

EIR

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Peru prepares for 'economy of national defense'
Reagan: 'Full weight of presidency' to fight drugs
What's 'very to the left'? The British Queen

Japan's Nakasone: Sengo no Sokessan



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Report**

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White Paper on the Panama crisis Who's out to destabilize the U.S. ally, and why

While the *New York Times* and other major media pump out "news" on Panama to fit these plans, North Carolina's Sen. Jesse Helms, the U.S. State Department, and sections of the Reagan administration have joined in a campaign to overthrow Panama's government and Defense Forces, allegedly because they have been taken over by the narcotics trade. Therefore, the United States must bring to power Panama's "democratic opposition" movement.

As this report shows, the principal figures in the "democratic opposition" movement are drug-money launderers, lawyers for cocaine and marijuana traffickers, terrorists, and gun-runners. Their presidential candidate, Arnulfo Arias Madrid, is a life-long Nazi.

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The report includes:

- A "Who's Who" in the drug mob's campaign to overthrow Panama's government;
- The facts on how "conservative" Jesse Helms has joined with State Department one-worlders to implement a destabilization campaign designed by the U.S. Liberal Eastern Establishment;
- How David Rockefeller's Trilateral Commission and the New York Council on Foreign Relations created the "off-shore" banking center in Panama, to handle their debt-and-drug looting of South America;
- Proposals on how the United States can help secure Panama, through a series of Canal-centered development projects, which break Panama's economic dependence on the "off-shore" economy run by the international banking cartel.

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EIR

From the Editor

Perhaps you don't know yet what "Sengo no Sokessan" means. Yet, around that watchword of Japan's Prime Minister Yasuhiro Nakasone, pivots one of the most important political shifts in the postwar period. To *not* be informed about Japan's emerging role and its enormous potential in the transition to a new world economic order, is to be dangerously deprived of some of the most essential information a patriot and citizen of the world today requires.

Ignorance on these matters in the West is no accident. Just before the July 7 Japanese elections, our Liberal Establishment press claimed that those elections did not command much attention among the electorate and were being contested on the level of local rather than national and international issues. When the well-informed Japanese voters turned out in record numbers and gave a landslide victory to the ruling Liberal Democratic Party and to Nakasone, who had staked his political reputation on defining a new and enlarged role for Japan in world politics, the same U.S. press responded with stunned silence.

Who is Yasuhiro Nakasone? What is, really, Japan's export profile to the United States, which has been ironically described by one observer as "unfair to non-existent U.S. industry"? What insights can be gained from the study for the reform of the Japanese educational system commissioned by Premier Nakasone in 1983? These are some of the issues addressed in *EIR's* report, based on first-hand knowledge of Japan, prepared by Contributing Editor Uwe Henke v. Parpart, Asia Editor Linda de Hoyos, and Economics Editor David Goldman.

Japan's commitments should be viewed also in the light of two stories in this week's *Economics* section. First is the devastating confirmation of *EIR's* projections, at the end of 1985, of a 15%-25% decline in the U.S. economy to occur during 1986 (page 4), under the continued hegemony of the Don Regan "Wall Street mafia" in federal economic policy. Second, are the concepts of a "harmony of interests" between labor and capital, asserted by Peru's President Alan García (page 6) as he begins his second year in office.

Our Wall Street-controlled press has the gall to attack García's economics as "incompetent." We suggest you compare *his* results to *theirs!*

Nora Hamerman

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Collapse verifies EIR's warning of 15-25% decline

by David Goldman

In December 1985, *EIR* forecast a 15% to 25% rate of decline in U.S. output of physical goods during 1986, as a function of the deflationary banking collapse already then on the horizon. The latest news proves us correct.

To be precise, we forecast that, early this year, an impulse-rate of decline in the 15% to 25% range would emerge, depending upon the political resolution of the financial crisis. No precise estimate of this year's downturn can be made as such, given the uncertain outcome of the factional battles surrounding the financial crisis; *EIR* nonetheless identified a 15% to 25% range as the level of physical-production contraction associated with the gravity of the present crisis.

Production and orders data published during the past week makes clear that the turning-point occurred in June, following several months of comparatively slow deterioration. Ignoring the fraudulent Industrial Production Index concocted by four statisticians in a windowless room at the Federal Reserve building in Washington, the following data make clear that the present impulse-rate of decline of the economy ran in the predicted range by no later than June:

The extent of the collapse

1) The Aluminum Association reported on July 30 that aluminum production in the United States fell to an annual rate of 2,883,707 metric tons in June, from 3,349,099 metric tons in May, a 16% drop during the single month. The June level also represents an 18% drop from the June 1985 level.

2) The American Iron and Steel Institute reported on July 31 that production of raw steel fell to 6,729,848 in June from 7,616,215 tons in May, a single-month decline of 13%. The June level represents an 8% decline from June of last year.

Since imports of steel declined as well, there is no ambiguity concerning the implication of these data.

3) Factory orders dropped 0.3% in June and 0.5% in May, to \$191.54 billion in June from \$201.2 billion in December 1985. Manufacturing orders were down 4.8% in the first six months. Transportation equipment orders were down 15.9% in June, and aircraft orders were down 47%, which helps explain why basic metals production collapsed during the same month.

4) The U.S. trade deficit for June was a staggering \$14.17 billion, pushing the trade deficit for the first half of 1986 to a record \$83.92 billion, a 21.2% rise over last year's first-half deficit and well on the way to surpassing last year's record deficit of \$148.5 billion. Given the nearly 40% decline of the dollar since July 1985 against the currencies of other leading industrial nations, the larger deficit represents about 10% less physical imports (U.S. imports from Ibero-America and some other developing-sector nations have not risen in cost, since these nations' undervalued currencies are pegged to the dollar). However, the rising cost is heavily concentrated in industrial components and parts, which raise the cost of domestic output, and encourage cutbacks in production.

5) The price of oil on overseas spot markets remains well below \$10 per barrel, while Texas intermediate crude is barely above \$11 per barrel. The break-even point for Alaskan oil production, a third of the American total, is \$14 per barrel; for less, Alaskan oil cannot be pumped and shipped to refineries in the lower 48 states. At about \$10 per barrel, perhaps 40% of domestic oil production will be lost over the next 12 months, as well as virtually all production of oil-field equipment. By itself, the oil price collapse could reduce U.S.

industrial output by about 7%.

6) The last hope of "consumer-led expansion," the housing market, evaporated along with new home sales during May and June. New homes were sold at a seasonally adjusted annual rate of 703,000 in June, down 9.9% from May, and down more than 20% from April. That was the slowest since October 1985, when 637,000 new homes were sold, and 1% below that of June 1985, when it was 710,000. Federal Reserve chairman Paul Volcker, who was unable to continue reducing interest rates after mid-May, without causing an uncontrolled crash of the U.S. dollar, aborted the hoped-for expansion of housing. The commercial construction sector, burdened with a 25% nationwide vacancy rate in prime urban markets, remains about 20% below last year's levels.

7) The auto industry, the other major consumer sector, continues to deteriorate. U.S. automakers reported combined sales of 177,569 cars in the United States during the July 11-20 period, compared to 216,207 units in the year-ago period. So far in 1986, the firms have sold 4.5 million cars, down 3.7% from the 4.7 million units sold in the comparable 1985 period when calculated on the basis of a daily selling rate.

8) The services sector, the source of all the last six years' employment growth, is in financial trouble. Business failures in services in the first quarter jumped 34.3% to 4,867, from 3,623 in the same period of last year. Overall business failures rose 12.4% during the same period, according to Dun & Bradstreet.

9) The collapse of farm exports, the continued slaughter of dairy herds, the southeastern drought, and the collapse of farm prices across the board, will reduce farm income this year to a negligible level, and reduce physical output of agricultural products by *more* than the 15% to 25% range forecast for the economy as a whole.

In summary, America's agro-industrial base (farming, mining, basic metals) is already contracting at more than a 25% annual rate, while the sectors which showed fleeting signs of life, e.g., home construction, began to drop off during May. The overall rate of economic decline falls within our 15% to 25% range forecast in December.

White House panics

Older listeners to President Reagan's weekly radio address July 26 might have thought they had tuned into a re-broadcast of old Abbott and Costello tapes by mistake, as the President sought to explain the declining economy. He acknowledged that second-quarter growth was lower than expected, but called it only a "temporary" setback caused by decline of the oil, farm, steel, and textile industries. However, the President predicted that "when the tax bill is finalized and businessmen and venture capitalists know the new ground rules, then we can expect business to start moving. . . . Our economy is waiting for tax reform's lower rates. In that sense, this temporary slower growth we're experiencing is a sign of anticipation about the future and better

times to come. Don't pay too much attention to those gloom artists. America's economy is strong. Our future bright. With tax reform lighting our heels in the coming years, well, it will give new meaning to the phrase, 'you ain't seen nothin' yet.'"

The President is partly correct to attribute the slowdown to the expected enactment of tax-reform legislation; by destroying the five-year boom in real estate which ended late last year, tax reform will wipe out the last remaining growth sector, and the source of most new service-industry employment since Ronald Reagan took office in 1981. However, as *EIR* documented in February, the result will be to wipe out \$250 billion in debt attached to unwanted or unprofitable real-estate ventures, and a blow to the banking system twice as big as (for example) a simultaneous default by all of the Ibero-American debtors.

By July 31, the day on which the Commerce Department was to have released its index of leading indicators, the White House apparently decided that the President's explanation lacked credibility, and decided that plain lying might be more effective. Reporters awaiting release of the indicators were told that the index would not be available, so that the Commerce Department might cross-check data just received—provoking widespread speculation, even in wire-service stories, that the results were so dismal that the administration had decided to re-cook the entire business.

On Friday, Aug. 1, the Commerce Department announced that the index of leading indicators had risen by 0.3%. *EIR* has always dismissed the index as a joke. In this case, much of the increase was attributed to a rise in stock prices. What will the index show after July's 100-point slide in the Dow-Jones average?

A more earnest piece of fakery came from the Department of Labor the same day, which announced that the nation's unemployment rate had fallen from 7.1% to 6.9%. Two weeks after national media explained that the Labor Department underestimated actual unemployment by half, the credibility of these numbers appears strained. Under the circumstances, there is absolutely no reason to believe the Labor Department's claim that non-farm employment rose by 390,000, even taking into account the return of AT&T workers following the telephone strike.

In any case, the administration cannot postpone the political reckoning for long by faking data. The continued collapse of the dollar on the exchange markets, to only DM 2.09 and 154 yen on Aug. 1, shows that a "doomsday machine" has kicked on. America consumes net imports of \$170 billion per year, which would cost \$300 billion to produce in the United States. These goods represent 18% of the nation's \$1.640 trillion of net sales of tangible goods. As the self-feeding spiral of dollar decline and banking insolvency worsens, the physical economy will come apart at an even worse pace, and Washington will have to invent more than a few numbers.

Peru's Alan García builds 'an economy of national defense'

by Mark Sonnenblick

"We need an economy of national defense in the face of the approaching crisis in order to bring together the forces and resources of the country for a single objective," Peruvian President Alan García alerted his countrymen July 28.

The first anniversary of his regime came amid U.S. government prompting of rumored military coup plots to eliminate him. "García keeps stomping all over our shoes and, frankly, the position here is to let him wallow in it [the coup rumors]," Reuters reported that "a senior U.S. official" stated on July 31, while complaining about García's economic program. "Everyone is waiting for him to fall on his ass," added an intelligence official. Intelligence and White House sources "said political stability in Peru was rapidly deteriorating and a military takeover could be possible in a year" unless García reversed course on the economy.

On the other side, encouraging García to stick to his guns, is Pope John Paul II. He deployed to Peru Joseph Cardinal Ratzinger, his chief aide in the struggle against Marxist "liberation theology" and other forms of Gnostic heresy. At the end of his week-long visit, July 24, Ratzinger told the press that García's policies "are based on the greatest Christian moral values."

The Pope took the unusual step of sending two messages in one week to encourage Peru's bishops to continue seeking "the unity of the nation, overcoming partisan antagonisms." He said he was following "with great concern . . . the intensifying of political and social tensions," and urged the military and police "to inspire the confidence of the population, thus helping strengthen coexistence with the law. . . ."

John Paul's own Peruvian visit in February 1985 shaped the climate of optimism which resulted in García's election a few months later. García's economic and social policies are extremely close to those advocated by the Pope and Ratzinger.

Rebuilding the economy

Though García astonished his enemies by the serene humility with which he spoke July 28, the economic accomplishments of his first year in office are quite impressive. Peru's industrial output was 14.2% higher in the first half of

this year than last. "For the first time in 10 years, the people's income rose more than the increase in prices," while inflation was cut drastically, from a 250% rate when he took office to 68% during his first year. Peru made remarkable progress, despite the deepening world depression of commodity prices, causing a \$500 million annual loss of export income.

García also began reversing the structural decay of the economy. This is shown by the fact that employment grew faster in productive sectors such as industry (by 4.8%) than in overhead sectors such as commerce (by 2.4%) and services (by 1.9%).

García rededicated Peru to "the task of rebuilding the economy and reorienting our history." He outlined a method for marshaling all the nation's resources to do so, despite terrorism from within and despite an impending step-up of economic warfare from outside. His plan defends Peru's dollar reserves, channels private profits toward productive investment, and makes active defense of Peru's democracy "an obligatory commitment of all citizens."

García's unique determination to swim upstream against banker threats will be severely tested in August. The grand finale of Peru's showdown with the International Monetary Fund (IMF) is to take place on Aug. 15. The IMF backed off in March and accepted a \$35

Peru, while issuing a formal ultimatum that Peru pay \$186 million more due it by Aug. 15. The IMF's ultimatum swore that if Peru did not pay, it would be declared "ineligible" for further IMF "assistance," and thereby lose all credits from its sister institution, the World Bank, and other sources.

The would-be global financial cop will once again be defied by Peru. García's state-of-the-nation message confounded expectations repeatedly voiced to the press by IMF spokesmen since April. They were cock-sure he would give up his policy of limiting foreign debt payments on July 28, and crawl back into the IMF fold by Aug. 15.

Far from retreating, García extended for another year the allocation of only 10% of Peru's export earnings to service the government's \$10 billion foreign debt. In addition, he announced that servicing the private sector's \$2 billion foreign debt in whose name "hundreds of millions of dollars

have left the country, without any justification," would be included in the 10%. Decrees issued after the speech forbid all private companies from holding foreign currency and mandated that their debt payments be channeled via the central bank. The central bank would then pay creditors on a discretionary basis, should dollars be available.

During the past year, multinational companies with investments in Peru have abused their freedom of foreign exchange to drain "over \$1 billion" out of the country, García reported. He banned all such transfers for the next two years. Armand Hammer and other "foreign investors" will receive dollar-demoninated bonds due in two years or immediately usable for "productive investments" inside Peru.

García explained the principle of equity on which he has structured Peru's economic relationships with foreign creditors: "If we are paid ever less for our oil, copper, silver, for our labor, how are we going to servilely pay the debt under the conditions they want. Peru set a principle. As much as they pay us for our work . . . that much will we pay for the debt, but without sacrificing development and consumption."

A corollary of this doctrine is that the 10% of exports (\$320 million during the past year and probably less this year) is allocated to creditors according to their willingness to work with Peru. "It would be suicide to turn ourselves into net exporters of capital, in a situation in which new credits are not granted and the prices of our raw materials fall," García declared.

Peru will present its 280 private bank creditors with a plan for a moratorium on both interest and principal, Deputy Economy Minister Gustavo Saberbein announced July 30. He told Reuters, "Let's say that there [would be] a non-payment period for five to seven years, of which there would be no payment of anything during the first two or three years." Then, interest would be repaid at a reduced rate, with principal stretched out over many years. In his July 28 speech, García said, "Peru cannot accept either the interest nor the terms established for payment." For him, a 30-year loan from the Federal Republic of Germany at 2% interest is an example of "non-usurious" lending.

Hamiltonian economics

García's policy more and more resembles that which Alexander Hamilton, the first treasury secretary of the United States, put into effect when the new republic was born, saddled with debts. Hamilton also postponed, without repudiating, payment of the foreign debt. Hamilton knew the new government would have to use its powers to promote "the progress of manufactures," or be overpowered by the British.

García called on industrialists to exercise their "capacity for initiative and imagination" to find ways of producing more, using fewer imported materials. He said the Swiss firm Nestlé, with a near-monopoly on milk-processing in Peru, would face government action for insisting upon selling milk in imported cans, rather than powdered in plastic bags—at

two-thirds the cost.

"The nationalist state cannot permit, will not permit, the formation of monopolies." García announced that the monopoly of credit would be broken by laws which forbid banks from lending to their own associates or from continuing to be "used as suction or as a lever by big groups to obtain public resources for their own activities."

Mexican 'tigers' eaten by IMF

Mexico's subjecting itself to a "stand-by agreement" with the International Monetary Fund (IMF) July 21, deprives Peru of the continental solidarity which would have virtually guaranteed its victory. It is precisely for that reason that Washington strategists James Baker III and Paul Volcker pushed the IMF to make a deal, any deal, with Mexico. And it is for that reason that the stolid monetarists of the IMF accepted getting egg on their face with a Mexican agreement which does not require the genocidal "economic shock" which is their institutional trade mark.

Mexican Finance Minister Gustavo Petricioli boasted July 27 that the novel gimmicks incorporated in his deal with the IMF came because his "tigers" waged a bloody battle for every concession.

García is going in the opposite direction, trying to reestablish the principle of "state rectorship" of the economy by curbing the power of private monopolies and foreign interests, while "rescuing in business and industry the capacity for initiative and imagination as a response to the present challenge."

In a series of three feisty interviews run as the lead stories in Mexico's *Excelsior* July 28-30, García offered a dramatic counterpoint to the demoralization brought to the millions in Mexico's labor movement and the ruling Institutional Revolutionary Party (PRI), by President Miguel de la Madrid's choice to take the IMF path.

Inside Peru, the old "Dope, Inc." apparatus displaced and stomped on by García, demands García "walk through the hole put in the IMF's wall by Mexico," as former Prime Minister Manuel Ulloa's daily *Expreso* put it. Outside Peru, the *Wall Street Journal's* editorial, men like Mexican President de la Madrid know that going into the tank would mean the seizure of Mexican assets abroad by creditors and most likely a loss of U.S. markets."

Excelsior asked García whether his confrontation with the IMF would lead to a military coup. He responded, "I don't think that the military in my country would be representatives of the International Monetary Fund. That's for sure. . . ." García poked fun at Presidents who fear to impose their nations' needs on their creditors: "An objective coup d'état takes place when a group of soldiers or civilians gets into a tank to take the National Palace; but an occult and subjective coup takes place when a ruler ceases to rule for his country, and turns himself into a peon of foreign agencies. That is where democracy is lost. . . ."

García's interview in Mexican press

The following are excerpts from the lengthy interview with Peruvian President Alan García which the Mexican daily Excelsior made its lead story July 28-30, shortly after Mexico committed itself to the International Monetary Fund.

The International Monetary Fund is an obsolete institution, whose theory is inapplicable in Latin America and which only serves to maintain the injustice and asymmetry of the world economic system. . . .

To comply with that agency, we have signed letters of intent, devalued our currency, suffered agency, we have signed letters of intent, devalued our currency, suffered extremely high inflation and social conflicts. . . .

We are co-responsible for the debt for having permitted sell-out and colonialist governments to dominate our countries, and for not having done anything to prevent a handful of Latin American rich from having taken the dollars to Zurich, Miami, or New York. . . .

To receive new loans to pay old ones is a merry-go-round, in which we are poorer each time around. The loans are a myth because they are used to pay the previous ones. . . .

I have gotten tired of speeches, of great pronouncements, of slick characters who belch harranges in all directions. . . . The countries of Latin America [must] act today, or else we will not be independent; we must begin to unite ourselves today, or we will be mere slaves to our own incapacity. . . .

I know that it is a risk to act and say what I just said, but the risk must be taken; it is an imperious necessity. Actions are needed now.

For the first time, we are not making a demand, as has been done many times, for a new world economic order or on interest rates. Latin America and its history are plagued with demands. We cannot live in forums sending letters to the richest rulers on earth which nobody reads. . . .

The immense weakness which is the foreign debt, is, paradoxically, Latin America's greatest power. . . . If we don't know how to use that great power at this moment, we are going to lose one of the greatest opportunities Latin America has to be independent. You ask me if unity is possible; I

answer you with a phrase from the Caribbean: Things are good because they are getting so bad. That is, it is a question of sitting down to wait, because we have already seen bilateral accords be signed many times and we know that all them have a trap inside, the trap of liberal economic theory, the trap of the financial merry-go-round, the trap of their not being complied with later, but the profound truth is that the peoples no longer tolerate them. . . .

Would you propose a meeting of Latin American Presidents?

What Latin America needs is a new political orientation, because if you put names on it and if you call it somebody's theory or doctrine, you are betraying it, because, as we know well and is very human, resentments, rivalries, and emulations, could eliminate that possibility. I would not go so fast to a President's meeting. What I would say is that we put our decisions, not our physical presences, into harmony.

The following is from García's July 28 state of the nation message.

During the past 12 months, while the government limited payments of its debt to \$320 million, on the other hand, under the rubrics of private debt of national companies and remittances of foreign companies, no less than \$1 billion left the country. These two measures [limiting remittances] . . . mean neither expropriation nor confiscation, but only a temporary limitation so that the resources generated inside the country are retained here and used by their own owners for the productive investment the nation requires in these critical circumstances.

The entire country is witness and knows that bureaucracy is not the best manager of social resources. . . . We posed a different alternative which is neither liberal nor statist. We posed for the first time the need to direct the action of state and private economic agents towards national objectives. . . . This demands that we deepen the nationalist role of the state. Nationalism means that the state has authority and rectorship, since it is the synthesis of the national will, because the people elect their government to direct and orient, and not to be a passive spectator of disorder and egoism. What has to be done today is to break the satellization of our economy, which happens not only in the area of the foreign debt, but also in the dependency of our industrial structure. . . . We need an economy of national defense in the face of the crisis to harmonize the forces and resources of the country towards a single objective. We need the state to regulate initiatives and efforts, without falling into bureaucratism. That is the kind of state we have not had up to now. . . . Without a state which regulates credit, we have had banks which take in public savings to put them at the service of the groups which own the same banks. . . .

We don't want speculation, nor idle rents; we want work, initiative, and capital put at the service of national independence. . . .

Evidence mounts of AIDS link to insects

by Warren J. Hamerman

From southern Florida to Italy to Africa, there is an increasing amount of evidence that in the economically collapsed areas of the tropics, Acquired Immune Deficiency Syndrome, or AIDS, is transmitted "mechanically" by biting insects.

The latest developments present scientific facts that totally refute the World Health Organization (WHO) and Centers for Disease Control (CDC) lie that AIDS is essentially a venereal disease among so-called limited "high-risk" groups. What is the latest evidence of insect transmission?

1) Dr. Mark Whiteside and Dr. Carolyn MacLeod, who documented the pattern of No-Identifiable-Risk-Other-Than-Poverty AIDS cases in Belle Glade, Florida, have released data on "other Belle Glades." Whiteside and MacLeod report another cluster of AIDS cases in a poor black section of Delray Beach, a luxury resort 30 miles southeast of Belle Glade. They report 18 cases of AIDS among impoverished people with no other identifiable risk in a 30-square-block section of Delray Beach over the past four years. Whiteside indicates a similar pattern in two other nearby towns, South Bay and Pahokee. He suggests that the concentration of infection may be in car tires and other receptacles that hold stagnant water which breeds mosquitoes. In Delray Beach, 15 of the 18 victims have died.

2) In an interview to the Italian daily *La Stampa* on July 28, Prof. Giorgio Leigh, a dermatologist at the Novara Hospital, revealed that four people who died recently of AIDS in his hospital were neither homosexuals, nor drug addicts, nor hemophiliacs, but were infected by the many mosquitoes infesting this rice-producing area in northern Italy. According to Professor Leigh, the first European physician to publicly address the issue of insect-transmission of AIDS, mosquitoes can transmit not only hepatitis, but many other infectious diseases, including AIDS.

According to another chief doctor at the Ospedale Maggiore in Novara, Professor Isalberti, "This sickness did not explode just now. I remember that in the 1950s, we had to face inexplicable deaths, which were caused in the victims precisely by the disappearance of all immunological powers. Those cases were inexplicable then. Now, they would be considered AIDS cases."

3) A letter from two South African scientists published in the July 5, 1986 issue of *The Lancet* documents the recovery

of the AIDS virus from bedbugs one hour after they were fed on infected blood. Doctors S. F. Lyons, P. G. Jupp, and B. D. Schoub from the Department of Virology, University of the Witwatersrand, Johannesburg, wrote the following: "The survival of HIV [AIDS virus] for one hour in *C. lectularius* [species name for the common bedbug] following the feeding on a blood-virus mixture suggests that mechanical transmission of the virus between human beings could be carried out by bedbugs."

Mechanical transmission depends on an insect being infected while feeding on an infected host, and then moving to a susceptible host to complete its blood meal. The South African scientists draw the following conclusions: "There is strong evidence for mechanical transmission of hepatitis B virus by the common bedbug. . . . Similar transmission of HIV by bedbugs may be a cause of infection in African children. In Africa, 15-22% of AIDS cases have been in children, whereas in the U.S.A., this proportion is only 1-4%, suggesting that there are modes of transmission other than those recognized in the U.S.A."

4) Another letter in the March 6, 1986 *New England Journal of Medicine* reports finding antibodies to HTLV-III/LAV in 8 of 24 Venezuelan mine workers with malaria, who had no other risk factor for the disease.

A doctor named Gaffe

To cover up the mounting evidence that there is a direct causal relationship between economic collapse—the "Environmental Factor Hypothesis"—and the widespread transmission of AIDS in the tropical belt, the CDC has responded by announcing that they will reclassify Haitians to the "High Risk AIDS group," since many of the victims in Delray and Belle Glade are poor Haitians.

In an article published by the *New York Times* on July 28, 1986, Dr. Harold Jaffe and Dr. Ken Castro, both of CDC, are quoted in a series of lies designed to "explain away" Belle Glade and Delray Beach. Their explicit quotes discount environmental factors and talk about the "correlation" between heterosexual

quoted international press wires of July 28, Jaffe and Castro were quoted as saying that the CDC was about to reclassify Haitians as a high risk group for AIDS.

Less than 24 hours after Jaffe and Castro were quoted in detail, a CDC spokesman tried to take back their indefensible position. On July 29, CDC's Don Hereth asserted from the CDC's Atlanta headquarters: "We have nothing to say about the report because the *New York Times* story is not correct. It is not true that Haitians will go back on the list [of high risk groups]."

Why did the CDC back down? Will Harold Jaffe change his name to Doctor Gaffe? Had someone even at CDC figured out that the logic of their argument was that they would have to declare the 30 million Africans infected with AIDS as Haitians!

Gorbachov's Russia to pay Czarist debt

by William Engdahl

On July 15 in London, Soviet Foreign Minister Eduard Shevardnadze signed an agreement with the British foreign minister ending a 69-year-old repudiation of pre-revolutionary debts. While media accounts have treated the matter in a passing or comical manner, there appears to be nothing comical in the reasons motivating the Soviet state to recognize the most sacrosanct form of capitalist paper—state-bonded debt titles.

"The Russians definitely did this, now, after refusing for almost 70 years," a spokesman for one of the largest French banks told us, "because they intend to become more respectable in order to borrow more" on select Western capital markets. A senior person at the London merchant bank, Morgan Grenfell, confirmed, "We assume they are clearing the decks for something big. Most of our clients are American or Arab, so we wouldn't touch Russian paper. It would have to be the large international houses with placing power in securitized markets—Crédit Suisse First Boston or Merrill Lynch Capital Markets."

According to specialists in the esoteric world of London finance, the latest Moscow overture was made in a precisely targeted manner aimed at the huge offshore financial market known as the City of London. While the face amount at stake in Czarist Russian bonds is tiny in today's global terms—perhaps some \$60 million—and it may take years to trace down surviving descendants of holders in the West—the interesting question is "Why now?"

Collapsing energy revenues

Since the 1970s, when the Western world price for petroleum artificially soared from an average below \$2.50/barrel in 1973 to almost \$40 in 1980, Soviet earnings of Western "hard currency"—principally dollar holdings—were vectored overwhelmingly to energy exports to the West. The controversial Siberian natural gas pipeline of the late 1970s was only part of this strategy. Billions of dollars of Western oil equipment, pipe, and drilling and refining technology were bought to increase output from huge but remote Siberian oil and gas fields. In the early 1980s, Moscow became a factor, if marginal, in Western crude and refined oil product markets, dumping an estimated 2 million barrels daily onto Swiss and London oil "spot markets." More than 60% of official Soviet hard currency earnings by the early 1980s flowed from oil and gas sales to the West. Since last January,

with the catastrophic drop of Western oil prices from some \$28/barrel to even less than \$10, Soviet energy earnings have been severely hit.

The Vienna Institute for International Comparative Economics in Austria monitors East-West trade developments. According to Dr. Raimund Dietz of the institute, "The Soviet Union will lose \$10 billion in 1986 compared with 1984" only from energy export prices. As oil in the West is traded and priced in dollars by convention, Dietz further calculates that losses, if calculated for Moscow's main Western European trade partner, West Germany, are far greater. As the dollar parity level with the West German mark has plunged more than 30% over this time span along with the oil price, Dietz reckons hard currency income losses from energy export to the West will plunge. "We calculate they will go from DM 66 billion in 1984 down to only DM 32 billion this year," he said. "This is drastic." And it assumes an average oil price of \$16 this year, an optimistic projection.

To compensate for this sudden loss, the Russians can simply cut back on orders of capital goods and agriculture from Western markets. Already there have been signs they will unilaterally renege on a part of their huge grain contract with Washington. Until now, none of the major technology contracts with West German and other European firms, said to be so promising only four months ago, has been signed. "There are signs of cutbacks already," Dietz added. "Big Austrian firms, ones which have traded with Moscow for years, are being told, 'No, wait until next year. . . .'"

Dietz calculates there are limited options to gain new Western currency. One of the largest potentially, would be further export of gold. On May 9, London gold bullion dealer Samuel Montagu reported evidence that Moscow had sharply increased gold sales to the West from 120 tons in 1984 (Imperial) to 225 tons already in 1985, when energy export earnings first began to drop. Since the present world gold market is very soft and dominated by South African production, maximum revenue gain possible from this source to offset oil losses to the West would be only \$3 billion, for a total estimated at \$4.5 billion sales this year. "They can export a maximum of 200 to 250 tons before they began to undercut the market prices."

This could explain one aspect of the involvement of Russian "ambassador without portfolio" Armand Hammer in pushing the British royal family to demand drastic economic sanctions against South Africa. South Africa and U.S.S.R. are repositories of the vast share of known world reserves of gold, diamonds, and also coal, platinum, manganese, titanium, and other industrially strategic raw materials. Moscow is backing the African National Congress terrorist organization inside South Africa to create industrial chaos.

Another Russian option would be to go onto the most preferred Western capital markets—bond markets, where costs of capital to finance industrial imports are far lower than for conventional bank credit.

The oligarchical fruit of the philosophy of Nazi-communism

by Antonio Gaspari

In the process of destroying its industrial economy under advice of the International Monetary Fund, the nation of Italy has come to find itself in the unenviable position of heavy dependence on the Soviet Union for both those raw materials and economic and trade contracts necessary to economic survival. The politics of Italy's deindustrialization has featured trade relations which have always tended to favor countries of the East bloc or satrapies of Moscow, such as Libya and Syria.

If this situation has, until today, been motivated as an "economic necessity," given the depression afflicting all Western nations, from the military-strategic standpoint, this situation is absolutely untenable: Italy, the centerpiece of the defense of NATO's southern flank in case of a conflict, is severely constricted by Soviet economic and political blackmail.

Those responsible for this "turn toward the East" are the same figures who present themselves to the world as the champions of "liberal capitalism"—for example, the Agnelli family, best known as the owners of Fiat; the Venetian oligarchy represented by the Visentini group, De Benedetti, and Olivetti; and the Roman oligarchy. With the exception of a few heavily indebted firms in which there is some state participation, and which are now in danger of being privatized and sold off, all the "majors" in Italy, re-insurance companies and industrial groups, are controlled by Agnelli, the Venetian oligarchy, or the Roman oligarchy.

This Italian oligarchical matrix is, properly, the Italian side of what has been called "The Trust," feudalistic financier and trading interests of the West whose wealth and power is linked to special arrangements with Moscow. To demonstrate the feudal and subversive conceptions which animate the Italian side of "The Trust," allow me to introduce you to "the lawyer," Giovanni (or Gianni) Agnelli.

Gianni is among the founders of the Trilateral Commission, and a confidant of David Rockefeller, Henry Kissinger, Adlai Stevenson, Richard Gardner, Ted Kennedy, and Edmond de Rothschild. He also numbers among his "American" friends Pamela Churchill, the mother of Winston Churchill III and the wife of the late grand old man of the

Democratic Party, Averell Harriman; Katharine Graham of the *Washington Post*; and Arnaud de Borchgrave, the Belgian count who edits the *Washington Times* after having worked for Katharine Graham at *Newsweek* for some 30 years. Then, there is André Meyer of Lazard Frères, who oversees the financial interests of Agnelli, and once gushed: "Gianni is the most fascinating personality I have ever met."

The 'turn to the East'

"The lawyer, Agnelli," as he is known here in Italy, is defined by *Newsweek* as the "leading industrialist of Western Europe." But he is also one of the best friends that the Soviets have: It was he who initiated export of Western technology to the East in the grand style. By way of his friendship with the late Soviet Premier Alexei Kosygin, and especially with the husband of Kosygin's daughter, Dzhermen Gvishiani, a Georgian who was for a time the director of the Council of State for Science and Technology and is now member of the Central Committee, Agnelli secured the contract for the construction of Togliattigrad auto production works, the largest plant ever constructed by Western interests in Russia. With this contract, Agnelli opened the door to a rapid expansion of East-West commerce, a door through which have since passed deals of every kind.

Gvishiani is a very active person: He is among the founders of the IIASA (International Institute for Applied Systems Analysis) in Vienna, an organization which functioned as a conduit for Soviet tapping into Western computer banks and generally stealing American secrets, until President Reagan decided to end the American participation which McGeorge Bundy had initiated.

Agnelli sold 16% of the shares of Fiat to Libyan terrorist Muammar Qaddafi, who still holds them today. They have given Qaddafi the right to have representatives sitting on the board of directors and the administrative council of Fiat—despite the fact that Fiat is often involved in the planning and production of sophisticated war materiel for Atlantic Alliance nations.

There is no doubt about the fact that, if Italy is increasingly economically dependent on Russia and Libya, the cred-



it can be taken by Gianni Agnelli.

Agnelli's kind of power is somewhat heady, which is why "the lawyer Gianni," as leading scion of the Agnelli family, has a regal consideration of himself: He believes that he has assumed the place of the royal family of Savoy in Turin, and just as the Savoy, he has no patriotic interests; his interests are solely determined by his holding companies and those of his extended family, the nobility. Agnelli is arrogant with regard to the public well-being: He has always maintained that the State should furnish the capital and approve the necessary laws for maintaining the affairs of Fiat.

With regard to Italy's strategic role, Agnelli is quite blatant. He has on many occasions declared: "We can be happy that Italy is destined to become a second Yugoslavia, an outpost on the demarcation line between the Orient and the Occident, which brings its weight to bear, now on one side, now on the other."

This is an idea fully shared with the Soviets, and in this light, a statement by his sister, Susanna, does not seem excessive. She told the press: "If Gianni had not been born an Agnelli, he would have been a communist."

