

EIR

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War looms between Reagan and KGB-run Congress
Will India meet the challenge of productivity?
Fusion test reactor hits 200 mn degree milestone

**Democratic trade unions
rally behind Peru's García**



EIR

Quarterly Economic Report

The deflationary collapse of the Western banking system

First Quarter 1986



The 60% collapse in the world oil price between January and March has destabilized the international financial system, and accelerated the impetus toward what has been called, "a new depression, on top of the present depression."

What should be done? The answer is simple. Impose an emergency oil import tariff now. The free-marketeers, and their Soviet friends, will scream about it, but the measure is the most readily available alternative to halt the unraveling of the bankrupt international and national financial system.

Did you know that . . .

- **\$250 billion of U.S. banks' domestic assets will go bad, in the wake of the collapse of oil prices since November 1985.** The crash will by no means be limited to banks' loans to energy companies.
- **Conditions have been set for a general panic among savings-bank depositors,** whose \$1.2 trillion in deposits lack federal insurance backing.

- **The U.S. is on the verge of a revolution in medical technology.** But the Gramm-Rudman budget-cutters and Washington cost-accountants threaten to keep these technologies from being introduced, and are "reforming" the Medicare and medicaid system into a means for wholesale euthanasia against America's sick and elderly.

Since the fall of 1979 Lyndon LaRouche's forecasts have established a record unparalleled in accuracy by any other economic forecasting service in the nation. Data Resources International and Chase Econometrics proved unable, in the fall of 1979, to correctly forecast the consequences of the credit policy then being initiated from the Federal Reserve by Paul Volcker. LaRouche did, in the EIR Quarterly Economic Report. Those agencies, and their co-thinkers, have been repeatedly exposed as incompetent bunglers, while the LaRouche record has been maintained.

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EIR

From the Managing Editor

The mass-circulation Soviet weekly *Sovietskaya Kultura* has run a front-page article defending one of the most notorious mob banks in America, First Fidelity of New Jersey, against Lyndon LaRouche. The Russians tell readers that the *EIR* founder is “at the center of attention of reporters dealing with the criminal world of the United States” (pages 41).

Why are the Russians so obsessed? The article states: “LaRouche . . . has wanted to assume the role of a political leader to revive America. He even was a candidate for President of the United States, and he has not abandoned this idea. . . .”

Even as the attack appeared, however, Russian propaganda also began to extend apparent support to certain LaRouche policies opposed by the Russians for more than a decade—for example, East German radio’s ringing praise for the same Alan García of Peru whom an East German arms shipment was designed so recently to overthrow (page 49). The fact is, the Russians wish to drive a wedge between LaRouche and the Reagan administration, and how better to do so, than to arrange for LaRouche policy proposals to appear “Soviet-supported”?

Among the latest developments guaranteed to cause the Soviets to do such backward somersaults are:

- The annual conference in Erice, Sicily, where the U.S. delegation presented a package unmistakably composed of “LaRouche formulations” on the Strategic Defense Initiative, AIDS, and Third World development (page 38).

- President García’s meeting in Lima with Ibero-American trade union leaders in defiance of the IMF, to map out a strategy for Ibero-America’s leaders in defiance of the IMF, to map out a strategy for Ibero-America’s salvation very like LaRouche’s *Operation Juárez* (page 28).

- President Reagan’s launching of a “LaRouche-style” War on Drugs, which is to say, war on a major component of Soviet low-intensity warfare against the West. And suddenly, it has erupted into the European press that the largest heroin shipment ever seized in Europe came from . . . Riga, U.S.S.R. (page 40)

In a just-released policy document on the urgency of implementing his proposed new U.S. Middle East policy (page 44), LaRouche himself summarizes why the Soviets and their liberal Democratic allies are jumping up and down about his growing role.

Vin Berg

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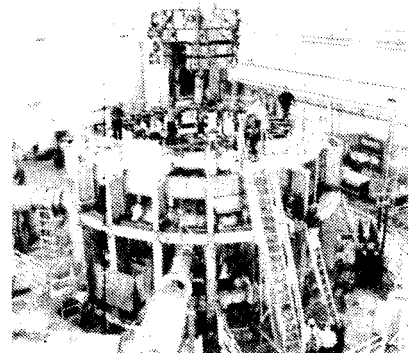
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NSIPS/David Ramonet

Peruvian President Alan García (second from left) receives leaders of Ibero-America's trade unions in Lima on Aug. 15. To his right is Jorge Carrillo (Colombia); to his left are Rodolfo Seguel (Chile) and Luis Negreiros (Peru), and Antonio Carlos Batista (Brazil).

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Tax reform: last nail in U.S. industry's coffin

by David Goldman

Blithely unaware of the bitter irony involved, House and Senate conferees chose the 15th anniversary of Aug. 15, 1971, to approve tax legislation which may well prove to be the most devastating economic-policy blunder since the day that President Richard Nixon unlinked the U.S. dollar from gold. With nearly a fifth of our total physical consumption, and a quarter of our capital goods, accounted for by our trade deficit, the United States hardly exists as an industrial power. Now Congress, with the open support of President Ronald Reagan, proposes to tear down the last remaining policy-supports for heavy industry, agriculture, mining, and basic infrastructure.

By now, the usual commentators have registered the fact—of which *EIR* first warned in January 1986—that tax reform proposed a general deindustrialization of the United States. That is not how the bill has been sold to the President, by such misadvisers as Professor Milton Friedman, who has had Ronald Reagan's ear for much too long. The misadvisers laud "the bottom line of tax reform," as the *Wall Street Journal* editorialized Aug. 20, supposedly that "it is not designed to reward or punish income classes or economic sectors, but to begin dismantling a complex system of reward and punishment. There will be losers, no doubt, but everyone must have some sense by now that the intended direction is toward tax neutrality, certainly the right way to go."

"Tax neutrality" has become the most vapid euphemism in the recent history of economics. Federal revenues now account for a fifth of national income. Tax neutrality? Only a gang of economists who believe that capital magically appears when the market demands it, and that production

magically occurs when there is demand for it, and that there is no economic difference between bordellos and steel mills, could produce such an idiocy.

The central issue of the tax "reform" now before Congress is the elimination of the Investment Tax Credit and the stretching-out of depreciation schedules for industry, intended to raise about \$120 billion from corporations, in order to finance a tax cut to consumers. That is not a "free-market" tax bill (which the President should have suspected, since it originated with liberal Sen. Bill Bradley (D-N.J.) in the first place), but a dirigistic attack on investment in new plant and equipment.

Governments do not tax corporations' cost of doing business; they tax profits. Capital investment is a cost of doing business, as much as are wages and salaries. But that cost is paid out over several years, i.e. over the life of the equipment. If an electric utility chooses to scrap a coal-burning furnace for a more-efficient nuclear power system, increasing its productivity, and lowering the cost of electricity, it absorbs the cost of its earlier investment at the moment it junks the old equipment. Under current rules, it may write off its investment—that is, renew its plant and equipment—over 16 years. The new tax law raises this level to 25 years for power-generating equipment, and the disadvantages to other basic-industry sectors are comparable.

The government proposes, in effect, to order electric utilities to postpone new investments in more productive power generation until 25 years after their earlier investments have been made. It has told the rest of industry to delay improving their plant and equipment, because they may not

treat such improvements as a cost of doing business for tax purposes. That is not tax neutrality; that is a dirigistic directive to heavy industry not to prove productivity.

"Congress is saying that capital-intensive industries aren't as important as service companies," the *Wall Street Journal* Aug. 19 quoted an expert at the accounting firm Touche Ross. By eliminating the Investment Tax Credit, an incentive to capital investment which dates from the Kennedy administration, and cutting back the depreciation schedule for most capital investment, the new tax code penalizes heavy industry more than any other sector.

Real estate the other big loser

The other big loser is the nation's real-estate bubble, the one apparent source of support to the nation's economy during the continuing post-1979 depression. President Reagan's first, 1981 tax revisions sucked virtually all available cash into real-estate development, especially commercial real estate. The new bill prevents real-estate investors from using tax-losses generated by real-estate investments made with borrowed money, to write off taxable income from other sources. In other words, it eliminates the entire rationale for the real-estate bubble of 1979-1985, which produced a 25% vacancy rate in commercial buildings in the nation's major urban centers, and wipes out roughly 40% of the resale value of much commercial real estate.

The result, according to *Executive Intelligence Review's* Quarterly Economic Report for the second quarter of 1986, will be to wipe out \$150 billion in bank loans to real estate, on top of \$100 billion of loans already gone bad. The \$250 billion of bad debt associated with commercial real estate is larger than American banks' loans to South America.

Among the capital-intensive industries, the legislation will:

- 1) Wipe out the last vestiges of the steel industry, which will refuse to make new investments, according to published statements by the management of USX (formerly U.S. Steel);
- 2) Increase the cost of American-made machine tools by at least 10%;
- 3) Destroy the ability of depressed heavy-equipment companies to use their losses of the 1979-1986 period to offset future income in any recovery, and thus hurt their ability to obtain credit; and
- 4) Deliver a final blow to domestic petroleum exploration-and-development companies, which will no longer be able to finance drilling on the basis of tax incentives.

Originally, the tax package had been advertised as a boon to consumers, at the expense of business—in fact, a typical income-redistribution program of the sort the liberal Malthusians have pushed for two generations. Since it was hatched in the office of such a liberal Malthusian, Senator Bradley, that is no surprise. The House-Senate joint bill does something even worse: What the tax bill takes from heavy industry, it hands out to retailers, brokerage firms, broadcasting, and other service-industry sectors.

Agriculture hit worst

But the worst loser of all is the nation's most productive, and most depressed, sector: farming.

A coalition of eight farm groups, led by the Des Moines-based National Pork Producers Council, sent a letter Aug. 15 to members of the House-Senate conference committee warning that the depressed farm economy will be devastated by some of the proposed changes in the tax code. Other groups in the coalition include the American Farm Bureau Federation, the National Cattlemen's Association, the National Corn Growers Association, the National Association of Wheat Growers, the National Cotton Council, the National Grange and the National Milk Producers Federation. The bill would repeal income-averaging provisions in the current tax code and limit health-insurance deductions for self-employed taxpayers, both widely used by farmers. The loss of income averaging alone will cost farmers \$300 million per year.

"If Congress repeals income averaging, it would mean farmers suffering from natural disasters and severe fluctuations in market price would not be able to even out their receipts to more accurately reflect their annual income," a spokesman for the coalition said. In addition, repeal of the Investment Tax Credit would cost farmers another \$1 billion.

Trade collapse

At a time when the administration and Congress are complaining the loudest that the nation's \$170 billion trade deficit is forcing the country into recession, approval of the new tax bill takes on a special kind of lunacy.

Reuters news service reported on Aug. 18, "The tax reform bill passed by a Senate-House conference committee this weekend is likely to further worsen the U.S. trade deficit, analysts said today. They said a major weakness is that it repeals investment tax credits and reduces accelerated depreciation, considered vital to many heavy industries who need to modernize to compete with foreign firms in such fields as steel and car-making. . . . Analysts said the tax bill, which has yet to be approved by the full Congress, will increase the price of buildings and machines used by manufacturers 10% to 15%, and this, one said, is about one-third of total production cost."

This year's \$170 billion trade deficit, up from \$150 billion last year, reflects fewer but costlier imports, given the collapse of the U.S. dollar. Federal Reserve chairman Paul Volcker, among other public officials, is warning that a further collapse of the dollar (now barely above 2 German marks, against 3.4 German marks at its 1985 peak) will destroy America's ability to borrow the funds abroad needed to finance the gigantic deficit.

One bank commentator, Fidelity Bank of Philadelphia, warns, "Current tax reform proposals fundamentally lower the equilibrium level of the U.S. dollar by depressing real after-tax rates of return on U.S. dollar-denominated assets." That is, the tax bill will crush profits, and eliminate any further reason to put money into the dollar.

Survival of millions is threatened

by Mary Lalevée

On Aug. 18, the International Red Cross announced that it was suspending flights of food and other air into several towns in southern Sudan, following the shooting down above the city Malakhal of a civilian airliner shortly after take-off from the airport of Wau in southern Sudan. The Sudan People's Liberation Army (SPLA), actively backed by Ethiopia, claimed responsibility, announcing it had used a SAM-7 missile in the operation. All of the 60 passengers and crew were killed.

Later, the SPLA announced it would fire on any aircraft flying over the territory it controls, whether military or civilian. A spokesman for the SPLA, interviewed on Aug. 18 by Radio France Internationale, justified the actions of the rebels in de facto cutting supplies of food aid into the starving areas of the south: "Relief aid is abused by the Sudanese government. Aid is going to the Sudanese army."

Since 2 million Sudanese are facing starvation, the SPLA is deliberately allowing the famine in the region to worsen, in order to win more support for its secessionist efforts. "Sudan's famine is SPLA leader Col. John Garang's best weapon," commented a local observer.

Dramatic as it is, this is just one crisis among many in Africa. Just how bad the situation is in the Sudan and other African countries, hit by rebellions, civil wars, insurgencies, and by draconian austerity measures, is described in a grim report issued by the United Nations Children's Fund (Unicef), on Aug. 12.

In its previous report, "Within Human Reach," issued at the end of 1985, Unicef had strongly criticized the International Monetary Fund (IMF) and the World Bank for insisting on austerity measures in Africa which had *directly* led to increased infant and maternal mortality rates—through cutbacks in health care, social services, and infrastructure. Its latest report, "Update on Emergency Assistance to Affected Countries in Africa," does not name explicitly these organizations, but is still a damning indictment of those who insist that African nations must first pay their debts, devalue their currencies—making vaccines more expensive and cutting revenue from raw material exports which are already at all time low-prices—and cut government spending.

The reports says: "Locusts, grasshoppers, armyworms, and rats threaten hundreds of thousands of acres throughout Africa, and the survival of millions of African people, just recovering from drought and famine."

In Sudan, malnutrition among children in the South is "approaching the 1984-1985 famine rates," says the report. "Prolonged rains and absence of any kind of shelter makes their condition particularly miserable." Some towns in the South are deserted, while the towns of Juba, Wau, and Malakhal have taken in respectively 50,000, 40,000, and 35,000 refugees, mainly women and children. A recent report from Oxfam reveals that of 1,600 recent arrivals at one camp, 14% to 28% of the children suffered from malnutrition. "Some 2.5 million people, largely women and children, will need food aid, well into 1987. . . . The majority of the population, particularly children, are still highly vulnerable to outbreaks of infectious diseases [such as measles and typhoid]," continues the Unicef report.

In Chad, a plague of grasshoppers is threatening "devastation," writes Unicef. The grasshoppers, which last year destroyed some 60,000 tons of cereals, have laid eggs, which hatched in the rainy season. Grasshoppers have been found at a rate of 500,000 per hectare in areas 80 km south of the capital, N'djamena. The FAO reports that despite urgent appeals to the international community for pesticides: "No pesticides have been delivered to Chad as yet. Requests for help from rural provinces throughout the country are reaching crisis proportions," adds Unicef. With no action taken so far, a "second attack" of grasshoppers is expected by September, striking leaves and heads of fully grown plants, killing not only the final crops but also next year's seeds.

Burkina Fasso (Upper Volta), Mali, Mauritania, Niger, and Cape Verde are described by the Unicef report as being "under siege" from grasshoppers, while in Sudan and Ethiopia, widespread infestations of African migratory locusts are reported. In Mozambique and Zambia, swarms of red locusts were produced in three areas for the first time since the plagues in 1930 and 1944. In Botswana, swarms of brown locusts have extended over the south, threatening more than 20% of the crops with devastation.

Unicef also reports that Ghana, a country which has signed multiple agreements with the IMF, there has been a "marked deterioration in the situation of mothers and children over the last few years—as basic services and other essential needs have become critically limited." The under-five mortality rate in Ghana has increased from 110 per thousand in 1983 to 155 per thousand in 1985. Malnutrition rates among children are running at 30%. There are several cases of AIDS in Ghana not reported by the Unicef report.

Conditions in other African countries are as bad: According to the conclusion of the Unicef report, millions of people, especially children, are threatened in Angola, Botswana, Burkina Fasso, Cape Verde, Chad, Ethiopia, Ghana, Lesotho, Mozambique, Madagascar, Mali, Mauritania, Niger, São Tomé and Príncipe, Sudan, and Zambia.

The key problem is yet to be tackled in the Indian economy

by Ramtanu Maitra and Susan Maitra from New Delhi

Since April 1985, the Rajiv Gandhi administration has introduced a plethora of measures with the goal of streamlining the slow-growing Indian economy and giving it an impetus for faster growth. Commonly referred to as the “new economic policy,” this package has been the focus of great excitement both here and abroad.

Inside India, a coalition of Neanderthal businessmen and socialist ideologues erupted to protest the government’s “capitalist turn.” On Wall Street, an equally myopic group celebrated Rajiv Gandhi’s alleged conversion to “free market” magic. Both miss the point.

The policy package has two principal aims: to loosen the tight regulatory grip that has strangled industry, on the one hand, and on the other, to streamline the fiscal-budgetary process to enhance revenue collection and stabilize the business climate. Liberalization of import licensing was just one of the more controversial features of the package.

These measures were long overdue. But from the standpoint of the prerequisites actually needed to move the Indian economy, it is like the elephant producing a mouse. The urgent problems which have put a brake on the growth of the physical economy over the last two decades, and formed the basis for ethnic and religious clashes now threatening to tear the nation apart, have so far remained untouched.

Besides infrastructure, which is in impossibly short supply, and modernization in certain basic industries such as steel, machine-tools, and basic engineering, the central problem in the Indian economy is *productivity*, in particular *agricultural productivity*. What is required is a focused, priority program to generate surpluses in agriculture to vastly increase investment resources for industry and bring forth the agro-industries that will provide the transition for the workforce from agriculture to industry.

Political obstacles

The problem is only of *political* economy, in the sense that Friedrich List and Henry Carey stressed by that, the development and mobilization of the productive powers of a nation. In the 1984 December elections, less than two months after Prime Minister Indira Gandhi was brutally murdered, the present administration won a massive majority. Rajiv Gandhi campaigned on a commitment to take India into the 21st century, and he bid the population join him in the enter-

prise. They did so, overwhelmingly.

But nearly two years later, the vision of India of the 21st century remains hazy. As the Indian population awaits a briefing on the order of battle, a question is taking shape in their midst: Is it politics-as-usual again, after all?

Only the most cynical doubt the Rajiv Gandhi administration’s intentions. At issue is whether he and his associates possess the combination of wisdom and courage to take political control of economic policymaking, and take the kind of action necessary to make good on the promises.

The five-year plans exemplify the problem—instead of being a powerful lever for transformation of the economy, the plan has become a bureaucratic mechanism for placating all constituencies, for creating the aura of “a socialistic pattern of society.” While the Gandhi administration might deservedly expect kudos for implementing the plan efficiently and in full, it will be a Pyrrhic victory. While critical infrastructural sectors, a prerequisite to productive investment, gasp for breath, ineffective “anti-poverty” cash distribution multiplies. The anti-poverty funds are controlled by the same political powerbrokers who systematically sabotage public-sector projects in their states by using them as “employment factories” for political patronage. The present administration no less than others has found itself dependent on these politicians to stay in power. Only a campaign for national development can break the stalemate, creating at one and the same time a new mass constituency for progress and a political apparatus across the country capable of translating the Gandhi government’s intentions into reality.

It is characteristic of large, slow-moving creatures that it is only with great difficulty that they can be induced to either slow down or speed up in the short term. Thus one would not expect to see much impact one way or the other—either of the policy measures or sins of omission on this account—in a review of the economy’s 1985-86 fiscal year performance.

The economy appeared stable. The rate of inflation in the wholesale price index showed a 3.7% rise over the year, down considerably from the 7.6% jump it registered in the previous year. Industrial output grew by 6.1%, and foodgrain production was 148.5 million tons—an increase of 2.3 million tons over the 1984-85 harvest, but about 11.5 million tons below target, due to a continuing erratic monsoon pattern. Meanwhile, the country’s buffer stock of foodgrains

has grown to 29 million tons. The government's effort to manage the buffer stock with exports met with some success: \$250 million worth of foodgrains were exported during the year—an increase of \$87 million over 1984-85.

The core sectors of industry also registered moderate growth rates. Capacity utilization in the public-sector steel plants rose from 73%-79% in 1985-86, and the Steel Authority of India, Ltd. (SAIL), which manages the plants, showed a profit of \$600 million for the year. SAIL has entered into a collaboration agreement with NKK of Japan for upgrading and modernization of technology at its three main plants—the Rourkela plant, the Durgapur complex, and the Indian Iron and Steel Co. at Burnpur. Saleable steel production rose by 11.1% during the year and cement production, now over 32 million tons, showed a rise of 8.4%.

Coal, a key ingredient for the power and railroad sectors, registered an annual output of 160 million tons. In order to meet the Seventh Plan target of 226 million tons by 1989-90, several measures have been mandated: improvement of infrastructural facilities, opening of new mines, improvement of labor and machinery productivity, expediting of land acquisition for coal mining, and controlling worker absenteeism.

Petroleum, used chiefly in the transportation sector and fertilizer industry, went through a price hike to reduce consumption and furnish a margin of funds to the treasury. The oil consumption growth rate did moderate by 0.9% against the previous year's growth rate. Electricity generation rose by 8.6% overall; hydroelectric generation, one-third of the total, dropped by 5.3%. Thermal power plant output, helped by new installations of more than 2,000 megawatts, increased by 15.8%.

The foreign trade figures, however, were disappointing. The current account deficit based on trade imbalances rose to about \$6.9 billion—an increase of about \$2.6 billion. What caused the deficit is not only the rise of imports—which jumped by \$1.6 billion—but also a drop in overall exports. A key factor was the reduction in crude-oil exports, which had ballooned while India's refining capacity was being expanded to artificially boost the export profile. Generally, however, volume exports of the traditional commodities—sugar, tea, tobacco, spices, raw cotton, cotton yarn, silk fabrics, jute products, etc.—stagnated at the same time that terms of trade declined.

On the other hand, with the significant drop in spot-market oil prices and concerted import substitution plans for several large bulk imports such as sugar and edible oil, it is generally anticipated here that the trade deficit will moderate in the next few years.

India's debt abroad has reached the \$20 billion mark, mostly long-term foreign assistance, and debt-service payments are estimated at 13.6% of current account receipts for 1984-85. It is expected to rise to an average of 17.6% between 1985-90 at 1984-85 prices.

Overall, in the past 15 months, the economy has lum-bered along, but with virtually no increase in productivity.

TABLE 1

Incremental capital to output ratio (ICOR)

Plan	Years	ICOR
First Plan	1951-56	3.2
Second Plan	1956-61	4.1
Third Plan	1961-66	5.4
3 Annual Plan	1966-69	4.9
Fourth Plan	1969-74	5.7
Fifth Plan	1974-79	3.9
Sixth Plan	1980-85	5.0
Seventh Plan	1985-60	5.5 est.

Although some industrial facilities, both in the private and public sectors, have improved capacity utilization, output from capital investment continues to show a downward trend (see **Table 1**).

After 35 years of planning by the experts, the country still depends heavily on the monsoon rains for its foodgrain production; power shortages not only haunt industrialists and households, but also farmers. Transportation of raw materials, intermediate products, and finished goods is still a nightmare for entrepreneurs and a financial blessing to the railway mafia who routinely chisel valuable assets by stealing from loaded wagons. Indian ports have earned the distinction of being the most costly in the world.

This defines the most immediate context for the government's bid to move the economy into a faster growth mode. A glance at some Indian economic history explains the specific task they have taken on. For decades, Indian businessmen, many of whom started as mere traders during the British Raj, have complained of the all-pervasive presence of government bureaucracy in economic activity. They protested high taxation, delays in obtaining industrial licenses, denial of expanded market shares through the Monopolies and Restrictive Trade Policy (MRTP) law, tight controls over foreign exchange, and the public-sector domination of the economy.

The new measures, beginning with the 1985-86 budget released in March 1985, are an attempt to put to rest those complaints and put the ball in the industrialists' court. The labyrinthine controls over import and export, and other business activity, were not the brainchild of any Indian leader, but were introduced by the British Raj to serve its own interests, principally keeping India deindustrialized. Following independence, the welter of trade controls were lifted to facilitate the heavy industry-based industrialization program of the first two five-year plans. A "single window" clearing system, which guaranteed investors all necessary infrastructural backup once the license was issued, was adopted.

But then, in 1958, as a result of a very large burst of

imports of industrial plant and capital equipment, India was plunged into a serious foreign-exchange crunch. What emerged from the crisis was a system in which all industrial licensing was subjected to clearance from the standpoint of foreign-exchange requirements, and a myriad of controls were imposed which pushed delays in the licensing process up to 6-10 years. Over the years, the issuing of licenses and permits has become a thriving new business in its own right. As Indians put it: The British Raj was replaced by the License and Permit Raj.

In March 1985, the government accelerated the liberalization process that had begun five years before. Twenty-five broad categories of industries were de-licensed entirely, and in June the de-licensing was extended to 82 bulk drug and related drug-formulation companies. In December 1985, de-licensing was again extended, now to companies in 22 industries that were subject to the MRTP and Foreign Exchange Regulation Act (FERA), provided that such undertakings were located in a centrally declared "backward area." For many of the industries remaining within the ambit of industrial licensing, the facility of "broad-banding" was adopted to allow them to make changes in their product-mix without losing time seeking fresh licenses. The government also announced a scheme of capacity re-endorsement for all licensed units, except those in small-scale sectors or in certain industries suffering from acute shortage of raw materials or infrastructure, or characterized by high pollution.

Government also took a series of steps to rationalize the MRTP Act itself. The asset threshold bringing a unit under the purview of the act, set at the equivalent of U.S. \$20 million in 1969, was raised to \$100 million. Later, a new list was published specifying 30 broad industry groups in which MRTP or FERA companies are permitted to set up new capacity, provided the items of manufacture are not specifically reserved for the small-scale or public sectors.

The 1985-86 budget also introduced major tax reforms to foster an environment for growth and savings while at the same time encouraging compliance and providing relief to lower income groups. As a result, tax collections increased by more than 20% in 1985-86.

As a followup to the budget, in December 1985, a Long Term Fiscal Policy (LTFP) was announced, the first in India's history. According to the government's annual economic survey, the LTFP has four objectives. It is expected to impart a definite direction and coherence to the sequence of annual budgets, thus contributing to greater predictability and stability in the economic environment. Second, it will place more reliance on rule-based fiscal and financial policies as opposed to discretionary, case-by-case administration of physical controls. Third, the LTFP will facilitate coordination of different aspects of economic policy. Finally, it is expected to strengthen the operational linkages between the fiscal and financial targets of the Seventh Plan and the annual budgets.

Besides these measures, a new three-year import-export

policy, featuring a fairly extensive liberalization of import controls, was set forth. The policy is aimed at modernization and exports, at facilitating technology and other imports needed to augment production. Imports under the so-called "Open General License" have been significantly increased, with major benefit to the automobile, oil field services, leather, electronics, jute manufacturers, ready-made garment, canning, and other industries.

Sectoral policies, such as the textiles policy, were also announced. Fertilizer subsidies were reduced and petroleum prices hiked to reduce the foreign-exchange drain. Meanwhile, a vigorous effort has begun to bring in the huge pool of unaccounted money from industrial houses, businessmen, government employees, and others.

A hesitant response

The response of the business and industrial communities to these reform measures has been mixed. Investors were happy to see part of the complex regulatory structure streamlined. If the stock market, one of the main sources of capital for the corporate sector, is any indicator, enthusiasm is running high. Following the announcement of the new measures, the stock market showed a steady, almost heady upturn. About \$1.5 billion was raised from the capital market during the fiscal year, almost a 30% improvement over last year (see Table 2). However, real investment by the private corporate sector has not shown such optimism: 1985-86 investment of \$2.6 billion is only 10% more than last year.

The financial community's reaction to the government's policy moves must also be looked at in light of the Seventh Plan, launched in 1985, and their own appreciation of the need for "political will." The total plan outlay stands close to \$270 billion (see Table 3). Although modest growth targets have been projected overall, there is a great deal of skepticism as to whether even that can be attained. The allotted monies will be spent, but if previous plans are any guide, time and cost overruns will paralyze a large chunk of the capital.

Investors' cautiousness has been accompanied by cautionary notes from a number of senior Indian economists. Dr. K. N. Raj, for instance, has drawn attention to the danger of

TABLE 2
Funds raised from capital market

Year	Amount (million U.S. \$)	Percentage to net domestic savings
1980-81	\$110	0.6
1981-82	440	2.3
1982-83	640	2.9
1983-84	720	2.8
1984-85	1,100	3.9
1985-86	1,580	N.A.

complacency with regard to investment resources implied by the new policy so far. Raj finds fault with the government's apparent assumption that the private sector has virtually unlimited resources, such that it can take up whatever the public sector cannot or should not handle, that the public sector itself does not have a serious resource problem, and that exports can be raised fast enough to meet the bulk of foreign-exchange requirements of the Seventh Plan.

Raj's concern points to the underlying issue—a low rate of productivity growth in the economy, the fact that the rate of growth of real surplus is static at best.

What didn't change

India's export performance over the decades has been less than satisfactory (see Table 4). The problem was both in increasing the volume of exports, and at the same time, moving out of traditional goods to make a dent in the capital-goods markets internationally. Untangling the red tape and allowing increased technology imports are themselves of little help. In the first place, no superior (imported) technology can have an effective impact unless the basic infrastructure in the form of electricity, water, speedy and reliable communications, cheap and abundant transport, and a pool of skilled and constantly upgraded manpower exists in surplus. In its absence, new technology cannot pay for itself, in terms of producing an improved quality of product, raising productivity, or in the product's export competitiveness, and the economy would as a result suffer doubly.

The second factor is international and even more important. Development lending is drying up, as the bankrupt Bretton Woods monetary system presides over the descent into trade war and depression. While Ibero-American, African, and some Asian nations are being strangled by International Monetary Fund "conditionalities," India is lobbying fiercely for a greater percentage of concessional loans from

the World Bank/IMF. For the record, India has duly registered its distress at the situation, but has so far shown scant interest in backing up those developing-nation leaders locked in battle with the international financial institutions for the future of their nations. India's decision to observe from the sidelines ensures that any hope for increased exports is mere rhetoric.

The public sector continues to be a net drain on the national economy (see Table 5). In 1984-85, public-sector facilities recorded a 2.5% return on capital employed. Out of the 207 major operating units, only half showed any profit (and that, before taxes). Ninety units incurred losses, and another two managed to break even. Total profit earned was about \$760 million on invested capital of more than \$32 billion. Without the petroleum sector's \$930 million contribution, the picture is one of net losses across the boards.

There has been no dearth of criticism of the public sector's miserable performance over the years, including from prime ministers and those accountable for the failures. Recently two reports have been issued by high-level, government-appointed committees detailing the problems and suggesting remedies. The Jha Committee report contains solid recommendations on management, autonomy, and accountability, government clearances and approvals, and the profitability of public enterprises, but has so far not met with any response from the administration or the politicians.

The profit motive was, however, never associated with the public-sector operation. When these facilities were set up, the purpose was to create productive activity in the backward areas, and to a certain extent this objective has been fulfilled, though not without a cost. The private sector can claim no such excuse. But the private sector has squandered away valuable capital by opting for obsolete technology, employing cheap and unskilled labor, and producing shoddy products. Depending entirely either on government-devel-

TABLE 3

Seventh Plan Sectoral investments in billion U.S. dollars

(1 U.S. \$ = 12 Indian rupees)

Sector	Gross investment target		
	Public	Private	Total
Agriculture & allied products	\$23.0	\$28.3	\$51.3
Mining & Manufacturing	35.4	51.8	87.2
Electricity	26.8	0.3	27.1
Railways	10.3	—	10.3
Other transport	7.4	15.0	22.4
Communications	5.3	—	5.3
Other services	20.4	44.9	65.3
Total	\$128.6	\$140.3	\$268.9

TABLE 4

Total exports and imports

(Average per change)

Country	Export			Import		
	1970-75	1975-80	1980-85	1970-75	1975-80	1980-85
India	4.9	5.2	4.2	6.5	0.6	5.5
Indonesia	7.7	4.2	-3.3	21.2	6.4	3.8
South Korea	30.5	16.4	2.9	11.4	11.1	7.7
Brazil	10.5	6.7	3.1	14.1	0.3	1.7
Mexico	4.8	18.6	8.1	9.3	13.3	-8.5

oped technologies or on government permission to import foreign technologies, entrepreneurs have spent most of their time pleading for further government favors. Today, with the hint of a productivity drive, modernization, and competition, their first impulse is to look for the nearest socialist ideology!

The physical drag

In the most basic sectors of the physical economy, the surplus generation essential for any serious, long-term investment push is negative. The infrastructural weaknesses which have become more and more visible will become decisive to the extent that the impetus for faster economic growth takes hold. Moreover, this particular weakness has a geometric effect.

Shortage of electricity, for example, does not simply mean a stopping of productive activity in a particular industry; it will necessarily affect other industries linked in the production chain. The lack of electrical power forces millions to depend on burning wood, which not only gives rise to a high rate of air pollution, but also to large-scale deforestation. It was precisely by meeting electricity demand that such fast-growing nations as South Korea have kept 37% of its total

land under forest cover. By contrast, less than 12% of India's land has adequate forest cover, and that is dwindling fast.

Large-scale deforestation has set into motion a myriad of ecological problems, including massive annual flooding in the Gangetic Valley, the wholesale drainage of rich topsoil into the Bay of Bengal, siltation of reservoirs, and consequent reduction of the lifespan of some hydroelectric units, widening of rivers, and losing of precious rich land, and increasing the dredging cost of those river-mouth ports.

The disastrous impact of the power shortage requires placing the task of electrification on a war footing.

But the current energy plan, which calls for generation of 100,000 MW of electrical power by the year 2000, will still leave the country hostage to power shortages. Plans to produce electricity through coal-based thermal power stations have severe limitations, in particular, the potential to cause a breakdown of the already weak transportation system and the guarantee of multiplying dangerously high levels of environmental pollution.

