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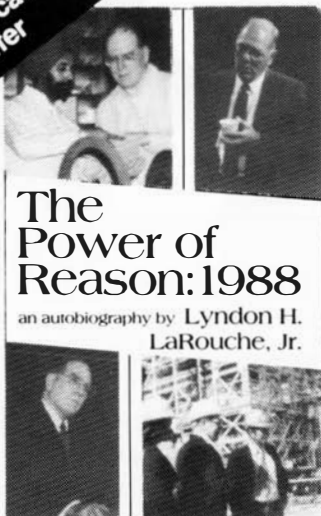
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From the Editor

Pictured on the cover is Contributing Editor Uwe Parpart, a scientific collaborator of Lyndon LaRouche, in an encounter about five years ago with a piece of earth-moving equipment at the site of the world's richest iron deposit, the Carajás mountain in Brazil. The machine, we are told, was imported from West Germany, and exemplifies the kind of "shopping list" for capital goods from the industrialized nations of the "North" that an integrated Ibero-American economy will require.

Thus, an export-sparked economic boom lies ahead for the OECD nations, if governments follow the advice given by the one political leader qualified to understand the significance of Brazil's declaration of a debt moratorium on Feb. 20—Lyndon H. LaRouche, Jr. LaRouche's outline of the steps that must be taken now, appears on page 20.

Ibero-American editor Robyn Quijano reports on the fast-breaking developments in the week between the announcement by Brazil's President Sarney, and our deadline. We also include reports on the response from France; from Africa; and from three key Ibero-American debtor nations, Mexico, Argentina, and Venezuela. (See the *Andean Report* for repercussions in Colombia.)

By pure happenstance, this week's installment of our popular "Operation Juárez" series, based on the Schiller Institute's *Ibero-American Integration* book, focuses on the regions that will form the industrial backbone of an Ibero-American Common Market—including the Gran Carajás project in Brazil (see centerfold, pages 36-37). This book is the manual, written by an international team of experts, of what it will take to implement Operation Juárez, the program LaRouche proposed in 1982. Brazil's debt moratorium opens the door for that.

We are also publishing four pages of excerpts from the Vatican paper that is catalyzing momentum toward Ibero-American integration across the continent, the January document on the foreign debt by the Pontifical Commission "Justitia et Pax." The document was blacked out by the press and flippantly dismissed by the White House's official press spokesman, less than a month ago.

Nora Hamerman

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Correction: Due to a paste-up error on page 36 of last week's issue, the first two lines of the second paragraph were missing in the commentary on the poem, "The Scythians" by Aleksander Blok. The relevant sentence should have read: "From these verses, the literary movement called 'The Scythians' took its name; flourishing in the early 1920s, it became popular among former Left Social Revolutionaries, members of the terrorist party that was interwoven with the Czarist Okhrana—the faction bent on overthrowing the dynasty and transforming Russia."

The BLS market basket and the new depression

by Chris White

The Bureau of Labor Statistics, at a cost of \$45 million, has just completed a revision of the market basket of household consumption, used to compile the government's monthly Consumer Price Index. This is the first revision of the components of the index since 1978, but it is the market basket of 1972-73 that has been overhauled.

The revision is of life-and-death significance for many Americans and their households. Thirty-eight million social security beneficiaries, 20 million food stamp recipients, 4 million workers covered by contracts with cost-of-living escalator clauses, and millions of federal retirees, depend on the index for changes in payments. Income tax brackets and the cost of school lunches for children are also affected by the revision of the government's index.

The CPI does not establish levels for consumption of goods and services by households, or what the government calls "consumer units." Rather, households are reviewed in light of their average composition, and the average number of employed workers comprising a so-called "census unit." The CPI looks at the average levels of money expenditure for the items that are taken to comprise the market basket. That's pretty much a fatal flaw in the \$45 million the government spent to do the job, but even so, it dispels some of the prevailing illusions about what is supposed to have happened since Paul Volcker began his rampage against the U.S. economy in 1979. The BLS revision at least admits that the trend is downward.

Heading into depression

Contrary to the so-called "good news" that has been pumped out of government departments, pretty much on a

monthly basis over the last years, this latest revision, inadequate though it might be, should give rise to some useful reflection. Though it is not said, openly, the revision provides a profile of an economy heading into a deepening depression.

Press commentary attributes the changes in household consumption expenditure profiles to changes in tastes. People now prefer to eat bananas rather than oranges, according to the *Washington Post*, and poultry rather than red meat like beef.

The criteria employed reflect reality to the extent they emphasize, first, that the size of the "consumer unit" has declined, from 2.8 people in 1978, down to 2.6 in 1986, and that, second, each household now has more earners, 1.4 compared to 1.3 in 1978. The smaller households are supported by more earners at a level 14% below that of 1978, according to the BLS.

These households are spending less for food and drink by nearly 22%. They are spending less, it is said, in money terms for their housing, but housing now accounts for 42.6% of the market basket, as opposed to 37.7% in 1978-79. Their spending on health care has dropped by over 30%, though it is said that health plan payments are not accounted for by the index. And their spending for transportation has dropped by more than 25%. In this case, spending on new vehicles has increased, while spending on used vehicles has collapsed by 75%.

It is to be noted that the period of revision, 1978-79 to 1986, covers the period from the implementation of Paul Volcker's high interest rate policy, through the last five years of the Reagan revolution, masterminded by Donald Regan and Paul Volcker.

The review of consumer expenditure is completely at odds with the everyday picture ground out through the administration's propaganda mills, of ever-increasing prosperity and employment opportunities, supported by the strongest surge of economic growth in the postwar period.

As said above, the picture still does not reflect the oppressive depression reality, which is grinding down families and households across the country. The money-expenditure measure of market basket standards is indicative. But, it is, as *EIR* has documented the case in its *Quarterly Economic Report* series, a fundamentally incompetent measure.

That means concretely that tens of millions of people will still be gypped out of what is rightfully theirs, even after this revision.

Declining physical composition

What is the level of physical goods output, both in regards to quantity and quality, that is purchased by the money expenditures of households? What is the level of physical goods output that is required to support the reproductive capacity of households, both with respect to consumption, and with respect to the maintenance of services, such as health and education, on which households depend? Such can be determined, to make it possible to see what the monetary expenditures measures may actually mean, if anything.

In 1985, *EIR* produced its own index which demonstrated that in terms of the cited physical goods parameters, the composition of the market baskets households spend their money on, had declined to about 64% of its 1967 level. The year 1967 was taken as representative of how the economy should function. It was the fag-end of the policy impetus for technological progress.

By 1985, the monetary expenditure to purchase that shrunken basket had increased 400% from the level that bought the market basket of 1967. It ought to be clear that if the "consumer unit's" expenditures were increased by the monetary margin that covered the difference between 1967 and 1985 levels, up to 544% of the 1967 level, that would not solve the problem. There would be nothing to buy with the so-called increase in income. On that basis, the BLS is underestimating the corrosive effects of inflation over the 20-year period by about 200%. For the BLS, 330 "consumer unit" dollars buys what \$100 bought in 1967. Moreover, the agency does not even consider the 36% decline in actual household consumption, which was already proceeding apace when the 1972-73 revision of the CPI was accomplished.

Industry shutting down

EIR's 1985 review of the physical content of the consumer market basket, combined with a similar analysis of the market basket of producers' goods, provided the basis for the forecast made in early 1986 that the economy would ratchet downward during the course of 1986 by between 15 and 25% from the levels of consumption of 1967. The Bureau of Labor

Statistics may have adjusted for what they consider the monetary side of the decline unleashed by Paul Volcker, in 1979, but the cited incompetence of their approach makes the revision completely meaningless relative to the collapse that was set into motion during the course of 1986.

In real, physical terms, that forecast warned that by now, household consumption would be heading for a level of 50%, and less, of what it was in 1967. The government, and others may not have caught up with it yet, but that did happen during the course of 1986. The projection was confirmed by the mid-year reports of basic industrial producers, steel and aluminum industries, along with construction. It was reconfirmed by the wave of layoffs and plant shutdowns that was implemented following the November elections. It has been reconfirmed by early results for January and February 1987.

January's 33% decline in automobile sales from the year before has been followed by a 22% decline in February. Durable goods shipments, exclusive of defense production, are down by almost 10%, the biggest single monthly drop since records were kept for this measure of the output of basic industry. The professional economists and their friends are still debating the question, whether or not, perhaps, the economy may or may not go into what they call "a recession" during the course of 1987. What fools they are! The proverbial bottom already did drop out.

So now the BLS does at least identify the reality that the economy has been going in a downward direction. Now they are pointing in the right direction, maybe others will cotton on, too. But meanwhile, the United States is effectively reduced, in terms of per capita valuations of physical output, to one-half of the economic power that it was back in 1967.

This is part of the crucial background to the crisis unfolding around Brazil's debt moratorium that is the subject of this week's cover story. The United States economy is in no shape to withstand the kind of shocks that have been delivered, and will be delivered over the next weeks.

The collapsing capacity that is reflected in the decline of household consumption, and in the inflation of monetary values, has eroded the innards of what was once the most powerful economic engine the world had ever seen. Financial reorganization will be necessary. That will only work with the kind of recovery policy that is implied by what it would take to reverse the decline from the levels of the late 1960s.

Physical output in per capita terms has to be more than doubled. That can be done, by putting the unemployed, and the underemployed back to work in productive wealth-creating jobs, and reversing the drift into the favored service industries. That will have to be done, over the next few weeks. If it is not done, the BLS's new revised Consumer Price Index will very quickly be rendered as obsolescent as their early 1970s version was, by the full depression impact of the collapse that already occurred in 1986. Then, their next market basket revision will probably end up being written in Russian.



Ibero-American officials are eager to learn truth on AIDS

EIR's medical editor, forensic pathologist Dr. John Grauerholz, M.D., F.C.A.P., is the co-author of EIR's two Special Reports, "Economic Breakdown and the Threat of Global Pandemics" (1985), and "An Emergency War Plan to Combat AIDS and Other Pandemics" (1986). He was interviewed after a recent tour to Brazil, Colombia, and Venezuela, which he visited at the invitation of the Schiller Institute and local health officials. Dr. Grauerholz addressed an estimated 3,000 people during his 10-day trip.

EIR: Is AIDS as big an issue in South America as it has become in the United States and Western Europe?

Grauerholz: AIDS is an area of major concern, certainly to military and governmental layers in all three of the countries that I visited. All of these people perceive a serious problem; it is especially so in Brazil. As a matter of fact, I was at a meeting at which Jonathan Mann, the head of the World Health Organization (WHO) AIDS program was also present, and the data that were presented indicate that there is already a serious problem, that they have at least 1,200 officially reported cases and that 30% of these cases conform to the African models. Dr. Mann subsequently made a statement that in the next few years, Brazil could surpass the United States in numbers of cases.

EIR: Since your trip, the U.S. government's Centers for Disease Control (CDC) came out against taking measures to stop the spread of AIDS, a position like that advocated by the homosexual lobby. Did you find that a homosexual lobby controls policy in South America?

Grauerholz: The health ministries in these countries tend to echo the official WHO/CDC line. The military and other governmental people do not believe them, and are seriously concerned about the problem.

The line is that this is primarily a sexually transmitted disease, also spread by needles, and fundamentally the line opposes mandatory testing to identify the extent of the problem and the application of classical public health measures that one would institute with any other communicable disease. This has never made any sense to me, and does not make any sense to the people I talked to in South America.

There is a vocal homosexual lobby in Colombia, apparently, but still, we had 400 people at our meeting. These were

health professionals, governmental, and other layers.

EIR: What kind of questions were you asked?

Grauerholz: One thing which popped up just about every where I went was: Could this thing have been cooked up in a laboratory by somebody?

It is possible for the AIDS virus to have been created in a laboratory. There is abundant evidence in the literature that these viruses recombine with other viruses, and so forth. However, I think it unlikely that this accounts for the problem, because we are seeing a whole series of different viruses arising both in Africa, and also, interestingly enough, in some of the economically depressed parts of Venezuela. And it is more likely that what we are seeing is the surfacing of viruses which were present in some reservoir, animal or human, and which are now being expressed under the appropriate environmental conditions. I say this because the environmental conditions in which all of these viruses appear to have arisen are quite similar.

EIR: What contribution do you think can be made by the South Americans to combatting the disease?

Grauerholz: The ability of the South Americans to participate in this revolves around the fact that there is a pharmaceutical industry in Brazil, there is one in Argentina—which I didn't visit. The rest of the countries don't have a great deal of indigenous pharmaceutical capability. There are valuable people, for example, in Brazil, a large country with a number of medical universities and capable researchers.

The problem in South America goes back to the economy. These people are already fighting malaria, and losing; they're fighting dengue, and they're losing; they're fighting chagas disease, and they're losing. What we have is, this thing, AIDS, sprinkled on top of everything else that they have. Obviously what they have to have is the capability to implement massive public health measures, not only to deal with AIDS but to deal with all these things. A proper approach to the AIDS problem would deal with all of these other problems, because they are part of the same package.

EIR: Could you describe some of the particular features of each of the three countries?

Grauerholz: In Brazil, I spoke before military people, I

spoke before a physicians' union in one of the civilian hospitals, and I spoke to a mass meeting in Sao Paulo that was convened by my colleague Ricardo Veronese of the Brazilian Society of Infectious Diseases.

Brazil has a number of problems. One is the whole sub-culture of *Carnival*. The most interesting aspect of that sub-culture is the tremendous number of transvestites in Brazil. These people are highly promiscuous. They supposedly average 3,800 sexual contacts a year. At least 27% of them are presently infected with the AIDS virus. Some 70% of them use some form of drugs. Many of these transvestites use steroids such as cortisone which are immune suppressants, to reduce the body's immune reaction to the silicone injections that they use to augment their breasts. As a consequence, you have this huge population, potentially hundreds of thousands of these individuals, immuno-suppressed, with high frequencies of sexual contact with many people. This population is totally transparent to the transmission of this disease, and provides a tremendous reservoir in the major cities. Then, you go up north to places like Pernambuco, and you have literally African conditions prevailing.

So, Brazil has the worst of both worlds. The conservative estimates are that between 300,000 and 500,000 are already infected in the country. This is a matter of great concern to

both the civilian and military people I spoke to.

EIR: What about Colombia?

Grauerholz: The problem appears—and I have to stress, *appears*, because we're just beginning to look at the data—that they have a significant problem in Cartagena among the prostitutes. Colombia certainly has significant poverty, both in the cities and in the rural areas. And we don't yet know what is going on in terms of these viruses in these areas. They have a malaria problem, and the one new strain of AIDS virus that I mentioned in Venezuela is highly associated with malaria.

The real point is, they are just beginning to see cases, 50-100, in each of these countries—other than Brazil which has the second-largest number of officially reported cases in the world—because they're just beginning to look.

There is a high degree of concern with the whole question of insect vectors. The insect problem is much more palpable in these countries generally than it is in the United States where it might be limited to areas like Belle Glade and other parts of southern Florida and southern Texas. These are countries where you have a year-round problem of not only mosquitoes but numerous other biting insects, such as these large kissing bugs which spread chagas disease.

LaRouche program dominates CDC meeting

When the Centers for Disease Control (CDC) convened their much-publicized AIDS conference in Atlanta Feb. 24, presidential candidate Lyndon LaRouche's program quickly came to dominate the proceedings. The conference was originally publicized as a "national public hearing" on mandatory AIDS testing; however, CDC restricted its format after spokesman for LaRouche made clear they would be present. The "in-house" effort failed, however.

Participants were greeted with copies of LaRouche's statement, "My Program to Stop AIDS." Many requested additional copies.

During the workshop period, a panel on the rights of AIDS victims, featuring CDC head William Curran and Dr. Levine, Dr. Novick of Yale protested measures to outlaw sodomy, calling it "the legitimate expression of love between two men." The first two speakers talked of budget constraints. The third railed against the danger of LaRouche and waved a copy of Proposition 64, the Cali-

fornia ballot referendum on AIDS endorsed by LaRouche.

The next speaker rose, and identified herself as Belinda Haight: "I am an associate of LaRouche." She said she was most concerned about "the rights of the uninfected." Citing a British skin graft patient who contracted AIDS, she asserted that much remains to be known about modes of AIDS transmission. Referencing the key points in LaRouche's program, she also asserted that there is no rational alternative to universal screening and humane quarantine. The conference participants' efforts would be better spent in a political lobbying effort to break loose funding for a Biological Strategic Defense Initiative, she said.

Members of the panel just shut up, while speaker after speaker discussed LaRouche's program. Finally, a panel member declared, "Although no one on this panel has raised or supports the idea of mandatory quarantine, it seems to have become an issue. I'd like a show of hands of all those public health experts in the room who support this policy."

Haight and one other person raised their hands. The panelist smugly continued, "Now let hands of all those who oppose such measures." Of more than 150 people, fewer than 20 raised their hands.

Pandemonium broke out. Haight was besieged by reporters and surrounded by howling "homosexual activists" who attempted to drown out rational discourse.

EIR: How does the picture look in Venezuela?

Grauerholz: The picture in Venezuela is again a very preliminary one. As I said, one of the strains of this virus apparently originates among Indians in the remote Orinoco region of Venezuela. They have a small number of officially reported cases, 50 or so, and all of these appear to have come into the country or to have been associated with contact outside Venezuela. But the number is increasing, and I know that the military hospital in Caracas is quite concerned; they have problems getting the nursing staff to handle the bodies.

With this disease, when you are just beginning to see the cases, the thing has already been there for five or more years, and has infected a lot of people. But you have to be able to diagnose that infection. I don't think the [testing] kits are as widely available as they are in the United States, because of financial and other reasons. They are going to have to be able to acquire the kits or produce their own, in order to test their population and to find the true extent of the problem. They are concerned to not repeat the mistakes of the United States, of not starting to look diligently until they've had a million or more people already infected.

EIR: So one of the first steps is to make the tests widely available?

Grauerholz: Yes, the test has to be widely available, and the test has to be applied, and the public health measures of quarantining where necessary have to be applied. Now, if they have a small problem confined to risk groups in these countries, all well and good; they will have a small problem which they can keep small. But the longer the implementation of these measures is delayed, the more generalized the problem is going to become.

EIR: You showed some slides of the computer model run projecting the spread of AIDS under various policies in the United States. What was the reaction to that?

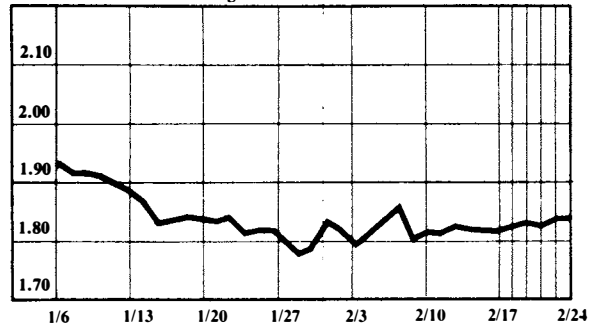
Grauerholz: Well, they were quite impressed since the model run [see *EIR*, Vol. 13, No. 48, Dec. 5, 1986] indicates that about the year 2014, 80% of the U.S. population will be infected, sick, or dead, absent the implementation of some sort of public health measures to stop the spread of this disease.

The one thing I was impressed with in these countries is that there is still more of an interest in survival among these populations than in the industrial nations of the West. They have not come into the extreme cultural pessimism of the United States and Western Europe. Some of the cultures such as Brazil are bizarre, but fundamentally, they are growth-oriented cultures. This is one reason why they are certainly more receptive to the truth about the disease, because I think they are much more concerned with actually trying to do something to stop it. They are not viewing this, as I think a great deal of the United States tends to view it, as the fulfillment of a 25-year cultural death wish.