The heirs of Tiberius

But there are sides to the life of Gianni Agnelli which throw into sharp relief the fact that his affinity for the East is a result of his affinity for the Dionysian, subversive counter-culture philosophy which, though "popular" today, and therefore not subject to bursts of public outrage, is worse than

that of the communists.

Gianni was educated from a tender age in a corrupt and perverse ambiance. His grandmother, an American of Scottish origin, Jane Campbell, was the wife of the Prince of San Faustino (she was popularly referred to as "Princess Jane"). She passed her vacations on the old Roman emperors' resort island of Capri, where she became the mistress of Axel Munthe, the man who claimed to be the reincarnation of Tiberius—the Emperor who crucified Christ. Munthe shared this distinction with Adolf Hitler, who was convinced that he himself was the true incarnation of Tiberius.

The daughter of Princess Jane, Gianni's mother, was the noblewoman Virginia Bourbon del Monte, who became famous not only for her great number of lovers, but also for having been the woman most loved by the famous journalist and writer, Curzio Malaparte; Malaparte is notorious as one of the leading representatives of the faction called the "Universal Fascists," and is a very strange type indeed. Malaparte was a good friend of Galeazzo Ciano, Mussolini's son-in-law, and his minister of foreign affairs.

But Malaparte was at the same time friends with the Soviet leadership, and in the middle of the Fascist period wrote articles praising Lenin, Trotsky, Lunacharsky, et al. In the 1930s, as director of the newspaper owned by the Agnelli family, *La Stampa*, Malaparte made a trip to Moscow and became friends with Stalin. When the war was over, in spite of his escapades with the Fascists, Malaparte joined the Communist Party, and became a correspondent for *Unità*, the Communist daily. His friendship with party leader Palmiro Togliatti continued until Malaparte's death of lung cancer.

The relationship between Malaparte and Gianni's mother, Virginia, was a clamorous affair at the time because Malaparte was a very extroverted type, especially with regard to his sexual habits. He used to shave his whole body, and there exist famous photos of him naked in the snow in Finland. The habit of having himself drawn or painted in the nude is one of those which the lawyer Gianni has faithfully followed.

Portrait of a degenerate

There is more, of course. Gianni's sister Susanna recounts in a book of memoirs on the family, *We Also Wore Sailor Suits*, that Curzio Malaparte, when he was not in bed with her mother, was in bed with a young man who was then an aspiring writer, Alberto Moravia, today known for his pornographic scribblings. According to Susanna Agnelli, Gianni at that time had as his principal occupation driving around in his car looking for prostitutes.

The house of the Agnelli family was at the time frequented by the cream of the cream of the Fascist oligarchy and by members of the Italian royal family (Savoy). Gianni, whose political convictions were already set, did not hesitate to don the black shirt, which lawfully followed the shirt of the GUF

(Fascist University Youth), and so on until the war broke out, when he became an officer in the Fascist army.

But according to his own testimony, the man who played the biggest role in his life was the Sicilian Prince Raimondo Lanza di Trabia, a man known for receiving his guests by waiting for them naked on the sofa; he used to call the waiters by shooting his revolver into the ceiling.

Prince Raimondo di Lanza had blond hair and a moustache, and seemed to have developed a somewhat peculiar friendship with Gianni. In a recent biography, Carlo De Benedetti recounts a scene in the Agnelli residence, where he together with Umberto Agnelli, number-two in the family, desecrated Gianni in the bathroom with Raimondo Lanza, who was immersed in the bath and carrying out acrobatics with that part of his body with which, they say, he was particularly well endowed. Raimondo Lanza was the fiancé of Susanna for several years. Even while he was an intimate of Galeazzo Ciano and a convinced Fascist, during the civil war in Spain, Prince Lanza fought on the side of the communists.

Gianni has not lost any of the lessons conferred upon him by such parents and friends; he conformed to the norms of such a Dionysian life: It seems that, if anything, he has gone even further than his teachers, to become a follower of the cult of Priapus.

In Greek mythology, Priapus was born of the union of Dionysos and Aphrodite, and his qualities are all concentrated in his virile member, which is said to be of the proportions of those of a donkey. According to the Greek myths, phallic symbols in honor of Priapus are planted in a circle in preparation for the Dionysian rituals. These rituals, which make up a part of the "secret knowledge" of the oligarchy, became diffused among the population by way of the propaganda of the Futurist Movement, which professed them openly. Agnelli is the greatest admirer of the Futurist Movement, to which he recently dedicated an exhibition in Venice.

But then, it is well known that he gives his "particular attention" with regard to certain individuals who have a certain anatomical quality, such as the one possessed by Raimondo Lanza di Trabia. A woman who knows him and his tastes well, recently sent him a postcard from the museum in Naples: a little man sculptured on an ancient temple, with his shoulders crushed by a huge weight, but who shows a disproportionately large member.

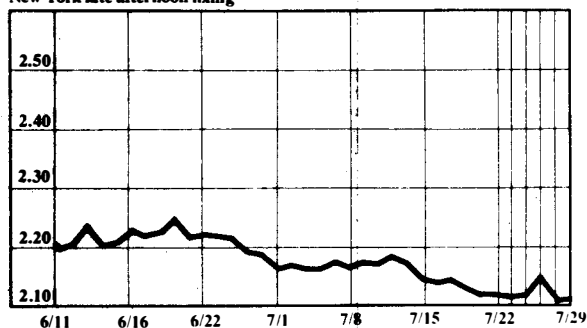
It seems that these same interests are shared by many of Gianni's friends, among them Henry Kissinger.

It is evident from the facts so far cited in the case of this leading scion of the Agnelli family, that the so-much-venerated lawyer, Gianni, is in fact an oligarchical fruit, of the philosophy of Nazi-communism. And there can be no greater blasphemy than to identify Agnelli as a representative of Western civilization: His soul and everything he does flow from the spirit of Dionysos, which our civilization and Judeo-Christian morality have fought to destroy for thousands of years.

Currency Rates

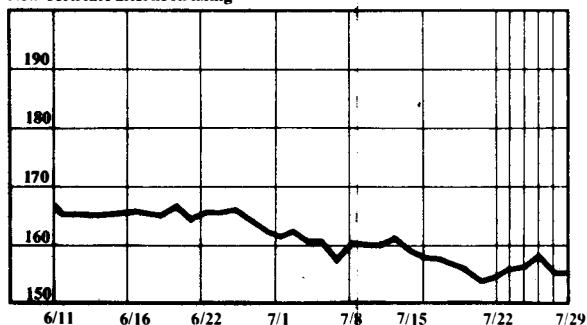
The dollar in deutschemarks

New York late afternoon fixing



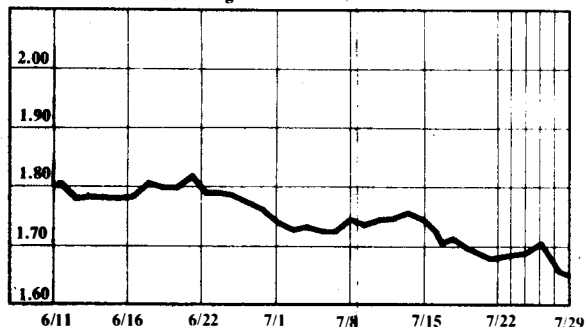
The dollar in yen

New York late afternoon fixing



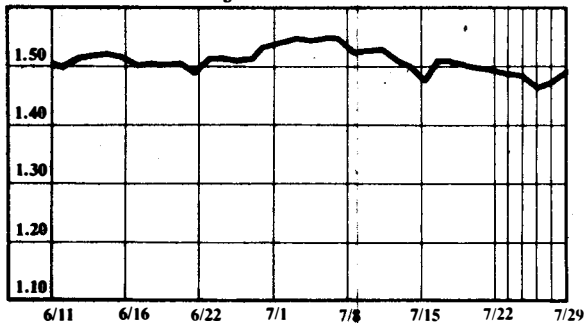
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Will drought assistance help?

Congress has voted up some measures, but countering the effects of the drought in the southeast is a job for the army.

On July 30, the House Agriculture Committee initiated extraordinary assistance to farmers in the southeastern drought-emergency states, by voting up legislation that contained measures above and beyond the assistance plans announced by Agriculture Secretary Richard Lyng. The House provisions include livestock feed assistance, a stay on dairymen paying levies to the herd buy-out program, and permission to use idled crop land for forage.

Rep. Charles Hatcher (D-Ga.) said that the "normal" federal disaster assistance, which offers low-interest, stringent-term loans, is not enough. "The farmers I represent probably wouldn't apply for new loans because they couldn't service the loans they have."

At least half of the farmers in the drought states are financially in jeopardy because of the impact of the drought, on top of depressed economic conditions. The measures being enacted by Congress—the Agriculture Committee passed the relief bill by voice vote the day it was introduced—may nevertheless be too little, and too late. Agriculture Committee Chairman Kika de la Garza (D-Tex.) predicted that Congress will get the bill to President Reagan some time during August. But time is running out.

The measures Congress is mandating could actually be implemented now by the U.S. Department of Agriculture. But the USDA is dominated by cartel interests, e.g., Cargill man Daniel Amstutz, the undersecretary. Cargill and other international cartel

companies favor drastic food and farm shutdown, and population reduction worldwide.

The same week as the congressional action, the USDA produced a memo insisting that the drought affecting the nine disaster states, would *not* result in increased food costs to the public. The author, Kenneth Deavers, said that prices due to falling output would only rise within the southeast itself.

According to Deavers, acting administrator of the department's Economic Research Service, "The quantity of food commodities supplied from the stricken area is a relatively small percentage of the total national surplus of foods, and some of the affected commodities can be supplied by other areas." Deavers said that crop shortages will not cause a measurable increase in the consumer price index, and stuck to the current USDA forecast of a 2-3% rise in prices this year.

These predictions are "unrealistic," in the view of the Georgia State University's Economic Research Center, headed by Donald Ratajzak. Ratajzak said that peanut prices could rise between 40% and 50%. Poultry prices will rise at least 10¢ a pound and continue higher into next year.

The southeastern states produce over 80% of the annual U.S. peanut crop. They produce 36% of the chicken output. Percentages of national grain production are lower, but the southeastern states account for 25% of the national production of soft, red winter wheat (for quick breads, crack-

ers, and other specialty baked goods).

The national cattle and calf inventory in these drought states accounts for 12% of the national herd, which is diminishing yearly under the economic depression. Millions of tons of hay and protein rations are required to maintain these animals, or national output potential is drastically reduced.

The new congressional measures call for the issuing of feed certificates to drought-hit farmers, that they can redeem for CCC-held grain. Farms considered "critical" will be able to use certificates for free grain to cover all feed needs. Others will get up to half.

The Agriculture Committee plan was partly motivated by the desire to use up production they consider "surplus" in the Midwest. They mandate that up to 80% of the shipping costs to the recipient farm in the southeast will be met by federal payments. However, the dimensions of need, if met on the scale necessary, will require huge amounts of hay and feed to be shipped in. A military-logistical mobilization is needed. Instead, the media is serving to mislead both the public and lawmakers alike, by playing up the donations of animal feed and freight. They help, but are miniscule compared to requirements.

In 1984, there were an estimated 12,276,000 cattle and calves in nine southeastern states. To provide daily rations to merely "rough through" each animal for the next 150 days, would take about 20 to 25 pounds of hay a day, 5 pounds of some kind of protein feed (corn, brewers grain, soybean meal), and 20 gallons of water. Therefore, for the next 150 days, 23.017 tons of hay are needed—meaning that the National Guard and military have to coordinate the "haylift." And 4.603 million tons of protein feed are required—also a "job for the Army."

How not to form a Common Market

What's 'good' for General Motors will kill what remains of the economies of South America.

The Presidents of Brazil and Argentina, José Sarney and Raúl Alfonsín, are gaining many and powerful endorsers for their joint proposal to create a so-called common market, but this support is not among the industrialists of either country, who look upon this "free market" opening with distrust. The enthusiasm is coming from the multinationals, and especially the major international automobile producers. These new sympathies will also increase the popularity of the two heads of state among the international creditor banks.

The reason for such glee among international bankers is that the proposal could mean a significant increase in Brazil and Argentina's export capacities, which would mean in turn a significant increase in the economic looting of those countries, in the name of servicing their huge foreign debts.

Specifically, during the past three years the Brazilian economy has dramatically increased its exports based on exploitation of unused installed productive capacity, enabling it to pay nearly \$35 billion in interest without investing a single dollar in expansion of its infrastructure or industrial capacity during that same period. But at the beginning of this year, its unused capacity ran out.

Faced with this dilemma, the Brazilian government has imposed a series of measures to cut back internal consumption, given that growth of domestic consumption was threatening to limit the country's exports. At the same time, it is seeking "union" with

Argentina, so that the two can now jointly employ Argentina's unused industrial capacity destroyed by the monetarist policies and by the Austral Plan of President Alfonsín, all in order to maintain the rhythm of export and looting imposed by the international financial oligarchy.

With these measures, Argentina will be providing industrial parts which will then be re-exported by Brazil. In the view of the creditors, this could increase foreign exchange and, at the same time, the debt payment capability of both countries. The slogan "grow together" which came out of the Sarney-Alfonsín meetings, would be better expressed, "export and pay the debt together."

For the national interests of both countries, the loss with this phony integration plan is twofold. Not only are their productive capacities misused in payment of the usurious debt, but it also allows the major transnational companies, especially the automobile assemblers, to increase their regional power and their profits.

The reason is that they are enabled to integrate the operations of their factories maintained in different countries, so that under the rubric of "intra-regional" free trade, the remission of their profits abroad is made easier, while sovereignty and national tax laws are made a laughing-stock.

As the Brazilian daily *Jornal do Comercio* recently charged, such flight capital is already being practiced by these companies. For example, General Motors makes an automobile that is sold on the Brazilian internal market

for more than \$10,000, but that same car—unassembled and in boxes—is exported to General Motors of Venezuela for only \$2,800. After assembly, it is then resold for more than \$6,000 on the Venezuelan internal market.

With such an operation, General Motors wins on all sides. First, exporting below cost creates an artificial "loss" on the books of the Brazilian company, wiping out part of the profits gotten from sale on the domestic market, which in turn translates into savings, come tax time. Besides, the "loss" in exports is passed on in the prices of the automobiles sold domestically, where the multinationals can count on a captive quota of 70% of all vehicle sales, which allows them to send the prices they charge into the stratosphere. Second, by under-invoicing their exports, the assembler companies surreptitiously manage to export their profits abroad. This not only constitutes capital flight but also evasion of the 33% tax on profit remission.

And these are only the profits obtained in Brazil. The fabulous profits of General Motors in Venezuela, which shut its factory recently to become an importer and re-seller of its own models, remain to be looked at.

To get some idea of the size of this scandalous fraud, during 1985 the Brazilian automobile industry exported more than 200,000 automobiles, of which more than 85,000 were exported in the form of boxed parts. This year, the exports continued to increase. And we are only talking about the automobile industry.

These, of course, are the same companies which—without lifting a finger—would further increase their vast profits once the system of free enterprise proposed by Sarney and Alfonsín is implemented.

Business Briefs

Health

AIDS sweeping through Zambia

AIDS is sweeping through Zambia so fast that, "if effective action is not taken quickly, a large part of our community will be wiped out," a health ministry official told a national AIDS seminar the weekend of July 26-27, the London *Guardian* reported on July 28, in an article entitled, "Zambia in AIDS Alert."

Health Ministry official Evariste Njelesani told delegates: "Many of us see disaster ahead—a whole generation is under threat." Blood surveys show that up to 15% of the 6.2 million population may be carrying the virus.

According to the *Guardian*, until very recently, numbers of patients actually suffering from AIDS in Zambia had been kept secret. More than half of the currently known AIDS patients are between the ages of 15 and 35. There have already been several hundred AIDS deaths in Zambia, the *Guardian* reports.

South Africa

British parliament seeks 'Marshall Plan'

A report on South Africa issued in late July by the House of Commons Foreign Affairs Committee has proposed a Marshall Plan for South Africa, which will involve industrial and economic development of the South African republic as the ultimate solution to the apartheid problem. According to one committee spokesman, the plan will involve "substantial aid to the South African government as a condition for ending apartheid." The money would be provided by involved governments, and earmarked for projects in education, black business, etc.

The report stipulated a second option that is reserved for the condition in which "no concessions are made by the South African government, and then, Britain and other

countries, will be under increasing pressure compelling them to go with sanctions."

Labor

Presidential candidate calls for 'piece-work'

Unannounced presidential candidate Charles Robb, former governor of Virginia, called for tying workers' pay to their productivity, in a speech in San Francisco, California on July 21.

Addressing the Commonwealth Club in his capacity as head of the Democratic Leadership Council, Robb said that a new "social contract" is needed between the American people and their government, because the New Deal "has run its course."

Apparently under the delusion that high workers' salaries are the cause of the crisis in the U.S. economy, Robb stated that, to regain America's competitive edge, "we need to link productivity and pay. The old system of compensation—fixed, hourly pay or annual salaries without regard to how a company actually performs—may well be obsolete. A dramatic alternative is the share-economy idea, in which workers would receive some percentage of their pay in bonuses, depending on the fortunes of their company. . . . By giving the companies the flexibility to . . . lower payroll costs by trimming or foregoing bonuses during bad times, layoffs could be avoided and workers could gain in job-security what they lose in compensation."

Holocaust

Plague of locusts hits Africa after rains

After 10 years of drought, the rains have returned to the plains of Africa, and conditions are nearly ideal for crops. But in an almost Biblical progression, a new peril has appeared: a plague of locusts and grasshoppers,

clouds of the migrating insects that strip the ground bare.

A source reported to Reuter news service what it is like when the locust nymphs emerge from their eggs buried in the shallow, moist dirt: "So far as the eye could see, they were boiling out. Every inch of open ground appeared to be bubbling with young locusts as pod after pod gave up its contents. This went on for three hours from just before dawn. Within three days, the whole of the vast egg field had been hatched out and the creatures were ready to march."

The rains, which make the egg laying possible and bring the crops that feed the insects, have brought a massive outbreak of grasshoppers in West Africa and of four species of locust in eastern, central, and southern Africa.

Aerospace

Soviets outpace U.S. in airplane production

The United States has a deficit in required military aircraft of at least 5,500 units, in comparison to the military forces of the Soviet Union, according to the forthcoming *EIR Quarterly Economic Report* for the second quarter of 1986.

Although Russia has only about 1,900 more aircraft than the United States, 62% of their fleet has been built since 1975. Only 27% of U.S. aircraft are that new.

The *EIR* report will contain an analysis of the state of the aerospace industry in the United States, and an evaluation of the devastating economic impact of the defense-weapons development "reforms" recommended by President Reagan's Packard Commission on Defense Management.

Some examples from the report:

Since 1968, production of civilian airliners has fallen 60%, from 702 in that year to 278 in 1985. The production of military aircraft is down 48% since 1975, from 1,779 aircraft in that year, to 930 in 1984. Civilian transport production represents the nation's military airlift capability in reserve.

In the previous period, from 1958 to 1968 aircraft industry productivity measured in aircraft per production worker per year,

Briefly

● **DEFENSE DEPARTMENT** cost overruns in major weapons programs are lower, often much lower than the majority of large civilian projects, commercial or governmental, according to separate studies by the RAND Corporation and the Analytic Sciences Corporation.

● **THE VALUE** of the confiscated marijuana in Oklahoma exceeded the value of the state's 1985 wheat crop, according to the *Tulsa World* on July 29. Around \$800 million of marijuana was confiscated, estimated as less than 25% of the total crop. The value of the wheat crop was \$700 million.

● **BANKRUPTCY** of Gulf States Utilities may lead to bankruptcy for the states of Louisiana and Texas. The utility is fighting for rate increases in Texas and Louisiana, and has filed a 26.2% rate-relief request with the public-service commission. Spokesman Bernard Weinstein said, "Bankruptcy for GSU would be bankruptcy for the whole region."

● **POLAND** and the United States agreed on July 30 to reschedule the Polish government's debt of \$1.7 billion due the U.S. government for 1982-84, the official news agency PAP said. "The payment of a total of some \$1.7 billion owed by Poland to the U.S. was rescheduled under the agreement," PAP said. It was not disclosed what period of time was agreed for Poland to repay the debt. Poland's debt to Western countries totals about \$31 billion.

● **DONALD EPHLIN**, United Auto Workers vice-president, emphasized the importance of "the erosion of our industrial base" in his July 28 address to the annual Automotive News World Congress in Dearborn, Michigan. "The fact is that we as a nation have silently given away such a tremendous part of our way of living, our standard of living, that it is a national disgrace. Our government continues to act as though we have no real problems facing our nation."

generally rose at an exponential rate. Productivity in civilian and military helicopter production has collapsed 60% from 57 per 1,000 employees in 1975 to 20 in 1984. Since 1980, production of helicopters for non-military uses has fallen 72%, from 1,366 to 376 in 1984.

Likewise, the physical plant and equipment in the aircraft industry has shrunk in total size since the 1960s, and efforts to modernize the stock of equipment have stagnated. The industry had 30% fewer machine tools in 1983 than in 1977. Fully 65% of the 1983 inventory of tools, is considered "obsolete" by the standards of the machine-tool industry, which regards equipment that is 10 years old, beyond its useful life.

Organized Crime

Dope, Inc. bank sues LaRouche under RICO

First Fidelity Bank, one of the most notorious "mob banks" in the United States, filed a new lawsuit against Lyndon LaRouche and 36 different organizations and individuals in late July, charging that they constitute a "LaRouche enterprise" under the Racketeering Influenced and Corrupt Organizations Act (RICO).

The suit names 17 organizations, ranging from The LaRouche Campaign (TLC) and Independent Democrats for LaRouche (IDL) to the National Caucus of Labor Committees (NCLC) and the PMR Printing Co., which it claims are under the control and domination of the National Executive Committee of the NCLC, which in turn is alleged to be under the control and domination of LaRouche. The RICO complaint claims that the 17 organizations are "the alter ego of LaRouche and of each other."

In November 1984, First Fidelity, cooperating with the FBI and corrupt elements in the Justice Department, confiscated \$200,000 of IDL funds, preventing a scheduled LaRouche election-eve national broadcast on CBS-TV. A series of legal actions followed from IDL against the bank.

First Fidelity's RICO claims against TLC, IDL, and many of the other named

defendants have already been thrown out of court once. Last year, both a federal magistrate and a federal judge dismissed First Fidelity's attempts to amend their libel-and-fraud suit against TLC and IDL to include a RICO claim, on the grounds that it was "untimely" because the case was too far along in discovery to add new claims.

The organized crime connections of First Fidelity have been exhaustively detailed in *EIR* (e.g., Feb. 7, 1986, "First Fidelity: LaRouche Foe Caught in Bed with Dope, Inc."). The bank, through its president, Robert Ferguson, played a key role in the legalization of casino gambling in New Jersey, and the recent exposure of First Fidelity's dealings with professional con man Richard Mamarella—involving loansharking, drug trafficking, at least two murders, and shakedowns of legitimate and illegitimate businesses—reveal the depth of the bank's ties to organized crime.

Legal experts have told *EIR* that they expect the new RICO suit to be readily dismissed. When that happens, First Fidelity (and Robert Vesco's) attorney Al Besser will face massive fines for having filed a frivolous lawsuit.

Pornography

International trade in children for sex

One million young children, aged three or more, are kidnapped, sold, or otherwise forced onto the international sex market, according to a report released by the Norwegian Ministry of Justice and reported in the *Times* of London on August 1.

Denmark is one of the key European centers through which the children are funneled on route to North America or some of the Arab countries. West Germany and the Netherlands are also involved, according to a Ministry spokesman.

Most of the children are drawn from the Third World, especially Thailand, Indo-China, and the Philippines. Child pornography and prostitution are worth an estimated \$2 billion in the United States alone.

The elections of July 6: turning point for Japan

by Linda de Hoyos

It may not be until the 21st century that the world fully comprehends the significance of the landslide victory for Japanese Prime Minister Yasuhiro Nakasone's Liberal Democratic Party in national elections this July 6. But if Nakasone's promised program for Japan's transition to the 21st century is realized, the July 6 elections will have been a turning point in Japan's history and its role in the world.

The high voter turnout in the elections, and the votes cast for the Liberal Democratic Party (LDP), giving the ruling party 304 seats in the 580-seat Lower House of the Diet (parliament), broke all precedent in the postwar period. The vote was a surprise reversal of the defeat dealt to the party in elections in December 1983, when the LDP scraped by with only 250 seats.

The manner in which the elections were called was equally uncharacteristic of Japanese politics. In 1983, Prime Minister Nakasone, then closing his first term, would have by all expectations stepped down in the wake of the "chastisement" delivered by Japanese voters to the party. However, he demanded to remain in his post, and with the backing of political chieftain and former prime minister Kakuei Tanaka, head of the most powerful faction in the LDP, Nakasone did so.

Nakasone's term would be up again on Oct. 31 of this year. However, he again stated his desire to remain prime minister in order to "take Japan into the 21st century." To do so, he had not only to flout the LDP's written rules, but the equally important assumed strictures of consensus in the ruling party.

The LDP, which has been the ruling party since the end of World War II, rests on a framework of political factions representing various interests and constituencies. It is through loyalty to such factions, headed by each faction's most senior member, that prospective candidates receive both the political backing and funding to run for office. Harmony within the party derives from the strict apportioning of political power among the factions, according to rotation and number of Diet seats each faction has acquired. Given that the LDP usually wins by far the most seats in parliamentary elections, the president of the party automatically becomes the prime minister. The post of party president is limited to two, two-year terms.

Nakasone, however, has challenged this long-standing ruling. In deliberations



NSIPS/Carlos de Hoyos

A street scene in Tokyo. Prime Minister Nakasone has received overwhelming popular support for his effort to shift Japan's concern from the domestic preoccupations of postwar reconstruction, to an international role befitting the nation's economic strength.

July 22, on the basis of the mandate delivered to the party, Nakasone was granted an extension of his term one year beyond the end of his current term. The possibility of his remaining in office a full third term remains open.

Nakasone's major opponents in the party are, understandably enough, those who under party traditions would be vying for the highest post had he relinquished power: former Foreign Minister Shintaro Abe, a member of the faction led by former Prime Minister Takeo Fukuda; former Finance Minister Noburo Takeshita, a leader of the faction of Kakeui Tanaka; and chairman of the LDP executive council, Kiichi Miyazawa, from the faction of former Prime Minister Zenko Suzuki.

A popular mandate

Nakasone circumvented these factional obstacles to his personal drive to take Japan through the transition to the 21st century, by taking the issue directly to the Japanese people through elections. Despite the downturn in the Japanese economy, due to the revaluation of the yen under pressure of the failing dollar, Nakasone's popularity rating has gone steadily upward over the last year, reaching as high, according to polls, as 57%. In May of this year, Japan's political observers believed that if Nakasone scored a success at the Tokyo summit of OECD leaders, he would have a good chance of following through on a scenario for dual house elections that would give him a fresh mandate before his term expires. The unified stance of the United States and Western European leaders against Japan's calls for currency stability, however, appeared to destroy that option.

Or at least, that is what the Japanese and Western press said. Nevertheless, within a month, Nakasone had succeeded in pushing through a measure which would turn the already scheduled Upper House elections into full national dual elections—thus enabling him to seek the mandate he would require.

According to agreements worked out within the party, the following were projected as the options to emerge from the elections: If the LDP received less than 250 seats in the Diet, then Kiichi Miyazawa, whose economic policies are most at variance with Nakasone's fiscal austerity, would become prime minister in a coalition with perhaps the National Liberal Club or the Democratic Socialist Party. If the LDP received between 250 and 270 seats, then Abe or Takeshita, both from within Nakasone's cabinet, would be tapped for the prime ministership. Anything over 270 seats, would be a victory for Nakasone. No one expected a victory as high as 304.

The winners and losers

The overriding factor in the LDP victory was the high voter turnout, just as low voter turnout had nearly crushed the party in 1983. Nakasone's call for a strong alliance with the United States and his demand that Japan take responsibility as a leading nation in the world found a ready response in the Japanese voting public.

This is reflected in the final tallies for the contending parties. In the Lower House, which is elected by prefectures (or districts) and is the most powerful of the two houses, the totals were:

	1986	1983
Liberal Democratic Party	300	250
Japanese Socialist Party	85	112
Komeito	56	53
Democratic Socialist Party	26	38
Japanese Communist Party	26	26
New Liberal Club	6	8
USDP	4	3
Independents*	9	16

* Four independents later joined the LDP, bringing the party's total to 304.

As various political observers put it, "The opposition parties did not have much attraction for the Japanese voters." For the most part, the parties limit themselves to criticism of Prime Minister Nakasone and the LDP, without offering an independent alternative policy. The four major opposition parties are the JSP, the Komeito, the DSP, and the JCP. The Komeito Party is the avowedly Buddhist Party of Japan, with an emphasis on anti-corruption and disarmament. Its level of support within the population did not significantly drop; however, it is known that many voting Komeito members were not displeased with the Nakasone victory. The Japanese Communist Party also registered a steady base of support over the last three years.

The Democratic Socialist Party, a party of loyal opposition, lost 12 seats, as its previous supporters went over to the more powerful LDP.

The loser in the election was the Japanese Socialist Party. The Japanese branch of Willy Brandt's Socialist International, the JSP under its chairman Masashi Ishibashi has been the most outspoken opponent of Nakasone's adherence to the alliance with the United States and his publicly stated personal commitment to the Strategic Defense Initiative. Even more than the Japanese Communist Party, the JSP has carried out a pro-Soviet diplomacy of its own. The JSP, for instance, recognizes North—not South—Korea, while the JCP has broken its ties to the Communist Party in North Korea. The Japanese voters rejected the JSP's appeasement stance. The party's drastic loss forced the resignation of Ishibashi, who announced the day after the election: "I feel a strong sense of crisis. Nakasone will push forward many dangerous plans, such as Japanese participation in the Strategic Defense Initiative."

Even within the LDP, the new distribution of votes to the factions bolsters Nakasone's own position. The factional breakdown of the 300 votes is as follows:

	1986	1983
Nakasone	59	47
Tanaka	34	65
Suzuki	58	51
Fukuda	55	46
Komoto	28	27
Unaffiliated	16	14

The biggest gainers were Nakasone's own faction and that of Tanaka, the latter having provided the power base for Nakasone's rise within the party. Combined, the Nakasone and Tanaka factions control 143 votes in the party, while the factions of Fukuda, Suzuki, and former Economic Planning Agency director Toshio Komoto, have only 141 votes.

The factional strength of the Nakasone-Tanaka complex is a rather impolite snub to the liberal Eastern Establishment in the United States, particularly to Henry Kissinger, who works more easily with members of the Suzuki faction. In 1973-74, in the heyday of the Kissinger years, as minister of the powerful Ministry of International Trade and Industry (MITI), Nakasone earned Kissinger's intense disgruntlement for his attempts to mediate in the 1973 oil crisis. As for Tanaka, he was watergated out of office in 1974 by a Kissinger-contrived Lockheed scandal. Tanaka's crime was his policy that Japan forge an independent policy toward the People's Republic of China, which put him at odds with Kissinger's own "China Card."

Just the beginning

In the aftermath of the elections, Nakasone has selected an entirely new cabinet, retaining only chief cabinet secretary Masaharu Gotoda. "It is important to form a powerful cabinet," said Nakasone July 21, "to strengthen our unity." As Abe and Takeshita moved over to powerful positions in the party, Nakasone appointed rival Miyazawa to the "hot seat" post of the finance ministry. In the foreign ministry, he has placed one of his closest aides, Tadashi Kuranari, indicating that Nakasone will personally take the point on foreign policy.

The July 6 mandate has cleared away obstacles to Nakasone's policies. As predicted by the JSP's Ishibashi, Japan is moving fast toward the SDI. Immediately after the elections, six cabinet ministers, led by former Defense Agency director Koichi Kato, began a series of meetings to formulate the institutional framework and details of a government-to-government agreement for Japan's full participation in the SDI.

On domestic policy, four days before the July 22 LDP deliberations, a government advisory panel issued its recommendations for a trillion-dollar program for the construction of 122 nuclear power plants to supply 60% of Japan's electricity requirements in the year 2030 (see *Science and Technology* section).

These two steps are but the beginning of a new era of self-confidence and global responsibility for Japan. In his official and campaign speeches over the last three years, Prime Minister Nakasone has fought for the idea that the self-designated task of his administration is to turn the nation's eyes away from domestic reconstruction and an inward concern with the debts of the past, and toward Japan's higher role in building a world for the future. On this task, the Japanese people are agreed.



Prime Minister Nakasone: Sengo no Sokessan

by Uwe Henke v. Parpart

Just prior to the Japanese elections of July 6, several articles appeared in the U.S. press (the *Washington Post* and *New York Times*) claiming that the elections did not command a great deal of attention among the electorate and were being contested on the level of local rather than leading national and international issues. When the well-informed Japanese voters (Japanese daily newspapers average 10 times the number of readers of their U.S. equivalents) turned out in record numbers and gave an unprecedented landslide victory to the ruling Liberal Democratic Party (LDP) and to Prime Minister Yasuhiro Nakasone, who had staked his political reputation on defining a new and enlarged role for Japan in world politics, the same U.S. press responded with stunned silence.

Nakasone is no favorite of the U.S. Eastern Establishment, and first trying to minimize the significance of the dual elections and then being mum about the outcome may have appeared the better part of wisdom to the gentlemen (and lady) of the *Times* and *Post*.

The Nakasone elections in fact may well have been the most important of post-World War II Japanese elections. Nakasone has summarized his political philosophy as *Sengo no Sokessan*—"postwar overhaul." On July 6, Japanese voters overwhelmingly endorsed the concept and expressed their confidence in the prime minister's ability to carry out the implied reorientation of the nation's purpose and policies.

As the Japanese economy has grown to become the world's second largest (behind the United States and overtaking the Soviet Union), *Sengo no Sokessan* means first of all redressing the image of Japan as an *economic* giant but a *political* dwarf. Thus, the Japanese foreign ministry's 1986 *Diplomatic Bluebook* (published July 15, 1986) is subtitled "Contributing actively to the international community and promoting further internationalization." Japan is said to need "a second major opening to the outside world" (the first came in the late 19th century after the Meiji restoration). In particular, since Japan is "now on its way to becoming the world's second-largest economy and one of the principal creditor nations," the *Bluebook* points out the importance of "Japan's

role and responsibilities for keeping the international economic system functioning smoothly."

However, *Sengo no Sokessan* is not limited to or defined by the drive for a greater role in international affairs. It encompasses reassessment and, if need be, revision of all postwar values and institutions, ranging from the educational system to international treaty arrangements and the 1946 Constitution imposed by the American occupation authorities.

There exists a Nakasone political autobiography—*My Life in Politics*—completed in May 1982 not long before he became prime minister. We will quote from it extensively, both to avoid misrepresentation and to preface our assessment of what to expect from Japan during Nakasone's tenure in office.

Nakasone and MacArthur

"The time was autumn 1945. I had just returned home after fighting in the war as an Imperial Japanese Navy officer. The cities of Japan were in ashes. The economy had collapsed. . . . I felt humiliated that Japan had been defeated and forced into unconditional surrender. The many accomplishments achieved over the two-thirds of a century of modernization and industrialization following the opening of Japan in the Meiji Restoration had been reduced to dust."

In 1947, "I decided to run for a seat in the House of Representatives even though I was very young and had no political support. I traveled about the towns and villages of Gumma Prefecture, giving speeches, going all out to appeal to the young people of the prefecture. . . . I also extended the challenge of a public debate to those Communist Party leaders who were seeking to drag Japan down a disastrous, mistaken road.

