held but unspoken belief that Ulloa was "the Godfather" of the Peruvian dirty economy. Ulloa's appeal for a reversal of that ruling convinced no one, much less the Superior Court judges, who were forced to consider such pathetic arguments as Ulloa's claim that he could not be held responsible for the drug trade in Peru since it preceded his term in office!

The three judges who heard Ulloa's appeal concluded in March 1986:

"Having seen and heard the oral testimony and the arguments of the sentence which was appealed, and having considered that the spirit of the publications in question . . . is criticism of the economic policy which the plaintiff executed during his service as a public official, as a politician and as former prime minister of the post of economy and finances, and which is described as 'superliberal' . . . [and] whose policy permitted the proliferation not only of the drug trade, but also of bingo, finance companies, [and] real estate, which are interconnected and which make up the 'illicit economies.'"

Ulloa became prime minister in July 1980, and hired Donald Regan's Merrill Lynch as Peru's official adviser on the matter of developing the Peruvian jungle provinces—the center of the cocaine traffic. In 1982, Merrill Lynch published a study for "foreign investors" in cooperation with Ulloa's National Investment Commission.<sup>3</sup> The study was commissioned by Ulloa's right-hand man, Robert Danino.

*Latin America Newsletters* reported on Nov. 12, 1982, "Merrill Lynch, the New York brokers and financial consultants, have just produced an update on their survey of Peru for investors. The pamphlet, written in close collaboration with Conite (Comisión Nacional de Inversiones y Tecnologías Extranjeras), the ministry of economy and finance's investment promotion agency, provides valuable insights into how the Belaúnde administration has set about putting the economic nationalism of the military government into reverse. The policy has been to 'bend over backwards to attract foreign investment,' says a Lima investment consultant, as part of a general aim to liberalize the economy."

Ulloa's ties extend past Merrill Lynch itself, to Donald Regan's circle of business partners from the 1978 reorganization of the Eurobond market. Ulloa has been associated with Regan business partner George S. Moore for 30 years, since Ulloa was employed by **W. R. Grace and Company**, and Moore, then president of Citibank, was a director of Grace. Moore and Ulloa have remained friends through to

years' standing of the Cisneros group, which Moore advises.<sup>5</sup>

Ulloa's closest tie to international finance is through First Boston Corp. **Pedro-Pablo Kuczynski**, president of the First Boston subsidiary, **First Boston International**, served with Ulloa in two governments, and continues to meet with him frequently.<sup>6</sup> First Boston also works closely with the Cisneros group, the close associates of Ulloa and George Moore.

First Boston arranged the sale of Spain's largest department-store chain, *Galerias Preciadas*, to the Organización Diego Cisneros, in December 1985. The chain was part of the present.<sup>4</sup> Ulloa is also a friend and associate of many the bankrupt **Rumasa** group, and First Boston continues to manage the sale of all the group's assets. First Boston is also the investment banker to the Kingdom of Spain, in combination with Merrill Lynch. **Merrill Lynch Capital Markets**, the Merrill Lynch division formed to incorporate White Weld, jointly managed a \$225 million bond issue for the Kingdom of Spain on Aug. 26, 1985. In July 1985, Merrill Lynch and First Boston jointly managed a \$450 million commercial-paper issue for the Kingdom of Spain.

#### IV. Regan hands Treasury to the dope pushers

Donald Regan's 1978 deal between Merrill Lynch and *Crédit Suisse* set in motion a process by which the United States financial system has fallen to the mercy of dope traffickers and other sources of shady money. He presided over the virtual collapse of the American banking system during the Third World debt crisis of 1981-83, and its replacement by the so-called Eurobond market, a vehicle for the washing of international dirty money.

In 1981, when Donald Regan became U.S. treasury secretary, international bank lending reached a peak of \$500 billion. Most of this occurred through the banks' own off-shore operations, in a market subject to crisis. However, the banking system retained some link to national government policies, through the exercise of central banking measures. By 1985, international bank lending had fallen to less than \$80 billion. What replaced the banks was the Eurobond market, the sale of paper to faceless investors, usually hiding behind numbered Swiss bank accounts. From barely \$20 billion a year in 1981, the Eurobond market grew to \$140 billion at present rates. The International Monetary Fund described the situation in its *Survey* of March 31, 1986:

"An important feature of capital market activity in 1984-85 . . . was the increasing substitution of international bond and securities issues for syndicated bank loans. As a result of this substitution, lending through the international bond and securities markets reached record levels in 1984-1985. . . . To a large extent, the changes in banking activity in 1984-1985 reflect commercial banks' attempts to cope with a deterioration in domestic loan performance and with the difficulties of major developing country borrowers in servicing their external debt."

In plain English, the banks were in big trouble and stopped lending after 1982, when Mexico ran out of money. The U.S.

official who bears principal responsibility for the disaster in the banking system is then-Treasury Secretary Donald Regan. As the Mexico crisis broke, Regan went on a rampage against developing-nation borrowers at the September 1982 meeting of the International Monetary Fund. At his press conference on Sept. 5, 1982, the following exchange occurred with reporters:

**Q:** Mr. Regan, the nine largest banks in the U.S. have lent amounts surpassing 40% of their capital to Mexico. It is estimated that \$240 billion in debt must be financed this year. You have said the IMF will not be expanded. What is the alternative to the IMF? What will you do about the U.S. banks?

**A:** They'll get along just like any other banks. Take Poland. The Poles haven't paid their debt, but their bankers are getting along fine. They've had rescheduling and stretch-outs. These things can be handled. You don't get a default and total collapse of the banking system. We'd like to see the IMF handle it, but there are many other ways it can be done.

**Q:** But Mr. Secretary, Mexico cannot pay its debts.

**A:** Mexico has been over-ambitious. You have to cut your cloth to suit your pattern, and if the pattern is less revenue, you have to cut back. We've had to cut back. We don't have unlimited money. Others will have to do it, too. It's tough.

**Q:** But Mr. Secretary, what about the so-called "IMF riots?" Doesn't the IMF cause political instability?

**A:** Look, belt-tightening is something everyone has to go through, and it's up to the political leaders of these countries to explain that to their people.

As a result of the belt-tightening Regan demanded, the United States lost 2 million jobs that formerly produced exports to developing nations, the developing nations went into a tailspin, and the banking system ceased to function. The Treasury and Federal Reserve have managed to maintain only the legal fiction of banking solvency since then, and even that is now coming unglued.

The present situation, in which normal international banking functions have disappeared, and international dope money has replaced the regular flow of credit, is the immediate result of Donald Regan's actions in 1978 as head of Merrill Lynch, and his actions in 1981-85 as secretary of the treasury.

Merrill Lynch and its partner since 1978, Crédit Suisse, dominate the "Eurobond" market, a \$140 billion per annum market in which corporations and governments sell their paper to anonymous bank accounts. U.S. Federal Reserve officials acknowledge that narcotics traffic is a principal source of funds for this market. During the first half of 1985, more than two-thirds of America's \$120 billion-per-annum balance of payments deficit was funded by parties unknown. \$50 billion came in through so-called "errors and omissions," i.e., was not tracked by the government. Another \$35 billion came in from American corporate borrowings on the Eurobond market.

According to the House Select Committee on Narcotics Abuse and Control, the following amounts of illicit drugs will enter the United States during 1986:

Heroin	12 tons
Cocaine	150 tons
Marijuana	30,000 tons

Virtually no heroin or cocaine is produced in the United States, but a substantial amount of marijuana is. A conservative estimate is that domestic production would increase the House Committee's estimate by one-third, giving a total of 40,000 tons.

The street value of these drugs, using standard estimates for street value, can be calculated as follows:

	Total volume	Street price	Total value
Marijuana	40,000 tons	\$100/oz.	\$128 bn
Heroin	12 tons	\$5 million/kg	60 bn
Cocaine	150 tons	\$240/gram**	45 bn
Subtotal			\$233 bn
PCP	n.a.	n.a.	
"Uppers"	n.a.	n.a.	
"Downers"	n.a.	n.a.	
Hallucinogens	n.a.	n.a.	

\* Diluted to street-level purity of 4%

\*\* Diluted to street-level purity of 20%

Heroin, marijuana, and cocaine account for *potential* sales of \$233 billion. No accurate data are available for other drugs, which may be produced cheaply in domestic laboratories, or siphoned from the stream of otherwise-available prescription drugs. A rough estimate of the street value of all available narcotics is \$300 billion. Assuming that what accounts call "inventory shrinkage" reduces total sales by a considerable margin, we can estimate that total narcotics sales in the United States are somewhere between \$200 and \$250 billion. Worldwide narcotics traffic is in the range of \$500 billion or more.

American dope pushers funnel most of this money abroad, by depositing cash with cooperative firms such as Merrill Lynch or the Bank of Boston, or by loading cash into cardboard boxes and flying it out of the country. Then they use these funds to anonymously purchase Eurobonds, or other totally anonymous vehicles for dirty money.

The same offshore vehicles through which American corporations borrow by issuing Eurobonds launder a large portion of the world's dope money. In order to enable secretive Eurobond purchasers to avoid American taxes, U.S. corporations borrow through subsidiaries in the Netherlands Antilles, a semi-independent Dutch colony in the Caribbean. As early as April 12, 1983, the General Accounting Office of Congress told the House Government Operations Subcommittee on Commerce, Consumer and Monetary Affairs, that the Antilles were a haven for tax evasion and money laundering, and asked the Treasury Department to cancel Amer-

ica's tax treaty with the island. Treasury Secretary Donald Regan ignored the GAO report, and upheld the tax treaty with the Netherlands Antilles, thus protecting the dope-money-laundering empire he had been instrumental in creating in 1978.

Secretary Regan's defense of the Netherlands Antilles laundromat in 1983 permitted the island haven to become "the new hideaway" for dirty money, according to an April 7, 1986 *Forbes* magazine cover story. *Forbes* wrote:

"Both U.S. and Antillean officials publicly minimize the role of the semi-independent island chain in international money laundering, pointing instead to places like Panama and Hong Kong, where illicit cash first surfaces in bank deposits. From such places, the funds are often wired to their ultimate destinations via a front or shell corporation in the Antilles.

"In fact, even as Panama and Hong Kong continue to thrive, the one-time Dutch colony grows increasingly more important as a place where money can flow freely, not just for free-lance drug and arms smugglers but for everyone from dictators seeking to hide their plundered treasure, to the Croesus-rich kingpins of organized crime.

"Why the Netherlands Antilles? Two words—stability and secrecy—tell it all. Drug dealers aside, the Netherlands Antilles has long been a haven for U.S. businesses legitimately seeking lower tax rates on overseas earnings. Import-export agents, film distribution companies, independent oil companies, banks, and many other such firms have found doing business convenient and congenial. Even the copyright to *Rambo* resides in the Antilles.

"Now the money launderers have arrived, and, like the legitimate businesses before them, their spokes run everywhere, often intersecting with wholly above-board currency and capital transactions like those involved in the Eurobond business. In 1981, the only year for which figures are available, nearly \$1.4 billion in income, such as dividends, passed from the U.S. through the Netherlands Antilles, making the islands the largest recipient (albeit in intermediary role) of U.S. source income in the world. Historically, the bulk of the multi-billion-dollar Eurobond market has flown through the Antilles, although lately at a significantly reduced rate. Still, in that flood of money, much can be concealed."

In reality, both the Eurobond operations of U.S. corporations, and the front organizations for organized crime based in the Netherlands Antilles and elsewhere, provide a vehicle for *Dope, Inc.* to turn the profits of the \$500 billion per annum international dope traffic into seemingly legitimate investments in the United States.

The London *Financial Times* wrote on April 6, 1985, "The typical Eurobond purchaser is popularly seen as a corrupt Third-World government official with black money to salt away, or a Belgian dentist concealing his wealth from the tax man or from an estranged wife, or from both. This image, encouraged by the secrecy surrounding the bond-

holders, may contain a grain of truth. . . . Eurobonds are issued in bearer form. Your name will not be registered anywhere—considered an advantage by those seeking to evade tax," the account concludes, but also by those seeking to hide narcotics revenues.

During 1985, Crédit Suisse First Boston and Merrill Lynch were, respectively, the number-one and number-two underwriters on the Eurobond market. Crédit Suisse handled \$19 billion of Eurobonds, and Merrill Lynch handled \$8 billion. Between them, the two partners control one-seventh of the entire market. As noted, Merrill Lynch continues to operate in tandem with the Crédit Suisse First Boston combination, as in the case of Spain.

There is a revolving door between the overseas offices of Merrill Lynch and Crédit Suisse. On Jan. 23, 1984, ten top officers, including three board members, of Crédit Suisse First Boston's London offices shifted to Merrill Lynch's London offices. Merrill Lynch's old boss, Donald Regan, continues to use his power not merely to protect the Eurobond market, but to protect the dope-trafficking networks which fund this market in the first place.

The London *Economist* wrote on March 16, 1985, "In the Eurobond market, the bank which dominated underwriting last year (as it has for each of the past five years) was Crédit Suisse-First Boston (CSFB). As the name suggests, CSFB is a joint venture between the big Swiss bank Crédit Suisse and the American investment bank, First Boston. It was put together in 1977, principally to do business in the Euromarket. . . . CSFB's distribution network includes Clariden Bank, a wholly owned private bank in Switzerland, and First Boston, which distributes securities in New York. But its real strength is the connection with Crédit Suisse, which manages billions of dollars on behalf of rich investors, many of whom like to have their money tucked away in a safe haven and managed conservatively. A recent estimate suggested that as much of 80% of new Eurobond issues can end up in Switzerland."

As Treasury Secretary, Donald Regan presided over America's fall into dependency on faceless international hot money—and Merrill Lynch, along with its post-1978 partner Crédit Suisse, took the lion's share of commissions on this sellout.

Moreover, as the major American banks were becoming laundromats for drug money through the Eurobond market, Regan was helping to arrange for these drug banks takeover of all domestic U.S. banking, in a cartelization process begun by Citibank's brash invasion of the state of Maryland in March 1985. Behind the cartelization was a deal cut by Regan, the Treasury Department, Citibank's then head, Walter Wriston, his successor John Reed, and Chase Manhattan's Willard Butcher.

In 1983, at the height of the Mexican and Brazilian debt crises, then Treasury Secretary Regan convened a private

meeting with IMF Director Jacques de Larosière, Wriston, Butcher, and the top 10 U.S. bankers. A "secret compact" was drawn up, in which Citibank, Chase, and the commercial banks were each given regional "zones of expansion," fiefdoms in which, regardless of law or regulation, they would be allowed to expand and take over all banking activities. (Citibank and Chase drew the Eastern seaboard.)

In exchange, Regan got what he wanted for Merrill Lynch and its friends at White Weld, American Express, et al. The commercial banks agreed to give investment banks expanded powers to enter the banking business.

Regan's Treasury Department in the previous year had approved interstate bank cartelization when Comptroller C. Todd Conover announced that the megabanks could set up over 200 "non-bank banks" in a dozen states. These are normal banks except that they are not supposed to accept deposits. They do so anyway, under numerous loopholes. Washington sources winked at the Treasury Department's action: "There is nothing 'non' about non-bank banks. They are banks."

Thus, as savings and loan and regional banks head toward collapse, it has been arranged by Regan that the entire U.S. financial system will be gobbled up by Dope, Inc.'s megabanks.

## V. Regan sabotages drug enforcement

On Feb. 28, 1984, then-Treasury Secretary Regan was grilled by a congressional committee after he cut \$18.8 million out of drug enforcement funding, in order to increase his office renovation account by \$18.5 million. The funds Regan slashed from the Customs budget were earmarked for 14 radar surveillance planes, designed to locate and help interdict aircraft illegally carrying narcotics into the United States.

At the hearings, Rep. Glenn English (D-Okla.) stated, "What happened is, the Secretary of the Treasury got caught with his hand in the cookie jar trying to switch funds from the drug program into his office account."

Outraged congressmen attributed this to Regan's well-known self-absorption. But in the light of Merrill Lynch's role in money-laundering, and Donald Regan's personal role in fostering dope banking, there is reason to suspect a deeper motivation for this sabotage.

### Notes

<sup>1</sup>London *Economist*, April 22, 1978, p. 126.

<sup>2</sup>*Resumen* of Caracas, July 20, 1984.

<sup>3</sup>Latin America Regional Report: Andean Group, November 12, 1982, p. 3.

<sup>4</sup>Interview Dec. 4, 1985 with Spanish banker Ignacio Fierro. Fierro is an associate of Ulloa of 20 years' standing.

<sup>5</sup>*Ibid.*

<sup>6</sup>Interview with former president of Peruvian Banco Andino, Alvaro Meneses, Dec. 5, 1985.

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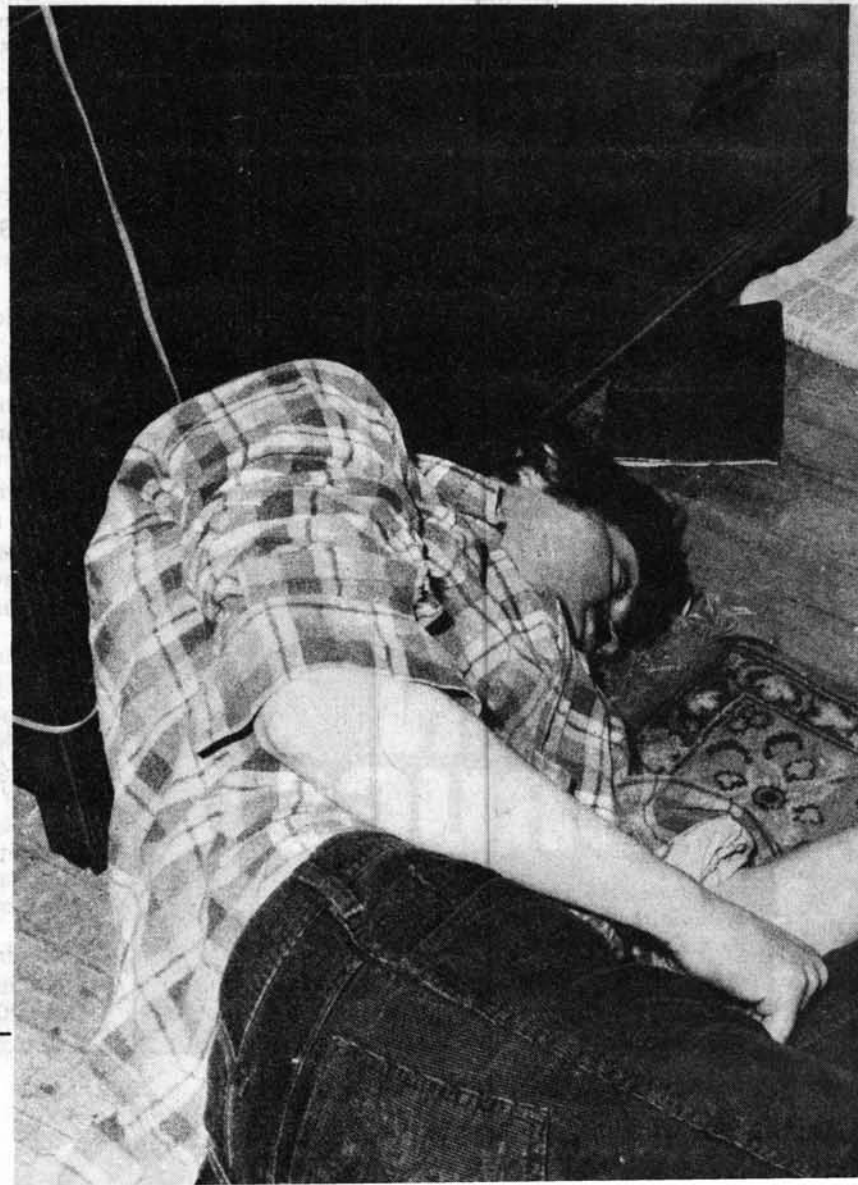
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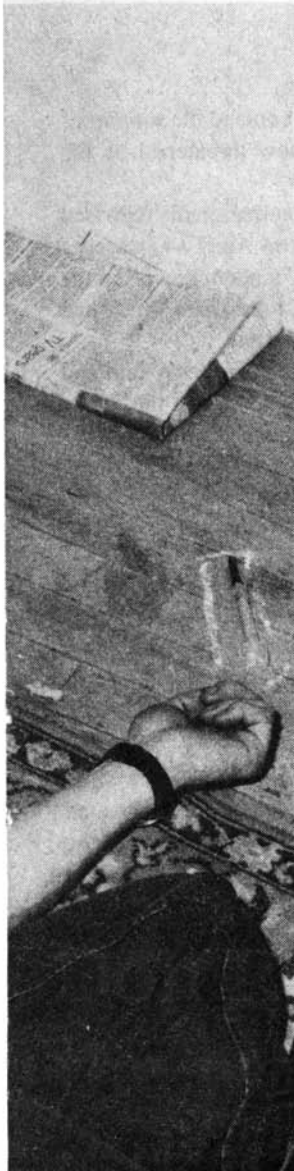
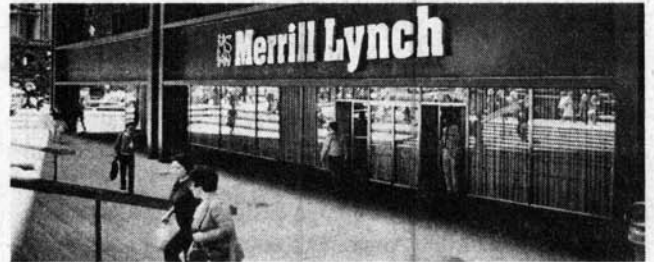
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# Don Regan and the world's dirtiest business

**The producers:** Left, top to bottom: (a) Opium growing in the Northwest Frontier Province of Pakistan, now under control of Soviet-run separatists. Processed into heroin, this opium earned billions of dollars for the "Pizza Connection," much of it laundered by Merrill Lynch. (b) South American peasants have been driven into cocaine cultivation by international banks' debt demands. (c) Cocaine refining lab in Caquetá, Colombia, part of the narco-terrorist business empire. (d) Rancho Búfalo in Chihuahua state, Mexico, the world's largest marijuana plantation, directed at the U.S.

market, raided in November 1984. **The consumers:** Bottom, center: a young Montreal heroin addict, dead of an overdose. Center, right: a drug lobby activist in New York City's "pot parade" in 1981. **The protectors:** Left above: Donald Regan, for 12 years chief executive of Merrill Lynch, the premiere Wall Street financial institution to open its doors to the dope mob. Top, right: Merrill Lynch which merged with Crédit Suisse (shown, its Zurich headquarters) and with White Weld. Bottom, left to right: William Weld, U.S. Attorney for Massachusetts, of the White Weld family, who let the Bank of Boston off with a slap-on-the-wrist for \$1.2 billion in money-laundering through Crédit Suisse; some Regan business associates: Pedro-Pablo Kuczynski of First Boston International, indicted in Peru in 1986 for illegal oil deals; Gustavo Cisneros of the Venezuelan Cisneros clan which has extensive ties to financial interests who launder money for the South American narcotics traffickers; Manuel Ulloa, former Peruvian prime minister, whose policies favored the growth of the illegal drug trade in Peru.