Nuclear power is the only solution to India's large power requirement. But to date, inaction on the part of government to mobilize industry to build up a strong and efficient component supply capability has kept nuclear power insignificant

TABLE 5

Performance of public sector enterprises

(in millions of U.S. dollars)

	1974-75	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
Number of enterprises	120	169	168	188	193	201	207
Capital employed	\$5,500	\$13,480	\$15,170	\$18,280	\$22,100	\$24,910	\$31,800
Pre-tax profit	\$260	\$18.8	\$15.0	\$853.0	\$1,285.0	\$1,240.0	\$775.0
Return to capital employed (%)	4.7	1.4	0.1	4.6	5.8	5.0	2.5

so far as electricity generation is concerned. The plan to generate 10,000 MW, or 10% of total electricity supplies, through nuclear by the year 2000 is inadequate, and ignores the potentials of the atomic-energy sector, which has enjoyed a vast amount of money and skilled manpower.

India's basic steel sector, key to heavy industry, is similarly eating into the national economy. The steel industry, which produces 10 million tons of saleable steel annually, has recorded a statistically insignificant growth rate in the last two decades. Not surprisingly, the cost of Indian steel is about twice the cost of Japanese steel. India produces 16 kg of steel per capita as against 500-600 kg per capita in the advanced sector, and even this 16 kg is illusory, because in the rural areas where more than 80% of the population lives, per capita availability comes down to about 3 kg. That is a significant barrier to the industrialization process in rural India.

Here, too, the potential exists: India has one of the largest deposits of iron ore in the world, along with other raw materials required for steelmaking, such as limestone and coking coal. In the 1950s, Japan was producing less saleable steel than India; today, with no domestic raw materials whatsoever, Japan produces 12 times as much steel as India.

There is a related crucial problem in basic industry, against which even the limited fiscal-regulatory measures will run aground. And that is the lack of an appropriate industrial relations policy in India. Steel plants, shipyards, mines—in fact, any industry one cares to look at—is stocked with anywhere from 2 to 10 times, and sometimes more, workers than is necessary. While four shipyard workers handle containers in the Sri Lankan ports, Bombay port allocates 20 people to do the same job. As a direct result, Indian ports have earned the distinction of being the costliest in the world.

Former Reserve Bank Gov. R. K. Hazari has recently drawn attention to this matter. "It is futile and unnecessary to maintain high levels of high-wage employment at the expense of competitive productivity," Hazari wrote recently in the New Delhi daily *Economic Times*. "If we are serious about productivity and desire some elbow-room for innovation and the healthy working of competitive forces, there must take place a large measure of deregulation of industrial relations to encourage collective bargaining. . . . Labor must be explicitly recognized as a self-respecting adult human resource, not a protected infantile species."

The central challenge: agriculture

The major issues in Indian economic policymaking center on raising productivity and alleviating poverty in that process, and, in particular, in a multifold development of infrastructural facilities and some core sector industries, such as steel, fertilizer, machine tools, electrical machinery, and engineering. Top priority must be given to agriculture.

Statistics show that the Indian agricultural sector—where subsistence farming is still pervasive—continues to be a net drain on the economy. Agriculture is the country's largest

sector, employing fully 70% of the workforce. The majority of India's rural poor—about 80% of India's population still lives in rural areas—who earn less than \$400 annually belong to the agricultural sector. A good percentage of the urban poor also properly belong to the agricultural sector; they are driven into the cities to try to make ends meet.

No fiscal or monetary policy will make any dent on the national economy unless the agricultural sector is made highly productive, and the necessary ingredients to do so are made plentiful. The first change will have to be abandonment of the self-serving prejudice that subsistence agriculture constitutes some kind of "productive" economic activity, a lie which has served as a ready rationale for the propriety of the status quo among planner and politician alike.

The fact that some excellent work has been done in Punjab, Haryana, parts of Uttar Pradesh, and Tamil Nadu in raising agricultural productivity underscores the political nature of the problem. As the data for agriculture shows, overall productivity remains dismally low (see **Table 6**). In 25 years, average per hectare rice production rose by a mere 0.42 tons. During the same period, performance in wheat was much better, and both contrast with a low performance in the crucial oilseeds sector—which is today costing India \$1 billion per year in foreign exchange.

The same set of figures show some of the reasons. For instance, only 42% of the irrigable land under rice cultivation is actually irrigated. Again, in the case of wheat, the situation is slightly better, while for oilseeds it is disastrous. Fertilizer consumption, use of pesticides, and high-yield varieties (in the case of rice and wheat) point in the same direction.

Agriculture is not simply production of foodgrains, pulses, and oilseeds; it also properly encompasses agro-industries such as food processing, growing and processing fodder for expanded herds of cattle and poultry, and maintenance and other industrial activities on the input side. Agriculture also properly encompasses education and development of the rural population.

A vision to move the nation

In this, India can take a leaf from South Korea's *Saemul Undong*, or "New Community" movement, launched by the late President Park Chung Hee in the early 1970s when South Korea was plagued by food shortages. The movement launched by the government involved a \$2 billion investment in improving the living quarters of the peasants, and proceeded to develop leaders from within the rural communities to oversee the use by the peasants themselves of raw materials supplied by the government to build roads, bridges, irrigation canals, and make improvements on the land. *Saemul Undong* was an intense political campaign that reaped a rich harvest: It raised South Korea's rice productivity by 250% in less than a decade!

The urgency of a similarly appropriate political-economic approach to transforming Indian agriculture can be seen from the standpoint of land. One hundred years from now,

TABLE 6

Performance of agricultural sector

	Years			
	1960-61	1970-71	1980-81	1984-85
Area under rice production (million hectares)	34.1	37.1	40.2	41.2
Total rice production (million tons)	34.6	42.2	53.6	58.6
Percentage of area irrigated	44.7%	37.5%	40.5%	41.9%*
Percentage of rice cultivation under HYV	N.A.	14.9%	39.7%	60.4%
Under wheat production (million hectares)	12.9	18.2	22.3	23.6
Total wheat production (million tons)	11.0	23.8	37.5	44.2
Percentage of area irrigated	15.1%	54.5%	69.7%	72.4%*
Wheat cultivation under HYV	N.A.	35.8%	72.2%	83.1
Under oilseed production (million hectares)	13.8	15.4	15.6	19.9
Total oilseed production (million tons)	7.0	9.6	9.4	13.1
Percentage of area irrigated	1.5%	2.9%	7.2%	14.9%*
Fertilizer consumption (average kg/hectare of arable land)	N.A.	11.4	33.8	62.8

*figures available only for 1982-83.

India's geographic parameters will have remained the same, while everything else will have increased: population, cattle numbers, foodgrain production, organized industrial activity, housing, clothing demand, etc. Surely the food and agricultural raw materials demand will not be met by fostering agriculture "anywhere and everywhere." Productivity is the solution.

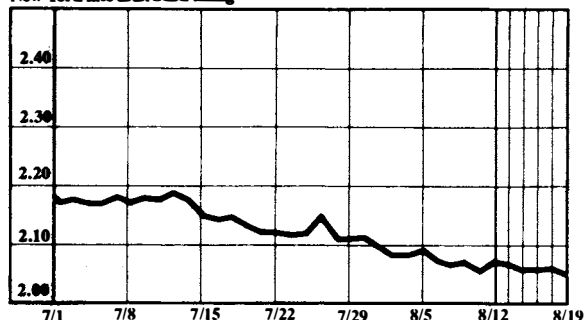
Agriculture is suitable only in limited areas where the highest productivity can be achieved. That means concentrated use of energy per hectare in the form of mechanization, improved seed varieties, chemical fertilizers, pesticides, and so on, to reduce the total energy consumption per ton of agricultural produce. It means tilling the most fertile land using pumped groundwater.

One such area is the Gangetic Valley, stretching from Uttar Pradesh to the Bay of Bengal. This area holds the key to India's economic awakening. Three hundred million people live in this basin and the area can provide all the agricultural produce that the entire country would possibly need in the year 2000. It can provide more: It can provide the country with exportable surpluses, with new agro-industrial complexes, new cities, and can be a huge workshop for the production of skilled manpower.

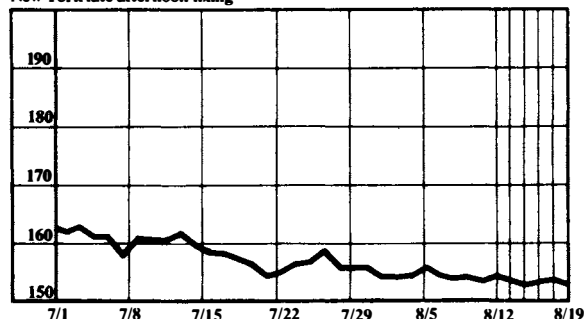
Most important, it is a vision that can move the nation.

Currency Rates**The dollar in deutschemarks**

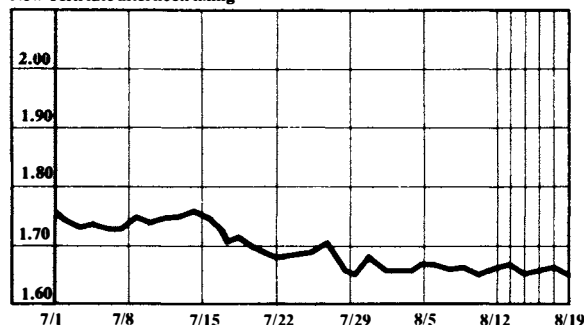
New York late afternoon fixing

**The dollar in yen**

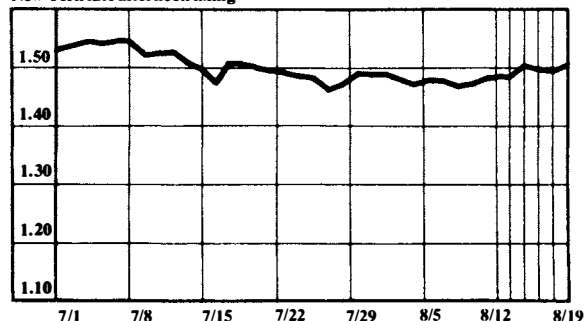
New York late afternoon fixing

**The dollar in Swiss francs**

New York late afternoon fixing

**The British pound in dollars**

New York late afternoon fixing



Kicking the sacred cow

A polemical salvo by Union Energy Minister Sathe boosts moves to overhaul the public sector.

‘We can’t go on the way are,” is the way Union Minister for Energy Vasant Sathe headlined the first of a three-part analysis of the crux of India’s economic problems that is presently circulating in the Parliament and the Congress Party, and which was published in the *Times of India*.

The straight-talking Mr. Sathe, a senior Congress (I) leader, pulls no punches when he documents the miserable levels of productivity in the core infrastructure and basic industrial sectors of the economy—the power, coal, and steel industries—and points to the betrayal of the founding fathers’ vision of a “socialist democracy” this represents.

In Australia, 30,000 workers produced 145 million tons of coal annually, while in India nearly 700,000 cannot match that output, Sathe reports. Similarly, in steel, while 14,500 workers at South Korea’s Pohang steel plant produce 9 million tons of steel a year, 125,000 steelworkers in India cannot produce 6 million tons.

Moreover, per capita availability of these basic items is abysmally low—an average 180 KWH of electricity per capita, for instance, compared to 7,000 KWH in developed countries. But the averages are illusory. For 80% of the Indian population living in rural areas, the average is more like 30 KWH per capita. Ditto for steel. The production is not only limited, but so costly that 90% of the population is unable to buy and use electricity or steel at all.

“The causes of our dismal performance,” Sathe states bluntly, “pri-

marily lie with the adoption of a wrong concept of socialism which equates an overemployed, top-heavy, inefficient and unaccountable public sector with socialism.” To top it off, he adds, “We started treating it as a holy cow.” Naturally, reverent local capitalists were not slow to grab the teat, with its regular, free flow of contract funds.

Sathe’s salvo will undoubtedly spark a lively and useful debate, coming as it does in the midst of determined government moves to clean up the mess. Most important, Sathe has challenged the politicians to lead in this urgent nation-building drive—pointing out that there is no “monetarist” solution. Efficient production of basic infrastructural goods—cheap and in quantity—is the only basis for creating the new industries to expand employment and raise living standards.

The fate of the Seventh Plan is crucially dependent on the public sector generating a surplus. In the latest measure to make this possible, the government announced a plan for capital-restructuring of the public-sector companies in which accumulated losses through March 31, 1986 are to be written off. No small matter. It is estimated here that the cumulative losses of just five of the heavy engineering units add up to about \$700 million!

The idea is to free these units of past burdens to give them a chance to implement new productivity-oriented measures to improve their performance according to strict new cri-

teria of profitability demanded by the government. All the units are being asked to prepare concrete plans, detailing their production programs for the next period and longer-term perspective. Depending on the viability of the unit, its management, and plan, further concessions such as interest and loan-repayment holidays will be granted.

Another major initiative is a policy now being debated in Parliament to control administered prices, for the prices of products produced in the public sector. Establishing new criteria for setting administered prices, linked strictly to capital and current costs of production, will eliminate a major (inflationary) racket by which public-sector managers paper over huge, chronic losses.

In other moves, the Department of Public Enterprises set a startling precedent recently when—for the first time—the head of a public sector unit, the heavy engineering firm Burn Standard, was suspended in connection with the squandering of public funds.

A measure of the government’s determination to kick the sacred cow is the fact that it has refused to bow to a noisy, populist attack on its decision to enter a joint venture with U.S.-based non-resident Indians (NRI), a potent economic factor here these days, to provide management consultancy to the public-sector companies.

The proposal forwarded by a group of NRIs in early 1985, was accepted after a government study advised that there was a “widening gap” between the expertise available in India for project management, and recommended that such a joint venture could serve not only Indian companies, but be a base for offering such services to third countries. Opponents argue that it foreshadows a foreign takeover of the public sector, and an attack on India’s self-reliance.

Where's the beef?

For the first time in history, it appears that Americans will eat more poultry than beef in 1986.

In the latest issue of the USDA magazine, *Foreign Agriculture*, it is noted that the U.S. per capita consumption of beef has fallen significantly in the 1980s. Recent USDA figures show that beef consumption per capita was 94.4 pounds annually in 1976; it has fallen to 79.1 pounds in 1985. For the first time in the history of the country, it appears that Americans will eat more poultry than beef in 1986.

Where's the beef? The U.S. Department of Agriculture should know.

The number of cattle and calves in the United States has been declining throughout the 1980s, and rapidly declining in the past two years. In 1970, there were 112.37 million cattle in the country. The number went up to 132 million in 1975. However, today, the number has fallen back to 112 million, despite population growth. This means that there was .55 of a cow per person in 1970, but today there is barely .46 of a cow per person.

The same picture exists for pork. The numbers of hogs and pigs has been declining steadily in the last 20 years, and plunging in the last year. In 1963, for example, there were 59.8 million hogs and pigs. This number was sustained until 1980-81, and then began falling. Today there are only 48.8 million hogs and pigs.

In 1970, there was about .4 of a pig for every person in the nation. Today there is about .2 of a pig.

The imports of beef and pork have propped up the meat supply temporarily. But the real state of shortages, currently masked by both imports and

the media propaganda telling you to "not eat meat," will soon be very evident.

The reasons for the meat output decline lie in the mass bankruptcy or voluntary close-down of cattle and hog producers, under the combined pressure of debt burdens and imports. The International Monetary Fund (IMF) and World Bank have imposed orders on Third World and other nations to export meat—for example beef from Mexico, Canada, and Australia, or pork from Canada and Denmark—to the point of undercutting domestic producers so they must shut down.

Meanwhile, Mexico and other nations have been impoverished in their own food supply, to the point of nutrition collapse and disease outbreaks.

The United States—potentially the largest producer and exporter of meat and herd technology—accounts for only 3% of the world's beef trade. The recent years of IMF-dictated trade patterns has put the United States into a position similar to the last days of the Roman Empire. During that time, Rome and its immediate territory became so decrepit, the empire relied on food "imports" from conquered lands to sustain itself in the home country.

The U.S. beef cattle and hog breeding stock numbers are shrinking at a rate that guarantees severe shortages in the near future. The calf crop is one gauge of this. In 1970, the calf crop was 45.9 million; in 1975, it was 50.2 million. In 1986, the estimate for the calf crop is 40.1 million.

The hog breeding stock in 1963

was 9 million sows. Today, the number is down to 6.4 million. Although the average number of pigs per litter has gone up from 7.1 to about 7.7, this is not enough to compensate for the decline in breeding stock.

The USDA has been part of the "anti-meat" lobby during this time period, altering their recommended amounts of meat in the diet, in deference to bogus fears about harmful effects. The scientific reasons for maintaining animal protein in the diet, especially for children, are well known, but ignored by the USDA guidebooks.

In this atmosphere, the beef producers have taken the step of attempting to counter the anti-meat lobby by conducting their own pro-meat campaign. Beef producers are adopting new merchandising techniques including brand names such as "natural" for products that come from animals without anti-biotics, or "light" for beef which contains 25% less fat than other types of meat.

Campaigns which counter anti-meat food-fadism are useful. But this does not get to the core of the problem. That requires action in two areas.

First, there are food cartel collaborators of the IMF/World bank that have desired the reduction in meat output and availability, in order to gain further control over meat supplies. For example, the nation's top two beef processors—Iowa Beef Processors (IBP), owned by Armand Hammer's Occidental Petroleum; and Excell, owned by Cargill, the grain giant—dominate all beef supplies in many parts of the country.

Secondly, most American households are not eating meat with their "meat and potatoes" anymore, because they are unemployed and can't afford it. To use this depression as justification for allowing meat output potential to decline—as the USDA is doing—is disastrous.

Commerce Dept. has it backwards

The country's foreign dependence means that the shrinking real trade deficit is what caused the economic downturn.

For the past eight months, *EIR* has warned that the fall of the U.S. dollar would shut down U.S. physical output. Now the Commerce Department has revised its second-quarter "real" GNP growth rate data to only 0.6%, and blamed it on the trade deficit.

That is true, but not in the way the Commerce Department argues. National-income bookkeeping deducts net imports from domestic product, and the trade deficit has increased to a \$170 billion annual rate.

But the real volume of imports has shrunk by perhaps 10%, since a dollar worth 40% less than last year's against the German mark and Japanese yen buys fewer goods. Since U.S. industry depends on imports for a quarter of its capital goods and almost as much of its industrial components and supplies, the dollar's fall has drastically increased the cost of operating of numerous industries. Auto making is a case in point.

There is no reason whatever to suspect that the Commerce Department's report that GNP—i.e., the inflation-adjusted value of all sales in the nation's economy—is accurate. With automobile output in the most recent reporting week down a full one-third from last year's levels, and aluminum and steel output down by about 15%, America's physical economy is shrinking, probably at a 15% to 25% annual rate as of the present quarter.

McDonald's is still selling hamburgers, so the value of all sales may not fall as fast as physical production.

Since inflation is normally five points or more higher than the government reports it to be, an accurate inflation adjustment would undoubtedly show a decline of Gross National Product by several percentage points.

In the U.S. Treasury Department's odd view of the world, the failure of West Germany and Japan to stimulate their own economies has led them to buy less from us than we buy from them.

America supposedly buys foreign products, and displaces its own manufacturing and employment with imports, because of the stinginess of foreign central banks.

If only Japan, Germany, and others would agree to stimulate their economies, the Treasury argues, the American economy would start to grow again.

The first fraudulent assumption in the Treasury's claim that weak foreign trade caused the present downturn, is that the United States economy had experienced anything but a downturn since 1979.

True, Americans sold and consumed more, but the net subsidy to the United States by our trading partners more than accounts for any increase.

In 1979, when the dollar was priced reasonably against other leading currencies, the United States ran a trade deficit of only \$27 billion, against last year's \$150 billion.

But last year's \$150 billion deficit represented goods which would have cost about \$300 billion to produce at

home, because American importers paid 25% to 40% less than home prices for European or Japanese goods, and 60% to 80% less than home prices for South American goods.

That \$300 billion trade deficit represented just under 20% of America's total consumption of physical goods. Stripped of the trade deficit, the U.S. economy would have declined by somewhat less than 20%; some, but not most, of the goods we import might have found domestic substitutes.

In fact, America's capacity to produce declined continuously throughout the period. Most production increases since 1979 are deceptive.

For example, America produced over 9 million automobiles in 1978, and 8.4 million automobiles in 1979; the total fell to barely 6 million during the early 1980s, before rising to 8 million cars in 1985. But the American-made automobile of 1979 gave way to an American-assembled vehicle, 25% of the components of which were imported from abroad.

In addition, virtually all of America's refined copper and aluminum, major components of automobile production, and a large proportion of America's sheet steel, were imported as well.

In short, automobile production remains well below its peak of output, and the relative improvement since 1980-82 disguises a changeover from American manufacturing to mere domestic assembly.

Now that the dollar has dropped by more than 40% against the Japanese yen and the West German mark, foreign components for the auto industry have risen in cost, even though the growing proportion of imported components from developing nations remains relatively cheap.

The subsidy is shrinking, and the American economy cannot make it on its own strength.

Bonn, Tokyo won't prop up dollar

America's economic suicide should not become an international pact, West Germany and Japan agree.

Months of top-level international meetings, from the Sept. 22, 1985 meeting of the Group of Five finance ministers at New York's Plaza Hotel, through the May Economic Summit in Tokyo, turned to dust on Aug. 21 and 22. The White House on Aug. 21 issued, through presidential press spokesman Larry Speakes, an official demand that West Germany and Japan lower interest rates, in coordination with the Federal Reserve's lowering of the U.S. discount rate to 5.5% on Aug. 20.

On Aug. 22, the West German Bundesbank issued a blunt statement to the effect that West Germany's central bank would not bow to outside pressures upon its monetary policies.

That leaves the dollar positioned for a collapse better resembling the destruction of the British pound under the Callaghan government in 1976-77, than the previous collapse of the U.S. dollar during 1978. Britain, before North Sea oil came on line, relied upon foreign deposits held in British pounds to finance its trade deficit.

Reluctance of international hot money to remain in sterling, given the collapse of the British economy, forced England to raise interest rates to 18%, a peacetime record exceeded three years later by Fed Chairman Paul Volcker, to keep funds in the country.

The U.S. dollar now stands at just over DM 2.04 and yen 153, a six-year low in Frankfurt, and a postwar low in Tokyo. There is nothing to stop the dollar from falling well below its 1978 bottom of DM 1.78.

Since the United States depends upon short-term capital inflows to finance its annual \$170 billion trade deficit, a collapse of the dollar will ruin American capital markets, precisely when dollar markets face their worst crisis in history.

On the surface of events, the Federal Reserve on Aug. 20 panicked in the face of lower economic growth, after the Commerce Department announced that "real" Gross National Product had grown by only 0.6% during the second quarter.

The economic reality is much worse (see *Domestic Credit*), and the financial reality is even worse than that. The 91st U.S. bank failure this year occurred the same day. The Federal Deposit Insurance Corporation is running out of tricks to keep insolvent banks afloat.

Worse still is the position of the major U.S. international banks, of which the 15 largest have accumulated more than \$1.25 trillion in "off-balance-sheet liabilities," offering loan-guarantees and similar forms of risk-exposure, in return for up-front fee income.

Peru's rejection of the International Monetary Fund brings the developing-sector debt crisis to the forefront, at the moment that the oil price-collapse is scything down oil-patch financial institutions, and the new tax reform legislation threatens to pop a \$250 billion real-estate lending bubble.

Germany and Japan are being asked not to stimulate economic activ-

ity, but to bail out the bankrupt U.S. banking system.

Since the U.S. administration, through the present tax bill, Gramm-Rudman, and related programs, insists upon tearing down the facade of economic recovery, and accelerating the decline of U.S. physical production, there is no reason for Bonn or Tokyo to suspect that Washington is remotely interested in stimulating economic growth.

They have good reason to suspect that Washington wants them to mortgage their national currencies to reflate the American banking system.

Since Washington, under the continued policy-guidance of Secretary of State George Shultz and White House Chief of Staff Don Regan, supports the IMF against Peru and its Ibero-American allies, they also have no reason to suspect that Washington intends to settle the debt crisis in any sensible way.

It is no surprise, under the circumstances, that West German central bank spokesman Claus Koehler Aug. 22 responded to Reuters news service's question about the White House dictates concerning German monetary policy, "That we are going to do in peace. We have never let ourselves be influenced by pressure—either a pressure from inside or outside."

Regarding the collapse of the dollar, continuing on foreign-exchange markets, Koehler told Reuters, "We have accepted the lower dollar rate and done nothing against it."

A week earlier, the governor of the Bank of Japan, Satoshi Sumita, said that Japan had no intention of lowering interest rates.

In any event, it is folly to believe that lower West German or Japanese interest rates would have any impact whatever on economic activity, or anything other than a temporary effect on the dollar's exchange rate.

Business Briefs

War on Drugs

Democrats introduce their own bill

A \$1.4 billion drug-trafficking bill was introduced into the Senate on Aug. 15 by Dennis DeConcini (D-Ariz.), who typically attempted to make the need for anti-drug legislation into an issue against President Reagan's Strategic Defense Initiative.

"We're willing to gamble \$3.5 billion on a 'Star Wars' system that might not work, yet the Reagan administration has been unwilling to provide the muscle needed by our law-enforcement agencies to put our anti-drug effort into overdrive," Senator DeConcini said. "This legislation will finally provide our law-enforcement agencies with the resources they need to mount a full-scale war on illegal drugs."

The bill calls for the Defense Department to provide \$900 million in additional resources to civilian agencies and \$357 million to the U.S. Customs Service to increase air and sea-interdiction programs. It also earmarks \$100 million for the Coast Guard for new equipment and 1,500 additional drug-enforcement personnel.

During a discussion of the bill, Sen. Paula Hawkins (R-Fla.) criticized Mexico for not doing enough to fight drug trafficking. "It is an international disgrace that there have not been any convictions or arrests of any of the big drug kingpins in Mexico," she said.

Hawkins, who has repeatedly demanded that aid be cut off to nations whose drug mafias run drugs into the United States, has specialized in attacking governments trying to fight the drug mafias, rather than the drug mafias they are fighting.

Israel

Shultz sends message: Restructure!

Israel has to privatize its state companies, and implement a thorough economic reform, if it wants to continue receiving

American economic aid: This was the contents of a private message sent by Secretary of State George Shultz to Israeli leaders, via Finance Minister Moshe Nissim, the *Financial Times* reported on Aug. 16. As a result, the Israeli government has decided to appoint two separate committees to "study the Shultz economic proposals."

Pending a restructuring of the "state-dominated Israeli economy," the administration will not offer further emergency economic aid to Israel, the message said.

According to Reuters on Aug. 19, State Department spokesman Charles Redman told reporters George Shultz would consider making a trip to the region if a "break-through" appeared imminent, and that the administration is reviewing recent "positive developments" in the Middle East that have raised hopes for progress in the Arab-Israeli peace process.

"We keep events in the Middle East under constant review," Redman said. "There have been positive developments involving the region recently."

Debt

Mubarak calls for debtor unity

At the opening of the meeting of the Group of 77 in Cairo on Aug. 18, Egyptian President Hosni Mubarak called for increased South/South cooperation on the debt.

Mubarak, whose speech was read by Prime Minister Dr. Ali Lufti, stressed that all countries were "suffering from the debt burden," and called for a retroactive decrease of the interest rates, as well as a general rescheduling of the debts of the developing countries.

The Group of 77 was to publish its final resolution on Aug. 21. Egyptian newspapers report that the resolution may include a call to all Third World countries to allocate only 10% of their GNP for debt repayment, a proposal modeled on that of Peruvian President Alan García.

Meanwhile, President Mubarak received some hardly veiled warnings from

international financial circles. According to an editorial in *Financial Times* of Aug. 12, Egypt must be prepared to make many further concessions before it can expect its international creditors to upgrade economic assistance to Egypt.

The editorial warned that the present Egyptian government was not doing enough to meet IMF demands. Thus, perhaps there "should be a change in the government."

A similar threat against the Mubarak government was made in the Aug. 15 issue of the "Foreign Report" of London's *The Economist*, which revealed that Defense Minister Abu Ghazala "may oust Mubarak in hopes of satisfying [Egypt's] critics."

It goes on to detail the rise of Islamic fundamentalist activities in the country, shown by dozens of fires deliberately set in and around Cairo in August. Although some 175 members of the al Jihad organization were arrested in early August, their arrests showed that they are receiving strong support from army officers, the Report claimed.

Technology

Swedish premier attacks nuclear power

On Aug. 17, Swedish Premier Ingvar Carlsson launched an attack on nuclear power, citing the Soviets' Chernobyl reactor accident in April as illustrative of the alleged dangers of nuclear energy generation. Carlsson's remarks were reported in a Reuter wire from Stockholm.

"Nuclear power is one of the greatest threats to our environment," the Social Democrat told a labor rally.

He said that the Soviet nuclear accident has cost Sweden \$160 million so far, by harming the country's food production industries, including killing up to 100,000 reindeer (on which the country's Lapp tribes depend).

"The Chernobyl accident has spread radioactive country's Lapp tribes depend).

"The Chernobyl accident has spread radioactive iodine and cesium over our fields, forests, moors, and lakes," Carlsson said.

Briefly

"Cows have had to be kept indoors. . . . All this to prevent human beings from eating dangerous substances. Nuclear power must be gotten rid of."

Strangely, Carlsson had no harsh word for the Russians or their lack of safety measures, although Chernobyl reactors are of a type discontinued in the West in the 1950s.

The speech marked a renewed campaign under way inside Carlsson's Social Democratic Party to outlaw nuclear power, which would demolish the Swedish economy. Sweden is, at present, 40% nuclear-dependent for energy.

Space

Administration says orbiter will be built

President Reagan announced Aug. 15 that a fourth Space Shuttle orbiter will be constructed to replace the Challenger, beginning this year, and, contrary to lying reports in the media, without cutting any other NASA program to pay for it. He will ask Congress for an additional \$272 million for FY1987. The orbiter is to be completed by 1991.

The President said that the effort will not interfere with the timetable for the construction of the permanently manned space station. The announcement keeps the United States on the timeline for optimum deployment of both the SDI and the Space Commission's projections for a permanent settlement on Mars by 2015.

White House spokesman Larry Speakes broke precedent by making a direct link between the Shuttle effort and the President's Strategic Defense Initiative, normally avoided because of the civilian role of NASA. In response to queries by *EIR*, Speakes made the understatement, "[The new Shuttle] will help more than hurt."

Also, the path for this deployment was cleared by allowing private development of space launch capabilities, with the announcement that NASA would no longer handle commercial contracts. Contracts from the Department of Defense were drawn up in early August to four major firms to design

a new medium-range rocket with the specification that it have a commercial application. Private commercial launches could begin by 1989.

Foreign Exchange

'Foreign transactions' outstrip world trade

The United States, Britain, and Japan averaged \$60 trillion in gross foreign transactions as of March 1985. According to studies released by central banks, daily gross foreign-exchange transactions averaged \$240 billion among the three countries.

U.S. banks and financial institutions had gross foreign-exchange transactions of \$77 billion a day in March—or roughly \$59 billion, eliminating double-counting of transactions between two institutions.

The average trade by U.S. banks was \$3.4 billion, but London leads the world in foreign exchange volume, according to a survey by the Bank of England.

This is about 50 times the annual volume of world trade.

International Trade

U.S. wants to keep Soviets out of GATT

The Reagan administration will oppose the Soviet bid to participate in the General Agreement on Trade and Tariffs (GATT), the U.S. Trade Representative's office said on Aug. 21.

Spokeswoman Debra Busker said, "The Soviet international trading system is at fundamental, practical, and philosophical variance with the principles and practices of the GATT."

GATT sources in Geneva announced Aug. 20 that the Soviet Union had made a bid to take part in the 92-member world trade body, in a letter from General Secretary Mikhail Gorbachov to the GATT secretariat.

● **GIBRALTAR** is becoming the "Hong Kong of the Mediterranean," attracting large sums of money primarily from British expatriates living in Spain and Portugal, the *Daily Telegraph* of London reported Aug. 16. "Gibraltar has obvious benefits over such places as Panama. It is also outside the realm of U.K. tax legislation."

● **FIVE U.S. SENATORS** introduced a bill on Aug. 15 to impose a barrel fee on imported oil to protect the domestic industry. The sponsors hail from oil-producing states, and include Sens. Lloyd Bentsen (D-Tex.), Russell Long (D-La.), and Peter Domenici (R-N.M.). The bill would set a \$4 per barrel fee on oil prices below \$18 per barrel, falling incrementally to reach zero when oil prices reach \$22 per barrel.

● **THE WORLD BANK'S** net transfer to the developing sector in 1985 was close to zero, according to the London-based *Africa Research Bulletin* in mid-August. One financial analyst said: "The very raison d'être of the Bank as a development finance agency will come into question. . . . We are facing a disastrous scenario whereby the World Bank and the IMF have become a 'drain' on the resources of the developing countries." In the fiscal year ending June 30, the IMF had withdrawn some \$4 billion from developing countries.

● **ITALY'S ALITALIA** Air Line is beginning direct flights between Rome and Lima, Peru, Alitalia's directors announced on Aug. 19. The flights will be twice weekly, and will be the only direct flights to Lima from southern Europe. Alitalia's directors said the flights were being initiated in view of the growing trade between Italy and Peru.

Fusion test reactor hits 200-million-degree milestone

By 1980, scientists were sure enough of fusion to propose a commercial plant by the year 2000—but recent results are better than predicted even six months ago. Carol White reports.

Fusion scientists and engineers at the Department of Energy's Princeton Plasma Physics Laboratory have achieved a temperature of 200 million degrees (Celsius) in the Tokamak Fusion Test Reactor (TFTR), it was announced on Aug. 7. This is 10 times hotter than the center of the Sun and the highest temperature ever recorded in a laboratory.

"This marks a major milestone in progress toward the development of fusion energy," said Energy Secretary John S. Herrington. "The temperature achieved is in the range required for a fusion reactor. These promising results bring us closer to the goal of fusion energy." According to Dr. John Clarke, director of the Department of Energy's Office of Fusion Energy, which is responsible for the funding of the TFTR, we can have a practical fusion power reactor within 15 years.

Since the beginning of the Atomic Age, scientists have known that it would be possible to create in a reactor on Earth the process that powers the Sun and the stars, and for 30 years, there has been steady progress in understanding and doing this. Fusion reactions occur when the nuclei of the isotopes of hydrogen (deuterium and tritium) "fuse" to form a helium atom, releasing energy in the process.

By 1980, the scientific community felt assured enough of the promise of fusion research to push for U.S. legislation that would mandate a commercial fusion plant by the year 2000. The latest results, however, are better than predicted, even within the last six months. They are especially important because the high temperature achieved is coupled with improvements in the density of the plasma and the duration and strength of containment.