"This public debate was very well received, and greatly increased my support. The Communists came with their red flags held high. I went bearing the Japanese flag, the display of which the Occupation authorities had prohibited. . . .

"In April 1947, I won my first election to the House of

Representatives. I was 28 years old, the youngest member of the Diet.

"I was convinced that if Japan was to survive as a member of the international community, it was important that our national pride be preserved and the nation's honor restored. A people who could neither love their own country nor have pride in themselves would not be able to respect other peoples, nor be respected by them. I was convinced that a people that had lost its pride could not fulfill its role as an honored member of international society. This remains my firm belief today. . . .

"In 1951 . . . I addressed a 7,000-word petition to General MacArthur. In it I offered my personal thanks for the successful occupation policies of the preceding five years. But I also pointed out various problems with them. I frankly discussed twenty-one issues of concern, including Japan's national security. . . .

"I next met with U.S. special envoy John Foster Dulles, who was in Japan. . . . I made a special point of asking that Japan be given complete freedom to conduct scientific studies, including the right to study the peaceful use of nuclear energy. . . .

"According to a Japanese reporter who met with Dr. [Justin] Williams [chief of the Parliamentary and Political Division in the Government section of the Southern Pacific Command], General MacArthur read the document with a growing look of displeasure on his face, until he finally folded it up and flung it into the wastebasket. But, so the story goes, the document was too thick, and bounced back out of the rubbish onto the floor. . . .

"I did not disagree with the basic policy of cooperation with the Western world, especially the United States. Nonetheless, I was convinced that complete independence would only come when Japan was capable of administering and defending itself and of contributing in some measure to the security and well-being of other states. For this reason, I called for an immediate revision of the Constitution following independence, and for the establishment of an independent defense system under total civilian control. Even today, I think my proposal was eminently reasonable. However, it led many Americans to regard me as a dangerous individual, steeped in rabid nationalism. . . .

"The peace treaty was certainly fair and magnanimous. But the [U.S.-Japan] security treaty was not. . . . As I saw it at the time, this Japan-U.S. Security Treaty was altogether too one-sided. We relinquished jurisdiction over members of the U.S. Forces stationed in Japan; we permitted U.S. Forces to act against domestic unrest. The treaty lacked an expiration date. The agreement might have been better termed a treaty of protection. . . .

"A people that have become used to the protection of another country soon lose the will to defend themselves. They degenerate into weak and selfish materialists who put the pursuit of economic prosperity above all else. This was the

outcome I most feared when the security treaty was signed. . . .

"Ever since the events I described here, I have made it one of my political goals to transcend the so-called 'San Francisco system' and build a new structure of international cooperation. I have sought to see that Japan plays a responsible role in this new age worthy of the trust of the world. . . ."

Nakasone was also determined to clear the way for the peaceful development of nuclear energy in Japan. "After the Occupation, some Japanese researchers favored research into nuclear power. However, they encountered fierce opposition from leftist academics and journalists, who manipulated the emotional revulsion produced by the tragedy of Nagasaki and Hiroshima to serve the needs of leftist political propaganda. During my study tour in the U.S., I saw just how much progress was being made in developing non-military applications for nuclear power. . . . If we did not begin such work in Japan as quickly as possible, our country soon would be left behind by the coming energy revolution.

"For a country as poor in natural resources and energy as Japan is, the creation of new wealth through scientific and technological progress is essential for national survival. . . .

"In March 1954, I succeeded in persuading the cabinet to earmark 230 million yen for a basic study on the construction of nuclear experimental plants, in exchange for helping get its budget proposal through the Diet. . . . In June 1959 I was appointed Minister of State for Science and Technology and chairman of the Atomic Energy Commission in the cabinet of Prime Minister Nobusuke Kishi. I was 41, and it was my first cabinet appointment. . . .

"I know that there has been pernicious demagoguery in some quarters to the effect that I am an advocate of nuclear armament. These false rumors are based on my long support for the establishment of an autonomous defense capability linked with the United States . . . and my admiration for the political accomplishments of French President Charles de Gaulle in overcoming the Fourth Republic to achieve the rebirth of France. . . ."

"For some people, my desire to see the Self-Defense Force strengthened, the Japan-U.S. Security Treaty revised along more equal lines, U.S. forces withdrawn from Japan and a new relationship forged between the two countries has marked me an undesirable nationalist. Yet in the final analysis, what I stand for represents nothing more than the natural desire of an independent state to create an appropriate defense arrangement based on an equal partnership of mutual interdependence with its major ally. . . .

"I would still like to see a new constitution of our own making. But I would not want to rip Japanese society apart over this question. I would like to see a constitution with which all Japanese are in accord. This is my ultimate purpose: A constitution embodying the lofty ideals inherent to the Japanese people.

"If Lincoln's words 'Government by the people' have

any truth, a constitution for the Japanese should be made by the Japanese."

In foreign policy, Nakasone stated his opposition to the Yalta arrangements of 1945. "I reaffirmed my position that Japan would not acknowledge the Yalta Agreement, since it was not a signatory state. It served neither Japan's interests nor the interests of the free world. . . . I pointed to the significance of restoring diplomatic relations between Japan and the Soviet Union. . . . I also called for the rapid return of the four northern islands—Hamomai, Shikotan, Kunashiri and Etorofu—under illegal Soviet occupation since the end of the war. . . ."

In 1970, Nakasone was named head of the Defense Agency in the Sato cabinet. In his first public statement as Defense Agency director general, he said:

"Japan will defend itself by itself. This is our foremost and fundamental principle. When we cannot do everything by ourselves we will join with others. In the past we have often given the mistaken impression that Japan's defense plans exist only as a part of American strategy in the Far East. I believe we must dispel this misunderstanding. We must strive to establish our own basic policy on defense."

In 1972, Nakasone was appointed Minister of International Trade and Industry and Minister of State for the Science and Technology Agency, in the new cabinet of Kakuei Tanaka. As Nakasone continues in his autobiography: "I had been giving considerable thought to the importance and future prospects of the life sciences, and in my new position as head of the science agency I saw to it that this research was elevated to the status of a national program. It was thus through my initiative that Japan's third major area of scientific and technological research came in for powerful government support, as had the peaceful use of nuclear energy and the space program before it.

"My appointment to the post of Minister of International Trade and Industry also proved challenging. Not long after I had assumed my new post, I instructed my staff to arrange visits to Iran, Kuwait, Saudi Arabia, and the United Arab Emirates. . . . The Ministry of Foreign Affairs strongly opposed my plan to visit these Mideast states. . . . I argued forcefully that Japan should work to develop closer relations with the oil-producing nations even as it continued to act in concert with the other oil-consuming nations on oil matters. . . ."

"I am told my actions at this time were not well-received in the United States. At home, some criticized me for having been too bold, given the complications of the international oil situation. It is also true that I had a number of sharp exchanges with U.S. Secretary of State Kissinger. . . ."

"Japan will no doubt continue to be a member of the Western alliance, sharing their belief in freedom and democracy. But at the same time, we must revitalize that alliance. We must sweep away the old mindsets and ways of doing business of the colonial age. We must strive to create a new

international order based on equality and mutual benefit. . . ."

"What judgment will our successors pass on the civilization we Japanese have constructed in the 30 years since the war? Will they see it as a time of overflowing vigor, dazzling freedom and the progressive spirit that at the same time abandoned old social limits and taboos? Will they compare these years with other great periods in Japanese history, the Meiji period, the Genroku period (1680-1704), indeed even the age of Nabunaga and Hideyoshi in the second half of the 16th century? . . ."

"What we Japanese need most today is to frankly acknowledge our own accomplishments, to evaluate them correctly, and to accept the need to develop them further. Today, both from within and without the country, we are facing changes that will shake the very foundations of the civilization we have built so grandly. The failure of the Japanese people to realize the magnitude of their own accomplishments has left them unprepared for the coming age. To date, they have failed to prepare responsibly for the coming challenge. . . ."

"Japan must not act selfishly, out of narrow considerations. Rather, Japan must transform its basic posture, be it on defense or on economic cooperation, to overcome the autism born of its defeat in World War II and the subsequent Occupation years. Japan must fulfill its international responsibilities. Its excessive dependence on others serves only to injure its international credibility.

"I have resolved that Japan should make the greatest possible contributions to international cooperation and the maintenance of peace, to revitalizing and expanding the world economy. It should give its highest priority to the basic goal of breathing new life into the Western alliance."

A blow to the 'New Yalta' plan

It will be clear that a man of Nakasone's political experience and stated political convictions, frankly acknowledging pride in his nation, advocating an independent defense and strategic posture, regarding scientific advancement as the underpinning of economic progress, and rejecting Yalta—the evil cornerstone of post World War II political arrangements—is not to the liking of the "New Age," "New Yalta" protagonists of the Kissinger and Brzezinski variety. That such a man should have received such an extraordinary vote of confidence from what is arguably the world's best-educated electorate came as a shock to the Eastern Establishment's strongholds—from Boston to Wall Street to the State Department to Paul Volcker's Federal Reserve and to Katy Graham's *Post*. Had not Zbigniew Brzezinski expressed his concern about a rebirth of nationalism in Japan, coupled with "ideological radicalism," for which reason Japan had to be tied securely into the trilateral system? (Zbigniew Brzezinski, *Between Two Ages: America's Role in the Technocratic Era*, New York: 1970).

What might become "destabilized" is the entirety of the

postwar system—not just the “Old Yalta,” but also the prospects for its extension on a global scale (as proposed in Brzezinski’s latest book, *Game Plan: A Geostategic Framework for the Conduct of the U.S.-Soviet Contest*, New York: 1986) and the remnants of the postwar economic system might not just become destabilized, but be altogether swept aside, if Japan’s economic thinking and economic power were to be asserted in political terms to force in-depth revision of the bankrupt present international financial arrangements. Prospects for this are discussed at length in David Goldman’s article below.

Predictably, not only Boston Brahmins, but their discussion partners in Moscow are most upset with Nakasone’s Japan. After the July 6 elections, they will find it exceedingly difficult to uphold the claim that the “conservative Japanese rulers” are out of step with the desires of the Japanese population. Attacks on Prime Minister Nakasone, especially after Japan will sign a cooperation agreement on the SDI with the United States in September, can be expected to be greatly stepped up.

Ammunition for such attacks is usually assembled in the U.S.S.R. Academy of Sciences’ *Far Eastern Affairs* quarterly. In the first two volumes of this year, there is an unprecedented series of articles devoted to the history of “Japanese militarism” and its “new stage” associated principally with Nakasone policies. For reference we list just some of the titles—“The Rout of Japanese Militarism as a Factor that Promoted Popular Revolutions in China, Korea, and Vietnam”; “Militaristic Japan and the End of World War II”; “Forty Years since the Victory over Militaristic Japan”; “Japan: A New Stage of Militarization.” The last of the three pieces, in particular, takes aim at the Nakasone cabinets.

“With the coming to power in November 1982 of the Nakasone cabinet, Japan’s ‘creeping militarization’ has acquired qualitatively new dimensions. . . . The ruling circles in Japan, which sanctioned the extremely unpopular policy of intense militarization, believed that, in order to implement it, they needed a politician who was prepared unhesitatingly to use decisive and even harsh measures against the policy’s opponents. This politician was also to possess the necessary flexibility and a knack for demagogery. Yasuhiro Nakasone was the most suitable candidate.”

The journal also notes: “Referring to Nakasone’s nationalism and his statements concerning Japan’s ‘special role’ in Asia, the *Wall Street Journal* wrote that he was the Japanese Konrad Adenauer, the man who had paved the way to West Germany’s rearmament in the 1950s. But if Nakasone was the Japanese Konrad Adenauer, he was also very likely the Japanese Charles de Gaulle. Previously Japanese policies had been made in Washington. Nakasone wanted them to come from Tokyo. He is, in the words of the *Wall Street Journal*, a long distance runner.”

It is indeed not without interest that before Nakasone, Charles de Gaulle was the last of world leaders on the unde-

sirability of whose policies both Moscow and the U.S. Eastern Establishment could readily agree.

The challenge facing Nakasone

In trying to consolidate the lasting impact on Japan of his policies and in trying to implement international policies reflecting his political philosophy Prime Minister Nakasone will face numerous obstacles. We shall discuss here only two which jointly constitute the most profound challenge to be encountered.

First, Japanese political leaders in this writer’s observations have not displayed in the past the absolutely indispensable understanding of contending policy factions in the United States without which proper evaluation and response to U.S. foreign and foreign economic policy is impossible. Japanese leaders make the mistake of assuming—perhaps by inference from their own policy formation procedures—that a U.S. policy pronounced by the secretary of state or other leading government official is, in fact, the nation’s policy. Instead, it may very well be—and usually is—only the policy of a specific faction which controls the government of office in question. Nakasone is in imminent danger of seeing international policy initiation thwarted, if he should assume that his personal friendship with President Reagan is sufficient guarantee of the bona fides of U.S. foreign and economic policymakers and spokesmen.

Secondly, and immediately related to the previous point, is the readily observable reluctance of Japanese leaders to openly and directly challenge what they perceive to be U.S. policy. A Japanese friend once explained that there exists among policymakers in Japan a deeply felt sense of obligation and gratitude toward the United States stemming from the honorable manner in which General MacArthur handled the postwar occupation. I would reply that in critical situations and when serious policy failures on the part of the United States are only too obvious, it is the overriding obligation of a friend to deliver a strong kick where it hurts. U.S. foreign economic policy, including unconditional support of IMF policy toward the developing sector nations, will sink the world economy, and what is needed from Japan in this area is not support, but a forceful and clearly articulated “no.”

I also suspect that aside from gratitude, there are more prosaic policy considerations which have so far prevented Japan from openly opposing the increasingly destructive economic policy course of the United States since 1980. Japan perceives that the U.S. has the power to close markets to Japanese goods, and Japan continues to depend on U.S. political and military power for the safeguarding of its supplies and its national security.

Whether Nakasone will have the courage and determination to confront U.S. economic policies despite such dependencies and put forward the critically needed alternatives, will be the ultimate measure of his success in defining a new world role for his nation.

Japan's trade profile determined by IMF austerity, U.S. collapse

by David Goldman

U.S. Commerce Secretary Malcolm Baldrige's July 26 arrival in Tokyo provided the occasion for a new low point not only for the dollar/yen exchange rate, but for the coherence of American official statements as well. Baldrige told Prime Minister Yasuhiro Nakasone that the Reagan administration was "losing credibility" because the U.S. trade deficit with Japan had grown into the \$60 billion per annum range, and demanded that Japan adopt a target for increased imports.

With some patience, Nakasone told Baldrige he shared the U.S. administration's concerns about protectionist measures in the United States and pointed out that Tokyo was already following an open-market policy. Baldrige responded that Japanese imports of U.S. goods had not increased, even though Tokyo had reduced its trade barriers. "It's not just a question of lowering barriers," Baldrige said. "It's a question of the will of the Japanese people to accept imports."

The U.S. commerce secretary could not deny the obvious, namely, that 1) Japan's currency has appreciated by almost 40% against the dollar since September 1985, drastically increasing the cost of Japanese goods in the United States; 2) Japan has had the lowest tariff barriers of any industrial nation since 1980; 3) Japan has bent over backwards to simplify procedures for American exporters to its home market. In the absence of any Japanese policy which might be construed to undermine cooperation with Washington, Baldrige came up with the strange suggestion that the Japanese people, by some silent conspiracy, boycott American goods.

The implication could not be more ridiculous, nor at greater variance with the facts. McKinsey and Co.'s Tokyo office chief Kenichi Ohmae has presented data before the National Press Club, and in various print media, showing that the Japanese buy far more American brand-name goods than Americans buy Japanese brand-name goods. As of 1984, Ohmae calculates, the average Japanese bought \$215 of imported U.S. goods, while the average American bought \$243 of Japanese goods. However, each Japanese bought an additional \$368 of American goods produced in Japan; the average American bought only \$44 of Japanese goods produced in the United States.

The Japanese total purchases of American-brand goods

amounted to \$583 per person, or 6% of Japan's national income, while the American total amounted to only \$287, roughly half as much, and only 2% of U.S. national income.

Clearly, Baldrige is talking rubbish, and the enormous Japanese trade surplus with the United States is of entirely different origin. Unfortunately, Nakasone's administration has contributed little clarity to the discussion. Japan's own policy, formulated in the "Report of the Advisory Group on Economic Structural Adjustment" of April 7, 1986, propitiates the extravagant misconceptions of the United States, and thus perpetuates them. The report, drafted under the leadership of Haruo Maekawa, calls for "balanced economic growth and resultant import expansion," "striving for economic growth led by domestic demand," "liberalization and internationalization of the nation's financial and capital markets," and so forth. The mechanism would involve "domestic demand expansion policies that have large multiplier effects and will lead to increased private consumption," such as housing subsidies, social infrastructure spending, and tax cuts to increase disposable income.

The Maekawa Report provides a set of recommendations which correspond to the U.S. administration's demand, presented at the May Summit of top OECD nations in Tokyo and elsewhere, that Japan undertake domestic deflation in order to stimulate economic activity, and, presumably, increase imports from the United States, lowering its huge trade surplus. As a conciliatory gesture, the Maekawa recommendations have already failed, through no fault of the Japanese; as Federal Reserve chairman Paul Volcker has made painfully clear, the talk of stimulating economic activity merely packaged a more urgent demand: that Japan (along with Germany) join the Federal Reserve in a rapid monetary inflation, in order to prop up the crumbling world financial structure, without collapsing the U.S. dollar. This the Japanese have refused to do, with good reason. Why should Japan mortgage its currency to the endangered U.S. banking system?

Japan's trade profile

Japan has, in fact, had little choice concerning where the fruits of its diligent and productive industry would be channeled in the world market. We will show in the following

analysis of Japanese trade, that two overriding developments in the world economy produced the Japanese trade surplus in its present, contested form. The first is the destruction of developing-sector trade at the hands of the International Monetary Fund; the second is the collapse of American industry, especially capital-goods capacity.

The assumption underlying the absurdities in Commerce Secretary Baldrige's position is that the world economy has been in recovery for the past several years, but that the Japanese have, somehow, captured an excessive portion of the recovering world market. On the contrary: The most readily

available data concerning international trade show that Japan's trade profile is dictated by a global depression, rather than recovery, in world trade.

World trade has fallen, not risen, since the first full year of the present world depression, namely 1980. In 1980, all the world's nations exported a grand total of \$1.9 trillion in physical goods. By 1983, the volume had fallen to \$1.67 trillion, or about 12% less. At the height of the supposed "recovery," in 1985, world exports were only \$1.72 trillion, still 10% lower than the 1980 level. During the 1975-80 period, world trade had *grown* by 5% a year.

TABLE 1
Geographical distribution of Japanese trade

All figures in percent; negative numbers denoted by (-)

	1965	1968	1972	1976	1980	1984
OECD						
Exports	49.3	50.9	55.0	46.3	46.1	56.0
Imports	49.8	50.3	50.9	39.1	33.7	39.0
Balance	35.3	45.3	73.7	240	106	124.7
Non-OECD						
Exports	50.7	49.1	45.0	54.7	53.9	44.0
Imports	50.2	49.0	49.1	60.9	66.3	61.0
Balance	63.8	—	6.1	140	206	24.7
U.S.A.						
Exports	29.7	31.9	31.4	23.7	24.5	35.6
Imports	29.0	24.7	25.0	18.3	17.4	19.8
Balance	51.1	59.0	60.8	167.1	62.6	99.5
OPEC						
Exports	6.5	5.0	6.5	13.8	14.3	9.3
Imports	14.8	15.3	19.5	33.7	40.2	30.4
Balance	(-2.35)	—	(-8.1)	(-519)	(-332)	(-75.9)
Africa						
Exports	9.6	7.1	7.1	8.6	5.9	3.7
Imports	4.3	6.4	5.0	3.2	3.2	2.3
Balance	1.6	—	17.2	15.1	28.0	9.3
Ibero-America						
Exports	5.4	5.4	6.5	7.1	6.5	4.7
Imports	8.7	7.4	6.0	3.7	4.0	5.2
Balance	(-8.6)	—	2.0	1.0	24.5	2.5
Asia						
Exports	26.9	28.3	23.9	23.7	28.1	26.1
Imports	19.2	16.6	19.7	23.0	25.8	27.9
Balance	2.5	—	43.0	42.3	1.0	18.9

Source: Organization for Economic Cooperation and Development (OECD)

The true position of world trade is even worse than the numbers show. To start with, American imports rose from \$256 billion in 1980, to \$361 billion in 1985. These imports, bought at 40% to 70% below American producer prices, merely replaced production capacity we lost at home. In other words, the increase in U.S. imports reflects, not economic growth, but decay. Total world trade in 1985 *minus* the \$104 billion increase in U.S. imports was only \$1.663 trillion, lower than the supposed nadir of international trade in 1983, when exports fell to \$1.667 trillion.

Developing-sector collapse

Table 1 shows the percentage of Japan's exports and imports to and from the world's major trading areas, during the past 20 years. One fact jumps out of the data: Between 1980 and 1984, a net swing occurred of about 20% in total Japanese exports, favoring the OECD nations (the world's top 20 non-communist industrial nations) at the expense of the developing sector. That swing reversed a historical pattern over the 15 years 1965-80, which showed a slow shift toward the developing world.

That this should have happened is no surprise whatever; the collapse of the financial position of the developing world began in 1980, after the "second oil shock" in 1979, leading to the global debt crisis of 1982, and the imposition of International Monetary Fund conditionalities upon virtually the entire developing world. Previously, Japan's exports to non-OECD countries, i.e., developing-sector economies, had risen from 50.7% to 54.7% of total exports, between 1965 and 1976, and maintained approximately that level through 1980.

Clearly, the largest component of the increased exports to non-OECD countries went to the newly rich OPEC nations, which absorbed 14.3% of Japanese shipments in 1980, against only 6.5% in 1965. However, the other major developing-sector markets, Asia and Ibero-America, also showed significant increases over the earlier period.

Uniformly, Japan's exports to the developing sector collapsed after 1980, as a proportion of total exports. With the exception of the Asian market, Japanese exports fell in absolute terms as well. Exports to Ibero-America fell from \$8.48 billion to \$7.95 billion, a fall of 6.3%; exports to Africa fell from \$7.70 billion to \$6.23 billion, a fall of 21.2%. Exports to Asian developing nations, however, rose from \$36.38 billion to \$44.316 billion, an increase of 22% in absolute terms.

American industrial decay

Japan's orientation to the OECD market, and to the American market in particular, is evident from Table 1. Exports to the United States rose from 29.7% of the total in 1965, to 35.6% of the total in 1984, and have no doubt risen further since. As the table shows, Japan's trade surplus with the United States is equal to its entire global trade balance (in

fact, Japan's oil imports still produce a deficit in its trade with non-OECD nations, equal to about a fifth of its surplus with respect to the OECD as a whole).

None of these results should be the subject of any surprise. Remarkable, however, is the change in the *composition* of Japan's exports, shown in Table 2.

Between 1972 and 1984, capital equipment rose from 26.1% of Japanese exports, to 46.8%. Consumer durable goods also rose, but by much less, i.e., from 20% to 28.3%. However, consumer durables barely rose during the 1980-84 period, from 27.4% to 28.3%, as a portion of the total. During the same four years, capital-goods exports rose from 40.1% to 46.8%.

TABLE 2
Composition of Japanese exports by industrial category
(All figures in percent)

	1972	1976	1980	1984
Industrial supplies	31.0	32.9	28.6	21.7
Capital equipment	26.1	40.3	40.1	46.8
Consumer non-durables	3.1	1.3	1.1	1.1
Consumer durables	20.0	22.6	27.4	28.3

That result runs at variance with the popular image of a Japan flooding the American domestic market with automobiles, television sets, tape recorders, and microwave ovens. In fact, an enormous net swing toward capital-equipment exports coincided with the increase of exports to the United States. Capital equipment outweighs consumer durables by a full two-thirds in Japan's export profile.

Because Japan has maintained such a high volume of capital-equipment exports, it has uniquely succeeded in maintaining the capital-intensivity of home industrial production. Table 3 reviews the last five years' industrial-output results, showing that Japanese capital-goods production in 1985 had risen 34% above the 1980 level, and much faster than the overall industrial production index. Consumer-durables production rose even faster than capital-goods production, although capital-goods exports rose faster than consumer-goods exports. This provokes a conclusion, once again, opposite to the usual prejudice. Rather than dumping consumer goods on the West to re-tool industry at home, the Japanese are exporting more capital goods, and consuming comparatively more industrial goods at home.

According to an *EIR* survey of American capital-goods purchasers, U.S. manufacturers prefer Japanese capital equipment over American in the following principal areas: pharmaceuticals, machine tools, forging, flexible manufac-

TABLE 3

Japanese industrial production index by sector

	1980	1981	1982	1983	1984	1985
Industrial supplies	100.0	97.3	96.4	100.5	111.5	114.6
Capital equipment	100.0	106.0	106.4	106.2	123.3	134.0
Consumer non-durable	100.0	103.3	106.5	110.0	113.0	116.2
Consumer durables	100.0	107.8	110.1	117.5	136.9	147.7
Total	100.0	101.0	101.4	105.0	116.5	121.7

turing, cement, materials-handling, steel-making, electronic components, and electrical distribution equipment.

In numerous interviews with U.S. industry specialists, *EIR* was told that American manufacturers prefer Japanese equipment regardless of cost, because it is superior. In some cases, e.g., pharmaceutical equipment, steel-making technology, cement-making equipment, and electronic component production, American manufacturers cannot find an American product that meets their standards, and have no choice but to import equipment from Japan.

A December 1985 publication of the Japan Institute for Economic and Social Affairs, entitled, *Trading with Japan*, seeks to defend Japan's capital-goods exports in this light. Answering the question, "Aren't Japanese exports destroying America's industrial base?" the Institute argues:

"The idea that Japanese exports are destroying America's industrial base disregards two facts. One is that Japan is supplying American businesses with a large and growing volume of capital goods—goods that are enhancing the production capacity of the purchasing corporations. The other is that a global integration of corporate activities is underway, and exports in categories reflecting this integration—roughly 30% of Japan's exports to the United States—in many cases are indispensable to the U.S. companies that purchase them.

"For example, Japan supplies many parts for use in U.S. manufacturing, and it offers finished goods through original equipment manufacturing (OEM) arrangements, in which the purchaser's brand name is put on the product; these supplies of parts and OEM products allow U.S. corporations to respond to needs of their customers that they cannot meet with their own production facilities. Two other export categories of this sort are goods not produced in significant numbers in the United States and goods produced in Japan by affiliates of U.S. companies."

The Institute's report includes **Table 4**, breaking down the origin of the 30% of Japan's exports to the United States arising from "economic integration."

According to data prepared for a *White Paper on International Trade* published by Japan's Ministry of International Trade and Industry (MITI) in 1985, the United States

imported 23% of its total capital-goods purchases in 1984, against only 10% in 1975. Japan was the most important, but not the only source, of these capital goods. In 1984, America bought slightly over \$20 billion of capital equipment from Japan, along with about \$15 billion from the European Economic Community, and about \$12 billion from Asia excluding Japan.

The view from MITI

In summary, the collapse of American productive capacity, most of all in the capital-goods sector, created America's trade deficit with Japan. Hiroshi Ushida, head of the MITI, reviewed the problem with unusual bluntness at a March 13 symposium in Tokyo:

"The major problem currently faced by the United States is the reduction of budgetary and trade deficits. However, even if these deficits were successfully reduced for the time being through strong U.S. government action or the large-scale cooperation of other governments, the result would still be only the treatment of the symptoms of the emergency patient, and not the basic rebuilding of the patient's physical makeup. . . . the [U.S.] rate of increase of industrial productivity has been falling off from year to year. If the growth rate of productivity continues to be low for a long time, a great drop in American competitive strength could not be avoided.

"The problem of American productivity is widely recognized as being rooted in such basic factors as capital, labor, managerial strength, and labor-management relations. If the

TABLE 4

Type of production	Exports to U.S. (\$ billions)
U.S. companies' exports to the U.S.	\$2
Original equipment manufacturing	\$5
Parts	\$8
Assembly in U.S.	\$4
Total	\$19

United States wishes to reduce its trade deficit, it ought to devote special efforts to the improvement of these factors at the same time that it requests other nations to cooperate. . . .

"Another cause of the trade imbalance is the creation of cavities, or 'hollowing,' in American industry; that is, American manufacturers have moved major portions of their production to locations abroad instead of investing within their own country to improve productivity."

Japan's financial power

During the five years from 1981 through the end of 1986, Japan will have accumulated current-account surpluses in excess of \$170 billion. (By contrast, the United States owes \$170 billion net to foreigners, and the total is rising by \$150 billion per annum.) That is almost equal to the \$189 billion collective surplus of the oil-exporting nations during the 1979-81 peak of their financial power. The shift in the world's center of financial power from OPEC to Japan is evident in **Table 5**.

TABLE 5

Current account surplus (deficit)

	Oil exporting nations	Japan
1979	54.0	(7.9)
1980	100.1	(9.5)
1981	34.7	6.2
1982	(23.4)	8.1
1983	(17.0)	22.2
1984	(5.7)	36.4
1985	(8.9)	40.9
1986	(30)*	60*
Cumulative	\$103.8	156.4

Japan has invested virtually all of its accumulated wealth in the United States, "which has kept interest rates from rising even further than they have and has financed investment beyond that level that domestic saving alone would have allowed," as the Japan Institute for Social and Economic Research notes in the cited report. Japan will put about \$60 billion into U.S. markets this year.

How decisive the Japanese surplus has become for U.S. markets was made clear last May, when fears of a pullout, or even of a reduction of new inflows, provoked the worst week in U.S. bond market history. Wall Street bond traders reprogrammed their trading computers to show the yen-dollar exchange rate at all times. Of course, no such flight of Japanese funds occurred; the last thing the Japanese want at this point is to undermine the American market.

Apart from the Japanese surplus, the \$150 billion per year capital inflow into the United States almost is entirely in anonymous funds, largely of criminal or dubious origin. In

the December 1985 *EIR Quarterly Report*, we demonstrated that \$80 billion per year of the \$150 billion in annual capital imports to the United States derive from untraceable sources. Approximately \$50 billion per year of capital inflows is reported as "errors and omissions" on the balance-of-payments tables, and an additional \$30 billion reflects sales of securities to the equivalent of numbered Swiss bank accounts. This category consists mainly of sales of Eurobonds by American corporations, to anonymous investors. Narcotics revenues—the so-called narco-dollars—account for the majority of such untraceable capital inflows.

Japan's alternatives

EIR has reported the likelihood of a near-term breakdown in the offshore "Eurodollar market," endangering America's capacity to finance its payments deficit. Under circumstances of general financial crisis, the mechanisms which have mediated \$80 billion a year of anonymous money into the United States cannot function. Japan may emerge, by the end of this year, as the only major source of financing for America's balance-of-payments deficit.

This circumstance identifies a special sort of leverage which Japan will enjoy in world economic affairs. As the only functioning industrial economy in the world, Japan has replaced production and trade forfeited by other sectors. Apart from the global gray market in loose funds, it is the world's only significant financial power. Japanese officials frequently make reference to their nation's need to play a role in world affairs commensurate with its economic strength. As the financial crisis unfolds, Japan will have no other choice. The above data demonstrate that Japan has become massively dependent upon the American market, although through no fault of its own. A financial crisis which undermined the American market would provoke a devastating economic crisis in Japan, unless the Japanese themselves lead the introduction of policies to resolve it.

As MITI director Ushida emphasizes, nothing short of rebuilding the shattered import-absorption capacity of the developing world can solve the crisis. Japan has an opportunity ready-made to redeploy its financial surplus on behalf of this goal, in the form of the "Marshall Plan" initiatives proposed for the Middle East, South Africa, Ibero-America, and ASEAN. Israel Prime Minister Shimon Peres's proposal for a Middle East "Marshall Plan" is consistent, both in economic and political terms, with the African "Marshall Plan" under consideration by Britain's House of Commons, and the ASEAN development proposal offered by Japanese Foreign Minister Shintaro Abe earlier this year.

These initiatives require a fund based on contributions from participating governments. As the wealthiest industrial nation, Japan has a great deal to offer such initiatives, and thus a decisive role to play in the reconstruction of the world economy.

Japan's educational reform: to restore the dignity of man

by Linda de Hoyos

In 1983, Prime Minister Yasuhiro Nakasone commissioned a study for the reform of the Japanese educational system. As he revealed in an interview on Dec. 29, 1983, the prime minister's motivation was rooted in his determination for Japan's *Sengo no Sokessan*. "Following Japan's defeat in World War II," Nakasone explained, "the old Japanese culture was entirely denied—and rejected as being reactionary—under the MacArthur rule. A virtual vacuum state was thus created. Then, the 6-3-3 system was introduced to fill it up, and our people began talking about rights, freedom, and democracy. The new system found harmony with the Japanese culture in some respects and kept growing. Nevertheless, it caused a number of problems, including classroom violence. It has led to the devastation of education as we see it today. Therefore, I found it necessary to take another look at the problems from the viewpoint of spiritual culture. . . . I thought we should consider the matter of the national soil of spiritual culture and study the possibility of building a new education system on that soil."

In September 1984, Nakasone delivered a short address to the first meeting of the Provisional Council on Educational Reform, in which he noted that "educational reform involves more than the reform of education alone. It will inevitably lead to reform of Japanese society itself."

The Provisional Council, composed of Japan's leading educators, industrialists, writers, and government officials, has so far published two reports, the first on June 26, 1985, and the second on April 23 of this year.

It would be a foolish error on the part of Westerners to believe that Nakasone's charge implies a turning back of the clock and the denial of the educational reforms introduced by General MacArthur. The Council explains (1985) that the "first educational reform," which took place in the Meiji era, was intended to contribute to the development of the national state and modern industry." This reform led to the Fundamental Law of Education of 1872, upon which the Japanese school system ultimately rests. "The 'second educational reform' immediately after World War II identified such principles as the full development of personality, due regard for the dignity of the individual, and equal opportunity as basic guiding principles. . . . *The principle of putting emphasis on*

individuality is the main principle for the coming educational reform."

A point of crisis

Nevertheless, as the report points out and as any visitor to Japan will soon discover, in the last decade, Japan's educational system has reached a point of acute crisis. Education has been reified into a fierce competition among children and youth for grades and entrance into the best universities, which then provides the "ticket" for upward mobility into the industrial and government bureaucracies. As the first report notes, especially given the homogeneity of Japanese culture, prestige gained by education has taken on even greater social and financial weight. Among children and youth, however, this pressure has created what the second report calls "the desolation" of the educational system, "whose symptoms include bullying, school violence, and excessive competition in entrance exams. . . . The state of desolation in education implies desolation in children's minds."

The report sharply states: "The whole of adult society is responsible for the deep-rooted causes which have brought this about." The moral crisis of the society, the reports indicate, is caused by the failure of society to cope with problems raised by modern technological society—"the spread of materialistic ideas, the absence of feeling, an excessive emphasis on an empirical approach and on quantifiable values, a lack of reverence for the sublime, less contact with nature, and a lack of due regard for the dignity of life."

Japan is not the only modern industrialized nation that could raise fears concerning the desolation of the minds of its children. If, in Japan, the deterioration of the school system produces competition to the point of psychosis, in Western Europe and the United States, the deterioration of schools and the introduction of the rock-drug counterculture has caused a moral degeneration among youth leading to the nihilistic drug-crazed punk rocker on the street.