## Qaddafi's toppling will stop appeasers' 'New Yalta'

by Criton Zoakos

One of the principal objectives of President Reagan's decision to order the successful April 14 air raid against Muammar Qaddafi's terror headquarters in Libya, was to stop a Moscow-ordered terror campaign designed to lead to a withdrawal of the 330,000 American troops in Europe. This projected withdrawal of U.S. troops has many overt and covert adherents both in the U.S. State Department and in Western Europe's foreign ministries—it is viewed as one of the most essential ingredients of the "New Yalta Deal," to reduce American power projection worldwide to "approximately 25% of its postwar extent," as Henry Kissinger had argued back in August 1982.

Decisions had been taken at the February 1986 Congress of the Soviet Communist Party, to launch, through Libyan and other surrogates, a sustained terror campaign throughout Europe against American and American-related targets. Even prior to the West Berlin La Belle discothèque bombing of April 5, many Western European and especially German newspapers had expressed serious concern that the combined pressure of terrorist attacks and artificially fanned anti-American propaganda, might soon force a withdrawal of American troops from Europe.

When British Prime Minister Margaret Thatcher defended her policy of providing crucial aid to the American raid against Qaddafi, she pointed out, quite forcefully, that it is the obligation of European governments to provide all the support needed for the protection of "330,000 United States troops who are on guard defending the liberties of Europe." West German Chancellor Helmut Kohl, in a series of public statements following the raid, repeated Thatcher's theme of

European governments' obligation to come to the support of the American presence in Europe, now threatened by the Moscow-orchestrated terror wave.

President Reagan himself, in his internationally televised address two hours after the air raid, on April 14, issued a strong warning against the "appeaser" tendencies within the West, to the effect that the war against terrorism which had just begun, is going to continue until the end.

The combined result of the successful military raid and the firm diplomatic and political offensive from the White House which accompanied the raid, has had a shocking effect, not only on the "mad dog of the Middle East," Colonel Qaddafi, but also on the entire coterie of "mad dog-lovers" among the appeasers' faction in Western diplomatic services.

### 'Mad dog' Qaddafi-lovers in the West

You will recall the pathetic Jimmy Carter, the brother of Libyan businessman Billy Carter. He was one of a large group, associated with David Rockefeller's Trilateral Commission, committed to a policy of bolstering up the Qaddafi regime. Qaddafi himself was elevated to power in 1969 by Kissinger, in a saga that would better be told some other time. The support and promotion of Qaddafi from a demented lieutenant of the Signal Corps, to chief troublemaker of the People's Jamahiriya of Libya, involved a significant portion of the U.S. intelligence community since the time that William Colby was director of the CIA. It will also be recalled that, during that time, most of Libya's economy was run by American businessmen: three-quarters of Libya's oil was pumped by Occidental Petroleum, Conoco, Marathon Oil,



and Amerada Hess. The names behind the companies were: Armand Hammer, Edgar Bronfman, and Max Fisher.

In Europe, the most prominent Qaddafi promoters are public figures with political signatures similar to those of Libyan businessman Billy Carter's brother Jimmy. These are to be found in the Italian foreign ministry of Giulio Andreotti, the West German foreign ministry of Hans-Dietrich Genscher, France's presidential palace, around the persons of adviser Regis Debray and Mrs. Danielle Mitterrand, the top ranks of the European Socialist International, and the entire Greek government of "Boston Brahmin" Prime Minister Andreas Papandreu, the Socialist darling of CIA Deputy Director for Clandestine Services Clair George.

Though it may not have been the initial precalculated intention of President Reagan, the most important victims of his impeccably executed strike against Qaddafi's terror headquarters, were the coterie of senior international diplomats both in the State Department and in other Western nations' foreign services—such as Andreotti and Genscher.

These Western backers of the Qaddafi regime had viewed their peculiar protégé as both a symbol and an important instrument of their policy of collaboration with, and appeasement of, Soviet expansionist policies. The imminent collapse of Qaddafi puts in jeopardy the entire program of Western appeasers which goes under the rubric of "New Yalta." It will be recalled that Muammar Qaddafi was put in power in September 1969, on the basis of a policy perspective of Henry Kissinger's, then National Security Adviser, who wished to transform Libya from a pro-Western country to one ruled by a "power-sharing" arrangement together with the Soviets. On the basis of Kissinger's delivery of Libya to Moscow, the broader policy of "détente," "arms control," and SALT agreements between East and West followed.

A dissection of the various international cliques controlling the Qaddafi regime has brought to light a very unique group of power-brokers spanning both East and West, which, among intelligence specialists, is nicknamed "The Trust." This "Trust" is now in jeopardy, as a result of the April 14 raid. Armand Hammer, Libya's premier businessman, best exemplifies the type of the high-powered multinational power-brokers; Italy's Venetian banking and insurance cartel was another of Qaddafi's principal supports; the French Socialist Party's bosses a third; and then, of course, the Russians and East Germans.

When Kissinger, in September 1969, altered the character of the Libyan state by introducing the Qaddafi regime, he was in fact fulfilling a Soviet request which dates back to the Potsdam Conference among Stalin, Churchill, and Truman. The matter is not unimportant, in light of the decisions that will have to be made in numerous capitals respecting the future of a post-Qaddafi Libya in the weeks ahead: The Russians in Potsdam proposed that Libya, then still an Italian colony, be divided into four allied zones—Russian, American, British, and French—and administered in more or less

the same way as Berlin. All Western allies objected, and the matter of Libya's status remained unresolved until 1951. From 1943 to 1951, the country was ruled by a British Provisional Military Administration in Cyrenaica and Tripolitania, and a French one in Fezzan. During 1948, there was a "Bevin-Sforza Plan," to divide Libya three ways: Cyrenaica to Britain, Tripolitania to Italy, Fezzan to France. Eventually, the United Nations General Assembly voted to create a Libyan state in its present form. The 1951-69 regime of King Idris al Sanussi followed a pro-Western policy.

When the King was overthrown by Qaddafi in 1969, the power-and-influence balance inside Libya eventually settled along the lines originally suggested by Stalin at Potsdam. It is this arrangement which is about to disintegrate, after the April 14 American action.

### **Toward the Tokyo summit**

If in the weeks ahead, the Qaddafi regime disintegrates, the dirty linen of the appeasers' factions in the major Western nations will be aired and washed in public. As the more astute among these latter-day Chamberlains have observed, their days are numbered. It is likely that this entire "parallel power structure," from Papandreu to Genscher, Andreotti, Debray, et al, which was brought into prominence and influence, and in some instances to full power, as a result of Kissinger's 1970s strategies, may soon be eclipsed in the aftermath of the Qaddafi regime's collapse.

Should this occur, the entire strategy of European "decoupling" from the United States, the "New Yalta" deal, is bound to begin coming apart. With this, the underpinnings of a disastrous United States long-term foreign policy which were established during the 1969-75 period will collapse, clearing the decks for a new, rational foreign policy. President Reagan has made it clear that, during the upcoming May 4-6 annual Economic Summit, the subject of a joint Western anti-terrorist plan will occupy the top of the agenda and will overshadow all other issues. If Reagan succeeds in rallying the leading Western countries behind an effective anti-terror strategy, he will have established a hegemonic anti-appeasement consensus in the West.

For those who profess to be "concerned," and "worried," that a strong U.S. stand against Qaddafi will "alienate" the European allies: If the rotten Qaddafi regime were to be put out of its misery before the Tokyo summit, Europe's response would be not only enthusiasm and relief, but also an awakened interest in kicking the appeasers out of office. When Margaret Thatcher took her courageous stand, she received a whopping 325-206 vote of approval from Parliament, despite the impotent howls of Neil Kinnock and his likes—the largest margin of vote for Thatcher since Lord Carrington's Foreign Office mafia tried to "watergate" her out of office two months ago. If Reagan topples Qaddafi, the foreign ministry appeasers will be talking themselves out of employment.

# Beginning of the end for Qaddafi

by an EIR Special Correspondent

In less than 20 minutes, five terrorist training and planning centers were destroyed by the combined deployment of 18 F-111 fighter-bombers and some 14 A-6 and A-7 bombers in the air over Libya. As reports accumulated, 48 to 72 hours after the raid, it became clear that the U.S. strikes on April 15 had scored direct hits where intended, and resulted in a minimum of civilian casualties. Beside the military airports at Benghazi and Tripoli, where some 20 MiG-23 fighters and TU-22 transport planes were destroyed, the most important targets were the terrorist training base of Sidi Billal near Tripoli's naval academy, the Jomhuriya military base near Benghazi, and Qaddafi's personal headquarters at the Al Aziziah barracks in Tripoli's suburbs.

One other crucial target was a building standing amid the diplomatic residential areas of Tripoli and the French, Japanese, and other embassies. According to a report in the April 17 London *Times*, the building was demolished. This report, later confirmed, put an end to earlier debate on the effectiveness of the American raid. Most observers, unaware that this building even existed, thought that the target of the American raid was the security-police headquarters several hundred meters away, and lost no time in denouncing the U.S. bombers' lack of accuracy and unnecessary civilian damage. In fact, this little known, nearly anonymous building in the diplomatic quarter, intelligence services had ascertained, harbored terrorists planning sessions by such figures as Abu Nidal, Ahmed Jibril of the Popular Front for the Liberation of Palestine, and countless others. They may not have been inside at the time, but some of their essential communications infrastructures was destroyed. With that hit alone, the American raid was a success.

Though the *Coral Sea* and *America* aircraft carriers had their own bombers, reliance on their capabilities alone would have prevented simultaneous strikes in Tripoli and Benghazi and would have required two or perhaps three strikes at different times, endangering the American task force and the accuracy of its strikes. In the event, only one F-111 was actually lost, and it can be stated with certainty that most of the damage done to civilian buildings in Tripoli was caused by the uncontrolled firing of Libyan anti-aircraft missiles showering down on the city.

True, Muammar Qaddafi was not killed in the raid. There

was little chance that the paranoid ruler, always, and rightly, afraid of assassination, would be staying in his barracks. Even if he were, these are not ordinary buildings, but a Hitler-like underground bunker built to resist even nuclear attack. It does say something about Qaddafi that he had clearly left his quarters to seek protection from the American attack elsewhere—but left his entire family behind. His adopted daughter died, his sons were wounded.

Qaddafi was taught a severe lesson, and as events unfolded, the need to go further until his final death or overthrow became more than obvious. As expected, Syria and Iran were quick to come to Libya's moral support. Libya's new foreign minister, Khalid al Mansour, who had arrived in Teheran on April 14, on April 15 organized a tripartite meeting with Iran's Ali Akhbar Velayati and Syria's Farouk Sharar. A communiqué, released after 24 hours of heated debate, called on all "Arab and Islamic nations to break diplomatic and economic relations with the United States [and] end any cooperation with American-connected military, economic, and political institutions." The resolution was taken to mean that Libya, Iran, and Syria will stop all their clandestine efforts to buy American weapons.

## Where are Libya's friends?

Libya's call to Syria and Algeria to deploy their air forces against NATO targets in the southern Mediterranean, was a dead letter, of course, as was Tripoli's urgent request for a meeting of the "Defense Council of the Arab League." Arab League Secretary-General Chadli Klibi was then in Brussels, and took his time returning to Tunis. The Arab Defense Council, a gathering of defense and foreign ministers which has not met for more than six years, is not expected to convene now. Instead, an Arab League ambassadors' conference is expected to issue a meaningless denunciation of the United States.

Indeed, while most Arab and Third World news agencies carried obligatory denunciations of the United States, precise statements attributable to governments have been hard to come by. An example is Algeria, which, of course, denounced the raid, but also firmly denounced international terrorism—not the kind of statement Qaddafi was after. Egypt expressed "concern." Tunisia remained silent, as did most African countries with the exception of South Africa and Chad, which supported the raid. Chad proudly announced that it would "support anyone who is committed to getting rid of Qaddafi." Chad, at war with Libyan-backed rebels, was only expressing feelings quietly shared by many others. No tears were shed in Saudi Arabia, where an emergency cabinet meeting convened on April 16—and released no statement! Libya's friends could be counted on the fingers of one hand.

Qaddafi's closest friends were the terrorists, and political organizations whose friendship can be measured by the amount

of financial support they receive from Libya. Abu Nidal, Ahmed Jibril, Abu Musa, and others of lesser stature as murderers, expressed outrage, and began worrying about their bank-accounts.

Most worried was Sadiq al Mahdi of Sudan, whose party, al Umma, had just won an election with heavy Libyan financing. He immediately organized several tens of thousands to demonstrate against the United States in Khartoum—demonstrations which served as a cover for deployment of a Libyan hit team to shoot an American diplomat there on April 16.

Demonstrations and rallies in several Arab and European capitals were sponsored by the organizations that attended the "World Guerrilla Conference" in Tripoli from March 14 to 18. Several acts of terrorism unfolded. Intelligence sources pointed out, however, that these were not the result of the April 15 raid, but the earlier, March 25 confrontation in the Gulf of Sidra. Qaddafi had given the green light to his teams to act at that time; two to three weeks later, they were operational.

Most of the more serious terrorist plans were aborted. Early in April, Libyan teams plotted the assassination of the U.S. ambassador in Paris; others plotted massacres at the U.S. consulates in Paris and Lyon. On April 16, two Tunisians were arrested in Istanbul. They were plotting the assassination of the U.S. consul. Bomb alerts spread in all capitals. U.S. military authorities in West Germany imposed a 1200 to 0500-hour curfew in military and civilian quarters in at least three cities.

Then, on April 17, three British hostages in Lebanon were executed by the "Arab Revolutionary Cells," the same organization which had plotted the April 2 bombing of a TWA flight with Mei Elias Mansour of the Syrian National Socialist Party. Under her maiden-name of Mei Shahadeh, she was a leading participant in the April 1985 Arab People's Congress in Libya.

### **Beginning of the end**

The American raid was a turning point. A military rebellion erupted inside Libya. Clearly, Washington's intervention was welcome by at least part of the army and the population. As it happened, Qaddafi's East German guards stepped in in his defense. For the moment, he retains power, but the myth of his invulnerability is destroyed. The army, frequently the scapegoat for Qaddafi's domestic failures, now knows that it has friends abroad, whereas before, the U.S. State Department itself could be counted on to protect Qaddafi.

As sporadic fighting continued on April 17 and 18, it grew increasingly clear that this is the beginning of the end for the mad Libyan. This mutiny may be quelled, but there will be others—and in the end, no one associated the 17 years of Qaddafi's reign will survive. West of the Iron Curtain, that is very good news.

## **Weinberger reassures U.S. allies in Asia**

by Linda de Hoyos

It is unlikely that U.S. Defense Secretary Caspar Weinberger's five-nation trip to Asia April 2-14 fully restored the United States in the eyes of its Asian allies as a reliable protector against the Soviet Union, but it did begin that process. In South Korea, Japan, the Philippines, and Thailand, Secretary Weinberger was unequivocal in his declarations of U.S. support for their governments and military. This assurance was all the more urgent, given the fact that, although most Asian allies went on record as supporting the Feb. 22-25 overthrow of Philippines President Ferdinand Marcos, privately the leadership of these nations sees the U.S.-orchestrated coup against Marcos as the United States stabbing a long-time friend in the back. The message coming out of Manila to U.S. allies in the region was: Don't count on the United States—don't trust the U.S.A.

Weinberger left for Asia shortly after the Pentagon's release of its *Soviet Military Power 1986*, which incorporated in its analysis significant features of the June 1985 *EIR Special Report*, "Global Showdown." Particularly in the Far East, the Soviets have engaged in a massive military buildup, concentrating on 1) the South China Sea area, adding the building of a base at Kompong Son in Kampuchea to the Soviet bases already established at Danang and Cam Ranh Bay in Vietnam; 2) expansion of the Soviet fleet and a buildup of Soviet bases and forces on the four Kurile islands directly north of Japan; and 3) cultivation of North Korea, with its 800,000-man armed forces, as an asset in the region under Moscow hegemony.

Whereas the so-called Reagan doctrine—better called "Shultz doctrine"—ignores this strategic reality in its bid to foment a "wave of democracy"—Weinberger indicated that the security of American allies—not their ordering of internal affairs—was his priority.

Weinberger lost no time in setting the tone for his trip, with his first stop in South Korea. There is no comparison between the situation in the Philippines and that in the Republic of Korea, Weinberger said in his Seoul press conference April 3, in a direct counter to Korean opposition leaders who claim that the "spring winds" of the February revolution in the Philippines are "blowing northward to South Korea." The statement also challenges the State Department, which has encouraged the opposition in its drive for direct presiden-

tial elections and overthrow of the Chun Doo Hwan government.

Weinberger told the press corps that, in contrast to the Philippines, South Korea has a stable economy, faces a direct military threat from North Korea backed by the Soviet Union, and is already taking steps for greater democracy in the country.

When asked about the human-rights record in South Korea, the U.S. defense secretary replied: "I am not very good at any discussion of anything that involves the internal affairs of the Republic of Korea."

Weinberger's mission to Seoul was to investigate how best the United States can support the South Korean military under conditions of growing tensions on the peninsula. Weinberger reported: "[The] Soviet Union's assistance to North Korea is increasing . . . providing them with very sophisticated modern systems that require the United States, South Korean, and combined forces to increase their defense and deterrent capability."

He participated in the annual security talks between the two allies, stating, "It is particularly important that the signals we send from this meeting will enhance the deterrence and enable us to keep peace." The resulting communiqué officially reversed the policy toward South Korea of the Carter administration, which was preparing to withdraw the 40,000 U.S. troops from South Korea and had dropped South Korea from the U.S. nuclear umbrella. The communiqué affirmed: "United States is to render prompt and effective assistance to repel any armed attack against the Republic of Korea in accordance with the Mutual Defense Treaty of 1954."

The communiqué further specified that additional Stinger and Redeye ground-to-air missiles would be deployed in South Korea, and the early warning system of the country improved, especially given that North Korea has moved 65% of its armed forces to a forward position. It also confirmed that the joint military exercises, such as the annual Team Spirit '86 maneuvers, will continue—despite violent North Korean protests—and that stockpiles of military equipment should be augmented.

### **Japan and strategic defense**

In Japan, Weinberger praised Japan's efforts to increase its military strength. In a speech to the National Press Club, Weinberger reported that the Soviets have installed nuclear-capable missiles on the four Kurile islands that the Soviets seized after World War II. Aides said he was referring to Scud missiles with a 180-mile range capable of hitting deep into Hokkaido, Japan's northern most island. The Soviets, in fact, have a war plan for the takeover of Hokkaido, which would give the Soviet fleet a break-out capability from Vladivostok.

Weinberger's other objective was to secure Japanese commitment to participate in the Strategic Defense Initiative. While Prime Minister Nakasone has stated that he believes the SDI is crucial to Japan's security, other factions are not

as eager for participation.

In his National Press Club speech, Weinberger explained that the United States abandoned strategic defense in the late 1960s, but Moscow kept up its efforts in that field. "Now we are exerting ourselves to secure a thoroughly reliable defense against the Soviets' nuclear missiles," he said. Calls for compromise on the SDI with the Soviets, he said, amount to an appeal to give the Soviet Union a monopoly on strategic defense—"and that we will not do." On the view that the West should reduce its defenses in order to reassure Moscow, Weinberger replied: "One must wonder what real military threat Moscow faces here in Asia," he said. Moscow has built a "clearly offensive arsenal" in the Pacific, Weinberger said. Japan and the United States must maintain the defense momentum of the 1980s, "because if we do and only if we do, the combination of better technology, better spirit, our superior access to the Pacific Basin, and our devotion to freedom should keep the Soviets at bay."