The fact that all of these developments are occurring

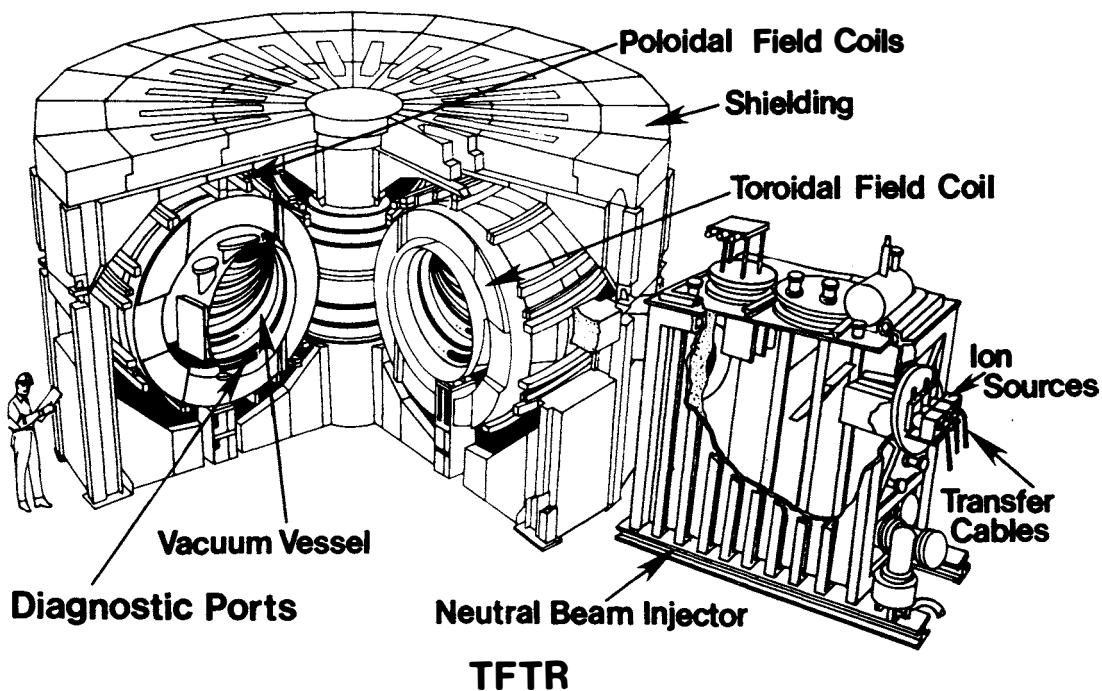
simultaneously means that we are now indeed on the verge of a new industrial age—the plasma age.

The ability to obtain power generation from sea water (where the needed deuterium and tritium isotopes of hydrogen are found) is only a harbinger of an age in which mankind will have orders of magnitude higher energies at its disposal. By controlling high energy plasmas, mankind will be able to fulfil the alchemist's dream, transforming and creating the basic chemical elements at will by devices such as the fusion torch.

The immediate goal, predicted for next year, is energy break-even, which means that the release of energy from the fusion process exceeds the amount of energy needed to generate the process. TFTR is one of four major tokamak facilities in the world today, the others being located in the United Kingdom, Japan, and the Soviet Union. Similar results are expected in these as well.

In order to reach break-even in a fusion reactor, two separate conditions must be met: Both the plasma temperature and the quality of magnetic heat insulation must exceed threshold values. The problem with achieving nuclear fusion is that it is not sufficient to simply heat the fusion fuel to some required temperature. At the same time that it is being heated, the fuel must be kept concentrated and insulated against losing its temperature. The general approach to doing this that is being pursued at Princeton is that of magnetic confinement.

The TFTR consists of a doughnut shaped magnetic "bottle," which is used to trap and insulate hydrogen fusion fuel. At the high temperature—44 million degrees Celsius—required for fusion of the heavy isotopes of hydrogen to occur, the hydrogen gas is ionized. That is, the gas is a plasma, like



Princeton Plasma Physics Lab

that in a neon light. Because plasma is highly responsive to electricity, it can be confined by the properly configured magnetic fields.

While the TFTR is no longer the largest in the world—the European Community’s Joint European Torus (JET) at Culham, England is the largest in the world, and the Japanese JT-60 is next—the TFTR was the pioneer. When it was in the planning stage, it was probably the most sophisticated construction project in the world, a challenge to American engineering. For example, it had to be machined to a tolerance of 1/30,000th of an inch, a demand that only one U.S. company was capable of fulfilling at the time.

In 1974, the MIT Alcator Tokamak, built under the direction of Professor Bruno Coppi, essentially demonstrated that the confinement and insulation needed for break-even could be attained, and in 1978, the predecessor to the TFTR, the Princeton PLT Tokamak, attained a temperature of better than 60 million degrees Celsius—far in excess of the 44-million-degree minimum. Far more important, this experiment demonstrated a qualitative result, that fusion temperature plasma regimes could be stably confined (kept concentrated) with some degree of good insulation—what can also be termed energy confinement, and energy confinement time.

Ignition is the essential prerequisite for a practical fusion reactor. It is defined as the point at which the fusion plasma is able to maintain itself at fusion temperatures. That is, the fusion plasma first of all produces a large output of fusion energy. Second, the plasma absorbs enough of this fusion energy output to balance its own heat loss.

Much higher temperatures, plasma densities, and energy confinement times are required for fusion plasma ignition

than for break-even. But an ignited fusion plasma provides the basis for a practical fusion reactor. In 1976, based upon his revolutionary Alcator results, Coppi proposed to leapfrog a break-even experiment and achieve full ignition, with a small Tokamak, but one built with the most intense magnetic field possible. His compact ignition designs were based on the results being obtained on the Alcator, including an enhanced confinement regime which has now, probably, been rediscovered by the TFTR.

At the time, Dr. Coppi was ignored. But today, after almost a decade of experimental confirmation of Dr. Coppi’s projections, we have reached the point where his compact tokamak ignition proposals have been adopted as the chief focus of the U.S. magnetic fusion program.

The emergence of the enhanced confinement regime on the Princeton TFTR vastly increases the possibilities for the Western European JET tokamak to attain fusion ignition by 1990. JET is much larger than TFTR and has the capability of a much longer sustainment time. This could possibly be furthered by using radio frequency ramp-up to increase the sustainment time. This approach is based on a process in which radio waves can be used to generate electrical currents in tokamak plasmas.

Actual ignition experiments will provide the context in which a real science of the fusion process can be empirically developed for the first time. Based on our current knowledge, we know that ignition can lead to the development of practical fusion reactors within 15 years. But new processes which ignition may uncover, could lead to the development of self-sustained fusion systems and near-term realization of advanced-fuel direct-conversion fusion reactors.

TABLE 1

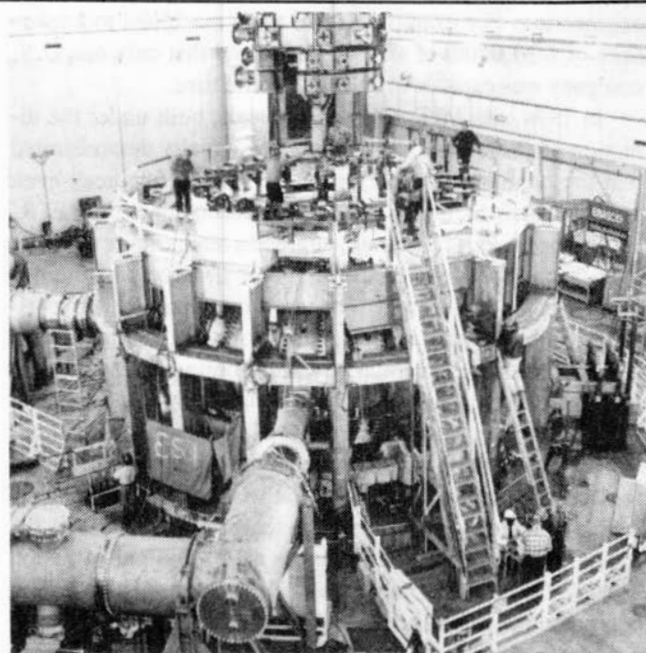
Progress on some major tokamaks

	TFTR Princeton	JET Culham, England	JT-60 Tokai, Japan	Alcator C MIT	Doublet III San Diego	ISX-B Oak Ridge
1. Date operational	12/82	6/83	4/85	4/78-11/86	1978-9/84	1978-84
2. Highest combined density & confinement time, $n\tau$ (seconds \times nuclei/cm ³) ($\times 10^{13}$)	15	4-5	3-4	6	1.3	~0.07
3. Ion temperature at highest $n\tau$ (kiloelectron volts)	1.2	1.8	~1.5	1.7	2	—
4. Highest average electron density, n_e (electrons/cm ³) ($\times 10^{14}$)	3	0.8	0.5	15	1.2	1.5
5. Longest confinement time, τ (seconds)	0.75	0.8	0.4-0.5	.055	0.120	0.025
6. Highest ion temperature, T_i (kiloelectron volts)	18-20	7	—	2	6	1.6
7. Lowest impurity level, Z_{eff} (avg. atomic number)	high density ~1.0 low density 2.5-3	2-2.5	good	1.2	1.0	1.1
8. Highest confinement quality, β (%)	—	<1	—	1	4.6	4.0
9. Toroidal field strength at highest confinement quality, B_t (tesla)	—	—	—	10	0.6	1.3
10. Highest toroidal field strength used, B_t (tesla)	5.2	3.5-4	4.2	14	2.6	1.6
11. Highest current used, I (megamperes)	2.5	4.8	1.5	0.8	2	0.23
12. External heating, P (megawatts) neutral beam (deuterium) radio frequency	12.5 now, 25 soon —	~7 ~7	— —	— 1.6 absorbed	8 —	2.5 0.15
13. Major radius of torus, R (meters)	2.48	2.96	3.0	0.64	1.43	0.93
14. Plasma volume (cubic meters)	35	170	54	—	—	—

Fusion breakeven—and beyond—will soon be achieved by the “big three,” TFTR, JET, and JT-60, and by the successor to the Alcator C. All of these machines have achieved the necessary Lawson product (combined density and confinement time, $n\tau$; the threshold is 3×10^{13} nuclei-seconds per cubic centimeter), as shown on line 2. None of them has simultaneously sustained the temperature of 93 million degrees Celsius (8 kiloelectron volts) that is the other threshold condition for breakeven, as shown on line 3.

The more than 200 million degrees Celsius (actually 18-20 kiloelectron volts) achieved by the TFTR in mid-July, a world record (see line 6) exceeds the threshold for breakeven and is suitable for an economical working reactor. But it was achieved at a significantly lower Lawson product (1×10^{13}).

Machines pursuing confinement quality, rather than breakeven, are GA Technologies' Doublet III and the ISX-B at Oak Ridge National Laboratory (see lines 8 and 9). Confinement quality, β , essential for an economical working reactor, is the ratio of the energy density of the plasma (density \times temperature) to the strength of the magnetic field required to confine it. Beta of 6-10% is considered necessary for a working reactor. The highest β so far, 5.3%, was achieved on the Princeton Beta Experiment, PBX, not shown above, but described in the interview with Dr. Meade.



Princeton University's Tokamak Fusion Test Reactor (TFTR)

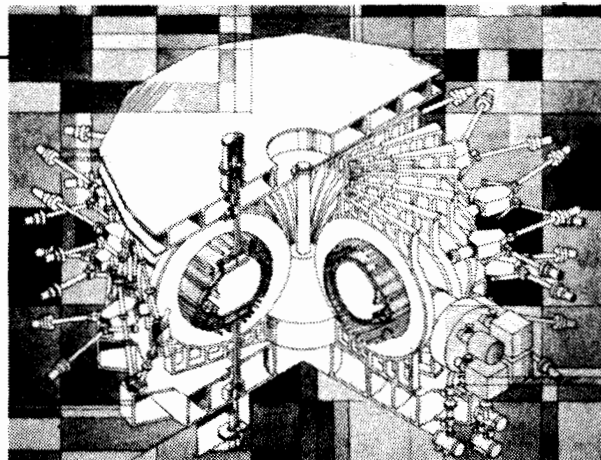
The status of the tokamak projects

The TFTR, built and operated at Princeton University for the Department of Energy, in mid-July achieved a new temperature record of 200 million degrees Celsius, 10 times hotter than the center of the Sun and the highest temperature ever recorded in a laboratory. "This marks a major milestone in progress toward the development of fusion energy," according to Energy Secretary John S. Herrington. "The temperature achieved is in the range required for a fusion reactor. These promising results bring us closer to the goal of fusion energy," he said.

JET is the Joint European Torus, a project of the European Community. It is by far the world's biggest tokamak in terms of the volume of plasma contained—and volume is important (see line 14 on Table 1). JET and the TFTR are the only tokamaks equipped to handle tritium—the deuterium-tritium combination is 200 times more reactive than deuterium-deuterium. Neither has yet achieved results adequate for introducing tritium.

JT-60 is the big Japanese tokamak, operational only since April 1985. The early results shown here are based on incomplete instrumentation and are only indicative, according to Dr. Curt Bolton of the Department of Energy Office of Fusion Energy. Neutral beam heating began this month, and its substantial contribution should be reflected in early results, Bolton says.

MIT's Alcator C, operated under contract with the Department of Energy, was designed to achieve break-even with a small, compact machine using very strong magnetic fields (Table 1 lines 2, 3 and 10). Alcator C will cease operating in November 1986, but may be reincarnated at Lawrence Livermore National Laboratory. The successor machine at MIT, the Alcator C-Mod, will have new toroidal and poloidal magnets and a new vacuum chamber. It has been designed to maintain a high Lawson product ($n\tau$) while achieving high temperatures with radio frequency heating. It is projected to achieve 5 kiloelectron volts while $n\tau = 1-2 \times 10^{14}$, according to Dr. Ron Parker of MIT's Plasma Fusion Center. That would still be below the threshold for full ignition. But C-Mod would serve as a half-scale prototype of the projected Compact Ignition Tokamak (CIT), having the same magnetic field as the eventual CIT, according to Parker.



The JT-60, a large tokamak designed by the Japanese Atomic Energy Research Institute.

Doublet III is GA Technologies' experiment in confinement quality (Table 1 line 8). It has already been succeeded by Doublet III-D (first plasma, February 1986), but it is too early for significant results. High betas (β), or the ratio of the outward pressure of the plasma to the field strength required to confine it, are expected this winter, once neutral beam heating is in place, says Dr. James Luxon, technical coordinator for the Doublet.

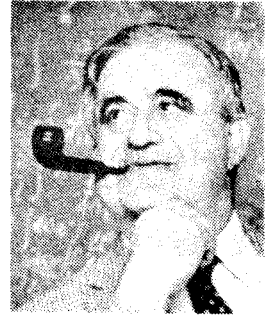
ISX-B, the Oak Ridge National Laboratory experiment in confinement efficiency, was shut down in 1984. Because of stingy funding, there is no successor tokamak planned. The lab is building a stellarator, the Advanced Toroidal Facility (ATF), that is expected to achieve high β at high temperatures in steady state operation, according to Dr. Michael Saltmarsh, head of the ORNL Confinement Projects Section. It will operate with plasma in March 1987, "but we will not have a clear picture of what it will do for about a year," Saltmarsh says.

ORNL's continuing major contribution to tokamak research is its development of neutral beam and pellet injection equipment—technologies as complex as the tokamak proper. The TFTR uses pellet injection built at ORNL, and Princeton's PBX device uses four ORNL neutral beam injectors.

The Soviets are still a major contributor to tokamak development—an approach they invented—while not at its forefront. Their current machine, the T-10, is roughly comparable to the Princeton Large Torus (PLT), a leading machine of the late 1970s. Work done with the T-10 on electron cyclotron heating (a form of radio frequency heating) has been unique.

The next Soviet tokamak is to be the T-15, according to Bolton at the Department of Energy. The T-15, he says, is the rough equivalent of the TFTR or JT-60, and construction is under way. "Two years ago, it was to come up in 1986; obviously, there have been delays," Bolton says.

The 1980s is not an era for standing still in science



A speech by fusion scientist Professor Marshall N. Rosenbluth upon accepting the Fermi Award.

Professor Marshall N. Rosenbluth, leading U.S. fusion theoretical scientist, received the Department of Energy's prestigious Fermi Award on Feb. 6, 1986. What follows are excerpts from the speech he made on that occasion. Rosenbluth has directed the Institute for Fusion Studies at the University of Texas at Austin since 1980. Prior to that, from 1967 to 1980, he was at the Institute for Advanced Study at Princeton.

Science today is no longer primarily a product of individual brilliance. To paraphrase Thomas Edison, it is 10% inspiration and 90% cooperation. While I am delighted to receive this award, I am happier still with the real purpose of the occasion: to recognize the efforts and contributions of many, many people in fusion research, some of whom I am pleased to see here today.

I am a physicist, like most of us, for two reasons. First, for the intellectual thrill of understanding the universe a little better. To me that understanding has a deep spiritual meaning. A ceremony such as this conveys that our citizens, through our government, share to some extent in the feeling that an increase in scientific knowledge adds a little bit to all of us.

My second reason for becoming a physicist was a deep conviction that technology could make life easier and better for the human race, indeed was essential for its continued existence. I have been extremely fortunate in being able to combine these two motivations into a career primarily devoted to the quest for controlled thermonuclear fusion. Precisely because of these dual satisfactions, the worldwide fusion community is a close-knit and happy one. Being associated with it has brought me great joy through the friends I have made.

President Reagan at the summit demonstrated keen insight by recognizing that fusion research is an area where the world has worked in harmony and can continue to do so. I trust that concrete details of this great cooperation can soon be finalized.

Why, after 30 years of effort, am I so optimistic about

fusion's prospects for eventual success? Not only because of the increasingly better plasma conditions we have achieved, but more basically for a reason which may sound a bit strange to a nonscientist—that I have felt, especially within the past few years, that understanding is maturing, that theory and experiment are converging, and that within the parameters of our understanding lie the parameters for success.

Let me perhaps run quickly with you through those 30 years of magnetic fusion research we have shared. The 1950s were a decade of innocence when we hoped to succeed without really understanding what we were doing. Early research, in particular my own at Los Alamos, centered on the simple Z-pinch. We could properly estimate the dynamical time scales, but immediately uncovered the insidious kinks and sausages, the first visible head of the instability hydra. Early work with stellarators and magnetic mirrors also quickly ran into trouble. Confinement in all these early devices was many orders of magnitude below what we hoped for and have now attained. I might remark parenthetically that one of the real triumphs of understanding of recent years has been the final elimination, in accordance with the very complex theory, of the so-called losscone modes which had plagued mirrors since those early days.

The 1960s were the decade in which a fundamental framework of theory was laid down—a solid, if incomplete, framework which serves us to this day. From the raw intractable equations for the behavior of innumerable individual particles we could derive the appropriate tractable equations for the basic types of plasma dynamics—the ideal magneto-hydrodynamics, resistive MHD, small-scale drift waves, and the anisotropy driven modes referred to before. These modes are known not only in laboratory plasmas, but throughout the universe. The 1960s were perhaps the era of my own maximum productivity, the Golden Years of the TAERF program at General Atomic, which incidentally marked the beginning of my “Texas Connection” which continues happily today at the Institute for Fusion Studies in Austin.

While the 1960s were a decade of progress in theory,

experiments continued to be disappointing—due in large part to small scale and to inadequate technology. This situation was changed towards the end of the decade with the dramatic successes of the Soviet Tokamaks.

The 1970s saw a great increase in support for fusion research, due in part to renewed hopes raised by Tokamak results and in part to the oil crisis of those days. With these new funds, the needed technology, for example, heating and diagnostic techniques, could be developed and smarter, often costlier, but more successful experiments deployed. I was fortunate enough to be in Princeton during this era of progress and participated as theoretical work of the 1970s evolved towards nonlinear theory and large-scale computation.

Now in the 1980s, the world's break-even size tokamaks are on line: The Princeton TFTR, the Euratom JET, and the Japanese JT-60. It is striking that, despite the more than a decade that has passed since their planning, and despite many fascinating details we have not yet digested, their overall behavior is very close to original predictions. They will almost certainly fully meet their objectives.

To illustrate why I say understanding is maturing, let us look at the three main features of tokamak behavior. When enough heating power was applied to test predicted pressure confinement limits, these limits exactly matched those of the MHD theory. Magnetic islands grew and saturated or disrupted, and sawteeth reconnected just as *a priori* nonlinear resistive theory had postulated. And while a theory precise enough for engineering calculations does not yet exist for anomalous heat loss, this loss has been shown to derive in about the right magnitude from drift-wave microturbulence. Much of its scaling is understood.

In short, the theoretical framework of the 1960s, after 20 years of disagreement due to experimental or theoretical inadequacies, now explains in broad outline the experimental results of the 1980s. This understanding, which gives grounds for optimism, has a very important corollary. There are new avenues which theory begs us to explore—feedback control of magnetic islands has long been my favorite, shaping and profile control are others. These new avenues will surely convert presently projected parameters, marginal for a reactor, into satisfactory ones.

I am well aware that scientific success is only a beginning for reaching the Fusion Era. Many extremely difficult engineering problems must be solved before the test of the marketplace can be applied. My crystal ball is necessarily cloudy, but there is one safe prediction for the future: computer-controlled manufacture and quality control and robotic operation will resolve many of what appear today as very high-technology issues.

The budgetary outlook

There is one problem about which it is difficult to be optimistic in the near term—the budgetary support outlook. The nation faces very difficult choices. Many urgent short-

term needs must be met. Much human distress must be alleviated. What is necessary for national defense is not completely under our control.

In the face of those demands, do we have the national resolve, and the appropriate mechanisms for pursuing the long-term adventures on which 21st-century greatness will rest? Basic physics and biology, energy research, and space exploration come to mind.

Progress in such adventures is often slow; sometimes we suffer failures as Three Mile Island and last week's terrible Challenger tragedy illustrate too well. The temptation to drop

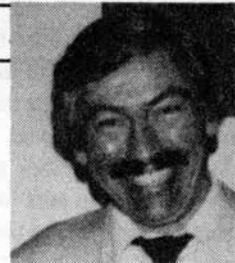
I would happily exchange the proceeds of this marvelous day for the assurance that I will be able to take part in this great human triumph. I want to see controlled fusion in my lifetime, and I am sure I will, just as I am confident that taming our most abundant energy source will ultimately lead us to new heights.

these challenges is great. No national disasters will ensue in the near term and few votes will be lost. But, can we be a proud and successful nation 20 years from now if we abandon the struggle? I doubt it. This is not an era for standing still.

I am not pessimistic. I have a great faith in the wisdom of America's people, and in the workings of the American system of government. In often mysterious and sometimes tortuous ways, the right decisions are eventually made, the path to greatness is followed.

What I have experienced and seen of history in my lifetime assures me that the exploration of our frontiers will continue. We now stand in fusion research on the threshold of scientific success. One final step is urgently needed: to produce an ignited plasma, to actually see the effects of fusion products, so long dreamed of and studied on paper, to give the proof test to the existence of a burning fusion-reactor fuel. Studies of the last year have convinced us we can provide such a test at moderate cost.

I would happily exchange the proceeds of this marvelous day for the assurance that I will be able to take part in this great human triumph. I want to see controlled fusion in my lifetime, and I am sure I will, just as I am confident that taming our most abundant energy source will ultimately lead us to new heights.



Results that are exceeding the original TFTR design

Dr. Dale Meade is in charge of experiments on the Tokamak Fusion Test Reactor (TFTR) at the Princeton Plasma Physics Laboratory. He put the latest achievements of the TFTR in perspective in this Aug. 15 telephone interview with David Cherry of the Fusion Energy Foundation, for EIR.

EIR: The TFTR has set two new records that bring us closer to fusion as a practical energy source. What are they?

Meade: In mid-July we set a world record for the highest temperature achieved in a laboratory, 18-20 kiloelectron volts of ion temperature,* that is, roughly 200 million degrees Celsius. This is comfortably within the range in which a working fusion reactor will function, but achieved at a lower density than will be required.

In March, the TFTR set a new record for the Lawson product, $n\tau$, or quality of confinement. It is the product of density and confinement time. By enriching the fuel, with fuel pellet injection, and doing this at high plasma density, we achieved an $n\tau$ of 1.5×10^{14} nuclei-seconds per cubic centimeter. Our pellet injectors were developed at the Oak Ridge National Laboratory. The density itself was 3×10^{14} nuclei per cubic centimeter, confinement time was .5 seconds, and temperature was 1.2 kiloelectron volts. If our high temperature and $n\tau$ achievements can be combined, we will easily have break-even, where the power produced equals the power required to heat the plasma. Putting it another way, the ratio Q of power produced to power required equals 1 (Q or quality factor = 1). That is beyond the original TFTR design.

EIR: This is being done with deuterium alone?

Meade: Yes. These are D-D reactions. The combination of deuterium and tritium (D-T) is two hundred times more reactive. When we started our tokamak work in 1974, we had rather modest objectives. For example in 1976, people said we should produce 1-10 megajoules of fusion energy per pulse with temperatures of 5-10 kiloelectron volts and $n\tau$ of 10^{13} . Part of the significance of these latest results with deuterium plasmas is this: We believe that if we put tritium in

now, we'd achieve the original objectives for the TFTR.

After 1976, we boosted the objectives. By 1979, we were saying the TFTR should reach real break-even. In the coming year, with deuterium plasmas, we expect to achieve the conditions for break-even once tritium is introduced.

EIR: How will that be done?

Meade: One-third to one half of the reactions are going to come from neutral beam ions hitting tritons [tritium nuclei]. To get break-even utilizing these beam-target reactions, you need 15-20 kiloelectron volts and $n\tau$ of $2-3 \times 10^{13}$. That's twice the $n\tau$ we now have at this temperature. Without these neutral beams of deuterium, we'd need $n\tau$ of 6×10^{13} . In 1983, the Alcator C got $n\tau$ of 6×10^{13} , without beams.

At present, the TFTR with tritium would produce a Q of 0.25. Within the next year, the four neutral beam heaters will go from half to full power, and we'll get longer pulses, pulses of two seconds instead of typically one-half second. Q will go to 0.5 as a result.

To get $Q = 1$, we face the following problem. We use the injection of fuel pellets to get high $n\tau$. The pellets will penetrate a dense plasma, *but not above a certain temperature*. We use neutral beams, beams of deuterium atoms, trained into the plasma to heat it, but neutral beams *will not penetrate a sufficiently dense plasma*.

EIR: So, it is the horns of a dilemma.

Meade: Yet, we must approach the objective from both directions. For the high temperature regime, we will perhaps improve the density with the injection of smaller fuel pellets. Working from the high density regime where we have a high $n\tau$, the ion cyclotron range of frequencies [ICRF, one form of radio frequency heating—ed.] becomes useful for increasing the temperature. We will be depositing 5 megawatts of ICRF right in the center of the plasma column. Neutral beams do not reach the center of the plasma.

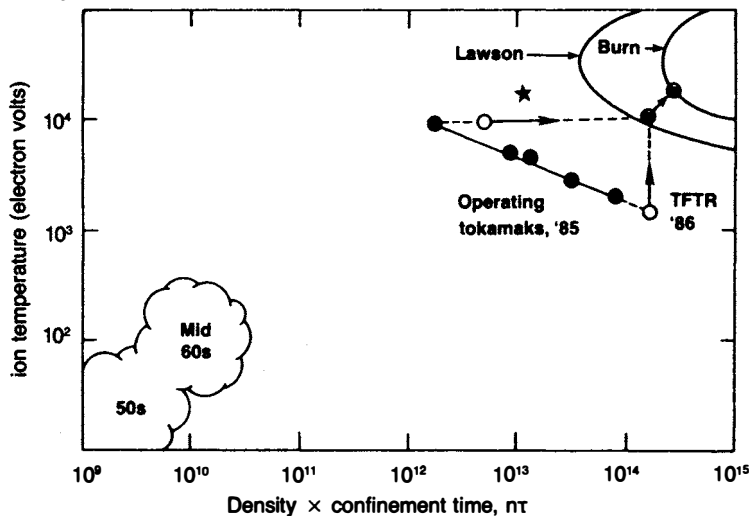
Coming back to the latest results on the TFTR. The common thread in these two regimes—the very dense and the not so dense—is that they both have sharply peaked density profiles along the diameter of the plasma column. We weren't able to get high temperatures until we learned to get peaked profiles using only neutral beam heating. Now, we get them with neutral beams or pellet injection right to the center.

The new high-temperature results over the past two months

* The electron volt is the standard for measuring the temperature of both electrons and ions; one kiloelectron volt is 1,000 electron volts.

FIGURE 1

Progress in tokamak confinement



The new, mid-July high-temperature achievement is shown with a star. The latest achievements of Princeton's TFTR as of two months ago were represented by the two open dots. On the x-axis is the combined density and confinement time, the product $n\tau$, where n is the nuclei per cubic centimeter and τ is confinement time in seconds. For fusion breakeven, $n\tau$ must be 3×10^{13} or better, as shown. Ion temperature is plotted on the y-axis in electron volts: breakeven requires 8,000 electron volts or better. Breakeven will occur in the upper right-hand region marked Lawson (fulfillment of the Lawson criteria). Arrows from the open circles point to convergence on this region. Self-sustaining fusion will occur in the region marked burn.

have been achieved by first firing many shots at low density to clean impurities from the machine and condition the interior of the chamber. Then, we would get one good shot. Again, many shots at low density, then three good shots. Then, after the same routine, 10 good shots.

Concerning our March results in the high-density regime, density and temperature are now so good that hydrogenic bremsstrahlung accounts for 20% of energy loss at the center—it used to be negligible.

EIR: By that you mean that results are so good that the amount of energy being lost by radiation has now assumed significance, where previously it was a negligible proportion of the general energy losses?

Meade: Precisely.

EIR: What is being accomplished with Princeton's other tokamaks?

Meade: The TFTR is on the main line of tokamak development. The Princeton Large Torus (PLT) and Princeton Beta Experiment (PBX), like the Doublet III in San Diego, are on the advanced tokamak line. The PBX is investigating ways of shaping the cross-section of the plasma column to achieve β [confinement quality] of 10%. The PBX has already achieved 5%. It is now being modified—it will be PBX-M—in order to achieve a theoretical β of 20%, but practically, the objective is 10%. PBX-M will start operation in April 1987.

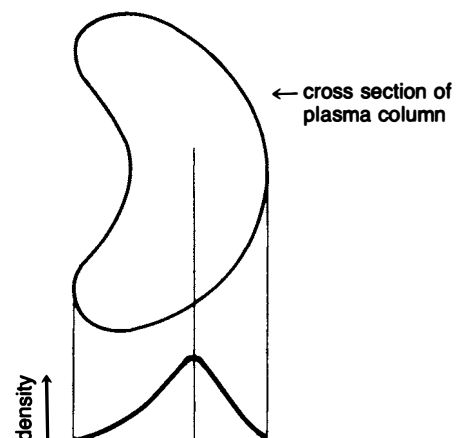
The PLT is working on techniques for radio frequency heating to achieve steady-state operation, instead of pulses. It is achieving 5 kiloelectron volts of electron temperature now, using lower hybrid-current-drive of 2.5 gigahertz. Low-

er hybrid means intermediate in frequency between electron cyclotron and ion cyclotron frequencies. In the heating of ions, we have traditionally used ion cyclotron waves. Now, we are heating with Bernstein waves—the 5th, 6th or 7th harmonics of ion cyclotron waves, and looking at other forms of radio frequency current drive.

The PLT will shut down at the end of September, 1986. If we had the money, it would not!

FIGURE 2

Peaked plasma density



The highest temperatures are now being achieved in plasmas in which the center of the plasma column is very dense, with sharply decreasing density toward the circumference. (The curve shown is illustrative, not a laboratory result.)

Democratic trade unions rally behind Peru's Alan García

by Valerie Rush

The International Monetary Fund's Aug. 15 decision to declare Peru ineligible for new credit may prove to be the biggest mistake the Fund ever made. Instead of terrifying the Alan García government and its potential allies into submission, the IMF has triggered a "financial Malvinas." Great Britain's 1982 war with Argentina over the Malvinas Islands created a continent-wide nationalist backlash and a drive toward Ibero-American unity, which now threatens to emerge with renewed vigor.

Since the Malvinas War, the IMF's austerity conditionalities have driven one country after another to accept mass unemployment, starvation, and disease, in hopes of getting a few crumbs of credit from the international banks. Now, support for Peru's courageous stand against usury has begun to snowball across the continent, and the IMF may soon find that its "tough stand" against Peru could bring down the financial house of cards it has committed genocide to maintain.

García delivered his rebuttal to the IMF at a meeting in Lima Aug. 15, with a group of democratic trade-union leaders who had come from across the continent to express their solidarity with his battle, and to pledge their efforts to mobilize labor continentally in Peru's defense (see below for the relevant speeches and documents). The meeting was convened by Peruvian Sen. Luis Negreiros, the veteran leader of the labor sector of García's APRA party and until recently the president of the Senate. It was organized with the assistance of the Ibero-American Trade Union Commission of the Schiller Institute, and the Commission's four coordinators attended the meeting.

Former Colombian Labor Minister Jorge Carrillo Rojas was chosen by the group as its spokesman. A veteran labor leader, he is known for his endorsement of the "American System" economics of Abraham Lincoln's advisers, policies based on a "harmony of interest" between labor and industrial capital, in the interests of the development of the nation. After meeting with García, Carrillo returned to his country to preside over the creation of a new unified labor federation, representing over 80% of the country's trade union organizations. In his Aug. 16 address to the new movement (see *Documentation*), Carrillo emphasized that



President García tells Ibero-American trade-union leaders: "There is nothing to fear." García (center) is shown here at the Lima meeting on Aug. 15 with Luis Negreiros (Peru), Antonio Carlos Batista (Brazil), Eduardo Rios (Panama), and Rodolfo Seguel (Chile).

NSIPS/David Ramonet

it was incumbent upon the trade unions to intervene in economic policy-making, since the lives of working people are at stake. With burning issues like the foreign debt and Latin American integration waiting to be resolved, why shouldn't the union movement "become its own great political force in the country?"