What is unique about Japan's view, is that the Council's two reports represent the first serious attempt by any group among the industrialized countries to redesign the educational system upon the premise that human scientific and technological development is vitally necessary and will advance.

The Council's reports are not documents of degenerate cultural pessimism—as with the “New Age” drivel emanating from American educators—but documents of cultural optimism. They point the way not only for the “reform of Japanese society,” but the urgently required moral and educational reform required throughout the Western advanced sector.

Education for 80 years

The Council has rejected all inferences that education is a matter of pragmatic application of knowledge for the acquisition of skills required for career. Rather the Council upholds Friedrich Schiller's concept that education must nourish the full development of the individual both as a patriot of his nation and a citizen of the world. The second report states:

“As we consider education for the future, we should identify ‘invariables’ that transcend the changes of time. Outstanding traditions and the cultural heritage of Japan and all countries should be understood, protected, and passed down to future generations. . . . Recent developments in the process frequently referred to in Japan as ‘internationalization’ demand our active contribution, with a global perspective, to the peace and prosperity of mankind, as well as to the solution of diverse problems worldwide.

“The coming generation in Japan will be required to develop, more than ever in the past, a deep understanding of the international community in general, as well as a good sense of their own culture and abilities as Japanese. The new generation will also have to acquire sufficient language ability to communicate with members of other cultures, more cosmopolitan manners, and other relevant qualities necessary for global citizens. . . .

“To implement the present educational reform, we must be certain that the spirit of the Fundamental Law of Education is deeply rooted in the educational soil of Japan, and we must find ways creatively to nurture and develop this heritage as we move towards the 21st century. That Law defines ‘full development of personality’ as the ultimate aim of educational efforts, and indeed it is an important element in mankind's eternal pursuit of universal, ideal, transcendent human values. . . .

“The Council identifies the following goals for education, which it considers especially important for the 21st century and consistent with the spirit of the Fundamental Law of Education:

“A. The nurture of open and generous hearts and minds, strong bodies, and richly creative spirits

“B. The development of free and self-determining spirits and public-minded character

“C. The cultivation of Japanese competent to live as members of the world community.”

From this standpoint, the second report in particular stresses that the educational reform must encompass a “lifetime of learning.” Education is required not for a 50-year

career, but for an 80-year career. Therefore, opportunities must be expanded for education outside of the school years—through community programs, on-the-job programs, graduate work, and research programs.

Specifically, the 1986 report notes that the deterioration of the home's role as “the starting point of a lifetime of learning” must be remedied. “Behind the various manifestations of the current ‘state of desolation’ in education, lies the serious fact that the home is not sufficiently achieving its educational potential.” The 1985 report amplifies on this indictment:

“With the changing family life, there are a growing number of parents showing attitudes of over-protection, over-interference, or non-interference towards their children. Along with this trend, other factors—such as parents' confused policy on how to bring up their little children and parents' absence from home because of their employment—have led to a deterioration of the educational function of the family. Both the ties between the mother and her children and the influence of the father on his children have been weakened, and there is a lack of discipline at home.”

Within the elementary and secondary schools, the reports focus on the immediate upgrading of the nation's teaching staffs from the standpoint of the principles enunciated, a closer cooperation among school, community, and students, and the immediate reduction in class size to a maximum of 40 pupils.

For higher education, the reports call for a diversification of university training, with the university becoming a center of education for adults of all ages, and the expansion of technical institutes.

Most importantly, the Council attacks one of the basic weaknesses of Japan's drive for modernization—the lack of breakthroughs in the areas of basic scientific research. As the 1986 report emphasizes:

“With the interests of humankind in view, universities must endeavor to carry on traditions of scientific research while challenging the future with new areas and methods, and they must strive to meet the demands of the times while contributing to society, constantly working to improve the quality of their research. One of the most important future tasks for our nation is to promote basic sciences so as to bring them to a level worthy of international recognition.”

The Council's results so far, therefore, do not attempt to produce a “quick fix” for the crisis in Japan's education, but to establish the long-term principles that will hold for the transition to the 21st century. To complete its work, the Council states that it intends to “make an in-depth study of human civilization, focusing on science, technology and information. It will also study what universal values are meaningful for man.” Thus, the Council intends to fulfill the mandate of Prime Minister Nakasone to carry out not only the reform of education, “but the reform of Japanese society itself.”

Japan's 'nuclear energy vision' in the 21st century

Marjorie Mazel Hecht, managing editor of Fusion magazine, reports on Japan's programmatic commitment to develop the most advanced and efficient energy sources available.

In a report called *Nuclear Energy Vision in the 21st Century*, Japan's Ministry of International Trade and Industry (MITI) announced June 30 that nuclear energy production was expected to more than double by the year 2030, generating 58% of Japan's electrical energy. Nuclear power must become the main source of alternative energy in the next century, the report said.

The program also specifies a schedule for Japan to complete its nuclear fuel cycle, commercializing fuel reprocessing, fabrication, spent-fuel management, and breeder reactors, along with an indigenously developed reactor that is a bridge between conventional light water reactors and fast breeders. Japan already has the independent capability of manufacturing reactors and reactor components, and by the turn of the century, the MITI plan envisions this independence extending to the entire nuclear fuel cycle. Japan will no longer have to import uranium or turn to the United States or France for spent-fuel reprocessing.

Put forward by MITI's advisory committee on energy, the ambitious nuclear program is no surprise for a country that has no indigenous fossil fuel supplies and a reliance on high-technology, energy-intensive industry. The program merely reconfirms Japan's commitment to develop the most advanced and efficient energy sources available, a commitment adopted in the 1950s. Perhaps the only element of surprise is the timing of the public announcement of a 45-year nuclear program: Most of the rest of the world's nuclear industry has taken to the trenches under the barrage of anti-nuclear propaganda and terrorism that followed the Soviet nuclear accident at Chernobyl April 26.

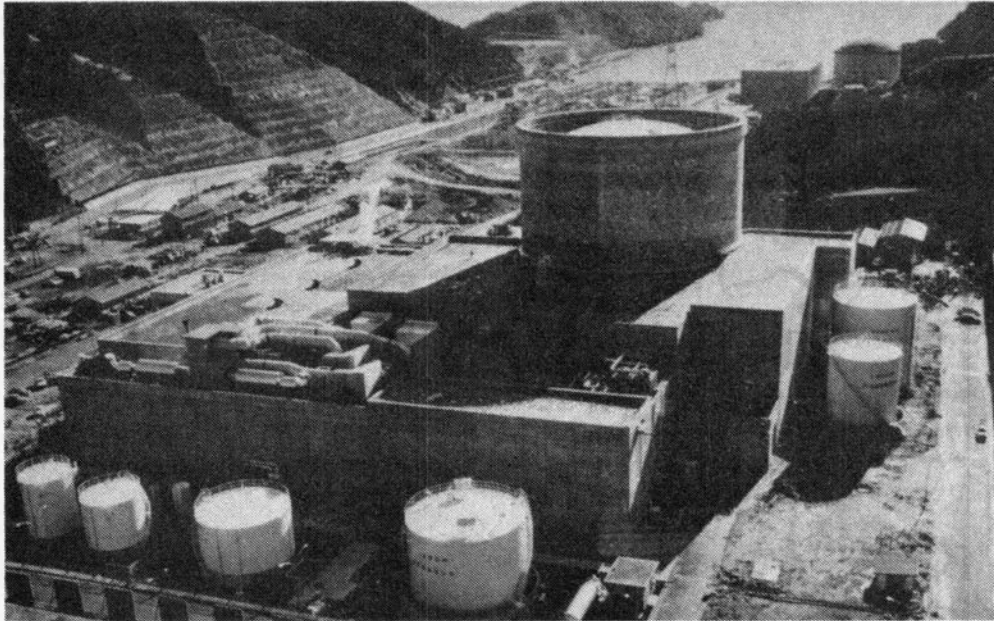
The MITI plan has two tracks. The first assumes a historically very modest 2.5% annual rate of growth for Japan's gross national product, while the second assumes an even lower growth rate. The more optimistic plan expects to have

87 gigawatts (GW) of nuclear power capacity (3.5 times the present capacity) by the year 2010 and 137 GW (5.6 times the present capacity) by the year 2030, building a total of 122 new reactors during the next 45 years. The plan that assumes a lower growth rate expects to have 77 GW of nuclear power capacity (3.1 times the present capacity) by the year 2010 and 107 GW (4.4 times the present capacity) by the year 2030. In the latter case, 97 new nuclear reactors would be built in the next 45 years.

How does this compare with the other nuclear nations? Japan now ranks fourth among the 24 nuclear-power-generating nations (behind the United States, France, and the Soviet Union). At the end of 1985, Japan had 32 plants on line, with a total capacity of 24.52 GW, generating 26% of the nation's electric power. This compares to 85 units with a capacity of 68.867 GW in the United States (generating 13.5% of the nation's electric power), 46 units with a capacity of 22.997 GW in the Soviet Union (generating 9% of the nation's electric power) and 41 units with a capacity of 32.993 GW in France (generating 58.7% of the nation's power), at the end of 1984, according to figures from the International Atomic Energy Agency.

More significant, Japan has steadfastly pursued a goal defined in 1953 by business and government leaders as necessary for the nation's economic growth, without the slow-downs that the other nuclear nations have suffered at the hands of the environmentalists: Nuclear plants have been completed on schedule. The consistent growth in the development and commercialization of nuclear power can be seen in **Figure 1**, which shows the dates Japan's nuclear plants began operating and the cumulative capacity in gigawatts. The location of these plants as well as those under construction and in the planning stage is shown in **Figure 2**.

During the next 45 years, MITI expects the total sales of

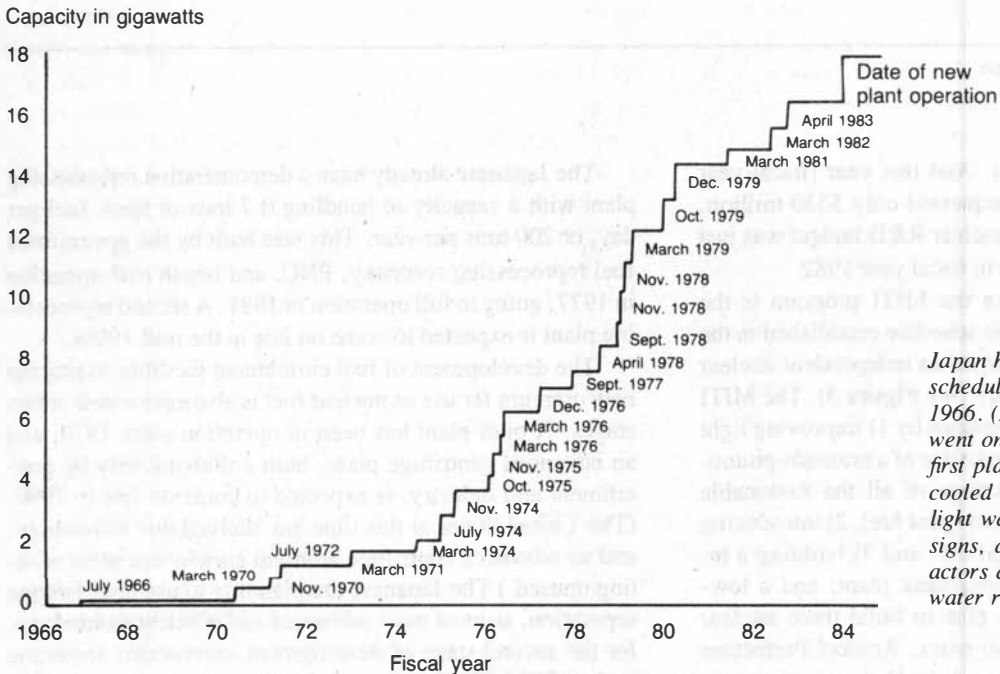


The "Fugen," an advanced thermal reactor prototype developed in Japan.

the nuclear industry to be 180 trillion Japanese yen, of which 50 trillion yen would be for new construction, 60 trillion yen for operation of plants, and 70 trillion yen for the completion of the fuel cycle requirements. (For purposes of comparison, 1 trillion yen is about U.S. \$6.1 billion.) In 1986, total sales of the nuclear industry are estimated at 1.6 trillion yen per

year; by 2010, this is expected to be 4.2 trillion yen, and by 2030, the figure would be 6.7 trillion yen—a fourfold growth. The significant difference in Japan's nuclear outlook and that of the United States can be seen in the fact that, last year, Japan spent 370 billion yen (about \$2 billion) on nuclear research and development, while the United States spent

FIGURE 1
Development of Japan's nuclear capacity (as of February 1984)
 (electric enterprises only)

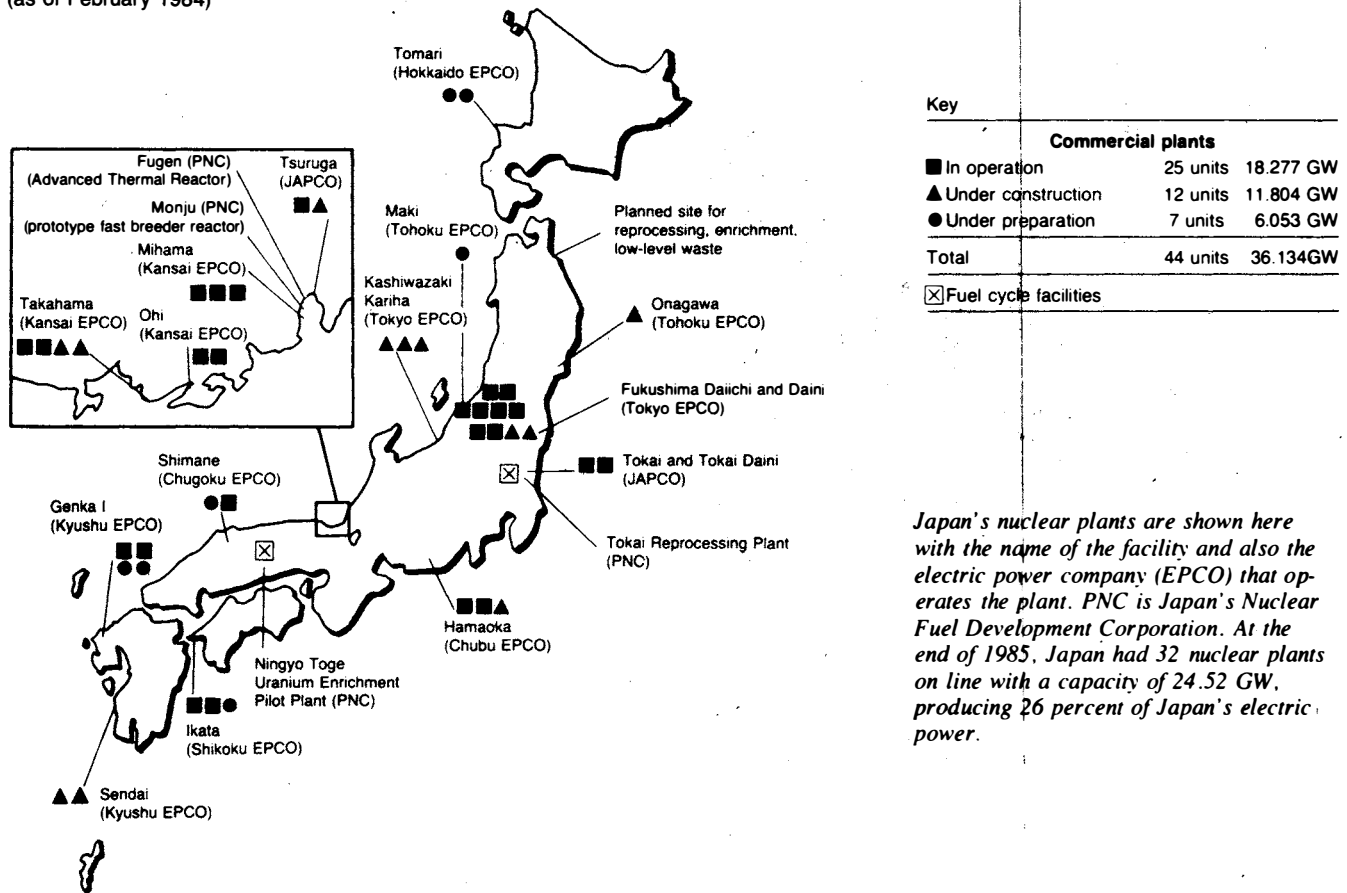


Japan has met its ambitious nuclear schedule, putting 32 plants on line since 1966. (Not shown are 3 more plants that went on line in 1984 and 4 in 1985.) The first plant was a British-designed gas-cooled reactor. The others are standard light water reactors based on U.S. designs, about half being boiling water reactors and the other half pressurized water reactors.

Source: Japan Atomic Energy Commission

FIGURE 2
Location of nuclear facilities in Japan

(as of February 1984)



Japan's nuclear plants are shown here with the name of the facility and also the electric power company (EPCO) that operates the plant. PNC is Japan's Nuclear Fuel Development Corporation. At the end of 1985, Japan had 32 nuclear plants on line with a capacity of 24.52 GW, producing 26 percent of Japan's electric power.

Source: Japan Atomic Energy Commission

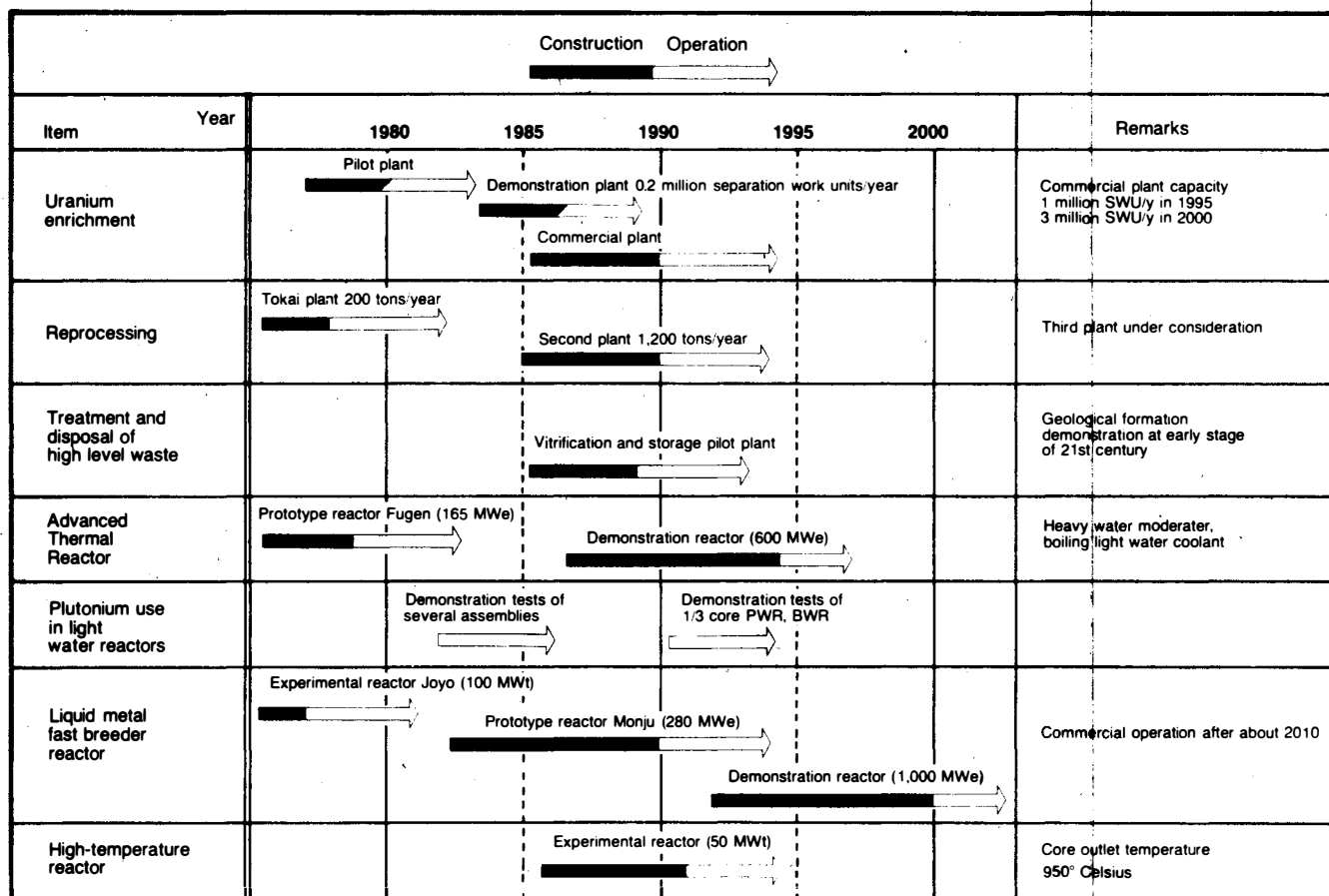
\$375 million (fiscal year 1986). And this year (fiscal year 1987), the administration has requested only \$330 million. At its height, in fact, the U.S. nuclear R&D budget was just over \$1 billion—\$1.078 billion in fiscal year 1982.

What is most remarkable in the MITI program is the renewed commitment to meet the schedule established in the 1970s and early 1980s to give Japan an independent nuclear fuel cycle in the early 21st century (see Figure 3). The MITI program outlines how this will be done by 1) improving light water reactors so that they can make use of a uranium-plutonium oxide fuel that takes advantage of all the fissionable products that can be retrieved from spent fuel; 2) introducing fast breeder reactors for practical use; and 3) building a reprocessing plant, a uranium enrichment plant, and a low-level waste storage plant. "The plan to build three nuclear fuel cycle facilities in Rokkasho-mura, Aomori Prefecture [see map], should be promoted in order that operation may proceed according to schedule," the report says.

The Japanese already have a demonstration reprocessing plant with a capacity of handling 0.7 tons of spent fuel per day, or 200 tons per year. This was built by the government fuel reprocessing company, PNC, and began trial operation in 1977, going to full operation in 1981. A second reprocessing plant is expected to come on line in the mid-1990s.

The development of fuel enrichment facilities to process new uranium for use as nuclear fuel is also envisioned in two stages. A pilot plant has been in operation since 1979, and an advanced centrifuge plant, built collaboratively by government and industry, is expected to come on line in 1990. (The United States at this time has shelved this technology, and an advanced centrifuge uranium enrichment plant is sitting unused.) The Japanese are planning to use laser isotope separation, an even more advanced and efficient technology, for the second stage of development, envisioned sometime in the 1990s. The MITI plan mentions consultation with the AVLIS (Advanced Vapor Laser Isotope Separation) project

FIGURE 3
Schedule of Japan's nuclear R&D projects



MITI's 45-year nuclear development program reaffirms the necessity for Japan to meet these schedules.

Source: Japan Atomic Energy Commission

at Lawrence Livermore National Laboratory in California—a project that was chosen by the Department of Energy as the most efficient technology to pursue, but which is not being funded for accelerated development.

The MITI report discusses a demonstration facility for processing high-level waste that would come on line in the mid-1990s, with the goal of a commercial plant in operation by 2030. Currently, nuclear waste is stored at plant sites, the same way it is done in the United States.

Nuclear fuel independence

The question of becoming self-sufficient in nuclear fuel is a central one for the Japanese, who have very little natural uranium, a fact discovered early in their nuclear program after extensive exploration throughout Japan. An experimental 100-MWe fast breeder plant, Joyo, came on line in the mid-1970s and provided the basic necessary research. A 220-

MWe fast breeder pilot plant, Monju, will come on line in 1992-1994; and a site is in construction now for a larger 800-1,000 MWe plant in western Japan that is expected to be ready by 2003, with commercialization planned for fast breeder technology after 2012.

The Advanced Thermal Reactor, or ATR, was planned as early as 1966 as the way Japan would make the most of its reprocessed spent fuel from light water reactors by using not only the uranium that is extracted but also the plutonium. The plan was to have the ATR using the accumulated plutonium from reprocessing spent fuel even before the fast breeder is commercialized. In addition to augmenting the stock of available nuclear fuel, this would lessen the burden of long-term storage of plutonium and the decay of fissionable isotopes of plutonium during storage.

The government operates a prototype 165-MWe ATR plant, Fugen, which has been on line since 1979, and the

Electric Power Development Co., a special corporation set up by the government, is constructing a 606-MWe commercial ATR scheduled for operation in March 1995. Fugen has operated with no problems, and is helping to establish the related technologies necessary for use of uranium-plutonium mixed oxide fuels.

The ATR is a heavy-water moderated light-water cooled reactor of the pressure tube type (Figure 4). Pressure tubes are inserted into holes in a calandria tank, each tube housing one fuel assembly. The Japanese describe many advantages to this design. For example, the control rods are immersed in the heavy water moderator, separated from the cooling system, which means that the fuel rods can be in near-atmospheric temperature and therefore have greater reliability in operation.

Internationalization

A section of the MITI report stresses "internationalization" of nuclear technology—or export policy. The emphasis here is on promoting nuclear technology by collaborating not only with Europe and the United States but with developing countries, by sending out nuclear experts and by training developing-sector representatives. Such collaboration is envisioned to include the fast breeder reactor and the full nuclear fuel cycle. There was also mention of small and medium

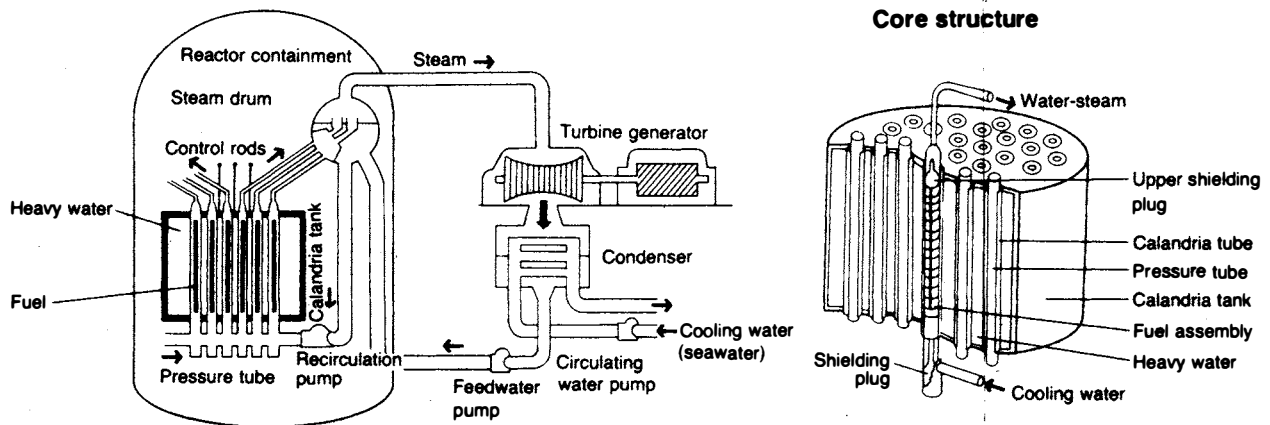
size reactors for internationalization.

The Washington, D.C. representative of Japan's electric power industry commented that Japanese companies are very eager to export nuclear reactors (Japan's nuclear manufacturers are now operating at perhaps 40% to 50% of their 6,000-MWe annual reactor-production capacity), but that government policy was more cautious. Personally, he said, he was "truly afraid" after Chernobyl at the attitude toward safety in the Soviet Union as well as China. For the developing nations, he said, we have to make sure that they have plenty of experience with large power plants and that they are ready with emergency planning.

Americans cannot help but be impressed by the Japanese vision in planning for a nuclear future since the 1950s and, more important, the commitment to carry through on their plans. Despite the impressive scope of the Japanese 45-year plan, however, the program has not escaped unscathed by the worldwide economic decline. The MITI report, for example, made no mention of the High Temperature Gas Cooled Reactor (HTGR), which the Japanese had helped develop in collaboration with GA Technologies in San Diego. The advanced design of the HTGR and the high-temperature process heat it made available, were seen as essential for development of the nuclear steelmaking industry of the future. Now, however, because of the slowdown in Japan's steel and iron

FIGURE 4

Schematic of Japan's Advanced Thermal Reactor



Japan's unique Advanced Thermal Reactor (ATR) is designed to make use of a mixed plutonium-uranium oxide fuel. The inclusion of plutonium, a product of reprocessing spent fuel, is aimed at enhancing Japan's nuclear fuel independence by reducing reliance on uranium. The ATR uses heavy water as a moderator and light water (boiling) as a coolant.

Source: Courtesy of Electric Power Development Co., Ltd.

industry, the HTGR is on hold. Ten years ago, when the market was more optimistic, an HTGR was scheduled to be on line in about 1990 (see Figure 3).

Energy demand in Japan's industrial sector has declined since the 1973 Oil Crisis, even though Japan's Gross National Product maintained a 3 to 6 percent growth rate during the same period. In manufacturing industry, for instance, energy consumption per real gross domestic production began to decline in 1975, and by 1981 was one-half of the level of 1973. A January 1984 study by Japan's Institute of Energy Economics documented three basic reasons for this decline: (1) energy conservation, including high-technology equipment investment, such as the introduction of continuous casting in steel making; (2) a shift to less energy-intensive industries, for example, to assembly industries from heavy industries; and (3) "achievement of high added value in manufactured goods," for example, making seamless pipes instead of steel plates.

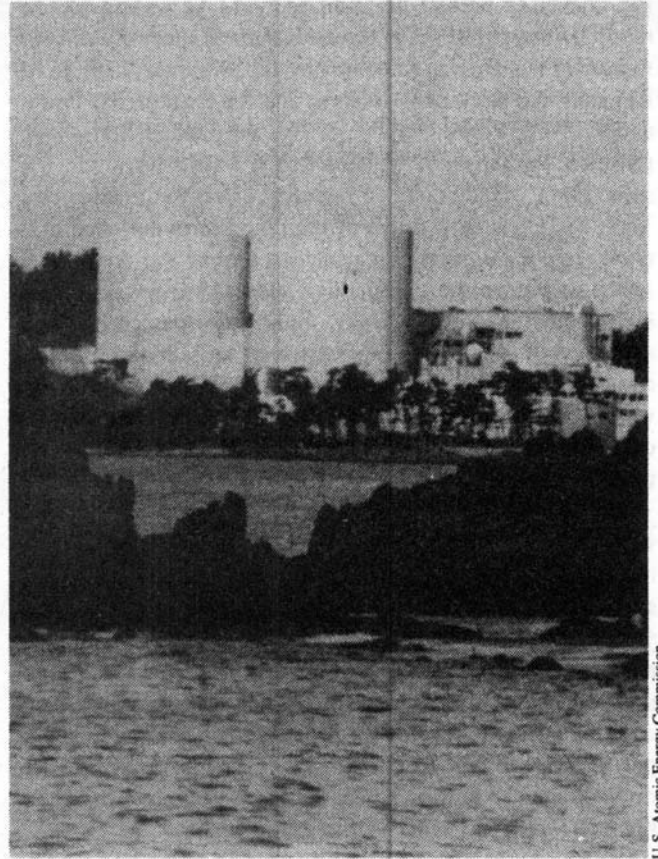
Another way to look at this decline is the per capita production of electricity. In 1970, it was 3.48 billion kilowatt-hours; in 1975, 4.25; in 1980, 4.94. In 1984, it had declined to 4.84 billion kilowatt-hours.

Japan's fight for nuclear power

It is no accident that the chairman of the MITI subcommittee for nuclear power, which prepared the 45-year plan for MITI, is a businessman—Mr. Isamu Yamashita, the chairman of Mitsui Shipping and Building Company and the vice chairman of Keidanren, Japan's business federation. Japan's business community has been in the leadership of nuclear energy from the beginning. In January 1954, it was the president of the Keidanren who helped launch Japan's nuclear program, after a visit to the U.S. Atomic Energy Commission's research facility in California, where he became convinced that Japan had to have an Atoms for Peace program. Within a year, Japan's parliament had established its own Atomic Energy Commission and had approved the first appropriations request for building an experimental nuclear reactor.

With the memory of Hiroshima and Nagasaki still vivid, the Atomic Energy Commission set up a joint government-business group called the Council for the Peaceful Uses of Atomic Energy and began to campaign for "Atoms for Peace." The first chairman of the AEC was Mr. Matsutarō Shōriki, the publisher of *Yomiuri Shimbun*, one of Japan's largest newspapers. In Shōriki's inaugural statement for the council, which had close to 100 business, scientific, and political leaders on it, he said:

It has now become clear that nuclear energy, which was once used against us as a terrible weapon of destruction, can be used as a mighty power to banish wars from the Earth and liberate humanity from poverty and disease . . . to eliminate the causes of cold



A Westinghouse-built nuclear power plant operated by the Kansai Electric Power Company on Japan's Tsuruga Peninsula.

U.S. Atomic Energy Commission

wars and achieve constructive peace. . . . The time has come for the whole nation to forge ahead without any hesitation whatever.

The council sponsored a vigorous educational campaign in 1955, including a six-week exhibit in a Tokyo park visited by 400,000 people. According to the polls at the time, 92% of those who saw the exhibit became convinced of the nation's need to go nuclear. This practice of public education has continued through the present, where education still commands a significant portion of the nuclear energy budget. It has been this vigorous education drive which has held back the anti-nuclear political opposition in Japan, coming mainly from the Japanese Socialist Party, preventing it from squashing the nuclear industry the way it has in the United States.

In March 1956, Japan and the United States signed a technology agreement for Japan's industrial development, which covered patent licensing. Just seven years later, in 1963, Japan became the world's fifth nation to generate electricity using nuclear power, in an experimental reactor operated by the new Science and Technology Agency. Commercial production began three years later, in 1966, in a

Magnox gas-cooled reactor design, purchased from the British, that uses natural uranium as fuel. According to one report (*Future U.S.-Japanese Nuclear Energy Relations: Report of the Working Group*, by the National Institute of Research Advancement, Tokyo, and the Rockefeller Foundation, New York, October 1979), the United States was miffed at the Japanese decision to buy a British reactor, but subsequently made more competitive offers to the Japanese: The U.S. government then offered long-term enriched uranium supply contracts on "attractive terms" and the private sector offered more competitive bids. As a result, Japan then decided to make the U.S. light water design its basic reactor, and it ordered reactors for its ambitious program, about equally divided between boiling water and pressurized water light water reactors. By 1968, the United States had committed delivery to Japan of enough enriched uranium to fuel 11 GWe of nuclear power.

Japan's policy, according to the above-mentioned report, was "to buy one unit of each successive model of the two major U.S. reactor manufacturers," an arrangement described as "important and mutually rewarding." Over the years, Japan gained the ability to manufacture complete reactor systems and to independently improve the design performance of the light water reactor. The Japanese also contributed to joint research projects. For example, Japan put \$3 million per year for three years into joint breeder research and \$1 million a year for three years into the U.S. Loss of Fluid Test (LOFT) facility in Idaho.

When this bilateral cooperation began in the late 1950s, the United States was treating Japan as a "developing sector" nation; within a short period, it was obvious that Japan was an industrial leader. For Japan, especially under the "non-proliferation" activities of President Carter, it became clear that nuclear independence was essential if its nuclear program was to proceed unimpeded by the vagaries of anti-nuclear politics in the United States. Today, of course, while the United States has its ambitious Atoms for Peace program only as a fond memory, the Japanese are in a position to supply America with nuclear plants, should the policy here change to one of reindustrializing the nation and industrializing the rest of the world.