But no sooner had Weinberger left Tokyo, than Undersecretary of Defense Richard Perle, along with Undersecretary of State for Security Assistance, Science and Technology William Schneider, arrived in Japan, to undercut Weinberger's efforts. To Japanese queries on whether the United States has a long-term strategic commitment to the SDI, or whether the program will be stopped in 1988, Perle replied that he could not answer that question. This agnostic approach will reduce Japanese commitment to a mere commercial deal—without the required strategic commitment between allies.

Going next to Manila, Weinberger affirmed American support for the Philippines military reforms and indicated that the United States would be increasing its security assistance to the islands. The Philippines military is vastly under-equipped and undertrained, with a military budget that has been cut by 30% in the last two years' austerity regimen imposed by the International Monetary Fund. Weinberger's top priority in this visit was to gauge the Aquino government's commitment to the U.S. bases at Clark Field and Subic Bay, and also to ascertain exactly what the Armed Forces require in order to effectively combat the guerrilla New People's Army.

In Thailand, the Defense Secretary reaffirmed the U.S. commitment to this long-time friend, which played a crucial aiding role during the Vietnam War. The United States is considering giving Thailand an arms stockpile, for use in case of aggression, a provision made only for South Korea and West Germany.

In Thailand, Weinberger received the Soviet reply to his trip. A bomb exploded outside of a hotel only an hour and a half before Weinberger was scheduled to arrive with Prime Minister Prem Tinsulanond. Although Thai authorities say the bomb was aimed at embarrassing Prem and was an internal matter, police admitted the bombing had been claimed by a Mideast-linked grouping. Qaddafi's Libya funnels funds to Islamic groups in Thailand.

# Will Indonesia be next Asian domino to fall to State Dept. subversion?

by Sophie Tanapura

President Reagan will travel to Bali, Indonesia, at the end of April, on his way to the seven-nation summit in Tokyo, to consult with the six heads of state of the Association of Southeast Nations (ASEAN). In November 1983, Reagan, on advice from his State Department advisers, canceled a scheduled trip to Indonesia, Thailand, and the Philippines—the signal for a U.S. policy of “malign neglect” toward these countries that reached its malevolent peak with the Feb. 25 overthrow of the Philippines government.

Now the international press is depicting Indonesia as the next Southeast Asian domino to fall to the forces of “democracy.” But unlike John Foster Dulles’s domino theory of the 1950s and 1960s, the subversives of the 1980s are getting most of their aid, not from extremist Chinese communists, but the extremists in striped pants at the American State Department and their New York-based financial colleagues.

The appointment of Paul Wolfowitz as ambassador to Indonesia, fresh from his post as assistant secretary of state for far eastern and pacific affairs where he directed the destabilization of the Philippines, leaves little doubt that Indonesia will not be spared the Marcos treatment. The Australian *Sydney Morning Herald*, in an article also carried in the *New York Times* and *Washington Post*, wrote April 10 that “corruption is the Achilles heel” of the regime of President Suharto, claiming that Suharto has bestowed great wealth and company assets to his wife, family, and close friends and associates.

The Indonesia government has no illusions that “destabilization” is the real content of such articles. Minister of Science and Technology Dr. B. J. Habibie canceled an upcoming visit to Australia, in protest of the *Sydney Herald* article. Australian Foreign Minister Bill Hayden replied that his government is not responsible for what the Australian press says, but this had no credibility in Jakarta, where relations with the Australian government have been historically cool and where it is understood that such articles reflect operations of the Australian intelligence services.

Aside from the British-Socialist International, Indonesia is also facing increasing threats of destabilization from Islamic extremist networks linked to Khomeini’s Iran. On Jan. 2, several Iranian diplomats were expelled from Indonesia on

charges of illegal activities related to supporting Islamic extremists. More interestingly, sources report that Paul Wolfowitz, in his many trips to Indonesia over the past two years, has established “good contacts” with the full spectrum of Islamic leaders, including those who favor the transformation of the secular state of Indonesia into an Islamic theocracy modeled on Iran.

The destabilization efforts also reach into the military. This year retired General Dharsono was convicted and sentenced to 10 years in prison for his role in the September 1984 Tanjung Priok Islamic riots.

The collapse of oil prices from \$26 to \$12 a barrel, combined with the international monetary crisis, has had a far more devastating effect on Indonesia. With 70% of its foreign-exchange earnings derived from oil exports, Indonesia has suffered staggering income losses. President Suharto, conscious of the crucial role of economic development for the well-being of Indonesia and stability of his government, has been forced to cut development spending by 22%. Nearly one-third of the total government budget is going to repayments on debt, which has increased by 18.7% in the last year.

## What’s at stake in Indonesia?

Following a strict policy of non-alignment, Indonesia does not play host to any U.S. military bases but remains, nonetheless, one of America’s most important allies and friends in Asia. Lying as a great bridge between the Pacific and Indian Oceans, Indonesia forms an archipelago of over 13,000 islands. Stretching from east to west for 3,300 miles, Indonesia commands the Malacca, Sunda, and Lombok Straits through which all east-west traffic in the Pacific must pass. With its population of over 160 million, Indonesia is the fifth-largest nation in the world. Its eastern islands were an important field of battle for Gen. Douglas MacArthur’s liberation of the Philippines and the defeat of Japan. Its resources of oil, timber, spices, and minerals made it the coveted colonial possession of the Netherlands for nearly 300 years, and in 1941 those same resources were the prize that drew the Japanese imperial army and navy into war. These same economic and strategic attributes make it also a potential coveted prize for the Soviet Union.

Its most important resource for the United States, however, is its leadership's deep commitment to industrial development on the model of Japan and the United States. This commitment is strengthened by a fierce nationalism born of the fact that its leaders fought and won a long and bitter revolution at the close of World War II to gain their country's independence from their Dutch colonizers in 1949. It is also strengthened by the knowledge that despite its long colonial experience, Indonesia, particularly the densely populated island of Java, had been the seat of an empire and culture which in the 15th century commanded much of the South China Sea and stretched across the Indian Ocean to as far as Madagascar on the east coast of Africa.

The nearly two decades of President Suharto's rule has brought about impressive 7-9% rates of real economic growth. Following decades as one of the largest rice importers on the international market, Indonesia is now rice self-sufficient. Bulog, the government foodstuffs logistics board, has built up a 1.5 billion-ton reserve, thanks to President Suharto's decision to establish an Indonesian fertilizer industry while maintaining low input and credit prices for Indonesia's farmers.

### State Department targets Suharto

President Suharto's and his circle's commitment to industrialization and its many strategic and economic attributes has made it a target of the International Monetary Fund, the international financial community, and the Eastern Establishment policy circles of the United States. Their control of Indonesia's \$27 billion foreign debt as well as oil, the country's major resource and foreign-exchange earner, is their chief concern.

Wolfowitz has been chosen as point man for the State Department's plan to pressure and manipulate Indonesia through direct political intervention. The forces to be used against President Suharto include:

- *Fundamentalist Islamic networks.* These groups receive direct support from Iran and Libya. They have gained considerable strength in the cities, where unemployment is now high. The government has attempted to channel Islamic dissidence with its own Islamic organizations, which last year were forced to pledge allegiance to the government ideology, Pancasila, which acknowledges the existence of one God and otherwise affirms Indonesia's existence as a secular state. However, the collapse of the economy in the last two years has produced an undercurrent of despair, feeding the rise of Islamic fundamentalism.

- *Key individuals linked to the old Indonesian Socialist Party* and the Socialist International and others who were the footmen for various destabilizations in the 1950s and 1960s directed from the offices of Averell Harriman, McGeorge Bundy, and the coterie of American policymakers responsible for the disasters of the Vietnam War. Many of these Indonesia dissenters, which include retired high-ranking mil-

itary officers, have gathered in what is called the "Petition of 50" group. It is so named after a petition and report submitted to President Suharto's government claiming that the government itself was responsible for an Islamic riot at the port of Tanjung Priok in September of 1984. H. R. Dharsono, a retired general and former secretary general of ASEAN, was sentenced to 10 years imprisonment last January along with Muslim preacher A. M. Fatwa, who was sentenced to 18 years imprisonment, for their role in hurling such charges at the government.

Paul Wolfowitz has traveled to Indonesia many times in the past, and according to sources, maintains excellent contacts with Islamic circles as well as the "Petition of 50" group. His graduation from Cornell University's Southeast Asia program in 1965 would have put him in contact with the Ford Foundation-backed Cornell Indonesia Project. This is not insignificant for Wolfowitz's role now, considering that the program is led by George Kahin, a McGeorge Bundy associate who became a leading anti-Vietnam War activist. Kahin and his Communist Party-linked protégé, Prof. Benedict Anderson, are responsible for the most sophisticated and thorough profiling of Indonesia's leadership. Both men are considered *persona non grata* in Indonesia.

Contributing to this destabilization is the perceived withdrawal of the United States from its commitments in the Pacific basin with the Philippines debacle. The U.S. orchestrated coup against President Marcos and the fast-paced disintegration of the Aquino government has exposed U.S. unreliability as an ally. This fact propels Indonesia to come to an accommodation with the Soviet Union and the People's Republic of China. The Soviet Union is currently developing large naval and air-force facilities in Vietnam and Cambodia, bringing Soviet military capabilities into the South China Sea. These capabilities are impossible for an underdeveloped country such as Indonesia to counter.

The People's Republic of China presents a potential strategic problem. China exercises a lot of influence over the overseas Chinese community of Southeast Asia, which holds a commanding influence over the local economies. Foreign Minister Mochter Kusumaatmadja recently told a seminar of Indonesia officials that he hoped the United States could restrain China from fulfilling its "negative ambitions" in Southeast Asia. Referring to the 1965 Indonesian Communist Party coup attempt which is said to have been backed by China, the foreign minister said: "We are concerned about what China could do after it achieved its modernization goals, because Indonesia has had a bad experience with the People's Republic of China." Out of concern for China's and the Soviet Union's potentially destabilizing role in the region, Indonesia has moved diplomatically to solve the Kampuchea conflict, by opening closer links with Vietnam. Both Foreign Minister Mochtar and Gen. Benny Murdani, the armed forces chief and close adviser to President Suharto, have visited Hanoi in the past year.

# French refusal to give U.S. overflight rights weakens Chirac government

by Philip Golub

The new French government's unfortunate decision to deny the United States the use of French airspace to carry out the punitive bombing raid of April 14 against Libyan terrorist training camps has created an unexpected strain in U.S.-French relations. The dyarchical French executive was informed of the United States' intent and request at the latest on April 12, and its decision to deny was presumably taken at the latest on the next day.

Security and intelligence-related cooperation between France and the United States was in the process of being upgraded before the raid, the French refusal, and the resulting strain. Anti-terrorist intelligence cooperation had been intensified, leading to the preventive arrest and expulsion of two Libyan "diplomats" and four North African and Arab accomplices who were planning a grenade and explosives attack on the U.S. consular office in Paris. This cooperation was referred to by President Reagan in his speech immediately following the bombing raid in Washington. Moreover, perspectives were being opened of greatly increased military and political cooperation in other areas, such as Africa and the Levant. As a result, however, of the mid-April events it is probable that much of this will be, albeit temporarily, put into question. Chirac now faces growing internal opposition coming from within those in his own ranks who warmly supported both the U.S. raid and a generally tougher anti-terrorist stance.

Leading military and anti-terrorist circles in France blame the French decision on the dual power situation which resulted from the recent March legislative elections. They are privately expressing their frustration and anger at the indecisiveness of the new government. In fact, there are two separate executive centers in France, one in the presidential palace under Socialist President François Mitterrand, the other around new Premier Jacques Chirac. This entirely novel constitutional and political situation under the Fifth Republic has forced both the President and the premier to compromise with each other on certain vital issues and in the administration of policy. While Chirac has been granted a virtual blank check to act on the internal security situation and has full powers to purge the police and engage in effective internal

anti-terror actions—this aspect of policy is led by Interior Minister Pasqua and Security Minister Pandraud—the reverse is true in the domain of both foreign affairs and, especially, defense affairs.

Constitutionally the President is both head of the Armed Forces and solely responsible for engaging France's military forces in war. Foreign intelligence information is now sent to both the presidential palace and the prime minister's office, and Mitterrand has the right to convoke any functionary he likes at any time, and still has oversight and decision rights over all secret and diplomatic aspects of foreign affairs. The narrowness of the victory of Chirac and his allies on March 16 has exacerbated their dependence on this power-sharing arrangement.

## A history of appeasement

Over the past three years Mitterrand has persistently tried to accommodate or appease Libya's Colonel Qaddafi. In November 1984, Mitterrand scheduled an ill-fated meeting

### Giscard: 'I approve the U.S. action'

In the National Parliament on April 16, former French President Valéry Giscard d'Estaing endorsed the American bombing raid on Libya. Giscard declared, "I approve the U.S. action in Libya, which is justified by the repeated acts of aggression by Libya against the populations of Western democratic countries. In periods of tension ignited by acts of international terrorism, the West must above all demonstrate full solidarity. I would like to repeat that France was forced to intervene in Kolwezi to face up to a destabilization effort directed against Zaire, and that some of our troops were flown from Corsica and Zaire by American planes."

with Qaddafi in Crete to find a negotiated settlement with Libya over Chad. The French President proposed a mutual withdrawal of forces which had been committed to Chad in 1983. In 1983, the Islamic Legion of Qaddafi swarmed southward from the Aouzou strip in Northern Chad down toward the Chadian capital N'jamena.

Under intense pressure from other francophone black African regimes and his own military to act, Mitterrand committed French forces to defend the capital but rejected his own military command's suggestion to bomb out the Libyan armored columns and inflict a stinging defeat on Qaddafi. He contented himself with the worst solution, of fixed military positions. Following the Crete "summit," the Libyan regime immediately broke all of its verbal agreements with Mitterrand. France withdrew its troops, Qaddafi did not. Quite the contrary, he intensified troop presence, which has now reached 6,000, and used the intervening time to build up logistics for his air force and armored troops. Most recently, renewed Libyan-backed aggression against the Chadian government of Hissene Habre forced France to redeploy its forces once again in an operation code named "Epervier." Finally, in 1985, Mitterrand appointed the architect of his rapprochement with Libya, Eric Rouleau, ambassador to Tunisia, a move which was very badly received in Tunis.

Hence, it came as no surprise that Mitterrand would veto U.S. overflight requests. No one in the U.S. government seriously thought otherwise. Gen. Vernon Walters said as much on national American television on April 17. However, the question remains as to why the Chirac government, while powerless to change such a decision, did not distance itself clearly from Mitterrand. Chirac's representatives have made

repeated public and private statements representing a fundamental shift in policies toward Northern Africa, Africa, and the United States. There are two levels of explanations to this:

The first is that the government requires a few more months to implement the new electoral laws required to shift the balance of power in the country. In effect, an open and major conflict between Mitterrand and Chirac so early in the new situation could have led to parliamentary and governmental anarchy.

The second, which in no way contradicts, but rather supplements the first explanation, is that the traditional "Arabist lobby" within the diplomatic and foreign office apparatus of Chirac's RPR party still retains much influence and has never demonstrated any eagerness to fight Libya's leadership, any more than Syria's or Iran's. Nor have they ever been close to the policies followed by President Reagan. There are thus factions within the ruling coalition itself on strategic matters.

The French hostages in Lebanon only aggravate this dilemma. In time Chirac will have to clarify his own position which has been carefully balanced over the past days. This clarification becomes all the more urgent for the premier, who is truly concerned about international terrorism.

His Giscardian allies are very strongly supporting the U.S. action. Former President Valéry Giscard d'Estaing on April 16 warmly endorsed the U.S. raid (see box), as did Jean Lecanuet, president of the UDF, the other party in Chirac's majority coalition. Latest developments indicate that this shift is already occurring: Interior Minister Pasqua and Chirac intimate Toubon have both made statements in the direction of an endorsement of the U.S. action.

## How to finish off Colonel Qaddafi

On March 1, 1986, *EIR*'s European bureaus published a Special Report entitled, "Moscow's Terrorist Satrapy: The case study of Qaddafi's Libya." The report is based on the conviction that the world cannot tolerate Muammar Qaddafi and his regime.

To quote from the introduction: "The present report has several interlinked purposes: to provide the general public, as well as specialists, with the data necessary to understand the Qaddafi phenomenon, and to unveil the extensive network of his protectors, in the East as well as in the West.

"The report is an indictment of the Qaddafi regime and its accomplices, and if this proves to be the last report *EIR* is obliged to publish on this case, we will have succeeded in our aims."

Contents include:

- Libya and Qaddafi today. Includes the not-so-mys-

terious biography of the colonel, a profile of resistance to him, and charts of Libya's command structure, government, and military.

- The privileged relations between Libya and Moscow. How the Libyans came to be Moscow's "pet Muslims"; the East German connection; and a chronology of Libyan-Soviet relations since 1945.

- The Nazi-Communists behind Qaddafi. Including Swiss Nazi banker François Genoud, and the "left" terror outfits of Abu Nidal and "Carlos."

- Qaddafi's European friends. Sections on France, West Germany, and Italy detail Libya's links to the separatist gangs and the Green Party, but also the pro-Libyan lobby in business and government establishments. A chart shows Western Europe reliance on Libyan oil imports.

- The case of Armand Hammer, American oil billionaire, and perhaps the oldest living Soviet agent; his massive Libyan oil holdings; his connection to Israel.

The 75-page report, already in its second printing, is available for \$100. It can be ordered by writing to: Qaddafi Report, *EIR* News Service, P.O. Box 17390, Washington, D.C. 20041-0390.



## Benazir's return: What is U.S. role?

by Susan Maitra

A prominent Indian foreign policy commentator reported on return from a visit to Pakistan recently, that "informed" persons in that country, including notably American diplomats, believe that the political career of Pakistani President Zia ul-Haq is coming to a close.

The overwhelming popular response that Benazir Bhutto received since her return to Lahore from exile in Britain on April 10, would seem to lend credibility to such prognostications. Miss Bhutto inherited the leadership of the Pakistan People's Party (PPP), the most popular political party in the country, when her father, who founded the party and brought it to power in 1972, was overthrown and judicially murdered by Zia ul-Haq.

Upwards of half a million people thronged the airport at Lahore when she arrived; subsequent party meetings and rallies have been the largest political demonstrations since martial law was lifted last Dec. 31.

Emphasizing that she will not launch a "frontal attack" on the Zia-Junejo government, and renouncing violence on the part of her party, Benazir has, however, called on the party-less civilian government to hold new elections on a party basis immediately. After today's demonstration of strength by the PPP, she said at her homecoming, General Zia should follow the lead of ousted Philippines President Ferdinand Marcos, and resign.

General Zia has stated that elections will not be held until 1990, as required by the new constitution. Prime Minister Junejo has meanwhile insisted that no curb will be placed on Benazir's political tours or on any lawful political activity. However, Benazir has to also contend with a deeply fragmented party, and open suspicion by its left wing over her American connections.

Before her return, Benazir paid a widely publicized visit (and not the first) to the United States, where she met with Senators Edward Kennedy (D-Mass.) and Clayborn Pell (D-R.I.) and reportedly lunched with Rep. Stephen Solarz (D-N.Y.), chairman of the House Foreign Relations Subcommittee on Asia. PPP sources in London emphasized the significance of the latter meeting in light of Solarz's role in the ouster of President Marcos.

Benazir, according to Voice of America, has said that the purpose of her American visit was to inform the U.S. Congress of the human-rights situation in Pakistan in view of the

upcoming vote on the new \$4.2 billion Pakistan aid package, and to thank the State Department for arranging her release from house arrest last year. While in Washington, Benazir stated she was "greatly encouraged" by the U.S. role in removing dictators in Haiti and the Philippines.

Some circles in India and Pakistan are asking pointed questions. "Has Benazir Bhutto decided that no one can come to power in a Third World country without U.S. clearance?" is one of the queries making the rounds, according to the Lahore leftist weekly *Viewpoint*. The PPP reaction to the Libya crisis was cautious, these circles point out, in not opting for an immediate public demonstration. Further, they note, at the PPP-dominated rallies on Pakistan National Day, no reference was made to the visit of the U.S. Seventh Fleet to Karachi.

There are dark rumors of "various assurances" given to the United States by Benazir, according to reports in *Nawa-i-Waqt*. Some say that in expressing her support for a political settlement to the Afghan crisis, Benazir mentioned only withdrawal of Soviet troops and return of the refugees, and not guarantees of non-interference.

The State Department has always made it clear that it backs "the government of Pakistan" as distinct from General Zia, thus keeping its options open for a better bet. Benazir's own care in touching the relevant American, Saudi, and Soviet bases before returning to Pakistan has given weight to her claim to power.

Mistrust over the U.S. role in Benazir's strategy intersects a critical divide within the PPP, highlighted a year ago when leading party members opted to join separatist forces to launch the Sind/Baluch/Pakhtoon Liberation Front for provincial autonomy.

Punjab, where the PPP has its strongest base, has historically dominated Pakistan's military and federal machinery. PPP founder Bhutto, a Sindh, was careful to keep this domination intact. The deep and justified resentment in other provinces has, however, fed separatist currents that have by now gathered decisive force. It was these forces that wrecked the 1983 protests of the Movement for the Restoration of Democracy.