President García, in responding to the IMF financial warfare decision, emphasized that the workers' movement of the continent would have to be the vanguard of the fight for economic sovereignty and social justice. "I know that in every country it is the workers who have assumed leadership on this point, because they know that nothing would endure without economic sovereignty; because they know that democracy will be a mere anecdote without Latin American integration; because they know that no country on its own can negotiate, renegotiate, or escape the problem of the foreign debt unless all Latin American countries assume a common position."

A year of preparation

The Peruvians have been expecting, and preparing for, the IMF sanction for a long time, since President García came to power on July 28, 1985 and announced that he would limit foreign debt payments to 10% of the nation's foreign exchange earnings. Last September, García met with the Trade Union Commission of the Schiller Institute, including many of the same labor leaders he received on Aug. 15, and told them that he anticipated all-out war by the international creditor banks against his country to be launched in October. At the time, however, the International Monetary Fund, con-

cerned about the possibility of a Mexico-Argentina-Brazil debtors' axis, limited its strategy on Peru to efforts at "containing" the "10% solution" while attempting to pick off what it perceived as its more dangerous adversaries.

In the course of the year, Argentina and Brazil were lured, bribed, and cudgeled into what has since emerged as the IMF's dream come true: a "common market" integrating Brazil's cheap labor pool with the remnants of Argentina's production infrastructure, to facilitate the export of everything not nailed down. The Fund offered the desperate Mexican government a handful of minor concessions in exchange for a new letter of intent and another roll-over scheme, and thus succeeded—at least temporarily—in cooling out that situation as well.

That left Peru, and a President intransigent on the question of putting the needs of his people over bankers' interest payments. The IMF decided it was time to "make an example" of Peru, and so declared the credit suspension. However, the Fund badly miscalculated. As García noted, "the theories, the threats, the declarations are all paper tigers." They think they can isolate us, but "the voices begin to be heard in many countries. . . . To open the doors of history frequently requires sacrificing a reverential fear of many institutions."

Indeed, among the first voices to be heard on the continent were those of Argentines, who were taught a lesson in solidarity during the Malvinas War with Britain. In a rare alliance of Peronist and ruling Radical Party forces, the entirety of the Argentine Congress officially declared its support for García, and attacked the IMF. "In the midst of difficulties stemming from crisis, the foreign debt, terrorism, and the

drug trade, the unjust behavior of the IMF can now be added," said the Aug. 21 congressional declaration.

Peronist deputy Antonio Cafiero also introduced a resolution to Congress, signed by numerous other Peronists, which urged President Alfonsín to seek ways of "supporting the brother country in this difficult moment" and which noted that García's "10% solution" was "the only choice, if one tries to safeguard present standards of living."

Argentine labor, represented by trade union leader Saul Ubaldini, expressed its solidarity with Peru as well, delivering a message of "support for the Peruvian people" to that country's ambassador to Argentina. On the other end of the spectrum, even Argentine central banker Alfredo Concepción confessed that "all of us are or will be ineligible [for new loans] like our brothers in Peru" because debtor nations are forced "to make commitments that are impossible to fulfill."

In Mexico, which García is rumored to be visiting imminently, a faction of the ruling PRI party is attempting to revive the Peruvian-style debt initiative first formulated by PRI president Lugo Verduzco before the de la Madrid government signed with the IMF. In a speech to a Mexico City forum on the foreign debt Aug. 19, former U.N. Ambassador Muñoz Ledo urged that a ceiling be imposed on Mexican debt service payments, based on a rational percentage of export income. He noted that such a decision would signify no more than what the government had already agreed upon, together with the rest of the continent, in last year's Cartagena Consensus.

Brazil has issued no formal statement regarding Peru, but Rio de Janeiro publisher Helio Fernandes has urged that Brazil leap to Peru's defense: "The victim is now Peru, a country which the IMF considers to be weaker. . . . But, if we lost the chance to fight in the same trench with Mexico, we must not lose the new opportunity offered by Peru. Through the integration between Argentina, Uruguay and Brazil, we have to aid that country, with the certainty that we will be marching towards the liberation of all."

The Latin American Parliament, through its president Luis Leon, has also declared its support for Peru. In a telegram sent to President García, Leon declared that "I send you in the name of the Latin American Parliament our solidarity and decision to accompany our brothers in Peru in the efforts and sacrifices imposed by their fight for dignity and sovereignty." The Andean Reserve Fund has already pledged \$100 million in aid to Peru for next year, and the ministerial-level meeting of the Latin American Economic System (SELA), to be hosted in Peru in September, is expected to produce some show of support for Peru's fight with the IMF.

That the IMF may have overplayed its hand in its treatment of Peru can perhaps best be seen in the reactions of Britain's leading private bankers. As one senior London banking official told *EIR*, "In a perverse sort of way, the IMF move opens the way for the private banks to start talking with Peru in a meaningful way. My own feeling is that the banks

will have to come to some sort of personal deal with Peru. Of course, we have to consider if this is an unwise precedent for other debtors to deal outside the IMF, but Brazil has already set a far larger precedent."

Labor mobilizes for integration

Colombia, under the 1978-82 government of Turbay Ayala, earned the unenviable title of "Cain of the Americas," by joining with Britain and the United States against Argentina during the Malvinas War. Although the Barco government today has not yet taken a public stand in solidarity with Peru, the Colombian labor movement is attempting to bring that about as quickly as possible.

When former Labor Minister Carrillo returned Aug. 16 from his Lima meeting with García, he told the press awaiting him at the Bogota airport that he carried a message from the Peruvian President. That same day, speaking to representatives of 400 Colombian trade unions, Carrillo declared, "Yesterday, the usurious international banks represented by the IMF declared the brother republic of Peru ineligible for future loans. . . . I, returned only yesterday from Lima, am witness to the fact that the Peruvian people have received the bankers' decision with delight, because it will allow them to continue a policy in defense of national sovereignty, the fight against imperialism and for improvement of the living standards of the Peruvian people."

Carrillo urged the Colombian labor movement to take up the banner of Peru's struggle, and make it their own as well. At the conclusion of Carrillo's statement, the trade union leaders present unanimously formulated an organizing document, which states in part:

"We salute the brave measures of those nations which not only question dependency on international finance capital, but have taken concrete measures to limit debt payments to a fixed percentage of exports, that will not harm our development.

"Thus, we support the brother nation of Peru and its President in the face of blackmail by the International Monetary Fund, which yesterday declared [Peru] a country ineligible to receive credits from the international banks.

"We know that Peru will not alter its sovereign decisions because of this assault of the IMF, and we commit ourselves to mobilize in defense of the people so that Colombia adopts similar measures for its national sovereignty.

"In fighting for trade union unity centered around a single organization, we seek thereby to recapture the role of the working class as a determining factor in an economic dynamic and social movement subject to independent and sovereign development, in substitution for the oligarchic structure of power."

In September, 80% of Colombia's organized labor movement will participate in the founding congress of the new Central Unitaria de Trabajadores (CUT). It is expected to set a historic precedent for the continent.

The Lima Declaration

Unionists pledge support for García

This is the document signed in Lima on Aug. 15, by the trade-union leaders who participated in the preparatory meeting for the Latin American Workers' Conference, and met with Peruvian President Alan García.

The foreign debt of our Greater Fatherland, from Mexico to Argentina, currently is about \$400 million. On the average, half of our nations' income from exports is devoted to servicing that debt, and, what's worse, that proportion is tending to increase. With the imposition by the IMF of "adjustment programs" on our economies, especially since 1981, the crisis, rather than abating, has gotten more critical. We have reached the point where debt service is growing at a faster rate than the production of tangible goods, and, in turn, the cuts in investments and consumption made in order to guarantee debt payments, reduce physical production capacities more and more with every passing day. The result of this process has been famines, epidemics, galloping unemployment, and the growth of subemployment and "informal" activities like narcotics trafficking.

The adjustment programs have caused the countries implementing them the loss of several million jobs. Continuous devaluations have debased our currencies. Every day what we sell is valued less and what we buy costs more. Real wages have decreased and in several countries the social benefits of the workers have begun to be cut back. In other words, the labor movement faces the challenge of uniting to defeat those policies or remaining dispersed, slowly weakening itself until it disappears as a significant force.

The President of the Republic of Peru, Dr. Alan García, has had the moral integrity to decisively and responsibly confront the usurious international financial institutions which caused this crisis. But this struggle cannot be conducted exclusively by the governments; at its head must be the trade-union movement, which historically has been a factor in the great economic and social changes benefiting the population in general.

Therefore, we, democratic labor leaders of Latin America, demand that our countries and all the workers of the region take a united position toward the grave problem of the foreign debt and the International Monetary Fund.

We recognize that some countries have taken steps to

deal with the situation, but unfortunately, those have not given the expected results. We see in the Peruvian decision a genuine anti-imperialist outlook which rejects the colonialism of the international banks and defends national sovereignty.

The Peruvian position on the foreign debt is serious and responsible, since it recognizes the debt, but it also recognizes the physical and moral impossibility of paying it under current conditions. The road chosen is a democratic road because it defends social justice and the right of the peoples to development.

In reality, the excessive growth of the debt is illegitimate. If the impact of high interest rates, the deterioration of terms of trade, and capital flight, especially since 1979, is subtracted, the region's foreign debt would hardly reach \$60 billion, which would be readily manageable.

Between 1981 and 1983, fifteen countries of the region were forced by their creditors to impose drastic adjustment programs whose prescription is the same in every case: Eliminate subsidies, massively devalue the currency, indiscriminately open up the economy, increase taxes, etc. It is not true that each country has its crisis; in truth, the cause of Latin America's crisis is one and the same; and thus Latin America should act in concert to solve it. What is at stake is the very existence of nations and democracy. With the reduction of the populations' living standards, the family, the basic cell



Children in a Colombian slum. IMF austerity policies are destroying the family in Ibero-America.

of society, is disappearing. IMF policies are a blatant rejection of Christianity's basic principles of defense of human dignity.

If those of working age in Latin America are to be given decent occupations, 100 million new jobs will have to be created by the year 2000. By the end of the century, adequate food for 600 million people inhabiting the Greater Fatherland must be provided. This giant task demands the continent's physical integration by means of infrastructure works such as railroads, roads, canals, ports, etc. These great projects will not be carried out if we do not have the will for victory.

"What is at stake is the very existence of nations and democracy. With the reduction of the populations' living standards, the family, the basic cell of society, is disappearing. IMF policies are a blatant rejection of Christianity's basic principles of defense of human dignity."

Under today's circumstances, the only ones integrated are the narco-terrorists, and the continent faces a wave of aggression of all sorts, whose goal is to break the resistance of the peoples so that they accept another round of austerity. The demands are the same: Sell state enterprises; abandon great projects which have been undertaken; open up the economies—without any regulation—to foreign investment; pay the debt with the equity of companies, etc.

Every nation which resists the designs of those would-be masters of the world is destabilized. Panama is threatened with not having the canal returned to it; Mexico is threatened on its border; and it is predicted that Peru will be totally isolated for having defended its sovereignty from its creditors.

The oligarchy can no longer continue controlling millions of working men who have been losing everything, including their own jobs. Our dilemma is not "export or die," as some tell us, since by exporting we are all dying. The true challenge is to achieve integration, because, if not, the bankers will crush us. It is absurd that less than 20% of our total exports go to each other. Only by means of integration could we achieve industrialization and the accomplishment of the great projects.

As his Holiness John Paul II emphasized on his recent visit to Colombia, "Poor populations cannot pay intolerable

social costs, sacrificing the right to development, which then eludes them, while other peoples enjoy opulence. Dialogue among peoples is indispensable to reach equitable agreements, in which not everything would be left subject to an economic policy unbreakably dependent on economic laws without soul and moral criteria. Herein lies the urgent need for international solidarity, which today is especially required for the problem of the foreign debt, which overwhelms Latin America and other countries of the world."

We workers are the backbone of integration. The labor movement must take on the role of leadership which it has not fully taken so far. We cannot continue merely being simple spectators; our responsibility has to do with making decisions on the economic policies which should be implemented.

Likewise, we reaffirm our faith in democracy, which is nothing other than the genuine participation of the people in all decisions which affect the lives of our nations. Thus, we condemn the dictatorships existing on the continent and express our solidarity with the brother peoples who struggle to recover freedom, justice, and democracy.

Finally, unity in action of all workers of the continent with respect to the debt is required to achieve integration. From Lima, we urge all our fellow workers to act decisively against aggression from the creditors.

We make a fervent call to all national labor confederations, to the trade-union organizations existing in the continent, that, united in their sole purpose, which is the defense of Latin America's working class, on Oct. 18 and 19 of this year, we hold a great encounter of the workers of the continent in the city of Lima, with the rejection of the IMF's evil policies as its fundamental goal.

Lima, Peru, Aug. 15, 1986

Antonio Carlos Batista da Costa, president of the Federation of Workers in Mechanical and Electrical Material Industries of the State of Rio de Janeiro, Brazil

Gumersindo Bueno Calderón, treasurer of the Confederation of Railroad Workers of Bolivia

Jorge Carrillo Rojas, former minister of labor and social security of Colombia

Manuel Carulias, president of the Center for Trade Union and Social Studies, Argentina

Dep. Luis Negreiros Criado, Union of Workers of the Peruvian National Port Company

Eduardo Ríos Molinar, secretary of the Single Union of Construction Workers; National Council of Organized Workers, Panama

Pedro Rubio, general secretary of the Union of Workers of Bogota and Cundinamarca

Rodolfo Seguel, president of the Confederation of Copper Workers and president of the National Workers' Command, Chile

'A symbol for all of Latin America'

Jorge Carrillo Rojas, who has just left office as the first trade unionist to serve as minister of labor in Colombia, made these remarks at the Aug. 15 meeting of trade unionists with Peruvian President Alan García.

Congressman Luis Negreiros, friends:

You have wished that I be the one who gives the President, Dr. Alan García, the warm and fraternal greetings of the trade unionists we proudly represent. It is for us a high honor to be here with you today, because your figure not only represents the wish for redemption and change of the Peruvian people, but the wish for change and improvement of the entire Latin American population.

Mr. President, we have gathered in the city of Lima at the compelling and generous invitation of our friend and fellow Luis Negreiros, whom we view not only as a fighter in his own right, but as an heir of a line of trade unionism, since his father, Mr. Negreiros, was not only a bold labor leader but a martyr of democracy.

Thus I have answered that call, together with my fellow trade unionists, and have come to this city to pledge the solidarity of Colombian workers with the Peruvian government's position on the most serious problem of the foreign debt, which comes close to \$400 billion, and for the sake of whose payment our countries are being subjected to adjustment programs which plunge our peoples into misery and despair. As you, Mr. President, have aptly put it, most of our countries devote to the payment of debt service an average of 50% of their exports. Thus the development of our peoples is being sacrificed in order to satisfy the international banks. Those countries subjected to adjustment programs have lost close to 10 million jobs because of those programs. Our currencies continue to drop every day, and everything we import becomes more expensive and what we export is ever cheaper. It is a policy that loots our resources and our efforts.

You, Mr. President, have had the courage and moral integrity to tell the world that Peru shall pay its foreign debt, but only according to its possibilities; that it will only devote—as indeed it has—10% of its export earnings to payment of that debt; that the Peruvian people comes before the payment of debt; that life comes before debt. This is a nationalist and anti-imperialist position, one of social justice that fits in with the principles which have given life to the Western

world, the principles of Christianity. I find no difference between the voice of the President of Peru, Mr. Alan García, and that of His Holiness Pope John Paul II, when the latter said, during his recent trip to Colombia, that Man comes first, first comes the dignity of the human individual, first comes the development of peoples, then the payment of a debt which has grown by the unilateral decision of our creditors.

Thus our meeting in Lima was meant to reaffirm our will to fight and continue fighting for those ideals, but also to call for a giant conference of workers of Latin America in the

I find no difference between the voice of the President of Peru, Mr. Alan García, and that of His Holiness Pope John Paul II, when the latter said, during his recent trip to Colombia, that first comes the dignity of the human individual, first comes the development of peoples, then the payment of a debt.

month of October here in the capital of Peru, where all existing labor unions and confederations without distinction may participate in giving support to this position. We believe, Mr. President, that this encounter will be successful and transcendental for all our countries. We would wish to count—as we surely will—on the acceptance and approval of the Peruvian government in this call.

The necessity of integration

Finally, Mr. President, I wish to reiterate this line of Latin American integration. If the adjustment programs imposed by international financial circles continue to be applied, the efforts of our peoples to topple dictatorships and impose governments which express the will of the people shall not last long. Thus such an extraordinary effort which has been made in many countries is at stake. Little would it help, for instance, if the Chilean people, which is fighting bravely to rescue freedom, justice, and democracy, had a victory in the short term, if on the other hand, these economic policies kept being implemented.

You, then, Mr. President, in our judgment as trade unionists and sincere workers not in the habit of flattering Heads of State, are a symbol for the entire population of the continent.

García addresses Ibero-American trade union leaders

Peruvian President Alan García delivered the following address to the meeting of Ibero-American trade unionists in Lima, Peru on Aug. 15, the day that the International Monetary Fund (IMF) declared Peru ineligible for further credit:

Fellow Latin American citizens and trade unionists:

Peru's house of government is ennobled by receiving the representatives of the workers of the continent. And its President thanks you in the name of the Peruvian people for this unforgettable gesture of Latin American solidarity with a country which can only express the voice of Latin America, and be a part of the job of opening the path of the future, which is the independence and the economic sovereignty of our continent.

Brother Carrillo, minister and trade-unionist, Panamanian and Argentine brothers, and brother Rodolfo Seguel, from Chile, your presence has profound meaning to me. The presence of all of you is the voice of solidarity and popular understanding of the path that our countries must follow.

For several days now, in anticipation of what would happen to Peru in its relationship with the IMF, which is the great guardian and keeper of the imperialist economy and international capitalism, many press and news services have insinuated that Peru is isolating itself and that this is its greatest mistake. And I answer, before you and with you, that we are going to isolate ourselves from domination, that we are going to isolate ourselves from imperialism and from exploitation, that we are going to isolate ourselves from a system of injustice and unjust distribution of the world's wealth. But we will always be on the side of the Latin American people, and we will always be on the side of the Latin American workers, who are the ones who must open the broad pathways to the future.

You know that Peru's position is rooted in ideological principles: There can be no democracy without economic independence, if there is no national sovereignty. There can be no popular sovereignty without economic sovereignty. But there cannot be democracy in any single country, without an anti-imperialist concept that links and unites all the other countries of Latin America in a single position and on a single path. The history of Latin America is the history of the constant depredation of 20, 21 or 22 countries which export raw materials, for which we are paid low prices; of countries which buy machines and technologies for which we pay

excessive prices; of countries indebted by these means, each one now negotiating in isolation, in a weak position in regard to the great power of the world creditors.

Our history is the history of a continent which has not achieved its consciousness, which has not attained the historic unity of a consciousness for action. So, the issue of the foreign debt was not chosen at random for political action; the foreign debt summarizes the history of Latin America, is the current summary expression of the low prices of Latin America, of the high-cost urban industrialization which Latin America has undergone in the past 30 years. The foreign debt also reflects the high interest rates imposed on us in order to maintain an unjust distribution of world finances.

García's '10% solution'

It is for this reason that the country which I rule has decided to take a position which does not fall into the extreme of stopping payment, but takes a realistic and revolutionary position, which warns that a country cannot sacrifice its people, nor its destiny, to benefit the appetite of the international banks, whose interest rates are leonine and usurious. And that a country cannot solve these problems by resorting to new loans to pay old debts; much less can a country renounce its economic sovereignty, allowing itself to be governed not by an elected government, but by letters of intent from an economic philosophy and theory already rejected by the people.

Thus the country announced one year ago, and at great pains and amidst much incomprehension has continued to uphold, its decision to limit payment of the foreign debt to 10% of the value of its exports, because in this way we relate what is paid us for our labor, what is considered our money, with the payment they demand from us abroad.

Thus, fundamentally, we demand that our labor be better valued. Why should we accept the low prices they pay for our raw materials? Why should we remain silent, while they pay us less and demand more interest payments from us? Why should we underestimate the right to life of our workers? Why should we conclude that their sweat has no historic meaning?

We defend the fundamental right of Latin America to make its own history. Without anyone calling upon us to do so, but rather due to the obligation of being Latin Americans, we have raised our voice to say that neither the banks, nor the IMF, nor the political design of some other countries shall determine the destiny of our continent.

Someone must begin, then, and I know that voices begin to be heard in many countries. Political will and initiatives begin to come together, and, something fundamental and refreshing: I know that in every country, it is the workers who have assumed leadership on this point, because they know that nothing will endure without economic sovereignty; because they know that any democracy will be a mere anecdote without Latin American integration; because they know

that no country on its own can negotiate, renegotiate, or escape the serious problem of the foreign debt unless *all* Latin American countries define a common position.

I want to tell you, who come from across Latin America, that the fact that we have not yet achieved a joint and unified position for all of Latin America does not make us impatient nor intimidate us. Better times shall arrive; history makes its way through the greatest incomprehension. To open the doors of history, frequently requires sacrificing a reverential fear of many institutions.

We defend our right to make our own history. Without anyone calling upon us to do so, but rather due to the obligation of being Latin Americans, we have raised our voice to say that neither the banks, nor the IMF, nor the political design of some other countries shall determine the destiny of our continent.

The IMF's move against Peru

I know that your presence in Peru is no coincidence, and stems from a generous decision to be here, when for the first time a country of Latin America is on the verge of a situation from which their appears to be no return. Today is the 15th, and the directors of an institution well known throughout Latin America would decide Peru's internal situation. The International Monetary Fund, as an institution created 40 years ago, had some purpose in the reconstruction of the world economy after the bloody war. But in those years, it established that a world currency would be used which was not the currency of a country, but a currency linked to a world metal, gold. When that currency was released from its gold denomination 30 years later, the IMF lost all purpose, because using a world currency from that point on obliged one to use the currency of a single country, and therefore tied the economies of the poor countries of the Earth to the fate of that single country.

This is the central point: If we want a more just economic order in the world, we need a more just monetary order in the world. We need world liquidity to be an expression of our people, too, and not doom us to obsequiously use a single liquidity which is the property of a single issuing country. And this does not mean enmity toward a country, but rather the demand for other countries of the Earth and of Latin

America to have conditions of equality. There will not be a just international economic order without a monetary order to sustain it. . . .

Peru has chosen the Latin American path, the path of economic sovereignty. Because throughout these all these years of permanent pressure to pay off old debts, we have handed ourselves over many times to the will of the IMF, which is the champion of an economic theory already rejected as unacceptable and inapplicable to the poor countries of Latin America and the world. Throughout these years, we have accepted the imposition of a liberal theory of economic policy that has reduced the expenditures of the State, that has reduced the wages of the workers, that has limited the social participation of the poorest, that has reduced the productive capacity of countries.

This liberal and monetarist theory is what has ultimately aggravated the situation of our countries over the last 10 years. And so the problem is not solely a matter of credit or of money needed to pay previous debts; it is essentially a problem of economic conception. We cannot accept, for the sake of eligibility or of playing by the rules of the Fund, letters of intent which tell us we must devalue the currency as they wish, and destroy and devalue the labor and effort of our fellow citizens. . . .

The survival of the nation

We cannot tolerate that the national economy be strangled to satisfy foreign demands, which might have a legal title, but lack a moral foundation in historical terms. And because we have chosen a different economy, an economy of social sense, a nationalist economy, it has been this year, in spite of terrorism—a grave adversity we suffer—and in spite of the incomprehension of some political layers, we have succeeded in significantly reducing inflation, increasing our population's consumption capacity, thereby reactivating the industrial and agricultural economy. . . .

I thank you all very much for being with us today, on this Aug. 15. We have presented the IMF with our proposal, with our legitimate claim; as a country we are unable to pay what they demand, either to the private banks, to the IMF, or to the governments of the world. We will pay, but according to our conditions, as the country grows and develops and we solve the problems of inequality and misery that exist.

But it must be understood that a country cannot sacrifice its people to benefit interest rates set in New York or in London. It must be understood that our workers, our dark-skinned Latin American people, are worth more to us than the interest rates of a few investors who have plenty of right, but to whom this decision will not mean tuberculosis, or crime, or subversion, or hunger. Thus we've told the IMF—which is also a lender bank—we will send what we can. If they accept, well and good; if they don't, a pity. But we will adhere to this position. . . .

And we have demanded, I repeat before you here, that

just as a single currency is used and a single precious metal, gold, so has another precious metal, silver, been stripped of its right to be considered a reserve currency for our countries. . . . So, despite having our Andes in Mexico and in Peru, with a womb full of silver, we are not rich. We are poor by a decision of the IMF, because silver is not a precious metal. And if we had gold, I am certain that another type of metal would be sought, so that the minerals of the poor countries of the earth could be declared not precious metals. Therefore, we can say to the Fund, you want us to pay you? We will pay in our precious metal, which is silver. . . .

All of these demands boil down to a nationalist, decisive attitude. If the price of that nationalist attitude is, as they say, isolation, I know that it is an isolation with respect to the world centers of power . . . but I also know that there is not isolation but close identification with the countries of Latin America, and if some don't understand or watch passively what is happening in Peru now, well they should know that tomorrow it will be the peoples who will unite, not with Peru, but with the historic will of the entire continent, to make true what our heroes and founding fathers, from the Rio Grande to the tip of Chile, left us as a mandate: independence made through unity; independence made through integration.

'There is nothing to fear'

I greet you and thank you for this gesture of solidarity, which is the principle of democracy. Solidarity is the proof of democracy, because while speeches and successes can be applauded over and over again, what is important to me is to see in my Peruvian people and in the continent not applause, but solidarity in difficult moments. That's when one knows one's friends; that's when one finds if the votes were truly cast, not merely as another option, without putting one's responsibility and life on the line.

And now, today, Aug. 15, as Peru surely suffers already the consequences of its decision, it is very important that you are here. And I tell you, and through you the Peruvian people, that there is nothing to fear. The theories, the threats, the declarations, are all paper tigers. When a people understands and knows its destiny, when a people has no fear, when a people knows that so much wealth has left here and that more wealth can be generated by its efforts, by its solidarity, without expecting everything in a single day, then the economy of Peru and of other countries will be saved.

There is nothing to fear, and if the President of Peru, in the name of the Peruvians, makes a decision and sticks to it in spite of any declaration, you should know that nothing can be done historically to harm the country. Rather, we are opening the doors to another situation and another possibility, to leave a better situation and a better society, without violence and with greater justice, for our children.

I thank you all for your presence and your words, and I want you to know that this house and all of Peru are Latin American territory at your service.

Colombia needs a new labor federation

On Aug. 16, former Colombian labor minister Jorge Carrillo addressed representatives of 400 Colombian unions at a Bogota meeting to organize a new unified labor federation. Excerpts follow:

. . . Yesterday, the usurious international banks represented by the International Monetary Fund declared the sister republic of Peru ineligible for future loans. In other words, they said that Peru would remain isolated from the international financial sector.

Having just returned from Lima yesterday, I am witness to the fact that the Peruvian people received the bankers' decision with delight, because it allows them to continue a policy of defense of their national sovereignty, of frontal battle against imperialism and for improvement of the living standards of the Peruvian people.

The President of the Republic had declared: "It's fine that no more loans are coming, if the loans are conditioned such that they go to paying the bankers their debts, if the loans condition the national sovereignty such that it be the bankers who decide what kinds of wage increases the workers should get, such that it be the bankers who decide what rate of devaluation the national currency should have, such that it be the bankers who say which areas of production should be reactivated, and which not.

"The decision of the bankers is welcome, because it allows Peru to use its own resources, its own foreign exchange—which is the soul and blood of nations—so that there be health, education, and food for the Peruvian people instead of handing dollars over to the international banks. . . ."

As the Peruvian President said, we don't deny that we have a debt, but we are going to pay solely in accord with our possibilities. What is Colombia going to do in allocating more than 40% of its exports to payment of the debt? It is going to cut back expenditures to meet this obligation? Is the rate of cutbacks going to increase? . . .

It has been said that public investment will be spent on the poorest, the neediest, and this is good, that there be state-financed health for indigents. . . . But it must be stated where the money is going to come from for these expenditures. It's

fine for there to be education, for there to be public works. But, where will the money come from?

In our case, it has been said that the money will come out of workers' social benefits, from the "oligarchy in overalls" which would now have to give up its "privileges," that trade unionism is the obstacle to the country's development, that unionism is the danger, that unionism is what is behind the seizure of power, that unionism is strangling businesses with collective bargaining agreements, severance pay, and other benefits.

Whoever said this meant, in other words, that the workers' movement should be wiped out. The workers' movement, which alone could oppose the designs of foreign capital against our nations. And the best way for that annihilation to occur, is by reducing the workers' movement to anarchy, dividing it, creating quarrels among its leaders, diverting it from its objectives, getting it to fight for little things, while what the international banks have designed for Colombia and for the rest of the countries becomes a reality. . . .

The unemployment crisis

Let nobody be fooled. In Colombia they now want to abolish the most sacred rights of the working class. The argument used is that of unemployment. We have a million and a half unemployed in Colombia, and this is a grave problem which must be begun to be solved. But who created this problem? Where did Colombia's unemployment problem come from? We all know that it began with the implementation of anti-national economic policies. If the state, which is the great employer, has to cut health investments, there will be no opportunities for employment in the health area. . . . And if national industry is prostrate, as indeed it is, working only to meet interest payments, there there will be no employment possibilities in the productive sector.

Where, then, does the unemployment problem come from? What causes it? Workers' social benefits? The unions? No! Next year Colombia will have to pay in interest on the foreign debt alone, about \$1.8 billion. With that sum, translated into pesos, we could solve the most pressing problems we have in the country, with just one year of grace on payment of that sum.

And another thing about that debt, about Latin America's \$400 billion, Colombia's more than \$12 billion: It is illegitimate; we have already paid it. Why is it illegitimate? Because they unilaterally increased interest rates, and thus increased Latin America's debt by more than \$60 billion. Because the terms of trade have made Latin America lose, through the sale of its products at a much lower price and through the devaluation of our currencies by more than \$100 billion.

And by the incentives to capital flight, which have made more than \$100 billion leave Latin America. How paradoxical! Peru is closed off from credit, but Latin America has

handed the international banks more than \$100 billion through capital flight. Thus, on the bottom line, after these sums are subtracted, we would have a tiny, easily manageable debt.

Thus His Holiness John Paul II has raised his deepest protest, has most energetically condemned the situation, and has said that there is no solution other than the solidarity of all countries, to confront the catastrophe approaching us. These adjustment policies, brothers, have caused infant mortality to increase. Colombia is at the top, as far as child mortality is concerned—because of malnutrition in the majority of cases. This has caused the reappearance of epidemics of diseases which we all thought had disappeared. . . .

These challenges have been making people, working people, conscious that the only way to defeat the national and foreign oligarchy is by uniting the workers with bands of steel around concrete objectives. The division of the working class is the only thing which has let the usurious banks rapidly achieve their fatal designs. We have kept divided for more than 40 years, ostensibly because of ideological problems, although everybody without exception is united for the defense of our country, for the defense of our people, for the defense of democracy, for the defense of liberty.

Therefore, I say that the conditions are present right now for the workers to unite in a great, broad, democratic, pluralist, and non-leftist workers' confederation, whose social goal would be the struggle against the International Monetary Fund, the struggle to defend what workers have won, respect for the working class and that obligation which all democratic states have for the working class to play its due role in a democratic society, that the working class intervene in economic questions, in the decisions which affect it, in social programs and—why not—for the united working class to become its own great political force in the country.

In this great crusade for unity, nobody is going to give up a comma, in so far as ideological principles are concerned. It's not a question of ideological principles, but of unity of action on concrete themes. Because every time someone speaks of unity, those of us who bring up the subject are immediately labeled communists, leftists, enemies of the nation, enemies of democracy. . . .

I know that the attacks are just beginning, especially against me, and that they are going to get worse in the future, that the professional slanderers are going to try to disorient the workers. This is not a question of one person, but a steamroller movement which moves upward from the grass roots. This is an unbreakable decision of the workers to unite. . . .

The challenge to which we Colombian workers are called has tremendous significance. The future of several generations is at stake. . . . We have a historic commitment, all of us, thousands and thousands of workers must do their part. And I believe we will not fall short of this historic commitment. . . .

American scientists uphold LaRouche ideas at Erice

by Giuseppe Filipponi

At the "VI Seminary on Nuclear Warfare," which occurred in Erice, Italy, Aug. 18-21, organized by Dr. Antonino Zichichi, the American scientific delegation, from Livermore National Laboratory, officially proposed to the Soviets what U.S. presidential candidate for 1988 Lyndon LaRouche has proposed since 1982, that the Soviet scientists collaborate with the Americans to develop the "SDI," the Strategic Defense Initiative.

This proposal, which recently was taken up again by President Ronald Reagan in his well-known letter to Gorbachov, was formulated explicitly in Erice by the head of the U.S. delegation, Dr. Robert Budwine of Livermore.

"We are de facto already cooperating in trading information on inertial and magnetic-confinement nuclear fusion. Why can't we collaborate also on the SDI?" said Budwine. "Gorbachov is trying hard to propagandize new initiatives, but the only real novelty can come from an effective pursuit of an exchange of new aspects of military technology. Just the mere fact of working together in such a project will create and deepen the necessary political conditions for an East-West dialogue. Both I and Professor Teller are available to share and inform the Soviets on all of our researches."

The Soviet response to such a proposal was immediately given by Alexei Arbatov, the 35-year-old exponent of the Academy of Sciences in Moscow, and it was a decisive "nyet."

"This proposal is pure propaganda," Arbatov said. "A joint SDI cannot be done, and above all it cannot be done with regard to x-ray lasers. We are against Star Wars, we are against carrying the arms race into space."

Budwine answered: "We built the x-ray laser on the basis of the Soviet scientific literature. I cannot imagine that you are more behind than we are. If you don't accept, it means you already have the space shield."

Then Andrei Kokoshin, chief of the Soviet delegation in Erice, intervened. "In reality the restrictions in the passage of technology between West and East and the contacts between scientists are becoming more severe and difficult. This is a sign that Washington does not want a technology exchange in a delicate sector such as the military one, and besides, we have decided to not develop the space shield.

"We are working to develop systems against enemy missiles, but ours are simple, cheap systems," Kokoshin went on. "We are working on anti-missile missiles, space mines, and Earth-based lasers directed against space stations whose orbits cannot be easily changed, and therefore will be known. We will then use the sophisticated systems of electronic warfare to disrupt and dislocate the enemy's command and communications system. We will spend something, but in any case less than for implementing the SDI, which would have costs too high for our economy. We will not do more than I have laid out. The theoretical basis for building an x-ray laser we have, but we have not developed these lasers."