Currency Rates

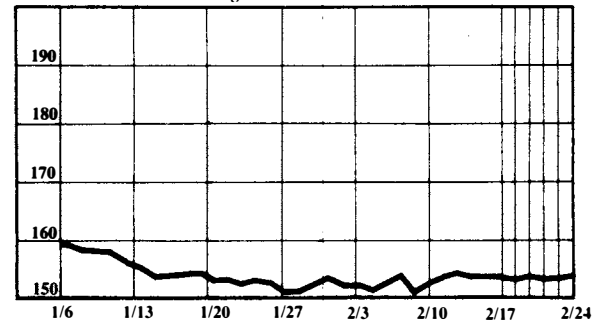
The dollar in deutschemarks

New York late afternoon fixing



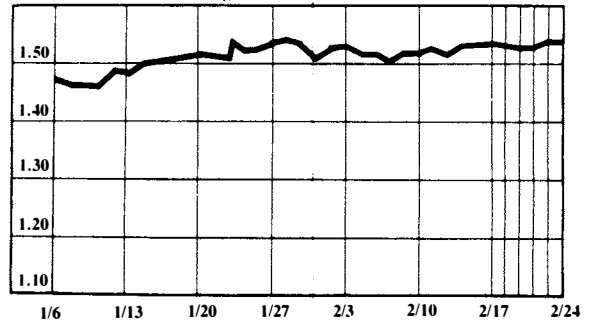
The dollar in yen

New York late afternoon fixing



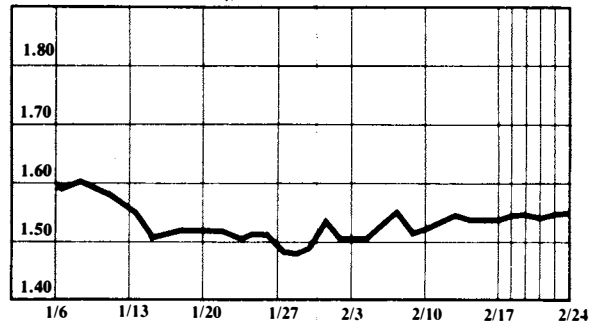
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SDI procurement: Where does the United States stand?

by Carol White

It would seem from all indications, that a shift in U.S. policy on the SDI has been implemented—so that the program will now be vectored toward deployment, without constraints. The mood in the Congress has been positively influenced by conclusive evidence—reported in *EIR* on many occasions—that the Soviets are moving rapidly to deploy their own ABM (anti-ballistic missile) system. If the West does not do likewise, we will be sitting ducks, to put it bluntly.

Near-term deployment of a first-generation SDI, based upon kinetic kill vehicles, which are both satellite- and ground-based, has been a talking point for moving to a so-called broad interpretation of the ABM Treaty, but the real issue is the freedom of the United States to test and develop a broad range of weapons and systems, both conventional and also—most importantly—those which operate according to new physical principles.

The kinetic energy weapons (KEW) systems now under development will have a margin of superiority over Soviet KEWs, but KEWs are rapidly approaching the point of diminishing return, as happens with any fully exploited technology. Furthermore, although the existing Soviet ABM systems deploy KEWs, they are actively developing x-ray laser and electron beam weapons, which are considered in advance of the United States.

While the way may now be open politically for a more rapid pace of development of the SDI, the fact remains that the budget for the program falls far short of being ambitious—not to speak of meeting the requirements of a true crash program. Just as serious a hindrance, the United States is in danger of losing the necessary industrial depth to sustain a Strategic Defense Initiative.

Semiconductor crisis

A task force of the Defense Department's top scientific advisory group has released the results of a study it has conducted on the state of the U.S. semiconductor industry, and concludes that there will be no advanced computer chips manufactured in the United States within five years if emergency action is not taken now. Unfortunately, industry observers note that the recommendations fall far short of the

mark, even when viewed within the narrow confines of the study.

The report was released to the press at a briefing given by the task force chairman, Norm Augustine of the Martin-Marietta Corporation. Mr. Augustine described the conditions facing the industry, the crucial role it plays in national defense, and then cautioned his audience that the report points to some serious fundamental problems facing the entire economy, but does not attempt to offer solutions to any area but the computer chip industry.

For illustration purposes, the study looks at changes in the share of the market held by the United States in the area of Dynamic Random Access Memory (DRAM) chips, over the last decade, during which the U.S. fell from 100% to 5% (and dropping fast) of the world production of these chips. Not surprisingly, the Japanese producers are the primary replacements for the failing U.S. industry.

The DRAM chip is useful as a marker for a variety of reasons: It is the basic memory device which powers a vast array of computer systems involved in such tasks as controlling communications devices and providing fire control solutions for artillery pieces, to keeping modern fighter aircraft under control. There is no aspect of modern defense weapons systems which does not depend on these chips, and the rate of evolution in the memory power of these chips paces the development of these weapons systems. This rate of evolution is very fast, with an increase in computing power, by an order of magnitude (a generation), every 2.5 years.

Therefore, for reference purposes, a five-year period represents two generations, and if in that period, the United States loses the ability to produce state of the art chips, U.S. weapons systems will be dependent on foreign sources for access to the most advanced DRAMs. The implications for national security are obvious.

The U.S. DRAM producers are in that situation right now. At the current rate of collapse of the industry, we will not have the capacity to produce leading edge technology within five years. This situation is made more serious by the fact that the weapons currently in the field are using U.S.-made chips, and were designed approximately ten years ago,

when the United States dominated the market. Weapons now being designed, to be fielded in five to ten years, will not be able to use U.S. suppliers for their crucial components!

Mr. Augustine went to great length to point out that this situation is not the fault of "unfair practices" by foreign, principally Japanese, competitors. He pointed out that the Japanese industry enjoys a fundamental advantage in access to cheap capital, because Japan's national economic and tax policy is vectored to produce the highest rate of savings in the world. In each of the downturns which have hit the industry, the Japanese have been able to hang on to their industry, and fight for an increased market share, while U.S. companies (dependent on short-term—five years and less—investments) respond by going belly-up. Without access to a large-volume market, R&D becomes prohibitive, and the death of the industry occurs with great rapidity. Mr. Augustine admitted that this entire process will be accelerated by the new tax code, which offers no protection to industries that depend on high rates of capital formation. He also pointed out that wage differentials between national economies are not a real factor, since production is now almost entirely automated.

Every high-tech area threatened

These facts point to the essence of the matter—the U.S. industry is being destroyed by the national economic policies imposed over the last decade. Although the DRAM manufacturers are the most extreme example of the consequences of these insane economic policies, Mr. Augustine pointed out that every area of high-technology industry is threatened; magnetic storage device technology, optical technology, and so on. Like most studies conducted by the Defense Department, this task force was restricted to developing proposals for one industry only, even though the problems of that industry are caused by the state of the overall economic collapse. The result is predictable.

The task force calls for the creation of a consortium of chip producers, financed by the industry, and supported by about \$250 million of DoD dedicated contracts, which will be tasked to develop state of the art technology and make it available to the entire industry for product application. The hope is that this will allow the United States to retain access to development and production of this vital technology. While outlining this policy, Mr. Augustine was compelled to note that this would not help any other area of the threatened high-technology sector, and was a "fix" for the chip industry only.

Japanese specialists, upon examining the proposal, could only shake their heads in amazement, commenting, "Why do they even propose such a thing, when they know that the real task is to revitalize the entire economy?" It was clear from Mr. Augustine's remarks that the Japanese are not the only ones asking this question, but there will be no effort to answer it so long as the administration is locked into Don Regan's "recovery."

A serious commitment to building the SDI could quickly

reverse this situation. The kind of requirements set before industry by Lt. Gen. James A. Abrahamson, who heads the Strategic Defense Initiative Organization, coupled with appropriate tax incentives and a revival of credits to industry, for high-technology investment, can provide the necessary stimulus to the program.

In January of this year, speaking before a group of aerospace contractors, at the third annual conference of the U.S. Space Foundation, Abrahamson urged them to gear up to begin mass production of the hundreds of satellites that will be needed for the SDI. To do this, he said, companies must begin using modular satellite designs and mass-production techniques to make affordable the hundreds of satellites that SDI will require. "We will begin to build satellites not as something built one at a time, tailored to very limited weight limits and modified if you build two, but [designed] in terms of [manufacturing] hundreds."

Abrahamson also pointed to the need for companies to develop low-cost mass production techniques for small components such as sensors and computers. Abrahamson said today's early-warning satellites use hundreds of sensor elements each, while SDI's warning satellites will require millions. Mass production of sensors and improved reliability are essential to reducing their cost.

Production of space transportation has to be similarly upgraded, he said; therefore the SDIO has requested money to develop a heavy-lift launch vehicle. It would be needed to boost hundreds of SDI spacecraft into orbit, cheaply. One goal of the heavy-lift launcher is to reduce launch costs tenfold, to a price of about \$200-300 per pound, he said. Such a low-cost launch system will not be able to support "standing armies of people to ensure reliable operations," as today's launch vehicles demand.

"We need a vehicle," he said, "that is a complete revolution in the way we get into space." The heavy launch vehicle would have a rated capacity of 150,000 lbs.—100,000 below the Saturn V—but a good step over existing capacity nevertheless. McDonnell Douglas has been given the contract to develop, produce, and operate the medium launch vehicle which will be used to launch Navstar satellites. Previously these would have been launched by shuttle. Prior to the shuttle accident the first production Navstar satellite was to be launched this month. This has been postponed until October 1988.

The goal is to have 18 operational Navstar satellites and three on-orbit spares. This is considered to be one of the highest payload priorities. It was to have been placed in orbit by 1989, by the space shuttle. Now the plan is to have one launch in 1988, six in 1989, seven in 1990, and six in 1991. The minimum Air Force requirement was for four launches per year starting in 1989. Ten prototype Navstar satellites were launched previously by Atlas boosters. It would seem that the planned newer satellites will include a nuclear detonation sensor system and will be hardened by the use of graphite epoxy solid rocket motor cases.

The 'underground' grain trade

The embargo didn't affect grain flows to the Soviets at all—and everybody but the public and the farmer had to have known it.

Now that revelations are coming out daily on how U.S. foreign policy has been conducted by a gang of lawless "security" specialists, utilizing illegal bank accounts, gun and dope dealing, and phony front-companies, it is worth bringing to public attention how lawless the world food trade is.

Recently, I had occasion to conduct a private interview with a Danish grain trader, who regarded me as just another "hick" American farmer to whom he could safely "spill the beans." Among the things he described was the way in which grain never stopped flowing from the United States to the Soviet Union after President Carter declared his famous grain embargo, just as the guns never stopped flowing to Iran when Carter declared his famous arms embargo.

Here's how it worked.

Some of the grain shipped from the United States proceeded to Hamburg, West Germany. In Hamburg the grain was off-loaded on barges, which continued up the Elbe River to East Germany on their way to the Soviet Union. Other grain stayed right on the original carriers, but the papers were changed in Europe, and the grain then went to Russia.

The Danish grain trader was quite open about this: "The papers were changed right on board the ship during transit." I told him that hardly any American knew anything about such dealings, which surprised him. "The practice was so widespread that this was common information among people engaged in the grain trade. In fact," he said, "in Denmark it was common knowledge. Everybody knew about it and how they were getting around it

[the embargo]. The companies that did it made an awful lot of money. Not only did we know about it in Denmark; Denmark was used as one of the transshipment points."

The principal grain companies involved in this lawless trade are the famous-name cartel bunch: Cargill, Continental, Bunge, etc.

The most well known transshipment point is Rotterdam, where papers can be altered so that origin and destination information can be listed in a way to foil any restrictions operative anywhere in the world. There and in other ports, front companies exist for this purpose alone. Little one-room offices, with a desk and some blank papers, serve as "trading companies" routing huge-volume grain shipments past all legal barriers.

To summarize, this means that it is an "open secret" that food, the world's "most strategic" commodity, is brazenly traded by the cartel companies free to simply ignore any orders to the contrary issued by the White House or Congress.

Consider who knew inside the Carter administration: 1) all the big food exporters, not only those involved, but all those looking-on—Cargill, Continental, Bunge, Louis-Dreyfus, André/Garnac, ADM, etc.; 2) shipping company managements, seamen, and port officials; 3) the U.S. Department of Agriculture Foreign Agriculture Service; and, 4) any inquiring American on tour, like myself.

So, where were the CIA, the FBI, and others who are supposed to know these things? Admittedly, the food cartel owns the U.S. Department of

Agriculture, so, no problem there. But do you think that American intelligence didn't know?

As most farmers know, the 1979 grain embargo was used as the pretext to smash grain prices. It was said that the United States had to cut off sales to the Russian market for political/humanitarian reasons. The farmer accepted the ensuing lower prices. He was taken. This action didn't just bankrupt a lot of farmers in the United States and abroad; it ruined the world grain market.

The Carter's grain embargo and Volcker's interest rates became the one-two punch that started the destruction of agriculture worldwide. These two events are pivot points in history and have served as the linchpin for destructive agricultural policies. In the final analysis, the grain embargo was a hoax that helped only the grain companies and the Soviet Union.

Look at the general results. The public was told the embargo meant reduced grain demand. Not true: The grain was still being delivered. The USDA even produced a study at the end of 1986 stating that grain exports were not affected by the embargo.

Lower grain demand was used to justify the bottom falling out of world grain prices. Lower grain demand was used to justify the myth that there were rising surpluses of grain. This myth, in turn, "justified" implementing farm programs to lower farm production. Lowered farm production "justifies" allowing thousands of farmers to go bankrupt.

It's worth understanding how these grain traders think. When the Danish source had finished telling me how the grain embargo had been broken, he said: "This just shows that no country can make laws that interfere with free trade. The international companies will find a way to get around it."

How the Kra Canal can be financed

The Kra Canal, a recent seminar in Bangkok concluded, can be built by pooling regional financial resources.

On Feb. 6-7, the Chulalongkorn University of Bangkok once again organized a conference to debate the economic and financial feasibility of an eventual Kra Canal, that would link the Andaman Sea to the Gulf of Thailand across the southern "Golden Peninsula." The organizer of the conference was Dr. Boonrod Binson, chancellor of Chulalongkorn University.

The conference was attended by many Thai business, military, and government leaders, reflecting the growing consensus here that the Kra Canal and the economic thinking behind it are the alternative to depression under conditions of global economic collapse. Along with Dr. Boonrod, Dr. Aoki of the Mitsubishi Research Institute of Japan, and Dr. Uwe Henke v. Parpart of the U.S.-based Fusion Energy Foundation, presented studies on the economic feasibility of the canal, emphasizing the opportunities for industrialization the canal would open up in the entire region.

This is not the first time Dr. Boonrod has backed the canal project. Already back in the 1970s, he was working with K. Y. Chow, the Thai-Chinese oilman who had, on his own, funded the preliminary study of the Kra Complex by the American engineering firm Tippetts, Abbott, McCarthy, Stratton (TAMS). On the verge of receiving the green light from the Thanon Prapass government, the project was then thwarted, when the violent student uprising of 1973 led to the overthrow of the government.

The canal project was, for all prac-

tical purposes, shelved until the Fusion Energy Foundation (FEF) and *EIR* brought it into the limelight again in 1983, when the American presidential hopeful, Lyndon H. LaRouche, went on an Asian tour and spoke at a Kra Canal Conference organized by the FEF and the Thai Communications Authority. The FEF has since held several conferences on the canal, both in Thailand and India.

For Dr. Boonrod, the question of how to finance the project is a significant one, which demands a thorough debate, as the amount needed for the canal construction would easily exceed the total national annual revenue of Thailand. Foreign capital, Dr. Boonrod believes, would be readily available for investment in the project, should the international waterway prove to be economically and financially feasible.

However, what concerns Dr. Boonrod, as well as many Thai policymakers, is that local and regional raw materials, labor, and technological know-how should be utilized to the extent possible, in order to maximize the economic impact of the project already in the construction phase.

Dr. Boonrod also believes that a large portion of the funds needed for the infrastructure project could be raised domestically. A corporation should be formed according to Thai law, he suggested. In line with the idea of encouraging regional participation in the project, stocks and bonds should be sold to investors from countries situated within a 3,000-kilometer

radius of the canal site. This would encompass India, China, and other developing countries of the region, representing a total population of over 2 billion.

Promoting regional financial participation in the infrastructure project, as well as utilization of raw materials and technological equipment from countries in the region, would in itself create quite a significant amount of maritime traffic, thereby ensuring the utilization of the waterway and its ports in the initial phase.

For instance, let us suppose that Thailand decides to import iron ore or steel products from India. These would have to be transported by sea. In return, Thailand would export her products to India. Let us again suppose that for the excavation of the canal, Thailand chooses to import explosives from China. In this case, Thailand would also be exporting her products to China. New trade patterns created because of the canal project, could already take place once the port facilities have been developed and even before the canal has been excavated.

According to Dr. Boonrod, 51% of the "Kra Canal Corporation" should be in the hands of Thai investors. Regional investors from within the 3,000-kilometer radius should hold another 39% of the corporation's shares; the remaining 10% should be held by investors from industrialized nations. It is expected that only 16% of the total canal construction fund would be needed and would have to be raised each year for the first five years, and for the remaining five years only 4% each year, with the aim of making the canal operational at the end of the first five years of construction. The remaining five years of the construction would be devoted to development of canal transportation and cargo-handling facilities.

Business Briefs

Public Health

Bavaria to take measures against AIDS

Bavaria will be the first West German state to introduce measures against the disease of AIDS, the Bavarian cabinet announced at a press conference on Feb. 25.

The planned measures call for testing for AIDS of all public servants and prison inmates and a ban on blood and human organ donors infected with AIDS. Police will conduct mandatory AIDS tests for all prostitutes, homosexuals, and drug addicts. All "clients" of male and female prostitutes caught by police must be tested, and strict police control of bordellos, gay bars, and sex clubs will be enforced.

There will be an obligation for AIDS-infected persons to inform their doctor or sex partner, and fines and punishments for all those who infect others with AIDS.

The Bavarian state government will present an initiative for a national AIDS law, and, if that fails, will introduce mass-testing of all 12 million Bavarians.

There were immediately hysterical reactions to Bavaria's action. Karsten Vilmar, the head of the Federal Board of Physicians of West Germany joined the unholy alliance with Federal Health Minister Rita Suessmuth, the Green Party, the Social Democrats, and the AIDS Help groups, attacking Bavaria. The Federal AIDS Help group in Berlin demanded to boycott the Bavarian places for testing and AIDS information centers.

The 'Recovery'

Voters' greatest concern is economy

The Iran-Contra scandal is not the foremost thing on American voters' minds. The economy is. So report congressmen from both parties who recently held meetings with their home constituencies.

A UPI wire Feb. 23 quoted several congressmen: "Frankly, trade and health care came up more than Iran-Contras" in meetings with his constituency, said Kansas Democratic Rep. Dan Glickman. "You understand that people out there have to survive, which means they have to contend with the day-to-day difficulties of life."

Sen. Jake Garn of Utah concurred: "It's simply a matter that in the scale of things, they are far more interested in these pocketbook things and the domestic economy. On a scale of 10, the economy and their jobs, their pocketbooks, our own economic problems in Utah, would be a 10 where Iran would be down at 1 or 2."

Said Sen. Joe Biden of Delaware, "I think [people] have already resolved they are not being told the whole truth."