In India, Benazir's condemnation of Pakistan meddling in the troubles in the Indian state of Punjab—they forget that half of "Khalistan," the proposed independent Sikh state, is in Pakistan and that Lahore will be its capital, she said recently—has been well received. Likewise, her priority in improving relations with India. It is perhaps a moot point whether India's decision to take offense at a routine Pakistani verbal provocation and abruptly stall the normalization process undertaken with General Zia was taken on the assumption of a change in the offing.

But there is little doubt that the new promise advertised for a settlement in Afghanistan—Pakistani Foreign Minister Yaqub Khan recently claimed in Delhi that only one final point remained to be pinned down—is a sign of the Zia's regime's effort to keep one step ahead of the game.

# Why the 'Theolibbers' fear the Pope's synagogue visit

by Criton Zoakos

There is more to Pope John Paul II's historic visit to Rome's Central Synagogue than most persons who know, are willing to admit. The obscene protests against the visit by Archbishop Lefebvre's cult and by the oligarchical Tradition, Family, Property (TFP) organization, are merely the proverbial tip of the iceberg. The Pope's historic gesture of conciliation with the Jewish faith strikes at the heart of the Christian's religion's most ancient enemy, those imperial family interests which, from 313 A.D. onward, have striven to coopt, subvert, and take over the Christian Church. The poison of anti-Semitism was introduced into Christian life at the time when the leading imperial families of the Roman Empire decided to give legal status to Christianity, during the reign of Emperor Constantine.

Anti-Semitism was then promoted by Roman Imperial agencies, in the form of a doctrine of "collective guilt" of the Jewish people, whom they falsely blamed for the crucifixion of Christ—in order to exonerate the Roman Imperial authorities, namely Emperor Tiberius and his son-in-law Pontius Pilate, both of whom acted to crucify Christ on orders from the priesthood of the oriental Mithra cult, to which Emperor Tiberius was devoted.

The ancient documents of the "Jewish collective guilt" fraud which circulated during the fourth century A.D. were imperial forgeries and, as such, were excluded from the collection of the *New Testament* by the Church Fathers. These documents exist to this day, and, during the last 20 years, serious efforts have been made by circles associated with the "Theology of Liberation" movement, to consider them legitimate and, eventually, include them in the *New Testament*. This project is associated with both the Episcopal Church of England, and the notorious "Nag Hammadi Manuscripts" project at the University of Southern California, which was initiated by the C. G. Jung Foundation.

The original Imperial Edict which legalized Christianity, explained clearly that legalization depended on the Christians' displaying loyalty to the regime which executed Christ. The edict's final sentence was as follows: "*Therefore, in view of this our clemency, they are duty bound to beseech their own god for our security, and that of the state and of themselves, in order that in every way the state may be preserved*

*in health and they may be able to live free from anxiety in their own homes.*"

At the same time, numerous imperial theologians, beginning with Eusebius, the so-called historian of the Church and a quasi-overt Arian, developed the theory that the establishment of the Roman Empire was an act of Divine Providence, based on the argument that God, before sending his Son to unify the world spiritually, wanted to unify it politically, and for this purpose chose the Roman Empire as the instrument of His Will.

At the same time, the official doctrine of anti-Semitism was promulgated as an essential element of Imperial policy. Central role in this matter is occupied by the so-called letters of Pontius Pilate to Tiberius, of Herod to Pontius Pilate.

## Syriac MSS of the British Museum

Certain fake documents of the British Museum, translated and given currency by Archbishop of Canterbury Wake, attempt to establish the "collective guilt" of the Jewish people, in order to exonerate, in the eyes of the Christian subjects of the Roman Empire, Tiberius, Pilate, and all Roman Imperial authorities, of any guilt in the matter of Jesus Christ's crucifixion. In fact, we know that during that period, strenuous efforts were made to declare Pontius Pilate a saint of the Church. Tertullian certainly, in his *Apologia contra Gentes*, treats Pilate as a saint. To this day, the Ethiopian Coptic Christian calendar celebrates June 25 as the day of veneration for "Pilate and his wife Procla."

Following is the text of the "Paradosis of Pilate," as translated from the Syriac MSS by Archbishop Wake (emphasis is added):

"Now when the letters came to the city of the Romans and were read to Caesar with no few standing there, they were all terrified, because, through the transgression of Pilate, the darkness and the earthquake had happened to all the world. And Caesar, being filled with anger, sent soldiers and commanded that Pilate should be brought as a prisoner.

"And when he was brought to the city of the Romans, and Caesar heard that he was come, he sat in the temple of the gods, above all the senate, and with all the army, and with all the multitude of his power, and commanded that



NSIPS/Jeffrey Steinberg

Pontius Pilate condemns Christ. Ducco c. 1280

Pilate should stand in the entrance. And Caesar said to him, Most impious one, when thou sawest so great signs done by that man, why didst thou dare to do thus? By daring to do an evil deed thou hast ruined all the world.

“And Pilate said, King and Autocrat, I am not guilty of these things, *but it is the multitude of the Jews who are precipitate and guilty.* And Caesar said, And who are they? Pilate saith, Herod, Archelaus, Philip, Annas and Caiaphas, and all the multitude of the Jews. Caesar saith, For what cause didst thou execute their purpose? And Pilate said, *Their nation is seditious and insubordinate, and not submissive to thy power.* And Caesar said, When they delivered him to thee thou oughtest to have made him secure and sent him to me, and not consented to them to crucify such a man, who was just and wrought such great and good miracles, as thou saidst in thy report. For by such miracles Jesus was manifested to be the Christ, the King of the Jews.

“And when Caesar said this and himself named the name of Christ, all the multitude of the gods fell down together, and became like dust where Caesar sat with the senate. And all the people that stood near Caesar were filled with trembling because of the utterance of the word and the fall of their gods, and being seized with fear they all went away, every man to his house, wondering at what had happened. And Caesar commanded Pilate to be safely kept, that he might know the truth about Jesus.

“And on the morrow when Caesar sat in the capitol with all the senate, he undertook to question Pilate again. And Caesar said, Say the truth, most impious one, for through thy impious deed which thou didst commit against Jesus, even here the doing of thy evil works were manifested, in that the gods were brought to ruin. Say then, who is he that was crucified, for his name hath destroyed all the gods? Pilate said, And verily his records are true; for even I myself was convinced by his works that he was greater than all the gods whom we venerate. And Caesar said, For what cause then

didst thou perpetrate against him such daring and doing, not being ignorant of him, or assuredly designing some mischief to my government? And Pilate said, *I did it because of the transgression and sedition of the lawless and ungodly Jews.*

“And Caesar was filled with anger, and held a council with all his senate and officers, and ordered a decree to be written against the Jews thus:

“To Licianus who holdeth the first place in the East Country. Greeting:

*“I have been informed of the audacity perpetrated very recently by the Jews inhabiting Jerusalem and their cities round about, and their lawless doing, how they compelled Pilate to crucify a certain god called Jesus, through which great transgression of theirs the world was darkened and drawn into ruin. Determine therefore, with a body of soldiers, to go to them there at once and proclaim their subjection to bondage by this decree. By obeying and proceeding against them, and scattering them abroad in all nations, enslave them, and by driving their nation from all Judea as soon as possible show, wherever this hath not yet appeared, that they are full of evil.”*

“And when this decree came into the East Country, Licianus obeyed, through fear of the decree, and laid waste all the nation of the Jews, and caused those that were left in Judea to go into slavery with them that were scattered among the Gentiles, that it might be known by Caesar that these things had been done by Licianus against the Jews in the East Country, and to please him.

“And again Caesar resolved to have Pilate questioned, and commanded a captain, Albius by name, to cut off Pilate’s head, saying, As he laid hands upon the just man, that is called Christ, he also shall fall in like manner, and find no deliverance.

“And when Pilate came to the place he prayed in silence, saying, O Lord, destroy not me with the wicked Hebrews, for I should not have laid hands upon thee, but for the nation of lawless Jews, because they provoked sedition against me: but thou knowest that I did it in ignorance. Destroy me not, therefore, for this my sin, nor be mindful of the evil that is in me, O Lord, and in thy servant Procla who standeth with me in this the hour of my death, whom thou taughtest to prophesy that thou must be nailed to the cross. Do not punish her too in my sin, but forgive us, and number us in the portion of thy just ones. And behold, when Pilate had finished his prayer there came a voice from heaven, saying, All generations and the families of the Gentiles shall call thee blessed, because under thee were fulfilled all these things that were spoken by the prophets concerning me; and thou thyself must appear as my witness at my second coming, when I shall judge the twelve tribes of Israel, and them that have not confessed my name. And the Prefect cut off the head of Pilate, and behold an angel of the Lord received it. And when his wife Procla saw the angel coming and receiving his head, she also, being filled with joy, forthwith gave up the ghost, and was buried with her husband.”

## The Pope at the Synagogue

*John Paul evokes the common roots of Jews and Christians in the injunction of Genesis to subdue the Earth.*

On Sunday, April 13, John Paul II went to the Synagogue of Rome and celebrated, together with the Chief Rabbi of Rome, Elio Toaff, a solemn religious ceremony. It was the first time that a Pope had crossed the threshold of a synagogue. After an affectionate embrace, greeted by long and hearty applause by the assembled crowd, the Pope and Rabbi Toaff went up to the altar, the Tevah, and gave their speeches.

First, the president of the Israelite Community of Rome, Giacomo Saban, recounted the history of the Roman Jewish community. His speech was not without a critical accent, in particular toward Pius XII, for his "alleged" failure to speak out against the extermination of the Jews during World War II. Rabbi Toaff was very conciliatory, speaking of "common roots" between the two great religions.

Then came the speech by the Pope, who addressed the Jews as "our beloved brothers and, in a certain sense, one could say our older brothers."

John Paul II condemned the persecution of the Jews. "Any pretended theological justification for discriminatory measures, or worse yet, persecution, is unfounded. . . . The consideration of centuries-long cultural conditioning could not prevent recognition of the fact that acts of discrimination, of unjustified limits on religious freedom, of oppression even on the level of civil liberties, toward the Jews, are objectively, seriously deplorable manifestations." Further,

"I would like once more to express outrage over the genocide decreed during the last war against the Jewish people, which led to the holocaust of millions of innocent victims."

Explaining the meaning of the visit of the highest Catholic authority to a Jewish temple, the Pope stressed that the two religions' common roots should be sought: "Today's visit," he said, "is intended to make a decisive contribution to consolidating good relations between our two communities, so that old prejudices may be overcome and space created for the fuller and fuller recognition of the 'tie' and the 'common spiritual heritage' which exist between Jews and Christians."

Ecumenical collaboration between the two religions is required by the present situation, the Pope said: "There is the moral problem, the great way of individual and social ethics. We are all aware of how acute the crisis is at this point of time in which we live. In a society which has often strayed into agnosticism and individualism, Jews and Christians are the repository and witnesses of an ethic laid out in the Ten Commandments, in whose observance man finds his truth and freedom."

Just as the apostle Peter and the great Jewish thinker Philo of Alexandria joined forces to defeat the evil Gnostic practices spread by Simon Magus in Rome right after the death of Christ, today the Pope proposes collaboration between the two great religions joined in the Old Testament and repositories of the teaching of

Genesis which enjoins men to grow and multiply, fill the earth and subdue it. "We want to recall above all," the Pope said, "a collaboration in favor of mankind, of his life from conception until natural death, his dignity, his freedom, his rights, his self-development in a society which is not hostile, but friendly and favorable, where justice reigns, and where, in this nation, on the continents, and throughout the world, peace may rule, the *shalom* invoked by the lawgivers, the prophets and the sages of Israel."

The reactions of those present were enthusiastic. The Pope was interrupted seven times by applause. Many people had tears of emotion on their faces. It is perhaps too early to draw conclusions from this important religious event; commentators limited themselves to describe in luxuriant detail the solemn choreography of the encounter in the Synagogue. It is clear that the key to the reading of this event falls into the philosophical and epistemological sphere. Are we looking at a new ecumenical design, in the tradition of the Christian humanism developed by the great Cardinal Nicolaus of Cusa?

Will the meeting between all religions convened by the Pope for Oct. 27 in Assisi be a step in this great ecumenical project? One thing is clear: The frenetic activities of the friends of the pro-Marxist "Theology of Liberation" to turn the Assisi meeting into an encounter between "pacifists" on the model of the mass meetings run by the Russian Orthodox Church, seems to be a futile waste of breath. The Pope sent a message of invitation to the Muslims and Hindus during his trip to India, and to the Jews in his Synagogue visit, in which the influence of the Theology of Liberation—at least, of the kind linked to the Russian Orthodox Church—is non-existent.

## A power to reckon with

*Colombia's oligarchs are more afraid of an ex-President Betancur than they are of the man still in power.*

Many articles have been appearing in the Colombian press of late, nervously commenting on the prospects of a Colombian President who, probably for the first time in decades, will be leaving the presidency more popular than when he came in.

Come Aug. 7, Belisario Betancur will leave office carrying with him the backing of the three most important pillars of Colombian political society. His unequivocally strong stand against the M-19 narco-terrorists who stormed the Justice Palace last November won him the admiration of the armed forces, despite the barrage of opposition press which claimed Betancur was "soft on communism." His decision last year to name veteran trade-union leader Jorge Carrillo to the post of labor minister—a first in Colombian history—captured the labor movement as well.

And, of course, the Catholic Church has been with the President all along. The Pope's visit to Colombia in July can only strengthen Betancur on that front.

All that is enough to give the country's drug-tainted oligarchs nightmares, for anxious as they've been for the departure of the unpredictable maverick Betancur, they are beginning to realize that he may prove more dangerous to them on the outside—especially as the traditional Liberal and Conservative Parties are universally viewed as the stomping ground of the cocaine mob. At least, that's what their media mouthpieces are suggesting.

Exemplary is columnist María Jimena Dussan, who predicts in *El Es-*

*pectador* of April 15, "President Belisario Betancur, as ex-President, will be a stunning political phenomenon from the very start. . . ." Not only will Betancur's successor be forced to consult with him, says Jimena Dussan, but Betancur's return to the political battlefield "will produce tremors of unpredictable political consequences." It is well known that Betancur is a long-standing enemy of the current Conservative Party presidential candidate Alvaro Gómez, as well as of former Liberal Party President López Michelsen, the mafia-linked "puppet-master" behind the front-running Liberal candidate, Virgilio Barco.

Jimena Dussan concludes with the warning, "If Betancur leaves the [presidential] Palace of Nariño with the prestige inherent to all those who leave that charge, he will enter the gallery of former Presidents with an aura that his most recent predecessors Turbay Ayala or López Michelsen would envy."

It is no surprise, therefore, that López has done his best to discredit Betancur's presidential accomplishments, starting with the regional negotiating body for peace in Central America known as Contadora. López sneered in a March 6 speech that "the farther a country from the center of events . . . the more enthusiastic [it is] about the Contadora group. In Australia, Contadora is highly popular because no one knows where El Salvador is, nor Nicaragua, nor Colombia, nor anything."

López continued, "There is the Organization of American States, which has been laid aside by the Contadora group, although it is an institution of nearly 100 years of existence. . . . There exists a court of justice, a series of procedures sponsored by the United Nations. Why have we abandoned institutions like these to place ourselves in the hands of improvised presidential groups which are here today and gone tomorrow, and have no institutional nature?"

López has also tried to turn the military against Betancur by raising the spectre of a Nicaraguan invasion of disputed Colombian territory while simultaneously accusing Betancur of "lawyering" for the Sandinistas because of his stand against U.S. aid to the contras. Declared López, Betancur should "put his own house in order" before trying to "solve Central America's problems for it [and] turn us into lawyers for Nicaragua."

A close associate of López's, Colombian Attorney-General Carlos Jiménez Gómez, launched his attack from a slightly different angle. Earlier in April he opened an investigation of Justice Minister Enrique Parejo González—Betancur's anti-drug representative in government—for alleged complicity in the March 19 escape from jail of top drug mafioso Matta Ballesteros. Jiménez also leaked to the press a report from his office implying a government coverup of mishandling of last November's Justice Palace siege.

Betancur's enemies have help from abroad as well. The international edition of *Newsweek* on April 21 lies openly that "the military is already breathing heavily down the neck of the civilian government of President Belisario Betancur. . . . In Bogota these days conservatives have begun quietly to discuss the prospects for a military coup."

# International Intelligence

## Attack 'appeasement' by Euro foreign ministers

The foreign ministers of Italy and West Germany are coming under stiff criticism for their failure to support the U.S. military strike against Libya.

The Italian daily *Corriere della Sera* on April 17 blasted the policy of Foreign Minister Giulio Andreotti as "appeasement at all costs." Qaddafi's terrorism, the article said, is a "war" carried out against the West; the "brain" of the terrorists is not in Libya or Syria, but in the Soviet Union, whose aim is "decoupling Europe from the U.S.A."

"If Europe continues on this road it is doomed to Finlandization," the article concludes, calling instead for a strengthening of the Atlantic Alliance.

On the same day, the conservative West German newspaper *Bayernkurier*, associated with Christian Social Union leader Franz Josef Strauss, hailed the speech by Chancellor Helmut Kohl in support of the U.S. moves, commenting that he only spoke so clearly because of the "lucky accident" that Foreign Minister Hans-Dietrich Genscher "was not available as co-formulator of the official government declaration." The foreign ministry does not want to admit the role of the Libyan dictator in running terrorism, the newspaper charged.

## State attorney denounces slander of Zepp-LaRouche

In a hearing in Paris on April 17, the French state prosecutor recommended to the court that the newsweekly *L'Express* be condemned for "deliberate slander and defamation" of Helga Zepp-LaRouche.

Mrs. LaRouche is the national chairman of the European Labor Party (Europäische Arbeiterpartei—EAP) in West Germany, and the founder of the Schiller Institute. She is married to U.S. presidential candidate Lyndon LaRouche.

The *L'Express* article, devoted to the

issue of East bloc subversion of Western intelligence agencies, introduced Mrs. LaRouche's name, falsely claiming that she had been born in the German Democratic Republic (East Germany), and claiming that unidentified Western intelligence agencies "believe" that the EAP is infiltrated by Eastern intelligence services.

In fact, said Maire Jean Marc Varaud, Mrs. LaRouche's lawyer, she was born in Trier, a Rhine city near the French border, as *L'Express* could readily have ascertained. Varaud called for maximum penalty and damages against *L'Express*.

The French state prosecutor indicated his agreement with this argument, noting that "the *L'Express* article was on East German infiltration of Western services and the extensive damage done to them by such infiltration. This worried the United States to the point of considering cutting intelligence relations with West Germany for a time. Their claim, in the midst of this, that Mrs. LaRouche was born in the G.D.R., when put in this context, is slanderous and defamatory by insinuation. The unverifiable generality about Western secret service concern over the EAP and Mrs. LaRouche is also slanderous and defamatory. This implies that Mrs. LaRouche is wittingly acting against her country. This constitutes deliberate defamation and slander not only of Mrs. LaRouche, but the EAP leadership as a whole. The author is not in good faith. Had he been in good faith, he would have checked Mrs. LaRouche's birthplace."

A judgment on the case will be handed down within four weeks.

## AIFLD agents plan violence in Colombia

Colombian trade-union officials Victor Acosta, Tulio Cuevas, and Alfonso Vargas are engaged in a plot with elements of drug-runner Gilberto Rodriguez's organized crime grouping, to carry out harassment and violent actions against members and collaborators of the Schiller Institute's Ibero-American Trade Union Commission in Colombia, the Institute has charged.

*EIR's* investigations reveal that the plot is being carried out with the knowledge and consent of William Doherty, executive director of the American Institute for Free Labor Development (AIFLD), which receives funding from the U.S. State Department.

The three union officials are president, ex-president, and secretary-general, respectively, of the Workers' Union of Colombia (UTC), the country's largest trade-union confederation. All three are currently under investigation by the national labor ministry for suspected embezzlement of funds from the union treasury.

The Schiller Institute is an international cultural and foreign policy think-tank, which was founded on the initiative of Helga Zepp-LaRouche.

A spokesman for the Institute said that it will demand immediate U.S. congressional investigation of AIFLD's "collusion with known international drug-runners, and see to it that all U.S. government funding of AIFLD is halted at once."

## Social Democrats equate Qaddafi with U.S.A.

Leading officials of the West German Social Democratic Party placed an advertisement in all the leading German newspapers on April 18, calling for an end to "bombs," whether they come from Qaddafi's terrorists or from the U.S. military blow against those terrorists.

The ad, signed by top party officials Willy Brandt, Johannes Rau, and Hans-Jochen Vogel, was headlined: "Keep Peace—Stand Together for Reason and Prudence against Terror and Bombs."

The text says that after men, women, and children became victims of international terrorism, they then became victims of the American action against Libya. "A crisis against world peace escalates dangerously. . . . Many people in Europe are afraid that this new conflict also touches directly our security. . . ."

"Europe's ground is drenched with blood. We Europeans, we Germans, can say

therefore more clearly than others, that war-like confrontations solve no problems but lead more and more to destruction. Therefore, we want all citizens to sign our call and to resist those, who still see in terror, violence, and war a remedy of politics."