Arbatov continued ironically: "Are you perhaps offering to share with us the civilian aspects of the space shield?" Budwine: "Both civilian and military. Teller sent a message of confirmation to Zichichi on this."

Arbatov: "But what good is it? Against whom should we jointly develop the anti-missile shield?" Budwine: "Against whoever wants to make nuclear war." Arbatov: "I don't understand anything anymore."

So, a tart Soviet "no" to the American proposal.

A major Soviet admission

Meanwhile, in Moscow, an adviser to former President Arbatov and current Soviet strongman Mikhail Gorbachov admitted publicly, for the first time, what the Soviets have refused to ever admit about President Reagan's offers—that

what is at stake is *joint* development of weapons of the SDI, i.e., "the LaRouche doctrine." On a Moscow radio program on Aug. 10, Aleksandr Bovin, top Soviet foreign-policy "insider," stated that Reagan is proposing a five-year delay in deployment of the new defensive systems, "and then we will hold talks with you for two years. Talks about what? Talks about how to gradually move into a new era, an era oriented toward defense systems. In other words, talks about how to deploy these systems in space. And if we fail to reach any agreement during these two years, then either of the two sides will have the right to begin deploying these systems after giving the other side six-months' notice."

Reversing the Soviets' claim, since 1983, that Reagan's new military doctrine was just a "cover for a first-strike policy," Bovin *admitted* that Reagan is demanding "that we sign an agreement with him permitting U.S. deployment of these systems . . . he proposes that we change our position 180 degrees, and . . . recognize the necessity of these systems."

Biological challenge in Africa

Ironically, this year the Erice conference was pivoted on the theme, "Cooperation and Its Prospects," and despite the Soviet refusal to collaborate in the SDI, the scientists present pledged to support the 10 great scientific research projects which are being studied within the so-called World Laboratory, an idea developed in Erice last year and whose founding document was signed a few months back in Lausanne. Ten thousand scientists from all over the world are already involved.

From the discussion around these 10 scientific projects, it became clear that the world scientific community today is tremendously challenged by the implementation of the SDI, by the even vaster project of colonizing the Moon and Mars proposed by LaRouche and by President Reagan, and in general by the proposals of the Schiller Institute and the Fusion Energy Foundation, in particular, in regard to the idea of a "Biological SDI" which would include optical biophysics and a massive sanitation and economic intervention into Africa, in order to block the eruption of dangerous pandemics.

Two of the 10 projects presented at Erice regard, in fact, the preparation of medical personnel and the prevention and cure of diseases in Africa, in particular tuberculosis, Burkitt's lymphoma, and T-cell leukemia, all diseases which we know to be closely linked to the spread of AIDS. In the reports presented it was made explicit that such epidemics are expanding rapidly from Africa toward Europe and North America and we have to intervene at once.

Also discussed was flood control on the Yellow River in China, where floods yearly cause massive damage to agriculture, and a project to develop agricultural systems in the Sahel region and to prevent drought and desertification of Africa.

Other projects regard prevention of cardiovascular dis-

ease in the Mediterranean countries; a study on the older population in the same area; the application of seismological researches in high-risk countries; and the application of fluidized-bed technologies for coal.

The Soviet Rodinov then spoke about space exploration, and another Soviet, Vladislav, presented the state of fusion research. He said that in the Soviet laboratories, the maximum temperature reached up to now has been 35 million degrees (perhaps a bit too low to be believed), and that only at the end of the century could they reach the conditions for fusion.

The 'Big Bang'?

During all the presentations and the debate, the Soviet scientists and various Western scientists influenced by the appeasement-oriented Pugwash group tried in every way to present peaceful scientific cooperation between East and West as the antithesis of both the American SDI project and, explicitly, the Moon-Mars colonization project.

Such a conflict in fact does not exist. But the polemics were nasty, above all in the final session where American Nobel Laureate Lee and Zichichi presented the 10th "World Lab" project, that of building in Italy a mega-particle accelerator to be called Eloisatron.

This would be a circular accelerator 250 kilometers in circumference. To build it, the governments of all the world would have to contribute \$10 billion. The idea, as put forward by Zichichi, would be to "build a machine in which one could search for the conditions in which the universe found itself 15 billion years ago, a fraction of a second before the Big Bang."

Although a financial commitment of these dimensions would have to be supported with more convincing arguments, the Chinese-American Nobel prize winner Tsung D. Lee immediately defined it as a much more worthwhile project than that of colonizing Mars. Irwin Pless of Massachusetts Institute of Technology then stressed that instead of spending money on the SDI, the U.S. government should pitch in to finance the Eloisatron.

As could be expected, Professor Oleg Krokin, of Moscow's Academy of Sciences, pronounced the Eloisatron excellent, and the U.S.S.R. will certainly take part. But . . . the funds it can give will be very limited.

So, no money; but attempts to get the American SDI and Mars colonization projects into hot water, and at the same time to cut a fine figure, at all costs, in international scientific collaboration—this is what the Soviets did at Erice.

In the end, Arbatov went so far as to give a little press conference on the Chernobyl nuclear accident, where he said that the accident was due to human error by two irresponsible technicians. When he was asked, however, if the U.S.S.R. was now willing to pay reparations to neighboring countries, he seraphically replied: "I can only guarantee that those responsible for the accident will be severely punished."

Soviet link to Rotterdam heroin haul breaks into international press

by Our Special Correspondent

Following a two-month blackout, the international press has widely reported the Soviet link to the transport of 220 kilos of heroin seized in the Port of Rotterdam last May 30. The illegal drugs had been transported from Kabul, Afghanistan, through the Soviet Union to the Soviet Baltic port of Riga, and transported from Riga to Rotterdam on the Soviet cargo vessel, *Kapitan Tomson*.

The story, with which readers of *EIR* and related publications have been familiar for over a month, broke after *EIR* opened up a can of worms in the Netherlands while following up a report on the Soviet connection to the drug seizure by the Italian High Commissioner for Investigating the Mafia, Riccardo Boccia. The story was then picked up by the Amsterdam-based *De Telegraph*, the largest-circulation daily in the Netherlands, on Monday, Aug. 18. The *De Telegraph* story prompted Dutch Christian Democratic Parliamentarian Hans Gualtherie Van Weezel to convene a press conference demanding a government explanation as to why the Soviet involvement was kept secret for nearly two months.

Following this press conference, which was widely covered by the European press as well as radio and TV, Mr. Van Weezel on Tuesday, Aug. 19 put before parliament six questions demanding an explanation of the affair from the foreign, interior, and justice ministries. Joined by fellow parliamentarian Mr. Van Der Bergh, Mr. Van Weezel asked: 1) Did the Dutch government receive any cooperation from Soviet authorities in the investigation; 2) Have the Soviet police authorities in the Port of Riga done anything on this case; 3) Why did the Dutch police wait two months before releasing the information; 4) Has the Dutch government any information on other cases of Soviet involvement in other European ports; 5) Will the Dutch Secret Services inform the parliamentary security commission on the case; and 6) Has the Dutch government informed other governments of its information on Afghan heroin entering Europe. The ministries have up to 20 days to reply.

It is hoped that the questions will not only prompt the Dutch government to come forward with information on the Soviet role, but other governments as well, most particularly, that of the United States. Mr. Van Der Bergh told *EIR* he felt that "the U.S. government knows very well what is going on" in terms of Soviet involvement, but has refused to make that information public. This refusal was affirmed by a comment from an unnamed U.S. Drug Enforcement Administra-

tion official cited in the Aug. 20 issue of the London *Daily Express*. He said that he doubted Soviet official involvement!

An editorial in *Die Welt*, the leading West German conservative daily, clearly underscored the implications of the Soviet role. *Die Welt* writes: "Free nations have become accustomed to a lot by way of East bloc 'exports.' Spies, disinformation, terror, peace movements, and weapons are 'exported' . . . In South America, communist terrorists work together with drug dealers. . . . At the same time, détente politicians in the West are anxiously trying to prevent anyone from getting the impression that a socialist dictatorship destabilization is under way. . . . It will be interesting to see how Soviet authorities try to justify their smuggled heroin wares. Is state terrorism, which has left so many tracks in blood, to take on a new dimension?"

The original source for this story, as was reported over a month ago in this publication, was Commissioner Ricardo Boccia, whose written report on the Soviet role in narcotics trafficking was reported in Italy's *Il Giornale*, in a series of articles published on July 2 and 5. Commissioner Boccia, outlining the route from Kabul through the Soviet Union to Riga, and on to Rotterdam, underlined the significance of the seizure: "For the first time, we have proof that narcotics traffickers of Soviet citizenship have been involved." The commissioner's report was delivered to the joint United States and Italian anti-terrorism and anti-narcotics committee, which includes U.S. Attorney-General Edwin Meese.

Commissioner Boccia revealed in his report the existence of a top secret directive, number "M-120/00-050," outlining Soviet plans to use the drug trade to destabilize the West. A copy of this directive, plus 499 other Soviet KGB-related documents, was handed to Western intelligence services on Feb. 10, 1971 by the former high-ranking officer of the Bulgarian State Secret Service (KDS), code-named Stafen Sverdlev, after he escaped from Bulgaria in 1971.

Commissioner Boccia explained that everything started in 1967, the year Yuri Andropov took over the KGB, during a top-level meeting in Moscow of Warsaw Pact security service chiefs to develop plans to "exploit and hasten the inherent corruption of Western society." A subsequent meeting of the KDS officials in Sofia established a three-year "action plan" to implement the "exploitation." The defector, Sverdlev, said KGB-KDS directive "M-120/00-050" was issued in June 1970, assessing the status of the East bloc plan

to "destabilize Western society through . . . the narcotics trade."

Commissioner Boccia's report again fingered Bulgaria as "a big open door for narcotics trafficking." This charge of Bulgarian involvement in arms-for-drugs deals has been well documented by both the American Drug Enforcement Administration as well as various Italian prosecutors and judges involved in investigating Bulgaria's links to the attempted assassination of Pope John Paul II, and to organized crime and international narcotics and illegal-arms trafficking. Subsequent investigations have also linked Bulgaria to the Colombian drug mafias along with the Soviet Union's other ally, Cuba.

'Normal commercial shipping channels'

The only information released by the Dutch authorities is that the heroin was put into two shipping containers that had raisins and wool, and shipped to Rotterdam along "normal commercial shipping channels" from Afghanistan. Sources admit that the Dutch authorities have no account of how and by whom the heroin was transported from mountain growing areas and put in containers, assert that no Soviet citizen was

involved, claiming that the containers had been sealed prior to crossing the Soviet border. Also, a Dutch organized-crime network was involved on the Rotterdam side of the operation. In fact, on May 14, in the city of Amsterdam, a known, though not major, organized-crime figure Rob Koning (38) was professionally gunned down; he was believed to have been involved in the case.

Presumably the Afghani side of the operation involved Afghan nationals, operating in a country occupied by over 120,000 Soviet troops who are heavily engaged in military operations against rebels throughout the country, making "normal commercial activity" relatively difficult.

The U.S.S.R. in fact controls the largest part of Afghanistan territory where opium cultivation is carried out, in what is considered the heart of the "Golden Crescent." According to Dutch sources, opium production has increased tremendously in the past five years. In Mongahar Province alone, poppy production increased from 4,200 kilos to 17,500 kilos.

These areas are also contiguous to major opium-producing zones inside the Soviet Union. The French daily *Le Figaro* of June 4 identified the Soviet Central Asian Republics of Uzbekistan, Turkmenistan, and Tadjikistan, and the Trans-

Soviet hand in financial war against LaRouche

The "Hidden Hand" of Moscow as an integral part of the dirty financial warfare operations mounted against various organizations politically associated with U.S. 1988 Democratic presidential candidate Lyndon H. LaRouche has surfaced via a front-page slander article in the Aug. 7 edition of the Soviet weekly *Sovietskaya Kultura*. The article by Grigori Oganev, titled "About a Fraud," purports to inform the Soviet readership about "swindlers" and "fraud" in U.S. society, but the bulk of the text deals exclusively with Moscow's "Public Enemy No. 1" in the United States: Lyndon H. LaRouche.

We reprint here the portions of the article which attack LaRouche and his associates, thus bringing to public light the role of Moscow in co-directing the organized financial harassment by the Dope Lobby against LaRouche's bid for the presidency in 1988:

"Today, a new name has been added to the list of those gentlemen of fortune. The name is Lyndon LaRouche, a typical American nouveau riche businessman, the owner of a large network of financial and credit organizations, who got himself suddenly in the center of attention of reporters dealing with the criminal world of the United States.

"The Associated Press correspondent gives the news from Washington a few days ago that LaRouche was sued in Federal Court for blackmail and fraud. First Fidelity Bank is suing him for \$750,000, which LaRouche appropriated for himself in one stroke, using the resources of his financial empire. This money has been transferred to his account by credit card manipulation. This kind of crime is not new in the United States, especially through the use of computers.

"All this wouldn't be worth mentioning, were it not for one interesting detail. In recent years, Lyndon LaRouche, who professes extreme right-wing opinions, has wanted to assume the role of a political leader to revive America. He even was a candidate for President of the United States, and he has not abandoned this idea, even though he failed catastrophically.

"In a way, LaRouche is right. If one President of the United States could get involved in the Watergate scandal, and another had among his personal friends swindlers who had misused public funds . . . why can't LaRouche manipulate credit cards in the fight. . . ? Why not, in fact, since other Presidents were involved in all sorts of shady business, wouldn't he try his luck and combine the useful—all sorts of tricks with credit cards—with the fight for the presidential seat and become a big shot?"

As *EIR* (and the *Wall Street Journal*) have documented at great length—First Fidelity Bank is one of the foremost mafia-linked banks in the United States!

caucasian Republic of Georgia as the two major poppy growing areas. Big poppy plantations are also found in the south of Russia from Krasnodar to Stavropol—the home territory of Yuri Andropov and Mikhail Gorbachov.

While the cover of transporting raisins as a means of smuggling may appear credible, Afghanistan exported a minuscule 271 tons of raisins last year, the Soviets, 100 tons. According to a Rotterdam fruit importer, “No one imports Afghan raisins unless some Afghani walks into your office and makes an offer, after which he disappears.” A shipping agent of Ocean Freight, the only Western company allowed to arrange shipments from Rotterdam through the U.S.S.R. and which specializes in shipping cargo into Afghanistan, said he never heard of exports from Afghanistan entering Rotterdam.

Shipping cargo through the Soviet Union is extremely uncomplicated. Everything is handled by Soviet state companies, since no foreign transport companies are allowed to operate within the Soviet Union. The only company able to ship cargo through the Soviet Union to or from Holland is Transworld Marine Agency (TMA), the Soviet shipping company that operates as a joint venture between the Soviet state shipping companies and private Belgian and Dutch interests. They have offices in Amsterdam, Rotterdam, Antwerp, and Dusseldorf.

Soviet shipping interest in the port is considerable. Nearly 1,300 Soviet ships call at the port annually, making it the third most frequent flag carrier in the port. TMA was founded in the Netherlands as a private joint venture only after the Dutch government refused the Soviet request for a consulate in Rotterdam, amid fears that such a consulate would be used for espionage and other intelligence activities. In fact, it has been reported in the Antwerp press that Soviet employees of the Antwerp office of Transworld Marine were deported because of espionage activities, and that the company has been used to launder nearly several million Belgian francs to the Portuguese Communist Party in the early 1970s. Transworld is also the shipping agent for the *Kapitan Tomson*, which is a well-known caller in Rotterdam. It is engaged in a regular service between Riga and Rotterdam as well as Antwerp.

Interesting to note was the fact that the *Kapitan Tomson* up until the end of March 1986 had been cruising the Mediterranean, calling at such ports as Syria's Lattakia, Beirut, Lebanon, and ports in Greece, Cyprus, and Turkey.

A call by a would-be Afghani raisin importer to Transworld requesting information for transshipping two containers of raisins from Afghanistan revealed an interesting disparity in the claim that this was a “normal” commercial shipping route. Transworld asserted that these containers could only be taken by rail from the border crossing at Haeratan and forwarded to Leningrad, to be loaded on board ships and then direct to Rotterdam. When asked whether the raisins could be shipped through Riga, our raisin importer was told that would be impossible, as “the normal commercial shipping route is through Leningrad, not Riga.”

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Russian maneuvers biggest since 1984

by Konstantin George

By early September, the Soviet Union will be conducting the biggest military exercises on the border with the Federal Republic of Germany since the mammoth Russian military maneuvers of late June/early July 1984. In those exclusively Russian maneuvers, the largest ever conducted in the postwar history of the Soviet Union—and embracing East Germany, Czechoslovakia, Poland, Hungary, and the Baltic Sea and the Western Military Districts of the Soviet Union—the Russian Armed Forces simulated a surprise invasion of the Federal Republic.

At the peak of the exercises, the three Russian armies in East Germany stationed near the border with West Germany, launched a coordinated simulated invasion of the Federal Republic by deploying nearly all their divisions to the West, stopping just short of the border.

The 1984 maneuvers were commanded by Soviet Marshal Nikolai Ogarkov, at the time Chief of the Soviet General Staff, and soon—in September 1984—to acquire three crucial responsibilities in the new wartime high command system that he set up: the Soviet Union's overall wartime commander in chief of the Armed Forces; commander in chief of the Soviet forces committed to fighting and defeating the United States and NATO in a general war; and commander in chief of the Western Theater of War, responsible for any limited wars or surgical strikes in Central Europe against the Federal Republic.

Marshal Ogarkov in his latter two capacities spends much of his time in East Germany, supervising the perfecting of the surprise attack offensive capabilities of the nearly 500,000 Soviet spearhead invasion troops stationed there. For example, Ogarkov was in East Germany during April when Soviet leader Mikhail Gorbachov spent a full week in East Berlin for the Socialist Unity Party Congress, and held secret meetings with Gorbachov and the Soviet military leadership. Sources emphasize that whether or not it "leaks" into the public, Ogarkov will be the de facto commander in chief of the upcoming huge maneuvers.

The news of the upcoming maneuvers was conveyed on Aug. 18, when the Soviet Union announced that its forces stationed in East Germany, the "Group of Forces in Germany," GSFG, will conduct large-scale military exercises on Sept. 8-13. The announcement stressed that the exercises, which will have a minimum "official" troop strength of 50,000, will be exclusively Russian—as in the famous 1984 maneuvers. The East German National Peoples Army will not participate.

Since the end of July, the GSFG has had a new commander in chief, Army Gen. Valeri A. Belikov. Before this, Belikov, a tank general, had commanded the Carpathian Military District since the end of 1979, and before that—from 1976 to 1979—commanded the North Caucasian Military District, where he was on the regional military council with one Mikhail Gorbachov. Belikov's predecessor as GSFG commander in chief, Army Gen. Pyotr Lushev, departed for Moscow on July 19, to become, in one of the biggest promotions in Soviet military history, first deputy defense minister.

Behind the terse official Soviet maneuver announcement is unfolding a Russian military maneuver of alarming dimensions. The "official" figure of 50,000 troops is a deliberate misrepresentation, referring only to the active component of combat units drawn from the GSFG. The real dimensions of the purely Russian military exercise will be either double or triple that figure.

On the same day on which the Russian maneuvers begin, Sept. 8, the officially announced Warsaw Pact "Druzha '86" ("Friendship '86") maneuvers involving the Soviet "Central Group of Forces" stationed in Czechoslovakia, the Czech and Hungarian Armed Forces, will also begin, lasting until Sept. 13. Thus, for the first time since June/July 1984, there will be simultaneous, coordinated Russian surprise-attack rehearsals conducted along the entire length of the Federal Republic's border with the Warsaw Pact.

The first half of September will see large-scale Soviet naval and air maneuvers—probably also including naval infantry—in and over the Baltic Sea. According to military sources, the Soviet Baltic Fleet, since July under a new commander, Vice-Admiral Ivanov, has now gathered at its headquarters and major naval base at Baltisk (Pillau) in Soviet-occupied East Prussia, undergoing preparations for major naval exercises.

Experts are warning that one should expect "surprises" in the coming weeks, including the incorporation of the massive Soviet military forces based in the Military Districts of the Soviet Union into the purely Russian maneuvers—as was done in 1984.

The 1984 maneuvers were purely Russian for military and political reasons. Under conditions of Russian decisive strategic superiority, the Soviet Union could well attempt to grab West Germany by military intimidation. One very possible "scenario" preceding a Soviet surgical strike seizure of the Federal Republic would be Russia invoking its "rights" as a World War II victor, under the 1945 Potsdam Agreements, to intervene militarily anywhere in Germany, to prevent a recurrence of "fascism." To maintain the legal fiction for such a case, the military intervention must be purely Russian. In this context, it was no coincidence that the 1984 Russian maneuvers were followed by a Soviet government demarche, addressed to the Bonn government, charging West Germany with violating the 1945 Potsdam Agreements.

LaRouche: Overhaul Mideast policy now!

Democratic presidential candidate Lyndon H. LaRouche, Jr. Aug. 20 demanded an immediate and revolutionary overhaul of U.S. policies toward Israel and the Middle East.

In submitting his policy-document to this news agency, LaRouche denounced "the continuing Soviet-appeaser roles of both Secretary of State George Shultz and Assistant Secretary Richard Murphy" in Middle East affairs. However, he described the recent Middle East visits of Vice-President George Bush as "positive overall," despite Bush's "unfortunate clash with Egypt's President Mubarak over the issue of IMF conditionalities."

Positive changes in U.S. policy toward both Israel and the Middle East generally are in progress, LaRouche thinks; but, "action in these directions is moving much too slowly, and there is still dangerous vacillation on a number of the key issues involved."

The candidate criticizes the Reagan administration, "for failing to give clear and positive support to Prime Minister Peres' 'New Marshall Plan' proposal, and for failing to realize that the harsh IMF conditionalities which the U.S. State Department is imposing upon Egypt, Tunisia, and other nations, could destroy already collapsing U.S. influence in the Middle East very soon."

LaRouche emphasized, that he continues to be supportive of the administration's earlier "Reagan Plan," and efforts to revive this kind of policy-thinking today. He fears that the administration has not appreciated fully the way in which Alexander Haig and George Shultz sabotaged the "Reagan Plan," paving the way for such events as the threatened, Syrian-directed holocaust of genocide against Lebanese Christians today.

LaRouche, widely regarded as sympathetic to Israel's Prime Minister Shimon Peres, reports that he has been in occasional contact with Peres and Peres' circles on these issues for years. "The thing which must be stressed," he qualifies, "is that a wide range of leading Israelis, in addition to Peres' current within the Labour Party, are thinking in the same general direction today. There may be shadings of difference, as to exactly how the 'New Marshall Plan' effort should be shaped and implemented; but, most U.S. observers would be astonished if they knew the range of political currents in Israel thinking in this direction."

LaRouche emphasizes, that there is a clear convergence of thinking among leaders of Israel and some of its Arab neighbors. He proposes: "The United States must concentrate on assisting President Mubarak and Israel's 'New Marshall

Plan' backers, to reach practical agreements of a kind which will set the trend for all so-called moderate Arabs. If that works, the Middle East can still be saved. If not, the entire eastern Mediterranean will soon become a Soviet lake."

LaRouche is convinced that President Reagan could gain the support of a bipartisan majority for the New Marshall Plan proposal. "One of the reasons certain liberal Democrats are reacting with such hysterical desperation against me now, is that their polls show that I represent approximately one-quarter of the Democratic voters at this time. About fifteen percent of this support is described as 'hard core,' with more than twice that number seen as leaning toward supporting candidates known to be associated with me. Whenever the President and I might tend to converge on important policies, there is potential for support from a bipartisan majority."

On his own political strength, he added the following information. "My intelligence sources inform me, that the Soviet government rates my present support among Democratic voters at between one-quarter and one-third of the total. That is one of the reasons that Moscow has been thrown into confusion by the President's recent letter to Secretary Gorbachov.

"Sources such as Assistant Secretary Richard Perle and William Schneider have been assuring Moscow's friends in the West, that the Strategic Defense Initiative might not survive the end of President Reagan's second term. Also, Moscow had been convinced, through Western channels, that SDI 'population defense' was being scrapped in favor of Zbigniew Brzezinski's point-defense of missile sites. Now, since President Reagan's affirmation of a commitment to early deployment of an effective SDI 'population defense,' some Moscow leaders have lost confidence in the Soviet

Positive changes are in progress, but, action is moving much too slowly, and there is still dangerous vacillation on a number of the key issues involved.

U.S.A.-Canada Institute's reading on U.S. politics.

"Any time Moscow sees the President and me agreeing on a major policy-issue, especially since the recent growth of visible support for my policies among Democratic voters, Soviet leaders worry, fearing that they may be forced to back away from some of the more aggressive Russian postures."

For similar reasons, LaRouche's thinks, that if he and Mr. Peres could sell President Reagan on a New Marshall Plan policy, Moscow might pull back Syria, and back off from some of its other Middle East adventures.

Israeli-Syrian showdown or brinkmanship diplomacy?

by Thierry Lalevée

For the third time since the beginning of the year, military tension between Israel and Syria is running high enough that talks of a September or October war are being heard in most Middle Eastern and Western capitals. Twice at the end of 1985 and in the spring of 1986, the threat of war was defused with the activation of the hot-line between Moscow and Washington.

Testing Israeli reactions, Syria had engaged from November 1985 on in a strange kind of ballet, deploying and withdrawing at will its SAM 6 and SAM 8 batteries in Lebanon and at Syria's borders with Lebanon. In November 1985, two Syrian MiG-23s were shot down by the Israelis over the Bekaa valley in Lebanon. By the following month, Syria was receiving deliveries of the SAM-5 missiles from Moscow.

At the roots of the present crisis are several political and military considerations. Militarily, Syria, whose avowed purpose has been to "reach strategic parity with Israel," in the words of Syrian President Hafez Assad, did reach new stages of development. It is now able to man and deploy a whole range of surface-to-surface missiles, such as the antique Scuds or Frogs, supposedly updated, but especially the more modern SS-21 middle range missile.

In a numerical comparison between military capabilities in Lebanon, Damascus has a 3 to 1 advantage, and has some 4,200 troops over Israel's 3,600. But this is not considered a serious threat for an Israeli army which has already fought against three Arab armies at once on several fronts.

Israeli military sources and reports from *Jane's Defense Weekly* also indicate that the Israeli army has by now enough experience in electronic warfare, that should Syria deploy its SS-21 against Israeli northern cities, it would encounter a few surprises.

Syria's new military capability

Militarily, the threat comes rather from a new development. By mid-July, Israeli specialists had rung the alarm bell on Syria's ongoing development of chemical weapons. According to Prime Minister Shimon Peres and Defense Minister Yitzak Rabin, the Syrians are developing the kind of devices which could be fitted in the warhead of the SS-21.

This was described on Aug. 18 as a very "tangible threat" by Brig.-Gen. Yosef Eyal of the Engineers Corps, and by Defense Minister Rabin.

Eyal elaborated that IDF units are equipped to fight such a chemical war, and have been trained to do so ever since the introduction of such weapons into the Iran-Iraq war. However, Rabin pointed out that, though Syria's SS-21 could not "accurately reach such cities as Tel Aviv," it could reach other cities in the North. According to Israeli military sources, Syria's operational capabilities to use chemical weapons, could become the real *casus belli*.

Additionally, it was announced on Aug. 15 that the Soviet Union had begun its deliveries of the very advanced MiG-29 jetfighters. Syrian pilots have been trained in the Soviet Union for over a year on how to handle these sophisticated planes, which represent a real threat to the Israeli Air Force, made up of French and American fighters.

The arrival of these MiG-29s is the latest piece of the puzzle to enable Syria to concretize its war aims. For over a year, through one military maneuver after the other, the Syrian army has been systematically restructured to face a blitzkrieg type of war from Israel, as it beefed up its military presence in the Golan Heights—deploying several dozen T-72 tanks.

While Syria, despite its economic crisis, has been able to spend more than 55% of its Gross National Product for its arms buildup, Israel's army has suffered drastic cuts. In a review of the Israel Defense Forces' status over the period 1986-96 which began in August, Israeli military specialists warned that "because of the Gramm-Rudman amendment," Israel's army could be in an even weaker state in 10 years than now.

The analysis underlined that U.S. economic and military aid should be expected to decrease, with obvious political consequences for the American-Israeli relationship which was strengthened when Vice-President George Bush announced in late July that Israel would receive the NATO-type "most favored nation status." The military strengthening of Assad in Syria and the decline of Israeli forces as a result of the Gramm-Rudman treatment may lead the Israeli government to draw the proper conclusions.

Meanwhile, Israeli military and political leaders are following with great interest the events in Lebanon and the renewed shelling across the borders to northern Israel. Between Aug. 10 and 14, Israeli air forces intervened three times against Palestinian bases, notably in the Bekaa—interventions which aimed both at attacking the Palestinians, and at testing the readiness of Syria's anti-aircraft defense.

Israeli sources connected to former Defense Minister Ariel Sharon, who expects to be the number two in Shamir's government in October when the Likud party leader takes over as premier under the rotation agreement with Peres, have expressed "dismay" at the inability of Hafez al Assad to impose the "Pax Syriana" in the country. They argue that Israel and Syria have a common aim in Lebanon: to rid the country of any Palestinian, especially PLO, influence. Syria's recent defeats in Lebanon mean that the PLO is back in the country.

Syria's inability to eliminate the Palestine Liberation Organization, so runs the argument, is a danger to Israel, which should be prepared to act! The political clout behind such arguments is Sharon's longstanding negotiating deal with Moscow and Damascus to exchange Lebanon for the Golan, which he would have recently discussed again with Soviet officials during an early August trip to Turkey.

Moscow itself has left no doubt that, behind the Helsinki

talks, its intention is to reach just such a deal.

To do so, Sharon and Company are once again prepared to sacrifice the Lebanese Christians, even though they are telling them just the opposite. However, this is far from evoking unanimity inside Israel, where many consider the continued existence of an independent anti-Syrian Christian movement as a matter of Israel's national security.

Israelis won't interfere in Lebanon to reestablish the pre-1975 situation, but they will consider any Syrian attempts at taking over the eastern part of Beirut, as near to being a *casus belli*, too.

Damascus did receive the message and has moved cautiously, using its usual tactic of divide and rule within the Christian camp, and of terror through car-bombs. However cautious he is, Assad is expected to make a mistake, as he cannot tolerate too long this embarrassment to Syrian prestige.

If he does so, he will gamble his future, despite his attempts at reconciliation with several Western countries. Israel's Prime Minister Shimon Peres is himself in no hurry to consider such a war; the momentum of his surprise summit at Ifrane with Morocco's King Hassan, and his upcoming summit with President Hosni Mubarak of Egypt, are priorities. Though Syria is totally isolated in the Arab world, a war could adversely affect the regime of President Mubarak.

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Is a transformation coming in Sino-Soviet relations?

by Mary McCourt and Linda de Hoyos

The extended visit of Soviet First Vice-Premier Ivan Arkhipov to Beijing has raised eyebrows in capitals around the world. At issue is the possible transformation of Sino-Soviet relations in the weeks following Soviet leader Mikhail Gorbachov's July 28 speech on Soviet foreign policy toward Asia in Vladivostok.

Arkhipov, who was the Soviets' chief adviser to China in the 1950s, at the height of the Sino-Soviet alliance, was reportedly in Beijing from July 27 on—that is, before Gorbachov's speech—in order to receive acupuncture treatments. However, according to the French press agency AFP on Aug. 19, Arkhipov has managed to find enough time to meet with “one of China's most influential new leaders, Vice Premier Qiao Shi.” According to Western diplomatic sources cited by AFP, the meeting is of special significance because Qiao is a member of both the Politburo and the Secretariat of the Chinese Communist Party, as well as a possible successor to China's most powerful leader, Deng Xiao Ping. Arkhipov also met with Vice-Premiers Yao Yilin, Wan Li, and Li Peng.

The effect of Gorbachov's Vladivostok Doctrine speech—in which he put forward new concessions to China—has been to turn all eyes in Asia toward the northeast. A full Sino-Soviet rapprochement would have a drastic impact on the correlation of forces between East and West, and place a Sino-Soviet imperial condominium over most of the nations of Africa and Asia.

The impetus for this rapprochement has come primarily from the Soviet side. *Pravda* stated shortly after Gorbachov's speech: “The Soviet Union is ready *at any time and on any level* to discuss with China in the most serious manner ways of creating an atmosphere of good-neighborliness in order to strengthen and promote the obvious improvement in our relations which has taken place in recent years [emphasis added].”

On Aug. 5, Chinese leader Deng Xiao Ping tentatively reciprocated, telling visiting Japanese leader Susumu Nakai-do, “It seems to me there are some positive elements in the Gorbachov speech.”

Gorbachov's offers to China included initial steps to settle outstanding border disputes in China's favor. “We do not, for example, want the Amur frontier to be a water obstacle. May the basin of this mighty river be a means of uniting the efforts of the Chinese and Soviet people to exploit the very rich resources and water engineering installations there, for

common benefit. . . . The official border could pass along the main channel”—implying that Beijing would retain the Ussuri River island of Chenbao, under Chinese occupation since 1969. Gorbachov also related that the U.S.S.R. is preparing to cooperate on the construction of a railway linking the Xinjiang Uygur Autonomous Region of China to the Soviet Kazakhstan. The U.S.S.R. has also proposed cooperation in space, “which could include training of Chinese cosmonauts,” Gorbachov noted.

The Soviet strategy is to make concessions to China on the northern border, without losing momentum in the Soviets' growing hegemony on the Pacific rim encircling China, from Afghanistan through Indochina to North Korea.

The Soviet objective is twofold. First, to secure the Russian “back” as the military prerequisite for a final showdown with the West. This requires at least Chinese neutrality. Second, replace the West—and most emphatically Japan—as China's premier economic partner. For Moscow, Japanese economic intervention into China is dangerous—just as it was dangerous in the period that led to the Russo-Japanese War of 1904 and thereafter. Moscow would prefer that Japanese business and technology be focused on the development of Russian Siberia.

The three obstacles

To fulfill these purposes requires that Moscow induce China to accept neutrality and implicit partnership with the Soviet Union, without jeopardizing military gains in Asia already achieved. But military withdrawal is the crux of China's posed “three obstacles” to full normalization of relations: Soviet withdrawal from Afghanistan, Vietnamese withdrawal from Kampuchea, and Soviet withdrawal of troops and missiles from the Sino-Soviet border. Where do these points stand?