Japan built up its indigenous nuclear industry using dirigist methods similar to those that built this country under the administration of President Lincoln—special low-interest loans to private industry and government-sponsored research to set up the proper infrastructure. Japan's nuclear industry today reflects the correctness of this approach. Schedules are met, and performance continues to improve. Reactors have a record of increasing reliability, for example, going from a 60.8% operation rate in 1980 to a 61.7% operation rate in 1981, to a 67.6% operation rate in 1982. In that year, Japan's 24 reactor units produced 103,000 gigawatt-hours of electrical power—about the same as the output from France's 32 reactors for the same time period. By 1983, Japan's reactors had a 71.3% operation rate, even

though by regulation, there are 90 days of shutdown per year for reactor maintenance and refueling.

To further increase nuclear reliability, future reactors will be standardized and there is a plan for developing (by 1989) light water reactor robots—multi-joint, multi-finger robots that can perform diverse chores for reactor maintenance and repair.

Because of this reactor performance, a nuclear power plant that came on line in 1982 was able to produce power at 12.5 yen per kilowatt-hour, compared to 17 yen for oil-fired power and 14 yen for coal-fired power, a cost relationship that has continued. For this reason, although nuclear is only 16% of Japan's present electric-power capacity (see **Table 1**), nuclear produces 26% of Japan's electricity. It is cheaper and more efficient and therefore is used proportionally more than the oil, coal, or gas electricity capacity for producing power.

The future

Right now, Japan's major nuclear reactor manufacturers, Hitachi, Toshiba, and Mitsubishi Heavy Industries Ltd. are working at perhaps 40% to 50% of their current capacity for producing 6-GWe nuclear capacity per year, and the depression worldwide has kept the Japanese from developing the further nuclear manufacturing capacity of which they are certainly capable. Under MITI's proposed 45-year nuclear plan, Japan will be adding about 2.5 GW per year to its nuclear capacity, toward a goal in 2030 of 137 GW.

Although this is undoubtedly the most ambitious nuclear growth rate in the Western world at this time, the truth is that in the year 1979, Japan added 5 gigawatts of nuclear capacity to its grid (see Figure 1) and MITI estimated at the time that Japan had the capability to add 6 to 10 gigawatts of nuclear power annually. The point is, that if we are to get the job

TABLE 1
Outlook of installed electric power capacity in Japan
(megawatts/% of total)

Power source	FY 1980	FY 1990	FY 1995
Nuclear	15,510/12.0	34,000/19.0	48,000/23.0
Coal	5,260/4.1	14,000/8.0	21,000/10.0
Natural gas	19,710/15.2	40,000/23.0	43,500/21.0
Hydro	28,670/22.2	38,500/22.0	42,000/21.0
Ordinary	17,860/13.8	20,500/12.0	22,500/11.0
Pumping-up	10,810/8.4	18,000/10.0	19,500/10.0
Geothermal	130/0.1	600/0.3	1,500/0.7
Oil	60,080/46.5	50,000/28.0	49,000/24.0
Total	129,360/100	177,100/100	205,000/100

Source: Japan Atomic Energy Commission

done of industrializing the developing sector, Japan will have to go well beyond the most optimistic predictions of 6 to 10 gigawatts production capacity per year.

Note on sources: The author is grateful to Mr. Toru Namiki of the Japan Electric Power Information Center in Washing-

ton, D.C. for his help in summarizing in English the MITI 45-year plan.

For the history of the Japanese fusion and nuclear program, see articles in the August 1981 issue of Fusion magazine and the July 1984 issue of Fusion Asia magazine.

Fusion: 'If the U.S. won't do it, we will'

The Japanese expect to reach fusion breakeven next year—getting more energy out than that required to start the reaction—in the big JT-60 tokamak reactor. And they expect to commercialize fusion energy beginning in about 2010.

A Fusion Experimental Reactor (FER) is now under discussion with a demonstration reactor expected in about 2000. Other magnetic confinement devices are proceeding in experimentation, including the Heliotron at Kyoto University and the tandem mirror Gamma 10 machine at Tsukuba University.

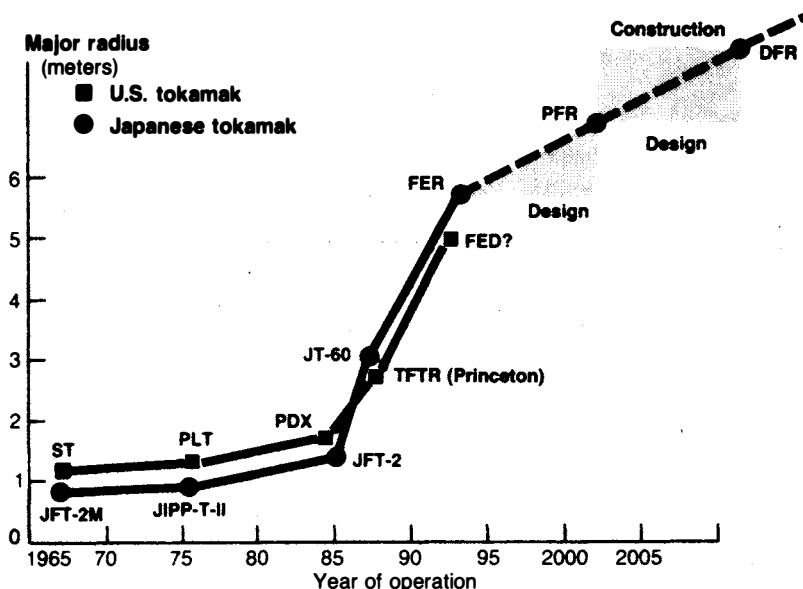
There is also a full range of inertial confinement experiments centered at the Institute of Laser Engineering at Osaka University that are making notable progress both theoretically and experimentally using a variety of drivers from glass lasers to ion beams to particle beams. A variety of innovative and promising experiments are under way, from new target designs to a combination of magnetic and inertial fusion.

In May 1978, Japan's Prime Minister Takeo Fukuda surprised President Carter with the announcement at a New York City foreign policy forum that Japan was prepared to spend \$1 billion in a joint research program. The Japanese had decided in 1975 that fusion was "the energy resource of the 21st century," and as with nuclear energy, they embarked on a research and development program to commercialize the technology. When the United States declined Japan's offer (under the direction of Energy Secretary James Schlesinger), Japan continued full speed ahead on its own.

Japan's total fusion budget was a high of 44 billion yen in 1981 and is slightly lower in 1986, 36.6 billion yen, comprising 13% of Japan's total energy R&D budget. (A direct dollar comparison with the U.S. budget is difficult, because these Japanese figures do not include salaries and administration.) This kind of funding commitment to a broad-based research program has left the United States, once the world leader in fusion, behind in the dust, with U.S. fusion scientists reduced to pushing back their schedules because of funding cuts and "choosing" which alternative program should be chopped out of the budget first.

FIGURE 5

Comparison of U.S. and Japanese tokamak devices



SOURCE: Fusion magazine and the Japanese Atomic Energy Research Institute

Japan expects to reach breakeven with the JT-60 tokamak in 1987, putting it ahead of the budget-strapped U.S. program's Tokamak Fusion Test Reactor (TFTR) at the Princeton Plasma Physics Laboratory. Japan plans to put the Fusion Experimental Reactor (FER) on line in the 1990s, followed by a Prototype Fusion Reactor (PFR) and then a Demonstration Fusion Reactor (DFR) in the early 21st century. The future of the U.S. magnetic fusion program beyond the TFTR is clouded by funding cuts and lack of a firm commitment from the administration.

Queen Elizabeth risks all for New Yalta deal with Moscow

by Criton Zoakos

Following British Foreign Secretary Sir Geoffrey Howe's meeting with South African President P. W. Botha on July 30, the chances for Queen Elizabeth's abdication stood at "fifty-fifty," according to estimates of intelligence circles monitoring the unfolding confrontation between Prime Minister Margaret Thatcher and the British Royal Family.

However, the magnitude of the risk that the British Royal Family decided to take, when it plunged into an open constitutional confrontation with the prime minister over the convenient issue of economic sanctions against South Africa, is not greater than the strategic stakes over which the fight is actually being waged.

Queen Elizabeth II and the House of Windsor are committed to a world strategic deal with the present leadership in Moscow for redrawing the political map of the world according to precepts which Lord Carrington, the present general secretary of NATO, has dubbed "The New Yalta Deal." Prior to Lord Carrington's espousal of this perspective, this scheme was advanced by Lord Mountbatten, who, in addition to being the Queen's confidant, was, until his timely death, the principal mentor of Prince Charles, who one day is supposed to succeed the Queen. The New Yalta Deal, in broad outline, was described by the late Yuri Andropov in an April 1983 interview in the weekly *Der Spiegel*, with fascinating simplicity: The United States should abandon all its interests and claims of influence throughout the "Eurasian landmass," a term denoting the continents of Europe, Asia, Africa, and Oceania, in return for which, the new Russian Empire would allow the United States to maintain a certain influence in the "Western Hemisphere."

From the standpoint of Britain's ruling House of Windsor, the "Eurasian landmass" sans American influence would be shared, condominium style, by two power-elites, the Muscovite Third Rome devotees, and the House of Windsor and its allies. The latter, according to their reckoning, would

include in their ranks all 49 members of the British Commonwealth, including India, Australia, Canada, and Africa's Commonwealth members, as well as those Western European countries in which the various branches of the Windsor-related Saxe-Coburg-Gotha clans of oligarchs do or could dominate in terms of policy.

Such a Windsor-led coalition, in Queen Elizabeth's reckoning, would be able to share a "Eurasian" condominium with the Muscovite-centered coalition of the U.S.S.R., Warsaw Pact, and kindred allies, and would eventually, in the long run, prevail.

Whatever speculative elements one might wish to add to this strategic perspective, its "bottom line" is that Moscow and Buckingham Palace are in a strategic alliance to reduce the influence of the United States in the world to "approximately 25% of its postwar extent," in the words of Henry Kissinger. Margaret Thatcher and the issue of South Africa suddenly acquire a uniqueness and a timely prominence only when viewed from the perspective of this imminent Buckingham-Kremlin condominium: Thatcher, in the Queen's view, is "too much pro-American." And South Africa, with its unique combination of internal problems and international economic-strategic importance, is perhaps the best available trigger to cause a sudden collapse of U.S. power. The Queen's scenario works as follows:

'The Crash of 1986'

There is no issue of "apartheid" in the Republic of South Africa other than that created by the British colonial administration of that country. Increasingly since South Africa declared itself the Republic of South Africa and broke out of the British Commonwealth, that nation's commitment to wipe out the British Empire's racialist legacy has been thwarted more by the machinations of Her Majesty's Commonwealth and their Soviet imperial allies than by the relics of segrega-

tionist habits in the domestic population. The present government of President Botha is thwarted from fully realizing its anti-apartheid program only by the bloodthirsty agitation of the Communist-led and Communist-controlled "African National Congress."

Queen Elizabeth's demand—as presented by Sir Geoffrey Howe to President Botha at the end of July—is *not* to "end apartheid," as the lying popular press reports, but, specifically, to go into a "power-sharing" deal with the Communist-dominated African National Congress. The Queen and the House of Windsor, through its direct and indirect influences over the Commonwealth and the rest of the English-speaking world, have instigated the present call for "economic sanctions" in favor of bringing the Communist-dominated ANC to power.

As the threat of economic sanctions grew, the government of the Republic of South Africa, gradually over time, developed its own strategy of countering it. By this spring, Pretoria made it known to its major trading partners, that it was fully prepared to answer economic warfare with economic warfare: total embargo of strategic raw materials upon which the entire West depends, and financial warfare in the form of not only repudiation of South Africa's \$24 billion in foreign debt, but instigation of a wave of debt repudiations throughout the developing sector of the world economy.

The means which South Africa possesses for retaliation were assessed, in great detail, both in London and Switzerland during the late spring and early summer of this year. Both drew the conclusion that the indubitable outcome of economic warfare with South Africa would be a worldwide financial collapse of a magnitude and devastation far greater than experienced—or imagined—in the last Great Depression.

Prime Minister Thatcher's present opposition to the sanctions policy, and also the opposition from Japan, the United States, and the Federal Republic of Germany, is based on a general understanding that sanctions are most likely to bring about a worldwide collapse of the present financial system. London and Swiss banking and other financial institutions have extricated themselves from positions of financial vulnerability and believe themselves to be relatively invulnerable to the effects of such a collapse. The collapse, London and Switzerland believe, will be the collapse of the world's *U.S. dollar-based system*, and American financial institutions.

The reason for which President Reagan, Prime Minister Thatcher, and their German and Japanese counterparts are opposed to the policy of punitive sanctions against South Africa, is the same reason for which Queen Elizabeth and the House of Windsor support it: the collapse of the U.S. financial system, and with it, the collapse of the United States as a world power. The Windsors' Elizabeth is accepting the risk of a constitutional blowout of the United Kingdom only because she expects her reward to be the *de facto* establishment of a Eurasian condominium with the Kremlin.

On July 20, the Palace launched a series of premeditated "leaks," presenting to the astonished British public an image of the Queen, acting unconstitutionally, expressing bitter political disagreements with her prime minister. There was the sanctions issue, but other disagreements were expressed: Thatcher's cooperation with President Reagan against Qaddafi, and Thatcher's conservative domestic policies. The Queen's official spokesman said that "the Queen is very much to the Left on social issues," and "the Queen is not a member of the right-wing establishment."

After the initial public astonishment, a wave of invective against the Monarchy's unconstitutional intervention flooded Britain. The prime minister remained composed and silent, but the Palace repeated its provocations in the form of a letter of the Queen's private secretary, Sir William Heseltine. All of a sudden, the prime minister found herself surrounded with the unqualified support of the majority of the country's political leadership, industry leadership, the people, and most of the press.

Following Sir Geoffrey Howe's failed visit to Pretoria, Mrs. Thatcher called a cabinet meeting from which she extracted a unanimous vote of support for her policy of opposing sanctions. The word in London was that so long as President Reagan opposes sanctions, Prime Minister Thatcher will continue to oppose the Queen on this matter. The Palace, probably stung by what must have been an unanticipated epidemic of long-dormant republican virtue on the British isles, made an adjustment in its offensive: Since Thatcher relies on President Reagan's position, let's break President Reagan.

As a result, amid an outbreak of uncharacteristically passionate demagoguery and irrationality, the Foreign Relations Committee of the U.S. Senate sent to the floor a bill calling for extensive economic sanctions against South Africa. As of this writing, a large-scale, bipartisan effort, led by Sen. Ted Kennedy (D-Mass.) for the Democrats and Sen. Richard Lugar (R-Ind.) for the Republicans, is under way to secure passage of this ignominious bill by a two-thirds majority, to pre-empt President Reagan's anticipated veto. Every little boy and girl in the U.S. Senate who, like Senator Lugar and Sen. Daniel Moynihan (D-N.Y.), once had a Cecil Rhodes scholarship, is now mobilized to return the favor to the Queen. None of the loud-mouthed senators demanding sanctions can cite any constituency or national interest which would justify this policy. None has responded to both President Reagan's and Chief Buthelezi's argument that sanctions would cause untold suffering of black South Africans, or their appeal for a Marshall Plan for South Africa. Like good Cecil Rhodes racist colonialists, they are working out the final destruction of the entirety of Southern Africa. And like good Rhodes scholars, they are oblivious of the obvious collapse of their own country which would result if their policy carries the day.

Not national interest, but the Queen's interest is their motivation.

Gorbachov: Russia is an Asian power

by Konstantin George

On July 28, Soviet leader Mikhail Gorbachov, during a tour of the Soviet Far East, delivered a landmark address in Vladivostok, the principal port city on the U.S.S.R.'s Pacific coast and headquarters of its Pacific Fleet. The day before, Gorbachov marked Soviet Navy Day by appearing at a celebration, flanked by Adm. Vladimir Chernavin, commander-in-chief of the Soviet Navy, and Pacific Fleet commander Admiral V. V. Sidorov.

For the first time ever, members of a North Korean Navy delegation, led by that navy's commander, Adm. Kim il Chol, were the guests of honor at Navy Day in Vladivostok. In June, the Soviet carrier *Minsk* and other Pacific Fleet vessels visited North Korea. Such visits were non-existent until last year—Gorbachov's first in power—when the first Soviet fleet visited North Korea. Thus, Gorbachov's July 28 address was preceded by signals that North Korea is solidly in the Russian camp.

The Soviet-Chinese condominium

On foreign policy, Gorbachov's speech inaugurated an era of Soviet soundings toward China for a strategic rapprochement that would leave the Asian mainland carved up into Russian and Chinese spheres, and gray areas of shared assets. China has always been eager to reach an understanding with Moscow for a joint condominium over Asia, but has set three pre-conditions for serious talks: 1) pull-back of Soviet forces from Outer Mongolia and troop reductions along the Chinese border; 2) phased withdrawal of Soviet troops from Afghanistan; 3) an end to Vietnam's occupation of Cambodia.

Gorbachov's speech was the first time a Soviet leader has addressed these terms. He announced that after Soviet-Mongolia "consultations," Moscow was considering withdrawal of "a considerable portion" of its 70,000 troops stationed there, as a goodwill gesture. He added, "The Soviet Union is prepared to negotiate with the People's Republic of China, concrete steps towards a proportional reduction in the level of ground forces."

Regarding Afghanistan, Gorbachov's announcement that Russia will remove six regiments this year was nothing more than a propaganda stunt—seen by itself. Three of the regiments are SAM missile anti-aircraft units, of no value against

rebels who have no air force. And, even as Gorbachov spoke, the Soviet military had just concluded three of the bloodiest offensive sweeps of the war, along the border with Pakistan and against rebel-held cities.

The Soviets are simultaneously attempting to politically splinter the disparate rebel forces. Gorbachov offered talks with rebels aimed at broadening the Kabul government to include rebels "based abroad." This offer was repeated July 29, on a Radio Kabul broadcast by Najibullah, Afghanistan's former KGB head and new communist party leader. Behind the fig leaf of token troop pull-outs, Gorbachov's policy is thus to escalate attacks on rebel-held areas, while raising the level of bribes to recruit tribes away from the resistance.

As for China's third demand, he said the Chinese-Vietnamese frontier should become a "border of peace," with China and Vietnam as friends and good neighbors. Gorbachov did not mention the high-level Soviet-Vietnamese talks of recent weeks, first when Soviet Prime Minister Nikolai Ryzhkov attended the funeral of Vietnamese party leader Le Duan, then with the arrival of Le Duan's septuagenarian successor, Truong Chinh, for a late-July "vacation" in Moscow.

Gorbachov emphasized Russia's "common interests" with China, asserting that both countries are in the midst of huge efforts to modernize and expand their industries. He offered Soviet economic aid for China's modernization program, and a joint project to build a railway between Chinese Sinkiang (northwestern China) and Soviet Kazakhstan in Central Asia.

The Soviet party chief discussed the United States as a "Pacific" power, not an "Asian" one; he confined his remarks on the United States to offshore Asia and the South Pacific. He plugged the idea of neutrality to be pursued by the four major non-mainland U.S. allies in the Pacific: Japan, the Philippines, Australia, and New Zealand (which, under David Lange, no longer calls itself an ally). Hoping to bring "Finlandization" to Asia, Gorbachov called for an Asia-Pacific peace and security conference echoing the 1975 Helsinki Conference on Security and Cooperation in Europe (CSCE).

He promised trade and economic deals with Japan to develop the Soviet Far East—provided, of course, Japan breaks with the United States. The Soviet media have churned out violent denunciations of Japanese defense spending and willingness to participate in the Strategic Defense Initiative.

Gorbachov also baldly offered the U.S. a "horse trade" over the Philippines, with a promise that, were the U.S. to abandon its military bases in the Philippines, this "would not go unanswered" by Moscow. He also expressed "hope" for better relations with Australia and New Zealand, and supported New Zealand's proposal for a "South Pacific Nuclear-Free Zone."

Taken in total, Gorbachov's speech was a declaration that Russia is an Asian and Pacific power, which has embarked on the path of strategic rapprochement with China, for joint rule of the most populous region of the Earth.

Soviet chief purging his own appointees

by Rachel Douglas and Konstantin George

In his July 28 speech at Vladivostok, where he presented the U.S.S.R.'s great-power policy for the Pacific, Mikhail Gorbachov reported that the Soviet government will soon unveil the details of a program, now in draft form, for a transformation of the Soviet Far East through industrialization and massive infrastructure projects.

The Soviet leader outlined a seven-part program: 1) industrial infrastructure development, 2) energy self-sufficiency for the area, 3) use of science and technological advances to modernize industry, 4) maximal development of non-ferrous metals and lumber resources, 5) increase in agricultural investment to reach regional self-sufficiency, including by an upgrade of the Pacific fishing industry, 6) improvement of ports, bridges, and roads to exploit "export possibilities" from the Soviet Far East, 7) improvement of "quality of life" and accommodations for a growing population—housing, schools, hospitals, etc. The program envisions a big population increase in the Soviet Far East, by means of resettlement from European Russia.

Gorbachov went on to visit Komsomolsk on the Amur, site of production facilities for nuclear attack submarines and jet fighters, and Khabarovsk, headquarters of the Far East Military District. As on tours of other provinces, Gorbachov took the opportunity to meet with the military officers in the region. TASS reported July 30, that he conferred with "the military leadership of the Far East," which suggests that not only Far East Military District commander Army Gen. Dmitrii Yazov was there, but also Army Gen. Ivan Tretyak, commander-in-chief of the Far East High Command.

The economic program previewed by Gorbachov at Vladivostok, indeed, fleshes out a perspective that was evident in the military's planning, since the creation of High Command Far East in 1979. The first of the new Soviet wartime commands, High Command Far East (subsuming Eastern Siberia and the Soviet Far East) was designed to function independently of Moscow, if cut off; this military purpose necessitated planning for economic autonomy as well. Concurring in this plan, Gorbachov declared on June 11, 1985, "The State will further stint no money for the development of Siberia."

According to Radio Moscow, Gorbachov remarked to a crowd in Khabarovsk, that he had "never met anyone any-

where in the Soviet Union" who had told him to give up defense spending and "use the money for consumer goods!"

In Politburo proceedings concluded before his Far East tours, Gorbachov exhibited wartime ruthlessness, directed inclusively at his own appointees, on the matter of economic leadership. The occasion was the post-mortem on the Chernobyl nuclear plant disaster.

Pravda's July 20 report on a special session of the Politburo, which discussed the findings of the government commission on Chernobyl, announced the removal of officials who have played key roles in the U.S.S.R.'s post-Brezhnev military-industrial leadership. The guilty parties can also look forward to criminal prosecution, the report said.

The men "removed from their posts for major mistakes and shortcomings in their work, which led to this accident," included:

Yevgeni Kulov, chairman of the State Committee for the Safe Conduct of Work in the Nuclear Power Industry. Kulov headed that committee since it was formed in August 1983, under Gorbachov's mentor, Yuri Andropov. Kulov, as part of a shake-up of the nuclear industry, came from the Ministry of Medium Machine Building, which not only operates nuclear power-plant fuel cycles, but also produces nuclear warheads and bombs. This followed a disaster at Atomash, the plant for mass-production of nuclear reactors, part of which sank during construction.

Gennadi Shasharin, Deputy Minister of Power and Electrification, in charge of the nuclear power section since July 1983. Like Kulov, Shasharin replaced Brezhnev-era officials, blamed for the Atomash blunders.

A. G. Meshkov, First Deputy Minister of Medium Machine Building since 1983—another post-Brezhnev appointee.

On July 14, Minister of Machine Tools and Tool-Making Boris Balmont was retired, without reference to Chernobyl, but at the early age of 59. He, too, was a key figure in the military-related industrial hierarchy, with a long career in the Ministry for Medium Machine Building. On July 20, Minister of the Electrotechnical Industry Gennadii Voronovsky, a defense electronics specialist and a Gorbachov appointee, suffered the same fate at the age of 62.

The first government minister Gorbachov ever appointed also came under fire in the Chernobyl report. "It was observed," at the Politburo meeting, "that U.S.S.R. Minister of Power and Electrification Comrade Maiorets, deserves to be removed from his job, on account of serious shortcomings in the management of the Chernobyl AES. But taking into account that he has occupied this post for only a short time, the Politburo has given him a severe party penalty and has warned, that if he does not draw the appropriate conclusions from what has happened, he will be subject to more severe punishment."

We have only seen the beginning of this qualitatively new phase in the Gorbachov purges.

'Marshall Plan' must go full speed ahead

by Muriel Mirak

In the wake of Israeli Prime Minister Shimon Peres's surprise trip to Morocco, the momentum toward implementation of the Marshall Plan for Middle East development has taken on new acceleration and direction. If the breakthrough achieved at the Ifrane summit is followed by concrete steps towards bilateral economic projects, between Israel and Egypt, especially, new hope for a Middle East peace will be well founded.

The timing, manner, and content of the trip have earned Mr. Peres well-deserved praise, from both friend and foe inside the turbulent political process in Israel, and have provided him the political, as well as popular, support required to make further bold initiatives. Limiting knowledge of the planned trip to a small group of close collaborators, and a few selected media representatives, Peres had arrived in Morocco before the world knew about it. As soon as the news spread, that an Israeli prime minister had officially visited an Arab nation, with whom Israel has no peace treaty, the shock rippled through the country. Predictably, Peres's Labor Party colleagues hailed the step as "bold," and, as soon as a joint declaration had been signed, the visit was classified as a "breakthrough."

Not so predictable was the comment issued by Yitzak Shamir, Likud leader slated to take over the prime ministership in the fall. It was expected that Shamir would attack the trip, since he is renowned for having voted against the Camp David accords. But Shamir backed it, and vowed to "follow up" on the talks that Peres had started with Morocco. He was even quoted in an interview to the weekly *Monitin* as saying it would be worth it to allow autonomy to West Bank Palestinians, even if that meant risking the creation of a Palestinian state. Observers caught by surprise at this apparent turn-about, explained to *EIR*, that the Likud leader's statement was mere lip-service, intended to reassure especially Vice-President George Bush, in Israel at the time, that his government would keep the momentum toward peace. The only Israeli minister to denounce the visit was Ariel Sharon, who called the final communiqué "lacking in balance," and too heavily weighted in Morocco's favor.

This lonely, albeit impotent, protest against the visit in Israel only underlines the new political and psychological reality in the country. As one think-tanker in Shamir's camp begrudgingly acknowledged, "Shamir had to support the Peres-Hassan summit; it's become a question of 'national

consensus.'" Peres has created a climate of hope which no political leader, even of the Likud, dares to attack.

The question on the table is, what will Peres do next? Labor Party officials agree that the next step will be a full agreement with Egypt around the Taba territorial dispute. Right after Peres returned to Israel, his director general Tamir announced that the agreement would be initialed during Bush's visit. A delegation of Egyptian negotiators arrived in Jerusalem almost at once, and the accord was initialed. Although the Taba affair itself is practically contentless, any kind of formal agreement with Egypt is symbolically crucial, to pave the way for a Mubarak-Peres summit. That summit, according to Labor Party sources, will take place within August, and "then you'll see what will appear in the final joint communiqué!"

Race against time

Peres himself is "in a race against time," according to one journalist in Tel Aviv. He must accomplish as much as possible with his new and old Arab interlocutors, before he hands over power to Shamir, and he must render his achievements irreversible. As the same journalist put it, "The rotation agreement set a fire under everybody's ass," and that fire is not going to die out, but will begin to rage. Besides Peres's own pledge of further talks, the very momentum he has created is propelling him to move still faster. His Labor Party left wing is pushing him to make more concessions to Palestinian demands for self-determination, and the "dovish mainstream" of the party is discussing perhaps altering the party platform, so as to endorse self-determination. Peres supporters Weizmann and Gur officially declared that if the Palestinians were to renounce violence and recognize U.N. Resolution 242, they would be willing to start peace talks with PLO leader Yasser Arafat.

Although all these signals are promising, and have been warmly received by authoritative Palestinian spokesmen, the fundamental flaw in the open political debate sparked by Peres's historic trip, is the question of economic policy content.

As yet, no concrete information has emerged about how much Hassan and Peres discussed the Israeli prime minister's Marshall Plan, although individuals involved in the project agree that "economic relations must have played a central role in the talks." Nor is there any information yet on the economic-policy content of the upcoming summit with Mubarak. Yet this is the key issue, which will determine whether Peres succeeds in rendering his initiative irreversible. As Lyndon LaRouche stated in a press release following the Ifrane summit, no political solution *per se* can be found to the Arab-Israeli conflict, or to the so-called Palestinian question. Peaceful relations will depend on how much Israel and her Arab neighbors can concretely work together on infrastructural projects of mutual benefit, precisely the type of projects worked out for the Marshall Plan.

Peres-Mubarak talks are in the works

by Thierry Lalevée

Sometime during the first weeks of August, a summit meeting between Israeli Prime Minister Shimon Peres and Egyptian President Hosni Mubarak is expected to take place. Though the encounter may be delayed a bit further, it will come as a direct consequence of the new framework established in the region by the July 22 summit in Ifrane, Morocco, between Peres and Morocco's King Hassan.

As the days that followed Ifrane brought more details and insight into what King Hassan and Shimon Peres actually discussed, skeptics have been forced to realize that the summit achieved its aims. In the words of Mulla Ahmed Alawi, Moroccan minister of state, in interviews to the Israeli press on July 27: "In the long run, it was a success."

Negatively, this has been underlined by the disarray among the ranks of the perennial radicals. Of course, the usual verbal threats were delivered. "Revolutionary" Iran, the terrorist band that goes under the name of Abu Nidal, and others menaced King Hassan "with the same fate as President Sadat," the Egyptian leader assassinated in 1981. However, Syria's decision to break diplomatic relations with Morocco has not been followed.

Strikingly, even Libya's Qaddafi failed to follow the Syrian example by breaking the August 1984 Ouja Treaty of Union between Libya and Morocco. While King Hassan took the decision to resign from the chairmanship of the Arab League, to allow Secretary General Klibi to organize an upcoming Arab Summit, no one has dared to take any steps to remove King Hassan from the chairmanship of the "Organization of Islamic Countries."

Of course, Syria's frustration and outburst of anger cannot be simply pushed aside as irrelevant. Syria and its Soviet allies have repeatedly proven their ability to steer the Mediterranean region into chaos. The stage was set as on July 24 a top Soviet official (the No. 2 man behind Vladimir Polyakov, the director of the Middle East department of the Soviet Foreign Ministry) arrived in Damascus to meet with Palestinian terrorist leader George Habash, to discuss the "dramatic consequences" of Ifrane. This coincided with a large Soviet delegation in South Yemen, including Third World troubleshooter Karen Brutents. At the same time, Libya's decision to deliver 22 Scud-B surface-to-surface missiles to Iran, indicated that Moscow had given the go-ahead for a blow-up

in the Gulf, timed with Iranian threats to stage anti-American demonstrations during the August pilgrimage to Mecca.

Syria was on the agenda

Syrian anger is furthermore understandable as Syria ranked as a major topic of discussion in Ifrane. According to diplomatic sources, the Ifrane summit was set into motion not only to offer the Israeli leaders a chance to change their positions and begin negotiations, but also to establish a rival and moderate Middle Eastern axis against the raving antics of Syria. "Syrian policy has become unbearable" were the words used by some diplomats, as they expressed a political consensus from Morocco and Egypt, but the Gulf countries and Saudi Arabia as well. The Saudi capital of Riyadh has adopted a policy of "no comment," but it broadcast in full King Hassan's speech on July 23, which included the sharpest denunciation of Syria, ever. "Arabs, stop disinformation! Among you, are traitors, who are carrying weapons against fellow Arabs, for a non-Arab cause," declared Hassan. Despite its new closeness to Syria, Jordan's embarrassment was underlined on July 28 when after his fourth summit meeting with Hafez al Assad, King Hussein refused to put out a joint communiqué denouncing the Ifrane initiative.

The next obvious step in the "Ifrane Process," will be Egypt. Egyptian sources have underlined the coordination between Morocco and Egypt, stressing that Cairo's inability to take such an initiative itself, was to be blamed on the International Monetary Fund and the U.S. administration for having economically squeezed Egypt in the last few months. However, Hassan's gesture has created the framework allowing Mubarak to go further, especially as Mubarak's recent emergency tour of Europe was finally confirmed as a success. Visiting Paris, London, Rome, and Bonn, Mubarak managed to convince the European leaders to increase their financial and food aid to Egypt, as well as to warn Washington against further pressures on his country. In an interview with the German weekly *Der Spiegel* on July 28, Mubarak displayed his full anger as he denounced the IMF for "not understanding one bit" about social affairs. "If I were to implement their demands, chaos would break out," he continued, and contrasted the comprehension he had received in Europe to that in Washington.

Though Egypt's economic predicaments are far from solved, Cairo has received some breathing room which it badly needed. As Israeli and Egyptian sources have indicated, a Mubarak-Peres summit will tackle the fundamental issues of the region. On the agenda will be not only the political side of the regional crisis, but the economic side, too. Peres's proposal for a "Marshall Plan" for the Middle East, and the Egyptian "Meguid Proposal," named for the foreign minister, will be prominent items. During his European tour, Mubarak reactivated both issues, receiving confirmation of European support. When that happens, the ball will roll into the American court.

Palestinian editor sees breakthrough

by Muriel Mirak

Hanna Siniora, editor-in-chief of the Palestinian daily *Al Fajr* newspaper, in an interview to *EIR*, characterized the recent meeting between Israeli Prime Minister Shimon Peres and Morocco's King Hassan as "tantamount to an electric shock delivered to a patient who has died of a heart attack. The patient," he continued, "is in the intensive care unit, but the prognosis is good."

Siniora, who has been nominated in the past to represent the Palestinians in a joint delegation with Jordan in peace talks with Israel, said the meeting provided "mobility, after six months in which there had been no action at all." He stressed that further moves toward peace must include PLO participation, and welcomed Hassan's convocation of an Arab summit, because "it is necessary for Arab leaders now to sit down and formulate their positions" in light of the Hassan-Peres meeting.

"Although the Saudis have not explicitly commented on the meeting," he said, "they televised Hassan's speech in full, and had been consulted before Peres went to Morocco."

Commenting on the next steps to be taken in Israel, Siniora said he believed that Peres would hand over the premiership to the Likud bloc head and deputy prime minister, Yitzak Shamir, in October as agreed, to show his "good faith." He predicted, however, that a government crisis would follow Shamir's taking power, and that in probable general elections, Peres would win at least two more seats in the Knesset (Parliament). This additional electoral support would come from Sephardic Jews, particularly from Morocco.

Al Fajr, which Siniora edits, is the Palestinian daily published in Jerusalem and circulated on the West Bank and throughout the Middle East. In relation to his nomination to represent the Palestinians in joint delegations with Jordan in peace talks, he is considered close to Yasser Arafat in the moderate wing of the PLO.

Mr. Siniora gave *EIR* the following interview on July 25, from Jerusalem.

EIR: What is your evaluation of the Peres-Hassan meeting?

Siniora: It was a bold step on the part of both Hassan and Peres. King Hassan has taken the greater risk. I have compared the peace process to a person who has died, and needs an electric shock to be revived. This meeting was comparable to a shock given someone who has had a heart attack; the patient is still in the intensive care ward, but the prognosis is good. The important thing is, this meeting introduced mobility into the situation. No action has been taken over the last six months.

Now, in order to achieve a breakthrough what is necessary is the proper venue; we need an international conference (under the auspices of the permanent members of the U.N. Security Council) with all parties to the conflict present. Without a PLO presence, there is no possibility for peace.

EIR: What do you think of Hassan's statements after the meeting?

Siniora: When Hassan spoke of a "failure," he was referring to the fact that the PLO's participation has not been accepted yet, and that the Israelis have not agreed to total withdrawal from the occupied territories. . . . But up to this moment, there had been a stall; now there is mobility.