### **Secret German-U.S. SDI accord leaked to press**

The entire text of the secret agreement on the Strategic Defense Initiative, reached between Washington and Bonn on March 26, was published in a three-page spread by the Social Democratic-linked newspaper *Express* on April 18. The leak is intended by opponents of the SDI to sabotage the accord, which they say will damage the country's relations—including especially trade—with the East bloc.

The leak occurred the day after a stormy session of the Bundestag (parliament), in which parliamentarians from the opposition Social Democratic Party and the Greens, along with six members of the Free Democratic Party (which is part of the ruling coalition), demanded that the government publish the full text. Among those FDP members known to oppose the SDI accord is Foreign Minister Hans-Dietrich Genscher.

The demand was voted down by Chancellor Helmut Kohl's parliamentary majority.

The publisher of the newspaper, Alfred Neven du Mont, declared in a radio-interview April 18 that there is no doubt, that parts of the Bonn government itself had an extraordinary interest in publishing the secret contract.

### **Zaire says it will rejoin the OAU**

Zaire has agreed to rejoin the Organization of African Unity, which it left over a year ago in protest against the admission of the Saharan Arab Democratic Republic (S.A.D.R.—Western Sahara), a top official of Zaire's ruling party announced on April 12.

According to the Reuters news agency, Kithima Bin Ramazani, permanent secretary of the Central Committee of the Popular Movement for the Revolution (MPR), said that the move was in response to appeals from OAU chairman Abdou Diouf. But Ramazani said Zaire would only take its seat when the S.A.D.R. left its post as one of the body's vice-presidents at the end of its mandate. This could be at the OAU's next regular summit meeting in the summer.

Zaire is a supporter of Morocco, which claims the former Western Sahara as its territory. Morocco and Zaire left the Pan-African body in November 1984.

### **Bangkok Cathedral hosts Ibycus Orchestra concert**

The Assumption Cathedral in Bangkok, Thailand was filled to overflowing on April 12, for a concert of classical music performed by the Ibycus Orchestra of the Schiller Institute.

The concert featured vocal and orchestral works by Bach, Handel, Gounod, Schubert, and Mozart.

This is the second major performance by the orchestra, which was founded late last year and whose name is taken from the title of Friedrich Schiller's poem, "Die Kranische des Ibykus" ("The Cranes of Ibycus"). The aim of the group, which includes amateurs and music students as well as professionals, is to bring the greatest treasures of Western classical music to the nation of Thailand.

The only orchestra in Thailand which is not sponsored by the armed forces or the royal family, the Ibycus Orchestra was founded by Sophie Pachisawat Tanapura, *EIR's* Bangkok correspondent, along with her husband, Pakdee Tanapura, and Dr. Naron, director of the Bangkok School of Music.

The concert was organized by the Catholic Association of the cathedral, and was attended by Cardinal Mechai and the Papal Nuncio, the Vatican representative in the country.

## Briefly

● **ALL BUT ONE** of Philippines President Cory Aquino's 17 cabinet members and closest advisers are millionaires, according to information released by the Philippines government. Only presidential spokesman Saguisag failed to fall into this category.

● **PETER PETERSON**, former chairman of the Lehman Brothers, Kuhn Loeb investment bank, has been appointed special U.S. envoy to Israel to discuss the Marshall Plan for the Middle East proposed by Prime Minister Shimon Peres. Peterson's appointment was influenced by White House Chief of Staff Don Regan, according to sources, and is intended to prevent the plan from being realized.

● **U.S. FUNDING** for the U.N. Fund for Population Activities may be completely cut off, because of reports of forced abortions in China, U.N. representative in Peking Manfred Kulesa said on April 16. He said that his program had only contributed to contraceptive programs. Of the 1986 U.N. budget of \$140 million for family planning programs, the United States contributed about \$35 million.

● **PIZZA CONNECTION** goes on trial: The court of appeals in Lugano, Switzerland, has ruled to hand down jail terms of five years and six months for Vito Palazzolo, and four years for Franco della Torre, for their role in the "Pizza Connection" drug-trafficking operation.

● **'PANAMA'S** military, stung by allegations it is involved in drug trafficking, is cracking down on narcotics smugglers," UPI reports, in a departure from standard U.S. press attacks on the Panamanian Defense Forces. In the last month, the military has confiscated 300 kilos of cocaine, 230 barrels of a cocaine-processing chemical, and aided U.S. drug officials in an operation that snared another 330 kilos of cocaine.

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## High technology makes health care cheaper!

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*The first in a two-part series by Wolfgang Lillge, M.D., on the "cost effectiveness" of high-quality medical care.*

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The congressional Office of Technology Assessment argues, in recent studies quoted in the accompanying box, that "the increase in the use of new and existing medical technologies" is responsible for the increase in medical costs. The OTA is the voice of the environmentalist, anti-nuclear, anti-defense lobby in Washington. Its "experts" are avowedly Malthusian: Their "objective study" of what they claim to be the runaway cost of medical treatment, is a thinly disguised justification for a policy of euthanasia as a method of population control.

The OTA's argument is hideously simple. High-technology medical treatment has extended life expectancy; this, says the euthanasia lobby, is undesirable. Beneath their fallacious cover-story that high-quality medical care is too costly, lies their hidden assumption: Merely allowing the elderly to stay alive is too costly. We present here the first installment of a two-part report, which is intended to expose this Nazi lie. We will also investigate the enormous promise of modern medicine, even in the abysmal situation confronting physicians and researchers today, in which basic research is hugely underfunded.

Technological progress is the necessary foundation of any healthy economy. Without investment in new technology, not only does an economy stagnate, but it becomes unable to maintain its future survivability as the existing resource base is depleted. It is necessary for a viable economy to increase its potential for future increases in productivity. The same basic economic principle is true for health care. Every efficient new technology introduced into medical diagnostics and treatment will cheapen the overall costs in the long run.

Today it is necessary to invest heavily in providing rising levels of health care for the world's population, if we are not to experience a repeat of the plagues of the Dark Ages, and an accelerating downward spiral of diseases and uncontroll-

able epidemics. AIDs is only one case in point.

The logical consequence of the ideology of cost reduction in health care is euthanasia. At a certain point, the life of a human being becomes cheap, and individuals will fall under

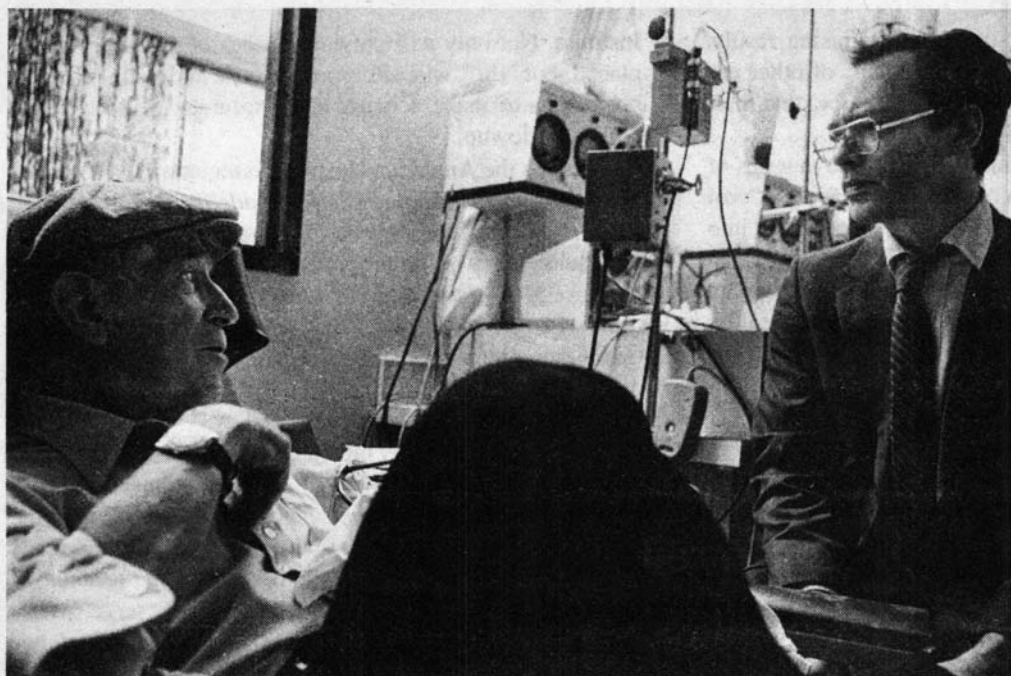
### OTA demands an end to 'costly' medical research

*The following is an excerpt from the Office of Technology Assessment's 1983 report, "Diagnosis Related Groups and the Medicare Program: Implications for Medical Technology":*

The increase in the cost of hospital care has been a persistent and growing problem for both the Medicare program and the general public for more than 15 years. A substantial portion of the increase in hospital costs has been attributed to an increase in the use of new and existing medical technologies. . . .

There are two general incentives inherent in any per-case payment system: 1) to reduce the cost to the hospital of each inpatient case stay, and 2) to increase the number of inpatient admissions. Cost per case can be reduced by using fewer technological services, including ancillary services, reducing the number of inpatient days, or both.





*The Office of Technology Assessment of the U.S. Congress maintains that one of the "constraints" which makes cost-cutting difficult, is the fact that physicians have "financial, ethical, and legal reasons to practice high-quality medicine." Here, a doctor visits with a renal dialysis patient in a New York City hospital.*

NSIPS/Carlos de Hoyos

the category of "useless eaters." Especially the elderly are considered to be only a financial burden for the health budget. Movements proposing "death with dignity," "living wills," etc., are the lobby for a euthanasia program which will decide

who shall live and who shall die, according to cost/benefit considerations.

In any instance, where research and high technology in health care have been combined to save the life of patients

This incentive may result in specialization among hospitals for services that require a minimum number of patients to maintain profitability. This specialization may imply lower access to care for some Medicare patients. There are built-in constraints of unknown magnitude on the possibility of adverse effects on access and quality. One constraint is the fact that physicians are the decision makers, and they continue to have financial, ethical, and legal reasons to practice high-quality medicine.

*The following OTA report, "Medicare's Prospective Payment System, Strategies for Evaluating Cost, Quality, and Medical Technology," was released in 1985:*

Twenty years ago, Congress made a major commitment to securing older Americans' access to acute medical care with the creation of Medicare. Subsequent legislation extended the Medicare program to disabled people and to victims of end-stage renal disease. Medicare has been an unquestioned success in reducing financial barriers to health care for its beneficiaries, but the program's costs have risen rapidly.

Medicare's payment methods have discouraged doctors, hospital managers, and patients from making cost-effective decisions regarding the use of medical technology. Retrospective cost-based hospital reimbursement was

particularly troublesome and, most would agree, inflationary.

Congress ended cost-based reimbursement for inpatient hospital care for Medicare beneficiaries with the creation of Medicare's prospective payment system (PPS) in 1983. The new hospital payment system has reversed the financial incentives away from the provision of more care for hospitalized patients to the provision of less care.

*Although the OTA claims that it does not issue policy statements, and pretends to an objective standard, the following, issued in September 1984, makes clear its position on reversing the trend toward high-technology medical care ("Health Technology Case Study 27: Nuclear Magnetic Resonance Imaging Technology, a Clinical, Industrial, and Policy Analysis"):*

Although State certificate-of-need (CON) programs were never specifically intended to constrain the diffusion of medical technology, they constitute one of the major policy mechanisms available to health planners for control over technology adoption. CON review of "need" may be based on numerous factors, including clinical use of technology, institutional characteristics, economic and financial effects, and population-based considerations [emphasis added].

(for example cancer patients), the most promising results have been obtained, giving hope to thousands of other patients suffering from presently incurable diseases, that their lives, too, could be saved or at least prolonged.

Human life is sacred and cannot be measured in terms of cost/benefit relations. The main reason we are facing a "cost explosion" in health care is the decreasing investments into medical research and new technologies, in an economy which is contracting. We have to return to a situation where we can afford a modern health care system for everyone, in a healthy economy which can sustain medical diagnostics and treatment.

### **What the future must hold**

What follows is a partial overview of health technologies which must be rapidly introduced. Most of these technologies are "spin-offs" from basic research efforts in biological or medical sciences, by NASA, the national laboratories, or universities. This basic research has to be expanded, too, to provide further breakthroughs in the future.

The use of Computer-Assisted Tomography (the CAT scan) and Nuclear Magnetic Resonance (NMR) devices has been attacked by members of the anti-life lobby, such as the congressional OTA. When a technology is limited in its application, its costs increase, for the same reason that a factory owner must continue to defray his overhead, even when he is forced to cut production. The application of these devices, along with laser applications to be discussed below, can ultimately lead to the virtual elimination of surgical operations. This will shorten hospital stays, and eliminate the need for costly post-operative treatment, as well as reducing the time lost to work. These techniques will become cheaper as, and only as, they are applied on a sufficiently wide basis.

Much surgery serves only a diagnostic function, which can now be replaced. In other cases, the same techniques now applied to diagnosis can be extended to treatment of conditions such as blocked arteries. Lasers are in use already, as a replacement for certain types of eye surgery. The development of technologies such as Nuclear Magnetic Resonance imaging will have the added benefit of reducing the amount of exposure of patients to x-rays.

### **Nuclear Magnetic Resonance**

Tremendous progress has been made recently to improve the imaging capabilities of NMR in the clinical setting. NMR is a diagnostic modality that uses magnetic and radio-frequency fields to image body tissue and monitor metabolic processes in the body non-invasively. It uses no ionizing radiation or contrast agents. Because of its high sensitivity and safety, it is becoming increasingly a replacement for some Computer Tomography (CT) procedures, as well as an array of invasive, often risky procedures such as myelography and angiography. "Ten years from now, NMR will have replaced 80% of what a hospital does in diagnosis," says Dr. Jerry Stolzenberg, chairman of radiology at Miami Heart

Institute. Not only will previous modes of diagnosis be replaced, but NMR will offer more precise and useful data for physicians to make a much more accurate decision about clinical followup.

But, as the American Hospital Association (AHA) notes in its *Hospital Technology Series Guideline Report: NMR—Issues for 1985 and Beyond*: "The rate of diffusion of this technology may not be proportional to its clinical superiority because NMR is reaching the health care marketplace at a time when the economic climate is volatile. The hospital that purchases prematurely without carefully weighing the options, risks and benefits associated with NMR could find itself in severe financial difficulties."

In fact, this is a fairly mild description of what, in reality, is a general policy on the part of the Malthusian budget-cutting ideologues to outlaw technologies like NMR from the "marketplace." In the case of NMR, this kind of thinking is particularly absurd, because the benefits of the technology are clearly established, despite the relatively large investments for such a machine. And the full potential of this technology is not yet fully developed.

By eliminating the need for many other examinations, biopsies, and exploratory surgical procedures, NMR could save significant amounts of money and substantially reduce risk and discomfort to the patient. For example, today contrast-enhanced CT and myelograms are used to diagnose tumors in the posterior fossa of the brain or on the spinal column. Abdominal aortic aneurysms often require angiography. Examining the prostate gland to determine the cause of an enlargement usually requires biopsy or exploratory surgery. NMR has already demonstrated its ability to minimize the need for some of these procedures or to displace them entirely, as well as to shorten the hospital stay usually associated with them.

In fact, the American Hospital Association report mentioned above identifies some 40 cost-saving applications, 19 of which are available now and would clearly save money if employed. Based on clinical experience with only 7 of the 19 currently available cost-saving applications, the AHA estimates that NMR should eliminate at least 20% of CT procedures applied to the head, 7.5% of those applied to the body, 28% of major vessel angiography, and 50% of kidney angiography. Furthermore, based on a conservative projection by the AHA, it is assumed that 1.8 million patients annually would need scans:

When followup procedures for these patients are included, the total number of scans becomes 2.9 million annually. A survey conducted by AHA with several leading NMR experts resulted in a model projecting that NMR will replace 34% of CT applications. The greatest area of impact on CT is projected to be for nervous system diseases (94% replacement), circulatory system diseases (75% replacement), and neoplasms (30% replacement).

Yet it is far from certain that NMR will find the general distribution it should have. One of the major obstacles is the

reimbursement policy of the insurance carriers. While more than 70% of the top 30 private insurance carriers now pay for NMR services, there is a very restricted reimbursement system for NMR procedures from Blue Cross/Blue Shield and the Health Care Financing Administration (HCFA). There is a general view among experts that the mounting pressure to contain cost will cause the insurance companies to be even more restrictive with NMR than they were with CT. As a consequence, many firms will shift their investment policy away from NMR, leaving the potential of this technology essentially untapped.

### Frontier applications of NMR

Cooperation with the National Aeronautics and Space Administration (NASA) has brought NMR technology to the verge of yet another breakthrough. Three years ago it was discovered that the computer that processes data from NASA's Landsat satellite could also be used in the NMR imaging process, because of the similarity of the two. This produces a sharper contrast, colored images, and an extension of potential applications. Researchers are confident that the linking of NMR to the Landsat facilities will produce three-dimensional reconstructions of any part of the body, viewed from any angle, or even from inside the body.

The next step which has to be developed is another special capability of NMR, called Nuclear Magnetic Resonance spectroscopy. This is the extension of the imaging of the body by spin resonance patterns detected in the hydrogen atom, to the wide array of atoms found in the organic chemicals of the body. This will allow metabolic processes to be imaged. NMR spectroscopy is a non-invasive technique for measuring biochemical changes in tissue that signal the onset of disease, long before other symptoms appear. If it succeeds, it could eventually replace invasive biopsy, and give us totally new insights into the metabolism of tissue.

While NMR spectroscopy has been used in laboratories for a long time to analyze pure chemical samples and, increasingly, also biological specimens, today this technology promises to be applicable also for *in vivo* tissue analysis. The benefits would be enormous, if we were able to conduct live studies of the chemistry of human tissue—without surgery, pain, or risk.

While NMR imaging uses only the magnetic resonance effect of the hydrogen proton, all atoms with an odd number of protons in their nucleus (atoms with a "spin" like carbon, fluorine, sodium, or phosphorus) could be used to generate resonance signals. In contrast to the hydrogen proton signal, these will be much weaker and more difficult to detect, so that great efforts have to be made to build more efficient superconducting magnets with high field strengths and extremely high levels of uniformity to reach adequate resolution of the signals. One spinoff to be expected from the U.S. Strategic Defense Initiative, is the development of such magnets at a reduced cost.

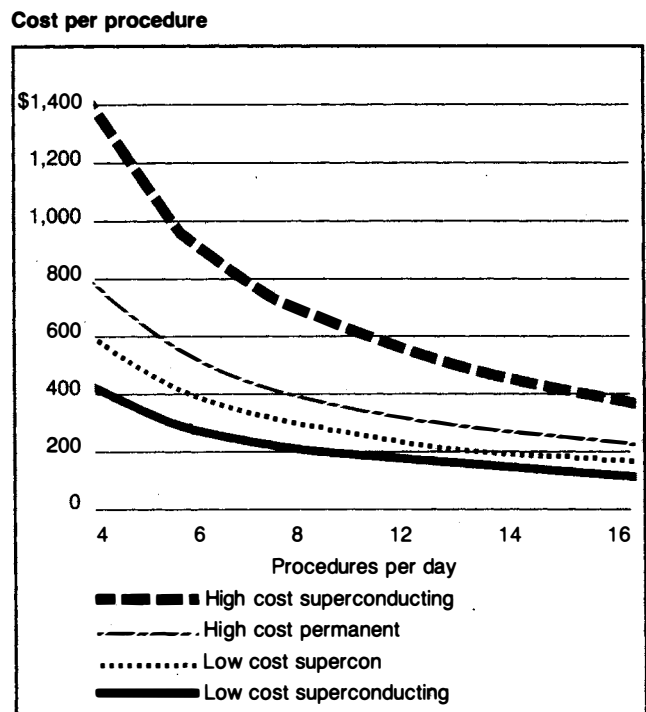
Phosphorus is probably the best-researched atom for NMR

spectroscopy so far, because it plays such a key role in metabolic processes in any tissue. It is possible to generate clearly distinguished signals of different phosphorus compounds in human tissues, like phosphocreatine, adenosine triphosphate (ATP), and inorganic phosphate, which will allow us to visualize important steps in, for instance, energy turnover in cells. In this way we could gain detailed insights into the functional and metabolic status of the brain, the heart, and other organs or peripheral muscle tissue in various physiological and pathological states. Such changes could be detected early, before they transform the tissue into a diseased state.

An NMR unit today costs from \$600,000 to \$2.5 million, depending mainly on the type of magnet used (superconducting, restive, permanent, high field strength for spectroscopy, low field strength for proton imaging only, etc.). Even if this seems to be a large initial investment, the overall cost reduction, through elimination of other procedures, reduction in hospital stays, etc., makes NMR a profitable venture, even over the relatively short term. Also, the costs for a single procedure can be brought down to \$200 or less, given an adequate utilization of the machine (Figure 1).

There can be no doubt that technologies with such a great potential must be massively disseminated, and the medical technology firms must be encouraged to develop them fur-

FIGURE 1  
**Nuclear Magnetic Resonance (NMR) Costs per procedure**  
(by ranges and magnet types)



ther, especially NMR spectroscopy, which has tremendous implications for basic biophysical research.