1) Afghanistan: Gorbachov reported in his July 28 speech that the Soviet Union had ordered the withdrawal of six full regiments from Afghanistan. However, this was soon revealed to be no more than a propaganda ploy, when Afghan leader Najibullah declared early in August that the Afghan army continued to be plagued with desertions and that efforts at recruitment had fallen flat. In U.S.-sponsored talks in Geneva between Afghanistan and Pakistan, the Soviets indicated that the best they could come up with was a four-year timetable for withdrawal.

2) The Sino-Soviet border: The U.S.S.R. has not indicated any motion on the issue of Soviet deployment within its own borders. On the 4,500-mile Sino-Soviet border, the longest land border in the world, 500,000 Soviet troops with the most modern weapons face some 1.5 million ill-equipped Chinese troops.

However, Gorbachov announced that the Soviets would execute a "significant withdrawal" of troops from Outer Mongolia. The announcement appeared to pave the way for a fast succession of diplomatic moves between China and the Soviet satellite state to its north. On Aug. 9, China signed a consular agreement with Mongolia, after a visit by Chinese Vice-Foreign Minister Liu Shuqing, the highest-ranking Chinese official to visit the Mongolian capital of Ulan Bator in two decades, to discuss "bilateral and some international issues."

3) Indochina: Motion on this front began in the fall of 1983, when Politburo member Geidar Aliyev visited Hanoi and made the statement that an effort should be made to improve relations with China. New Vietnamese Secretary-General Truong Chinh, who had such strong ties to the Chinese Communist Party that he was nicknamed "Long March," visited Moscow Aug. 12 for discussions on the Sino-Soviet-Vietnamese conundrum over Kampuchea. The Soviet news agency TASS, reporting on Truong Chinh's meeting with Gorbachov, stated: "The Soviet Union and Vietnam reiterate their readiness to normalize relations with China, which would be very significant to improving the situation in the Asian-Pacific region and consolidating universal peace."

Upon Truong Chinh's return, the Indochinese foreign ministers met and issued a communiqué stating that the Indochinese countries will "strive persistently for the normalization of relations and re-establishment of good neighborliness" with the people of China. Echoing the earlier *Pravda* article, Radio Hanoi reported Aug. 18 that the countries were prepared to meet "at any level and anywhere" to normalize relations with China.

For their part, the Chinese have proposed that the Khmer Rouge cut down its armaments to the levels of its non-communist partners, the forces of Son Sann and Norodom Sihanouk. The Chinese hope to force the Khmer Rouge into adjustments that might make the Pol Pot genocidal force acceptable in a coalition government with, not only Son Sann and Sihanouk, but also the Vietnamese-backed Heng Samrin government in Phnom Penh. So far, the Khmer Rouge has rejected the proposal.

China welcomes proposals

While China has not given up its "three conditions," it has left the door open for far greater collaboration with Moscow. In the three weeks since Gorbachov's speech, Beijing's response has warmed. On Aug. 7, Chinese foreign ministry spokesman Yu Zhizhon noted that Gorbachov had "made some new remarks on the improvement of Sino-Soviet rela-

tions that have not been made before." Six days later, Chinese State Councilor and Foreign Minister Wu Xeqian met with the Soviet chargé-d'affaires in Peking to discuss Sino-Soviet affairs.

For the first time, Wu said, "China attaches importance to the [Vladivostok] speech, and expresses its welcome to the proposals."

Much remains to be negotiated, of course. Wu emphasized that the Chinese "were not satisfied" because Gorbachov's speech evaded, in particular, the question of the Vietnamese troops in Cambodia, the obstacle to improved relations China considers most important.

However, Wu ended his discussion with the Soviet attaché, the Xinhua news agency reported, by stating: "The Chinese side sincerely wishes to see early normalizing of Sino-Soviet relations, and hopes that the Soviet side will earnestly consider the views of the Chinese side."

Even before Gorbachov's speech, Moscow's chief negotiator, Viktor Karpov, at the U.S.-Soviet arms talks in Geneva stopped in Beijing for "an exchange of views." On the economic side, the first Chinese trade fair in 33 years opened in Moscow, with 5 Chinese ministries and 22 trading firms represented. Earlier in July, a group of Chinese trade unionists visited Moscow for the first time in 20 years.

On the cultural side, Mrs. Raisa Gorbachov, a board member of the newly created Soviet Cultural Foundation, paid a rare social call to the Chinese embassy in Moscow in early August, to attend a Chinese fashion show. "This was quite an event," a diplomatic source told the *London Times* Aug. 11. "This sort of thing hasn't happened in 20 years." Mrs. Gorbachov's visit follows a cultural exchange between Beijing and Moscow worked out by a visiting Chinese delegation to the U.S.S.R. in mid-July.

In September, Soviet Deputy Foreign Minister Mikhail Kapitsa will arrive in Beijing, allegedly in response to a Chinese invitation issued last year. Soviet First Deputy Prime Minister Talyzin will also visit China this fall, according to a July 31 wire from the Japanese news agency Kyodo. Talyzin, Kyodo stressed, is a more important figure than Arkhipov, since he is Moscow's economic planning chief. In October, Soviet Foreign Minister Shevardnadze and China Foreign Minister Wu are expected to meet in New York during the United Nations General Assembly.

There are also strong rumors that East German leader Erich Honecker will visit Beijing, as part of a scheduled trip to North Korea. This would be the first time an Eastern European head of state has visited China in over 20 years. The selection of Honecker for this honor is not without significance. Honecker also played a role in negotiating North Korea's return to the Soviet fold; an East German-North Korean friendship treaty signed in 1985 paved the way for the delivery of Russian MiG-23s to North Korea and the Soviets' increasing sponsorship of North Korean diplomacy.

To be continued.

Soviet cell in U.S. bared by 'Pia Vesta'?

by Gretchen Small

Have Peruvian and Panamanian authorities uncovered a Soviet nest within U.S. intelligence networks operating in the Western Hemisphere? Is a faction of U.S. intelligence involved in trafficking Soviet weapons to Ibero-America?

The investigation is still clouded, but the few facts already established in the *Pia Vesta* scandal, pose these harsh questions. This spring, East German state agencies sold 250 tons of Soviet-made weapons to a Miami-based U.S. arms trafficker, who planned to sell them in Ibero-America. The news has been met with black-out in Washington, D.C., but the cover-up is about to be blown.

The scandal began on June 14, when Panamanian authorities detained a Danish ship at the request of the Peruvian government. The ship, the *Pia Vesta*, had anchored off the coast of Peru in early June, remained in Peruvian waters for a few days, and then turned back to sea. When the ship was searched in Panama, 250 tons of Soviet-made weapons and equipment were found aboard. The ship's documents showed the weapons had been loaded at Rostock, East Germany—by East German state trading companies.

The *Pia Vesta* carried enough weapons to equip a terrorist battalion: 1,500 machine-guns, 1,500 rocket-launchers, and 32 light-weight trucks. Three days after the weapons were uncovered, *Sendero Luminoso* (Shining Path) narco-terrorists attempted an uprising in Peru, which later proved to have been planned as the trigger for the overthrow of Alan García's government.

Were the Soviet weapons going to the terrorists? The news covered the front pages in Panama and Peru—but was met with silence in other Western news media.

The story soon became more complicated. Wire reports identified two East German state trading companies (Import-Export Gesellschaft MBH and VEB Schiffsmaklerei), the Swiss Verwaltungs und Finanzierungs AG (VUFAG), the Paris-based France Maritime du Commerce, Uruguay's Mar-nix S.A., and a "Sinato International Co.," location unknown.

In mid-July, a Miami-based arms trafficker, David Duncan, stepped forward as the dealer who bought the Soviet weapons. In an interview with a *Miami Herald* reporter, published by the Peruvian magazine *Caretas* on July 31, Duncan bragged that he was among the top 30 arms agents in the world, selling \$3.8 billion worth of military hardware in Ibero-America, the Middle East, and Africa, through two

dozen-plus shell companies. Duncan was said to be a CIA agent in Peru's press, but he denied it.

On Aug. 12, the Duncan interview was finally published by the *Miami Herald*. Duncan claimed that the Peruvian Navy had contracted for the weapons, but when they backed out of the deal, he arranged to sell them to El Salvador's military.

Spokesmen for both institutions deny Duncan's story. A communiqué from the President's office in Peru on July 16, suggested that documents implicating the Peruvian Navy in the deal were fabricated to "launder" the weapons. Speculation has arisen that the weapons were destined for the Nicaraguan "contras."

Washington's silence on the Duncan affair matched that of East Germany. The French press agency AFP reported on Aug. 12 that police and U.S. State Department officials claim that no record of Duncan as an arms-agent could be found—nor was any necessary, as long as he didn't sell U.S. arms, or import arms to the United States. One government source dismissed the matter, claiming that "not much worry existed over a shipment of arms which went from one banana republic to another."

Soviet weapons for Ibero-America dismissed as a matter of "banana republics?" The response smacks of cover-up—on a grand scale! The *Pia Vesta* case raises national security questions. What is a U.S. arms-agent doing in a pact with Soviet intelligence services? Is Duncan a Soviet agent? Is Duncan part of a Soviet-protected cell within U.S. intelligence involved in arms-trafficking in the Western Hemisphere?

Answers demanded

On Aug. 13, Peru recalled its ambassador from East Germany, to protest its failure to answer repeated Peruvian requests for information on the *Pia Vesta* matter. "The situation remains confused, because all the investigations end in false leads, non-existent companies, or falsified documents," Peruvian Foreign Minister Allan Wagner told the press Aug. 13. But East Germany has failed to explain its involvement in the "illicit arms traffic," calling it a "commercial transaction"!

"In accordance with international law, I must express the Peruvian government's strong protest for not having received documented information which would allow us to clarify the participation of your country's state firms in what shapes up to be a case of illicit arms traffic," a Foreign Ministry note stated. Those behind the shipment "have put at risk the security of Peru and the sovereignty of the country."

On Aug. 16, the Peru sent another diplomatic note, requesting U.S. assistance in investigating Duncan. "Said arms dealer has been identified as the proprietor of the cargo aboard the *Pia Vesta* and had involved elements of the Peruvian armed forces in this contraband. In light of the need to complete the investigations," U.S. cooperation is now required.

On Lord Mountbatten's education of England's Red Prince

by Scott Thompson

It was Louis, Earl Mountbatten of Burma, son of Queen Victoria's radical granddaughter, who managed the education of his nephew, Prince Philip, Duke of Edinburgh, as well as his courtship of Princess Elizabeth. Such was the British royal couple's gratitude to Lord Mountbatten that they gave him their first offspring, Charles, Prince of Wales, to educate for the British throne.

Other European noble families to whom Lord Mountbatten served as an intimate adviser on such matters of state include: Prince Andrew of Greece, who married Mountbatten's sister, Princess Alice; their children; their relative, King Constantine of Greece; King Gustaf VI of Sweden, who married another sister of Mountbatten, Princess Louise; their child, King Gustaf VII of Sweden.

Lord Mountbatten's political involvement with the Western oligarchic partners of the Soviet intelligence services' operations, therefore becomes a matter of major consequence. This relationship is epitomized by his introduction of Soviet fixer Armand Hammer to both Prince Philip and Prince Charles, who are now on intimate terms with this friend of Felix Dzerzhinskii, the chief founder of the Cheka.

Sufficient evidence exists in public records alone to show that Lord Mountbatten, throughout his adult life, was an oligarchic controller of those networks that U.S. intelligence classified through its World War II experience as "Nazi-communists." From his mother, Princess Victoria of Hesse, Lord Mountbatten had learned to make use of mass social movements, such as Fascism or Communism, to undermine republicanism. His mother insisted that history could only be understood from the study of such movements. Lord Mountbatten, in turn, stressed this in the education his two proteges, Prince Philip and Prince Charles.

This view led him to sympathize with his father's stated belief that the Russian Revolution was largely a consequence of his great-aunt, Princess Alix of Hesse, the wife of Czar Nicholas II, having gone "crazy." The grain of truth in this is that the Czarina had embraced the most hideous, Pan-Slavism of the Raskolniki ("Old Believers"), as epitomized by Rasputin, which was the historical basis of Russian-style, Mir Communism. What Lord Mountbatten never acknowledged was that this caused the Bolshevik Revolution by pitting the Tsar against Count Sergei Witte's plans to Wester-

nize Russia along the lines of the German cameralist Friedrich List, who had earlier been the model of Abraham Lincoln's chief economists, the Carey brothers.

After training at the Royal Naval College at Dartmouth, Lord Mountbatten entered Cambridge in 1919, where his education in Marxism took another step forward. While Mountbatten may have had contact with Bertrand Russell and other famous communists on the Cambridge faculty, his most notorious liaison was with a student named James "Peter" Murphy, who would become his "private secretary" when Mountbatten held major defense posts. Philip Ziegler, in his 1985 biography, *Mountbatten*, states: "Murphy was distrusted by many of the officers who surrounded Mountbatten and it was frequently suggested that his influence was . . . damaging to the national interest. In 1952, he was denounced as a Communist agent. . . . Mountbatten felt that he had to ask the Security Service to investigate his friend." Their findings were no surprise to Mountbatten, who knew that, although Murphy was not a member of the Communist Party of Great Britain, he was a Marxist and a homosexual.

Despite this, Mountbatten told journalists: "See Murphy if you want my views on the Soviet Union."

His intimate relationship with Murphy led to one of Mountbatten's more humorous exchanges with his wife. "Four different people," wrote Mountbatten, "have come to me in the last two or three days to say that London is buzzing with rumours . . . that I was to be offered an immediate post abroad so as to remove us from being able to influence Lilibet [Queen Elizabeth] through Philip. . . . There also was the view that I would be passing on extreme left-wing views from you!" To which Edwina replied, ". . . How wicked! . . . You always stress the point about my politics. . . . I have endless worryings about your links with people such as Peter and supposedly Communist sympathisers from many who appear to think I am Right Wing compared to you!"

Not only was Murphy a member of what the British Secret Intelligence Service then dubbed "the Homintern," but *Private Eye* alleged in 1979 and 1980 issues that Mountbatten was as well. This followed a 1975 article in the *Daily Mirror* linking Mountbatten to "a homosexual ring centred on the Life Guards' barracks in London." Lord Mountbatten's response that he spent his married life hopping in and out of

bed with various mistresses hardly disproves the allegation.

Entire books have been written on the links between this Homintern and the Cambridge Apostles, advised by Lord Russell, and through which Sir Anthony Blunt (the future Adviser on the Queen's Drawings and Pictures) would recruit H. A. R. "Kim" Philby, Guy Burgess, et al. as Soviet agents a decade later. All that is known of this Cambridge communist ring while Mountbatten was at the college, is that it had sufficient influence upon him that Lord Mountbatten, the future First Sea Lord and Chief of the Defence Staff, argued in the Junior Acton Club to have Britain's fleet turned over "lock, stock and barrel" to Robert Cecil's proposed League of Nations.

Great Britain's would-be Führer

It was at Cambridge that Lord Mountbatten befriended the future Edward VIII. "Dickie" Mountbatten accompanied the Prince on his early colonial tours, including trips to Australia and India. In Madras in 1921, Mountbatten met a friend of his sister Louise, the Russian-born Baroness de Kuster, who was a member of Okhrana agent Mme. Blavatsky's Theosophists, then run by British Fabian Society co-founder Annie Besant. Mountbatten became deeply indoctrinated in this Satanic theory, which played a major role in the Nazis' own inner mystical religion.

It was also on this trip that he became engaged to Edwina Ashley, the daughter of Major Ashley (later Lord Mount Temple), who "was one of the leading partisans in this country of the Nazi regime," according to Brian Connell's *Manifest Destiny*. Edwina was also the principal heiress of her grandfather, the *Hoffjuden* banker Sir Ernst Cassel, who had been the banker for King Edward VII. Major Ashley would become notorious, later, as chairman of the Anglo-German Fellowship, whose patron was the Prince of Wales and among whose staff was "Kim" Philby, the future KGB general. Through the Duke of Saxe-Coburg-Gotha, the Anglo-German Fellowship sought an open alliance of Great Britain with Nazi Germany against Russia. The Prince of Wales was the "best man" at Mountbatten's wedding.

It was not his proposed marriage to Mrs. Wallis Simpson, but Edward VIII's support for an Anglo-Nazi military and political alliance, together with his plans to stage a coup against Parliament that would establish him as Führer of Great Britain, that was the basis for a faction in the Houses of Lords and Commons forcing his abdication. Mountbatten reportedly went so far as to seek support through his friend, John Strachey, a co-founder of Sir Oswald Mosely's fascist New Party, for the intervention of British communist Claud Cockburn, editor of *The Week*, to write articles on behalf of Edward VIII during the abdication crisis. Mountbatten was, by this time, Edward's naval aide de camp; upon his abdication, Mountbatten offered to accompany the now-Duke of Windsor into exile, where the Duke continued his high-level contacts with the Nazi leadership. Mountbatten remained the British royal family's principal liaison to the Duke and Duc-

chess of Windsor throughout their life in exile.

Next to Edward VIII, Mountbatten was the closest, among his royal cousins at this time, to George, the Duke of Kent, who shared his brother Edward's Nazi sympathies to such a degree that he traveled with him into exile for his meetings with Herman Goering and other ranking Nazis. George's death in a mysterious Royal Air Force crash during World War II has been seen as an attempt to close this chapter of the House of Windsor's history.

Education of a prince

Lord Mountbatten, who often counseled Prince Philip and Prince Charles to learn from Edward VIII's errors, sent them for high-school equivalent study to Gordounstown, whose founder, Kurt Hahn, also initiated the United World College (UWC) project which Lord Mountbatten chaired from 1968 until his death. Mountbatten brought Armand Hammer into this project in 1979, and Prince Charles, having taken Mountbatten's post, got Hammer to build the Armand Hammer UWC in Montezuma, New Mexico.

Only a relative of King Edward VIII could call Hahn a "leading German anti-fascist," as the British royal family does. Hahn was an adviser to Colonel von Häften, when he worked with General Ludendorff to assist in the "sealed-train" operation that sent Lenin from Switzerland to lead the Bolshevik Revolution—a project foisted on the German Imperial Government by Alexander Helphand ("Parvus"), an agent of the "last Doge of Venice," Volpe di Misurata. Hahn remained a public apologist for Hitler up through *Crystallnacht*, according to a biography for which Prince Philip wrote the introduction.

Lord Mountbatten was part of a select group that advised Queen Elizabeth II to send Prince Charles to Cambridge. His competence as an adviser on such matters has been called into question by those who point out that Mountbatten's own daughter, Lady Pamela Hicks, described herself as a communist. Indeed, in his 1985 biography, *Charles and Diana*, Ralph G. Martin states that Prince Charles spent his evenings at Cambridge in all-night "rap sessions" with Hylwel Jones, "a socialist who had read Karl Marx when he was fourteen." So great was Jones's influence that, Martin states:

"One evening Prince Charles knocked on Rab Butler's door to ask the Master of Trinity [College, Cambridge] a question: Would it be all right for him to join the University Labour Club? 'Hell, no!' said Butler, carefully explaining the absolute need for the Prince to maintain political neutrality. . . ."

In Ziegler's biography, *Mountbatten*, it is noted that the communist homosexual Peter Murphy had similarly influenced Prince Charles's mentor, "Uncle Dickie," to join the Labour Party at Cambridge. Later, Mountbatten was reported to say after meeting the new Soviet-linked British Labour prime minister, Harold Wilson, that he was "very impressed. . . . All the Labour Ministers have a higher 'I.Q.' than the Conservatives."

False pacifists march on Assisi

Neo-Malthusians, masons, oligarchs, and Russian Orthodox prelates conspire to sabotage the Pope's intentions.

On Jan. 1, 1986, the Pope, addressing the world from St. Peter's in Rome on the World Day of Peace, denounced the "false pacifists" saying: "There are false proclaimers of peace in the world. They say peace, but they do the opposite." He added: "We must be certain that the same desire for peace be present everywhere, and the same relationship toward it."

A few days later, at St. Paul's basilica, the Pope announced his proposal for a Prayer Encounter for Peace with representatives of all the religions of the world, to be held in Assisi next Oct. 27.

For many observers, the Pope's initiative represented a project to claim for himself all serious discussions on peace and to thus put an end to the hegemony exerted by the communist camp on this topic.

It was no accident that the city of Assisi was selected as the site of the historic meeting. There, perhaps, more than any place else, the word "peace" has been abused. In Assisi in October 1983, the keeper of the Monastery of St. Francis, Father Vincenzo Coli, invited the leader of the Italian Communist Party, Enrico Berlinguer, to dinner.

It was not the first time that the enterprising Franciscan used religion to promote dubious ideological projects. A few months earlier, Father Coli, together with such neo-Malthusian entities as the Club of Rome, had drafted the famous Gubbio Charter, with an explicitly anti-life philosophy. In 1984, a delegation of Franciscans left Assisi to bring a peace mes-

sage to Ronald Reagan, by whom they were received, and to Yuri Andropov, Soviet party chief.

In Moscow, the Franciscans got a rather chilly welcome; Andropov had died, and they were not received by then-Soviet party chief Chernenko, so they celebrated a mass and went back home. Next, on May 17, the Franciscans invited to Assisi the Soviet ambassador to Italy, Nikolai Lunkov, and the number-two man in the U.S. embassy in Rome, William Holmes, and had them sign a joint document in favor of peace.

For the Pope, Franciscan activism had gone off the religious track. John Paul II sent a papal observer to the "General Chapter" of the Franciscan order with a letter to the 135 delegates, calling the Order to "a revision of theory and practice." Moreover, many of the more moderate sectors of the Order did not share the ultra-radical line of the general superior, the Californian John Vaughn. But Vaughn, promoter of monastic-Marxist dialogue, turned a deaf ear.

This time, the solemn initiative of the Pope, the Prayer Encounter at Assisi, seems to have created fear among the "false pacifists." This may be what prompted the minor friars of Assisi to organize a march from Assisi to Rome, together with the ecologist Prince Nicola Caracciolo; Edoardo Agnelli, the son of financier Giovanni Agnelli; the ex-leader of the Maoist gang "Lotta Continua" Alexander Langer (known for his pro-terrorist stance); and a director of the Communist Party's recreation association. ARCI.

The little squad was led by about 10 people in all. Among them was a young Franciscan, Friar Domenico Dominici, and four Ethiopians. Brother Domenico in fact, when not marching, takes care of Ethiopian refugees in Italy. The band set out on Aug. 3 and reached the capital after a few days. There it was received by the premier's undersecretary, Giuliano Amato, who, after listening to their proposals, pronounced himself perplexed. No one received them in the Vatican.

Despite the miserable outcome of the "anti-nuclear pacifist march," it got huge attention from the media, especially the pro-communist media. The real aim of the march was to brand Assisi, weeks before the meeting organized by the Pope, as the site of Catholic-Marxist dialogue, a center of the anti-nuclear pacificism dear to Moscow's demagogues. Confirming this plot is the plan of the international World Wildlife Fund to hold its own conference in Assisi on "Conservation and Religion," from Sept. 24 to 29. Among the participants are Prince Philip, Duke of Edinburgh, a noted freemason, and the Aga Khan. The sessions will be coordinated by the World Council of Churches, known for its close ties with the Russian Orthodox Church and Soviet intelligence.

In recent days, it became known that the Russian Orthodox Church will send Metropolitan Filaret to the Pope's Assisi Encounter. Filaret has distinguished himself for the interviews he has given to Italian dailies attacking the Pope and President Reagan's Strategic Defense Initiative.

Neo-Malthusians, masons, oligarchs, and Russian Orthodox prelates seem to be in cahoots to try to turn the Encounter at Assisi into an event totally opposed to what the Pope had in mind.

No to 'narco-tolerance'

Venezuela's justice minister has taken off the gloves against high-level drug corruption.

A fight has broken out inside Venezuela over whether widespread drug corruption in high places will continue to be tolerated. Speaking for the anti-drug faction is Justice Minister José Manzo González, whose keynote address to the Aug. 15-19 South American Conference on Public Security held in Caracas was a powerful call for crushing the drug trade and its terrorist counterpart.

That conference, at which police forces from across Ibero-America unanimously agreed that nothing less than a collaborative continent-wide war against the drug trade could hope to win, set the tone for the battle now unfolding in Venezuela.

The early August acquittal on drug charges of multi-millionaire businessman *Ciro Martínez Marquina*, along with five of eight others imprisoned in connection with a multi-million dollar cocaine bust linked to the *Francisco Ocando Paz* ring, set off a public furor over the evident corruption of the presiding judge. Justice Minister Manzo used the occasion to send a public letter to the Attorney General's office, in which he protested the sabotage of the government's anti-drug efforts. In his letter, published in the press nationally Aug. 16, Manzo demanded an immediate investigation of the affair, the assignment of a special attorney to the case, and recommended a change in venue of drug trials to avoid future such incidents. The judge's decision has since been appealed by the Attorney General's office.

Attention is especially focused on

the issue of corrupt judges because of the "provisional" release in Colombia of cocaine trafficker *Jorge Luis Ochoa* on Aug. 15. Ochoa, who had been sentenced to two years in jail for illegal smuggling of bulls, had posted bail and, as expected, disappeared for parts unknown. Ochoa is not only one of the most infamous of drug traffickers internationally, but has been named as one of the authors of the April 1984 assassination of Colombian Justice Minister *Rodrigo Lara Bonilla*. He is sought by U.S. authorities as a key link in the drug-smuggling chain that includes Nicaragua's Sandinista government.

In fact, judges across the continent have been targeted as a weak link in the fight against drugs by the international dope mafia. In Colombia, judges have been threatened, tortured, and murdered by the score to create a mafia-controlled environment in the courts. When enforcement of a U.S.-Colombia Extradition Treaty threatened to disrupt that controlled environment, the mafia sent in the narco-terrorist *M-19* to murder half the Supreme Court justices in last November's Justice Palace atrocity in Bogotá.

In Venezuela, the case of *Ciro Martínez Marquina* is hardly the first incident of such "narco-tolerance" among judges. In fact, the phrase "narco-complacency" appears regularly now in the national press of that country.

Just before issuing his public warning to Venezuela's judges that

they are being watched, Minister Manzo González had spoken to the Council of Generals of Venezuela's Superior War College of his resolve to "redouble and triple our efforts" against the drug mob and its allies, the national and international drug banks. Said Manzo González, "Anyone from a slum dweller to the most respected banker who launders the dollars coming from drug sales can participate in this crime."

The justice minister added, "We have never seen a banker with a gun in his hand assaulting a citizen; if that happened, I think it would be an exceptional case. . . . But there are many bankers, here and elsewhere in the world, who have agreements with the narcotics traffickers in which they get the revenue from cocaine sales as commissions; that is, they are part of the criminal apparatus and organization." Manzo was putting on notice those Venezuelans who believe that their white collars and Gucci shoes disguise their criminality.

It is well known that there is growing discontent within military and related law-enforcement circles inside Venezuela over the constant sabotage of their anti-drug efforts. The National Guard of Venezuela, described as the institution which "wages war in peacetime" against such enemies of the nation as the drug mafia and terrorism, has announced that, for the first time, they are uncovering substantial cultivation of drugs—marijuana and cocaine—on Venezuelan territory. Some 900 hectares of both drugs were recently uncovered in the *La Perija* region along the Venezuela-Colombia border, and the National Guard commander in the region, *Gen. Corredor Ruiz*, has asked for logistical support to patrol the 238,000 hectares of the mountain range, "which is being eyed by the international drug trade."

AIDS debate breaks out in Norway

A leading doctor has proposed a classical public-health approach to the crisis: universal testing.

If the devil himself had developed a means to destroy mankind, the situation could not be worse." This is the way Magne Fagerhol, superintendent of the Blood Bank and Epidemiology Clinic at Ullevaals Hospital in Oslo, characterized the growing threat of an AIDS epidemic. On July 22, Fagerhol wrote a letter to the Department of Health, criticizing the nonchalant manner in which the department was treating the AIDS threat.

Fagerhol recommended that the entire population of Norway be AIDS-tested twice a year. Apart from the danger of infection outside the so-called high-risk groups, Fagerhol reasoned that mandatory testing would forestall any objection on the part of the more vociferous homosexual groups that such measures would be discriminatory. Fagerhol's letter was published on July 25 in the daily evening paper *Dagbladet*.

Some weeks earlier, the Oslo tabloids had sparked a minor uproar, when it became known that the superintendent of one of the local hospitals had had patients suspected of being drug-users or homosexuals AIDS-tested without their knowledge. If the test proved positive, the patients were informed of the results. The doctor was accused of using unethical methods and wanting to introduce fascist methods into the health services.

Publication of the Fagerhol letter further heated up the issue. Previously, the whole AIDS question had been treated somewhat peremptorily in the Norwegian press, giving the

impression that the medical authorities had things under control. The number of people infected was reported in the hundreds. Now it is estimated that there are approximately 2,000 carriers of AIDS—and that is probably a gross underestimate. The Health Service estimates that, at the present rate of spread, there will be 100,000-200,000 cases by 1990-1991.

Fagerhol, in an interview to the Stockholm-based Radio Free Sweden, stressed that the AIDS epidemic not only threatened the "high-risk groups," but all Norwegians. Mandatory testing of the entire population of Norway, a little over 4 million people, would cost 100-300 million Norwegian Crowns (\$14-30 million) according to Fagerhol; treatment of AIDS patients by the year 1991 would cost up to \$3.5 billion.

The cost of testing would be equivalent to a two-week national strike at the state-owned liquor stores or about one beer for every person in Norway. "This would be a reasonable price to pay," said Fagerhol, "especially if you consider that without such a measure, the treatment of AIDS patients in 10 years would cost us just as much as an entire year's health budget."

The Fagerhol letter was especially critical of the director of the Health Services, Torbjorn Mork, who has insisted on keeping AIDS testing on a voluntary basis, and has tried to squelch any talk of mandatory testing. Fagerhol recommended that Mork consider resigning his post and be re-

placed by someone prepared to deal with the AIDS threat more effectively.

Fagerhol pointed out that voluntary testing had not succeeded in getting more than 5% of the high-risk groups to take the test, thereby creating a serious threat to the rest of the population. "They are afraid that the results of the tests will be positive, and therefore will simply not allow themselves to be tested," said Fagerhol.

In his letter to the Health Services, Fagerhol also recommended that it be considered a felony, equivalent to attempted murder, if anyone who has AIDS does not inform his sexual partner that he or she is infected. A few days later, the Norwegian Department of Justice issued the results of a study which indicated that there is already on the books a law which would allow prosecution of anyone who with knowing intent infects another person with a contagious disease. It was indicated that this law could be applied to an AIDS carrier. Such a crime is punishable with up to eight years in prison if the person so infected dies, and up to five years otherwise.

The Fagerhol intervention has sparked off a political debate, and the AIDS question will come up for discussion when Norway's Parliament reconvenes in September. Norwegian Prime Minister Gro Harlem Brundtland, a physician by profession, was interviewed on television concerning the Fagerhol letter and the position taken by her health director Mork. Brundtland said that she did not necessarily agree with the director of the Health Services, and that she considered AIDS a far more serious problem than was generally recognized. She set up a committee to investigate the issue and to make recommendations for an eventual change of government policy. Possible policy changes would then be voted on by Parliament.

A united ticket for the conservatives?

Will Strauss walk out of Kohl's coalition and seek a conservative electoral partner outside Bavaria? Maybe he will.

On Jan. 25, 1987, elections for the next national parliament in West Germany will take place. A good portion of voters, between 5% and 12%, have turned their back on Chancellor Helmut Kohl's party, the CDU (Christian Democrats) since 1983 because of his appeasement of liberalism. More and more voters dislike Kohl's policy of sacrificing one conservative position after the other.

The role of the liberal Free Democrats (FDP) has become disproportionate in the coalition government that was formed after the last elections in March 1983. Consequently, Chancellor Kohl's views have been determined by FDP Foreign Minister Hans-Dietrich Genscher, and the conservative wing of the CDU is considered a nuisance, a source of constant troubles.

In particular, the conservatives are viewed as an obstacle to a continuation of the policy of appeasement toward the Soviets. They are viewed as too pro-American, too much oriented to NATO. They are considered trouble-makers against disarmament, and as fanatical supporters of the American Strategic Defense Initiative. They are, all in all, considered a "relic from the Cold War period."

The liberal wing of the CDU, which works with the FDP and Genscher and is appropriately characterized as "the Genscherites," keeps battling with the "steel-helmet group," as they call the conservative wing.

Many conservatives took revenge by deserting the CDU in all municipal

and state elections after March 1983, causing a 5%-12% drop in CDU votes. The party's liberal leadership should have seen the writing on the wall, but it didn't. The head of a major opinion polling institute explained this paradox to *EIR* in the late summer of 1985: "Obviously, the CDU leadership even welcomes the desertion of the conservatives, because they think that relieves them of many problems. Without the conservatives, they believe things are less complicated."

Indeed: Without the conservatives, liberalized politics could proceed much faster among the Christian Democrats. This assumption became a policy in 1985 and throughout this year. Preparing for the national elections in January 1987, conservatives of the "steel-helmet group" were kicked off CDU slates. In most cases, those who were kicked off were staunch opponents of Foreign Minister Genscher's appeasement policy. Thus, the national president of the German Refugee Association, Herbert Hupka, was sacrificed, and other prominent conservatives such as Hans Graf Huyn and Ludwig Graf Stauffenberg. They were replaced by liberal Christian Democrats. The same happened to Werner Broll, the party's spokesman on domestic security, who has been calling for tighter anti-terrorism laws.

Several other prominent Christian Democrats were or are going to be ousted from their posts. One of the most shocking affairs in this respect was the ouster of Heinrich Lummer,

security affairs official in West Berlin, a staunch conservative who had long been targeted for ouster by leftists and members of the anarchist underground in the city. Peter Lorenz, also from West Berlin, will be ousted from his post as undersecretary in the German Affairs Ministry, because he is known to be a critic of Foreign Minister Genscher's friendly policy towards the East German regime of Erich Honecker.