EIR: What about Hassan's convoking an Arab summit?

Siniora: This coincides with the PLO's demand, and indeed, there is urgent need for such a meeting. I believe it is a great necessity for Arab leaders to sit together and formulate their positions now.

EIR: Some of the Arab nations have expressed their approval or condemnation of the meeting. Saudi Arabia thus far has said nothing. What is your evaluation of the Saudis' position?

Siniora: They seem to be sitting on the sidelines, but they televised the entirety of King Hassan's speech. You could say they are working behind the scenes. I think they were consulted and knew everything. Egypt, of course, has been outspoken in its support of the meeting.

EIR: What do you think will be the next step for Israel to take?

Siniora: That will happen after the rotation [of Prime Minister Peres and Yitzak Shamir]. But after the rotation of the premiership in the fall, Peres will have a better chance when elections come around. In the last elections, the Labour Party got 18% of the votes cast by Sephardic Jews of Moroccan origin; this time, Peres could get 50%, which would increase the Labour Party's mandates in the Knesset by two.

EIR: But are you sure there will be the rotation, and elections?

Siniora: Peres will keep his promise and let Shamir in. Then, early next year, the government coalition could fall apart, leading to elections.

Colombian labor movement battles AIFLD and the dope mafia

by Valerie Rush

Mafia-linked bosses with a decades-long stranglehold on Colombia's trade unions are renegeing after a head-on clash with union leaders determined to cleanse the labor movement of corruption. At the center of the battle are drugs and the State Department-financed American Institute for Free Labor Development (AIFLD), whose policy of selective funding and grooming of corrupt individuals and trade union institutions has turned large portions of the Ibero-American labor movement into a haven for the mob.

The scandal broke on July 25 in the city of Cali, where the 32nd national plenum of the Union of Colombian Workers (UTC), Colombia's largest trade union confederation, was being held. UTC president Victor Acosta, an AIFLD favorite notorious for his mafia sympathies, was faced with the prospect that the respected and popular Labor Minister Jorge Carrillo Rojas—formerly the vice-president of the UTC—would be returning to trade unionism Aug. 7, the day a new President takes office in Colombia. An ongoing investigation by Carrillo's labor ministry of UTC finances threatened to expose Acosta and, more importantly, to dump a scandal in the lap of AIFLD itself.

Desperate to preempt Carrillo, Acosta moved to expel Utraboc, the Bogota-based regional affiliate of UTC which was Carrillo's stronghold, from the national trade-union confederation. Acosta was challenged by UTC comptroller Orlando Obregón, who read a 26-page document to the assembly which leveled accusations of theft, abuse of funds, links to the drug mafia, and other charges against Acosta and his coterie on the UTC executive board. In particular, the document asked UTC secretary-general Alfonso Vargas, an Acosta intimate, to explain his 1984 trip to Madrid to testify to the "probity" of jailed drug-trafficker Gilberto Rodríguez Orejuela.

Acosta responded with wild charges of a "conspiracy" against him orchestrated by Carrillo and friends, and insisted that he still had "sufficient testicular strength and heat between my legs" to unmask his enemies. Vargas defended his Madrid trip as following the papal injunction of "charity for prisoners."

Acosta's vulgarities and Vargas's shameless admission

of links to the mob outraged the worker assembly which had just heard Pope John Paul II inveigh repeatedly against the corruption of drugs during his week-long visit to Colombia in July. As a result, 16 of the UTC's regional affiliates and 15 major national trade unions—the majority of the UTC's base—staged a walk-out from the plenum and announced the formation of a National Movement of Labor Unity. Acosta was left with an empty shell of an organization, and could do little more than employ AIFLD funds to buy the remaining handful of votes for the expulsion of Comptroller Obregón, Utraboc secretary-general Pedro Rubio, and UTC secretary Freddy Orozco from the UTC executive board.

Pedro Rubio, a close friend and associate of Carrillo, is also one of the coordinators of the Ibero-American Trade Union Commission of the Schiller Institute. Founded by Lyndon and Helga LaRouche, the international Schiller Institute has devoted its energies worldwide to bringing about a new world economic order and to battling the drug trade and the drug "culture" that accompanies it. The Trade Union Commission has organized for a unification of the Ibero-American labor movement to put muscle into the fight for economic integration and against the usury of the international creditor banks.

AIFLD and the mob

A similar collision to that of the UTC occurred around the national plenum of the Colombian Workers Confederation (CTC), taking place simultaneously in the city of Bogotá. CTC president Manuel Felipe Hurtado, who had accompanied the UTC's Vargas on his infamous "mission of mercy" to Madrid in 1984, was publicly charged by CTC secretary-general Guillermo Pedraza with links to the mob, malfeasance in office, and with "mortgaging the labor sovereignty of the CTC" to AIFLD, which Pedraza claimed paid "honorariums" for no specific tasks to more than half of the CTC executive. Pedraza resigned from the CTC in protest, and the exposed Hurtado in turn expelled from the CTC seven other executives—mostly linked to the Bogotá-based CTC affiliate—who had shared Pedraza's criticisms. The CTC is now holding unification talks with its counterpart, Utraboc.

The focus on these labor mobsters' ties to AIFLD in both union confederations is not accidental. As *EIR* has documented, AIFLD has been a leading source of corruption inside the Ibero-American labor movement since its 1962 founding, when AIFLD was created as an arm of W. R. Grace and Rockefeller interests on the continent. AIFLD's activities have, in case study after case study, been interwoven with the drug mafia.

Exemplary is the case of the UTC's *Banco de los Trabajadores*, which was enthusiastically endorsed by AIFLD and given founding money in 1974 by the Interamerican Foundation, upon whose board sits the current AIFLD executive director William C. Doherty. Under then UTC president Tulio Cuevas's auspices, the labor confederation sold its stocks in the bank to Gilberto Rodríguez Orejuela, who succeeded in turning the bank into a major money-laundry for the mob. This is the same Rodríguez Orejuela on whose behalf the UTC's Vargas and CTC's Hurtado traveled all the way to Spain.

A similar effort to use a "labor bank" as a front for the mob was attempted by AIFLD in Peru, but failed when honest trade unionists sensed AIFLD's involvement and blew the whistle.

The fact that AIFLD, ostensibly the international "labor education" arm of the AFL-CIO, receives the bulk of its "official" annual funding—\$13.5 million—from the U.S. State Department's Agency for International Development, raises a question for the Reagan administration, which has just committed itself to waging a serious war on drugs: Why is the U.S. State Department funding Colombian drug mobsters?

While the U.S. government ponders that question, AIFLD's operations in Colombia are suffering a severe case of "overexposure," which could prove contagious continentally.

A new direction

The timing of these unprecedented confrontations between the pro- and anti-drug forces within the Colombian labor movement is not accidental. With the departure of the strongly anti-drug President Belisario Betancur from office on Aug. 7, the drug mob had high hopes of moving in on the next administration. Liberal President-elect Virgilio Barco was a relatively undefined political figure, but the Liberal Party forces who put him in power include former president Alfonso López Michelsen, one of the mafia's leading "citizens above suspicion" and protectors.

The visit of John Paul II to Colombia from July 1-7 put a crimp in those plans. His repeated personal appeals for an end to the violence and corruption of the drug trade, and the hedonism that accompanies it, were heeded by millions of Colombians concerned that the bold and patriotic initiatives of Betancur would be abandoned. The Pope's influence was especially noteworthy in Barco's July 2 statement that "the program that the Pope proposes is the same as mine," a

reference to the Pope's call for reorienting economic policy toward the urgent needs of the population and national development.

That same concern is behind the new "National Movement for Labor Unity" born out of the UTC plenum. In fact, a joint communiqué issued by the unity movement emphasizes that the reason for its existence is twofold: the fight for morality, and the fight for economic progress.

According to the document: "We accept that morality cannot be separate from any human activity, and we intend to bring this teaching into practice inside democratic trade unionism. . . . That is why we oppose narco-terrorism, since the moral fiber and future of our society is being shattered by those who traffic in illegal drugs. . . . We know that the money of the mafia will continue to try to buy consciences. . . . It is not accidental that the labor movement is being besieged by narco-financial interests."

At another point, the unity document emphasizes that the labor movement in Colombia is under attack precisely because creditor institutions like the International Monetary Fund, "anticipating the resistance of the workers to [austerity] programs and assaults—have given the order to disable, weaken, and destroy democratic trade unionism, with the complicity of leaders who take anti-labor positions."

Finally, the document argues that—because responsibility for solving the country's economic problems "is not the exclusive responsibility of government, other branches of public office, the economic and industrial associations, [or] the financial institutions, but of a united and strong union movement"—the following program should be pursued:

"We feel it is urgent that, regarding immediate measures to fight unemployment, we undertake a program of infrastructure to give the nation railroads, canals, water control, highways, ports, public health, etc., which could connect by road all of the nation. For this, a large percentage of foreign capital is not necessary, merely the mobilization of national resources. . . ."

The unity document cites the concept of "harmony of interests" among all layers of society as the underlying basis for a proper approach to solving the economic and social problems facing Colombia. Not accidentally, "harmony of interests" is the same argument presented repeatedly by Labor Minister Carrillo as the goal to which his ministry was dedicated over the past year, and as the basis for his repeated successes in solving business/labor disputes. During an address to 2 million workers and their families in Bogotá, Pope John Paul II made special reference to "the harmony of interest between labor and capital."

The latest developments in the Colombian labor movement are expected to have a major impact elsewhere on the continent. On Aug. 13, prominent labor leaders from around the continent will meet in Lima, Peru to discuss the process of unification and the fight against the International Monetary Fund. Jorge Carrillo, who will no longer be Colombian labor minister, is expected to attend.

The Christians of Lebanon

by George Larin

George Larin, a leading French specialist in Near Eastern and Middle Eastern affairs, has contributed the following background analysis of the events in Lebanon. Although EIR's editor-in-chief strongly disagrees with some of the ideas raised in the article, especially its final recommendations, we publish it here as part of a necessary debate on the tragic situation in Lebanon and the fight against Syrian terrorism and expansionism, as well as the danger of Shi'ite fundamentalism.

Lebanon is a very small nation: It stretches a mere 200 kilometers from north to south and averages 50 kilometers from west to east, or some 10,000 square kilometers. On the edges of the flat Syrian desert, Lebanon is the country of the mountain. An Arab proverb says: "The desert belongs to Arabia, the Nile to Egypt, and the mountain to Lebanon." These mountains have always served as a refuge for the persecuted peoples of the Near East. This led, over many centuries, to the constitution of a mosaic of religious and ethnic communities who sought peace and tranquillity in the wild valleys of the Lebanese mountain.

Three million Lebanese and 1 million foreigners live in Lebanon today; 20 communities live side by side. The Christian and Muslim communities are of largely equal number, the Muslims being marginally larger.

Lebanon is also the sea and the world at large: The network of the diaspora, 3 million people in 5 continents, is as numerous as the residents of Lebanon itself. Once one takes the diaspora into account, the Christians become by far the majority of Lebanese. The regional context weighs, however, very heavily on Lebanon.

Between the Mediterranean and the Persian Gulf there is a predominantly Arab society of some 55 million people (100 million if one counts Arabized Egypt). Seven to nine percent of these are Christians. History broke up this society into a multiplicity of ethnic and religious communities, Muslim and Christian, each of which is highly homogeneous and cohesive. It is upon this variegated human map that more or less artificial frontiers were traced in 1920 following the defeat of Turkey, delimiting Syria, Iraq, Lebanon, Palestine, Transjordan . . . states without a real foundation as nation-states,

states composed of a mix of different communities. Hence their fragility, given that the allegiance of the individual is above all to the community (and not the state) which is not national but transnational (the communities overlap many countries).

Yet, this broken-up Arab society, structured communally, divided into artificial and fragile states, aspires to unity. It searched its cement initially in the form of nationalist, lay, modernist pan-Arab ideology. The thinkers of the "Nahda" (Arab renaissance) referred back in their quest to the only great Arab empire, that of the Ommeyyades, later pursued by the first Abassids, who for more than a century (661-780) extended their power and demonstrated their pride. This movement was launched in Egypt by Mehemet Ali against the Ottoman lord and oppressor from 1800 to 1840. More recently, the idea described above took on various forms, notably the "Fertile Crescent" idea pushed by Iraq or the "United Arab Republic," initiated by some Egyptians. When

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the Palestinians installed their army in Lebanon (which became stronger than the Lebanese army with 25,000 to 30,000 men in arms), they did so in the name of Arab fraternity (Cairo accords of 1969). The Syrians today in their military occupation of large parts of Lebanon declare themselves "at home" in the name of the "Arab nation," arguing, "We are one people in two states." Yet, this pan-Arab movement has suffered only failures: Today the Arab world is more divided than ever before, the modernization of society has not occurred and, most significant of all, the Arab armies have lost all of their wars against Israel.

This failure of pan-Arabism helps to explain the turn of many Arabs towards religion, hoping to find unity in and by Islam. Their one-time oppressor and Lord, the Ottoman empire, is frequently evoked today as a once world Islamic power. Islam, which does not distinguish the sacred from the profane, is sought to structure civil society as a whole, the political as well as the religious realm. A powerful Islamic movement with political aims (to seize power) has thus emerged, fueled by the Shi'ites of Teheran, blowing power-

ful storm winds over Lebanon, inflating in particular the veils of the Lebanese Shi'ites (who now number 700,000-800,000), making them demanding and conquering.

Tiny Lebanon has therefore become the prey of a multitude of predators; the Palestinians who tried to create a state within a state, threatening the State itself (1969-1982); the Israelis who reacted by going in to destroy the "Palestinian state" in Lebanon (1982); the Syrians who sought and seek to transform it into its protectorate; the Iranians finally who are trying to extend to a Lebanon in a state of disaggregation their Islamic revolution. The predators tear each other apart . . . but they do it in Lebanon . . . the Lebanese communities are pawns, cannon fodder in this torment which overwhelms them, torment controlled by these large regional powers.

The Lebanese communities

The regional population context is predominantly Sunni Muslim. This "governmental" Islam, which has asserted its power for centuries in the region, notably when the Turks governed the Arabs, treated what it considered to be Muslim heresies very harshly. Some of the latter sought refuge in Lebanon: Hence the mountain received the Druzes (who number 200,000-250,000 today) and Shi'ites. The mountain also gave refuge much earlier to persecuted Christian Arab minorities who sought refuge and freedom of religion in the faraway valleys of Lebanon. These Christians, just as those of the whole of the Orient, are the vestiges of the early Christian communities which were submerged though not absorbed or converted by the wave of Islam in the 7th century. Islands under the cross in a Muslim sea.

Of the Arab Christians of Lebanon, there are those of:

- Maronite rite, who number 700,000, representing half of the Christians of Lebanon. They are Catholics (attached to Rome).
- Greek rite, who number 350,000-400,000, some of whom remain attached to Rome, the others being Orthodox.
- Syriac rite, who represent some 30,000 believers, some Orthodox, some Catholic.
- Chaldean rite, 11,000 either Catholic or Orthodox.
- Latin rite, 20,000, all Catholic.
- Protestants, 30,000.

There exist also non-Arab Christians: The Armenians, both Catholic or Orthodox, are some 250,000. They have their own specific rite.

The Christians, therefore, represent a short 50% of the resident population of Lebanon, or a large majority if one would include the diaspora. Hence, the argument invoked by their enemies, that they are the minority and hence to be pushed aside, is ludicrous. Even if it were true, it cannot be legitimately used to dispossess them of their slightly preeminent place in the state apparatus of Lebanon: Are not all Arab regimes in the Orient (Syria, Iraq, Jordan) minority governments? Why should the Lebanese Christians alone be thus dispossessed?

The hard core of the Christians are the Maronites. From the 5th century they have constituted a cohesive nation, assembled around their church and Patriarch. It is thanks to them and their then-alliance with the Druzes that Lebanon realized a large degree of independence while under nominal Turkish sovereignty for over five centuries, from 1290 to 1840. At the time, the Maronite and Druze mountain was strong. The Muslim armies who passed through the area prudently made a detour around the natural fortress, but did not penetrate. The Sublime Porte (Istanbul) negotiated with

The defense of the Christians is not merely the defense of one mortally threatened ethnic group. To defend the Christians is to defend essential Western values: the respect of human rights in an oriental context where human rights are systematically violated; the defense of the Christians thus means the defense of not only the Christians, but all Lebanese.

the Patriarch of the Maronites and the Emir of the Mountain. This privileged situation permitted the Christians of Lebanon to escape until very recently from the apartheid statute which Koranic law reserves to the "peoples of the book" (Jews and Christians).

The apartheid statute (the 'dhimma')

In its traditional interpretation (the Sunna), the Koran institutes a triple juridical inequality in Muslim society, that is: the supremacy of men over women; of masters over slaves, of Muslims over Jews and Christians. The statute of "dhimma" expresses this last inequality. The *dhimmi* or protected Jew or Christian cannot marry a Muslim (the reverse is possible though the children then become Muslim), must acquit himself of a special tax (the *gizia*), cannot testify against a Muslim in court, cannot govern Muslims (hence the scandal of state power by Christians or Jews in Lebanon or Israel), is forbidden access to Mecca or Medina, the holy sites of Islam, etc.

Hence Islam defines a secondary status for the "peoples of the book" in return for the tolerance given to them. This status is analogous to that of a cow in a field, free to move within their pasture but not beyond it. This statute of apartheid

eid has not changed for over 12 centuries and has been thought, reasoned, theologically and juridically justified. The "protection" accorded to non-believers is not a right in the sense of law but a favor which can be rescinded at any time. The sword of Damocles is thus permanently held high over the head of the Jew or Christian. It is to be noted that this reasoning is applied by many Muslims also to the State of Israel: Were Israel to become integrated into a "federation of the Middle East" as proposed by some, it would in effect become a *dhimmi* state. The logic of this is implacable in that Islam not only recognizes but claims the Jewish prophets. Hence, in this logic, Islam has a rightful claim to appropriate the territories of the Hebrew people today, accused of corrupting the message of Islam transmitted by the prophets of Israel. It is clear, of course, that Israel cannot accept such a perspective.

As far as the Christians of Lebanon are concerned, let us listen to what the young President Beshir Gemayel had to say. He was assassinated, alas, in 1982, probably on Syrian orders, because his popularity and support were vast, including in the Muslim community, and he would have been able to resist Damascus. He said: "The existence of Lebanon where the Christians are not submitted to the *dhimma* is a question of life or death for us."

This is the real background of the Lebanese drama. This specific problem, the question of the survival of Christians not subservient to the *Dhimma*, is the key to the crisis. Until recently, that survival was a result of the tenacity of the Maronites who always were the pivot of Lebanese national identity and the spearhead of resistance against hegemonistic plans. It is they who made Lebanon into a State of Law, of respect of human rights in the midst of an Orient filled with dictatorships. These *free* Christians, alone in the Orient, were furthermore a hope for their fellow believers in the rest of the region, all of whom were under the constraint of an apartheid statute.

Today, however, the situation of these free Christians is tragic.

The genocide of the Christians of Lebanon

The Christians are suffering in Lebanon the pressure of fundamentalist and intolerant Islam, that of Khomeini and Qaddafi, who seek to establish an Islamic government in Lebanon. They are submitted also to the terrorist and military pressure of Syria which desires to incorporate Lebanon into itself (today, Syria's army controls half of Lebanon). Although these two pressures are antagonistic, they both seek to destroy Christian presence, destroying its culture and the hope for democratic reconstruction.

In 1975, the Christians were disseminated throughout Lebanon, in the furthest reaches of the country, in the smallest towns. They constituted the cement holding together the diverse Lebanese communities; they cohabited together with Sunni, Shi'ite, and Druze Muslims; on a local level in spite

of temporary flareups of communal tensions, Lebanon was generally peaceful prior to 1975.

Since 1975, this Christian web progressively retracted under the effect of combats, multiple massacres, and permanent insecurity. Over 200 villages were evacuated in traditionally ethnically mixed regions or historically Christian areas. Some villages were systematically looted, burned to the ground, destroyed. The Christians today are regrouped in zones which are either controlled or encircled by forces hostile to them (the Shi'ite militias, the Druze, or the Syrian army). In these areas, they are virtual hostages. The only remaining area where they are "free" is in East Beirut, Junieh, Byblos, and Douma—representing a mere 1,000 square kilometers. Over 1 million Christians are pressed in this hideout while, in the surrounding mountains, the canons of the Syrians survey their plight.

The interminable war, instigated from abroad, has deeply scarred the country, with innumerable victims: 150,000 dead, 400,000 wounded, 30,000 handicapped, 70,000 orphans, 750,000 refugees. In this sea of distress, the Christians have been most affected. Although all of the components of the country live in permanent fear in this drama, the Christians alone are threatened in their very existence. Half of the Christians of Lebanon have been uprooted and have become refugees within their own country. Many, to escape their situation as hostages, have flooded into the above-mentioned hideout where they have no hope for the future. If a solution is not made possible rapidly, this displaced people will soon start a mass exodus.

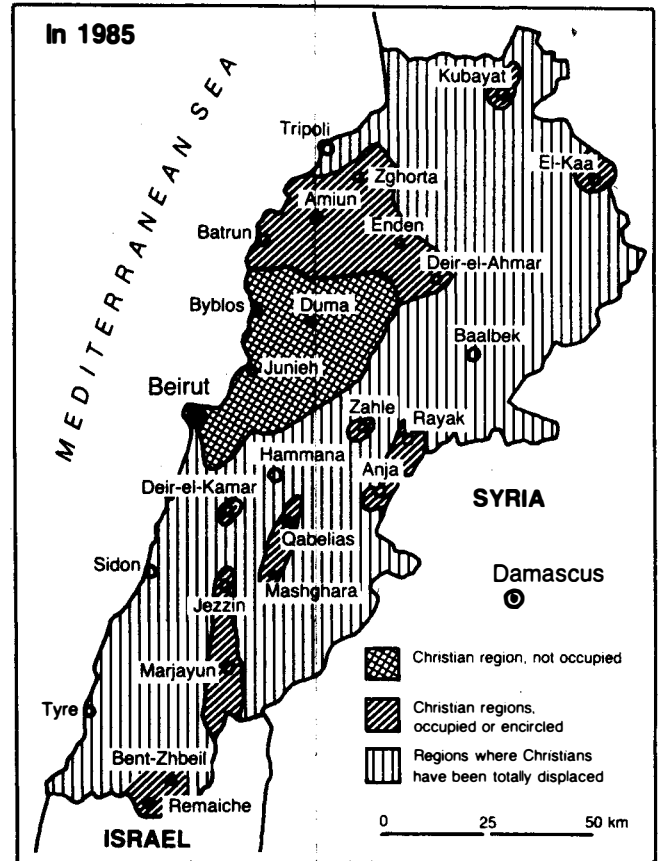
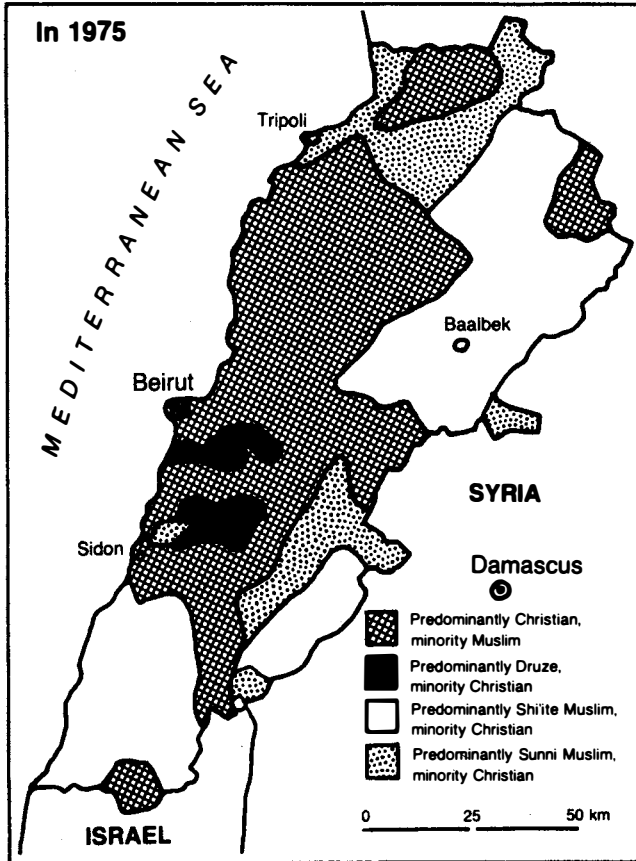
Genocide does not necessarily imply the extermination of all—as Ibrahim Chebli, a Lebanese Maronite intellectual, notes—but sometimes merely the total political destruction of a human group, breaking it apart into broken individuals submitted to the law of force alone. People who will be "tolerated" only if they submit.

This process of extermination by erosion is ongoing. In this sense, genocide is occurring, and a dictatorial state of a Syrian pro-Soviet or Islamic fundamentalist variety is on the horizon. The United States and the West as a whole, confronted with this, manifest total indifference.

Indictment of Western indifference

The military withdrawal of the Multinational Force from Beirut in early 1984 by the West (U.S.A., France, Italy, Great Britain), the removal of Western support for Lebanese President Amin Gemayel, enormously encouraged the fanatic extremists and the bloody Syrian dictatorship. This pull-back in the face of guerrillas of oppression and ignorance, this withdrawal in the face of the state terrorism of Damascus, precipitated the abandonment of the Christians of Lebanon. Today, Mr. Dean Brown, ex-special envoy of the United States to the Middle East and president of the Middle East Institute, declares (during a conference in Paris in early May 1986): "If you ask me what the importance of Lebanon is in

The Christian presence in Lebanon



U.S. policy, I will answer: close to zero!"

This deliberate policy of withdrawal and loss must be reversed: We must gain conscience that the defense of the Christians does not entail declaring a holy war against Islam, a *jihad* in reverse. The defense of the Christians is not merely the defense of one mortally threatend ethnic group, which in itself would be good reason to defend them. To defend the Christians is to defend essential Western values: the respect of human rights in an oriental context where human rights are systematically violated; the defense of the Christians thus means the defense of not only the Christians, but all Lebanese. The Muslim regimes are watching this process closely. In the Orient, where everything is judged confessionally, the Western powers can only be reliable allies if we prove we defend our allies including our fellow believers. Do we hope to win over Arab regimes by dumping our historical friends, the Christians of Lebanon? This is a major, fundamental political error.

We must support the inner core, the Maronite nation which has always resisted. We must do so in priority for its institutional representatives: the Patriarch, moral guarantor of the nation (presently Monsignor Sfeir), and the President of the Republic. The Christians must above all be supported

against the Syrian diktat and Iranian fundamentalism. Against the hegemonistic will of the Muslim fundamentalists, we must especially help the Christians through the institutions and the state apparatus.

Against the Syrian diktat, we must help the Patriarch and President politically, militarily, economically, culturally, educationally. Peace in Lebanon must be implemented among the Lebanese themselves. There can be talks with Syria, but we cannot allow that they impose their peace. Above all, we must maintain the institutions of the state, that is, a presidential system sufficiently strong to avoid permanent recourse to Syrian arbitrage (traditionally, the Lebanese state is multi-confessional with a Maronite President).

This is what is involved in the defense of Lebanese sovereignty and in that sovereignty's power to protect the Christians. By saving the last bastion of free Christians, free of Syrian diktat or the statute of apartheid, we can save Lebanon.

At a time when an intolerant version of Islam is rumbling in Teheran and Tripoli whose aims of conquest are vast, at a time when Soviet-linked Syria seeks to annex new territories, the Christian resistance of Lebanon is an advance post of the combat for freedom and democracy. Let us support that.

Labor slams Federal District scheme

Behind the plan to reform the Constitution, the corrupt Alemán crowd is angling to elect the next President.

A new debate has sprung up in the capital's political life. The Interior Department, under Manuel Bartlett, put out a call to discuss changing the political structure of the Federal District so that instead of Mexico's President naming the regent of Mexico City, the post would be popularly elected, as in the other states.

The end point of this so-called citizens' debate would be the reform of the Mexican Constitution, which set up the Federal District as the center of the Powers of the Union, and its regent as a trusted man of the President, whose decisions come from the Executive and in no way are independent, like a governor's. In short, it would mean changing the strongly *presidential* republican system.

The demand has been raised for years by the think-tank El Colegio de Mexico, a front for the Trilateral Commission. The project surged forward with then-Interior Secretary Jesús Reyes Heróles's Political Reform of 1979, and picked up steam from U.S. Sen. Jesse Helms's (R-N.C.) allegations of lack of democracy in Mexico. Now, once again the *Interior* chief is picking it up.

Besides the registered political parties, Bartlett invited to the consultation-meetings many "leftist" intellectuals. A big splash was made by Mario Moya Palencia, the new ambassador to the U.N., a special guest of Manuel Bartlett, who was Moya's state secretary when *he* was interior secretary. Moya not only declared himself in favor of the initial proposal,

but proposed upping the number of congressmen to 500 (from 400), in the name of participatory democracy.

Most political analysts see these meetings as a trial balloon for Bartlett's presidential race.

But the leader of the giant Confederation of Workers of Mexico (CTM), Fidel Velázquez, released a statement to the press saying the Interior chief's call is out of line, because "the people of Mexico are called to engage in a battle they don't want, at a time when there is overt and brazen economic, political, and diplomatic pressure by conservative circles trying to condition financial aid to our country in exchange for renouncing its sovereign rights and subjecting its economy to international finance capital; that it change its political system, which they call anti-democratic and corrupt, that it favor the internal forces of reaction, that it establish a two-party system with the same purpose, and tolerate foreign interference into its electoral process on the pretext of making sure it is clean."

Velázquez stressed that energies must be channeled into solving the economic crisis, the foreign and domestic debt, unemployment, the recession, inflation, and food supplies. He rejected flat-out the idea of making the Federal District another state within the state (where the Executive is): "It would open the doors to the reactionary right-wing opposition, making the capital the prize to chase or conquer, bringing into it their policy of violence, aggression, and

systematic denigration of the government, inside and outside the country." Velázquez called the idea of increasing the number of congressmen practically absurd. What should be done he said, is for them to get to work—as the constitution mandates.

Velázquez said that all of his arguments are laid out in a document sent the day before by the CTM to Interior; although the ruling PRI party had not consulted its base on the matter, the CTM will fight such initiatives "even at the risk of remaining alone."

The labor leader's hard line against political futurism has to do with the fact that Manuel Bartlett is a presidential contender, backed by the Televisa consortium, stronghold of the late ex-President Miguel Alemán Véldez and his organized-crime cronies. The international bankers like him, too: Bartlett was invited to New York to get a population prize, and was lavishly feted by Citibank's William Rhodes, president of the advisory committee of Mexico's creditor banks.

The second bigwig in this group is Mario Moya Palencia, who is frantically trying to become foreign secretary before the current presidential term ends. Moya's career has just taken a dizzying upturn. After he lost the presidential nod to José López Portillo, Moya's wife left him and he was practically frozen out of political life; he owes his new U.N. post to none other than U.S. Secretary of State George Shultz. The rejuvenated Moya has a hectic social life. He came to the soccer finals in Mexico City with a convoy of friendly ambassadors invited by him. His name crops up in the social pages rubbing elbows with the Jet Set and "intellectuals." Lo and behold, the Televisa-linked daily *Novedades* has been running a campaign to oust the current foreign secretary, Bernardo Sepúlveda.

KGB scandals probed by . . . the KGB

Soviet services specialize in drunken diplomatic drivers, Russian call girls, fake marriages, and ikon smuggling.

A special Soviet intelligence team paid a visit to the Soviet embassy in Stockholm in July. Constituting a commission of inquiry, the high-powered team was assigned to call the embassy to account for several irritating scandals that have erupted lately.

Lead by Yevgenii Rymko, from the Soviet Central Committee's powerful International Department, himself stationed three times in Sweden, the team also included two top KGB officers, Ivan Majorov and Yuri Sokolov. A similar inquiry into embassy functions was made in 1982-83, after seven diplomats were expelled from Sweden as spies.

The célèbre visit was, first of all, connected with the spectacular case of two Soviet diplomats who were caught by Swedish police on June 28 near Stockholm, driving drunk. Attempting to escape from several police roadblocks, the two intoxicated drivers finally ended up in a ditch.

Although the ever-helpful Swedish foreign ministry refused to disclose their identities, leaks quickly established that they were First Embassy Secretary Vladimir Minin, said to be the new chief of the KGB in Sweden, and Third Embassy Secretary Vladimir Titov, the son of KGB Gen. Genadii Titov, controller of convicted Norwegian KGB spy Arne Treholt.

Arousing outrage in a country where drunken driving means prison for those without diplomatic immunity, the embassy, rather than regretting the incident or just shutting up, had its press secretary arrogantly attack the Swedish police. Claiming that

the cause of the car's drive into the ditch was that both front tires blew out, the embassy denied that the drivers were drunk, saying that they possibly smelled of garlic. . . .

"At first, this flat denial may seem ridiculous," wrote the Gothenburg newspaper *GT*, "but it is in fact very serious. The Soviet embassy under Ambassador Boris Pankin's leadership has begun to display ever more big-power arrogance."

Two days later, a Soviet trade mission official in Stockholm was expelled for espionage. This followed by two months the expulsion of five Czech diplomats who had targeted Swedish naval installations, on behalf of the KGB.

A few days later, press leaks revealed a ring of Russian call girls operating from Stockholm night clubs. Looking for clients among Swedish businessmen, the well-organized ring is coordinated by a Soviet "defector," a Russian emigré businessman, who works closely with the Soviet embassy.

"The women make the men believe they're prostitutes, while in reality they're working for the KGB," one source said. According to one businessman who met with a KGB call girl, "The woman was incredibly interested in my job, my position, and how I was getting on in my job."

Most Russian call girls were married briefly to Swedish men, and thus obtained Swedish names. They marry a Swede, get a visa to Sweden, and then divorce. Swedish police sources say that this activity is known, but for

lack of personnel, the evidence required to put an end to it has never been collected.

Fake marriages are generally used by the Soviets to set up intelligence assets in the West. In one case, an emigré Estonian, backed by a Jewish organization in Boston, Massachusetts, has simply opened up offices in the café of a Stockholm department store. Here he coordinates fake marriages with Soviet citizens who want to leave their country, at the rate of \$6,000 per person, and services about 12 persons a month.

Working with contact persons in the Soviet Union, the Estonian marriage agent admits being well connected to the Soviet embassy, where he personally knows five or six diplomats. "I am aware that the embassy is using people in exile as intelligence sources," he told a journalist.

In some cases, where the just-married Soviet citizen is unwitting, he or she is recruited to Soviet intelligence only after arriving in the West, exchanging sensitive information on a Swedish husband's job, for instance, for favorable treatment when applying for a visa to visit relatives remaining in Russia. Once an initial, however, small favor is done for the KGB, blackmail ensures that no possible escalation of spy activities will be left unexploited.

One source of financing for the KGB is smuggling ikons. Swedish police are investigating one ring which has smuggled ikons, gold and silver objects, and antiques. Everyone involved is an exile Russian, often coming to the West through a fake marriage. In houses of suspects, police found handguns, large sums of money, and Soviet birth certificates in which names and dates were not yet filled in, but which already had authentic Soviet stamps.

A salesman for Kissinger's New Yalta

The foreign minister's trip to Moscow occurred in service of the policy for a U.S. pull-out from Europe.

More evidence has come to the fore that the talks that German Foreign Minister Hans-Dietrich Genscher had with Mikhail Gorbachov in Moscow on July 21, were conducted in line with ongoing Anglo-American Establishment policy for a military-strategic pull-out from Western Europe.