East-West Trade

German Trilateraloid hails Gorbachov's 'NEP'

A top German member of the Trilateral Commission says he sees parallels to Lenin's New Economic Policy of the 1920s in Gorbachov's present economic policy.

In an exclusive interview with *Deutsche Volkszeitung*, a newspaper controlled by the German Communist Party, Otto Wolff von Amerongen, a leading figure in Germany's industrialists' association, stated that if German trade with the Warsaw Pact is to remain stable, it would have to be "put on a higher technology level."

Amerongen especially welcomes Gorbachov's decree on joint ventures with Western firms as showing certain parallels to "the 1920s, when there was something similar. I welcome the fact that certain forms of economic cooperation are being revived now that were already introduced under Lenin."

However, to achieve a new level of German-Soviet cooperation, Amerongen said, the two countries cannot simply repeat the forms of cooperation that followed the 1922 Rapallo Treaty. "We have to find forms dif-

ferent from those which were introduced after Rapallo then. . . ." He was not more specific.

The Debt

Launch counterattack on Vatican policy

Catholic and Protestant groups of various stripes are leaping to the defense of the International Monetary Fund, organizing opposition to the recent *Justitia et Pax* Vatican commission report on Third World debt. An "Ethics and Economy" group has been established in Göttingen, West Germany, composed of leading economists and professors, who are planning a conference in September 1987 to oppose the Vatican report, and the general philosophy of Joseph Cardinal Ratzinger that economics must above all be a "moral" science.

One influential in these circles told *EIR*: "Ratzinger's attacks on Adam Smith and the free economy were a mistake. We've been engaging him since in a learning process. . . . I doubt the Vatican really understands the IMF problem. To us, the most moral idea is to change the economic order of the debtor countries."

The Catholic side is typified by West German-based Dominican Father Streithofen. "I've been reviewing the Jan. 27 Vatican document on debt, and I think it's a little crazy," he told *EIR*.

German, Austrian, and Swiss Dominicans are involved, as are the Institute for the German Economy in Cologne; the Konrad Adenauer Foundation near Bonn; and various economists, social scientists, and theologians. "We also work with the group of William Simon and Michael Novak at the American Enterprise Institute" in Washington, said one source.

Among Protestant (Lutheran) circles, the key inspiration is Prelate Binder of Bonn, who has set up a "working group on ethics and economics" in the Ministry of Economic Affairs, and who is working very closely with the number-two man at the Ministry, Dr. Schlect. Binder wants to counter "at-

tacks on our economic system by members of the Church, who don't understand our system."

Industry

Japanese steel giant in major cutbacks

The world's largest steelmaker, Nippon Steel Corp. of Japan, revealed Feb. 13 a severe "rationalization" plan, which will shut down five blast furnaces and cut back 19,000 employees over four years, the *Japan Times* reported Feb. 14.

Nippon Steel executives, who adopted the plan at an emergency board meeting Feb. 12, said the plan will enable the company to ensure a high level of competitiveness on the world market by 1990, if the yen remains at 150 to the dollar. The plan will cut operating costs by 25%. However, the plan will devastate the company's workforce of 65,000 and the economies of several parts of Japan.

Nippon now operates only 12 blast furnaces. Output will be lowered to 24 million tons by 1990, as compared to 27.98 million tons in 1985. Shutting down the five furnaces will reduce the company's crude steel production capacity by 10 million tons from its current 34 million ton capacity.

Nippon executives estimated that Japan's annual steel output in 1990 will be 89-90 million tons, compared with 96 million tons this fiscal year.

Some 6,000 workers will be transferred to non-steelmaking divisions of Nippon Steel, and some 9,000 are expected to leave the company due to retirement or "personal" reasons. The remaining workers will be retrained so they can find other work.

Leaders of Nippon's trade union in Kamaiishi, where the furnace is to be shut down, told the *Japan Times* that the company plan is "totally unacceptable." Some 2,300 subcontractors at the mill also face job loss. Some 14,000 of the city's 59,000 population are directly or indirectly dependent on the plant for a living.

The U.S. Budget

Plan to ease Gramm-Rudman

House Budget Committee chairman William Gray is leaning toward support of a plan to ease the Gramm-Rudman mandate that the deficit be reduced to \$108 billion in the next fiscal year, UPI quoted a source close to Gray Feb. 23.

The source said it was a "good possibility" that Gray would join Rep. Willis Gradison (R-Ohio) in asking legislators to discard the \$108 billion goal, working to lop between \$36 billion and \$40 billion from the budget for the year beginning Oct. 1.

Senate Budget Committee chairman Lawton Chiles told a news conference, "I have never felt that there was a magic in \$108 billion. It's a great target. I wish there was some way we could get there."

Space

Soviets scientists visit India

A team of top Soviet scientists, led by Soviet Academy of Sciences President G.A. Marchuk, was scheduled to arrive in New Delhi Feb. 23 for a 10-day visit, the *Hindustan Times* reported Feb. 19. The team will meet with the Indian Planning Commission and other groups. Two top space scientists, Valentin Koptuyug and Roald Sagdeev, are part of the 17-member delegation.

Discussions will focus on a proposal for an international center for space research in India. The research center was proposed by Soviet General Secretary Mikhail Gorbachov during his November visit to New Delhi.

Areas of cooperation to be discussed include biotechnology, lasers, cryogenic technology, power, computer technology, and micro-electronics. Joint commercial development and exploitation of new technologies are on the agenda. The long-term program will involve thousands of scientists. Details are to be finalized in May.

Briefly

● **JAPAN** bought half the total free world production of gold in 1986. Japanese imports for the year reached a record 608 tons, more than three times the previous record of 197 tons in 1985. The Japanese say it is for a commemorative Emperor Hirohito coin, but certain analysts speculate that Japan may be building its central bank reserves.

● **ED KOCH**, the mayor of New York, came out against a City Council resolution declaring AIDS a communicable disease. "AIDS is a terrible disease for those who suffer from it, but labeling AIDS as a communicable disease might only make their suffering worse," said Koch. "In the normal sense of the word, AIDS isn't communicable."

● **SALOMON BROTHERS** partner Thomas Enders, former assistant secretary of state for inter-American affairs, dined with one of Mexico's top drug-bankers during his visit to Mexico in mid-February. Arcadio Valenzuela, investment manager for jailed drug-runner Rafael Caro Quintero, was among the "honored" guests at a dinner in Enders' honor.

● **THE INTERNATIONAL** Coffee Council opened a week-long meeting in London Feb. 22 to discuss the introduction of export quotas. The price of coffee continues to fall steeply.

● **BIOTECHNOLOGY** is a "top priority" in the Comecon's "comprehensive program of scientific and technical progress through the year 2000," says the latest issue of the Soviet monthly *International Affairs* (No. 1, 1987).

● **HOUSTON** jail inmates are testing positive for AIDS at a rate near 40%, according to the results of testing conducted on nearly 400 prisoners. The prisoners were all volunteers, who may therefore have had reason to think they had the virus. Nothing is currently being done to isolate them from other inmates.

Brazil moratorium sinks International Monetary Fund

by Robyn Quijano

Since Brazilian President José Sarney declared a debt moratorium on Feb. 20, Ibero-America's largest debtor has eliminated the "aura of power" of the International Monetary Fund (IMF), which has, for the last decade and more, dictated economic prescriptions designed to kill the patient. Perhaps more significant than that, Brazil's action has taken the conscience of the world hostage, forcing a long overdue debate on morality and economics which was more politely advanced 20 years ago by Pope Paul VI in his encyclical on the urgency of developing the Third World, *Populorum Progressio*.

Because governments of the industrialized West did not heed the Pope's warning in 1967, millions have died of starvation, while now AIDS, the Black Death of the 20th century, is threatening entire continents. Brazil is one of the most devastated victims of the AIDS epidemic worldwide, with the highest number of officially reported cases outside the United States.

While U.S. Federal Reserve chairman Paul Volcker, who set off concentration camp-style looting of the developing world with his interest-rate hikes in 1979, has claimed that the bank's negotiators are suffering "battle fatigue," he has prepared total warfare against Brazil. He is trying to bash bankers into line to cool out the other debtors, to isolate Brazil, to move in for the kill. Already Argentina has been given a \$500 million emergency loan to assure no "debtors' club" develops. Mexico, which has been promised over \$7 billion since September, is being promised March delivery. But even if the banks get into line and come up with fresh money for all the troubled debtors, the governments that have bowed to the IMF's genocidal austerity, will have trouble hanging on to political power.

The Catholic Church has clearly defined the issue as human life before debt. Brazil has defined the issue as one of national sovereignty and morality. And Ibero-America is a Catholic continent, with Brazil's the largest and most successful economy. Already nationalist military, trade union, political, and industrial layers are mobilized throughout the continent to follow Brazil's example.

While most bankers are constitutionally incapable of debating morality in economics, except to determine that no such category should exist, governments



NSJPS Ana Maria Mendoza

Peru's President Alan García (left) is received by Venezuelan President Jaime Lusinchi (right), during a January 1987 visit to Caracas. Both García and Brazilian President José Sarney have cited recent Vatican statements on the debt, to explain their rejection of the IMF's conditions. Will the rest of Ibero-America follow their courageous example?

have responded to both the Vatican and Brazil's eloquent plea to create a new economic order, and to solve the debt crisis for good instead of just papering it over. In the days since the debt moratorium was declared, both Japan and Italy have extended new credits, and French Premier Jacques Chirac has criticized the International Monetary Fund, and submitted the Vatican document on "An Ethical Approach to World Indebtedness" (see pages 28-31) for the study of his economics ministry.

On the other hand, U.S. Treasury spokesman Robert Levine commented only, "If the idea works, they could bring down the system. Do you think we are going to let that happen?"

Brazilian Finance Minister Dilson Funaro is traveling throughout the capitals of the industrial countries to explain why his nation—the eighth-largest economy in the Western world, with a land area greater than the continental United States, and a population of 140 million, a section of which has a 40-year life expectancy—had to change the rules of the game.

Funaro is talking to governments, not to bankers. He is bringing a moral message, and a message of sanity. Only debt relief will allow the advanced-sector countries to export to the developing sector. Funaro has let the creditor governments know that he does not intend to stop being part of the international economy, but rather is putting "conditions" on Brazil's participation in it. He stated on Feb. 26 that he

intends to purchase \$10 billion worth of goods for the industrial sector this year, and will concentrate investment on the creation of infrastructure.

"Brazil does not need [IMF] monitoring. It has the third-largest trade surplus in the world, and a lower public-sector deficit than most of its creditors," said Funaro. The problem in Brazil, he said, lies "abroad, with foreign creditors who ripped up a 20-year consensus on development when the Mexican debt crisis first broke in 1982. The credit freeze reversed the flow of funds to such an extent that Brazil, in the past four years, has paid out \$45 billion, while receiving in return only \$11 billion."

"There is a confusion in the discussion," he noted. "Who raised the interest rates, who changed the rules? Not Brazil."

Excelsior, Mexico City's most prestigious daily, warned that the risks of the present crisis are greater for obstinate creditors than for Brazil, since a hard line will intensify the solidarity of all Ibero-America with the Brazilian cause, and will trigger a nationalist awakening. "It should above all be clear that each time a nation declares itself in moratorium, it multiplies its capacity to import, precisely because it stops using its resources to pay an absurd debt and dedicates it instead to encouraging investment. . . . If later other countries should follow its example, what would be created in Ibero-America would be an enormous expanding market that would absorb abundant goods and services from the industrialized North. A little later, with the basic balance of our

economies reestablished and growth renewed, we could return to servicing the debt. This is the path that would benefit both the North and the South, but political clarity unfortunately does not appear to be an attribute of the rich countries.”

When U.S. economist Lyndon LaRouche put forward his Operation Juárez program in 1982, he defined the interest of the advanced sector just as *Excelsior* does today. It is clear that the collapse of markets in the Third World also wrecks the industrialized nations. But LaRouche wrote that if the United States refused to act rationally, Ibero-America could survive by freezing debt payments, and organizing a common market to become an economic superpower.

That common market is mapped out in a book written last year by the Schiller Institute, *Ibero-American Integration, One Hundred Million New Jobs by the Year 2000*. The book, sold in Ibero-America, and exclusively printed in English in this magazine's *Operation Juárez* series, spelled out the potentials of the common market, and measured the “illegitimate” debt of the major debtor nations. It demonstrated that, because of overcharge on interest, Brazil now owes \$33.2 billion more than it should. If the terms of trade had remained at 1977 levels, Brazil would have also saved \$91 billion. If capital flight had not occurred, by 1983 Brazil would have paid the entirety of its debt. By 1985, Brazil would have had a surplus of \$58.5 billion.

Audit the illegitimate debt

Funaro announced that his government will begin an audit to determine what portion of Brazil's debt is illegitimate. Brazil owes \$27 billion more than it would have owed, if interest rates had remained at “traditional levels,” said Funaro. Were it not for Volcker's usury, and the \$1 billion Brazil has paid in commissions alone to international banks for the favor of renegotiating debt, Brazil would owe only \$80 billion, he said. In the last five years, Brazil has paid the banks \$55.8 billion in interest alone, and still owes \$108 billion!

Funaro questioned the legitimacy of the billion dollars in commissions, noting that since he took over the finance ministry he has paid none.

The audit will uncover corrupt officials known for stuffing Swiss bank accounts with their own commissions. On Jan. 26 Deputy Hermes Zanetti, of the ruling PMDB party, from Rio Grande do Sul, charged that as much as \$20 billion was deposited into private accounts in Switzerland, a product of dirty deals around the debt. “If the guilt of ex-ministers in economic areas is proven, they should be punished, because those are crimes against the public,” said Zanetti.

Ex-Minister of Planning Delfim Netto has denied that he is afraid of an audit.

Brazil's investigation follows moves by Peruvian President Alan García to clean out corrupt officials who, for personal profit, handed his nation over to foreign predators. The recent indictment in Peru of David Rockefeller's favorite

banker, Pedro Pablo Kuczynski, co-president of First Boston International, for defrauding Peru of \$800 million in 1980, when he was energy and mines minister, set the tone for Funaro's move.

According to the *Financial Times* of London, “unlike so many of his predecessors, Mr. Funaro is not a wheeler-dealer pragmatist.” He is nicknamed “the Messiah,” reflecting “respectful awe and barely-concealed alarm at the minister's apparent utter conviction as to the justice of his cause. Many believe that his courageous and apparently successful battle with cancer of the lymph glands, has reinforced in him a sense of being the man chosen by destiny to lead his nation from debt enslavement.”

García and Brazilian President Sarney, both deeply religious Catholics, have cited Pope John Paul II and the document of the Vatican's Commission *Justitia et Pax*, in their battle to place human life above debt payment. The recent Vatican document on debt not only placed the blame for the misery and bankruptcy of the Third World on the IMF and usury; it also criticized poor countries' “negligence” in permitting “fiscal fraud, corruption, monetary speculation, and private capital flight”—evils Brazil and Peru are moving to clean up as they rebuild their economies.

Great projects and a regional currency

Little by little, the debtors' front is forming, Peru's President García told a group of foreign correspondents on Feb 24. “We are on a path of no return.” There are no longer any in-between arrangements for the debt problem, he told them; it is impossible for the debtors to pay under current conditions. A specific dilemma exists: Either you pay, or you grow economically. Foreign credit is “a myth,” because as everyone knows, more currency leaves Latin America than enters.

García outlined five phases in the battle for a debtors' cartel. The first phase—bilateral negotiations—created a “front of frustrated negotiators.” The second step—unilaterally limiting payments—was begun by Peru. Brazil has now joined, and “I am sure others will make the same decision,” he said. Because of Brazil's economic weight, its decision has “enormous importance,” and “can open a much wider road than Peru could.” The next step must be the adoption of “a macro-economy without misery for all the peoples of Latin America. That is,” García said, “seeking forms of non-IMF macro-economic development,” which avoid the worsening of “structural defects, centralism, bureaucratism,” and the amassing of “rentier wealth.” Then, the fourth step will be to relaunch the development model of each one of our countries, as in the decade of the '50s and '60s. The fifth phase will be “economic, political, and moral union,” where Latin America will arrive sooner or later, to break its vicious cycle of poverty, García concluded.

The following day, Peru's foreign minister, Alan Wagner, announced that President García will meet with President Sarney as soon as possible. The foreign ministries of

both countries are now working to coordinate a date for an "Amazon summit," whose agenda will include trade relations in the context of the Amazon Cooperation Treaty, the collapse of border trade, and needed road connections between the two countries.

Days before, García had announced the discovery of huge gas deposits, the equivalent of 1.2 billion barrels of oil, in Ucayali, in the southern jungle region. He said that a pipeline could be built to Brazil, whose key vulnerability is its lack of energy self-sufficiency.

Brazil must turn to Ibero-America for trade, and provide an "umbrella" for other countries which become disillusioned with the IMF accords, the secretary of international relations of the Brazilian Democratic Movement Party (PMDB), Deputy Fernando Gaspariat, said Feb. 23. "The crisis now begins to affect all at the same time," he said, "and will bring about a better understanding than ever before." Brazil must change business partners, and reactivate trade with Ibero-American countries to prepare for possible reprisals, he argued. Venezuela, for example, was once Brazil's principal oil supplier and could become so again, if Brazil exported cars and other products in return. In this way, Brazil's position on the debt could create bonds of solidarity with the rest of the continent.

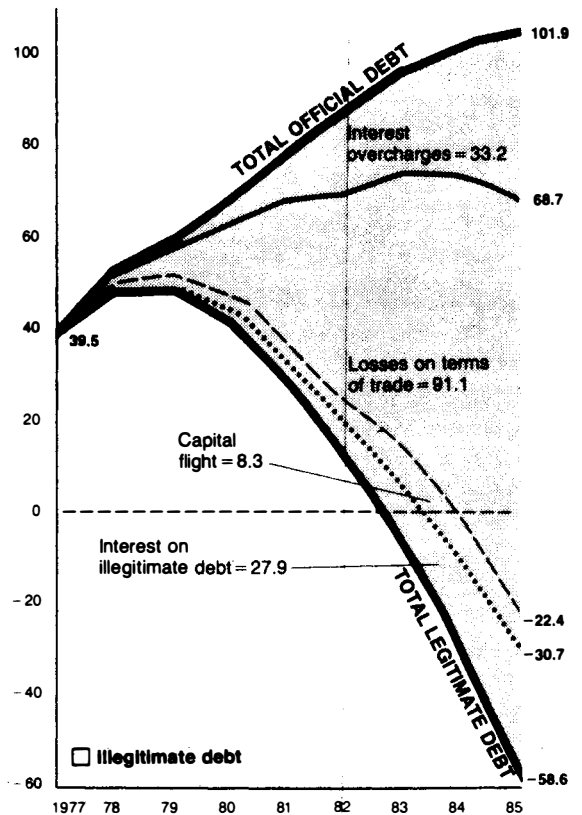
To facilitate just such a common-market approach, Funaro ordered studies into how a regional currency could guarantee imports at levels necessary to maintain economic development and normal supplies, even during the exchange crisis. The central bank's director of foreign affairs, Carlos Eduardo de Freitas, and the executive secretary of the Customs' Policy Commission, José Tavares de Araujo, who have been working on the possibility, were given six months to come up with a plan. Tavares is "optimistic" about the possibilities of regional trade. Peru's García has been working for such a currency for over a year.