### **The CAT scanner**

Computer-Assisted Tomography is an x-ray machine linked to a computer. The computer processes the information from multiple x-ray beams focused on the patient from different angles, and produces a cross-sectional picture at any site along the length of the body. In this way, sequential "slices" of brain, liver, spine, and other tissue can be visualized in detail. For several diagnostic objectives, the CT scanner is still superior to NMR, while NMR effectively has replaced the CT technique in all aspects of brain imaging. One CT scan currently costs twice as much as other medical diagnostics, but replaces two to three such diagnostic studies, and provides the physician with much more direct and valuable evidence.

The anti-technology lobby launched probably its largest effort to implement "cost/benefit" restrictions, when the issue of introducing this revolutionary technology into the American health system arose in the early 1970s. A multitude of extremely biased studies of cost-effectiveness and cost/benefit analysis (CEA/CBA) were performed, and all proved incapable of determining the real impact of CT scanning, resulting in delays for delivery of this technology and increasing the costs of its development.

An OTA report on CT scanning issued in April 1981 had to admit the problem of economic feasibility studies of diagnostic procedures: "Judging by the quantity of published research, one would surmise that the state of the art of economic evaluation of diagnostic procedures—CT scanning in particular—is well advanced. In fact, the opposite is true. The studies of the cost-effectiveness or economic benefit of CT scanning reveal major conceptual and methodological weaknesses that not only mitigate these particular studies' value, but also cast doubt on the overall feasibility of conducting economic evaluations of diagnostic procedures."

This qualification has not, however, deterred the OTA from its effort to organize a popular and congressional backlash against high technology. A far better way to save the taxpayers' money would be to shut down the Office of Technology Assessment.

### **The laser flow cytometer**

Another area of advanced medical technology of potentially enormous benefit, is laser diagnostics. These techniques allow such speed in diagnosis, that treatment can begin at the outset of a disease.

The laser flow cytometer, which was developed in the 1960s by Lawrence Livermore and Los Alamos National Laboratories, is only now becoming available for medical application. It will revolutionize all microbial diagnostics. The machine suspends cells or individual molecules in liquid; they then pass through a flow chamber at rates of up to 20,000 cells per second. The cells are illuminated by lasers of differ-

ent frequencies, and the absorption or scattering of the laser light, or the fluorescence of molecules excited by the lasers, is measured.

Together with another technology now under development, an instrument called the angular scanning Circular Intensity Differential Scattering (CIDS) spectrometer, the flow cytometer potentially can identify bacteria and viruses in a couple of minutes, which now take hours or even even days and weeks to discover. CIDS measures the scattering of left- and right-polarized laser light by bacteria and viruses.

The huge economic potential of this technology can now only be roughly estimated, given the huge costs incurred in clinical microbiology laboratories in the United States—approximately \$30 million per week—for isolating and identifying microorganisms. This technology can not only cut costs in direct laboratory expenses because of its high efficiency, but can enable the physician to start treatment of patients with infectious diseases much earlier and more effectively, thus cutting costs in medical treatment and hospital stay.

The laser flow cytometer can be used to detect and isolate cancerous and precancerous cells, in a much faster, less complicated and more sensitive way than with traditional methods. Potentially the most important area of application for the flow cytometer/CIDS technology is the fight against AIDS. First experiments are now being undertaken by scientists at Los Alamos National Laboratories to identify the AIDS virus (HTLV-III/LAV) directly, by means of CIDS. If successful, this would be an important breakthrough on the way to a comprehensive screening program for AIDS in the entire population.

### **Mass spectrometer microbial identification**

In collaboration with NASA, another technique for identification of bacteria has been developed at the University of California at Los Angeles, using a new procedure for producing samples for a mass spectrometer. The technique generates an aerosol of the organisms and feeds it into the spectrometer. Each species of organism produces a characteristic set of peaks in the mass spectrum, and might thereby be identified.

### **The x-ray laser**

The medical/biological application of the x-ray laser is another area justifying a major research effort. It will become a diagnostic tool which opens our eyes to the internal structure of living cells, in a way which has not been otherwise possible. The x-ray laser, now in its final phase of development, could be used as a highly efficient microscope, comparable to the electron microscope. Its unique advantage is that with it we can image living specimens. No longer will tissue need to be stained, frozen, or cut, processes which distort the image and obviously can only be done outside the body. With ultra-short flashes of a coherent x-ray source, it will be possible soon to identify structures in the cell, like the membrane, the mitochondria, the Golgi apparatus, etc., in

real time, and possibly even in the form of a three-dimensional hologram.

The implications of such a scientific revolution for medicine are still beyond imagination today; it might lead to a total revision of our view of certain microscopic processes. The defeat of cancer and the aging process are only two areas which come within reach when the x-ray laser comes online.

### **Coronary angiography without risk**

On the basis of currently available high-flux monochromatic x-rays produced by a synchrotron accelerator, a special diagnostic procedure has developed as a medical diagnostic procedure, enabling doctors to "see" inside a patient's arteries around the heart. By using the synchrotron x-rays and image enhancement techniques, a procedure known as coronary angiography can be replaced, avoiding the risk associated with it when a bolus injection of a dye is injected into the coronary arteries, via a catheter which is pushed forward through an arm artery to the heart, followed by a series of shots with traditional x-rays. The technique, using coherent x-rays, requires only a small injection into an arm vein, eliminating the main risk of coronary angiography and opening the way for a broader screening of patients who are at risk of coronary disease by family history or other factors.

### **Other laser applications in medicine**

The use of lasers has been widespread in several branches of medicine for many years, mainly as surgical tools. Use now includes sealing hemorrhaging blood vessels in such diverse organs as the eye, the stomach, the colon, etc.; cutting in areas where high precision is wanted, as in the ear; and excising tumors. Generally, such lasers generate heat in the tissues on which they are used. As laser systems are perfected and become cheaper, they will be applied to more areas of medicine.

A new type of laser, known as excimer or excited dimer laser, can be used for treatment of coronary artery disease. This laser produces extremely short, intense bursts of ultraviolet light, which shatter the molecules of the atherosclerotic plaques blocking the flow of blood in the arteries around the heart, without heating effects of the blood vessel, which would only increase the tendency of the blood to clot. The laser is incorporated in a 1.5-millimeter-diameter catheter, containing three bendable glass fibers: One carries the laser energy, another shines a light on the catheter tip, and the third provides a view of the area in front of the catheter. The initial laser used in current experiments was developed by NASA at the Jet Propulsion Laboratory, for remote atmospheric sensing.

The estimated costs of the perfected laser-fiber optic device is \$100,000. With it, a patient could have his coronary arteries cleaned out in a few minutes and might not even have to stay overnight in the hospital. When one considers that 170,000 patients underwent coronary bypass surgery in 1982, at an average cost per person of \$20,000, providing 50 of

these devices would represent savings in health care costs of at least \$3 billion per year! More important, many patients who could not tolerate surgery because of the severity of their disease, could be treated by this method and restored to productive activity.

A new method for precise localization and definite treatment of lung cancer in an early stage is now in an experimental phase, using laser light of two different frequencies (photodynamic therapy). To improve the visualization of tumor tissue in the lung, which in the early stage is difficult to differentiate from healthy tissue, the patient is injected with a special dye, chemically related to the heme portion of hemoglobin (photofrin II or HpD), which selectively localizes in tumor cells.

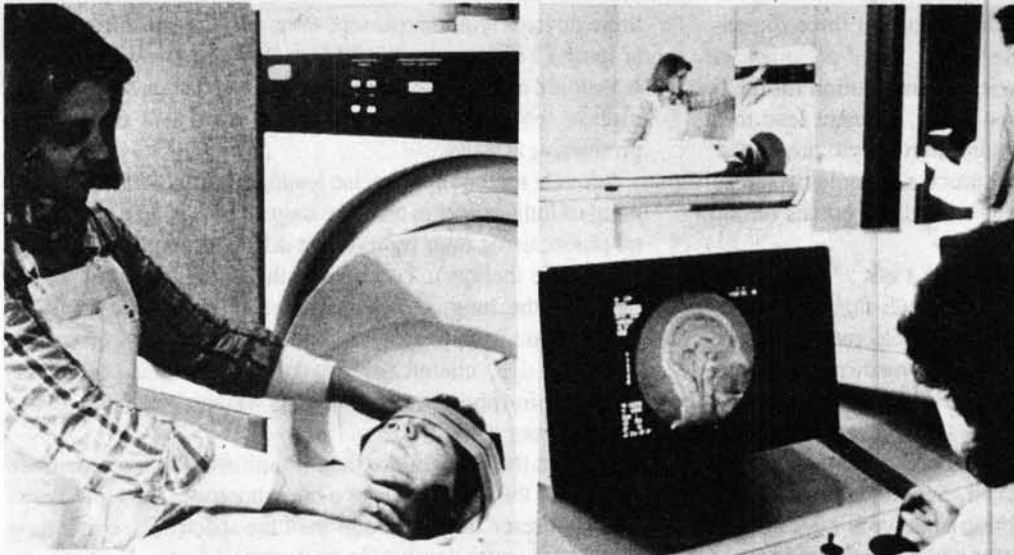
When the bronchi are then illuminated with a blue laser fitted into the fiber optics of a bronchoscope, the HpD-laden cells fluoresce in the red region of the spectrum, so that they stand out clearly against the background tissue. First reports indicate that the HpD technology can find the tumor in 60-70% of the cases where the patient's sputum shows malignant cells, but no cancer tissue can be seen on normal bronchoscopy. Once the tumor is located in the sights of the instrument, the doctor can switch to another laser frequency, produced by a red ruby laser, and focus the laser light on the tumor. This frequency is differentially absorbed by the HpD-containing tumor cells, many orders of magnitude more than by the normal surrounding tissue. The red light does not kill the tumor by heating it, but actually causes the HpD dye to photo-excite, causing irreparable damage to cell membranes, mitochondria, etc., which slowly kills the tumor.

The same method has also proven effective in cases of end-stage lung cancer, where tumor masses obstruct the lumen of the main bronchi, leading to a collapse of the distal part of the lung. Treatment with the HpD technique results, in a high percentage of cases, in the total reopening of such obstructed bronchi—a significant palliative improvement in the condition of non-operable lung cancer patients.

### **The lithotripter**

Last year, the Food and Drug Administration (FDA) approved a device called lithotripter, which focuses shock waves on kidney stones and crumbles them into sand-like particles that can be passed in the urine. The patient is positioned in a large stainless steel tube filled with water, and the shock waves, generated by a spark between two electrode tips situated in a concave metal reflector, are focused on the stone. Since water and body tissue have the same acoustical properties, they are unaffected by the shock waves, whereas the more brittle stone crumbles.

The machine, developed by Dornier System of West Germany, could save approximately \$2,000 per patient treated, as compared to surgery. It is estimated that the procedure would be effective in 80-90% of the 100,000 kidney stone operations that are done each year in the United States. A rough calculation shows that 100 such machines, properly



*Nuclear Magnetic Resonance is a diagnostic method that uses magnetic and radio-frequency fields to form images of body tissue and to monitor metabolic processes in the body, without surgery or other risky invasive techniques. In the photo shown here, physicians are able to "see" inside a patient's brain.*

National Institute of Health

located, costing a total of \$170 million, could save \$2,000 per case on 80,000 cases in one year, and thus essentially pay for themselves in their first year of operation.

A very recent report from Germany indicates that the same shock-wave principle has also proven effective to break up painful gallstones, eliminating the need for gall bladder surgery. Depending on the location of the stones in the gall bladder or the bile duct, the success rate was up to 80%, in the limited number of patients treated with this procedure so far.

### **The artificial heart**

Over the long run, the use of a fully implantable artificial heart will be a superior solution to the treatment of end-stage heart disease than transplantation, because it does not rely upon the death of another person and avoids the problem of graft rejection. Whereas modern transplantation surgery has saved many lives and made important contributions to the understanding of basic immunology, the use of organs from cadavers will never be free of disputes over what constitutes brain death, and appropriate criteria for the termination of treatment.

The experience of the last round of artificial heart implants has established that the basic technology to make the device a lasting replacement for an irreversibly damaged heart is available. The Jarvik-7 heart used in the six implants of 1984-85 even proved capable of reacting to the patient's activity by increasing the flow of blood. The portable power unit for the artificial heart, the Heines driver system, has proved to be very efficient, while enabling the patient to have a good deal of mobility.

The next step in research and development must be a fully implantable artificial heart which is small enough to fit into the chest cavity of any potential recipient, including a driving unit which could be nuclear powered.

All the major development work for an artificial heart goes back to basic engineering, material, and hydrodynamic research conducted by NASA in the context of the manned Moon mission in the 1960s and other projects. The significance of this work cannot be overestimated and underlines, once again, the urgent necessity to resume broad-based basic research efforts, in order to develop more such practical applications for the future.

One of the major complications of the present artificial heart program is not so much an engineering problem, but reflects the failure of biology to comprehend the biophysics of heart action and blood flow. There is still a major problem of blood clotting, with consequent strokes. This is an immunological complication caused by interreaction of the blood with the plastic surfaces of the device. Too little is known today to fully account for these complications which nearly proved fatal for several of the artificial heart recipients.

The major stumbling blocks are a pervasive misconception about the flow patterns required in the artificial heart chambers, and a misconception about the nature of surfaces, and their interaction with blood platelets. The immunogenic properties of almost any kind of plastic have been the major problem in any organ replacement, and it is not really known, why under certain conditions blood coagulation occurs. This lack of knowledge reflects the lack of fundamental research in biology and biophysics since, effectively, the late 1960s, when the United States almost totally eliminated this branch of research.

### **NASA spinoffs for medical use**

Basic research by NASA initiated during the period of the Apollo Project in the 1960s, and other more recent programs, resulted in the development of many technologies which proved to be highly useful in medicine. Here are a few of the many examples which grew out of that program, mak-

ing health care more efficient and cheaper.

● **Programmable Implantable Medication System (PIMS)** has been approved by the Food and Drug Administration for human trials with morphine for cancer patients and insulin for diabetics. PIMS is a device which releases medication automatically as needed by the body. The technology was developed for the Viking spacecraft (the Mars mission), which required miniaturized fluid control, used for metering nutrients into soil samples.

● **Automatic Implantable Defibrillator (AID)** has been authorized by the FDA for commercial sales. Heart attack victims often can be saved by electric shock defibrillation, but many who die from a fibrillation episode are far away from a proper treatment facility. The AID can sense the onset of fibrillation and deliver a balanced electric pulse to restore the heart to a normal rhythm.

A second-generation device, known as the Implantable Automatic Cardioverter-Defibrillator, detects and corrects a broader spectrum of arrhythmias, including ventricular tachycardia as well as ventricular fibrillation. It also has an audio speaker that can be externally activated to determine the status of the device, and it has an internal counter to record the number of countershocks delivered. This information, important for the attending physician, can be telemetered to an external receiver.

● **The multi-module AutoMicrobic System (AMS)** originated in a NASA-sponsored study aimed at development of a fully automated microbial detection and identification system for the space program. In this system, specimens are exposed to microbe nutrients for the nine most common pathogens. During a 4-to-13-hour incubating cycle, an electro-optical scanner studies each specimen once an hour. Changes in cell growth on each culture are monitored by computer. When growth reaches a predetermined level, it indicates the presence of pathogens. On push-button command, the information is displayed in video or reported on a print-out.

AMS enables the microbiology lab to furnish guidelines for antimicrobial therapy the day after specimen collection; this amounts to a time saving of 50-80% over standard laboratory methods, and it can handle up to 240 specimens at a time. Savings in laboratory costs and reduced hospital stays of patients due to faster analysis could be estimated accordingly.

● **Temperature measurement aid:** NASA's Ames Research Center has designed a simple but medically important device—one which holds temperature probes, called thermistors, to a person's skin. The device improves the accuracy of skin-surface temperature measurements, valuable data in health evaluation.

● **Blood pressure checker:** A simple device that is now widely located in public places, is a direct spinoff from NASA technology developed to monitor astronauts in space. NASA's Johnson Space Center, in collaboration with a contractor, developed an electronic sound processor that automatically analyzes blood flow sounds to get both systolic and diastolic

measurements of blood pressure.

● **Programmable pacemaker:** A private contractor introduced in 1979 an advanced cardiac pacing system which allows a physician to reprogram a patient's implanted pacer without surgery. The system has a two-way communications capability and incorporates a number of technologies based on those employed by NASA to send coded instructions or queries to unmanned satellites and to receive information from satellites.

● **Cordless instruments for surgery:** Such instruments, for example those needed for bone surgery, have obvious advantages: They require no connecting lines or hoses, which have to be sterilized and can burst or tangle. The cordless, battery-powered precision instrument gives the surgeon optimal freedom and versatility in the operating room. Such instruments evolved from a private company's participation in the Apollo lunar landing program.

● **Slow Scan telemedicine:** This technology, which originated in the U.S. space program, permits transmission of still video images inexpensively over telephone lines, or over radio, microwave, and satellite channels. In addition to CT scans, the technique allows transmission of x-rays, nuclear scans, ultrasonic imagery, thermograms, electrocardiograms, or live views of patients. Such transmissions enable extension of physicians' and specialists' services to remote communities, through paramedics or nurse practitioners at Slow Scan-equipped clinics.

● **Prosthesis for urinary control:** This device, developed for the Marshall Space Flight Center in Alabama, is helpful for people who have lost muscular control of the urinary canal through disease or injury. Implanted so that it surrounds the urethra, the sphincter is deflated and inflated at will by the wearer, to start and stop the urination. The principle can be adapted to other organs, such as the colon, ureter, or ileum.

● **Automated cancer diagnosis:** In a work done for the Johnson Space Center in Houston, Texas, five new algorithms have been established as a complete statistical procedure for quantifying cell abnormalities from digitized images. The procedure could be the basis for automated detection and diagnosis of cancer. When atypical bronchial cells from the sputum of cigarette smokers were analyzed, for example, the levels of carcinogenesis assigned by the algorithms agreed with those assigned by visual classification. This method could prove essential for mass screening for lung cancer.

Future applications developed by NASA in collaboration with other institutions include:

- Memory or wandering aid for the elderly, stroke victims, and Alzheimer patients;
- Hydrocephalus (water on the brain) shunt for relieving intracranial pressure;
- Intracranial pressure-monitoring device for victims of head injury;
- Handicapped driver-assist device.

## 'Narcontras' scandal blows up Central American policy

by Gretchen Small

Drug-running by the U.S.-sponsored Nicaraguan "contra" movement is being investigated by congressional offices, the U.S. Attorney for Southern Florida, and U.S. federal agencies ranging from the Federal Bureau of Investigation to the Customs Service, an April 11 AP story revealed. More scandal has followed the AP wire, run front-page across the United States, including details on a contra plot to assassinate our most hardline anti-drug envoy, Lewis Tambs, now ambassador to Costa Rica.

The revelations overturn the entirety of Reagan administration policy towards Ibero-America, reduced over the past year to forcing the rest of the hemisphere to join the United States in support for Nicaraguan "contras." Discussion of the economic crisis has been shunted aside for the "contra" policy, along with promises of U.S. support for a hemispheric War on Drugs. Governments from Peru, to Brazil, Mexico, and Colombia have been told relations with the United States hang or fall on their support for the contras. Those that oppose the policy have been labeled "communist-leaning," or, as Costa Rica has noticed, found U.S. economic aid "delayed."

People in Washington now talk of the Reagan administration's support for "narcontras." Administration efforts to cover up the charges worsen the scandal. Assistant Secretary of State for Interamerican Affairs Elliot Abrams, handed members of Congress a three-page document April 16, which admitted that some contras "may have engaged in such activity," but argued that "it was, insofar as we can determine, without the authorization of resistance leaders." Further, the document offers economic hardship as a justification for drug-running! The "limited number of incidents" found, occurred

during an 18-month period when the contras were receiving no U.S. assistance, the document argues, leaving them "particularly hard-pressed for financial support."

The document repeated the administration's argument that only "one" faction of the contras, the Costa Rica-based ARDE group of Eden Pastora, is believed to be involved in drug trafficking, and that other factions, such as the Nicaraguan Defense Forces (FDN) which receives the bulk of U.S. monies, are clean as a whistle.

Despite the public assurances, a "reorganization" of the narcontra command structure began immediately after the drug story hit, ordered by State Department officials anxious to "clean up the image" of the contras. Senators hurried to remind constituents that they had attached a clause to the aid package for the contras which they voted up March 27, specifying that no money could be given to contra leaders caught running drugs or violating human rights. The State Department released a public warning to the contras April 11, reiterating that the United States will suspend aid if they are caught running drugs.

Cover-up, however, cannot patch up this rotten policy. Documented cases of contra drug-running already go beyond excesses of a few "financially hard-pressed" loyalists to a cause. President Reagan's War on Drugs sits before the world as worse than a fraud: The United States has been financing drug-runners. A top-to-bottom inquiry into the contras, and any U.S. official who collaborated with narcotics traffickers, or suppressed evidence of such activities, is the minimum starting point for recouping U.S. strategic interests in the area.



## To stop the Sandinistas, stop the drug trade

The policy crisis provoked by the scandal opens an opportunity to force sweeping changes in U.S. policy toward Ibero-America. U.S. military strategists, like many of their Central American counterparts, have warned that Washington has no comprehensive strategy to deal with the Central American crisis. No competent officer believes the contras can overthrow the Sandinistas, nor rally the Nicaraguan people to their side.