Before Genscher left for Moscow, he met with Paul Nitze, the former U.S. chief negotiator in Geneva, and with James Dobbins, secretary at the U.S. embassy in Bonn. He received the hint that President Reagan was about to announce a moratorium on the Strategic Defense Initiative for seven or eight years, and a linking of arms-control talks and the range of the SDI project. A few days before, news had also arrived at Genscher's foreign ministry that plans for a partial pull-out of U.S. troops from Europe were back on the Senate agenda for late autumn of this year.

Equipped with this information, the German foreign minister traveled to Moscow to meet Gorbachov. In his luggage, Genscher had a whole script of German concessions to the Soviet Union—concessions not only on armaments and SDI, but also in terms of economic, technological, and political decoupling from the United States.

This became public when Genscher was on his way from Moscow to Washington, D.C., to meet Secretary of State George Shultz for a report-back session on his talks with the Soviets. While Genscher talked with Shultz, the German media were reporting on a "secret blueprint" with guidelines for a new Genscher policy

toward the Soviets. The document stated that Gorbachov's offers were "the chance of the century, which one must not let go by." The document's existence was denied by the foreign ministry in Bonn, naturally.

However, when Genscher returned from the United States to Bonn, he spoke of "new forms of economic cooperation" between the Soviet Union and Germany, and revealed that Gorbachov himself had offered "joint ventures" between Soviet and German companies.

The German foreign minister went on to explain that Gorbachov's "plans for the modernization of Soviet industry" were of "special interest" to German industry, because of "the special technological capacities in Germany." More exchange of technology would, said Genscher, also "help overcome the technological partition of Europe"—meaning that the Soviet Union was to be considered a part of Europe.

The "Europe" Genscher was talking about was the same "common roof for all Europeans" which Soviet propaganda has been painting as the political future of the continent. It is the vision of a Western Europe without the political, military, and economic presence of the United States. The Soviet Union would be part of that Europe, and, being the strongest power, would control that Europe.

Genscher elaborated on the theme in a speech he gave to the German-American Chamber of Commerce in Munich on July 28. He stated that a more "self-assertive Europe" was in

the strategic interests of the Americans. He said that Americans could still learn from the Europeans that Europe was a "cultural unity grown over centuries." Genscher stated that he thought it was "not self-evident to most Americans," that also the "interests of the people in the G.D.R. [East Germany] and other Warsaw Pact countries" had to be taken into consideration.

Concerning the alliance between Europe and the United States, the German foreign minister stated that "détente" rather than "concepts of the past" should dominate the strategic discussion. "It is not our interest in Europe," added Genscher, "to arms-race the other side down to its knees." And again, he endorsed the Gorbachov proposals, calling on the Reagan administration to "capitalize on the current interest of the Soviet Union." Gorbachov's most urgent interest was to reduce military expenditures, he explained.

Thus, within a week of his three-hour encounter with Gorbachov in Moscow, the German foreign minister had made public his vision of a future Europe that was largely decoupled from the United States.

Interestingly enough, there was no voice of protest from the U.S. State Department against Genscher's remarks. Instead, Henry Kissinger appeared to endorse Genscher's policy in a guest column written for *Welt am Sonntag*, Germany's second-largest Sunday tabloid, on July 27. Titled "Prospects for Peace," Kissinger's article stated: "It is quite possible that we are at the beginning of a unique chance for East-West relations." If a new effort is not made with the "new Soviet leadership . . . which is less burdened by the past," a great chance for détente would pass by—exactly what Herr Genscher had said when he returned from Moscow.

ETA's dirty war

"Basque terrorism" is the same as terrorism elsewhere: Soviet low-intensity warfare against Western institutions.

On July 21, the Basque separatist-terrorist ETA staged its most sophisticated attack yet against the nation of Spain. Twelve self-propelled anti-tank grenades were placed in so many launching tubes on the roof of a car, parked at a distance of approximately 120 yards from the entrance to the defense ministry in Madrid. When the grenades were launched, activated by a remote control mechanism at approximately 10:25 a.m., a massacre could have occurred.

One grenade exploded a few inches from the window of the office of Defense Minister Narcis Serra; another penetrated the office of the director of personnel at the ministry; two grenades struck a bus passing in front of the ministry. Suddenly, it was war in downtown Madrid. Military men and police ran through the streets with their weapons drawn, toward the damaged bus and the car from which the grenades were launched. Terrified on-lookers cowered in groups.

Fifteen minutes later, the car which had served as the launching pad exploded. ETA had calculated the timing of the second explosion to maximize victims among the policemen investigating the vehicle. Had the police not stayed clear and kept people away, dozens could have been killed. After the smoke cleared, miraculously, only 10 people were injured, only one seriously.

The week before, a car-bomb had exploded as a bus transporting cadets of the Guardia Civil passed in the same area of Madrid, several blocks from

the defense ministry. Ten cadets died, in the biggest massacre of the recent years' terrorist spree.

These major terrorist atrocities have been accompanied by many smaller incidents. At the end of July, ETA sympathizers staged violent demonstrations in the Basque town of San Sebastian on the French border, to protest the policy of French Premier Jacques Chirac, of delivering ETA terrorists captured in France to the Spanish authorities. The rioters in San Sebastian set fire to two police buses, but there were no injuries.

Various regionalist, separatist, and terrorist groups work together in this step-up toward a new civil war in Spain. Two days after the attack on the defense ministry in Madrid, and coinciding with the delivery of a second ETA terrorist to the Spanish police by the French, the National Front for the Liberation of Corsica exploded several bombs on the island, in front of the Casa de España.

These terrorist incidents coincide with the opening of the new parliament elected on June 22, and the new government of Socialist Party leader Felipe González. But the wave of terrorism is not simply related to the opening of the new government—in fact, it is not an internal Spanish affair at all. Spain faces the same Soviet-sponsored "low-intensity operations" identified by Italian Interior Minister Scalfaro as a war against NATO.

Spain, now firming up its role in NATO after an April referendum on the issue was won by the government,

is an obvious target of terrorist attack. At the moment, Spain is negotiating cuts in U.S. troop strength at the Torrejón air base near Madrid. Torrejón is a crucial base for the defense of Germany, since it would be the staging area for deployment of troops and weapons to the Central European theater in the event of Warsaw Pact attack. This base has been the focus of attacks by various "pacifist" groups, which repeatedly conduct marches demanding the base's closing. The demand to shut Torrejón is also raised by the United Left party, and the left wing of the ruling PSOE.

Spain is potentially highly vulnerable to such low-intensity warfare. The country is still in the process of redefining its political and institutional identity after the long period of dictatorship, from the end of the Civil War in 1939 to 1975, the year Francisco Franco died. Felipe González, after a policeman, was assassinated by ETA in June, declared that terrorism is the biggest threat to Spanish democracy, while the Socialist Party attacked ETA as "Nazi."

There is no question that the aim of terrorism is to discredit the post-dictatorship institutions, independent of any government, in order to deliver to Moscow a totally unstable nation, or a nation dominated by a new dictatorship, be it "right" or "left," of a pro-Soviet nature.

So far, the only figure to speak of the terrorists' actions as acts of war, has been King Juan Carlos, who, at the time of the opening of the parliamentary debate on the new government, telephoned various party representatives to tell them that the military views the attack on the defense ministry as an act of war, and that the nation is expecting its political representatives to take a strong stand against terrorism.

Tiger-slaying in Venezuela

The Venezuelan Congress is scurrying to retract its challenge to the usurer banks—all it took was threats!

As the old proverb goes, Venezuela would slay the tiger . . . but is afraid of its roar!

After the Venezuelan Congress voted up the Fococam (Exchange Compensation Fund) law July 2 which unilaterally determined that \$7 billion of the country's private foreign debt would be paid with long-term, low-interest government bonds, affected creditor banks began to roar their protests. Several major U.S. banks "temporarily" suspended trade credit lines to Venezuela, and as one New York banker threateningly told the Venezuelan daily *El Nacional* of July 19, "Venezuela could become Latin America's financial Falklands. . . ."

On July 24, it was announced that an extraordinary session of the Venezuelan Congress would be convoked during August or September to "modify" Fococam. One of its authors, minister of the presidency Carmelo Lauría, said July 26 that to allay the bankers' fury, "it were enough to suppress three lines." Presumably the ones which set the 15-year term and 5% interest rates.

Minister of Finance Manuel Azpúrua, who had the difficult job of explaining Fococam to the creditor banks in New York, executed a rather dramatic about-face. On June 1 he had said, "I want to make it very clear to the country that what we have communicated to the banks is that we will accept no public or private pressures that seek to block defense of our interests."

However, during his New York visit on July 25, UPI reported, "The

minister told bankers that Venezuela is prepared to pay the \$750 million it is committed to. . . . With regard to the bonds, Azpúrua said that this had been a decision of Congress and that the government was studying in what way the measure would be applied. . . ."

Also doing an about-face is Gonzalo Barrios, president of the ruling *Acción Democrática* party. On July 14, a cocky Barrios declared, "If the creditor banks are annoyed, that is a good sign, beneficial for Venezuela." On July 26, the same Barrios leapt to point out, "When an error is committed, it can be rectified one minute later. . . . I believe that there was a certain lack of reflection [by Congress], because the bonds as they were approved in the law will not really be bought by anyone. . . ."

Former President Rafael Caldera was cloaked in patriotic garb on July 20 when he denounced the bank suspension of credit lines as "a pressure tactic they are trying to apply. I think that faced with such a situation, the country also must take a hard line." And yet, six days later, Caldera "confessed" that Fococam was perhaps not such a great idea after all: "These long-term, low-interest bonds cannot be absorbed by anyone except the World Bank, and that only as long as the rich countries increase their support with greater participation and influence in that international financial institution."

President Jaime Lusinchi insisted, "Neither Venezuela nor I will allow ourselves to be pressured on the debt,"

but added defensively that "comments have been made about modification of the [Fococam] law, and this too would be a sovereign act of Congress. . . ."

Reinaldo Leandro Mora, president of the Venezuelan Congress, summed up all the hoopla with a July 24 statement, "The responsible thing to do is modify the law if the national interest requires it thus. . . ." He did not, however, specify whose national interest he was referring to.

Not everyone in Venezuela was as dazzled by the tiger's stripes. The president of the economic commission of the Venezuelan Senate, Angel Reinaldo Ortega, told *El Diario de Caracas* July 22 that the creditor banks seem to forget that "we are a sovereign nation, and a democracy whose first duty is to preserve the stability and well-being of its citizens. . . . Hence, there is no reason that the latest acts of sovereignty which our country has taken and which tend to preserve our financial structure should have caused those threats and reprisals from the international banks. . . ."

Parliamentary leader of the opposition Copei Party, Abdón Vivas Terán, was most forthright in analyzing where Venezuela's problems lie: "From the declarations of ministers Manuel Azpúrua and Leopoldo Carnevalli, it is easy to conclude that they seem more like employees of the bankers' committee or of Chase Manhattan, than ministers of a sovereign state which defends its interests."

Vivas Terán added that Copei would not authorize extraordinary sessions of Congress to change Fococam, since such sessions would have but one purpose: "the changes demanded by the international creditor banks. The rest is just a smokescreen to cover the real intentions. The national government is acting like a scolded child. . . ."

International Intelligence

Israel's Peres makes overture to Palestinians

Israeli Prime Minister Shimon Peres said on July 28 that he was ready to open peace talks with Palestinians who renounce violence. Peres was reporting to the Israeli Knesset on the content of his discussions the previous week with Moroccan King Hassan. "During the two days we were in Ifrane," he said, "we raised various proposals. . . . We said we were ready to meet immediately with authentic Palestinian representatives, representatives who would be seekers of peace and rejectors of violence."

"We share the same concern as to the future of the region," he said of the Moroccan leader. "What we primarily learned in Ifrane, is that our divergences are primarily in the formulation of our positions."

Recognizing the nature of the Palestinian problem, in a way which is extraordinary for an Israeli head of government, Peres declared, "There are in the territories, hundred of thousands of young Palestinians, born after the 1967 war. They have no memory of the past, no flag, no identity, and no state. But they have nationalist feelings. They speak their languages and yours. Their frustration could lead them to revolt and violence."

Uganda leader hits hypocrisy in Africa

Uganda's new President, Yoweri Museveni, declared in a speech July 29 that the indifference of black African nations to years of massacre and bloodshed in Uganda undermines the continent's moral authority to condemn the policies of the South African government.

In his first speech before the Organization of African Unity (OAU), Museveni said: "Over a period of 20 years, nearly three-quarters of a million Ugandans perished at the hands of governments that should have protected them. Ugandans feel a deep sense of betrayal that most of Africa kept silent while tyrants killed them." He attacked those

Africans who claim that to have condemned former Ugandan leaders Idi Amin and Milton Obote would have been interfering in Uganda's internal affairs. "Tyranny is color-blind, and is no less reprehensible when it is committed by one of our own kind," he said. "We hold this should never be used as a cloak for genocide."

Soviet, U.S. press attack Bolivia's anti-drug fight

The Soviet news agency TASS attacked the recent combined Bolivian-U.S. anti-drug raids, "Operation Blast Furnace," in a July 21 release. TASS quoted an unidentified spokesman for the Bolivian government, saying the effort "proved futile, as neither cocaine nor the equipment for its production were found." Another source said that it "caused unprecedented damage to the sovereignty and independence of the country."

The Soviet press was not alone in its criticism. Consider the following:

- The *New York Times*, July 18: "What of Bolivia's solvency? . . . Who will compensate the peasants who are fiercely attached to the growing of coca plants?"

- The *Washington Post*, July 27: "For now it appears that Bolivian President Victor Paz Estenssoro has gained an edge over cocaine traffickers in his daring decision to attack them and attempt to alter the economics of coca production here. But the triumph is only a first and tentative blow in what has become a two-front war for him. . . . The problem now for Paz Estenssoro is how to revive the legal sectors of the economy."

- The *Christian Science Monitor*, July 30: The cocaine economy is not considered "immoral" in Bolivia. At least 60,000 farmers are dependent on "the informal sector of the economy," and coca paste brings in \$600 million, "about a third more than the country's legal export earnings and as much as one third of Bolivia's gross national product."

- The U.S. ambassador in Bolivia: "What do you do tomorrow if they are successful at fighting the drug trade? The country will collapse."

Spanish parties to join forces against terrorism

Spain's Socialist Prime Minister Felipe González, in a speech on July 22 inaugurating the new parliament, proposed cooperation among all political parties against terrorism. He said that he would take into account the recent proposals of Manuel Fraga, the leader of the conservative opposition party Alianza Popular.

Fraga has proposed a 10-point program against terrorism, which includes outlawing those political parties which support terrorism, increasing the penalties for terrorists, and creating a special magistracy with responsibility for coordinating the anti-terrorist fight.

Fraga's proposal to ban all political parties which support terrorism, is most critical. It would apply to Herri Batasuna, the "legal" parliamentary arm of the Basque ETA terrorists, which regularly takes the side of the terrorists.

On July 28, the parliamentary group of González's Socialist Party (PSOE) announced that they are looking favorably at some of Fraga's proposals.

Collaboration between the Socialists and the conservative Alianza Popular to stop the threat of terrorism would be an important step toward ending the left-right polarization which perpetually destabilizes the Spanish nation, leaving it more and more vulnerable to terrorism.

OAU votes up sanctions against Great Britain

In a surprise move, the Organization of African Unity on July 27 called for a campaign of worldwide diplomatic and economic sanctions against Britain, in protest against London's refusal to impose economic sanctions against South Africa.

After an all-night session, delegates agreed to recommend that governments "exert pressure on the British government with concrete measures of their choice, including

sports boycotts, economic measures and the breaking of diplomatic relations.”

The ministers from the 50 OAU member states and organizations also “vigorously condemned” the United States, Great Britain, France, West Germany, and Israel for their “economic and nuclear collaboration with the Pretoria regime.”

They also called for an economic boycott of Pretoria, and pledged to increase aid for black guerrillas mounting an armed rebellion against South Africa.

Are the Soviets sending forced labor to Chernobyl?

The East European Solidarity Committee, based in Stockholm, has claimed that at least 1,000 people from Baltic countries have been sent to Chernobyl, the site of a Soviet nuclear accident, to work as forced labor, the Swedish daily *Aftonposten* reported on July 7.

The foreign ministry in Latvia is among those who have issued denials, but Solidarity Committee spokesman Ulo Ignats maintains that the Soviet Army carried out a large-scale mobilization on the night of May 6, a little over a week after the nuclear accident.

Around 300 people from the city of Parnu and around 700 from other places in southern Estonia were sent to Chernobyl to take part in the cleanup work. The same thing is said to have happened later in other Baltic regions.

Scientists discuss U.S.-Soviet Mars mission

Scientists and diplomats from the Soviet Union and the United States are discussing a “joint Russian-American expedition to Mars,” the London *Daily Telegraph* reported on July 28.

“The Russians have indicated that they no longer regard continuing American Star Wars research as an obstacle to cooperation in civilian space projects,” wrote *Telegraph*

science correspondent Adrian Berry. The director of the research institute of the Soviet Academy of Sciences, Roald Sagdeyev, “has approached several American scientists and officials, proposing some repetition of the joint Apollo-Soyuz earth orbital flight of 1975.”

“In the plan now being considered, an unmanned Russian ship would fly to Phobos, one of the two tiny moons of Mars, carrying an American scout ship. The American craft would descend to the Martian surface and pick up rock and other samples. It would then return to the Russian mother ship, and the samples would be examined by analyzing machines. Neither ship would return from space, and data would be sent to earth by radio.”

West Germans weigh moves to halt refugees

The Bonn government should consider economic measures against East Germany if it fails to halt a flood of refugees into the West, said the spokesman on inter-German affairs for the Christian Democratic Union party on July 28. According to Eduard Lintner, more than 43,000 refugees, mostly from Middle East and African countries, have arrived in West Germany this year—half of them through East Berlin.

West Germany's interior minister, Friedrich Zimmerman of the Christian Social Union party, charged on July 30 that Moscow is using the mass influx of refugees in an effort to destabilize the Federal Republic.

Most are brought to East Berlin via East bloc airlines, and are then transported by bus to the West. Since there are no passport controls at the sector borders of the city of Berlin, more than 20,000 refugees from Lebanon, Iran, Ghana, Sri Lanka, and Pakistan have been able to enter the Western sectors since January 1986. Zimmermann charged that this was clearly aimed at the “political destabilization of the Federal Republic on a very sensitive issue such as the asylum question—a method which may have been taken from a KGB manual for destabilization.”

Briefly

● **EAST GERMANY** has recalled its ambassador to Peru, the Lima daily *Expreso* reported on July 26, citing sources in the Peruvian foreign ministry. The move follows two official requests by the Peruvian government for an explanation of the role of two East German state-run companies in shipping 250 tons of Soviet-made weapons into Peruvian waters in June.

● **JACQUES CHIRAC**, the French premier, is too busy to accept Soviet leader Gorbachov's invitation to Moscow, he said in a speech July 21: “I received an official invitation from Mr. Gorbachov to go to Moscow and I have received many other invitations to go to many other capitals. In the current state of affairs, I have deferred these because, quite simply, I have lots of work to do.”

● **U.S. AMBASSADOR** to Zambia Paul Hare met on July 30 with three senior officials of the Soviet-controlled terrorist organization of South Africa, the African National Congress, at the ANC's Lusaka headquarters. Neither side would comment on who asked for the meeting or what was discussed.

● **WILLY BRANDT**, chairman of West Germany's Social Democratic Party, in an interview published in the Soviet weekly *Literaturnaya Gazeta* on July 30, criticized the United States for waging “a crusade against communism.” “Looking back,” he said, “it is appropriate to recall the realism of a Nixon and a Kissinger,” who had a positive approach on the Soviets.

● **CIA DIRECTOR** William Casey sent an American senator to Italy in the spring on 1983 to pressure the Italian government to drop investigations of the Bulgarian connection to the attempted assassination of Pope John Paul II, an informed source told *EIR*. Magistrate Ilario Martella reportedly refused, at first, but was then forced to “collaborate” with Bulgarian magistrates.

Weinberger: Athens, Sparta and today's military crisis

The following is excerpted from the address of Defense Secretary Caspar Weinberger at the National Defense University at Fort McNair, Washington, D.C., on July 29, 1986.

... I thought I'd make a little detour through history and try to demonstrate that what we have now, and what we are doing now, is not all that unique. And there are a number of lessons always from history, and some astonishingly apt ones in this situation.

When Thucydides was in the midst of writing what he had believed would be his account of the Peloponnesian War, he thought that it would be important to put in and consider two basic values, two basic ideas and ways of thinking that are of considerable value today. And the first was to look for the linkages between the apparently distinct and separate events. And he originally set out, as you know, to write about the first Peloponnesian War, although he didn't call it that at that time because it was the only one they had. But while he was writing, the uneasy peace that had ended that first war ruptured and the Second Peloponnesian War broke out and he had to make a lot of revisions in his book, among other things.

His writings occurred in the second war—in an era that was not unlike the inter-war years of our own century. During the peace, which did not allow even time for a generation to mature, the major adversaries were concentrating on strengthening their alliances, changing the alliances in some cases, for the next round. Thucydides was the first to see that the two seemingly separate wars were really one and the same.

His other method was to look beyond the immediate cause of the war. He attributed the underlying, long-term antago-

nism between Athens and Sparta not to any particular quarrel or set of specific events, but to the vast differences in the two systems that really made it very implausible that they could co-exist. One was a democracy, the other a hierarchical state ruled by a select few. Thucydides was very adamant that his readers appreciate the pervasive influence that different forms of government have on military matters—not an unfamiliar point.

Earlier in his history, Thucydides quotes Pericles as saying that there is a difference between us and our opponents in our attitudes towards military security. Our city, meaning Athens, he said, is open to the world and we have no regular deportations in order to prevent people finding out secrets which might be of military advantage to our enemy. This is because we rely not on secret weapons, but on our own real courage and loyalty. Thucydides' observations are very important for us today, and valuable, not just because there is a close correspondence between our nation and the democracy of Athens, but because there is a lasting wisdom in all of his discoveries and in all of his thinking about strategy.

I don't think we should see the 20th century conflict as a series of sort of discrete and separate events, but we should step back and look at the whole picture. When we do that, as Thucydides made clear in his history, the successes and failures of Sparta and Athens were intimately connected to the nature of the political systems which guided them. I've talked frequently about the military advantage that the communist system gives the Soviets. That's the only advantage that they have, but it does give them advantages. We want to think about that in this same context of Thucydides' comments about the difference between Athens and Sparta.

Some have failed in our discussions of strategy to take this into account. They fail to recognize that democratic societies cannot create and execute grand strategies in the same way that totalitarian nations do. For example, there is a common view today that America doesn't have a strategy. However, when some people say lack of strategy, what they really mean is that the administration hasn't adopted their particular policy. Lack of strategy really means, "I don't agree with your strategy."

Then there is another group that charges us with being much too ambitious. "Your outreach is too far. You have a mismatch," they will frequently say, "between your strategy and the available resources." They don't finish that circle by telling us what we have to give up, what it is we should no longer be interested in in the world. They don't look at the other side of the equation, that we can deal with that mismatch by increasing resources.

They have frequently said that we can't contain aggression everywhere, and so we don't have a realistic strategy; realistic meaning, presumably, smaller. We must, of course, be clear at the outset, as we always should in gatherings of this type, what we mean by strategy. I have used, as a sort of shorthand definition, the employment of means to achieve specific ends. In that connection, strategy is a concept that attempts to bring together a nation's goals and values with its capabilities, its resources, and perhaps most important of all, its political will.

As a democracy, our ends and goals are clear. We have a very modest agenda. But our employment of means is limited by the give-and-take of free politics in an open society. To a large extent, those who look back at the operation of American strategy since 1945 conclude that we have no strategy today, because they seem to expect a consistency and an aggressiveness of execution, which is really impossible for democratic systems.

Totalitarian regimes are capable of designing and carrying out very long-term ideological strategies. This isn't to say they're good; but it is to say that they have that capability. They do it because they do not have to deal with the rough-and-tumble of public opinion. They don't have to deal with that, because there is no public opinion in these societies. They have what they believe is the mandate from history to bring under their sway every nation in the world. Some of the more recent Soviet speeches are denying that they feel this way, but that certainly is a denial of all of the communist dogma since the beginning of the Soviet state. They have a great deal of predictability and regularity with single-party rule, and ideological restrictions that give consistency to their foreign policy. It's not a very good consistency, but it is consistent. It doesn't recognize the moral obligation to be guided by the consent of the governed. I'm not arguing that democratic nations cannot have a strategy, but that we shouldn't judge strategy by criteria that are foreign to our brand of free government and are reprehensible to popular

conscience and are not based on public opinion or consent of the governed.

One does not have to be a particularly learned professor to define our goals and principles. They are simply deterrence of war, containment of Soviet aggression and their totalitarian systems, defense of freedom where it exists, and the promotion of conditions in the world so that liberty and happiness can prosper, can continue. It's a very modest agenda. It's an agenda that doesn't involve any aggression or any first strikes or anything of the kind. It is an agenda, however, that has bound us together for a very long time. Despite all that was self-destructive in the fortunately ended Vietnam era and post-Vietnam era, there remains a basically bipartisan consensus on these goals. It's obvious that we haven't always executed our strategy in a consistent fashion. It's obvious that we haven't always developed the means to fulfill the ends which we have to seek, which do not change.

But again, we're a democratic nation. Public opinion shifts and administrations come and go, and what we have to remember is that our basic goal remains constant and its execution shifts with international or changing circum-

Athens versus Sparta: the heart of the issue

The distinction which Secretary Weinberger draws between the oligarchical tradition of Sparta and the republican tradition of Athens, was most sharply defined in "The Legislation of Lycurgus and Solon," by the great German poet Friedrich Schiller (1759-1805).

In it he contrasts the Spartan state of the ruler Lycurgus—who fostered patriotism and the military arts, at the expense of "the most natural and most beautiful affections of the human heart"—to Solon, the lawgiver of Athens.

Lycurgus "undermined the highest destiny of humanity by arresting, through a cunningly devised political system, the minds of the Spartans where he found them, and preventing every possibility of progress." As for Solon, Schiller wrote, his "respect for human nature was a beautiful trait in his character. He never sacrificed man to the state, or the end to the means, but he caused the state to be subservient to the high purposes of human existence. His laws served as yielding bonds, by whose guiding but gentle and scarcely perceptible support the minds of the citizens were enabled to move with freedom and ease in every direction; whereas the laws of Lycurgus operated like iron fetters, against which the bold heart chafed until it sank bleeding and oppressed under the heavy yoke."

stances, or with the dynamics of public opinion, with the levels of funding that may be provided from time to time. The very complex nature of policy-making in a democracy upsets many people. They sort of secretly admire the stolid consistency of the Soviets.

But why should we admire a consistency that so often has led to oppression and violence?

Defending allies

No one is more familiar than I am, really, with the fact that gaps can develop between a commitment of a great nation such as the United States and, not necessarily our capabilities to carry out those commitments, but the resolution and political will to enable us to do that. It has always been the case really—there was a Truman Doctrine that you may remember a while back, that held that we would assist free peoples everywhere. It did not specify the exact way that we would lend that support, and so we fulfill our commitments in ways best suited to particular circumstances, particular times. . . .

Some believe this dedication to help defend allies is too great a task for us. I strongly disagree with that. So long as we maintain the political will and adequate resources, our pledge to contain aggression will be believed. Aggression cannot be contained or kept from America if America stays home. We're never going to be able to save America if Europe is overrun. So it's enormously to our own advantage to be a part of NATO and to be a big contributor to NATO. It's not something that we're doing altruistically, or because we like to help people. We're helping ourselves by being there. We are also helping our allies. It is very much the same thing.

But if Congress doesn't give us the means to deter war and contain the Soviets, and sustain democracy in the world, then our words, our doctrines, and our strategy will be really quite hollow. The problem isn't a lack of strategy. It's the danger and the complexity of the world we live in and the unwillingness of democratic nations to recognize the threat. Free, open, liberal democratic societies do not like military spending. They never have and they never will. I'm one of the leading American authorities on that subject. It is unfortunately true, but it's been true since the days of the revolution, and I think it will always be true.

Dean Acheson said dangers and crises are with us not because the right policy eludes us, but from the very nature of the situation we face and the nature of the society we are. So we must rid ourselves of the belief that grand statements of purposes and goals will accomplish anything if they're not coupled with a sustained commitment to adequate resources for defense. . . .

Comparing the 1930s

Prior to World War II, England had a strategy that could most simply be termed balance of power. No nation, this strategy held, should be allowed to gain a predominance of power on the European continent. Through judicious shifts

of alliances and support, Great Britain saw that equilibrium was maintained in Europe. A host of global threats faced the British empire, from southern Africa to the Far East to the Balkans to Afghanistan. In all those areas, Britain acted to secure its interests and maintain a global balance. D'Israeli said to those counseling budgetary restraint in his day, and counseling retreat, that the true economy will need to be always ready.

The balance of power was a thoroughly articulated strategy. It was widely accepted; it was brilliantly applied. By 1939, however, despite all the warnings of Churchill and others, Great Britain couldn't execute that grand strategy because they no longer possessed the military means to weigh in against aggression, and they didn't possess the military means because their political will and resolution had been sapped by a lot of counsel to the effect that they did not need to do it, that the danger really wasn't there, and that the rationale for not doing it was glibly phrased and glibly accepted by those who did not want to make the sacrifices required.

As it faced the British economy and democracy in the 1930s, so we now face the prospect of a potentially hollow strategy in which commitments outstrip capability. What makes this weakness in our ability to execute strategy the more threatening is that warfare is changing so rapidly. The world is not becoming more peaceful.

Prudent strategy has to comprehend a vision of the future; at the same time, it sustains us in the present. Since the onset of the Cold War, our strategy has taken into account the very obvious fact that world politics undergo shifts and changes over time. But the strategy can never really be self-executed. It does require national leaders with the foresight to make it work. It requires resources.

It was discovered late in the sixties that the world was changing and becoming more complex and interdependent. That came about 20 years after this fact was actually understood by the architects of our postwar foreign policy. For all of those, many of them in academic circles, this complexity was supposed to herald the end of the Cold War and the beginning of an era of accommodation between conflicting nations. The error was not in the major premise; for the world surely was complex and interdependent. But the difficulty rested in the idea that there was something new in this, and in a rather unrealistic view of the world as it then stood.

The SDI

The national strategy of our government has always attempted to take into account significant changes in any kind of global dynamics. In recent times, we've had to consider the growing influence of the Third World and the advent of parity between the United States and the Soviet Union; and the limited military usefulness of nuclear weapons. As we plan our force structure now for the future, we have to be certain that we take into account both continuity and change. We must maintain a vision of the future that prudently as-

sumes and assesses the dynamic nature of world politics, and there must always be foremost in our minds the ways in which new technologies influence the whole face of battle.

The most obvious and threatening weaponry, of course, is the one to which we are completely vulnerable, nuclear missiles. I suspect that years from now, historians will undoubtedly be baffled by our willingness to have remained so long completely undefended against the most potent weapons of our enemies. It's a very curious philosophy that we have: We're only perfectly safe when we're perfectly vulnerable.

The first task of American strategy as it looks to the future is, of course, to assure that the deterrence of nuclear war remains credible. We recognize that technology can rapidly outpace our ability to control it. We recognize that almost overnight, technology can change credible deterrence into incredible postures. That's another way simply of saying that deterrence is not a fixed, but is a dynamic and moving and changing concept, and we have to change with it to maintain deterrence.

This is why President Reagan called on the scientific community to see if it is possible to defend ourselves against missile threats. It had previously been dismissed. It is not dismissed now. We have made enormously rapid and very valuable progress on the Strategic Defense Initiative. It is not a mere add-on to American strategy. We can't give up our offensive deterrent capability until we know if we can have and until we do have strategic defense secured.

Democratic nations will always be uneasy, however, with a policy that deters only by threatening destructive retaliation—the mutual suicide pact, as the President calls it. The SDI embraces the area of one of our very greatest strengths, one of the areas in which we are most able to compete with the Soviets, and that's technological creativity and innovation. Indeed, it's a program that really is made for what we always used to call Yankee ingenuity. It is clearly the outgrowth of the basic ideas in American strategic thought. What is outside those basic ideas is the notion that our current doctrine of mutual vulnerability must last forever, that somehow anyone who suggests tampering with it is either basically unsound or ignorant or both.

But the President has never been afraid to challenge conventional wisdom—never when he was governor of California and never when he was President. He is challenging conventional wisdom now, and challenging American science and world ingenuity and world technology to see if there is not a better way than this mutual suicide pact. I think it's extremely important to keep in mind the future of conflict in this connection, that we are not alone. We don't pretend to meet matters alone. We have to look at what it is that the Soviets are doing. It's strategic defense effort has been vigorously pursued for at least two decades, including very vigorous research into strategic defense, almost from the day the ABM Treaty was signed. Given the size of the Soviet land-based missile force and the accuracy of the new generation of their missile, it is clear that they are not interested in

a purely retaliatory nuclear arsenal.

We have to look at their writings, too, and their doctrine, and the amount they spend on civil defense and refiring capability and all of the other things that demonstrate that they believe a nuclear war can be fought and won. We do not. We feel the nuclear war cannot be won and must never be fought. We have to understand that if we are to keep our deterrence robust, we have to counter the Soviet offensive and defensive military build-up with our own offensive and defensive military build-up, with our own offensive and defensive modernization.

The United States constructs strategies conceived to meet particular threats from specific adversaries, and in this sense, our strategy must always be comparative. Its goal must be to counter and to confound the strategic objectives of the enemy, since we have no territorial or aggressive other ambitions. If strategic defense proves feasible, and I believe it will, it will counter the Soviets most potent weapon. It will confound their hope of neutralizing our deterrent forces.

As we attempt to mold and shape our strategy to meet the changing demands of a very dangerous and rapidly changing world, we have to remember that our role today is not unique for us. Only slowly did we come to realize after World War II that it was America that had to assume the role of leader of the Free World, or there would be no leader. Only slowly did we create a comprehensive strategy to meet these new and awesome responsibilities.

But as we debate the character and the scope of our strategy, I think we have to bear in mind that it is a strategy grounded in democracy; that it is a strategy that, as with our constitution itself, derives from the consent of the governed. We have to live with shifts and changes in that particular, and carry out our foreign policy not in isolation but in response to and because of the nature, or the changes, or the growth of the threat against the very modest agenda that we have.

That shouldn't lead us to despair. It shouldn't lead any to conclude that we have no strategy. It does mean that, without an aggressive strategy, without an offensive strategy, without any desire to expand or to do anything but live in peace and keep our freedom for ourselves and our allies, we have to be extremely alert to people with forces in countries who have other plans.

When the Civil War was just months away, Abraham Lincoln was pleading with the South not to abandon the Republic. The questions that he then posed, I think are very relevant and very vital for us today. He said, "Why should there not be a patient confidence in the ultimate justice of the people? Is there any better or any equal hope in the world?"

So, I think that if we all do our part, if we maintain our resolve to stay strong, militarily and in other ways, if we continue to place a high value on our freedom and our peace, and if we're willing to make the sacrifices that these noble goals require, then the future of conflict, I think, will be that there will be no conflict.

Reagan vows 'full force of presidency' to fight drugs

by Nicholas F. Benton

The White House announced July 29 that Ronald Reagan plans to "place the full force of the presidency" behind an all-out war on drugs "whose ultimate objective will be the total eradication" of drugs from the country. The President was expected to outline the specifics of his program in the first full week in August, and launch a series of major speeches on the topic this fall.