The new currency was one of the main issues which Funaro discussed with Brazilian business leaders who were worried about a possible cutoff of supplies of oil, raw materials for the pharmaceutical industry, and other items not produced inside Brazil, after the moratorium. The National Federation of Industries (CNI) backed the government, after meeting with Funaro. "The suspension of dollar payments on the interest of the foreign debt . . . was a just decision that could not be postponed, based on the exercise of national sovereignty, to avoid recession and preserve internal conditions of social and political stability," the CNI document states. The country could not withstand a new round of unemployment, "which would inevitably follow a drop in productive activities, if the orthodox route of generating trade surpluses at all costs to cover debt service, was followed."

CNI President Alvaro Franco, who presented the document to Funaro, attended the December 1985 conference at Rome's Urbaniana University, where Joseph Cardinal Ratzinger delivered his famous address on "Economics and Morality."

Foreign debt of Brazil, 1978-85

(billions of dollars)



Sources: ECLA and authors' estimates.

Brazilian Finance Minister Dilson Funaro announced on Feb. 25 that his government would begin an audit to determine what portion of Brazil's \$108 billion foreign debt is legitimate. He calculated that, had the U.S. Federal Reserve not jacked up interest rates starting in 1979, the debt would have been \$27 billion less.

Readers of *EIR*'s "Operation Juárez" series know that the actual situation is even more shocking: In an equitable environment, Brazil today would have no debt at all! Brazil has suffered acutely from shifting terms of trade since 1977, paying \$12.8 billion more for its imports because of their higher prices, and receiving \$78.5 billion less for its exports, whose values have declined. Adding to this the savings Brazil would have accrued from stable interest rates and the elimination of flight capital, would have enabled Brazil to pay off its entire debt by 1983. (See *EIR*, Oct. 10, 1986, pp. 16-21.)

A new era begins as Brazil collapses world banking system

by Lyndon H. LaRouche, Jr.

The following statement, by 1988 Democratic presidential candidate LaRouche, was released to all international news services on Feb. 21.

At 2030 hours, on Friday, Feb. 20, 1987, the government of Brazil broke the political power of the International Monetary Fund, bringing the hopelessly bankrupt world banking system to the brink of an overdue collapse. This act of patriotic political will by the government of Brazil, closes the curtain on an entire era. A new era has begun.

Addressing a nationwide Brazilian television and radio audience at that time, Brazil's President José Sarney announced, that the government of Brazil is "suspending payment on the interest of its foreign debt." Mr. Sarney stated at the outset, that his decision had been reached with the combined forces of all Brazil's "ministers of state, the president of the Supreme Federal Tribunal, the presidents of the House and Senate," and "the head of the Chiefs of Staff of the Armed Forces."

Anyone who imagines that Brazil is bluffing, is suffering a dangerous delusion. This was a collective decision of Brazil's elites. These elites resolved that this action was taken as a matter of the nation's national security, and that any Brazilian who opposes these measures from the standpoint of General Vernon Walters or Henry A. Kissinger will be judged accordingly. The address announcing the policy contains several other crucial internal features which will send shudders down the spines of wiser circles among the OECD governments and financial markets.

The key policy formulations contained within the address include a number of the same axiomatic points elaborated in my widely-circulated, August 1982 *Operation Juárez*. The announcement also contains a signal reference to recent statements on monetary reform by Pope John Paul II. "We are going to negotiate a solution for amortizing our debts within parameters which do not compromise national development." "Indebtedness must not harm the basic living needs of a people." "Brazil had [in the past] to resort to the Monetary Fund under circumstances that are well known. Today

this is not the case." "We will tolerate no treason against the country on the pretext of criticizing the government [on the matter of this decision]."

The historical irony of the international situation triggered by Brazil's decision, is that I am the only leading political figure of Western Europe or North America who understands this crisis, and knows the courses of action which must be taken to overcome it. Unless the U.S. President takes immediately those emergency actions which I prescribed for such a development, during 1982 and 1983, the entirety of the international banking system will be plunged into a chain-reaction collapse far worse than that of 1931-32. Not even the Swiss banking system could resist the tidal wave of financial collapse. Either all of the previous monetary and economic policies of the Nixon, Ford, Carter, and Reagan administrations are swept aside, and replaced with the emergency measures I have proposed in such documents as the widely-circulated *Operation Juárez*, or, it is a virtual certainty that 1987 will be the year of the greatest international financial collapse in modern history.

Admittedly, Brazil's foreign debt represents merely an approximate one percent of the total mass of international debt involved. During the 1970s, the financial systems of Europe and North America could have absorbed a shock the size of the Brazil debt moratorium. As a result of policies adopted by the United States in October 1979, and the Kissinger policies which President Reagan adopted in response to the debt-crisis of 1982, the international financial markets are now so rotted out, that those markets in their present form can not tolerate the ripple effects set radiating throughout the world by this new development. The accumulation of "junk bond" paper, and paper linked to "off-balance-sheet lending," has transformed the international financial markets into a "pack of cards." A blow of the force of the Brazil action is sufficient to cause the whole deck to collapse.

The relevant gentlemen of North America and Europe's governments, political parties, and financial institutions, have more than sufficient power to reject my proposed emergency actions. However, should they reject my standing proposals,

as democratically or dictatorially as they might choose, they will have chosen the worst financial and economic collapse in modern history.

A few years ago, leading executives of a powerful European banking consortium conveyed the following opinion of my *Operation Juárez* to me through a top official of their consortium. "What you propose will work. However, we don't like it much, and therefore we will oppose it." Some financial officials, such as these, are by no means as stupid as the key executives of Citibank have shown themselves. Those who are not stupid will now have to reconsider my policies, as the only available alternative to the chain-reaction collapse of their financial system as a whole.

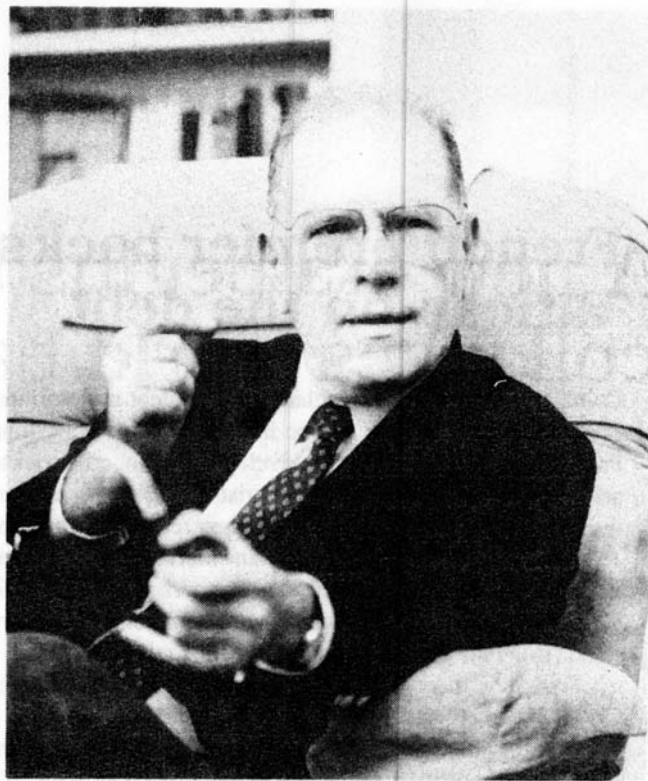
With Friday's actions by Brazil, an era has come to an end. The U.S. and Western European economic and monetary policies of the past 20 years are finished. Before us, there are only two roads leading into the future. If the actions I have proposed are taken, a new monetary system and a general economic recovery are the future. If those options are rejected, the United States and Western Europe, in particular, are on a steep downhill path to a disaster beyond the imagination of all but a tiny minority of experts.

Whatever happens, each of you is now living in a period of history unlike anything in the experience of any living person. For people like Henry A. Kissinger and his circles, this is *Götterdämmerung*, the fall of the gods of Mount Olympus. For all of us, the decisions which must be made in these days, weeks, and months, will shape life on Earth for 50 to 100 years still to come, and probably far beyond that. "Ordinary times" are a thing of the past. So-called "practical experience" of politicians and political parties has now become worse than useless.

Exactly what choice of road will be made, no one can predict. That depends on political decisions of governments, primarily, and, to a lesser but very significant degree, on private decisions of financial and other powerful private institutions. Which road will be chosen, and how fast events will move down the chosen road, are, within outer limits, matters determined largely by such political and kindred policy-making decisions. So, precise predictions, in terms of exact days, weeks, or months, can not be made without knowing in advance what political decisions will be made on choices available at each point in the process.

Even so, some very good, and very necessary estimates can be made. If governments and bankers attempt, stubbornly, to maintain the monetary and economic policies which have failed, the most governments could do would be to slow down the rate of collapse slightly, and for only a short period of time. If we choose the other road, the range of policy-choices we have during the weeks and months just ahead is very limited. The kinds of choices are very limited in number, and the time available to choose them is a matter of days or weeks before a full-scale catastrophe strikes.

The situation should be compared to the case of a man falling from a plane. It is a matter of his "free choice" whether



NSIPS/Philip Ulanowsky

*Lyndon H. LaRouche, Jr. A statement by him on Brazil's debt moratorium was excerpted in the daily *Correio Brasiliense*, which is read by all government officials in Brasilia.*

he opens his parachute or not. All of us are forced to make decisions that many of us do not wish to be forced to make. We are forced to decide now, not after the months of debate and compromise most would prefer. If we do not like to be forced to make such clearly defined choices now, we should have thought about that years ago, when we chose to adopt or merely tolerate the monetary and economic policies which have created the present crisis-situation, step-by-step, over approximately the past 20 years.

As President Sarney's address of Friday evening points to this fact, Brazil's moratorium on interest payments was that government's voluntary choice. Yet, it was not a matter of arbitrary choice. They had seen the decision coming for about four-and-a-half years, and had slowly prepared themselves to be ready to make such a decision. Events had reached the point, at which they saw no existing, acceptable choice, but to act on that decision for which they had prepared themselves over the past four years. We have entered a period of crisis, in which the range of policy-choices is very limited, and in which the time allowed to debate such choices is almost nonexistent.

Only leading men and women who have the combined knowledge, concentration-span, and capacity to make Earth-shaking sudden decisions, are qualified to lead the world through that long-awaited crisis which erupted this past Friday evening.

French premier backs Vatican on the debt

Coinciding with Brazil's declaration of a debt moratorium, French Premier Jacques Chirac has joined with Pope John Paul II to support the effort of developing-sector countries to achieve a just solution to the debt crisis. Speaking at a meeting of the American Chamber of Commerce in Paris on Feb. 19—the day before the Brazilian moratorium was announced—Chirac denounced the “hypocrisy” of the creditors, and criticized the role of the International Monetary Fund (IMF) in “destabilizing” the world's governments.

Four days later, French Agriculture Minister François Guillaume met with the Pope at the Vatican to discuss a “Marshall Plan” for development of the Third World countries, in the spirit of the new document of the Vatican's *Justitia et Pax* Commission, “An Ethical Approach to the International Debt Question.” The Pope designated Roger Cardinal Etchegaray of *Justitia et Pax*, a Frenchman, to pursue the initiative; French Economics Minister Edouard Balladour, in turn, submitted the Vatican's document to his staff for study. Balladour, in an interview with *Paris-Match* magazine published Feb. 27, explained: “I have a moral conviction: We have duties toward them [debtor nations]. These countries have to help themselves, but we have to help them too, especially those which are often indebted because they were forced to be.”

Chirac's move is the first by a top-ranking Western leader in support of Brazil. It represents a policy shift of potentially far-reaching import; for while Chirac has been a strong partisan of the Western alliance against the “decouplers,” and has carried out a tough anti-terrorism campaign, still his economic policy has been a disaster—closer to Margaret Thatcher than to Charles de Gaulle.

Jacques Cheminade, the chairman of the European Labor Party in France (POE) and a collaborator of Lyndon LaRouche, declared upon hearing of Chirac's moves: “The suspension of Brazil's interest payments on its foreign debt is the decisive shock which will force Western leaders to confront their responsibilities. We are convinced that France, strong because of its industrial achievements in the years of de Gaulle and Pompidou, independent because of its *force de frappe* [nuclear deterrent] and its advanced research capabilities, can and must be the OECD country which dares to seize this opportunity. The Marshall Plan of François Guillaume and Jacques Chirac is an essential step in this direction, and

we support it totally.”

Chirac, in his speech to American businessmen, took up the moral theme of the Vatican documents. “How may we define values presented as in conformity with the dignity of man, and at the same time let countries die of despair and starvation?” he asked. He characterized this attitude as “irresponsible and unworthy of the values we want to defend.” Criticizing the “hypocrisy of the creditors,” he said that it was in the political interest of the democratic countries “to find the means to prevent a deterioration of the debt of these countries. . . . It is time to stop the hypocrisy and assume our responsibilities toward those populations, not merely wait for readjustment procedures proposed by the IMF, whose inevitable result is the destabilization of political regimes and more misery, and whose effect is to bring countries back to economic equilibrium to allow them to borrow tomorrow, for the greater profit of big Western bankers.”

The concept of a Marshall Plan

Chirac has long had the idea of a “Marshall Plan” for the Third World under consideration, according to reports in the French press. In 1975, he proposed a system for the “moral use” of surplus petrodollars, which would make it possible for oil-producing countries to issue long-term loans at low interest rates to the poorer nations, with the industrialized countries of the North providing the human and technical resources needed in the South.

Agriculture Minister Guillaume, in a Feb. 21 interview in *France-Soir*, explained the idea of making the surplus food stocks of the European Community available for Third World countries where people are starving—in opposition to the current EC policy of reducing agricultural production. He proposed that the EC stop subsidizing grain sales to the Soviet Union, but sell at standard prices, using the profits to provide food aid to the Third World.

“There is something which is shocking to me,” Guillaume added. “I am a farmer, and a farmer is one who produces. As a farmer, I was forced to reduce milk production by quotas. . . . This gulf between countries that are stockpiling, reducing production, and the countries whose populations are starving, is unacceptable for a farmer, and for a man who has a humanitarian sense. . . . I thought that the moral authority of the Pope, which is unquestionable, and his dynamic personality, could help things move forward. . . .”

“Let's take the example of the Marshall Plan after the war. The effort of the United States on behalf of Europe was considerable. And the United States benefited from this, because Europe did develop herself. From this initiative, the Western world could draw a political advantage, in the noble sense of the word. . . . We will have helped a country to start its development, and there are greater chances it will look to the West rather than to the East. For the moment, it is looking toward the East.”

African leaders may link up with Brazil

by Mary Lalevée

While African nations' debt is far smaller than that of the Ibero-American nations—an estimated \$250 billion for the entire continent south of the Sahara—but given the fragile and underdeveloped state of Africa's economies, it represents a crushing burden. Debt service alone is now consuming 20-50% of the GNP of most African countries, and this year's chairman of the Organization of African Unity (OAU), Congo's President Denis Sassou Nguesso, told European leaders on his recent tour that "Africa is producing *solely* to repay debt."

The World Bank's report on African debt, published in January, describes the debt as "an enormous and painful problem," getting worse every day, and this despite no fewer than 87 rescheduling agreements with 22 African countries since 1975. According to the World Bank, African nations were behind in interest payments alone to the tune of \$4 billion per year. "These countries' arrears are now over \$12 billion, representing more than 20% of their medium- and long-term public debts," according to the report.

For once, the World Bank does not blame "mismanagement" or "corruption" on the part of African governments for this disastrous situation, but correctly describes the main cause of the problem as the drastic fall in the price of Africa's export products. The report says that the situation in Kenya, Sudan, Nigeria, Côte d'Ivoire, Zaire, and Zambia is "worrying." So "worrying," that for the first time ever, the president of the World Bank, Barber Conable, made a two-week tour of Africa south of the Sahara. Increasing discontent in countries that have faithfully followed the prescriptions of the International Monetary Fund and World Bank, and increasing African awareness of the debt fight in Ibero-America, could mean that more African nations break with the IMF and follow the examples of Peru and Brazil, in limiting or postponing debt payments.

The Ibero-American model

African efforts over the last five years to apply IMF medicine have not been rewarded: Zaire, regarded as the "IMF's model pupil," followed the example of Peru's President Alan García last November, and imposed a 10% maximum on the

amount of export revenues that could be used for debt servicing, and issued a government declaration attacking IMF methods.

Now, steps are being taken in Africa to link up directly with the Ibero-Americans on the debt question. President Mobutu of Zaire has just completed his first trip to Ibero-America, visiting Brazil Feb. 16-19, shortly before that country's Feb. 20 announcement of a moratorium on payment of interest on its foreign debt. President Mobutu then went to Argentina for two days, then on to Washington. Before returning to Kinshasa, he was due to stop in Paris and Bonn. According to the French newsletter *Lettre d'Afrique*, African debt was going to be the main issue of his talks. The newsletter wrote in its Feb. 9 issue, that African leaders had begun "an all-out mobilization to find a solution to the difficult problem of external indebtedness of their continent."

Another part of this mobilization was the three-week European tour by OAU chairman Nguesso. On Feb. 9 he arrived in Paris, followed by visits to Brussels, London, and Madrid. According to French sources, Nguesso intended to discuss the question of African debt with European leaders, and to try and win support for the idea of a special international conference on African debt. Little was said publicly on the debt issue, but Radio France International commented that it seemed he had received little support for his proposals, with most European leaders telling him they thought they were already doing enough to help Africa.

'Rebellion' against the IMF

Anger at IMF policies was expressed at a meeting on Feb. 14 of ministers from the West African "franc zone" countries (Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, and Togo). A news report from the meeting in Yamoussoukro, Côte d'Ivoire, where the meeting took place, quoted one minister present saying that there had been a "joint rebellion against the IMF and the World Bank." The ministers called for "new relations" with international financial bodies, saying there was a need for "policies which promote economic growth." Hinting strongly at a break with the IMF and World Bank, the ministers said they had discussed ending all bilateral talks with these two institutions.

The fall in the prices of Africa's exports has been aggravated by the fall in value of the dollar (most of Africa's exports are priced in dollars). For the first time at the beginning of February, an official of Côte d'Ivoire spoke publicly of his government's concern about the effect of accelerated fall of the dollar on the economies of Third World countries. The *Lettre d'Afrique* reports that business circles in Abidjan have stressed that while the fall in the dollar reduces that part of the country's debt denominated in dollars, the negative effects are far worse. Côte d'Ivoire is losing 800 billion CFA francs (approximately \$3 billion) because of the dollar's decline, as 80% of the country's exports (especially cocoa and coffee) are priced in dollars.

People with Brazil, President with banks

by Hugo López Ochoa

"We do not want to embark on economic warfare adventures or sterile international controversies," the President of Mexico, Miguel de la Madrid, told members of the Confederation of Workers of Mexico (CTM), who were meeting to celebrate the 105th anniversary of the union's founding on Feb. 26.

This was his answer to the popular outcry in favor of the formation of an Ibero-American "debtors' club," an outcry which has been building since the historic decision of Brazilian President José Sarney to suspend indefinitely the interest payments on his country's foreign debt. The Mexican head of state waited five days to react to Brazil's courageous action.

Not accidentally, the first voice raised in Mexico in support of Sarney, came from the Catholic Church. On Feb. 21, while announcing that Pope John Paul II was invited to visit Mexico in 1988, Cardinal Ernesto Corripio Ahumada, Archbishop Primate of Mexico, said: "The suffering of the people as a result of the burden that payment of foreign debt means for the country, can be an element, from the religious standpoint, to consider seeking a suspension of payments." Like President Sarney, the Mexican cardinal cited a document on debt recently released by the Church (see page 28). "We Mexicans have to analyze the particular situation of the country, and see whether in Mexico the conditions are being fulfilled which the Pope considers to state that the debt is unpayable if one does not commit a crime against the necessity of development of peoples," he said.