Investigate who designed the "contra" policy, and the same personnel appear who ran the Vietnam War, not to defeat an enemy, but as a bargaining chip in global deals with the Soviet Union. Lacking, however, has been sufficient will to impose a strategy to win.

In March 1985, *EIR* founder Lyndon H. LaRouche outlined a 15-point plan for a Western Hemisphere Alliance for a war on drugs. Drug traffic supplies the logistics for insurgencies throughout the Americas, he argued. Thus, a War on Drugs, combined with economic cooperation with our neighbors, can destroy the support base of Soviet-backed insurgencies in the region quickly and efficiently. Unlike direct U.S. military intervention against Nicaragua, the option advocated by Trilateralists such as Henry Kissinger or McGeorge Bundy, the LaRouche War on Drugs strategy can unite the continent against the major Soviet capability in the region, the drug business, while sidestepping Soviet efforts to draw the United States out of Europe, and into the Central American arena.

The region's defenses, from Mexico down to Colombia, must be strengthened against the drug and arms trade, with the U.S. providing the armed forces of cooperative nations in the region with financial and technological assistance for a military War on Drugs. Joined with a policy of enforcing strict respect for national borders, the Sandinistas would find themselves without the drug- and gun-running infrastructure, on which they depend to subvert the rest of Central America, and without an external threat to justify their internal repression.

The need for coherent regional strategy was demonstrated on April 5, when the Sandinista government shot down the latest efforts of the Contadora group of nations to reach a regional peace accord. The Sandinistas claimed U.S. build-up of the contras as the excuse for their intransigence. But Nicaraguan Foreign Minister Miguel D'Escotto then called a press conference in Panama, to assert that Nicaragua still claims rights to the Colombian islands of San Andrés and Providencia. Colombian sovereignty over the islands had been recognized in the 1930 Treaty of Esguerra-Barcenas signed between Nicaragua and Colombia.

San Andrés has become a major center of drug and arms contraband in the Caribbean, centered around the free port on the island. In recent weeks, however, Colombian and Panamanian military cooperation on drug investigations led to a series of important busts on the island, threatening the Sandinistas' and others' "freedom" to run dope. With the

proximity of the island to the Central American coastline, a build-up in the Colombian military base on San Andrés, including basing state-of-the-art radar facilities, could turn the island into a central interdiction point against the gun and drug smuggling which criss-crosses the Caribbean Basin.

## The tip of the iceberg

On Dec. 20, AP broke the story of American law-enforcement knowledge of drug-running operations of the contras. AP's sources, who refused to be named, included officials from the Drug Enforcement Administration (DEA), Customs, FBI, Costa Rica's Public Security Ministry, American "volunteers" working with the contras, and a "new secret CIA-prepared analysis" on contra drug-running. According to AP, the contras provide airstrips and protection for cocaine shipments brought in from South America, on their way to the United States. One current route includes landing planes at rebel airstrips in northern Costa Rica, where the dope is unloaded and transferred to a port on the Atlantic. There it is loaded onto shrimp boats heading for Miami.

Several contra factions are involved in the drug operations, AP asserted, including the FDN, ARDE, and a little-known "M-3" group. M-3 faction leader, Sebastian González Mendiola, was indicted in Costa Rica for cocaine trafficking in 1984. The secret CIA report documents that a top commander of Pastora's ARDE bought a helicopter and \$250,000 in arms with his cocaine profits, AP reported. Former members of the Brigade 2506, the CIA-led Cuban team formed for the 1961 Bay of Pigs invasion, oversee the Costa Rican drug operations of the FDN, according to AP's sources. American military officials responsible for Ibero-America have identified the Brigade 2506 group as riddled with drug-runners.

On March 16, the *San Francisco Examiner* broke the story of another contra faction's involvement in drug-running, this one the Nicaraguan Democratic Union-Nicaraguan Revolutionary Armed Force (UDN-FARN), a contra group based in Costa Rica associated with a faction of the Conservative Party. A major Bay Area cocaine ring, operating for years, was broken up in 1983 when a team working under Reagan's Drug Task Force seized 430 pounds of cocaine as smugglers tried to unload a Colombian ship docked in San Francisco. Worth an estimated \$100 million on the street, it was the biggest cocaine seizure ever made on the West Coast. Subsequently arrested, tried, and convicted for that ring, were two Nicaraguan exiles working with the UDN-FARN; two others associated with them are still free in Costa Rica.

Both arrested men claimed they used their "earnings" to help the contra cause. The U.S. Attorney's Office in San Francisco, the *Examiner* charged, not only "ignored" the political angle, but sent \$32,020 seized from one of the convicted men as drug profits, to UDN-FARN representatives in Costa Rica, after the contra group sent two letters protesting that "the retention of this money [by prosecutors] is prejudicing the progress of liberation." San Francisco's attorney de-

clined to comment on the convicted men's allegation that the CIA was involved in the drug-running, the *Examiner* reports, but did admit that the money had been released.

### The tip-off: threat to Tambs

New in the latest round of exposés on federal investigations into the contras, comes the report of an alleged contra plot to assassinate the U.S. ambassador to Costa Rica, Lewis Tambs. That report alone identifies the command structure running the contras. The cocaine mafia placed Tambs, previously ambassador to Colombia, on a mafia hit list by late 1984, because of his close collaboration with Colombian military and government authorities in their War on Drugs. Tambs had been a personal friend of Colombian Justice Minister Rodrigo Lara Bonilla, assassinated by a mafia team on April 30, 1984. By the middle of 1985, mafia death threats became so serious Tambs was transferred out of Colombia.

The contras plotted to kill Tambs at a meeting in Miami in February 1985, Jesús García, a Miami prison guard, reported to authorities, and later to the press. That plan was set for May 1985, when Tambs was to be blown up, and the murder blamed on the Sandinistas, in order to provoke the United States into escalating the war against Nicaragua, according to these reports. The contras would then collect the \$1 million bounty which the Colombian cocaine chiefs placed on Tambs's head.

García reported that shortly after he denounced the plot, he was arrested on trumped up firearm charges by the FBI, and that another witness to the planning disappeared in Costa Rica, and is believed dead. But Jack Terrell, a former coordinator of U.S. mercenaries fighting with the contras, reported to AP and the *Houston Post* that he has been questioned by federal authorities on what he knew of the Tambs plot.

A red alert on Tambs's security should have gone up with the March 19 escape of one of the top Colombian-based cocaine kings, Matta Ballesteros, to Honduras, the major base of operations of the FDN faction of the contras. Matta, a Honduran national who sits at the top of the South America-U.S. cocaine mafia, commands sizable political and military networks in Honduras.

Accused of being one of the masterminds of the 1985 mafia killing of American DEA agent Enrique Camarena, Matta was arrested in Colombia in 1985, but paid some \$1.5 million to bribe his way out of Colombia's maximum security prison in March. Since Honduras's constitution outlaws extradition of nationals, Matta turned himself over to authorities when he arrived in Honduras, and told the press he expects to be free within days.

When first published, Mr. Tambs denied the contra threat to himself, saying it had been concocted by a journalist. But on April 17, terrorists bombed the U.S. consulate in San José, Costa Rica, across the street from the U.S. embassy. U.S. officials tied to the contra policy will be held responsible, should any harm come to Ambassador Tambs.

### United Brands and the Lansky factor

"Elliot [Abrams] put down the word that in response to pressure from all sides we are going to have to see a change in their leadership style," one Nicaraguan contra leader told the press April 17. The FDN has named a new Miami-based coordinator to serve as executive coordinator of money, supplies, and public relations, in the "first step in a contra shuffle," the *Miami Herald* reported on April 8.

The reorganization is explained as an effort to downplay the FDN's image as dominated by the old Somoza crowd. Most field command positions in the FDN, including FDN military commander Col. Enrique Bermúdez, are held by former members of ex-dictator Somoza's National Guard. The public role of the "civilian" leadership is to increase, and the base of the United Nicaraguan Opposition, the U.S.-created contra umbrella group dominated by the FDN, "broadened." The *Herald* reports the shuffle could "eventually lead to the incorporation into the contra military leadership of former Sandinista hero, Eden Pastora, and some of his allies."

But Abrams admits that "evidence" exists that Pastora's ARDE may be involved in drug-running. Were *Miami Herald's* sources at State referring instead to the other faction of ARDE, led Fernando "El Negro" Chamorro Rappaccioli? State's April 1985 *Resource Paper on Groups of the Nicaraguan Democratic Resistance* describes "El Negro" as "a prominent anti-Somoza figure . . . repeatedly jailed or exiled by Somoza." But Chamorro Rappaccioli heads the UDN/FARN, whose assistant treasurer now sits in jail for cocaine running.

Maybe the State Department plans to "broaden" the United Nicaraguan opposition base by bringing in the Misurata, an Indian resistance group described by State as "also fighting to force the Sandinistas to return to the original goals of the anti-Somoza revolution." Why not? Qaddafi's American Indian Movement (AIM) is now "fighting" the Sandinistas, the *Washington Times* tells us!

In short, a replay of the Batista-Castro show has begun. For decades, U.S. policy in Central America and the Caribbean has been dominated by the United Fruit Company, now United Brands. The history of how the United Fruit Company set U.S. policy toward the region through its private network in the State Department and CIA, is a matter of record. So, also, how control in the region was handed over to organized crime king Meyer Lansky—headquartered in Batista's Cuba. United Fruit and Lansky's mob controlled several generations of political networks in the area: Nicaragua's Somoza, Cuba's Batista, and the "Democratic Legion" of Costa Rica's "Pepe" Figueres.

Today, some of those networks work the contra side of the street, some the Sandinista side. The headquarters of the cocaine trade for which they all work, however, sits now in Castro's Cuba. There, Batista's old labor minister, Carlos Rafael Rodríguez, still works the trade he began with Lansky, now with Robert Vesco.

# Texas elites are in disarray

by Harley Schlanger

Life was comfortable, and the world seemed quite simple to the political and financial elite of Texas, until the middle of 1985. Attempts to discuss strategic reality with one of them was always a bit unsettling. Unmoved by evidence of the steady erosion of the productive base of the Texas economy—the collapse of agriculture, timber, the steel industry, trade—he would dismiss these warning signs with a smug smile.

“Don’t worry, they’ll always need oil,” was the pat answer. Then, with a broad sweep of the arm, aimed vaguely at the gleaming, modernistic skyline of Houston, or Dallas, or the acres of grazing land on the ranch, he would intone, “Besides, this is Texas. We believe in free enterprise. That’s what built this state.” And he would add with a sly wink, “If things ever do get out of control, we’ll just get our boys up in Washington to fix things for us.”

They’re not so smug anymore. Reality, in the form of collapsed oil prices and an impending blow-out of real estate markets, has caught up with them. Their once mighty Texas banks have been shaken, and they are jumping ship. On April 1 alone, 11 directors of First City Bancorp. of Houston, a full one-third of the board, announced they were stepping down, to “devote all their available time to their own businesses,” according to one of the directors. Included among these are some of the most powerful figures in the state: former U.S. Ambassador to the Court of St. James Anne Armstrong (of the legendary King Ranch); Corbin Robertson of the Cullen family; John Diesel, president of Tenneco, Inc.; and Randall Meyer, president of Exxon U. S. A. A letter sent to shareholders of First City described these resignations as “truly of historic proportions for Texas and its banking industry.”

The same day, MCorp, parent company of Houston’s fourth largest bank, announced a first-quarter loss of between \$120 million and \$130 million, while on April 4, Mainland Savings of Houston, with \$1 billion in assets, went under, the largest S&L to fail in U.S. history.

The political fix is no longer secure either. As the price of oil dropped, Texans looked to Washington for help. Texas’s senior Sen. Lloyd Bentsen (D) authored legislation for an oil-import tariff, but was unable to move it through Congress. Gov. Mark White, a Democrat, has appealed repeat-

edly to President Reagan to implement a tariff to protect domestic oil producers, but his actions have been blocked by fellow Texans Sen. Phil Gramm (R) and Treasury Secretary James Baker, among others. They have declared the tariff proposal “dead.”

In fact, what may soon be dead is domestic oil production, and Texas banks and financial institutions. Independent oil producers are filing bankruptcies in record numbers. Their “clout” in Washington is gone and, with it, their illusions of power.

These developments are the logical results of a gradual change in the outlook of business and political leaders in Texas. The real “frontier spirit” which built this state was neither that portrayed by Hollywood in its phony westerns, nor in today’s soap operas like “Dallas.” Those who built this state were characterized by their desire to conquer the wilderness, to build cities, to use the resources available today to pave the way for new technologies tomorrow. They supported Great Projects, featuring collaboration between government and the private sector, with programs ranging from railroads to interstate highways, from massive irrigation projects to port construction, from military bases to NASA.

Many of those former congressmen from Texas, almost all of them Democrats, were spokesmen for the American System of political economy. Though one can hardly argue that they were truly great statesmen, congressmen such as Wright Patman, who maintained a tight leash on the Federal Reserve Board, and Olin Teague, who fought to bring NASA to Houston, towered above the mediocrities who represent Texas today.

## The real-estate ‘nouveaux riches’

This change in outlook occurred during the 1970s, as the lure of “easy money” from speculative ventures grabbed hold of the previously cautious Texans. As oil revenues soared, money poured into realestate ventures. New, ugly office buildings popped up overnight, tens of thousands of cheaply made apartment complexes were built along side them. Banks jumped into offshore operations, and the Texas elite grew fat and happy.

Along with this came a political realignment. The mod-

erate/conservative Democrats in Texas at first resisted the takeover of the national Democratic Party by McGovern forces in 1972. However, by 1980, with the election of Bob Slagle as Democratic state chairman, the liberal crowd had taken over in Texas, coming in on the backs of the gay-rights caucus, Yuppies, and other fruity splinter groups. The traditional outlook of Texas Democrats, of economic growth fueled by technological innovation, combined with commitment to a strong national defense, was cast aside.

Many of the elites accommodated themselves to this by becoming Republicans. In the past, Texans treated Republicans as though they had some sort of social disease. Yet, in 1978, Bill Clements, a Republican, was elected governor. In 1984, the GOP captured 4 additional congressional seats (giving them a total of 10 seats), and made substantial gains in both the state House and Senate and on the county level. And a party-jumping, free-market fanatic, Phil Gramm, was elected to the U.S. Senate.

Pollsters predicted that the voters would leave the Democratic Party in droves in 1986, to vote in the "hotly contested" GOP gubernatorial primary. Recent polls show that this is not happening, that many among the traditional Democratic constituencies who voted for Reagan in 1984, will sit this election out. The economic collapse, made worse by the new Gramm-Rudman cuts, is causing a "lack of confidence" in the Republicans.

If the GOP heyday is to be so short-lived, where will the voters turn? The answer to this explains the reaction to the LaRouche slate, by the state's leading liberal Democrats, including the county chairmen in the three most populous counties, and the media in the major urban centers, which has been undisguised hysteria. The press has been filled with enraged shrieks and absurd slanders against the LaRouche Democrats. Top-level opponents of LaRouche have acknowledged the cause of their fear, that the LaRouche Democrats, who number more than 200, are the only ones addressing the issues raised by the economic collapse.

The LaRouche slate is headed by the statewide campaign of farmer Noel Cowling for Agriculture Commissioner. Cowling is running against Jim Hightower, a radical environmentalist whom Cowling has accused of working with the grain cartels to destroy Texas agriculture. Hightower says the plight of the farmers is due to "overproduction." He has proposed that farmers slash production, growing only enough for family subsistence, with a small margin to be sold at farmers' markets. To make money, he advocates growing Christmas trees and blueberries! Cowling has challenged Hightower to debate, but Hightower has declined, fearing that his carefully crafted image as a "fighter for the little guy" would be ripped away. Hightower privately has told his supporters that he takes the challenge by Cowling "seriously."

Backing up Cowling's candidacy are 12 candidates for Congress (11 Democrats and 1 Republican running against Phil Gramm-clone Dick Armev in Arlington), and 22 candidates for Democratic Party county chairmen. Two of the

candidates for Congress, Susan Director in the 22nd District, and Harry Kniffen in the 7th CD, are running unopposed and will be the Party nominees in November. Also targeted are several Democratic incumbents who voted for Gramm-Rudman, such as Mike Andrews (opposed by LaRouche Dem Curtis Perry II), Martin Frost (opposed by Gardell Morehead), and John Bryant (opposed by Greg Witherspoon).

Though many of the liberal Democratic leaders claim that they dismiss the chances of LaRouche candidates, they are moving frantically against them. They are particularly worried about the gains they expect will be made by LaRouche in party offices, such as precinct and county chair positions. LaRouche supporters won more than 20 precinct positions in the 1984 elections, and gathered more than 30% of the vote in county chair races in 12 counties. Slagle will be sending a mailing to 18,000 activists, and county leaders will do the same in their counties. In Fort Worth, Dallas, and San Antonio, what's left of the party apparatus is being thrown into a campaign to defeat the 160 candidates associated with LaRouche running for precinct chairmen, with officials urging door-to-door campaigns, to counter LaRouche candidates who are conducting such walking tours daily. Observers report that the LaRouche opponents are having difficulty generating enthusiasm among party workers to carry out this task.

With Texas the next state after the Illinois primary, LaRouche opponents are quite fearful. Some observers note that vote fraud is not unknown in Texas, pointing to the desperation in the voices of Slagle and others who are plotting the "anti-LaRouche movement."

## LaRouche congressional slate in Texas

- CD 5: Greg Witherspoon, Dallas; against Bryant
- CD 6: Leonard Rinaldo, Gramm's former district
- CD 7: Harry Kniffen, unopposed
- CD 8: Harley Schlanger, one opponent
- CD 12: Elizabeth Arnold, Fort Worth, against Jim Wright
- CD 18: Dorothy Stephens, against Mickey Leland
- CD 21: Terry Lowry, open seat
- CD 22: Susan Director, unopposed
- CD 24: Gardell Morehead, only opponent of Martin Frost
- CD 25: Curtis Perry II, only opponent of Mike Andrews
- CD 26: Clyde Riddle, Republican primary, against Armev
- CD 27: Ken Rich, only opponent against incumbent Ortiz

## Solarz takes aim next at Korea

Rep. Steve Solarz (D-N.Y.), chairman of the Asian and Pacific Affairs Subcommittee of the House Foreign Affairs Committee, held hearings April 16 indicating that he is about to repeat his role in the overthrow of the pro-U.S. government in the Philippines, in the Republic of Korea.

Solarz's subcommittee joined with the Human Rights and International Organizations Subcommittee to "review recent developments" in Korea, with an eye to meddling in the next presidential election there next year. President Chun Du Hwan has called for indirect, or representative, election of the new President.

Korea is under heavy pressure from both the North Korean military threat and internal upheaval run by North Korean subversives. Solarz and his Democratic colleague Rep. Tom Foglietta (D-Pa.) want to use the election to tip the balance toward collapsing the Korean government.

Solarz made this clear when, in the hearing, he lashed into Defense Secretary Weinberger's recent trip to Korea. "By focusing on the imminent danger of a North Korean invasion, Weinberger only served to give excuse for the current repressive regime of General Chun to intensify its human rights violations," Solarz said, with an amazing disregard for whether what Weinberger said was true or not.

Solarz argues that the more "democratic" Korea is, the more able to thwart the threat from the north. He said, "It would seem clear that the prospects for stability would be en-

hanced if there were progress toward pluralism rather than retreat toward repression." Such "progress" in Solarz's view, means acquiescing to the opposition New Korean Party's (NKP) demand for direct election of the President, which is being expressed via a provocative petitioning drive.

"Experts" called to testify at the Solarz hearing included ex-National Security Adviser Richard V. Allen, Prof. Chong-sik Lee from the University of Pennsylvania, and Dr. Edward Baker of Harvard University, working with an outfit called "Asia Watch." All concurred with Solarz that the Chun government's failure to reach a "compromise" with the NKP would lead to further instability.

Allen, who runs his own consulting firm and flirts with the Heritage Foundation, was supposed to represent a more "conservative" point of view than everyone else—but agreed with the "consensus" on every issue of substance.

This "consensus" embraces the extreme case of Dr. Baker, who bragged on the record that he has gone around showing a film made by the Communist-terrorist North Korean government about the repressive atrocities of the Chun regime of our ally, the Republic of Korea! Dr. Baker says, "He's never met a Korean who had a kind word to say about President Chun," and supports the full array of NKP demands, including removal of the military from civilian affairs, local autonomy, and an independent judiciary. In the context of the strategic realities facing Korea, there is little doubt why a Dr. Baker and his North Korean comrades support such causes at this time.

Representative Foglietta made a fool of himself by attacking the U.S. embassy for alleged unwillingness to meet leaders of the opposition NKP in Korea. This attempt to reduce Korea

policy to a partisan issue was rebuked by Rep. Gerald Solomon (R-N.Y.), who documented many occasions on which such meetings occurred.

The big question remains: After the Philippines, is anyone going to stop all this from happening again?

## Nakasone: development still on Japan's mind

Japanese Prime Minister Yasuhiro Nakasone, after two days of meetings with President Reagan here, held a press conference on April 14 that was broadcast live back to Japan. Nakasone took only two questions from American reporters, and one was from this writer.