Many other such examples could be given. The main question now is, how the various conservative voter blocs of the CDU will react in the face of these purges. Many hopes have been set on Franz-Josef Strauss, the chairman of the CSU (Christian Social Union), the independent Bavarian state section of the Christian Democrats. Will he, who has often attacked the Genscherites on key issues such as Libya, the SDI, Berlin, and the sabotage of anti-riot and anti-terror laws, have the courage to present a conservative election alternative to the CDU "Genscherites?"

On Aug. 14, the CSU walked out of the joint program commission with the Christian Democrats. This means that each party may run on a program of its own in the 1987 elections. But will Strauss run outside of the state of Bavaria? One of Strauss's closest advisers, Prof. Guenther Rohrmoser, called on the CSU to walk out of the coalition government itself, should Chancellor Kohl decide to keep Genscher as foreign minister. Rohrmoser urged Strauss: "The CSU must either expand nationally, or seek a partner to agree with outside of Bavaria." This advice has posed the question to many whether Strauss would collaborate with the most powerful political formation among German conservatives, the "Patriots for Germany." Maybe he would.

International Intelligence

Can Moscow beat the West in 'cultural warfare'?

Top Russian officials have announced the imminent formation of a new Soviet Cultural Fund, whose purpose is officially described as the promotion of "the cultural and spiritual richness" of Russia, and the establishment of enhanced "cultural ties to countries abroad."

Intelligence analysts believe that the Fund is aimed against the expanding influence of Lyndon H. LaRouche, Jr., who argues that the superiority of Western, Augustinian culture is the basis for the West to defeat Soviet plans to achieve world domination. The committee mandated to form the new Soviet Fund contains numerous "LaRouche watchers," notably journalists who specialize in published attacks on the U.S. political figure.

The creation of the Fund was announced on Aug. 7, the same day that the Russian cultural journal *Sovietskaya Kultura* published a front-page attack on LaRouche (see excerpts, p. 41). The newly appointed chief editor of *Sovietskaya Kultura*, A. Belyayev, is a member of the initiating committee for the Soviet Cultural Fund.

Other committee members include A. Chakovskii, the editor of *Literaturnaya Gazeta*; *LitGaz* commentator and KGB official Fyodor Burlatskii (author of attacks on LaRouche and the U.S. Strategic Defense Initiative); KGB-linked writer Julian Semyonov, another "LaRouche watcher"; Russian Orthodox Church Archbishop Pitirim of the Moscow Patriarchate Publishing Department; Raissa Gorbachov; and Valentin Falin, former ambassador to West Germany, now an official of the Central Committee's information department.

The idea for the Fund was put forward at a recent Soviet Writers' Union Congress. According to the Aug. 8 edition of the Soviet government newspaper *Izvestia*, the committee includes cinematographers, musicians, architects, institutes and organizations with "cultural ties to countries abroad,"

the cultural ministry, Academies of Arts and Sciences, the Soviet Peace Council, and the extreme Russian-nationalist Society for the Preservation of Historical and Cultural Monuments.

Is Austrian party a terrorist money conduit?

The obscure, 15,000-member Austrian Communist Party is the richest party in Austria, with an estimated annual turnover of 500 million British pounds-sterling, or, about \$750 million per year, according to the Aug. 21 London *Guardian*.

The money comes from a business empire, based on control over an oil company, Turmol, which the Communists gained following a trial in July in which the star witness for the party was the Soviet ambassador in Vienna. Turmol controls 40 gas stations in Austria, and monopolizes 80% of the country's domestic heating-oil market.

In May of this year, the party hosted a meeting of communist parties from several countries of Western Europe in Vienna, at which a strategy of collaboration with European "environmentalist" and "green" organizations was worked out.

Is the Austrian Communists' \$750 million a giant war chest for the Greens and other terrorists?

German Greens: Stop aid to Peru!

The German Green Party has demanded that West Germany reconsider all economic aid to Peru, stop all arms exports to and military cooperation with that country, and recall the West German military attaché from the embassy in Lima, according to an official Green Party press release put out on Aug. 8.

The radical ecologist Greens, contrary to their occasional professions of pacifism, are supporters of Germany's terrorists, and issued the current release to protest the Pe-

ruvian government's alleged "mistreatment" of the Shining Path (*Sendero Luminoso*) terrorists, who have ravaged the nation of Peru, killing thousands of innocent people.

The Greens' press release came immediately after West German Minister for Economic Cooperation Jürgen Warnke returned from Peru, where he had made a commitment for West Germany to supply equipment for Peru's anti-drug fight. The Greens, a neo-Nazi formation riddled with East bloc agents, stated: "The Federal Republic of Germany, for years, has been the main supporter of Peruvian state terrorism," and then listed German weapons deliveries to the Peruvian military and police forces over the last six years.

The Greens began their anti-Peru campaign in October 1985 (two months after the inauguration of President Alan García), ostensibly protesting the arrest of a German national for terrorist activities. They intensified their opposition to the García government during the Shining Path terrorist prison revolt in June.

Colombian terrorists assault labor leaders

The offices of the Schiller Institute Trade Union Commission in Bogota, Colombia were attacked in the early morning hours of Aug. 18 by two unknown persons, who stole a typewriter and scrawled slogans of the M-19 terrorist group on the office walls.

The Schiller Institute is a cultural institution which promotes an intellectual renaissance, attacks the drug trade, and works to achieve a new international economic order against usury.

The attack on the Institute comes in the context of a public slander campaign against it being run by mafia-linked Victor Acosta, president of the Union of Colombian Workers (UTC), and Julio Roberto Gomez, president of the General Federation of Colombian Workers (CGT), under orders of the American Institute for Free Labor Development (AIFLD). Roberto Gomez and other

Briefly

individuals connected to the CGT have said that their intention is to smash the Schiller Institute, before it grows any larger.

One of the Schiller Institute's international coordinators is Pedro Rubio, the secretary general of the Colombian trade union federation Utraboc. One of his subordinates, Utraboc treasurer Gonzalo Casas, was brutally assaulted on Aug. 20 by UTC head Victor Acosta and an accomplice. Casas had gone to Acosta to ask him to repay a debt, and was suddenly set upon by the two men and pistol-whipped about the head and legs.

Utraboc is the Bogota-based regional organization which abandoned the corrupt UTC federation to join the new unified labor central under former labor minister Jorge Carrillo (see *Feature*, pp. 28-37).

Mubarak, Peres to hold summit in Egypt

Israeli Prime Minister Shimon Peres announced on Aug. 20 that he and Egyptian President Hosni Mubarak would hold a summit meeting in Egypt during the first half of September. This will be the first meeting between the two leaders.

The meeting is "phase two" of Peres's new Mideast peace initiative, which began with the historic July 22 meeting with Morocco's King Hassan. Peres has advanced the idea of a "Mideast Marshall Plan," to underwrite a peace settlement with economic development programs for the region.

Peres, in his announcement of the meeting on Israeli television, specified that Egypt would first have to name an ambassador to Tel Aviv. Cairo withdrew its ambassador in 1982, to protest the Israeli invasion of Lebanon.

If the upcoming summit opens the way for a regional Mideast peace conference, as is hoped, what will the role of the Palestine Liberation Organization be? Israeli Labour Party circles close to Peres and Economics Minister Gad Ya'acobi estimate that the PLO leadership is drifting rapidly toward Syria, while leading spokesmen for the PLO in the

occupied territories of Gaza and the West Bank are moving closer to agreement with Egypt and Israel.

Hanna Siniora, chief editor of the Palestinian newspaper *Al-Fajr*, recently broke ranks with the PLO leadership by meeting Vice-President George Bush during the latter's visit to Israel. "Maybe he was permitted by someone in the PLO to do it," said a source linked to the Israeli government. Such Palestinian leaders, who live in the occupied territories, are the ones upon whom Israeli officials seem to be counting for initiating negotiations. PLO chief Yasser Arafat, meanwhile, is reported to be going to Egypt in the immediate future.

So. Africa's Botha: We won't commit suicide

South African President P.W. Botha, in his opening speech to the congress of his ruling National Party on Aug. 14, vowed that he would take all necessary measures to ensure that his country is not destroyed by economic sanctions from the West, or by international demands for concessions to terrorists.

He and other government spokesmen have made it clear that, if pushed to the wall, South Africa will be forced to take counter-sanctions against the West, including a possible debt moratorium.

Botha renewed his offer to the Western nations and his African neighbors to convene an international conference on economics and security in the region; but at present, the likelihood of such a conference does not appear great.

Although the reform-minded President has sought to remove racial barriers in South Africa, he has moved too slowly to allow moderate black leaders to outflank the radicals. Originally, the President was expected to announce new constitutional reforms at the current party congress, toward actual power-sharing by the black population. This did not occur, however, and black moderates like Chief Mangosuthu Buthelezi feel unable to enter into national negotiations with the President as a result.

● **THE PUGWASH GROUP** of East-West "crisis managers" will hold a closed-door meeting in Budapest, Hungary Sept. 1-6. Phase two in Pugwash's autumn organizing plans will be a conference on "conventional forces" in Pisa, Italy scheduled for October.

● **THE GREEK GOVERNMENT** is refusing to approve the posting of any more Russian monks to the Greek Orthodox monastery at Mount Athos, the London *Daily Telegraph* reported Aug. 20, citing government sources in Athens. "Greece is reluctant to grant approval because of security considerations, the sources said. A Russian request to set up a consulate in Salonika is not being met for the same reason." Mount Athos is a center for cultural and political intelligence warfare operations.

● **SOVIET KIRGHIZIA** is a center for drug-production in the U.S.S.R., the Moscow weekly *Lit'eraturnaya Gazeta* reported in August. Some 300 Communist Party officials have been caught red-handed operating a "private" drug market. Boris Yeltsin, head of the Moscow party, admits that there are 3,000 known drug addicts in Moscow alone.

● **WOLFGANG ROTH**, a leading left-wing Social Democrat in West Germany, took up Moscow's charges against Chancellor Helmut Kohl on Aug. 21, accusing the Bonn government of violating the nuclear nonproliferation treaty by secretly working on the manufacture of a "nuclear bomb."

● **ALL FOUR** of Peru's labor confederations on Aug. 20 offered President Alan García their support in his battle against the International Monetary Fund, which on Aug. 15 declared Peru ineligible for further credit.

Moscow deploys Congress against the President

by Criton Zoakos

In his nationally broadcast radio statement of Aug. 16, President Reagan declared war against the U.S. House of Representatives, on grounds that the defense bill they had voted the previous day had met all the requirements of the Soviet government's bidding. A livid President Reagan identified the five specific Soviet military objectives in favor of which the House had voted, and announced to the American people, "Make no mistake: The House defense bill is a reckless assault upon the national defense of the United States."

He also pointed out that "Soviet military planners must be astonished at the blows the House delivered this week to America's national defense."

Finally, he vowed, "While it is my custom not to say whether I will veto a bill until it reaches my desk, if the defense budget arrives in anything like the present form, it will be vetoed. And national security will be the issue in 1986."

Thus, finally, the real issue of the 1986 congressional elections has formally become exactly that issue which *Executive Intelligence Review* had warned during July 1985 had to be brought forward for the electorate to decide, whether the West were to have a chance of countering the Soviet military challenge.

Following President Reagan's "declaration of war" on congressional liberals and pro-Soviet arms-control apologists, his opponents, including the Democratic chairman of the House Armed Services Committee and many Republicans of the Senate, indicated that they are ready to fight him on the defense issue at the November polls. Privately, the President announced his intention to personally campaign against anti-defense incumbents around the country. Thus, the fight has been joined.

For the liberals of both parties, it is a last ditch effort to

salvage their delusions of the long-evaporated political universe of "détente" and arms-control agreements. For the President and those close to him, this battle is the last chance for rallying this country to face up to the gravity of the Soviet military threat. For the Soviet command, pitting all of their overt, covert, direct, and indirect influences and assets in Congress against Reagan, is the only response they could compose to President Reagan's ingenious July 25 letter to General Secretary Gorbachov.

In that letter, the President formally placed on the negotiating table his generous offer to share with the Soviets our rapidly advancing Strategic Defense Initiative technology, and further proposed a joint or parallel deployment of SDI systems. The Soviet command, as of this writing, is still in a quandary as to how to respond to this offer. Their principal reaction so far has been to pull those strings of influence and call in those available political "chits" that eventually produced the Aug. 15 congressional vote, which in turn provoked the President's wrath.

Forces and moods behind the issues

Even though the President *said* that "national defense" will be the issue for 1986, neither he, nor the Soviets, who are watching the situation closely, believe that this alone will determine how the American people will vote in November. Many deluded congressmen may take this narrow view of the matter, and many may also believe that they can "buck" the President's authority and influence at the polls on grounds that he is a "lame duck" President. Those who proceed on such calculations are: a) completely out of touch with the "sea change" in the national mood, b) underestimate the political cunning of President Reagan, and c) are likely to be out of a job in November.

Soviet observers of the American political process are more likely to focus their attention on how the American people are reacting to the War on Drugs and to the AIDS epidemic, and try to make their political deductions from these observations. The important elements which will determine voting patterns next November are the broad shifts in cultural and moral orientation now under way, rather than specific preferences on specific options for defense policy. Though "national defense" may be the overt, spoken issue of the campaign, the way people will vote will be determined by the less visible and mostly unspoken changes away from the liberal social agenda of permissiveness, abandon, and moral indifferentism toward the Soviet Union.

Soviet intelligence has been attempting to gauge these shifts in the American national mood both directly and indirectly, by watching closely the growing influence of the political movement associated with 1988 Democratic presidential candidate Lyndon H. LaRouche, Jr. Their estimate at present is that LaRouche, at this time, commands somewhere between 15% and 25% of Democratic voters, easily the largest single "constituency" within the Democratic Party. To such observers, the present growth of the LaRouche influence portends that in any confrontation between President Reagan and liberal Democrats, the latter would not stand much of a chance this coming November.

The Soviet Union's senior policymaking leadership, that country's "old men," know well that the era of "détente" and "the arms-control process," during which they accumulated their present formidable strategic superiority, had been made possible only because of the 1968 liberal-radical assault against the traditional labor-farmer-minorities constituencies of the Democratic party, and because of the 1972 "McGovern Reforms" in that party. The growth of the LaRouche movement into what Moscow now terms a "formidable force," threatens to undo that political arrangement, upon which "the détente process" had depended.

Hence, when Moscow decided to abandon all caution and instigate an identifiably "Made in Moscow" defense budget vote in the U.S. House of Representatives, it was taking the risk of potentially sending its congressional assets and dupes into their last "suicide mission." For Moscow, any Democratic elected politician who is committed to defending the "McGovern Reforms" of 1972 as a matter of fundamental principle, is counted as a Moscow asset or potential asset—whether or not the politician in question knows that he or she is so designated by Moscow.

The Soviets instigated the House vote of Aug. 15 because they needed it in lieu of a serious response to Reagan's offer of July 25. However, this so-instigated vote has made the "McGovern Reform" Democrats more vulnerable to the LaRouche challenge in the Democratic Party. This vote also had the effect of finally provoking President Reagan into publicly announcing on Aug. 16 what some 900 LaRouche-associated candidates have been saying since Jan. 1, namely,

that the 1986 election issue is Congress's sellout to Moscow on matters of national defense.

The Russians and their "McGovern Reform" Democratic dupes and allies could prevail in November only if a) there were no LaRouche movement to threaten to reorganize the affairs of the Democratic Party and b) if Reagan begins to be perceived as a "lame duck" President with waning ability to influence events.

Regarding the first of these two matters, it is known both to this news service and also to U.S. government circles, that Soviet officials are involved in numerous efforts to derail the growing LaRouche movement. Among these efforts are included informal but official representation to both State Department officials and to non-official leaders of the Liberal Establishment, demanding that "something be done" about LaRouche. Otherwise, Soviet agencies are being caught virtually every day in instigating or participating in a wide variety of "dirty tricks" against the LaRouche movement, from financial warfare to frivolous legal assaults, attempts at frameups, and so forth.

Respecting the prospects of a "lame duck" Reagan presidency: It appears that those anti-defense Democratic opponents of President Reagan who are counting on a "lame duck" effort to survive a confrontation with him, are going to wake up to a very sobering surprise: The drive to repeal the 22nd Amendment of the Constitution, which prohibits third-term Presidents, is much further ahead than most observers realize. During the early months of the year, the Republican Congressional Campaign Committee undertook an exhaustive feasibility study to ascertain whether it would be possible to repeal the 22nd Amendment, which eventually produced the conclusion that, with the appropriate kind of leadership from the White House, the repeal could be carried out in no more than 90 days.

After the conclusion of this study and the relevant preparations for a mass organizing drive through the Republican Party, the Republican Congressional Campaign Committee submitted, in the House of Representatives, a bill to repeal the amendment. This took place on July 28, exactly three days after President Reagan sent his SDI letter to General Secretary Gorbachov.

If that amendment is eventually repealed when the new Congress comes in next January, President Reagan may or may not decide to take advantage of it for himself. He will, however, have the option of remaining open for the 1988 nomination, thus preserving his ability to dominate the proceedings of the 1988 Republican Convention. As soon as the July 28 repeal bill was submitted, both the Soviets and the congressional Democrats were forced to readjust and begin contending with the prospect of either a Reagan presidency stretching into 1992, or a Reagan-determined presidency until at least that year. This is the reason why nobody has, so far, ventured to consider Mr. Reagan as a "lame duck" President, though many have been tempted to.

President Reagan's Aug. 16 radio address

My fellow Americans, when I campaigned for the Presidency in 1980, I made a solemn commitment to do all in my power to restore to our country a national defense second to none. In that election, and again in 1984, the American people, I believe, gave me a mandate to do precisely that. Today, however, that commitment—and many of the great gains we've made together these past five years—have been placed in jeopardy by actions taken in the House of Representatives.

Let me outline for you a few of the decisions which, if permitted to stand, would pull the rug out from under our arms negotiators in Geneva and eventually imperil the national security of the United States. First, the House voted to deny the U.S. Air Force the right even to test our small anti-satellite weapon called ASAT. The ASAT is designed to destroy, in the event of a conflict, Soviet military satellites that would guide Russian bombers and missiles to American targets. It is a defensive weapon, built to help protect the men and women of the U.S. armed forces at home and abroad. It's inexplicable to me how the House could deny us the right to even test this weapon, when a killer satellite weapon has long been deployed inside the Soviet Union.

Second, the House voted to halt any nuclear test larger than a single kiloton. If that vote is permitted to stand, all testing to maintain the safety, credibility, and reliability of the U.S. strategic deterrent would come to an end. Has a majority of the House forgotten history? In 1958, the United States agreed to a similar moratorium. Three years later, the Soviets unilaterally smashed that moratorium with the largest series of nuclear tests in history. It took us almost a decade to discover what the Soviets had learned from those tests, prepared in secret, even as the United States relied upon a Soviet promise. We must not make the same mistake again.

Third, the House, by a single vote, refused to fund the chemical weapons we requested. If that vote is permitted to stand, the House will have increased the probability these dreadful weapons will one day be used. History has taught repeatedly that the best deterrent to such awful weapons is when both sides, not just one side, possess them. Hitler did not use his terrible gas weapons against the allies for a single reason: He feared retaliation by the allies with the same kind of weapon.

Fourth, the House voted to severely slash our request for the Strategic Defense Initiative. But SDI is not the only—or not only, I should say—the great hope of this country for

finding a way out of the prison of mutual terror; it is an idea that helped bring the Soviets back to the negotiating table to Geneva. To gravely underfund SDI is to place in jeopardy all our hopes for arms reduction. It is to leave America indefinitely naked to missile attack, whether by accident or design. These radical cuts in SDI would permit the Soviet Union, which has been working on strategic defense for decades, to make strides at the expense of the United States.

Finally, the House voted to deny us any funds to move beyond the limits of SALT II, even though SALT II was never ratified, even though the Soviet Union has violated its terms. What message is received in Moscow when a majority of the House votes to force its own country to strictly observe an expired and unratified treaty the Soviet Union has itself undercut?

Beyond this, the House voted to cut away at several of the programs that are at the heart of this nation's strategic deterrent: the land-based MX missile, the Trident submarine, and the advanced cruise missile. *Soviet arms negotiators must be mystified today that U.S. legislators would give away in Washington what they have been unable to win at Geneva. Soviet military planners must be astonished at the blows the House delivered this week to America's national defense.*

Finally, the House mandated that 10% of countless military contracts be awarded without competition, on the basis of a quota for certain business. And this they call military reform. It's a step in the wrong direction.

Soviet arms negotiators must be mystified today that U.S. legislators would give away in Washington what they have been unable to win at Geneva. Soviet military planners must be astonished at the blows the House delivered this week to America's national defense.

Make no mistake: The House defense bill is a reckless assault upon the national defense of the United States. It threatens our hopes for arms control and moves us back toward an era and policies which the American people emphatically rejected in the last two national elections.

While it is my custom not to say whether I will veto a bill until it reaches my desk, if the defense budget arrives in anything like the present form, it will be vetoed. And national security will be the issue in 1986.

Until next week, thanks for listening, and God bless you.

U.S. Attorney Weld's war on defense

by John Scot

Boston U.S. Attorney William Weld, already notorious for his baseless prosecutions, will use his position as head of the Justice Department's Criminal Division, should his nomination be confirmed, to conduct a massive "Watergating" campaign against America's defense industries. This is now absolutely clear, based on Weld's stated "environmentalist peacenik" sympathies, his record in office, and sources close to his office.

Over the last two years, in order to advance his political career, Weld fabricated a case of defense procurement fraud against a tiny New Hampshire machining company, Waltham Screw Co., according to a source close to Weld's office, who asserted that court records substantiate these charges.

These disclosures give new significance to Weld's promise before the Senate Judiciary Committee Aug. 13 to "take personal responsibility" for "vigorous enforcement in the area of defense procurement fraud." Weld told the committee that "white collar and public corruption are my private agenda items," and called for new positions of Assistant U.S. Attorney for Defense Fraud to be created in every U.S. Attorney's office.

Back in March, Weld announced that he was going to devote much of the resources of the U.S. Attorney's office in Boston to "prosecutions of environmental polluters." In response to a hostile question, he was provoked into stating: "I am an environmentalist terrorist. I was on the board of trustees of several environmental groups." Before the Senate committee, he as much as admitted that he was going after defense industries because they are defense industries, not because they are engaged in wrong-doing. Weld promised to "start with a definition of the problem: look at where the big defense contractors are, and see if there's fraud in those [geographical] areas."

Fabricating the evidence

Weld's record establishes that, should he find no "fraud in those areas," he will create it. For example, Weld bragged before the Senate Judiciary Committee on Aug. 13 about his "success" in jailing managers from two defense contractors in New England, including Waltham Screw Co. plant manager George Olmsted, who is serving an 18-month prison term. Waltham Screw, a company with six employees, and manager Olmsted were charged with conspiracy to manufacture and deliver defective flash suppressors for the M-16 rifle.

In point of fact, Weld's undercover operation created the crime. Weld built his case on tape recordings of plant shop floor conversations picked up from a microphone planted on a disgruntled Waltham employee, and on batches of defective parts produced by the company. Weld's informant was the company's own production inspector, and to ensure that evidence would exist for the U.S. Attorney's case, the inspector/informant refused to inspect batches of flash suppressors that later became evidence in the case, according to the source. (Flash suppressors are installed on the end of the barrel of the M-16 to prevent detection of the rifleman when the gun is fired at night.)

After treating the Bank of Boston with a "slap on the wrist" for laundering billions in drug money, Weld unleashed incredible rage and effort against an apparently innocent small machining company.

The rationale for Weld's giving investigations of defense companies a high priority is simply because there is an arms buildup going on. In one interview, Weld's subordinate, Assistant U.S. Attorney Richard Stearns, declared that defense procurement fraud is "one of three key areas of prosecution [in the Boston office] . . . including narcotics." He said that his office is now "focusing attention on companies hiding costs of fixed-price contracts in research and development and other overhead categories." Stearns explained the density of recent cases, with the remark that "fraud follows the dollars. There has been a big arms buildup over the past five years."

This would imply that fraud would concentrate among firms wanting to get into defense to make a fast buck. However, all the cases investigated to date involve companies that have been defense contractors for decades, particularly Waltham Screw, which began producing for the military during the Korean War.

To "get" the case against Waltham Screw, during a period of two months, Weld's agents sat in a van in a parking lot near the plant, recording conversations picked up by the hidden microphone. Sections of tape with comments like, "To hell with it, just do it that way," were patched together to produce plausible sequences of dialogue to substantiate the conspiracy charge, backed up by the parts that the informant refused to inspect, according to the source. The jury in the case was directed to focus on listening to the tapes provided by the U.S. Attorney's office, and disregarded the

substantial counterarguments presented by the company during the trial. Furthermore, the judge threatened to hold the jury over if it did not rule immediately following the end of the trial.

Weld's office has indicted six defense contractors since January 1985. The companies include Hybrid Components, which produced microchips for the Patriot anti-aircraft missile, space laser technology, and the B-1 bomber; Murdock Webbing, which has produced aircraft-restraining webbing for aircraft carriers since World War II; Gibson Motor and Machine Services, now bankrupt; and Aster Engineering, which produces components for military aircraft engines.

Unlike Waltham, most of the companies chose not to fight the indictments. For companies as small as these, the handing down of an indictment from the Justice Department is an overwhelming attack, because they do not have the resources to fight the federal government. Hybrid Components, Murdock Webbing, and Gibson Motor all tried to plea bargain with the prosecutor. As a result, there is little in the public record to help concerned citizens determine whether they were guilty or innocent. The case involving Aster Engineering is expected to come to trial in November.

Documentation

The questions Weld must answer now

On Aug. 14, the Senate Judiciary Committee announced that it had canceled its planned vote on the nomination of William Weld, U.S. Attorney in Boston, to the post of head of the Criminal Division of the Justice Department. The vote on the Weld confirmation is now expected to come up on Sept. 10. On Aug. 13, Warren J. Hamerman, chairman of the National Democratic Policy Committee, testified before the committee, urging them to reject the Weld nomination on the grounds that it would deal a mortal blow to President Reagan's War on Drugs, given evidence of Weld's "conflict of interest" in the handling of the Bank of Boston money-laundering case, and his record of abusing his office for selective persecution of political opponents.

The last issue of EIR presented Hamerman's written testimony to the committee. Below is the addendum to that testimony, also submitted on Aug. 13, which is the list of suggested questions concerning areas of investigation the National Democratic Policy Committee wishes to be pursued by the Senate Judiciary Committee. With each group of ques-

tions, reference material has been supplied to the Committee, which documents the information and leads therein.

I. Money laundering and the Bank of Boston case

FACT: William Weld let the First National Bank of Boston off the prosecutorial hook with a mere \$500,000 fine, which the Bank's annual report says had little effect. This amounts to 1/20 of one percent of the illegal transactions.

Contrary to common belief, William Weld never prosecuted the Bank of Boston for any violations of the law that pertained to the Angiulos' organized crime money laundering.

Between 1979 and 1983, the Bank of Boston sold \$7,372,343 in cashiers checks to various members of the Angiulo organized crime family. These domestic transactions were never mentioned, at least publicly, when the bank was indicted. The government centered its case on international transactions.

William Weld is financially tied to the Bank of Boston through Crédit Suisse, one of the banks which was transferring large amounts of cash that went unreported under the provisions of the Bank Secrecy Act. Crédit Suisse purchased parts of White, Weld Securities, the company founded and owned by his father, David Weld.

A. Is it not the case that the Bank of Boston was found to have engaged in 1,163 currency transactions totaling \$1,218,682,281 (over \$1.2 billion) without reporting them under the Bank Secrecy Act?

B. On what basis was the decision made to prosecute the Bank of Boston for only one felony count for these violations, each one of which would be a felony?

C. Did your office request records from Crédit Suisse, Zurich; Bank Leu, Zurich; Union Bank of Switzerland, Zurich; Swiss Bank Corp., Basel; Barclays Bank International, New York; Bank of Boston SA, Luxembourg; Die Erste Oesterreichische, Vienna; Canadian Imperial Bank of Commerce, Ottawa, Canada; or Standard Chartered Bank Limited, New York, all of which exchanged unreported money with Bank of Boston? If not, why not?

D. Why did you fail to pursue the line of questions that might have revealed where the large amount of cash in small denominations from these Swiss banks originated?

(In other words, a competent investigation would have extended to Switzerland to attempt to prove that the money originated from drug-linked accounts. Another U.S. Attorney, Rudolph Giuliani of the Southern District of New York, has had tremendous success in getting Bank Leumi to open its records in a case of insider-trading within the last month.)

E. Between 1979 and 1983, the Bank of Boston sold \$7,372,343 in cashiers checks to various members of the Angiulo family, including 163 checks for \$2,163,457 in cash. Did you determine the origin of this money when you prosecuted Gennaro Angiulo? Why were these transactions not

mentioned in the final criminal indictment of the Bank of Boston?

F. Why was the decision made to exempt officers and employees of the Bank of Boston from prosecution? Were not employees of the Provident Institution of Savings indicted for the same violations of the Bank Secrecy Law regarding the Angiulos, that the Bank of Boston employees were *not* indicted for?

G. Did this exemption from prosecution include officers at the North End Branch of the Bank of Boston, which handled the Angiulo cash transactions?

H. Were those officers of the North End Branch of Bank of Boston questioned about the exempt status which the Angiulo family enjoyed at that branch? (The Angiulo accounts were on the "Exempt" list of accounts and therefore were not required to file CTRs.)

I. Did you investigate who made the decision to exempt those accounts?

J. Did you investigate why the head teller, Howard K. Matheson, resigned from the bank in the middle of the investigation?

K. What answers did you receive about who in the Bank of Boston granted exemptions from cash reporting for the Angiulo-connected accounts?

L. Were Bank of Boston's Honorary Director William C. Mercer or Senior Vice President Peter M. Whitman, who both contributed to your 1978 election campaign, involved in arranging the exemptions for the Angiulo business accounts? Were they in any way involved in making the decision to "overlook" the cash transactions reporting law in dealing with the Swiss banks?

M. Is it true that Bank of Boston chairman William Brown asked you or your office to drop any prosecution of the Angiulo-related violations in return for them pleading guilty to the violations involving the Swiss banks? (Sources in Boston believe that this "gentleman's agreement" between Weld and Brown, avoided the embarrassment of linking Brown and others directly to Boston-centered crime and drug-selling).

II. Use of criminals as witnesses

FACT: A convicted cop-shooter and high-level drug dealer, Jesse Waters, is currently being employed by Mr. Weld as the chief witness in a witchhunt against the Boston Police Department which has significantly undermined the morale and effectiveness of law enforcement in Boston. Waters, convicted of shooting a police officer for arresting him in the act of selling a controlled substance, is presently in the Federal Witness Protection Program at the behest of Mr. Weld. Waters claimed that he had evidence that he was bribing Boston police, including Francis Tarantino, the officer he shot, *after* he was convicted of the shooting and of federal tax evasion related to drug profits—over \$1.4 million.

In another case, Mordechai Levy, the self-proclaimed

leader of the Jewish Defense Organization (which is a splinter group of the Jewish Defense League, a terrorist group, according to the FBI report, attached), was called as a witness by Weld against the National Democratic Policy Committee and Lyndon H. LaRouche, Jr., a Democratic presidential candidate for 1988. Attached documents show Levy's role in two terrorist murders in 1985, the most serious terrorist incidents that occurred in the domestic United States that year.

A. Do you believe that it is justifiable to grant federal protection to a life-long drug dealer in order to use him for testimony?

B. Do you believe that "white collar crime" is a worse offense than selling marijuana?

C. Do you believe that marijuana should be decriminalized in the United States?

D. Do you believe that cocaine should be decriminalized in the United States?

E. Is it true that Jesse Waters, a drug-dealer who has been arrested dozens of times in Boston, is now a protected witness, despite the fact that he shot a police officer, Francis Tarantino? Has Waters' 10-year jail sentence for the shooting of Officer Tarantino been reduced or erased because of his testimony?

F. Isn't it true that Officer Tarantino had to retire from the police force because of the critical injuries he suffered in that shooting?

G. Isn't it the case that Waters profited, according to federal court records, in the range of \$1.49 million during only three years, from his drug dealing and other illegal activities?

H. When the FBI subpoenaed Mordechai Levy under your and Mr. Daniel Small's orders, were you aware that Levy is under investigation for two deaths caused by terrorist bombs planted in 1985?

I. Were you aware that a Boston police officer was seriously injured—having lost his foot—attempting to disarm a bomb that was planted by a Jewish extremist group? Were you aware that Mordechai Levy may be implicated in that bombing which injured a Boston police officer?

J. Was your office aware that the FBI is conducting an investigation, and there are other U.S. Attorneys in the U.S. who may be questioning Mordechai Levy, or that he may be a target of a federal investigation?

K. Did you or your office offer immunity to Mordechai Levy in return for his testimony, in the same manner that your office seems to have done for Jesse Waters, a drug dealer, who shot a police officer?

L. Do you plan in the future to offer such immunity to Levy?

M. Will the fact that you subpoenaed Mordechai Levy possibly effect the FBI and government's investigation into the murders of Alex Odeh of the American-Arab Anti-Discrimination League, and of New Jersey resident Tscherim Soobzokov?

N. Does your interest in pursuing the investigation of political figure Lyndon H. LaRouche, Jr., override your concern about the terrorist crimes in which Mordechai Levy may have been involved?

O. Were you aware that the House Judiciary Subcommittee conducted hearings this past July into the terrorist killing of Alex Odeh, where substantial testimony on Mordechai Levy was presented?

III. Abuse of office and selective prosecution

FACT: William Weld has used his office to prosecute political enemies and run "trial by press" campaigns even when no convictions resulted. Theodore Anzalone, the chief fundraiser for former Boston Mayor Kevin White was ultimately acquitted of charges brought against him by Weld. Judge Juan Torruella wrote in the appellate court decision overturning the conviction of Anzalone, "We cannot engage in unprincipled interpretation of the law lest we forment lawlessness instead of compliance." The press play that surrounded the case was enough to convince Mayor White to cancel his planned re-election campaign.

Similarly, Vincent Piro, a member of the Massachusetts state legislature, was the target of a three-year FBI investigation into political corruption in Somerville and Chelsea, Massachusetts Piro was accused of federal extortion charges. The jury which acquitted him said that the government was "overzealous" and had, using undercover FBI agents, entrapped Piro into the scheme.