Then he warned that "the pressure on Mexico is greater than in the case of other Latin American countries," and asked, "How far is Mexico from those it owes, and how far is Brazil?" The answer came from Sen. Faustino Alba Zavala, secretary of the CTM union, on Feb. 25: "Mexico must head up a Debtors Club of Latin America, since it has started to form with the moratorium declaration of Peru and Brazil

and possibly Argentina and Ecuador. To negotiate unilaterally would entail serious consequences for our country, because it is the closest neighbor of the United States."

He went on: "If they keep on filching credits and putting off the delivery of fresh money, Mexico will have no recourse but to declare the suspension of interest payments on its foreign debt . . . to counteract the creditors' actions, the only possibility is to set up a bloc. In this way, desperation would turn into success for everyone, especially for Mexico." The day before, CTM leader Fidel Velázquez, asked about Corripio Ahumada's remarks, said that the labor movement would back "any means that would get this weight off our backs."

This gives an overview of the battle cry which has spread throughout Mexico like wildfire, following Brazil's courageous action. The echo of this battle cry is resounding in the Mexican Senate. On Feb. 25 Antonio Riva Palacio, head of the Senate, warned, "Neither moratorium nor the hardening of Mexico's position against the creditors to arrange better payment conditions should be ruled out." "We cannot pay beyond our capacity. . . . We require that negotiations be subject to the assignment of credits for the country's development."

Trilateralists tottering

Since Brazil's move, what little credibility remains in the "rescue package" which Finance Secretary Gustavo Petricioli worked out with the creditors last July is shot to smithereens. In eight months of talks, the 400 creditor banks of Mexico have not "reached agreement" on the parceling out of the \$12 billion originally agreed to. The money was to have started to flow into Mexico on Jan. 1, 1987. Supposedly, the credit would come from even the smallest of the creditor banks, so that no bank will benefit over another that did not kick in. On Feb. 24 the Mexican press reported that many of these little banks no longer exist, because they went bankrupt! Anyone with an ounce of wit knows that the big banks don't want to contribute, because they, too, are going bankrupt. "Without wanting to be a jinx . . . with the Brazil problem I think the situation will get more acute . . . if now there is no money . . . [the bankers] are not going to have money in three months, nor in six," said Francisco Hernández Juárez, president of the Labor Congress, the umbrella organization for Mexico's trade unions, on Feb. 24. Two days earlier, he had warned that Brazil's moratorium "could cause Mexico to adopt the same position." CTM chief Fidel Velázquez has never believed in the Mexican deal with the IMF, the "model" for the debtor countries. On Feb. 23 he remarked caustically: "I said already that I hope the credits are sent by burro, and now I say, it looks as though the burro got tired."

Even the most rabid monetarists are recognizing reality. Luis E. Mercado, financial columnist in the daily *El Universal*, and spokesman for Bank of Mexico director Miguel Mancera Aguayo, warned on Feb. 20 that given the small

amount of liquidity that the banks have, "there is a danger that [the bankers] might put off making the accord with Mexico concrete, and dedicate their attention to the new conflict they have on their hands." Mexico "needs to put on as much pressure as necessary to avoid its being postponed or falling."

The first official response of the Mexican government came from the Trilateraloids who control the economic cabinet of President Miguel de la Madrid. Up to Feb. 24, their answer was the same as all of the world's Trilateraloids: No panic on the deck of the Titanic. One by one, Planning and Budget Secretary Carlos Salinas de Gortari, Finance Secretary Gustavo Petricioli, and Bank of Mexico chief Miguel Mancera, swore there was no risk to the credits to Mexico, that there are enough reserves, and everything is fine. Gustavo Petricioli, while warning that "the technical moratorium announced by Brazil makes evident the great risk being run by the international financial system due to the lack of cooperation by the banks," said cynically that Brazil's action "is what Mexico already did in 1982," and that he was sure Brazil "could be as lucky [sic] as Mexico."

No one believed them. On Feb. 23, *El Universal* ran a cartoon of Salinas de Gortari, who says, "we will follow our own path," and falls off a cliff. By Feb. 25, Petricioli had to call a press conference where, Miguel Mancera at his side, he announced, "Mexico can no longer go on waiting for the arrival of the 'fresh' dollars and is ready to leave out of the deal" the tardy banks. The deadline he set was March 20. Petricioli insisted that Mexico could apply the "reciprocity rule" to the laggards, and practically would sign with whoever shows up. Petricioli called this "negotiated confrontation." The "strong card" of Petricioli and Mancera was that Mexico increased its dollar reserves to more than \$7 billion thanks to the last oil price increase, with which "we guarantee our payment capacity." Mexico's foreign debt is at \$100 billion.

While Petricioli was giving his press conference, the international newswires put out the story that the price of North Sea Brent crude had collapsed by \$1.50 in less than 48 hours.

Frustrated negotiators

The Petricioli-Mancera press conference, was the last desperate attempt of what Peru's Alan García called on Feb. 26 the "frustrated negotiators." After March 20, there will be no arguments left to keep on with what Petricioli called "moderated support" toward Brazil. Perhaps before that, the dynamic of the Brazilian movement may accelerate things internationally.

Sen. Antonio Riva Palacio, cited above, said on Feb. 25 that "even, and probably, during the XIIth National Assembly of the PRI [the governing party], the Mexican posture on debt will be redefined." That assembly takes place in early March.

Various national newspapers have started a process of

popular "education," with far better-aimed commentaries on the Brazilian movement than the economic cabinet's "frustrated ones." On Feb. 23, *El Sol de México*, tied to ex-President Luis Echeverría, wrote that "Our architects of economic policy feel called to be the saviors of the international economic system," when "What is important now is to take advantage of the conjuncture to re-draw the scheme of economic relations between debtors and creditors, without settling for limited reforms or half-way concessions." The largest-circulation daily *Excelsior* wrote: "The Brazilian moratorium represents . . . a redefinition of the debtors' political horizon. . . . If the banks crack down on Brazil, they will speed up the solidarity of Ibero-America as a whole with the Brazilian cause and will light the fuse of a nationalist awakening that could change the balance of continent forces." In reference to the "Group of 7" finance ministers' meeting in Paris, *Excelsior* added: "It seems incredible that . . . they don't recognize in the new debt crisis a unique opportunity to get development back on track. . . . It should be clear, above all, that every time a country declares a moratorium, its importing capacity multiplies, precisely because it stops using its resources to pay an absurd debt. . . . For the moment it is only Brazil, but if later other countries follow this example, what will be created in Ibero-America will be an enormous, expanding market, which will absorb abundant goods and services coming from the industrialized North. . . . Shortly thereafter, it could get back to servicing the debt."

Joining Brazil and Peru—or dictatorship

President Miguel de la Madrid got the David Rockefeller prize (formerly of the Trilateral Commission) for treating the banks nicely, in August 1986. He seems convinced that nothing will happen in the crow's nest of the Titanic. But the mood of the country is getting ever harder to ignore. On Feb. 26, Alfonso G. Calderón, the second in command of the CTM, proposed to President de la Madrid that "in the face of the creditors' pressures . . . if the government considers some measure, however extreme it seems, it will count on the support and backing of labor," an obvious reference to the Brazilian-Peruvian solution. Then he warned that the breakdowns provoked by the economic crisis "have led to a social unrest which is fatally going toward desperation . . . the opportunity desired by our enemies who have a propensity for the sound of pots and pans and the advent of a dictatorship."

The labor leaders have warned Miguel de la Madrid several times that they cannot counter this desperation if the President does not take leadership. On Feb. 27, the Labor Congress put off for 10 days, to March 9, a general strike call of the unions of 230 semipublic companies. The electrical workers union refused the postponement, and started striking the Central Light and Power Company that same day. This strike will affect 25 million inhabitants of central Mexico.

Argentina seeks 'better conditions'

by Carlos Méndez

"Argentina is in solidarity with Brazil for the unilateral suspension of payment of interest on the debt, but for now this does not include a common strategy, given that both countries are starting a decisive round of negotiations with the creditor banks," said presidential spokesman José Ignacio López on Feb. 24, in announcing that President Raúl Alfonsín had held a phone conversation with President José Sarney.

Consistent with this attitude, on Feb. 26 the Alfonsín government announced a new wage and price freeze, and a new devaluation of the austral currency, this time by 6.6%, although it also announced a reduction in interest rates. Before the freeze, the minimum wage only rose by 7% (which does not even cover the last quarter's inflation), while public utility and transit rates went up 2%, and gasoline prices rose 15%.

Economics Minister Juan Sourrouille said, in announcing the measures, that Argentina will not sell out the population's welfare to the creditor banks, but added, "We need to mobilize jointly to conquer inflation and continue to grow."

Economics Ministry adviser Roberto Frenkel said that Argentina would not declare a moratorium on payment of interest on the foreign debt—which is at \$52 billion—because talks are "on a good track," and "suspension of payments would not be logical."

The talks don't appear to be going so well. The creditor banks still have not come up with a new \$1.15 billion loan to Argentina as agreed. On Feb. 21 Finance Minister Mario Brodersohn stated that Argentina will not pay interest on its foreign debts if the banks do not grant that loan. On whether Argentina would take joint debt action with Brazil, Brodersohn said, in an interview the same day in the daily, *La Nación*: "I would not put it in those terms. Obviously, Brazil is going to take decisions that are compatible with the needs of its own economy, and Argentina will take its own. . . ."

Labor, Church see eye to eye

On Feb. 21, the powerful General Labor Confederation (CGT) put out a news bulletin entitled, "The debt cannot be paid with the hunger of the people." It says: "With the same words on which the general secretary of the CGT, Saúl Ubalini, based the union's principal dissent with the Argentine

government's socio-economic policy, Brazil's President, José Sarney, defying the internal and international consequences of his decision, has just announced to the world that his government has declared a unilateral moratorium for an indefinite time on payment of interest on the foreign debt which was overwhelming his country's economy."

The CGT communiqué adds, "We have warned to the point of fatigue that the hotbed of every authoritarian regime is misery, and now President Sarney seems to be paraphrasing our thoughts when he warns that bills paid with misery, will also be paid with democracy."

The CGT also says that the government is destroying the internal market by orienting exports only toward "covering the deficits of the trade balance to be able to satisfy promises to international usurers." The communiqué notes that "to achieve competitiveness of Argentine products in the foreign markets," instead of protecting national producers, "they speculate with the cheapness of slave labor which is orchestrated, through the arbitrary fixing of the wage scale, by the government team which has its head in the Economics Ministry and its working claws in the Labor Ministry. . . ."

The CGT demands have won the backing of the Catholic Church. On Jan. 28, Msgr. Italo Di Stefano, chairman of the Argentine Bishops' Social Pastoral Commission, said that "strikes hurt us all, but what hurts us worse are the causes of the strikes." Monsignor Di Stefano—who is organizing Pope John Paul II's visit to Argentina in the second week of April—also said, "businesses should be the very center of help, with their own rights and in solidarity, of manpower, technology, and capital to create wealth for the progress of the population," but that this does not now occur because of "the high cost of money, usury, speculation, and foreign debt."

The farmers, meat producers, and industrialists have manifested heavy opposition to the Alfonsín government's economic policy, which they accuse of cutting off credits for production, raising interest rates, and undermining production more and more.

On Feb. 8 President Alfonsín sent Congress a labor bill to eliminate the right to strike, and decree a "state of economic emergency" which would let him impose more austerity. Yet, President Alfonsín sent to Pope John Paul II a message expressing his "complete agreement" with the document recently put out on the foreign debt problem by the Pontifical Commission "Justitia et Pax," which condemns the usury of high-interest rates, and states that no government can morally oblige its people to suffer austerity. The Alfonsín message, published on Feb. 25 by the daily *Clarín*, says: "Let me state, in the first place, my approval of the decision that led the Holy See to concern itself with the foreign debt of our countries. . . . The document is a lofty stimulus for those of us who have insisted over the years on the gravity of the question and sounded the alarm on the risks of entrusting this situation to market forces and direct negotiations between creditor banks and developing countries."

Venezuela opts for 'debt for equity'

by Carlos Méndez

Venezuela—which is still negotiating its foreign public debt of \$22 billion, without the creditor banks having made a single concession so far—has decided to implement a debt-for-equity deal, instead of following Brazil's example. Finance Minister Manuel Azpurua informed the Congress on Feb. 25. Azpurua ruled out "rigid positions," such as Peru's decision to limit debt payments to 10% of import revenues, and said that the finance ministry and central bank are preparing a new agreement to hand ownership of both public and private debt over to the creditors.

Under heavy prompting from David Rockefeller, whose Chase Manhattan Bank is handling the debt talks, the Venezuelan government has just contracted Pedro Pablo Kuczynski, ex-minister of energy and mines of Peru, and co-chairman of First Boston International, to advise the central bank on where to put its foreign exchange reserves.

This decision, affecting one essential element of the Brazilian action—defense of the reserves—caused huge discontent in the Catholic Church, the Armed Forces, nationalist industrialists, and the general citizenry, whose living standards have plunged in the last two years thanks to International Monetary Fund-imposed austerity.

The discontent over Kuczynski is not just because he works for Rockefeller. On Feb. 10, he was indicted in his homeland for fraud, embezzlement, tax evasion, and negligence to the detriment of the Peruvian government. Putting Venezuela's dwindling reserves in the hands of a Kuczynski was certain to stir up anger. According to the Feb. 14 issue of the Caracas daily *El Universal*, the reserves were only \$9.8 billion on Jan. 31; last August, they were \$12.2 billion.

'Solidarity' has no content

President Jaime Lusinchi spoke on the telephone on Feb. 23 with Brazilian President José Sarney and Argentina's President Raúl Alfonsín, on the foreign debt issue. A news bulletin from the President's office, reported that Lusinchi "showed them our solidarity and intention not to let service on the public foreign debt . . . frustrate the legitimate aspi-

rations of our peoples to achieve economic growth and social well-being. At the same time, they exchanged views on the need for the international financial community to understand that we have the will to fulfill our promises, but with the understanding that we cannot make ourselves net exporters of capital and we must be guaranteed adequate financial flows for economic growth and social progress."

The official bulletin, which does not mention Brazil's debt moratorium, adds: "The Presidents gave instructions to their respective ministers to be in permanent contact, following the course of events, and to act in the framework of the Cartagena Consensus, to unify their efforts with the aim that within the particulars of each country, individual negotiations respond to the general principles enunciated, the most important of which is not to sacrifice the peoples' well-being."

On Feb. 24, the Brazilian daily *O Globo* reported on the conversation, saying that Sarney had told Lusinchi that "in the last two years, since I took over the government, Brazil has paid \$21 billion abroad and has not received one cent. The time has come to change the way of negotiating the foreign debt."

On Feb. 22, the influential Venezuelan daily *El Mundo* said that while official silence around the Brazilian decision is total, backroom talk has it that Venezuela's government respects Brazil's sovereign decision, but warns that the creditor banks must be intermediaries for the debtor countries to increase their hard currency income, and to keep the U.S. Congress from passing the oil tariff.

Finance Minister Manuel Azpurua said: "This is a very difficult and very dynamic situation, and it will require the banks [to take] a more flexible position. . . . If our revenues from the country's main export product are affected, we will also have to take it into account in regard to servicing our foreign debt."

The head of the ruling party Democratic Action, Gonzalo Barrios, told reporters, "The Brazilian decision will greatly influence the U.S. government and banks' attitude, and, definitively, it will be advantageous for our approach."

According to an EFE wire, printed on Feb. 22 in the Caracas paper *El Universal*, Energy and Mines Minister Arturo Hernández Grisanti said that "if revenues fall, Venezuela will not be able to pay its foreign debt, estimated at \$27 billion," and that "in the case that the U.S. Congress were to pass an oil import tariff, the entire Venezuelan economic policy would have to be revised. No government of Venezuela, even if it wanted to, could pay the foreign debt to the creditor banks with such a significant drop in its revenues."

El Universal of Feb. 19 contrasted the hard line of the U.S. bankers (especially Citicorp) on the refinancing of the Venezuelan debt, to the attitude of European and Japanese creditors. In 1987, Venezuela will have to pay \$5 billion on the principal, \$3.6 of which is public debt and \$1.4 billion private, according to the report the finance ministry and the central bank gave to the International Monetary Fund team.

Justitia et Pax: 'At the service of the Human Community'

"At the Service of the Human Community: An Ethical Approach to the International Debt Question," was published by the Pontifical Commission Justitia et Pax of the Vatican on Jan. 29. The document is now playing a central role in the movement for Ibero-American debt restructuring and economic integration. The following is an abridged version, with notes omitted.

Presentation

The phenomenon of international indebtedness has sharply increased in the last few years, presenting new challenges to the international community. . . .

In the last three or four years, the accumulation of payments due has reached such a level that many countries are no longer in a position to honor their agreements, and find themselves forced to seek further loans, thus getting caught in a web, escape from which has become very difficult to predict.

Debtor countries, in fact, find themselves caught in a vicious circle. In order to pay back their debts, they are obliged to transfer ever greater amounts of money outside of the country. These are resources which should have been available for internal purposes and investment and therefore for their own development.

The phenomenon of indebtedness brings to the fore the growing interdependence of economies whose mechanisms—capital flows and commercial exchanges—have become subject to new constraints. Thus external factors heavily condition the evolution of the debt of developing countries. In particular, floating and unstable exchange rates, the variations in interest rates and the temptation of industrialized countries have created an increasingly unfavorable environment for debtor countries that thus become still more vulnerable.

When credit agencies consider the situation solely from the economic and monetary angle, they often impose on the debtor countries terms, in exchange for accrued credit, that can contribute, at least in the short term, to unemployment, recession, and a drastic reduction in the standard of living. This causes suffering, first of all for the poorest as well as for certain sectors of the middle class. In brief, it is a situation that is intolerable, and, in the medium term, disastrous for the creditors themselves. Debt servicing cannot be met at the price of the asphyxiation of a country's economy, and no government can morally demand of its people privations incompatible with human dignity.

Faced with demands that are often contradictory, the countries in question have not hesitated to react. Initiatives on both regional and international levels have multiplied. Some have advocated radical unilateral solutions. But the majority have taken into account the globality of the problem and its profound implications, not only on the economic and financial level, but also in its social and human dimensions which place before the responsible parties ethical choices.

It is to this ethical aspect of the problem that John Paul II has frequently called the attention of international leaders, particularly in his Message to the 40th General Assembly of the United Nations, October 14, 1985.

Conscious of her mission to shed the light of the Gospel on situations involving the responsibilities of men and women, the Church once again invites all the parties involved to examine the ethical implications of the question of the external debt of developing countries, in order to arrive at just solutions that respect the dignity of those who would be most strongly affected by its consequences.

For this reason, the Holy Father asked the Pontifical Commission "Justitia et Pax" to deepen the reflection on the problem and to propose to the different parties involved—

creditor and debtor countries, financial agencies and commercial banks—some criteria for weighing the situation, and a method of analysis for “an ethical approach to the international debt question.”

The Pontifical Commission “*Justitia et Pax*” expresses its fervent hope that this document might contribute to a clarification of the choices to be made by those who exercise responsibility in this area, one which today has become a privileged place for international solidarity.

The Commission also nourishes the hope that these reflections will give renewed confidence to those persons and nations most severely tested, by once again strongly repeating that economic structures and financial mechanisms are at the service of the human person and not vice versa, and that relationships of exchange and the mechanisms of finance which go with them can be reformed before shortsightedness and egoisms—be they private or collective—degenerate into irremediable conflicts.