I asked him whether his government was interested in Israeli Prime Minister Shimon Peres's proposal for a \$25-billion "Marshall Plan" for the Middle East, and whether Japan was pursuing the proposal of the Mitsubishi Research Institute for a \$500 billion "Global Infrastructure Fund" for large-scale development projects—such as the Zaire River diversion in Africa or the canal across the Kra Peninsula in Thailand.

Nakasone used the occasion to express Japan's continued interest in such large-scale export-oriented enterprises, thus freeing him from the propitiatory tones he had earlier expressed about putting more emphasis on domestic import in Japan to help restore a trade balance with the United States.

He singled out the project for a second Panama Canal, from among the Mitsubishi proposals, as "more advanced in planning." He also stressed, replying to a Japanese reporter, that Japan was still studying the question of participating in the Strategic Defense Initiative—that absolutely no decision had yet been made—contrary to certain lying press reports here.

## Dole introduces bill to soften War Powers Act

Senate Majority Leader Robert Dole (R-Kan.) and three other Senate Republicans introduced legislation on April 17 that would relax restrictions on the President's ability to take effective countermeasures against terrorism.

An identical measure was introduced in the House by Reps. Joe Barton (R-Tex.), Duncan Hunter (R-Calif.), and Bob Livingston (R-La.).

The bill would exempt the President from the requirement contained in the War Powers Act that he consult with Congress in advance before initiating "deadly force" to respond to, or to preempt, terrorist activity. According to one interpretation, it would also permit the President to order the assassination of a foreign head of state under some circumstances.

The War Powers Act, approved over President Nixon's veto in 1973, mandates the President to consult with Congress before introducing American forces into "hostilities" and to report to Congress on the action within 48 hours. Under the proposed bill, the President would be required to report to Congress within 10 days after any anti-terrorist action.

Dole asserted there was no need for lawmakers to intervene before a President can launch an anti-terrorist strike. "Harry Truman used to say the buck stopped in the Oval Office. We want to get away from the situation where every senator and congressman feels he's got to add his two cents before the President can act."

In the aftermath of the strike against Libya April 14, several congressmen complained that President Reagan, by failing to consult adequately with Congress prior to the attack, had not fulfilled the War Powers

Act. Senate Minority Leader Bob Byrd (D-W.Va.) and House Foreign Relations chairman Dante Fascell (D-Fla.)—recently returned from a visit with Soviet leader Mikhail Gorbachov—whined that Reagan had merely "told" them about the assault, rather than "consulting" with them. "The bottom line," Dole said, "is we want to avoid these pointless debates about whether consultations three hours in advance are enough or whether you need four or five hours or whatever."

Dole said the bill would "make clear that when we talk about terrorists, we don't just mean the bomb throwers. It's everybody in the network, up to and including governments like Libya's, which openly and aggressively espouse state-sponsored terrorism as an instrument of policy, and people, like Qaddafi, who masquerade as legitimate national leaders."

## Senate panel rejects Helms protégé

For the first time in this century, the Senate Foreign Relations Committee has rejected a President's nominee for an overseas ambassadorship. By a 9-7 vote April 10, the panel rejected the nomination of State Department official James Malone to be ambassador to Belize.

Committee Democrats, led by Sen. Ed Zorinsky of Nebraska and John Kerry of Massachusetts, attacked Malone for being an incompetent manager. Malone has been a protégé of Sen. Jesse Helms (R-N.C.). Ironically, Helms dropped his opposition to the appointment of Richard Burt as ambassador to Bonn last July, after receiving assurances that Malone

would be named to the Belize spot.

Helms blamed "anti-Reagan" officials at the State Department for secretly sabotaging Malone's appointment.

## Senate targets Saudi arms sale

The Senate is poised to disapprove the administration's proposed \$354 million arms sale to Saudi Arabia, but, according to Senate Foreign Relations Committee chairman Richard Lugar (R-Ind.), President Reagan is prepared to override the Senate's action, effectively clearing the way for the Saudi purchase.

Sixty-three senators have signed a resolution sponsored by California Democrat Sen. Alan Cranston (who seems to specialize in destabilizing regimes friendly to the United States, judging by his recent involvement in toppling Marcos), opposing the sale.

But, Lugar said April 17, Reagan will probably veto the resolution. Since two-thirds of the Senate is required to override a presidential veto, it appears likely that the sale will go through.

Beefing up Saudi Arabia's defense capabilities has taken on new urgency with threats by Iran to extend the Iran-Iraq war to other states in the region, including Kuwait and Saudi Arabia, a move that could threaten a substantial chunk of the West's oil supplies.

Lugar told a meeting of the Senate Foreign Relations Committee April 17, "All Senators had better begin to think about our interests" in defending Saudi Arabia and the Persian Gulf. "I realize there are many interests involved, Ours are paramount. This is fundamental to our foreign policy." Cranston and other foes of the sale

have charged that Saudi Arabia doesn't merit U.S. military aid, because it has done nothing to better relations with Israel.

## Anger at France spurs decoupling moves

France's refusal to permit American F-111s to use French airspace in the April 15 retaliatory attack on Libya, has set off a new wave of pro-decoupling sentiment on Capitol Hill. After the air strike, Rep. Dan Daniel (D-Va.) asserted that the United States should begin withdrawing its troops from Europe in reply to the limited support it has received from allies for the attack.

A senior Democrat on the House Armed Services Committee, Daniel said in a prepared statement, "Our next step should be to begin the gradual withdrawal of troops from Europe." Asked if his troop withdrawal suggestion was merely an angry reply to the allies, Daniel replied that he was deadly serious.

Rep. Les Hamilton (D-Ind.), head of the House Intelligence Committee, said that anger on the Hill could affect the level of financing Congress approves for NATO activities. Rep. William Hendon (R-N.C.) declared that he hopes "all future U.S. assistance goes the same way the U.S. bombers did—right around France." Rep. William Broomfield (R-Mich.) and Rep. Tom Lantos (D-Calif.) drafted a resolution condemning France, which did not make its way to the floor. And Rep. Bill Cobey (R-N.C.) is circulating two letters—one to French President François Mitterrand "gently chiding" him, the other to Prime Minister Margaret Thatcher thanking her for the United King-

dom's assistance—which have gotten approximately 80 signatures each.

Thus far, no legislation has been introduced implementing any of the threatened cuts in America's contribution to Western Europe's defense. Senate Foreign Relations Committee chairman Sen. Richard Lugar (R-Ind.) says he believes the flap will blow over.

But according to a source at the Senate Armed Services Committee, at least one senator has requested a legal judgment from the Senate's legislative counsel office, identifying possible areas of American assistance to NATO which could be cut or eliminated. The source commented that the area most likely to be cut, is the American troop level in Western Europe. "That would be pretty self-defeating though," he said. "We're not talking about limiting our commitment to defending Europe. If we cut back on troops there, the other American GIs would just become more vulnerable."

## Congress does Moscow's work in Washington

Congressional advocates of selling out U.S. strategic interests have been having going wild over the past few weeks. At issue is the question of America's continued compliance with the unratified SALT II treaty.

President Reagan must decide whether or not to dismantle two existing Poseidon submarines sometime in mid-May, when a new Trident submarine comes on line. Under SALT II, the United States must take Poseidon subs out of commission, or else exceed the treaty's limit on launchers.

Secretary of Defense Caspar Weinberger has long advocated that the submarines be dry-docked, so that they could be deployed again in a year, should the Soviets continue to violate the treaty. President Reagan is reportedly leaning in this direction, despite stiff resistance from Secretary of State George Shultz and senior administration arms-adviser Paul Nitze.

More than 150 House members, 16 of them Republicans, have sent a letter to the President urging him to abide by SALT II, and to dismantle the two Poseidon subs. Drafted by House Armed Services committee chairman Les Aspin (D-Wisc.) and Dante Fascell (D-Wisc.), head of the House Foreign Affairs Committee, the letter claims that if the United States does not comply with the treaty, the Soviets will be able to "spurt out ahead of us in strategic power," because they have "hot production lines" for adding new nuclear weapons to their arsenal.

The Soviets "can use existing production capability to more than double their strategic weaponry" over the next decade if SALT II is abrogated, the letter asserted. In a press release issued April 20, Aspin, in a classic case of psychological projection, charged that if the administration dry-docks the Poseidons, it would be "doing Moscow's work in Washington."

Similar arguments have been put forth by a number of senators, including Republicans Nancy Kassebaum (R-Kan.) and John Heinz (Pa.), who have both recently penned pro-SALT commentaries for the major media.

How could anyone in his or her right mind insist that the United States continue to honor a treaty, which the Senate refused to ratify, so strong were the doubts about its benefits even then, and which the Soviets have repeatedly violated?

# National News

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## Mark Nykanen, NBC, and the dope lobby

At a press conference in Washington, D.C. on April 9, presidential candidate Lyndon LaRouche denounced NBC-TV reporter Mark Nykanen as a "drug pusher." "You guys are a bunch of liars," he charged, citing Nykanen's "disgusting" role in a recent NBC program attacking LaRouche, on the basis of fraudulent information received from terrorist-linked and drug-linked sources.

Nykanen's connections to the dope lobby are extensive. In a 1984 deposition taken in the case of LaRouche v. NBC, he admitted that he had been paid \$200 by *High Times* magazine, the porno magazine of the pro-drug counterculture, for an article entitled "Death in the Desert." The piece described a shootout between a drug smuggler and the border patrol, and argued that laws against drug smuggling are outdated and cause needless deaths: "As long as young men are forced to implement old and dangerous laws, there will be other men willing to take a chance at quick profit, even at the risk of death."

Nykanen is a friend of Chip Berlet, the former editor of *High Times* and author of a May 1981 broadside published in that magazine, titled "War on Drugs—The Strange Story of Lyndon LaRouche—They Want to Take Your Drugs Away!" Berlet, along with another *High Times* writer, Dennis King, is a principal "source" for NBC's libels.

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## Farrakhan's Libyan ties under scrutiny

The Justice Department is reported to be investigating Louis Farrakhan's visit to Libya in March, where he attended a terrorist convention at which Libya's Muammar Qaddafi called on black American GIs to revolt against "imperialist" America. Farrakhan, the head of the Nation of Islam (Black Muslims), is reported to have re-

ceived at least \$46 million from Qaddafi, to finance operations in the United States.

According to the *Chicago Tribune*, the investigation is focusing on the relatively narrow question of whether Farrakhan violated President Reagan's order banning Americans from doing business in Libya. If it turns out he did not spend any money while he was in Tripoli, Justice officials said, he may not be in violation of the President's ban.

After a two-week stay in Tripoli, Farrakhan went on to Ayatollah Khomeini's Iran.

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## This Perle is a swine

Undersecretary of Defense Richard Perle must be fired immediately by President Reagan, said a spokesman for presidential candidate Lyndon LaRouche on April 17, if the United States is to secure agreement with the government of Japan for that nation's participation in the Strategic Defense Initiative (SDI). According to informed Japanese sources, Perle, currently in Tokyo, is acting to undermine the process by which Japan would affirm a commitment to the SDI.

These sources report that Perle is refusing to give any assurances to Japan that the SDI is a strategic commitment of the United States that will continue after 1988. Asked whether the SDI is a long-term commitment or a passing fancy of President Reagan, Perle reportedly states that he does not know.

The only way that the Reagan administration can give the proper assurances to Japan that the SDI is indeed a strategic commitment of the United States, is to remove Perle from all influence within the U.S. government.

The LaRouche spokesman added that the deadline for that action is April 22, since on April 23, Japanese Prime Minister Yasuhiro Nakasone is scheduled to convene the first in a series of ministerial discussions leading toward the government's decision on Japan's participation in the SDI. The talks are also expected to gauge what kind of response to the SDI will be forthcoming from

the heads of state of the seven industrialized nations scheduled to meet in Tokyo in the first week of May.

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## Democratic Party to woo black voters

The Democratic Party on April 16 launched what it called an "historic adventure" to help finance black candidates for political office nationwide, and to register minority voters. The move is seen as a response to the strong vote for LaRouche Democrats among the black voters of Chicago on March 18.

Democratic National Committee chairman Paul Kirk and Delores Tucker, head of the DNC's black caucus, announced the formation of a special fund aimed at expanding black participation at all levels in the party. Kirk called the move "a very important step for the party." The party must broaden its base, he said. "We have to earn that [black] support . . . and not to take it for granted."

An April 30 fundraiser in Washington, D.C. is intended to raise about \$100,000. Tucker said she expects \$1 million to be collected eventually for black candidates.

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## Grand jury breaks law in leaks to N.Y. Times

William Weld, the U.S. Attorney in Boston, has violated federal laws regarding grand jury secrecy, according to Edward Spannaus, an official of the 1984 and 1988 presidential campaign committees of Lyndon LaRouche.

The charge is based upon the publication in the *New York Times* of April 13 of what are called "preliminary findings" in the grand jury's investigation of organizations associated with LaRouche. The *Times* used Weld's leaks to back its claim that these organizations had committed credit card and tax fraud.

"William Weld and his assistant Daniel



Small are in flagrant violation of federal law," Spannaus said. "Small has also repeatedly been caught lying and perjuring himself in affidavits submitted to various federal courts. Not only were documents relating to grand jury proceedings improperly made public, but the information in the affidavits and testimony is itself false. . . . I can only conclude that Weld and Small, knowing that they have no evidence after 18 months to issue indictments, are therefore instead taking the route of 'blowing' their case in the press."

The grand jury system was intended to protect the innocent from scurrilous indictments by unscrupulous prosecutors; proceedings are kept secret in order to prevent press airing of unsubstantiated charges, which can be as harmful to an individual or organization as an actual indictment. Contrary to Weld, Small, and the *New York Times*, a grand jury cannot proclaim "preliminary findings"; either it has the evidence—or it doesn't.

## ADL blamed for not stopping LaRouche

Officials of the National Council of Churches are displeased with the failure of the Anti-Defamation League of B'nai B'rith to prevent candidates associated with Lyndon LaRouche from winning the Illinois primary election on March 18. "The material of the ADL and Jewish groups on LaRouche has a 'brownshirt tinge'; it is extremism in the cause of fighting extremism," complained Dr. Peggy Shriver, director of research for the NCC.

She indicated that the NCC itself intends to replace the ADL in its role as the primary anti-LaRouche group.

ADL officials are reportedly worried about how their campaign against electoral candidates associated with LaRouche will affect the League's tax-exempt status. And for good reason, as one recent episode shows:

Ted Fine, B'nai B'rith leader and Democratic committeeman from Allentown, Pennsylvania, went far out on a limb to try to discredit Bill Logue, candidate for the

Democratic Party's congressional nomination in the 15th C.D. Prior to a Candidates' Night event early in April at which Logue was scheduled to speak, Fine circulated a packet of ADL materials attacking LaRouche. He sought to convince Logue's chief opponent, Joe Simonetta, to use the ADL's tired "LaRouche-is-a-Nazi" slanders against Logue, which Simonetta said he felt was improper.

The *Allentown Morning Call* published an article based on Fine's slanders, whose publication was followed by a telephone death threat to Logue received by his wife at their home.

## McNamara, Brown seek SDI funding cuts

Two former Democratic defense secretaries, Robert McNamara and Harold Brown, have called for substantial reductions in funding to the Strategic Defense Initiative program, on the grounds that a viable strategic defense system is unattainable for many decades.

In testimony before the Senate Defense Appropriations Subcommittee on April 10, McNamara said that the \$2.7 billion in the FY86 budget is "excessive," and that the President's FY87 request of \$4.8 billion should be cut to a maximum of \$2.5 billion. McNamara insisted that the United States is ahead of the Soviet Union in research related to anti-missile defense, and said that he sees "no evidence [Moscow] is preparing to break out of the ABM Treaty, but they fear we are"—and are getting prepared to counter such action.

McNamara further claimed that the growth of Soviet forces in the last 20 years has been in response "to our own actions." If the SDI research program were put on the time schedule suggested by SDI Director Lt.-Gen. James Abrahamson, the United States will "almost certainly" violate the ABM Treaty soon, he said.

As for Harold Brown, Jimmy Carter's defense secretary, he said that President Reagan's "vision" of the SDI is "unattainable."

## Briefly

● **PRESIDENT REAGAN** was asked, at a meeting of the White House Correspondents' Association on April 17, whether he expects that the Republicans can beat the Democrats in 1988. "You bet," he replied. "We can beat Lyndon LaRouche." The statement was reported by Baltimore radio station WBAL.

● **GAIL GANS**, assistant director of the Anti-Defamation League's Fact-Finding Division, defended the ADL's obstruction of efforts by American Jews to organize a boycott of Hitler's Germany before World War II. Speaking on the Mike Levine talk show on Pittsburgh radio station KDKA on April 14, she said that there were "other," more effective, ways of dealing with Hitler.

● **A SHORTAGE** of U.S. physicists in the next decade will have serious consequences for national defense and the economy, a National Research Council panel said on April 14. The council, an arm of the National Academy of Sciences, stated that the number of new physics majors graduating from college has dropped to 900 a year, down from a peak of 1,500 a year in 1970. Foreign students now make up 40% of those enrolled in graduate physics work.

● **POLICE CHIEF** Charles Knox of Newark, New Jersey has called for the U.S. government to enter the business of selling drugs like cocaine and marijuana. "We've got to reduce the profits," Knox said. Since 70% of Newark's crime is drug-related, making it easy to get drugs would reduce crime, he said. Knox was testifying before the House Subcommittee on Narcotics and Substance Abuse.

● **THE ENERGY** Department has revived a plan to put nuclear reactors into space, to help serve the needs of the Strategic Defense Initiative. The program had been abandoned in 1973.

## Editorial

### *Before the Tokyo summit*

The Japanese foreign ministry announced on April 18 that, according to requests from the U.S. government, the central item for the agenda of the upcoming world economic summit in Tokyo May 5, will be President Ronald Reagan's request to adopt a unified Western strategy against international terrorism.

Under the guise of seeking a "unified Western strategy," many appeasers from the State Department and from Europe's foreign ministries, such as Genscher of West Germany, Andreotti of Italy, Papandreu of Greece, Jobert of France, and others, are trying to protect Qaddafi's hide—and regime. The underlying issue, as Margaret Thatcher, Helmut Kohl, and President Reagan have correctly stressed, is whether Qaddafi's—and Moscow's—terrorists will be permitted or not to terror-bomb the 330,000 U.S. troops out of their European deployment. On the destruction of Qaddafi's regime depends the continuing presence of American troops in Europe.

The way to put an end to the bickering of the appeasers is to now go after Qaddafi's ability to meet the terrorists' payroll—and that is, Armand Hammer's oilfields in Libya. They should become the target of the next punitive aid raid, unless the rest of the civilized world agrees to impose a total economic, diplomatic, and financial quarantine over Qaddafi's regime. One way or the other, its destruction must be completed before the Tokyo Summit.

Equally urgent is to put an end to the treacherous public career of the Defense Department's Richard Perle by firing him from his present job—in order to freeze the activities of the treacherous clique inside the U.S. government which is sabotaging the Strategic Defense Initiative (SDI). On April 17, *EIR* received word that Undersecretary of Defense Perle, in Japan together with Undersecretary of State Schneider, was secretly—and contrary to President Reagan—suggesting to the Japanese government that (a) there is no prospect of the SDI policy continuing in the United States after President Reagan completes his present term in office and (b) that the Japanese government should limit itself to signing

only a partial agreement of SDI cooperation with the United States, limited to sharing some secondary, commercially profitable technological applications.

If Perle is not fired before the summit, and before the time of concluding the U.S.-Japanese SDI agreement, the prospects of a successful Allied effort to mobilize to develop and deploy the SDI will be in serious jeopardy.

Apart from the direct strategic implications of such a failure, the urgency of this is as follows: Lyndon H. LaRouche, Jr., the intellectual author of President Reagan's SDI program, argued as long ago as 1982 that the world economy had reached such an advanced stage of physical collapse, that only the far-reaching spin-off effects of the total economic mobilization required to build a beam-weapons defense system could provide the necessary "science driver" to leap over this staggering decay and enter a new epoch of real economic growth. As we document in depth in this issue, both the economy and the monetary system are careening toward a point of no return.

Yet, as the shocking language of the old Nazi sympathizer W. Allen Wallis indicates (see pages 7-9), the *official* U.S. plan on monetary and economic issues, going into Tokyo, is to bludgeon our allies and the countries of the Third World into giving up every remnant of what was once known as the American System of political economy, i.e., policies to protect national industries, and above all to protect the lives and nourish the development of every nation's most vital resource, its labor force.

A strong assertion of President Reagan's policies toward Libyan terrorism and respecting the SDI, an assertion exemplified by the firing of Perle and the long overdue elimination of the reign of Qaddafi prior to the May 5 summit, will virtually guarantee the cohesion of America's alliance both with Europe and Japan. This cohesion would, in turn, be the necessary precondition for the West to meet the upcoming challenges of the looming world financial blowout, for which the scheduled May 5 Economic Summit is far from prepared.

**"The two arrested Israeli spies, Jonathan Pollard, and his wife, are merely third-level figures in a ring working under the sponsorship of Israeli bully-boy Ariel Sharon. The ring reaches high into the ranks of the Executive Branch of the U.S. government.**

**This is not merely an Israeli spy-ring; it is a spy-ring operating under the Israeli flag, but controlled by a network of Soviet agents. . . ."**

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