White House spokesman Larry Speakes presented a preliminary review of what the President intends to do before an hysterical press corps that wasted no time misrepresenting the planned offensive as a "repressive assault on civil liberties," citing expanded mandatory drug testing of federal employees. In response, Speakes was outspoken in blaming NBC national television, in particular, for "rating the worst" in such fabrications.

While the President is expected to emphasize efforts at uniting private industry, civic, religious, and other organizations in a national campaign to combat drug abuse at the consumer end, this will be only the "tip of the iceberg" of a much more comprehensive effort.

EIR learned that less than one week after President Reagan "hit the roof" in July when he learned that the administration's anti-drug effort had stalled, "Operation Blast Furnace" was launched, sending U.S. military personnel and equipment to aid a major drug raid in Bolivia. Since then, the President has been kicking people around the White House to gear up a comprehensive program for attacking the international drug trade at both the "point of production" (supply) and "point of consumption" (demand) sides of the equation.

Working in consultation with the Pentagon, the White House has put together an anti-drug offensive which includes continued military forays to destroy crops and refining and transportation facilities, as well as a package of legislation

broadening law-enforcement powers domestically. The operation is seen, insiders report, as a national-security matter. Soviet involvement in the international drug trade, both directly, as documented by recent investigations in Italy and elsewhere, and through surrogates such as Cuba and Nicaragua, is the target. Thus, the war on drugs is seen, operationally, as a form of U.S. "low-intensity warfare" against the Soviets.

But it is also known that the Soviets are not the only players in the international narcotics business, and this is one reason why White House Chief of Staff Donald T. Regan has been shoved aside in the planning of this operation, according to reports. Regan, who represents the Wall Street faction in the White House, was blamed, personally, by the President for the past year's stall in the drug war. Of course, this should come as no surprise, given that Regan's former employment as chairman of Merrill Lynch implicates him deeply in drug-money laundering, himself. Also, Regan's financier friends either overtly favor the legalization of drugs as a way of financing Third World debt (such as the Xerox Corporation's Sol Linowitz and others in his Inter-American Dialogue group), or are publicly "non-committal" on the subject (such as Federal Reserve chairman Paul Volcker).

The President's new offensive involves both military and civilian components.

On the military front, raids such as the Bolivian "Blast Furnace" operation will continue. Despite massive advance leaks, the Bolivian offensive set back the cocaine producers by six months there, according to Drug Enforcement Administration officials. Future operations will be more heavily protected against advanced leaks by taking a much lower profile overall. Also, Rep. Dan Daniel's (D-Va.) legislation to create an independent "special operations directorate" at the Pentagon, integrating the special-operations capabilities

of the different branches of the military into one unit, includes anti-drug operations in its charter, and is being viewed as a positive step in this war.

On the civilian side, the President will augment the ongoing work of his wife, Nancy, by speaking out on drugs frequently over the coming months, urging volunteer public collaboration in the effort to educate the public against drug use as part of an effort to generate popular support for the overall offensive. Reagan began this with brief remarks to representatives of service organizations at the White House on July 30. "The time has come," he said "for each and every one of us to make a personal and moral commitment to actively oppose the use of illegal drugs—in all forms and in all places. We must remove all traces of illegal drugs from our nation." Alluding to the national security implications of the campaign, he added, "The good and decent people of this country, and yes, as I say, the world now, are coming together in active opposition to the evil use of drug abuse. More and more people are realizing how crucial it is to deal with this insidious problem. Those who smuggle and sell drugs are as dangerous to our national security as any terrorist or foreign dictatorship."

However, to be effective, the administration's new offensive against drugs must include two elements it has not yet considered:

1) The withdrawal of its nomination of William Weld for head of the Criminal Division of the Justice Department. Weld became the subject of massive public criticism for his "slap on the wrist" to the Bank of Boston which was found guilty of hiding over \$1.2 billion in large cash transactions; he has been documented to have extensive ties to vested interests in drug-money laundering activity (*EIR*, Aug. 1, 1986). Weld's nomination, which a White House spokesman said was not recommended by President Reagan himself, was one consequence of the hiatus in the war on drugs caused by Don Regan's obstructionism, and must be rescinded for serious law enforcement against money laundering and trafficking to get backup from the top levels of the Justice Department.

2) The White House must rescind its support for Gramm-Rudman budget cuts. Wielding the Gramm-Rudman ax, sanctimonious liberals in Congress have announced their intent to slash \$2.5 billion from the President's foreign aid request. In reality, a comprehensive strategy of economic development must supplant the "drug economies" of many developing-sector countries in order for the President's war on drugs to ultimately succeed.

The same is true in the United States. For example, the amount of marijuana confiscated by government officials in Oklahoma last year, estimated at only 25% of the state's total production, had a market value of \$800 million, while the state's entire wheat crop had a value of only \$700 million. Wiping out drugs solves only half the problem. Reversing the economic collapse, here and abroad, is the indispensable other half.

Will William Weld give immunity to wanted terrorist?

by Michele Steinberg

The offices of the Senate Judiciary Committee were informed on July 31 that William F. Weld, the U.S. Attorney in Boston, whose nomination to the number-four position in the Justice Department, chief of the Criminal Division, is sitting before them, has subpoenaed a terrorist to testify against 1988 Democratic Party presidential candidate Lyndon H. LaRouche, Jr.

For nearly two years, Weld has had the 1984 presidential campaign committees of Lyndon H. LaRouche under investigation, along with four other organizations that Weld believes to be associated with LaRouche, in a fruitless political witchhunt.

Now, to attempt to "make his case," Weld has called to testify in Boston on Aug. 6, Mordechai Levy, leader of the Jewish Defense Organization, a spin-off of the Jewish Defense League. Ironically, insiders in Washington have expected that Levy would be appearing before a federal grand jury soon, but it is common knowledge that the reason Levy would testify was in the investigation of the murders of Alex Odeh, a moderate Palestinian leader of the American Arab Anti-Discrimination Committee, and Tscherim Soobzokov, a leader of the American-Circassian community, who was falsely accused—and cleared of all charges—of being a Nazi war criminal. Both men were killed in sophisticated terrorist bomb attacks in late 1985, after being threatened by Levy and other JDO/JDL members.

The organizations that Weld has been harassing through this grand jury, including The LaRouche Campaign and the National Democratic Policy Committee (NDPC), have protested to the Justice Department, and to the Senate Judiciary Committee, the fact that Levy is being used in this case.

On July 31, Edward Spannaus, treasurer of The LaRouche Campaign (TLC), which was the 1984 campaign committee for presidential candidate Lyndon H. LaRouche, Jr., denounced William F. Weld in a Washington press conference for attempting to use Levy, a suspected terrorist and discredited FBI informant, as a witness. Spannaus called for the Senate Judiciary Committee to reject Weld's nomination for Assistant Attorney General for the Criminal Division.

"Weld's office has conducted a dead-end vendetta, cost-

ing millions of dollars, against The LaRouche Campaign and associates of Lyndon H. LaRouche since October 1984," stated Spannaus. "Weld and his office have been collaborating with the drug lobby and with the organized-crime-linked Anti-Defamation League of B'nai B'rith, which employs Mordechai Levy.

"The main question to be answered right now, is whether William Weld is obstructing justice in the investigation of the murders of Alex Odeh and Tscherim Soobzokov, who were threatened by Levy before their deaths at the hands of Jewish terrorists. Does Weld plan to offer Levy immunity from prosecution in return for perjured testimony against LaRouche? Is Weld attempting to protect Levy, and the JDL—an organization which is suspected of planting a bomb that caused the serious injury of a police officer in Boston, where Weld is supposed to enforce the law of the land?"

Spannaus also charged that "Weld has shown himself to be a leading protector of international banks involved in the laundering of drug money," citing the cover-up of the Bank of Boston and Crédit Suisse, the bank to which his family's business—White, Weld Securities—is tied.

"This is itself sufficient to disqualify Weld for the position," said Spannaus, "but the attempts to use Levy, who has threatened the life of LaRouche on numerous occasions, as a witness against associates of LaRouche taints Weld and his bogus grand jury beyond repair."

Spannaus further charged that Weld is acting against the interests of the U.S. government's fight against terrorism by giving Levy credibility.

Earlier this month, the FBI issued a report on terrorist incidents in the United States, identifying "Jewish extremists" as the major domestic terrorist operation. Shortly after the report was issued, Oliver Revell, the number-two official in the FBI, testified before Congress that the FBI investigation into the murder of Alex Odeh, a leader of the American-Arab Anti-Discrimination Committee in Santa Ana, California, killed in October 1985, was close to naming suspects.

Odeh was blown up by a booby-trap bomb wired to his office door. This is one of the terrorist incidents named in the FBI report. Two other incidents—the August 1985 bombing of Tscherim Soobzokov, and the September 1985 bombing of the home of Elmar Sprogis—both involved Levy, who held public meetings calling for the deaths of the two men shortly before their homes were bombed.

A *Special Report* issued by *EIR* in March 1986 documented that Levy has been a paid employee of the Anti-Defamation League, of the American Jewish Committee, and the FBI. According to well-informed Israeli sources, Levy, recruited to the Jewish Defense League at the age of 12 by Rabbi Meir Kahane, functions as a "bird-dog" for underground teams made up of American members of the JDL and its offshoots and of Israeli military specialists.

Israeli sources say that the FBI investigation into the

Odeh murder is also active in Israel, where other followers of Rabbi Kahane, in the Kach Party, are being sought. Kach Party members routinely engage in terrorism, including murder, against West Bank Arabs, and against their moderate and liberal Israeli political adversaries. The Israeli nationals or residents sought in the Odeh murder are known to have sophisticated military explosives training.

LaRouche has been a frequent target of threats and harassment from these Kahane terrorists, but the FBI and the Justice Department have consistently refused to prosecute any of the principals, such as Levy, for the threats. In August 1985, just after the terrorist attack on Soobzokov, two associates of Lyndon LaRouche petitioned Attorney-General Ed Meese to appoint a special prosecutor to investigate this attack. The petition informed Mr. Meese that, since Levy was an FBI informant, there would not be an objective and serious investigation into his role in the assassination.

FBI: Jewish extremists prime terrorist threat

The "FBI Analysis of Terrorist Incidents and Terrorist Related Activities in the United States," released in early July, shows that "Jewish Extremist Elements" were responsible for the majority of terrorist murders and injuries sustained by U.S. citizens and residents in 1985. Two people were killed, and nine others were injured in four separate incidents, according to charts and text contained in the report. In addition, of seven "suspected terrorist incidents" mentioned in the report, the JDL and other Jewish extremist groups are suspects in five of them.

In a section titled, "Jewish Terrorist Groups," the FBI says, "In . . . analyses published since 1981, responsibility for 18 terrorist incidents has been attributed to groups seeking to publicize past and present injustices suffered by the Jewish people. While claims for some of these acts have been made in the names of the 'Jewish Defenders,' 'United Jewish Underground,' and 'Jewish Direct Action,' 15 of the incidents were attributed to the Jewish Defense League, by far the most well known of these groups.

"The JDL was founded on June 16, 1968, by Rabbi Meir Kahane in Brooklyn, New York, and was subsequently incorporated in the state of New York on Sept. 30, 1968. 'Never Again' is the official slogan of the JDL.

"While headquartered in New York City, the JDL has chapters located in several of the larger metropolitan areas of the United States. . . . [It] is composed primarily of young Jewish-American extremists. . . . Responsibility for . . . arson, bombings, and assaults . . . has been claimed in the name of the JDL.

". . . In 1985, four incidents are being attributed to Jewish extremists. Although certain evidence leads to suspicion of elements of the JDL, final attribution to any one specific group must await further investigation."

Is he a Freemason or merely a lunatic?

by Susan Welsh

Senator Richard Lugar, the Republican from Indiana who heads the Senate Foreign Relations Committee, is leading the campaign of Republicans against President Reagan's policy on South Africa. Joining the chorus of left-wing Democrats like Ted Kennedy, he said bluntly on July 22, "The President needs to do more. We need to take action. . . . The President may see the future in a different way. He may see a South Africa that is a quieter one than I see." Lugar proceeded to push through his Committee a package of economic sanctions that would plunge South Africa into race war, deliver a strategic ally of the United States into the hands of the Soviet Union, and wreck the tottering economy of the Western world (see *Congressional Closeup*, pages 68-69).

Is Lugar perhaps a Scottish-Rite Freemason, stabbing Ronald Reagan in the back—as the Queen's men in Great Britain are trying to do to Margaret Thatcher? Or is Lugar merely insane?

In any event, the record shows that Lugar's current treachery is scarcely an aberration. His early career as mayor of Indianapolis proceeded under the sponsorship of the Indiana-based Eli Lilly Endowment, the foundation which has promoted every bizarre variety of Aquarian cult project imaginable, from Jim Jones's People's Temple to the synthesis of methadone and LSD.

Lugar has long been a proponent of the kind of economic insanity now institutionalized as the Gramm-Rudman amendment. As early as 1979, he began sponsoring a constitutional amendment requiring a balanced budget; he is a staunch supporter of the International Monetary Fund's policy of usury toward the developing sector.

But just look at Lugar's role in the crucial foreign-policy decisions facing the U. S. government during the past year:

● **The nomination of Richard Burt as U.S. ambassador to West Germany:** Just one year ago, in June-July 1985, the liberals from the State Department, the *New York Times*, and the New York Council on Foreign Relations put forward Burt's name as the replacement for the retiring Arthur Burns, ambassador to the kingpin country of the NATO alliance in Europe. Burt's record in leaking classified information to the press, his promotion of the "decoupling" of Germany and the

United States, his opposition to the Strategic Defense Initiative, and his degenerate personal lifestyle were all well known about Washington. When 10 conservative senators—Democratic and Republican—opposed the nomination on national-security grounds, Lugar became Burt's principal champion on the Senate floor.

Lyndon H. LaRouche, in a statement issued July 16, 1985, had the following analysis—and warning: "Senator Lugar, whose background in intelligence services removes all excuses for his behavior today, said that there was no substance to the charges against Burt. Lugar's assertion was completely false; the evidence of Burt's leaking of U.S. strategic secrets, his cronyism with Soviet-leaning Social Democrats, and his commitments to sabotage the Strategic Defense Initiative, are all a matter of public record. Lugar will now be watched closely, as a man who has conspicuously discredited himself before his colleagues."

● **The Philippines crisis:** Lugar played an inside role in the State Department plot to topple the government of President Ferdinand Marcos, along with liberal Democrats like Rep. Steven Solarz (N.Y.). It was Lugar who went to President Reagan on Jan. 24, 1986 and told him that he doubted the Philippines election would be a fair one, and recommended the establishment of a U.S. congressional "monitoring delegation" to oversee the vote. When the idea was seconded by Secretary of State George Shultz—on previous arrangement between the two—the President named Lugar to head the delegation.

Lugar's actions to undermine a U.S. Asian ally were nothing new, since back in 1978 he participated in a delegation to Taiwan, headed by Sen. Alan Cranston (D-Calif.), which called on the United States to break diplomatic relations with that country, and give sole recognition to the People's Republic of China.

Lugar's political alignment is perhaps best reflected in the fact that he is a Rhodes Scholar, the "honor" conferred upon promising young agents by the British aristocracy. The scholarship was founded by Cecil Rhodes, the 19th-century imperialist of the old school. One of Lugar's Indiana political opponents, Georgia Irey, pointed this out in a caustic statement issued on July 31, 1986. A LaRouche Democrat, she has announced her candidacy for the party's senatorial nomination for the race against Lugar in 1988.

"Senator Richard Lugar," Irey charged, "is acting as if he wished to succeed Cecil Rhodes as the white master of South Africa. Everyone remembers that Cecil Rhodes was the robber baron who in the last century made a vast fortune by stripping southern Africa of vast mineral wealth. . . . If Senator Lugar were anywhere near as effective in overthrowing enemies of the United States as he is in destroying our friends, this country would have nothing to fear. Since this is not the case, I am again warning that Lugar is a menace to the national interests of this country and must be stopped."

All the Queen's Men in the Congress

The Queen of England, who has provoked a constitutional crisis in her own country by publicly attacking Prime Minister Margaret Thatcher for opposing sanctions against South Africa, has found no lack of support among the spalpeens in the U.S. Congress.

The Queen's Men in the Senate have been on a rampage ever since President Reagan's speech July 22, in which he rejected sanctions and asserted the priority of industrial development in bringing apartheid to an end.

At least four different versions of sanctions are currently under Senate consideration, and it is expected that some punitive measures will be adopted. The only question at this point is how harsh they will be.

As one would expect, Sen. Ted Kennedy (D-Mass.), has carved out the most radical position for himself. Along with Alan Cranston (D-Calif.) and Lowell Weicker (R-Conn.), Kennedy is sponsoring a bill that would impose a near-total ban on all forms of U.S.-South African economic activity. It closely parallels the sanctions bill, sponsored by radical leftist Rep. Ron Dellums (D-Calif.), which has already been passed by the House.

Taking a supposedly more "moderate" stand is Sen. Richard Lugar (D-Ind.), chairman of the Senate Foreign Relations Committee. With a Rhodes scholarship to certify his white-racist pedigree, Lugar has proposed a package of punitive measures which were the major subject of debate at a closed session of the Senate Foreign Relations Committee July 29.

Lugar's proposals, no less than Kennedy's more extreme ones, come straight from the Queen's circles. Lugar's plan would:

1) ban imports produced by quasi-governmental companies, including steel, uranium, cement, and aluminum;

2) deny South Africa's airline U.S. landing rights;

3) allow the U.S. to freeze the U.S. bank accounts of South African government officials or companies;

4) and ban visas for South African journalists and employees of the government or government-run companies.

It also includes the five limited sanctions which President Reagan imposed in an executive order last year, which are scheduled to expire September 9: banning computer and software exports, new bank loans, and the sale of nuclear and military technology to South Africa.

But the centerpiece of Lugar's package is enabling legislation for the President to sell off U.S. gold stocks at the old price of \$35 an ounce. This would supposedly hurt South Africa, by driving down the price of gold.

The idea was first raised by the London *Economist*, which is factionally allied with the Queen on the issue of sanctions. In an editorial entitled "Go for Gold," in its July 19 edition, the *Economist* demanded that the North American governments, the European Community, and the Commonwealth should issue the threat: "Unless Mr. Nelson Mandela is released by September 30, the central banks signing this statement will start to sell gold from their vaults, with the object of slashing gold's market price."

South African Bishop Desmond Tutu, probably acting on orders from his superior, the Queen's Archbishop of Canterbury, Robert Runcie, repeated the same proposal in an interview on U.S. television July 27.

During the July 29 Foreign Relations Committee session, Lugar reportedly waved the relevant issue of the *Economist* around, to motivate his gold-dumping plan.

Senator Lugar's fool's gold

Flooding the market with U.S. gold isn't going to help South African workers one iota. Those who really benefit from the sale of America's remaining hard assets at bargain basement prices will be the powerful financial speculators in Switzerland, London, and the Soviet government—not to mention the Queen, who is doubtlessly clearing out room in Windsor Castle's subbasement in anticipation of huge new shipments of gold.

What Lugar and his British mentors are proposing will wreak havoc on the tottering international monetary system. In the ensuing chaos, the entire structure is likely to come tumbling down.

Lugar's hodgepodge of measures will also do grave harm to South Africa, politically and economically. They will throw South Africa into the camp of the debtors who will not pay Western banks, drive hundreds of thousands of black workers out of their jobs, and create such political instability that the Soviet-dominated African National Congress could conceivably come to power.

Moreover, they will deprive the United States of access to South Africa's strategic mineral resources, leaving the Soviet Union the only remaining source of many of the substances on which the American civilian and military industries depend.

There is no question but that Queen Elizabeth, unable to bludgeon Prime Minister Margaret Thatcher into imposing sanctions on South Africa, is playing her assets in the United States to force Reagan to accede to sanctions. That, in turn, would make it much more difficult for Thatcher to hold out.

Ted Kennedy said as much July 27. Appearing on NBC-TV's "Meet the Press," Kennedy emphasized that "strong action" by the Senate "will spur Western European countries and the Commonwealth, which is meeting early in August" to take action against South Africa.

Kennedy caused a ruckus in the Senate July 31, when he attempted to attach his sanctions package to the debt-ceiling bill, provoking a fight with Senate Majority Leader Bob Dole.

House panel wants Soviet grain subsidized

The House Agriculture Committee approved legislation July 30 that would require subsidized U.S. grain sales to the Soviet Union and China. A similar bill was passed by the Senate a week earlier, thanks to the yeoman efforts of Senate Majority Leader Bob Dole (R-Kan.).

The proposal has generated intense controversy. Within the administration, Secretary of Defense Caspar Weinberger and others have forcefully argued against the sale, on the grounds that it would simply feed the Soviet war machine.

Secretary of State George Shultz has also publicly opposed it. In hearings last week, he termed the notion

"ridiculous," and said it would violate agreements between the U.S. and its allies. But the President's key domestic advisers, including Treasury Secretary James Baker and Agriculture chief Richard Lyng, support it. Key farm-state members of Congress also back it.

The measure has drawn the ire of the Australian government. Prime Minister Robert Hawke warned that the legislation would have "devastating implications" for his country. In a letter to about 50 members of Congress, Hawke predicted that application of the U.S. subsidies to wheat sales to the Soviet Union and China, his country's two top wheat buyers, "would inflict critical damage on the well-being of all Australians." He also said that subsidizing the Soviet state at the expense of "America's friend and ally Australia" would inevitably raise questions "about America's commitment to its leadership of the West."

Warner pushes national strategy act

Sen. John Warner (D-Va.) has been plumping his National Strategy Act measure, ever since he introduced it last winter. Sponsored by some of his more prominent colleagues, including Senate Foreign Relations Committee chairman Sen. Richard Lugar (R-Ind.), Sens. Barry Goldwater (R-Ariz) and Sam Nunn (D-Ga.), chairman and ranking minority member, respectively, of the Senate Armed Services Committee, and Senate Intelligence Committee head David Durenberger (R-Minn.), the measure would mandate the President to issue a report to

Congress every year, defining, in detail, U.S. national strategy.

Major parts of the bill, which also exists in a House version, have been incorporated into the House and Senate defense-department reorganization bills.

Now, Henry Kissinger has come forth to give Warner's proposal a boost. In a syndicated column which appeared in the *Washington Post* July 29, Kissinger asserted that the fight within the country—and the Reagan administration—between the "defense unilateralists" (read: Defense Secretary Caspar Weinberger and other supporters of the SDI) and advocates of arms control should be resolved, by creating a "panel on national strategy" similar to the Packard and Rogers Commissions.

The panel "should be charged not with developing actual negotiating positions, but with developing a strategic doctrine by which negotiating positions can be judged," said Kissinger, and "could begin with seeking to answer the key questions raised by the Strategic Defense Initiative. Against what dangers does the [SDI] seek to protect: The defense of missile bases? Of population centers? And against what level of attack? And how will each proposed deployment be modified by various reduction proposals?"

Although Warner's legislation does not call for the creation of an independent panel, one of his aides said, "Kissinger and the Senator have discussed the question of arriving at a national strategy [and] are very much on the same wave length."

The aide also disclosed that Warner, chairman of a key Armed Services subcommittee, "spends a lot of time at CSIS"—the Washington think-tank where Kissinger hangs his hat.

National News

TV networks to launch drive against Reagan

The three principal U.S. television networks have decided to force President Reagan to change his policy on South Africa, according to a press source with ties to the White House. "They are going to do to Reagan on South Africa, what they did to Nixon on Watergate and Johnson on Vietnam, make him bend to their will.

"There is no question that the three networks have made up their mind on the South Africa issue," stated this source. "They have decided to make it an American civil rights issue. You can see it every day. Not a day goes by that Bishop Tutu or some other similar person is not given major press play. Once this goes into 29 million homes on a daily basis, you're going to have the Republican Congressmen screaming at Reagan that it's an election year and he has to change policy as a result.

"I know how this works. The boards of directors dictate policy to the network executives. Every day there are meetings with the executives and the producers, this is where policy is really made. They then dictate editorial policy to the news editors. I can see it work. They take copy and twist it to fit their slant.

"Unless Reagan goes publicly with the Buthelezi option [Mangosuthu Buthelezi is the leading black moderate in South Africa, who opposes economic sanctions by the West on the ground that blacks will be hurt the most—ed.] or something similar, he's going to get eaten alive by these guys."

A bad week for the 'gay rights' lobby

"Gay rights" activists received two important setbacks at the end of July. California Gov. George Deukmejian on July 28 vetoed a state bill banning discrimination against

AIDS victims in housing and employment. The veto was immediately attacked by Benjamin Schatz of National Gay Rights Advocates, Rabbi Allen Freehling of the AIDS Inter-Faith Council, sponsor Art Agnos of San Francisco, and Los Angeles Mayor Tom Bradley.

An editorial in the Los Angeles *Herald Examiner*, entitled "Lost Opportunities—Gov. Fails to Fight Epidemic of Fear," blasted Deukmejian for his decision and demanded that he come out against the referendum calling for public health measures to stop AIDS, sponsored by associates of Lyndon LaRouche. Deukmejian has not commented on the AIDS initiative.

Then on July 29, the Chicago City Council rejected a proposed Gay Rights Ordinance by a vote of 30-18. An estimated 150 anti-Gay Rights protesters from a group called CROSS (Coalition Reinforcing Our Social Standards) were carrying signs outside City Hall reading: "No one is immune from the AIDS epidemic." "Gay today, gone tomorrow," and "God made Adam and Eve, not Adam and Steve."

Kissinger: U.S. needs new defense doctrine

Henry Kissinger thinks the United States needs a new defense doctrine to replace President Reagan's concept of "Mutually Assured Survival," the doctrine underlying the Strategic Defense Initiative (SDI). Naturally, the new doctrine will require a "special envoy" with extraordinary powers, to negotiate with Moscow. Any idea whom he has in mind for the job?

Writing the first of his new series of columns July 27 in *Welt am Sonntag*, the second-largest Sunday tabloid in Germany, Kissinger calls for a new definition of the SDI: "Building Strategic Defense, cannot be separated from the Strategic Attack Potential. It is obvious that the level of strategic defense can be kept lower, the smaller the attack potential is."

The United States therefore needs "an expert commission on national security" to

work for "a new strategic doctrine." The President must appoint "a presidential envoy for East-West talks, who reports to the President and the secretary of state." The special envoy should be given extraordinary powers: "To avoid rivalries between the different departments of state, he should be given far-reaching conceptual guidelines." The envoy should be given the right to negotiate and pre-sign (!) agreements with Moscow.

In an op-ed commentary in the *Washington Post* on July 29, Kissinger attacked the "defense unilateralists" who stand in his way—a reference to Defense Secretary Caspar Weinberger and his factional allies. "The 'defense unilateralists,'" Kissinger wrote, "have refused to face the fact that arms control is now an essential requirement of both domestic and allied politics, that their choice may be between a negotiated arms control agreement or a legislated unilateral one."

U.S. protests Soviet attack on LaRouche

On July 17, 1986, U.S. Ambassador to the Soviet Union Arthur Hartman released the text of letters he wrote to the editors of two Soviet newspapers, protesting their published allegations that AIDS was the result of U.S. military biological warfare experiments.

The letters were addressed to Valentin Chikin, the editor of *Sovietskaya Rossiya*, and Aleksandr Chakovskii, editor of *Literaturnaya Gazeta*.

The first surfacing of the Soviet charge had been published in its Oct. 30, 1985 issue of *Literaturnaya Gazeta*, which featured an attack on U.S. presidential candidate Lyndon H. LaRouche, Jr. and *EIR*. The weekly claimed that LaRouche was the mastermind of an attempt by the Pentagon and CIA to raise suspicions about Soviet biowarfare experiments, to divert attention from the fact that the U.S. institutions had created AIDS in biological warfare laboratories.

In the articles cited by Hartman, *Liter-*

aturnaya Gazeta repeated its charges against the United States in an article on May 7, 1986, and *Sovietskaya Rossiya* made similar claims in its issues of April 27, and June 8, 1986.

A spokesman for Lyndon H. LaRouche, Jr. stated that the candidate was eagerly waiting to hear the Soviet response to the formal U.S. protest on his behalf.

Reagan: SDI must stay on schedule

Despite press reports that President Reagan offered the Soviet Union a seven-year extension of the Anti-Ballistic Missile (ABM) treaty in his recent letter to Mikhail Gorbachov, the President as of July 29 was continuing to insist that the Strategic Defense Initiative (SDI) is the cornerstone of U.S. defense policy.

"Our program for the reduction of nuclear weapons rests on two pillars," he told White House interns. "The first is good faith negotiations with the Soviet Union toward arms reductions, and, as I said, I think we are seeing the first cautious steps in this direction from the other side.

"The second pillar is our Strategic Defense Initiative, research on which has advanced more rapidly than the projections of even a few years ago. We won't bargain away SDI because it is a promising area of technology that could release the world from the threat of nuclear ballistic missiles. We must continue our SDI program on schedule. What we seek is a transition to a world in which deterrence no longer depends solely on the threat of mutual annihilation."

Reader's Digest lies for the dope lobby

Lyndon LaRouche sent the following letter to the *Reader's Digest* on July 14, according to his press spokesman, regarding a libelous article which appeared in the maga-

zine's August issue. Copies of the letter also went to author Eugene Methvin and to President Reagan.

"I can not believe," LaRouche wrote, "that *Reader's Digest* would publish so blatantly lying a piece of paranoid hate-fantasy as your 'Lyndon LaRouche's Raid on Democracy,' and am still puzzled as to why Methvin, a member of President Reagan's Commission on Organized Crime, would allow his name to be put on an article from the pen of a notorious drug-lobbyist, *High Times*-allied Dennis King.

"You should know that Mr. Methvin has admitted that he consulted with Dennis King on this matter. Whether King actually ghostwrote the article, I am not certain; almost the entirety of the text is a pasting-together of gobs of prose already published by either King himself, or his crony, *High Times*' John Foster "Chip" Berlet.

"Until this article, I had thought that Mr. Methvin was opposed to drug-trafficking, and the *Reader's Digest*, too. Obviously, some one at a high level is pulling both your own and Mr. Methvin's string."

SDI science adviser leaves the Pentagon

Gerold Yonas, President Reagan's top scientist for the Strategic Defense Initiative (SDI), quit his Pentagon position on Aug. 1 to go to work for Titan Corporation in La Jolla, California. Titan is bidding for a share of the SDI's research contracts.

Dr. Yonas will become a vice-president, overseeing the development of electro-optic and high-energy systems. "I view Titan as an opportunity to apply SDI technologies beyond military aspects," Dr. Yonas said, after meeting with Titan officials. "Titan offered me an opportunity to apply my technical expertise to a broader area than I have in the past."

Dr. Yonas played a central role in convincing the government to embark on SDI, and was one of the few officials in the Reagan administration with a real commitment to the program.

Briefly

● **ZBIGNIEW BRZEZINSKI** has called on President Reagan to "bite the bullet" and impose a naval blockade against Nicaragua. In a discussion with editors of the *Washington Times* on July 29, he said this would halt Soviet bloc arms shipments and isolate Managua from Soviet and Cuban support.

● **THE AIR FORCE** recommends mothballing its \$3.3 billion West Coast Space Shuttle complex, Vandenberg Air Force Base, until at least 1991, *Aviation Week and Space Technology* reported July 28. From Vandenberg, Shuttles can be launched into polar orbits that allow observation of the entire planet as it spins below. Now the Air Force will have to rely on the Kennedy Space Center in Florida.

● **THE SENATE** Judiciary Committee approved legislation on July 31 that would provide fines of \$250,000 and prison terms up to 20 years for officials whose banks launder drug-money.

● **THE U.S. PLANS** to sell weapons to Tunisia for the first time in four years, to strengthen it against threats from countries such as Libya, the Pentagon announced on July 28. Included are 57 M-198 towed howitzers and 70 five-ton trucks for towing, plus other support equipment totaling to a value of \$60 million.

● **DR. CARL SAGAN**, the promoter of "nuclear winter" scenario authored in the Soviet Union, accused the Pentagon of "politically motivated exaggeration" of Soviet laser defense research, in a press conference in Washington, D.C. on July 31. The press conference followed a stormy debate between him and Lt.-Gen. James Abrahamson, the director of the Strategic Defense Initiative. Sagan suggested that the Soviet laser research facility at Sary Shagan is merely "an anti-aircraft testing facility."

Editorial

The IMF's technicians

In the recent decision of the government of Mexico, to once again sign an agreement to implement an economic program of the International Monetary Fund (after much nationalist feinting in the opposite direction), we are reminded of a delusion that is not unique to Mexican government officials, or even those of Ibero-America generally. It is imagined that the IMF is actually a "financial" or "monetary" agency, that it is primarily concerned with the structuring of various nations' economic affairs to ensure orderly debt repayment, and that its policies toward debtor nations, in this regard, are financial policies, albeit stubbornly "misguided" financial policies due to a partiality toward creditor banks.

Gentlemen, that is not the case. The International Monetary Fund is not a "financial" agency, nor is its principal concern with debt repayment. That explains the otherwise remarkable fact that the IMF has never, at any time, anywhere in the world, introduced a policy that resulted in an improvement of any nation's debt problem. Rather, as any Mexican ought to know extremely well, the effect of IMF austerity policy has always been to make virtually unpayable burdens of debt actually unpayable, in the process of destroying nations' productive economies.

We admit that the principal *tool* of the International Monetary Fund is, in that sense, financial. But its goal is not financial. Its goal is the destruction of nations, the decimation of peoples by starvation, disease, and warfare. Its goal is genocide, on a scale not conceived by Adolf Hitler. The debt of debtor nations is, to an IMF official, merely leverage.

Survivors of the Nazi extermination camp at Treblinka reported the existence of a certain category of Nazi administrator whom they knew as "the technicians." It was the job of the technicians to determine in advance and regulate all aspects of the doomed inmates' condition. The technicians coolly and dispassionately regulated how many calories inmates received and how much work they were forced to do. The technicians coolly and dispassionately calculated

how much clothing of what kind inmates received, and the sanitary conditions under which they lived. And the technicians coolly and dispassionately calculated the results of these calculations. The technicians estimated how many would die in what period of time, or rather, how many it was desirable to have die.

Inmates feared "the technicians" far more than the famously brutal guards.

Behind the creditor banks of the "North," behind their policy of usury toward the peoples of the "South," stand the oligarchical "families" of the U.S. Eastern Establishment, and of London, of the European continent, and of the East, the Soviet *nomenklatura* and their satellite nobilities (yes: the Soviets have had much to do with IMF policy). The essence of the oligarchism of these families is Malthusianism and racism. The "families," in this regard, are ideological, not practical. It has been the policy of the families—the Rockefellers, with their various "population councils" and such, being a rather public case in point—to massively reduce the population of black, brown, and yellow peoples of the earth, in the course of destroying the institutions of the nation-state republic. The means, former World Bank president Robert McNamara called "the traditional means"—famine, pestilence, and disease.

The creditor institutions controlled by the families have pursued lending policies toward debtor nations that correspond to the goal of genocide. It has been a policy of not lending for production and development, but lending in order to usuriously pyramid the volume of obligations—to give the creditor institutions dictatorial power over the debtors, irrespective of prospects of repayment.

And what, in this international arrangement, is the IMF? The IMF is: "the technicians." Into the famous "conditionalities," for what is called "refinancing," drawn up for Mexico and every other debtor nation by the IMF, has gone the same cool and dispassionate calculating of the rate of mass murder to ultimately result, as reported of that most feared category of Nazi administrator by the very few survivors of Treblinka.

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