Roger Cardinal Etchegaray, President
Jorge Mejia, Vice-President
Pontifical Commission, *Justitia et Pax*

Introduction

Political officials and economists, social and religious leaders, as well as public opinion throughout the world, recognize that the debt levels of the developing countries constitute a serious, urgent, and complex problem due to their social, economic and political repercussions. The development of the debtor countries and, at times, their very independence are endangered. The living conditions in the poorest countries have become worse, and the international financial system is going through a series of unsettling shocks.

Creditors and debtors have tried to come up with immediate—and at times even more long-term—solutions on a case-by-case basis. Albeit insufficient and limited, these efforts need to be pursued in a spirit of dialogue and mutual understanding, in order to see more clearly the rights and responsibilities of each party.

At the same time that current economic conditions have affected the situation of developing countries to the point that some of them, especially in Latin America and Africa, are at the breaking point because of their inability to meet their debt servicing obligations, the international financial and monetary structures are also being challenged. How did this happen? What changes in behavior patterns and in institutions will make it possible to establish equitable relations between creditors and debtors and keep the crisis from continuing and becoming even more dangerous?

The Church shares these concerns, which are international, regional, and national in nature, and wishes to reiterate and specify the principles of justice and solidarity which will

help in seeking solutions. The Church speaks first and foremost to the principal agents in the financial and monetary worlds. In so doing, she hopes to enlighten the moral conscience of the decision-makers whose choices cannot disregard ethical principles, but she does so without proposing action programs which would be outside her field of competence.

The Church speaks to all peoples, especially those most in need, who are the first to suffer the repercussions of these disorders and do so with feelings of fatalism, defeat, latent injustice, and sometimes revolt. The Church wishes to rekindle within them hope and confidence in the possibility of resolving the debt crisis with the participation of all parties and in full respect for each party.

The best way to tackle these serious issues would seem to be in a global perspective which would be at the same time an ethical approach. For this reason, it would seem necessary to highlight the ethical principles applicable to these complex situations.

The present text has made use of many studies on the international debt that have already appeared. Ethical in nature, this global perspective allows all the responsible parties, be they persons or institutions, on both a national and international level, to carry out a reflection, adapted to the situations that are within their competence. To all those who will heed its words, the Church expresses, from the very outset, its firm conviction that cooperation which goes beyond collective egoism and vested interests can provide for an efficient management of the debt crisis and, more generally, can mark progress along the path of international economic justice.

I. Ethical principles

1. Create new forms of solidarity

The debt of the developing countries must be placed in a broader context of economic, political, and technological relations which point to the increased interdependence between countries, as well as to the need for international collaboration in pursuing the objectives of the common good. In order to be just, this interdependence should give rise to new and broader expressions of solidarity which respect the equal dignity of all peoples, rather than lead to domination by the strongest, to national egoism, to inequalities and injustices. The monetary and financial issue therefore commands attention today in an urgent and new way.

2. Accept co-responsibility

Solidarity implies an awareness and acceptance of co-responsibility for the causes and the solutions relative to international debt. The causes are both internal and external. While they are specific to each country and to each political and economic system, these causes also stem from evolutions in the international environment which depend to a great extent on the actions and decisions of the developed countries. . . . Co-responsibility concerns the future of countries

and of entire populations, but also the possibilities of international peace based on justice.

3. Establish relations of trust

Co-responsibility will help to create or restore relations based on trust between nations (creditors and debtors) and between the various agents (political authorities, commercial banks, international organizations) for cooperation in the search for solutions. Mutual trust is an indispensable value which must be constantly renewed. It nourishes belief in another person's good faith, even when difficulties prevent that person from respecting his commitments, and makes it possible to continue treating him as a partner.

4. Know how to share efforts and sacrifices

In order to emerge from the international debt crisis, the various partners must agree on an equitable sharing of the adjustment efforts and the necessary sacrifices, taking into account the priority to be given to the needs of the most deprived peoples. It is the responsibility of the countries that are better off to assume a larger share.

5. Foster the participation of all

Financial and monetary officials have the prime responsibility for finding solutions to the debt crisis, but they share this responsibility with political and economic leaders. . . . In these new ethical domains, the Church is called upon to specify the requirements of social justice and solidarity with respect to the situations of individual countries, seen within an international context.

6. Identify emergency and long-term measures

The urgent nature of the situation in some countries calls for immediate solutions in the context of an ethics of survival. The main effort will have to be brought to bear on economic and social rehabilitation: recovery of growth rates, productive investments, resource creation, equitable sharing. . . . In order to avoid a return to crisis situations with overly abrupt changes in the international environment, a reform of the financial and monetary institutions also needs to be studied and fostered.

II. Action in emergency situations

In the case of some developing countries, the total amount of the debts contracted, and especially the interest and principal payments due each year, are so high in relation to available financial resources that meeting these obligations would cause severe damage to their economies and the standard of living of their populations, particularly the poorest classes. In addition, this critical situation is worsened by external circumstances which tend to lower their export revenues or make their debts all the more difficult to service. Unable to meet their commitments to their various creditors, some of these countries are on the very brink of bankruptcy. International solidarity calls for emergency measures to ensure the survival of these countries.

The first thing to do is to foster dialogue and cooperation on the part of all for immediate help. It is also necessary to

avoid payment defaults which could destabilize the international financial system, with the attendant risks of a generalized crisis. Therefore, an ethics of survival should guide attitudes and decisions: avoid breaches between creditors and debtors as well as any unilateral termination of prior commitments; respect the insolvent debtor and do not burden him with immediate and intolerable demands which he cannot meet. Even if such demands are legal, they can become an abuse. With the Gospel as the source of inspiration, other types of action could also be contemplated such as granting extensions, partial or even total remission of debts, or helping the debtor to regain solvency.

One way to contribute to healthier international economic relations and to foster agreement about emergency measures to be adopted would be to foresee, prevent, and attenuate such crises which are unfairly advantageous to some, excessively injurious to others, and often lead to unjust speculation. Coordinating structures need to be set up as quickly as possible. . . .

Because of their mandate, certain international organizations bear a special responsibility. For example, the International Monetary Fund (IMF) is responsible for helping member states to redress deficits in their balance of payments and to resolve their monetary difficulties. To this end, the IMF has at its disposal the necessary financial resources. Its role, as well as its methods of intervention, have developed considerably over the last few years. In numerous cases, however, the IMF's decisions have been ill-received by the leaders and the general public of countries in difficulty; the decisions in question may seem to have been imposed in an authoritarian and technocratic way without due consideration for urgent social requirements and the specific features of each situation. It would be advisable to bring out clearly that dialogue and the service of all concerned are values which guide the actions taken by the IMF.

The various creditors—states and banks—also bear very concrete responsibility in the area of emergency. Coordination is necessary if this responsibility is to be carried out justly and efficaciously, with an equitable sharing of immediate duties both in regard to the country in difficulty and to the IMF.

. . . Special care needs to be taken to identify, among the various causes of a country's debt situation, those that are attributable to global mechanisms which seem beyond control; for example, the fluctuations of currency used for international contracts, shifts in the prices of raw materials which are often the object of speculation on the major stock markets, or the sharp drop in oil prices.

Helping whoever is in dire need is indispensable but it is not enough. That type of assistance would even be illusory if at the same time the foundations were not laid for economic and financial recovery in the future. Most often the crisis does not depend on a simple accidental convergence of factors, but rather on deeper causes which a crisis brings to the

surface. Emergency arrangements must be linked to medium and long-term adjustment measures.

III. Joint assumption of responsibility for the future

The multilateral financial organizations will fulfill their role if their decisions and actions are taken in a spirit of justice and solidarity at the service of all.

The peoples themselves have the prime responsibility to work for their own development. But they will not bring this about in isolation.

In order to handle these new tasks, some reorganization is most assuredly necessary: the adaptation and expansion of their interventions, increased means for actions, effective participation of all members in decision-making, contribution to development targets, and priority for the needs of the poorest populations. As early as 1967, Pope Paul VI had expressed hope for this reorganization with a view to "the development of peoples."

Confidence, which is a necessary element in generating a national consensus in accepting a fair distribution of sacrifices, and thereby assuring the successful outcome of adjustment measures, is not the result of economic measures alone. It is only granted if impartiality and the service of others emerge as the motives behind decisions, as opposed to the interest of one nation or social category. It is up to the member states, especially the ones with preponderant influence in the decision-making process because of their economic power and level of contributions, to support these organizations in an active way, to specify their tasks, to expand their endeavors, and to turn these sites of power into centers of dialogue and cooperation for the international common good. Each of the multilateral financial organizations—International Monetary Fund (IMF), the World Bank, regional banks—has specific functions, and hence responsibilities in its own right. In order to highlight their inherent character of solidarity and concordance, these bodies will have to acknowledge the need to increase representation of developing countries and their participation in the major international economic decisions that affect them. It will be the concern of these agencies to coordinate their efforts and policies to respond in a specific and coherent way to the most urgent debt needs with an eye to the future. They will also have to consult with the other international financial agents in order to determine, in dialogue with the debtor countries, the measures to be adopted and the distribution of responsibilities, according to each party's functions and possibilities.

Without going into those details which fall within "the vocation of lay people acting on their own initiative with their fellow countrymen," the Church draws the attention of multilateral financial organizations and those who work in them to a few points for consideration:

—to examine the loan "conditions" set by the IMF openly in a way which is adapted to each developing country; to

integrate the human factor in the "increased surveillance" over the implementation of adjustment measures and the results achieved;

—to encourage new capital, public and private, to finance priority projects for developing countries;

—to foster dialogue between creditors and debtors for a rescheduling of debts and a reduction of the sums due in one or even more years if possible;

—to foresee special provisions to cover financial difficulties due to natural catastrophes, excessive variations in the prices of indispensable raw materials, and abrupt fluctuations in exchange rates. Because of their unexpectedness, their extent, and financial repercussions, these uncontrolled phenomena disrupt the economic programs of the developing countries in particular;

—to prompt a better coordination of the economic and monetary policies of the industrialized countries, encouraging those with the most favorable impact on the developing countries;

—to look into new problems, current and future, in order to envisage solutions now which take into account the widely diversified evolution potential of national economies and the future prospects of each country. . . .

—to pay close attention to the selection and training of all those who work in multilateral organizations and who take part in situation analysis. . . . There is always the danger of remaining on the level of theoretical, technical, or bureaucratic solutions, while at stake are human lives, the development of peoples, and solidarity among nations. . . .

Final proposal

In order to deal with the serious challenge of the indebtedness of the developing countries, the Church calls upon all people of good will to broaden their conscience to include these new, urgent, and complex international responsibilities, and to mobilize the full range of their possibilities for action in order to identify and implement solutions of solidarity.

Has the time not come for the industrialized countries to draw up a broad plan of cooperation and assistance for the good of the developing countries?

Without drawing a parallel with what was done after World War II to accelerate the reconstruction and economic recovery of countries seriously damaged during that conflict, is it not imperative to start working on a new system of aid from the industrialized countries to the less prosperous ones, in the interests of all, especially because it would mean restoring hope to suffering populations? Such a contribution, which would constitute a commitment of several years, would seem indispensable in order to enable the developing countries to launch and conclude successfully, in cooperation with the industrialized countries and the international organizations, the long-term programs they need to undertake as soon as possible. May our appeal be heeded before it is too late!

The industrial backbone of an integrated continent

Part 24 Ibero-American integration

EIR continues its exclusive translation of the Spanish-language book that is transforming Ibero-America, *Ibero-American Integration: 100 Million New Jobs by the Year 2000!* The book, published in fall 1986 in Spanish, was written by an international team of experts for the Schiller Institute, elaborating Lyndon LaRouche's proposal to free the continent of economic dependency and spark a worldwide economic recovery, "Operation Juárez."

This installment concludes Chapter 7, on the mining and industrial projects that will be required to fulfill that program. Only by converting the immense mineral wealth of Ibero-America into heavy industry, can the continent overcome its historical underdevelopment in this sector, which is indispensable for economic independence.

Numbering of the figures, tables, and maps follows that of the book.



The regions that must form the industrial backbone of Ibero-America can be seen in **Map 7-3**. In each of these, one can see the principal centers for developing heavy industry and capital-goods industry, where the most skilled labor force is concentrated and where the highest density of productivity is located. All of these regions will have to act as a single integrated industrial force, with their productive capacities closely linked through the intercontinental transportation grid already outlined. One can observe that the majority of the areas where the greatest industrial concentration is projected are de facto the principal productive centers today; nonetheless, we will also need to build totally new industrial centers where there is an appropriate confluence of resources, infrastructure, and so forth.

Below we summarily describe the most relevant aspects of each of these regions for the development of both heavy industry and of a capital-goods industry.

La Plata basin

As with agriculture, this area offers enormous possibilities for developing Ibero-American industry: In addition to its vast mineral and energy reserves, and good levels of infrastructure, it also has the highest concentration of skilled labor on the subcontinent. Industrialization of this region, which encompasses six Ibero-American countries, should become one of the priority tasks of the Ibero-American Common Market. As the centerpiece of this effort, the mineral and energy resources of all the area nations must be joined in

Main centers of heavy industry and capital goods in Ibero-America

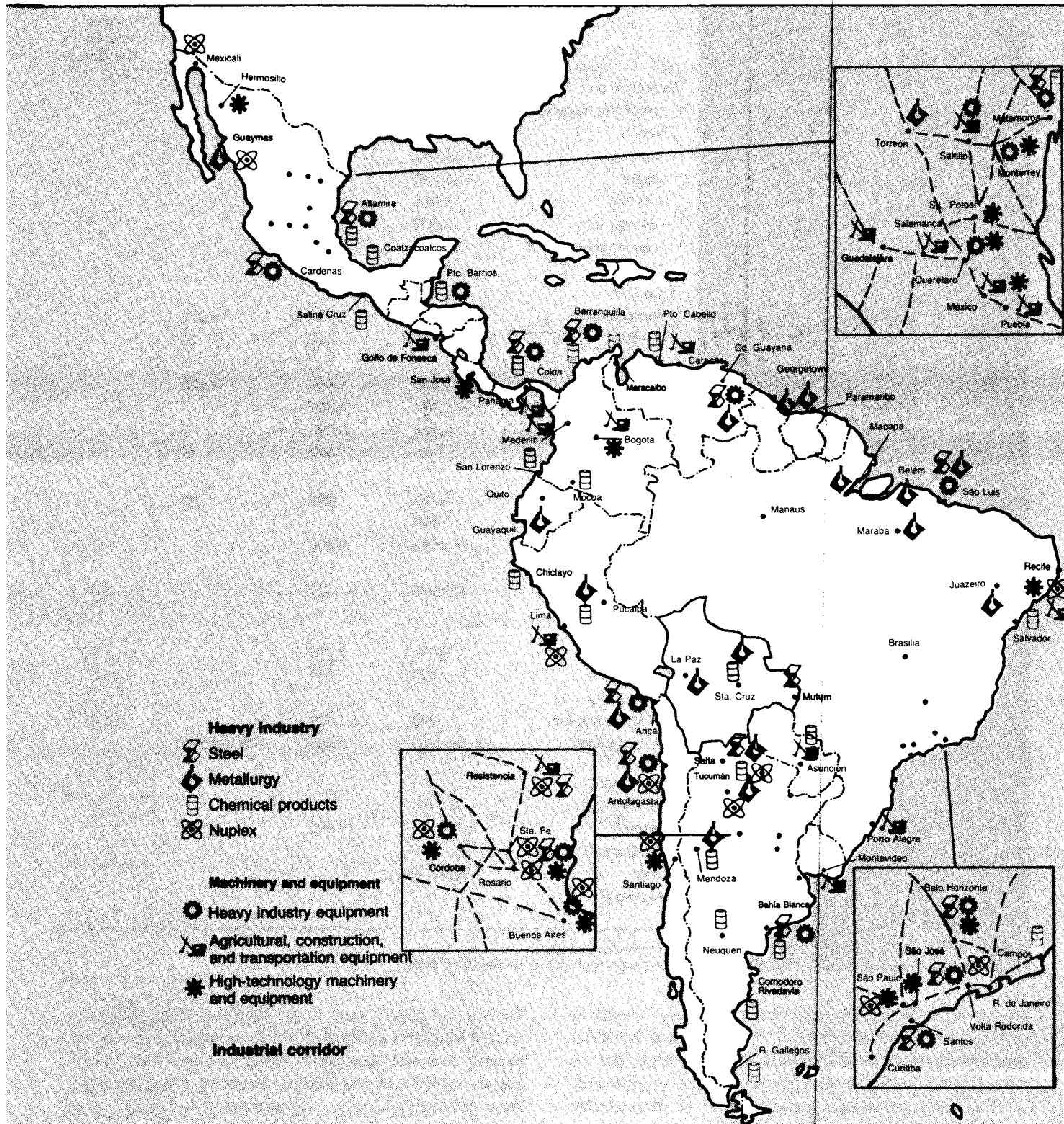




TABLE 7-7

Parameters of the Greater Carajás project, Brazil

	Production capacity (thousands of tons*)	Direct investment (millions of dollars)	Total reserves (millions of tons*)	Area (millions of hectares)
Extraction and refining of metals:				
Iron				
-iron ore	68,495	2,500	18,000	
-sinter	5,000	260		
-pig iron	5,000	1,670		
-sponge iron	2,000	500		
-semi-manufactured	10,000	10,200		
Coke	2,000	400		
Copper				
-concentrated	1,070	950	1,000	
-metallic	470	550	10	
Aluminum				
-bauxite	19,780	1,420	4,600	
-alumina	6,480	4,050		
-aluminum	1,740	6,090		
Nickel	20	450	47	
Manganese				
-manganese ore	1,700	500	60	
-ferromanganese	500			
Industrial centers	7 cities	6,900		
Forestry				
annual planting	180,000	330		2.3
Agriculture				
grain	9,915	3,790		3.95
rubber	900	354		0.3
Cattle-raising				
meat production	400	1,730		30.0
Hydroelectricity	6,420 MW	9,000	70,000 MW	
Transportation				
railroad	890 km			
internal	2,000 km	16,600		
navigation				
ports	2 (new)			
highways				

*Except where indicated

Source: Companhia Vale do Rio Doce, Brazil

a single effort to develop large centers of heavy industry in each of them, which in turn would feed a series of industrial corridors where the most advanced productive capacities for producing machinery and equipment would be concentrated.

The area's industrial capabilities will be dramatically complemented by the greatest mining-industrial project to be undertaken on the continent: Mutúm, on the border between

Bolivia and Brazil, next to the Paraguay River. The area around Mutúm is exceptionally rich in mineral deposits, especially iron and manganese. Experts estimate that Mutúm has the world's largest iron ore deposits, even surpassing those of Brazil's Carajás, with more than 40 billion tons of very high purity mineral. Production levels could reach 100 million tons of iron ore per year by the year 2000. There are

other bordering deposits in the area, such as the huge reserve of Urucum, in Brazil. In these, there are manganese beds which overlie the iron ore, making its exploitation particularly economical.

Mutúm is the ideal location to establish a major mining-industrial complex. Gas from Bolivia's fields near Santa Cruz can provide a cheap method for the direct reduction of the iron ore, and for the production of fertilizers and petrochemicals. Mutúm is also located next to the Paraguay River, which, with proper infrastructure development, can be made totally navigable for bulk cargo. The railroad line that already exists between Santa Cruz and São Paulo passes less than two hundred kilometers from Mutúm, so that a connecting spur is a relatively easy task.