A. Who made the decision to prosecute Theodore Anzalone on currency transaction violations? For what reason?

B. Was the prosecution of Theodore Anzalone in any way related to the re-election campaign of Mayor Kevin White?

C. Was Mayor White's re-election campaign ever discussed in the course of the Anzalone investigation or prosecution?

D. Who made the decision to prosecute Vincent Piro? For what reason?

E. Was Vincent Piro's position in the state legislature ever discussed in the course of the investigation or prosecution? Was it discussed in the course of determining the FBI's activity in investigating corruption in Somerville and Chelsea?

IV: Questions on personal finances

FACT: There are a number of open questions on William Weld's and his family's finances which could seriously call into question his fitness for this very important job.

First, is the area of conflict of interest on Crédit Suisse as it pertains to money laundering with the Angiulo organized-crime family and the Bank of Boston. William Weld's father, David Weld, had, since at least the 1940s.

In 1978, the year that William Weld ran for Massachu-

setts Attorney-General, a sequence of complicated transactions occurred which successfully buried the origins of White Weld, the Weld family company. Merrill Lynch appears to have purchased White Weld for \$50 million. Subsequently, Crédit Suisse purchased from Merrill Lynch White Weld's stockholders' "stake" for \$25 million. Afterward, Crédit Suisse bought into First Boston, Inc. and First Boston bought into White Weld Securities of London.

A. What was the relationship of your father David Weld to Crédit Suisse?

B. What is the current relation of the [David] Weld Trusts listed on your financial disclosure to Crédit Suisse or any of the banks named in the Bank of Boston indictment?

C. What interest do you or your spouse currently have with Crédit Suisse or any of the banks named in the Bank of Boston indictment?

D. What interest do you or your spouse currently have through Scudder Cash Investment Trust to Crédit Suisse or any of the banks named in the Bank of Boston indictment?

E. What financial changes occurred in 1978 to the company formerly known as White Weld? Was there any relation to those changes and your running for state Attorney-General?

F. Did you ever discuss with family or with financial advisers the need to circumvent public financial disclosure prior to your running for state Attorney-General, or taking the position of U.S. Attorney? Did these discussions have any bearing on the change in structure of White Weld at that time?

G. Bank of Boston and Baybanks of Massachusetts are engaged in joint ventures. Did your holding stock in Baybanks have any bearing on your plea bargain decision in the Bank of Boston case?

H. Did you have any discussions with your cousin, Christopher Weld, in regard to the Bank of Boston plea bargain? (Christopher Weld is employed at Sullivan & Worchester, attorneys for the Bank of Boston.) What bearing did these discussions have on the final plea?

I. Didn't the fact that Bank of Boston's Honorary Director William C. Mercer or Senior Vice President Peter M. Whitman contributed to your 1978 election campaign for Massachusetts Attorney General, influence your decision to plea-bargain with the Bank of Boston?

J. Are there any additions to your 1984 financial disclosures at the present time?

K. Are you now, or have you been in the past, a consultant, or investor to a company called Tellabs, Inc., based in Lisle, Illinois, with a branch in Canada?

L. Do you receive remuneration of any kind, including from investments, from Tellabs, Inc.? Can you describe this?

M. The Middle Ages, Inc., the company listed on your disclosure form of 1984, states that the partnership is "believed to have no value." Has that status changed since then? Do you receive income from that partnership?

Massive Soviet biological warfare buildup exposed by the Pentagon

by Warren J. Hamerman

The author is the director of the Biological Holocaust Task Force.

On Aug. 8, Douglas J. Feith, the deputy assistant secretary of defense for negotiations policy, delivered dramatic testimony before Congress presenting a detailed exposure of massive Soviet research into, and production of, *offensive* biological warfare (BW) and bacteriological weapons.

Six months earlier, the 1972 Kissinger treaty, negotiated as part of his sell-out package that included the ABM and SALT treaties, had been targeted in the same way by *EIR* in a 150-page special report titled "An Emergency War Plan to Fight AIDS and Other Pandemics." In fact, the widely circulated *EIR Special Report*, which was released on Feb. 15, 1986, printed the entire text of the 1972 "Kissinger Protocols," and called for the U.S. to publicly expose the massive Soviet violations of the treaty and not renew the Kissinger agreements. At the time, *EIR* also launched an international campaign for the U.S. to commence a crash Biological Strategic Defense Initiative (BSDI), utilizing the most modern laser and other optical biophysics technologies to restore America's basic biodefense system.

Feith's report six months later came only weeks before the scheduled September review in Geneva, Switzerland of the 1972 U.S.-Soviet Biological Warfare Protocols which had been negotiated by Henry A. Kissinger.

In Feith's testimony, the Pentagon asserted that the 1972 Kissinger Biological and Toxins Weapons Convention (BWC) was "critically deficient and unfixable."

The Aug. 18 issues of the papers *Le Figaro* in France and *Süddeutsche Zeitung* in West Germany, reported on the release of Feith's report, which documents how massively the Soviets have violated the conventions forbidding the development of BW weapons, which were signed by 100 nations in 1972. According to the Feith report, "The configuration of biological and chemical weapons has been radically changed by recent scientific progress. . . . It is from here on possible to synthesize bacteriological products for military uses."

Douglas Feith's closing remarks on the need to build a "defense" against the Soviet biological "offense" are most to the point.

Documentation

Excerpts from the Testimony on Biological and Toxin Weapons Before the Subcommittee on Oversight and Evaluation of the House Permanent Select Committee on Intelligence by Douglas J. Feith, deputy assistant secretary of defense for negotiations policy, Aug. 8:

I appreciate the opportunity to address this Subcommittee on the military problem of biological and toxin weapons. Biological agents (i.e., live organisms) and toxins (i.e., toxic chemicals produced by live organisms) are similar in essential respects and I shall refer to them collectively as "BW."

The stunning advances over the last five to ten years in the field of biotechnology—the advances that have brought into common parlance such terms as genetic engineering, recombinant DNA techniques, monoclonal antibodies, and Nutrasweet—mean more than new foods, pharmaceuticals, and fertilizers. They mean new and better biological weapons for any country willing to violate what the U.S. Government still insists is an international norm against the possession of such weapons. New technology has exploded the standard idea about BW that prevailed ten or more years ago.

Those old ideas can easily be summarized: BW was thought to be a small problem solved. It was thought small because BW was judged militarily insignificant or, at most, of highly restricted utility. Agents best suited for military use—those, for example, like snail or shellfish toxins, which disseminate well in effective concentrations and work quickly and somewhat controllably—could not be produced affordably in large quantities. Those that could efficiently be produced worked in general less quickly and spread infectious disease, with large attending risk to the attacker as well as the target. BW was deemed a strategic weapon and, from a military point of view, far inferior to other—that is, nuclear—strategic weapons. . . .

The BW picture has been radically altered by recent scientific developments. It is now possible to synthesize BW agents tailored to military specifications. The technology that makes possible so-called "designer drugs" also makes pos-

sible designer BW. States unconstrained by their treaty obligations can now produce BW agents of varying effects—different types of fast-acting incapacitants as well as lethal substances. Agents can be developed for various climatic conditions. They can be mixed to complicate identification and their chemical structure can easily be altered to circumvent immunogens or antigens that the other side is suspected to possess.

The BW field favors offense over defense. It is a technologically simple matter to produce new agents but a problem to develop antidotes. New agents can be produced in hours; antidotes may take years. To gauge the magnitude of the antidote problem, consider the many years and millions of dollars that have thus far been invested, as yet without success, in developing a means of countering a single biological agent outside the BW field—the AIDS virus. Such an investment far surpasses the resources available for BW defense work. . . .

The Soviet Union evidently appreciates the military opportunities created by the biotechnological revolution of recent years. Though U.S. policy remains what it was in 1969 after President Nixon's unilateral renunciation of BW (and there is no thought within the administration to change the policy), the Soviet Union has built a large organization devoted to the development and production of offensive BW. At the very time when Soviet officials were negotiating and signing the BWC [Biological Weapons Convention], a high-ranking Soviet defector has reported, the Politburo decided to intensify the Soviet BW program.

The Soviets retain stockpiles of BW agents produced in pre-recombinant-DNA days. At known biological warfare facilities in the Soviet Union, they maintain highly secret weapons storage facilities under military control. They have, as alluded to above, transferred BW to their clients in Southeast Asia. They have themselves used toxins against their enemies in the Afghanistan war. And they are developing new means of biological warfare based on current bio-engineering technologies. In other words, the Soviet Union has not only violated the BWC, but every major prohibition in it.

The scale and seriousness of the Soviet BW program are formidable. There are at least seven biological warfare centers in the U.S.S.R. under military control, all with unusually rigorous security. One such facility constitutes a veritable city with a large number of residents who work and live there full time, isolated from the rest of society. These residents must possess extraordinary security clearances, a requirement that excludes individuals or ethnic groups considered disloyal. The level of effort committed to research on various natural poisons—such as snake venoms—is far in excess of what could be justified to deal with such substances for purely medical or public health purposes.

All of this, of course, has implications for both the military and the arms control aspects of the BW problem. The prevailing judgment of years ago, that BW is not a militarily significant weapon, is now quite unsustainable. BW can be

designed to be effective across the spectrum of combat, including special operations and engagements at the tactical level. No field equipment has yet been developed that can detect BW agents, let alone identify them. There are no antidotes now available against many possible agents. And it is not certain that our troops' protective gear would be effective against all such agents.

The limits of arms control

As for the arms control implications, these divide into two categories. The first can be labeled "crime and non-punishment," and the second "technology overtakes the treaty." The systematic violations of the BWC by the Soviet Union and its clients undermine the treaty and the anti-BW norm it symbolizes. At least equally grave, however, is the international community's unwillingness to take a collective interest in the evidence of those violations. A treaty may survive breaches by some parties. But can it long survive general indifference as to whether it is violated?

What is unwholesome, I wish to emphasize, is not the failure of many BWC parties to endorse the U.S. government's conclusions about Soviet violations, but their refusal even to inquire into them or urge formal investigation. Some states explain their inaction by asserting that the U.S. government's case is not conclusive. Reasoning like Lewis Carroll's Queen of Hearts, they contend in effect that treaty parties have no responsibility to investigate charges of violations until the allegations are proved.

Many states, after dismissing violation controversies as mere politics between the "superpowers," feel justified in exhorting the U.S. government to conclude new arms control agreements with the Soviet Union. They claim standing on the grounds that they, as members of the international community, are affected by the quality of relations between the powers. They do not in general take this stand cynically, wryly acknowledging its irony. On the contrary, they earnestly assert their responsibility for promoting new arms control treaties and equally earnestly assert, once a treaty has been signed, the propriety of their not heeding Soviet violations. Their earnestness notwithstanding, however, they have dimmed severely the prospects for arms control agreements ever contributing to international security.

The major arms control implication of the new biotechnology is that the BWC must be recognized as critically deficient and unfixable. A state contemptuous of international law and unconstrained by anti-BW public or parliamentary opinion could now maintain an offensive BW capability without violating any of the specific prohibitions of the BWC. (Maintaining such a capability would necessarily violate the BWC's general prohibition; the treaty's purpose, after all, is to ban BW. But if a state refrains from stockpiling large quantities of agent, it would as a practical matter be impossible to prove any such violation.)

Given the ability to produce militarily significant quantities of BW from seed stock within a month or so, it is not

necessary to stockpile agent. Such a state need only maintain in a freezer a few hundred test tubes full of seed stock and a production facility which in the normal course of things makes agricultural or medical products. In the unlikely event the freezer were discovered, a closed society would have little difficulty characterizing it as part of a research effort for BW defense. In fact, because seed stock can be synthesized in a matter of days, one could get by even without the freezer.

As for the rest of the infrastructure required for a BW capability—such as munitions-filling equipment, aerosolization and dissemination testing, and training—it could be maintained openly. It is essentially identical to the infrastructure entailed in a chemical weapons capability.

While it in no way excuses or belittles the importance of the Soviet Union's BWC violations, the fact is that their compliance with the treaty's specific prohibitions would not obviate concern about their BW capabilities. Because new technology makes possible a massive and rapid break-out, the treaty constitutes an insignificant impediment at best. Its principal failing, therefore, is no longer the absence of verification provisions or lack of effective complaint mechanisms, the commonly acknowledged shortcomings, but its inability to accomplish its purpose—to ensure that even states respecting its specific terms pose no BW threat.

A problem with no apparent solution

What therefore is to be done and not done? First of all, the administration is not interested in altering the longstanding U.S. policy against possession or development of an offensive BW capability.

Secondly, the United States will remain a party to the BWC and will remain in full compliance with it. Though the treaty has been overtaken by technology as well as systematically violated, the administration continues to support the idea behind it—prohibiting BW.

Third, aware that the BWC serves as a false advertisement to the world that the BW problem has been solved, the administration will make an effort—especially at the second BWC Review Conference, which will convene in Geneva in September 1986—to highlight the nature of the problem and the critical defects of the BWC. The danger of not publicizing these matters is that friends and allies will continue to neglect BW defense work aimed at developing detection and medical capabilities and protective gear.

It is not a pleasant task to deliver so dismal a report to the Congress. The material's distressing nature probably accounts in large part for why it is so little treated in the public debate on national security issues. It is axiomatic that the only successful politics in a democracy is the politics of hope. But can one responsibly inflate hope for an escape from the military problems posed by the Soviet BW program? There can be no *Deus ex Arms Control* in this arena. In answer to those who crave a constructive suggestion under even the least promising circumstances, one can only recommend: Defense.

EIR

Special Report

An Emergency War Plan to Fight AIDS

EIR's Biological Holocaust Task Force has prepared the world's only science-intensive "Emergency War Plan to Fight AIDS." The newest discoveries of optical biophysics and advanced laser technology can improve diagnosis and lead to research breakthroughs—if governments move now.

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A 150-page *Special Report* for governments, scientists, public health officials, and all citizens concerned with a policy to fight AIDS, before a pandemic wipes out millions.

Contents

- I. The emergency war plan to fight AIDS and other pandemics
- II. The real story of AIDS in Belle Glade, Florida
- III. AIDS in Africa: the unfolding of a biological holocaust
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- VIII. The Soviet command and control of WHO's AIDS Policy
- IX. Why the Reagan administration has tolerated the CDC cover-up of the AIDS pandemic
- X. The necessary public health program to fight AIDS

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EIR reports offer radio alternative

by Franklin Bell

The media moguls of New York and Hollywood may be in for shocks that in the next few months will convulse their ratings. Just by attempting to adapt to the convulsions, the moguls will be setting themselves up for more. The nation's "cultural paradigm shift"—harbingered by its growing intolerance for the drugs-AIDS counterculture—will soon be reflected in Americans' media choices. Defying the profiles projected by Nielson and Arbitron, more and more Americans will be flipping channels and switching dials in search of sane programming.

These people already have a few friends at radio stations across the country. "We like to air material that is not popular with the networks," says general manager Ed Graham of WNTR-AM (1050 khz) outside Washington, D.C. "People keep calling us, saying, 'Thank you for airing that program. You're the only place we can get that.'"

For more than a year now, Graham has been airing *Executive Intelligence Review* Radio Reports during morning drive for commuters braving the Beltway. The single-topic, four-and-a-half minute news program relies on *EIR*'s intelligence staffs to provide listeners with information they recognize they can get from no other source.

"I use *EIR* Radio Reports to the fullest extent. They provide an in-depth perspective that makes it possible for an otherwise misinformed listening audience to clearly understand the nuances of domestic and international affairs," stated newsman Roy Wood of WENN-FM (107.7 mhz) and WAGG-AM (1320 khz) in Birmingham. Wood made it clear he has a far different view of his audience than the network chiefs: "An informed citizen is a better citizen," he said. Wood cited *EIR*'s exposés' of the international narco-terrorist mafia as the most helpful to his listeners.

Graham's, Wood's, and about 100 other stations across the country now use *EIR* Radio Reports regularly. Five programs each week provide the latest intelligence on the wide spectrum of issues this magazine covers. Stations find a variety of effective ways to use the programs: as separate news features, openers for talk shows, segments of larger news programs, and as counterpoint to the usual "collapse-is-recovery" newspeak by "recognized experts" the liberal media use. Because of their short production- and delivery-cycle, *EIR* Radio Reports often are the first of the *EIR*-related news

services to provide public reportage of breaking events.

EIR Radio Reports also provides stations with a weekly 15-minute interview with *EIR* editors and newsmakers. Program directors like to use the interviews as either separate programs or as leads for "open-line" call-in shows. An interview with Mark Burdman of *EIR*'s Wiesbaden bureau broke the story in the U.S. media of Soviet heroin traffickers nabbed in the West, days before President Reagan went public with his War on Drugs. *EIR* still is the only news service to report the bust, despite the Justice Department's full knowledge of it.

EIR's legal staff has affidavits documenting that Justice's FBI has been quick to act on other matters, however. In the Southeast and Midwest, stations have been harassed for airing *EIR* Radio Reports. The harassment has come from FBI agents as well as other, unofficial, accomplices of the Anti-Defamation League. Why?

EIR radio programs answer a need more and more listeners and station owners recognize: The programs cover the breaking news the networks and wires distort or try to black out. To hear the content of the President's Strategic Defense Initiative speech or the story behind "Palacegate" in Britain, for example, the *EIR* programs are the only source on the air. *EIR* Radio Reports provide extensive coverage of the news behind the AIDS pandemic, narco-terrorism, International Monetary Fund genocide, the Russians' drive for global showdown, the cultural battle between oligarchs and republicans, and scores of other processes that the U.S. subjects of the media's perception games are not supposed to be interested in.

Controversy sells

Radio staffers with backbones expect—and thrive on—controversy. The *EIR* programs generate controversy for two reasons: Their accurate reportage contradicts the more widely heard story-telling of the networks; and time and again *EIR* Radio Reports scoop the moguls on whole categories of coverage. The war on narco-terrorism is a good example. Stations across the country report that *EIR* Radio Reports have enhanced their listenership, and increased audience-shares benefit advertising sales.

Some disagree. Clark Quillen of WMTN radio in Morristown, Tennessee, discussing *EIR* Radio Report: "The quality of the programs is good. There is a lot of good information in them. . . . But we don't like to run news like that. Once we reported that the unemployment figures were rising; people got so upset that they cut back on advertising. So we don't run that kind of news."

But some can sense a shifting of the winds. A year ago, one talk-show host, who broadcasts his program in several major media markets from New York City, vowed with characteristic vehemence never again to have anyone associated with *EIR* on his program. Now he calls *EIR*.

For more information, radio station personnel may call *EIR* National Press Staff 202-955-5930.

Recess witnesses the purging of heretics

Keeping things lively in the nation's capital during the summer recess for the President and Congress, the Vatican struck a blow against the moral decay eating away at Western civilization by stripping Fr. Charles Curran of his right to teach theology at the Catholic University of America here.

This move by the Vatican's Congregation for the Doctrine of the Faith, headed by Joseph Cardinal Ratzinger, has implications that will affect the entire American Church, and extend far beyond the Church itself.

Father Curran was a much-published proponent of the decadent moral and social dogmas that became the vogue in the West during the late 1960s, when the massive social-engineering project, described as "the Aquarian conspiracy" by the Stanford Research Institute's Marilyn Ferguson, the author of a book by that name, unleashed the "sex-drug-rock counterculture."

Father Curran was among those who argued the merits of the new degenerate hedonism in high-flown and esoteric theological language in order to undercut the traditional pastoral function of the Church to resist these trends. Therefore, as he himself concedes, his arguments were always veiled in "carefully nuanced" terms, to sound acceptable to Church doctrine, while profoundly undercutting its content.

He helped draft a formulation adopted by the U.S. Catholic Bishops in 1968 "allowing" theological dissent

in the Church, and used this to justify his defense of homosexual and extra-marital sex, as well as abortion, sterilization, euthanasia, and population control.

At an increased pace over recent years, Pope John Paul II and Cardinal Ratzinger have been striking back at the terrible social consequences of the cultural shift into this "Aquarian age."

The Pope has attacked the narco-terrorist networks of South America and their controllers, denouncing the drug business as the "new slavery" that threatens an entire generation. Rock music and promiscuous sex, as well as the immorality of euthanasia and population control, have been singled out for attack by both the Pope and Ratzinger.

The economic barbarism underlying the Aquarian conspiracy, the usury of the International Monetary Fund and its proponents, has also come under attack.

But the blow struck against Father Curran's heresy is a major escalation by the Pope and Ratzinger, and has created reverberations throughout the American Church—Curran was, after all, a fair representative of a sizable number of "American heresy" Catholic prelates. While the architects of the moral decay shriek about "violations of academic freedom," the American people applaud, as they did President Reagan's recent escalation of the war on drugs.

This reporter put the relevant question to Curran during his press conference Aug. 20: "Can you deny that the impact of your ideas has contributed to the spread of AIDS?"

The standing-room-only crowded auditorium, jammed with press and erstwhile supporters of Curran, recoiled in shocked horror. The reaction by dozens was so angry, outraged, and spontaneous, that I knew it had hit the mark. When the noise settled down,

Curran evaded answering: "There are 10 members of our sociology faculty present who would probably be better equipped to answer that question than me."

But the question remains. How many of the 4 million Americans infected with the AIDS virus can Father Curran take personal credit for?

Curran tried to argue that "St. Peter would have flunked a Catholic catechism" because "he wouldn't know how many persons there are in the Godhead, how many natures in Christ, or how many holy sacraments there are." He meant this to argue that the theological doctrines of the Trinity, consubstantiality of Christ, and the holy sacraments were part of the "evolution" of the Church, and that his controversial views should be seen as part of that "evolution."

In fact, the Church has been fighting heresy within its ranks since the time of Simon Magus, and in this fight has consistently recognized that the advocacy of hedonism always occurs at the expense of the sanctity of human life. The Curran issue is just another case of this, because his support of hedonism in the form of sexual promiscuity is coupled with his rejection of the sanctity of life in his support for both euthanasia and population control.

Curran claimed he has "never supported the use of euthanasia for the purpose of population control," but then admitted that he has written in support of both euthanasia for the elderly and population control in developing sector nations.

Of course, Curran is not alone. There are many like him who have chipped away at the moral fabric of society, if few have been in such influential positions to do so. More important is the fact that the Vatican, to the benefit of us all, Catholic or not, has started to crack down.

National News

Cuomo asks life for 'crack' dealers

Feeling the political pressure from the President's War on Drugs, New York Gov. Mario Cuomo (D) has proposed legislation under which anyone convicted of selling crack could be sentenced up to life imprisonment.

"We will accept nothing less than the toughest penalties for those who would sell this addictive, destructive drug to our children," said Cuomo, a 1988 presidential hopeful.

A Cuomo spokesman said that he is trying to get the "law to change as quickly as the drugs are changing." Several New York district attorneys, including Mario Merola and Elizabeth Holtzman, praised Cuomo's proposal.

Warner, Nunn attack President's SDI

Senator Sam Nunn (D-Ga.) teamed up with Sen. John Warner (R-Va.) on Aug. 17 to deliver a bipartisan assault on President Reagan's conception of strategic defense.

Interviewed on "This Week With David Brinkley," Nunn declared that "it's incredible" that President Reagan says the U.S. should deploy the SDI "when it hasn't even been developed," while Warner opined that the program's emphasis should be shifted from the "large umbrella" concept (i.e., population defense) to site defense.

While claiming to believe that the House version of the defense authorization bill is unacceptable, Nunn said that the administration's failure to move ahead on arms control created a "vacuum" which the House is now filling. Both Warner and Nunn are closely associated with Georgetown's Center for Strategic and International Studies.

Brinkley also interviewed former National Security Adviser Robert McFarlane, who also said that the United States should agree to an "offensive-defensive tradeoff" and make the SDI a site or missile-defense

program. If the U.S. could persuade the Soviet Union to cut back on its offensive strategic weapons, the U.S. "wouldn't need as much defense," he opined. He also said that the United States should limit SDI to "some kind of site defense," at least for the next 20 years.

McFarlane also now works out of CSIS at Georgetown University, where he runs a task force, with Henry Kissinger's clone, Brent Scowcroft, that is supposed to be devising a new "arms control regime" to succeed SALT II.

Drug tests for state legislators?

Assemblywoman Marian LaFollette (R-Northridge) called yesterday for mandatory drug tests for members of the California legislature. The proposal was immediately criticized by her Democratic colleagues.

Immediately after LaFollette's press conference announcing her resolution, ACR 165, the opposition held its own press conference. Assembly Speaker Willie Brown (D-San Francisco) dismissed it as "an election year ploy." State Sen. Diane Watson (D-Los Angeles) said, "It's a ridiculous thing." Senator Art Torres (D-Los Angeles) said drug testing should be voluntary: "I would welcome the opportunity to do it." Another senator, Herschell Rosenthal (D-Los Angeles) derisively said of the proposed urine samples, "I suggest we put it all in a common pit." Senate President Pro Tem David Roberti (D-Los Angeles) asserted the measure "shows not an iota of concern about due process, probable cause and the right of privacy."

However, the Senate Minority Leader, James Nielsen (R-Rohnert Park) said it sounded like "a good idea." Assembly Minority Floor leader Pat Nolan (R-Glendale) said, "If it's good enough for Reagan, it's good enough for me."

LaFollette's resolution calls for urine tests by the end of next week and the results to be reported to the Joint Rules Committee by Aug. 29. The tests could be administered by the lawmakers' own physicians and cov-

er heroin, cocaine, marijuana, and other illegal drugs. Results of negative tests would be made public on an initial testing. For positives, a second test would be allowed before results were released.

Qaddafi and Solarz: not-so-strange bedfellows

Representative Stephen Solarz (D-N.Y.) on Aug. 15, demanded that the United States cut off all aid to Pakistan—despite its position as a front-line state against Soviet aggression from Afghanistan—until the Zia government frees opposition leader Benazir Bhutto. Bhutto has been placed under detention for a month.

Only last winter, Solarz played an instrumental role in toppling U.S. ally Ferdinand Marcos in the Philippines. Bhutto's movement is a pawn in the "New Yalta" strategy of the Kremlin and its Western interlocutors, to disintegrate Pakistan and its neighbor India.

Solarz was joined in his protest from Tripoli, Libya, by Muammar Qaddafi, who sent Zia a message demanding the Pakistani President lift "cruel measures" against Benazir Bhutto. Bhutto's arrest, the Libyan dictator said, could be construed as "personal persecution" or as an "anti-democratic act."

Qaddafi hopes that "all restrictions and all kinds of persecution will be lifted from Bhutto and from the People's Party, which includes friends of ours."

Stevenson comes out against war on drugs

Adlai Stevenson III, the ill-starred Democratic nominee for governor of Illinois until he dropped out of the party rather than run with a LaRouche supporter, issued what his campaign called a "challenge" to Illinois Gov. Jim Thompson (R), and what turned out to be, instead, a defense of a pro-drug position.

Stevenson is now running for governor

the "Illinois Solidarity Party" ticket.

On Aug. 14, Stevenson declared that he opposed mandatory AIDS testing as proposed by LaRouche, and that drug-testing for himself and his cabinet would be "inappropriate unless there is some evidence of a problem." This is in direct opposition to President Reagan's declared War on Drugs measures.

Stevenson challenged Governor Thompson to say where he stands on the two issues; a spokesman for Thompson dismissed Stevenson's "challenge" as "his usual dippy campaign rhetoric that we've been hearing all along." Perhaps so, but some are wondering where Thompson does stand on the issues of drugs and AIDS testing.

Alabama Democrats nominate the loser

Alabama Democratic officials awarded the party's gubernatorial nomination to Lt.-Gov. Bill Baxley—the loser in the primary runoff! The state's Attorney-General, Charles Graddick, received 8,756 more votes than Baxley.

Graddick, a former Republican, declared after the apparent contradiction of accepted democratic practices, "I want the millions of Alabama voters to know that I'm mad and I won't let them down. Only in Russia does the party pick the candidate."

Graddick should have been forewarned. A month earlier, "LaRouche Democrat" Glen Thompson, a lifelong registered Democrat, sought to become Democratic chairman of Madison County, Alabama, through the traditional means of seeking election to the job. But Thompson was barred by the Democratic County Executive, because he was supported by associates of LaRouche.

The State Party Executive, the body that chose loser Baxley over winner Graddick, upheld the decision against Thompson.

In neighboring Georgia, the Democratic hacks carried out a similar action against "LaRouche Democrats" seeking election to party posts. Commented one member of the state executive who voted against the exclusion: "I'm just back from Russia and this action is just like the politics practiced there."

Judge nixes Jersey 'nuclear-free zone'

A U.S. district court judge in Union County, New Jersey ruled Aug. 12 that the ordinance passed by county freeholders declaring Union County a "nuclear-free zone" was unconstitutional.

Judge John Bissell said that the ordinance was preempted by the federal Atomic Energy Act and the Hazardous Materials Transportation Act and that it also violated the commerce clause of the U.S. Constitution.

The ruling came in the case of a lawsuit filed by Radiation Technology, Inc., the flagship food irradiation firm in the United States, which had planned to build a food irradiation plant in Elizabeth, the county seat, but found itself at odds with the unconstitutional ordinance.

Brooklyn police nab Israelis dope dealers

Police arrested five Israeli nationals for drug trafficking in Brooklyn, New York Aug. 20, Police Lt. Ronald Naimoli announced. "It was a major ring and this will take a lot of drugs off the street," he said.

Police said the group dealt in heroin and some cocaine, primarily imported from Israel, Indonesia, and Europe. They imported \$50 million a year in heroin and cocaine.

Three cars were seized, along with \$10,000 in cash and a pound of heroin. The bust, assisted by Hebrew-speaking police officers who translated taped telephone conversations, capped an 18-month investigation that led to 25 undercover purchases from ring members totaling more than \$140,000 worth of narcotics.

The arrests are the beginning of a renewed attack on a certain faction of the Mossad, Israel's foreign intelligence arm, in the United States, according to intelligence sources. The Brooklyn ring is just one of dozens in the country, which finance Israeli intelligence operations, arms purchases, and the corruption of government officials.

Briefly

● **PLAYBOY** magazine has "been significantly hurt on the newsstands," Christie Hefner, Playboy Enterprises president, said Aug. 20. She was referring to the impact of the report of the U.S. Commission on Pornography established by Attorney-General Edwin Meese. She estimated that the magazine had lost 15,000 retail outlets since the issuance of the report.

● **WILLIAM WELD**, the Massachusetts U.S. Attorney who has been nominated to head the Justice Department Criminal Division, used a conference in Boston Aug. 20 to call for death sentences for two types of people: "drug lords" who are leaders of rings doing more than \$10 million in business a year, and law-enforcement officers who "betray their trust." Commented one wag: "Weld should clearly commit suicide."

● **JEFFREY HART**, the conservative columnist, praised Aristotle in the Aug. 19 *Washington Times*, but for some reason, doesn't mention the name of Lyndon LaRouche, today's leading philosopher in the tradition of Aristotle's deadly enemy, Plato.

● **TRANSPORTATION** Secretary Margaret Dole, in the wake of President Reagan's announcement that NASA responsibility for launching commercial satellites will cease, called a press conference Aug. 19 to discuss prospects for a new commercial launch industry. She confirmed that the President's decision was based on clearing the way for the Shuttle, the Space Station, Strategic Defense Initiative and scientific research.

● **THE ACLU** said Aug. 18 it will go to court to challenge a new law that requires twice-convicted child sex offenders to register with local police agencies. "This is a case . . . [that] goes against the whole idea of rehabilitation and reintegration into society upon release from prison," said ACLU spokesperson Jane Wicher.

Editorial

Il gran rifiuto

One month has passed since the President of the United States, in a letter to Mikhail Gorbachov, generously offered to Russia to share America's most advanced scientific and technological secrets associated with the Strategic Defense Initiative, provided that Russia agreed to proceed with a joint and coordinated deployment of these purely defensive and otherwise quite harmless devices, whose only awesomeness will be their ability to knock out thermonuclear missiles in flight.

Though Mikhail Gorbachov is still silent as a tomb on the subject, the hollow brass cymbals of his propaganda machine continue their irrational denunciations of the SDI.

Some say, Gorbachov's silence is a sign that he will eventually come around and accept this generous American gift of the new, marvelous, directed high energy technologies; some say that his silence portends that he is scheming to gain time before he unleashes his thunders. The weeks ahead will tell.

Yet, why all this suspense and high drama over a simple offer of a technology, of which the layman knows nothing, the politician very little, and most scientists a little more than very little?

The layman is waiting to be informed before he gets caught in the excitement of these new technologies' golden promise; the average politician fears an unknown world made better by the rational power of science; the run of the mill scientist fears that the vast horizons of the emerging scientific and technological revolution will render him obsolete.

The layman can begin to appreciate the profundity of the historical implications of these technologies—so generously offered by Reagan to Russia—by this simple example: Back during 1982, *EIR*'s economic analysis project, the LaRouche-Riemann Model, did a computer projection of what the introduction of SDI technologies would do to the economy of the United States. The answer was a 400% increase in productivity during the initial phase of application!

An industry whose forges are commanded by lasers with the kind of deliverable punch and versatility re-

quired for SDI, and powered by the cheap and virtually unlimited source of fusion energy, has virtually no limits visible by the vision of even the most visionary person of the present generation.

The scientific implications and the technological prowess of the work associated with the SDI, can truly liberate mankind's creative potential from the fetters of small life on this planet and launch the great adventure of conquering, first, our solar system, and then of the great space beyond.

These implications are very well known to the Russian leadership. It is these implications that they fear in President Reagan's offer, more than any petty military consideration. Western culture, despite its recent problems, is still endowing its members with the moral and cultural impulse to rapidly assimilate ever broadening scientific and technological horizons and, firmly standing on science, carry on the adventure of human progress in God's creation.

Eastern culture, whose military champion Moscow, the Third Rome, today is, has long ago imprisoned, and still keeps in chains, this creative moral impulse in its members. The introduction of technologies which might enable Western societies to ease into a one-shot 400% increase in industrial productivity, if introduced in the Russian kind of society, might trigger, in short order, a breakdown of existing hierarchical, despotic social arrangements. Leaders such as Gorbachov do not serve society; they serve the particular political system which has culled them for the leadership role. Reagan's generous offer would be most beneficial for the members of Russian society, but it might prove deadly to the political cult which is dominating that society at this time.

So, Gorbachov is sitting there, in the Kremlin, silent, and his silence suggests a grand rejection, Dante's *gran rifiuto*, which hurls its tormented practitioner straight into Inferno's oblivion. Or maybe he shall accept Reagan's "gift of fire," and prove himself a better man than we think?

Regardless of what he does, we must go on.

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