The Gran Chaco area west of Mutúm also has great agricultural potential, and it would therefore be feasible to construct an entirely new, major urban center near the mine and next to the Paraguay River. In this way, Mutúm will represent the first real thrust to open the interior of the South American continent, and it is also located at a point almost equidistant from São Paulo, Brasília, Buenos Aires, La Paz, and Antofagasta.

These cities would all benefit from and participate in the downstream industries associated with Mutúm. The main industrial corridors would extend down from Buenos Aires

to Córdoba and Resistencia in the center of Argentina; between Tucumán and Salta in the north of the country, and from Mendoza in Argentina to Santiago in Chile; they could be expanded to include other important cities in contiguous countries, linking up with Uruguay, Paraguay, Bolivia, and Brazil to encourage the development of this important region.

The Andean region

As with the La Plata basin, this region also possesses an enormous potential in mineral and energy resources which extend across the five Ibero-American nations and which embrace a large and varied number of basic and strategic minerals along the length of the Andean mountain range, as well as important oil and natural gas deposits in Venezuela, Ecuador, and Peru, huge coal deposits in Colombia, and substantial bauxite and other key mineral reserves in Venezuela, Guyana, Surinam, and French Guiana. Utilizing this wealth will prove decisive in promoting the industrial development of the region, which would be based on the productive integration of the two broad strips of land on either side of the Andean range, integration that would be made possible by the transportation infrastructure we have outlined in the preceding chapter.

The main centers of heavy industry and capital-goods industry will be located in a series of industrial ports along



Aerial view of the Gran Carajás project, taken in September 1982. Facing page: Stretch of rail bed near Carajás mine, photographed in the early 1980s; this rail link goes from the Atlantic Ocean terminal into the Amazon heartland.

both the Atlantic and Pacific shores, where enormous quantities of raw materials from the Andean belt and the Orinoco basin converge. The most important will be Ciudad Guayana and Puerto Cabello, in Venezuela; Barranquilla in Colombia; San Lorenzo in Ecuador, Chiclayo in Peru; and Arica in Chile. This last will be a strategic point of multinational development, in which Chile, Peru, and Bolivia would all directly participate, the latter acquiring an outlet to the Pacific.

Near the mouth of the Orinoco, Ciudad Guayana will become one of the most important points of heavy industry development, since it is in the center of huge iron ore reserves, sufficient for supporting a high level of steel production around which would be established a great number of capital-goods industries. It is also a strategic point for the production of aluminum and other strategic metals, since it is not only near enormous bauxite and other mineral reserves that extend throughout Guayana but also has tremendous hydroelectric potential for feeding electricity-intensive metallurgical processes.

The Brazilian northeast

In the Brazilian northeast there are two areas with strategic importance for the industrialization of Ibero-America. First, there is the area of Gran Carajás, one of the most mineral-rich areas of the world, whose large-scale exploitation and industrialization was in part planned and launched by the Brazilian government through mines and ore-processing plants, whose production converges principally on the ports of São Luis and Belém.

The Gran Carajás project is without doubt the largest of its kind ever launched in Ibero-America, and perhaps in the world. The project in its entirety encompasses the mining of 35 million tons of iron ore a year, erecting several primary iron factories, four aluminum factories, several for copper, manganese, and nickel, a series of large-scale hydroelectric projects, as well as the large-scale development of agriculture, cattle-raising, and forestry, and construction of seven new cities connected by a transportation network that includes rivers, railroads, and highways. Once the project is finished, the zone will have a population of six million. In **Table 7-7**, you can see in sum the productive capacity of the principal aspects of the work and its cost. In **Map 7-4**, you can see its size: It covers an area larger than all of Italy!

In all its scope, Gran Carajás exemplifies the kind of development that must be launched in every region with a substantial resource potential. With the exception of certain bulk iron ore exports, minerals extracted in the Carajás district will be refined at or near the mine site. Agriculture and the new cities are planned as integral parts of the overall project, such that the area will be developed in its entirety instead of remaining underdeveloped, alongside one or two mines.

The only weakness of the original project, which can be

easily remedied, is the lack of manufacturing industries that use the metals that would be produced in the area. Therefore, the Gran Carajás must go further toward establishing a vast heavy industry capability whose principal components would be located in the port of São Luis, and which would become an important industrial center oriented to the production of steel, basic metals, and heavy industrial equipment in the manner of the industrial super-ports of Japan. In this way, Gran Carajás would be the model for other regions with tremendous mineral wealth to follow, in particular Mutúm-Santa Cruz and Ciudad Guayana.

The other strategic zone of Brazil is the northeast, today one of the most backward sectors of the country but with ample agricultural and mineral potential. The advance of agriculture will be accompanied by a surge of major manufacturing centers dedicated primarily to the production of chemical products, fertilizers, agricultural machinery, and transport equipment, forming a long corridor from Natal to Salvador. The main mining center will be established at Juazeiro, along the border of the São Francisco river, where the huge variety of minerals that abound in the area could be exploited.

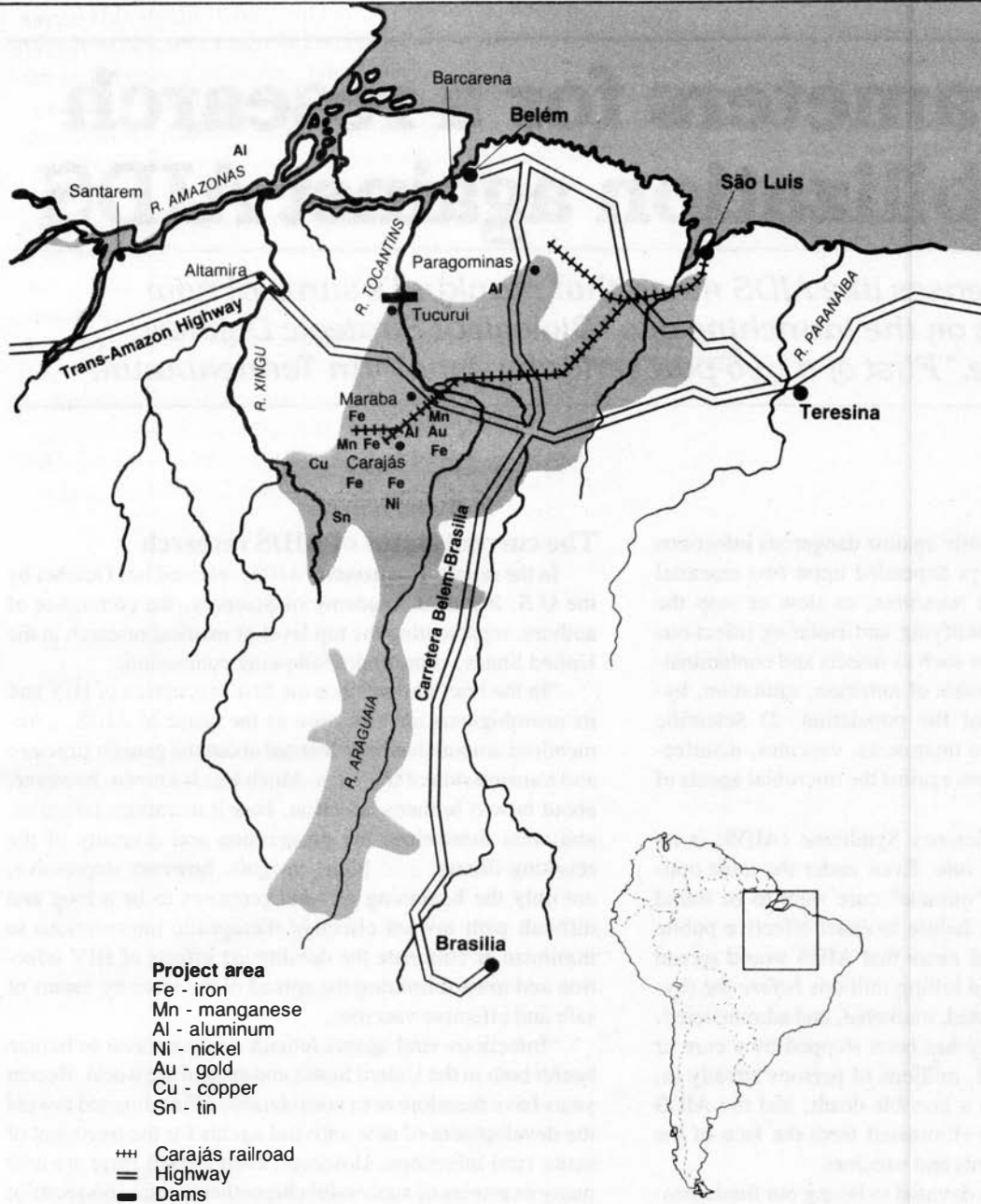
The Brazilian southeast

This is the actual industrial heartland of Brazil, which encompasses the cities of São Paulo, Rio de Janeiro, and Belo Horizonte, where Ibero-America's largest industrial capacity is concentrated. The development of this zone is a question of decisive importance for all of Ibero-America, in view of the fact that its high productive and technological intensity offers substantial opportunities for the development of an industry for the production of modern machinery and equipment, which could extend throughout an industrial corridor similar to that existing in the advanced regions of the United States, West Germany, and Japan. This is the ideal region for the development of the aerospace industry, for example, which would become one of the most advanced aspects of continental industrialization.

Mexico and Central America

In the case of Mexico, industrial development has two facets. The first is that of heavy industry, which would expand primarily in the various industrial ports that form part of the broad industrialization program begun by the preceding government, where the bulk of the productive capacities for steel, petrochemical products, fertilizers, heavy machines and equipment, and naval construction would be concentrated. Regarding capital goods, the center of productive capacity will be located in two industrial corridors; one which crosses the central plateau joining the cities of Mexico, Queretaro and Guadalajara, and that which runs through the north of the country, joining Monterrey with Torreon and Matamoros. Both corridors today contain the main industrial capacity of the country, and will have an important role to play,

Mining-industrial project of Greater Carajás



above all in the production of high-technology capital goods.

Regarding the Central America region, development of heavy industry here will be concentrated on three main ports modeled on the Mexican ports indicated above, which will be built as multinational projects with the participation of several or all of the Central American countries. One of these could be located near Puerto Barrios on the border between

Guatemala and Honduras; another in the Gulf of Fonseca, with the participation of El Salvador, Honduras, and Nicaragua; and the third in the new Panama Canal. Regarding production of capital goods, the main factories will be initially concentrated in Costa Rica and Panama, which today are industrially the most advanced countries in the Central American area.

Parameters for a research mobilization against AIDS

New diseases like AIDS mean that mankind's survival now depends on the launching of a "Biological Strategic Defense Initiative." First of a two-part series by Jonathan Tennenbaum.

In mankind's continuing battle against dangerous infectious diseases, victory has always depended upon two essential elements: 1) Public health measures, to slow or stop the spread of infection, by identifying and isolating infectious persons, eliminating vectors such as insects and contaminated water, and increasing levels of nutrition, sanitation, hygiene, and medical care of the population. 2) Scientific research, to create effective treatments, vaccines, disinfectants, and sanitary procedures against the microbial agents of the disease.

Acquired Immune Deficiency Syndrome (AIDS) is no exception to this historical rule. Even under the most optimistic assumption, that a "miracle" cure were to be found within the next five years, failure to enact effective public health measures *now* would mean that AIDS would spread out of control, infecting and killing millions *before* the (hypothetical) cure could be tested, marketed, and administered. No new epidemic in history has been stopped by a cure or vaccine. On the other hand, millions of persons already infected must be saved from a horrible death, and the AIDS virus itself must finally be eliminated from the face of the Earth, by effective treatments and vaccines.

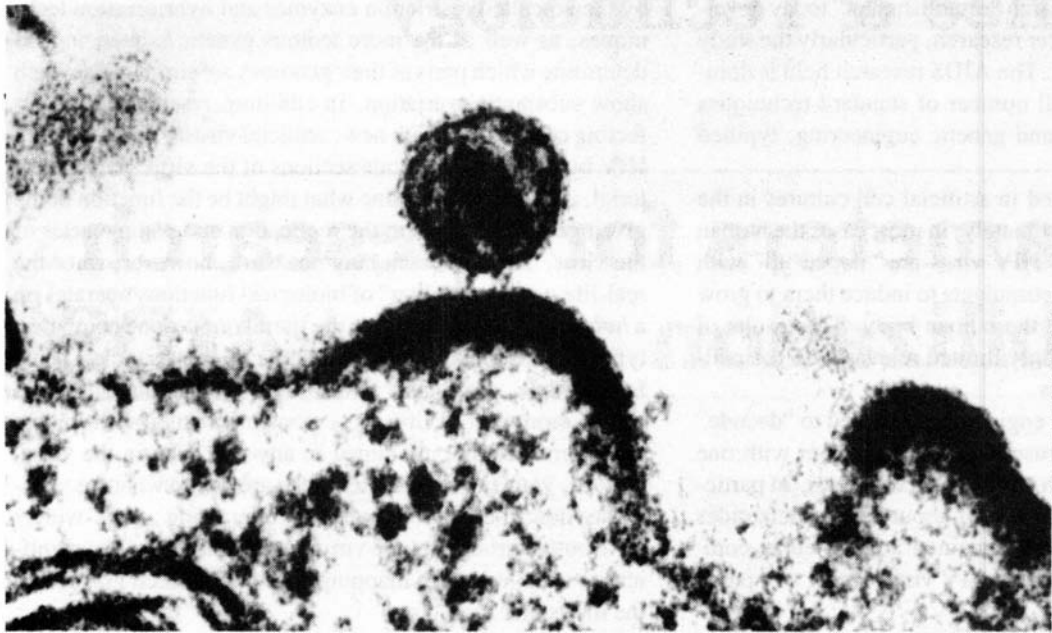
The following article is devoted to laying out fundamental parameters for a scientific research mobilization against AIDS. First, we briefly review the present state of AIDS research and pinpoint some key areas where new, more powerful methods must be introduced. Next, we present an overview of the decisive area of optical biophysics (otherwise known as "nonlinear spectroscopy"), which promises to revolutionize not only AIDS research, but much of biology and medicine as well. Finally, we discuss how the scientific crash program is to be organized.

The current status of AIDS research

In the report *Confronting AIDS*, released last October by the U.S. National Academy of Sciences, the committee of authors, representing the top level of medical research in the United States, came to the following conclusions:

"In the brief period since the first description of HIV and its unambiguous identification as the cause of AIDS, a tremendous amount has been learned about the genetic structure and transmission of the virus. Much less is known, however, about how it initiates infection, how it maintains infection, and what determines the progression and diversity of the resulting illness. . . . [Our] insights, however impressive, are only the beginning of what promises to be a long and difficult path toward effective therapeutic interventions to minimize or eliminate the debilitating effects of HIV infection and toward limiting the spread of the virus by means of safe and effective vaccines. . . .

"Infectious viral agents remain a major threat to human health both in the United States and around the world. Recent years have therefore seen considerable effort directed toward the development of new antiviral agents for the treatment of acute viral infections. However, even though there are now many examples of successful chemotherapeutic conquests of bacterial infections, there are only a few examples of drugs that are effective in the treatment of viral diseases. Much of the difficulty in treating viral infections is a consequence of their nature as intracellular pathogens—that is, they replicate within the cells of their chosen host. Because viruses use many of the host's synthetic pathways in their reproductive processes, specifically inhibiting their replication without also severely compromising the metabolic activities and health of their hosts is difficult.



National Institute of Allergy and Infectious Disorders

Here the AIDS virus (HTLV-III/LAV) is shown budding off from a T lymphocyte.

“As a virus that appears to cause persistent lifelong infection, HIV must be approached as a member of the class of viruses for which successful treatment may be most difficult to find. Furthermore, as a member of the family of retroviruses, HIV represents a type of viral pathogen whose therapy has never been attempted in humans. Because the contemplated development of drugs to treat HIV infection and AIDS represents such a novel and difficult challenge, predictions of ultimate success are presently impossible to offer. . . .

“Development of an effective vaccine to prevent HIV infection must be a prominent goal in any program designed to halt the continued spread of the AIDS epidemic. However, it is also the most difficult to realize. Active immunization has proven to be an extremely effective means to limit or eliminate the exceptional morbidity and mortality inflicted upon human populations by many types of viruses, but the derivation of an effective vaccine against a human retrovirus has never been seriously attempted, much less achieved. Similarly, experience in the production of vaccines for retroviruses of other animals has been rather limited and often disappointing. . . . Biologically, the characteristic genomic diversity and persistence of infection by HIV may present serious obstacles to the generation of broadly effective immunity. Vaccine development is also constrained by the presently limited basic understanding of the immune response to HIV infection, its apparent impotence in clearing the viral load, and the ways it might be bolstered through protective immunization. Should the biological and scientific obstacles be surmounted . . . the scarcity of available chimpanzees to test the safety and efficacy of candidate vaccines may compromise or delay adequate preclinical evaluation. Initiation of testing in human populations will also present serious ethical and practical considerations, which will undoubtedly

affect the clinical evaluation of an HIV vaccine. . . .

“[In conclusion], an effective vaccine may be very difficult, if not impossible, to produce. Should an effective vaccine candidate become available, there are significant social concerns that may limit or prevent its testing and use. Therefore, a vaccine may not reasonably be expected to be available in less than 5 years. Even for the next 5 to 10 years, the committee believes that the probability of a licensed vaccine becoming available is low.”

This sober assessment of the prospects of AIDS research should teach a lesson to those politicians and public health officials who have hoped that a “miracle cure” from some U.S. laboratory would permit them to avoid facing the unpleasant problem of instituting public health measures against AIDS. No, there isn’t going to be an easy way out of the problem! The U.S. National Academy of Sciences report proposes a large expenditure on AIDS, reaching \$1 billion a year for research alone, and \$1 billion a year for public health measures, by the year 1990. This amount, however, is only a small fraction of the estimated \$10 billion a year which the treatment of AIDS patients will cost the United States in that same year, 1990.

Methodological weaknesses of AIDS research today

As the Academy of Sciences admits in their report, *a scientific solution to AIDS may not be possible at all, using the presently known methods of virology and genetic engineering.* Fortunately, there are more powerful scientific weapons within reach. Before going into these new methods, let us briefly examine the limitations of present AIDS-related research. (See **Figure 1** for a schematic representation of prevailing views on retrovirus replication.)

Much of the AIDS research “establishment” today developed out of the area of cancer research, particularly the study of cancer-inducing viruses. The AIDS research field is dominated by a relatively small number of standard techniques and concepts of virology and genetic engineering, typified by the following:

(i) Viruses are cultivated in artificial cell cultures in the laboratory (*in vitro*). Unfortunately, in most cases the human cells used to cultivate the HIV virus are “doped up” with special nutrient media and stimulants to induce them to grow and replicate virus outside the human body. The results of such *in vitro* studies have only limited relevance to the real-life events in actual patients.

(ii) Methods of genetic engineering are used to “decode” the genetic material of viruses, to compare them with one another, and even to “patch together” new viruses. In particular, the entire genetic sequence of about 9,600 nucleotides of the HIV virus has been determined and stored in computers. Different variants of the HIV virus can be compared

by the so-called restriction enzymes and hybridization techniques, as well as the more tedious genetic sequencing, to determine which parts of their genomes are similar and which show substantial variation. In addition, researchers are infecting cell cultures with new, artificial viruses obtained from HIV by “excising” various sections of the virus genetic material, in order to determine what might be the function of the given genetic sections in the replication and pathogenesis of the virus. This approach may not work, however, since the real-life genetic “coding” of biological functions operates on a *holographic* principle, not the literal one-to-one computer-type code assumed by most molecular biologists today. Thus, for example, virologists have found that the characteristics of the common cold viruses, responsible for their well-known symptoms, are not contained in any one gene in the virus. Instead, your sniffles and headache are due to what the virologists describe as a complex of interacting genes widely distributed throughout the virus genetic material. The significance of holographic mappings has not yet been grasped by the molecular biologists.

(iii) Methods of genetic engineering can be used to synthesize specific proteins encoded by parts of the virus genome, such as the outer envelope protein. Such techniques might, it is hoped, eventually lead to a form of vaccination in which artificially produced antigenic proteins are used to stimulate the host’s creation of effective antibodies against HIV. This approach might be rendered ineffectual, by the high variability of the HIV viruses.

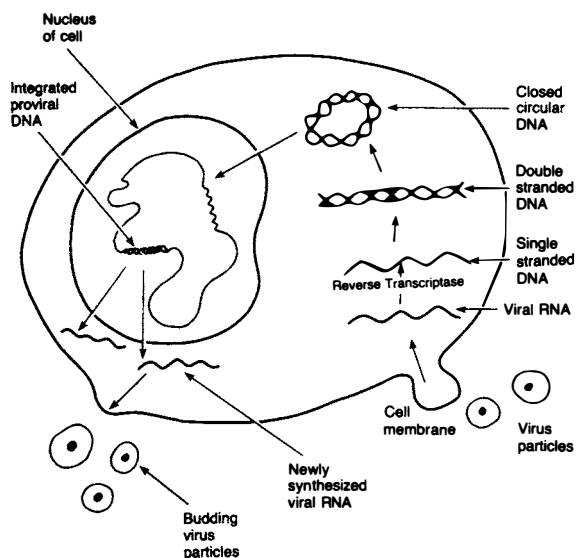
(iv) Electron microscope images are employed to determine the morphology of the virus and of tissue infected by the virus. Unfortunately, cells must first be killed, then sliced very thinly and coated with metals, before they can be viewed by the electron microscope. As a result, no one has actually seen “live” virus replicating in living cells.

(v) Special radioactive and fluorescent “tagged” substances are applied to “search out” and selectively bind with specific proteins or specific bits of DNA. Thus, for example, artificially produced fluorescent antibodies are used to identify the cells attacked by HIV. Using these kinds of techniques, the Pasteur Institute’s Professor Chermann was able to show that insects, captured in Central Africa, contained the genetic sequence of HIV in their tissue. Related techniques provide the best means at present for precise testing for HIV infection in humans. Unfortunately, the high variability of the HIV virus may cancel many of the potential advantages of DNA-probe and related genetic-engineering tests for AIDS. The more precise the genetic test, the less able it will be to catch the myriad mutant forms of the virus. We might need a separate test for each variant.

(vi) “Classical serology” employs a basic technique known as “electrophoresis” to separate out the various protein components in the sera of a given individual. In this way, for example, the presence of a specific pattern of antibodies, characteristic of the immune response to a given virus, can be ascertained. Unfortunately, these methods often lack the

FIGURE 1

Reproductive cycle of a retrovirus



The retroviruses form a bridge between the RNA viruses and the DNA viruses. Outside the host cell, the retrovirus exists as a particle that contains RNA as its genetic material. Inside the cell, the virus exists as a proviral DNA sequence within the genetic material of the cell nucleus, or as free circular DNA within the cell nucleus. Normal uninfected animal cells carry genes called virogenes, which are capable of giving rise to RNA viruses such as retroviruses and which can then go on to infect other cells. When the virogenes-produced retrovirus infects another cell, the inserted genetic material is called a provirus. Thus, normal uninfected cells can produce new viruses and infected cells can pass on their acquired virus genes to succeeding generations of cells, which will then express these inherited viruses under the appropriate circumstances.

precision necessary for basic research, providing only an indirect footprint of the viral infection. In AIDS testing, serological methods have the disadvantage, that they miss the cases of persons newly infected with the virus, who have not yet developed a significant immune reaction.

Taken as a whole, these methods permit researchers to accumulate large amounts of detailed data concerning the genetic makeup and variability of the HIV virus, the proteins involved in its construction and replication, and the so-called "receptor molecules" at which the virus binds and is absorbed into the target cell. The same methods may permit a large-scale production of therapeutic substances and vaccines, once these have been discovered.

However, present-day techniques of molecular biology all suffer from a systematic limitation: They focus upon the structures of individual biomolecules, but are powerless to measure or describe the *life process itself* within which these molecules play the role of singularities. The molecular biologist is at best like the paleontologist who tries to deduce the habits of a dinosaur from some fragments of bone. The paleontologist has little choice but to do so, since the animals in question are long dead. If he possessed a live dinosaur, he would hardly choose to kill it and separate out all the individual bones for study, as the molecular biologist does; instead, he would first want to study the live animal! Similarly, knowledge of the DNA genetic sequence tells us only something about the "skeleton" of a biological process, and very little about its living reality.

This systematic limitation is reflected in the extremely narrow approach to the AIDS problem prevalent in most present research. The implications of the elementary fact, that viruses can only replicate in living cells, are often forgotten, as researchers focus their attention on the "mechanics" of the virus particle per se, instead of the life process without which viruses could not exist. This problem is reflected in the very *language* of virology and molecular biology, as typified by such terms as "reverse transcriptase," "transposons," "promoters," etc. These terms ascribe to dead objects—molecules or fragments of molecules—qualities of action that only exist in the context of a living cell, and in which the molecular object in question represents only an included feature. Thus, "reverse transcriptase" does not really exist, except as a linguistic illusion. It is the living process which organizes the molecules, not vice versa. We shall return to this point at the end of the article.

The limitations of a purely molecular-biological approach to fundamental medical research, are clearly revealed in the case of cancer. In spite of the explosive development of molecular biology and genetic engineering over the last 30 years, the prospects of survival for persons diagnosed with cancer have not dramatically improved, on the average, during the same period.

All of the questions concerning the underlying dynamic of HIV infection remain unanswered and largely inaccessible to present methods of virology. How does the virus get into

the cell? How is the virus-associated genetic material transported into the nucleus of the cell, and exactly what happens there? What processes determine whether that material remains dormant in the nucleus during a given period, or is activated to participate in the production of new virus particles? What causes the cytopathic effects associated with the HIV virus? What is the relationship between viral infection and the various forms of HIV-related disease? How are the processes of synthesis of viral components in various distant regions of the cell coordinated with one another, and how is the final assembly of the virus particle organized? How does the virus replication process interact with the immune system of the host, from initial infection through to the final disastrous stages of the AIDS disease? All of these crucial questions force the astute scientist to turn his or her attention back to the original, central focus of biology: the organization of living cells and particularly of their characteristic activity, cell division or mitosis.

Optical biophysics: key to a revolution

Historically, breakthroughs in medicine and biology have always gone hand-in-hand with major progress in physics and technology. Seventeenth-century developments in optics led to the creation of the *light microscope* and the first investigations of microbial life by Leeuwenhoek and Hooke. The vast development of electricity and magnetism in the 18th and 19th centuries was launched, in large part, by the discoveries of Galvani and Volta on the electrical properties of living tissue. This led finally to such modern technologies as the *electroradiograph* and *electroencephalograph*. Louis Pasteur's revolutionary breakthroughs in microbiology and medicine began with his discovery of the asymmetric optical action of substances produced by living cells. Pasteur began his life's work as a physicist, in what was then the frontier area of physics—crystallography and the wave theory of light. Röntgen applied his discovery of *x-rays* immediately to medical diagnostics, astounding doctors with the first pictures of internal broken bones in living patients. The initial development of wave mechanics and particle beam technology in the 1920s and 1930s gave the biochemist the powerful tool of *mass spectroscopy*, and led to the creation of the *electron microscope* and the first photographs of virus particles. The rapid growth of radar technology and nuclear physics during World War II led to the techniques of *nuclear magnetic resonance* (NMR) spectroscopy and *radioactive isotope tracing*. Together, the techniques of x-ray diffraction, electron microscopy, mass spectroscopy, and radioactive tracing, aided by the *ultracentrifuge* technology developed during the wartime Manhattan Project, provided the basis for the vast expansion of molecular biology in the post-war period.

Today, with the evolution of *lasers* and other sources of coherent electromagnetic radiation over the entire spectrum from radio waves into the soft x-ray region (x-ray laser), we stand at the threshold of a new era in biology and medicine.

New scientific instruments, far more powerful than those hitherto applied in molecular biology and genetic engineering, are now becoming available. These instruments, combined with a new scientific assault on the understanding of basic living cell processes such as mitosis, constitute mankind's most powerful weapons in the battle against AIDS.

How spectroscopic methods can lead to a cure for AIDS

Before discussing the technology and methods of optical biophysics in detail, we shall briefly indicate, in highly simplified language, how effective treatments against AIDS could be discovered by these methods.

In the simplest terms, the principle is this: Living processes are organized around certain sets of *characteristic frequencies*, analogous to the spectra of atoms and molecules. The cell spectrum is manifested, broadly speaking, in nonlinear, "resonant" interactions with specific frequencies of electromagnetic radiation, as well as by emissions from living cells themselves. Certain of these frequencies remain relatively constant (for a given cell and tissue type), while others change during the life of the cell. Particular modes of the cell process, including pathological modes (disease), are associated with particular spectral features such as the presence of particular "spikes" in the frequency spectrum. The crucial "target" process for detailed spectroscopic investigation is *mitosis*. So, regarding virus replication as a process taking place essentially within or in association with mitotic processes, the question arises: "What are the particular spectral 'spikes' corresponding to the viral reproduction process in an infected cell?" Research to date leaves little doubt, but that such specific spectral features actually are present and can, in principle, be detected using suitable instrumentation.

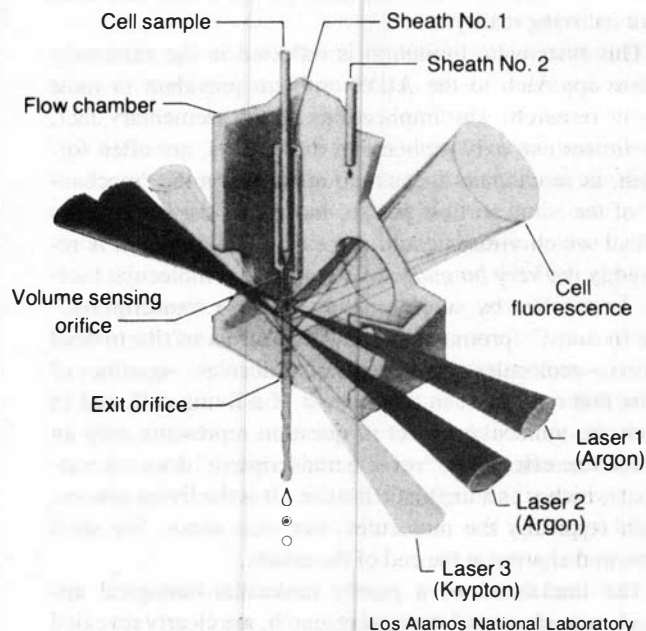
Once we have located a certain pattern of "spikes" characterizing the AIDS process within the spectrum of cell mitosis as a whole, we then seek the means to selectively block, or "jam," the pathological AIDS-associated processes—by means analogous to "electronic countermeasures" in modern warfare. The most straightforward method for doing this is indicated by recent biophysical researches into the mechanism of action of various drugs. The relevant work reveals that in many cases, drugs act via their *optical activity*, and not primarily via chemical properties such as affinity to form compounds. ("Optical activity" refers to the changes in intensity, direction, polarization, and frequencies of electromagnetic radiation absorbed and re-emitted by a physical system.) The second stage of the project consists, therefore, in "spectroscopic engineering": to design a molecule whose optical activity exactly fits the "spikes" of the AIDS process, so that the presence of that substance will selectively interfere with the disease, but not with healthy tissue function. In addition, the optical activity of substances can be used to restore healthy functions, by strengthening frequencies around which those functions are organized.

This simplified sketch is intended only to identify the

bare concept of the project. The concept of "tuning" of biological processes provides the simplest access to a highly complex domain of investigation, to be reviewed in more detail in the course of this document.

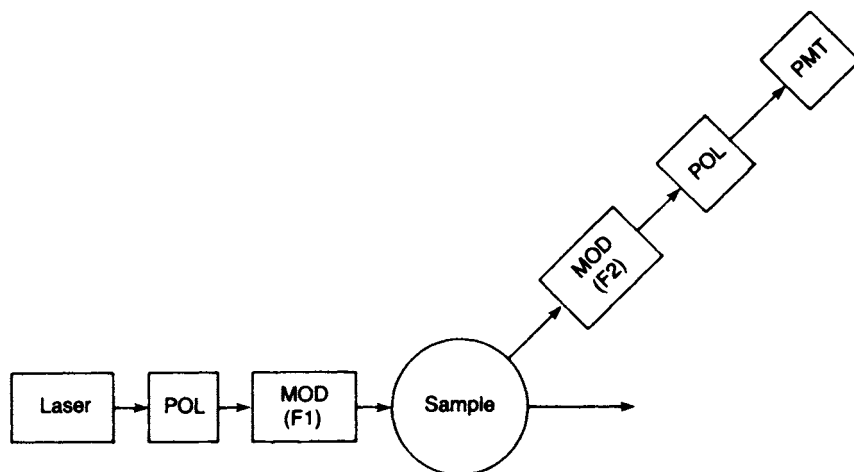
In principle, the instrumentation required for both phases of the proposed approach either already exists or is in advanced phases of development today; we shall discuss some of the key technologies in the following section of our report. Although the basic principle is very simple, the actual development of effective drugs against AIDS by such spectroscopic methods will require a research mobilization of major dimensions. We are talking about an effort comparable to the Apollo program which put the first man on the Moon. We have to map the entire spectroscopy of normal and pathological forms of mitosis—the most complex process ever submitted to detailed physical investigation. The development of computer systems able to rapidly process the required masses of spectroscopic data, will itself be one of the major challenges of the project. While the total cost of the project may run into the tens of billions of dollars, a revolution in medicine will have been accomplished: Once the "proof of principle" of spectroscopic design of drugs against AIDS has

FIGURE 2
Multilaser flow cytometer



This is a cutaway view of a Los Alamos National Laboratory device that uses three different lasers to excite a biological sample and then read its signature. On entering the chamber, the cells stained with fluorescent dyes and suspended in normal saline solution intersect a krypton laser beam and two argon laser beams. The fluorescence emitted by the cells is measured with sensors capable of detecting light in one, two, or three wavelength regions as selected by various filter combinations.

FIGURE 3
Multiparameter light scattering spectrometer



In this schematic, light from a laser passes through a polarizer (POL) and then through a photoelastic modulator (MOD) operating at frequency F_1 , which converts linearly polarized light to alternately right- and left-circularly-polarized light. Scattered light from the sample then passes through a second photoelastic modulator operated at another frequency, F_2 . The light leaving the second modulator represents a series of terms at frequencies corresponding to various sums and differences of F_1 and F_2 . After passing through a second polarizer, the light then falls on a photomultiplier tube (PMT). The signal from the photomultiplier then goes to a bank of lock-in amplifiers, each tuned to one of the frequency components of interest.

been obtained, the same approach may permit science to conquer any other virus afflicting the human race.

The instruments of optical biophysics

The following examples illustrate some of the leading features of optical biophysics technologies, which promise to revolutionize much of biology and medicine over the coming 25 years. All of these instruments measure *characteristics of emission, absorption, and transformation of electromagnetic radiation by living organisms*. After examining some of the leading work internationally on these technologies, we shall indicate how they provide the key to answering exactly those questions about AIDS, which today's molecular biology is unable to resolve.

1. Laser Raman spectroscopy and the "tuning" of living tissue: Careful experiments carried out in the 1960s and 1970s demonstrated that low-level microwaves of specific frequencies can have dramatic effects on growth rates and rates of synthesis for various metabolic products in living tissue. These effects were obtained at intensities far below those at which significant increases in temperature could be detected (typically less than 10 MW per square centimeter), and showed sharp resonance peaks at various wavelengths. This confirmed the view, that the processes of living cells are "tuned" in such a way that exceedingly small amounts of energy, injected at the right frequencies, can interfere strongly with cell function. Unfortunately, the tremendous variability of living processes and their sensitivity to countless external influences rendered these microwave effects notoriously difficult to replicate. An intrinsic difficulty lies in the fact, that living processes evolve in irreversible fashion: The cell culture of today "remembers" what the experimenter did to it yesterday! However, with the advent of *laser Raman*

spectroscopy (see discussion below), we now have a tool with which high-frequency internal oscillations in cells can be conveniently studied in their full time dependence. Just recently, a group of Chinese researchers was able to replicate both the *positive* and the *negative* results of previous laser Raman studies of cell tuning, by showing that biological effects of the weak electromagnetic fields emitted by *the measuring equipment itself* were responsible for the discrepancy in reported results.

The most spectacular microwave effects reported were obtained by the Italian radar engineer A. Priore, working in Bordeaux, France from the 1950s until his death in 1983. As far as can be determined, the Priore apparatus produced microwaves in the 10 gigahertz (GHz) range, modulated at radio frequencies in the megahertz (MHz) range. This radiation was applied in combination with a powerful magnetic field slowly pulsed at approximately 1 Hz. Through the choice of specific modulation frequencies, Priore reportedly obtained dramatic biological effects, such as increases in growth rates of plants and rapid reduction and elimination of tumors in laboratory animals. Later, it was shown that the "Priore radiation" did not kill cancer cells directly, but worked by *simulating the immune system* of the host animal. Exposure to suitable modulation frequencies permitted laboratory animals to recover from otherwise deadly inoculations of trypanosomes, the parasites responsible for sleeping sickness. Trypanosomes characteristically defeat the immune system by constantly changing their antigenic characteristics. Hence, the reported results indicate a spectacular effect on immune response of the irradiated animals.

At the time of these experiments, there was no adequate theoretical framework for understanding such effects, nor the technical means to precisely determine the characteristics (in

particular, the polarization and strength of magnetic components) of the radiation involved. The Priore results became the subject of a destructive controversy. Remarkably enough, the controversy concerned not so much the *existence* of the effects (which were repeated hundreds of times by many groups of researchers over more than a decade), as the circumstance, that Priore maintained close secrecy over the operating parameters of his machines. The proximity of Priore's work to areas of research into weapons applications of microwaves, may be responsible for much of the mystery and controversy surrounding an otherwise most promising direction of biophysical investigation.

In the late 1960s, Sidney Webb and co-workers applied the new technique of laser Raman spectroscopy to study the tuning of living tissue. In this type of spectroscopy, an impinging laser beam exchanges energy with molecular vibrations and coherent excitation waves in the test material, causing upshifts and downshifts in the frequency of the scattered light (Raman effect). Webb et al. found that the Raman spectrum of living cells is entirely different from that observed from crystals or mere suspensions of organic molecules. First, they discovered an anomalous *lack* of Raman activity in "resting" cells, i.e., cells not undergoing metabolic activity. As soon as nutrients (oxidizable carbon sources) were added to the medium, strong Raman lines appeared, at frequencies characteristic of the cell type and nutrient used. However, the intensities of the lines changed with time, in such a way, that specific lines appeared at specific times during the cell division cycle. It was later found that the Raman shift frequencies are sums and differences of a small number of fundamental frequencies, in much the same manner as the spectral lines of atoms and molecules. The precise, time-dependent shifts of energy between the various lines, are peculiar to the life process.

Webb found further remarkable results when he studied the differences in Raman spectra between normal and tumor cells, and the relationship between spectra of "mother" and "daughter" cells in mitosis.

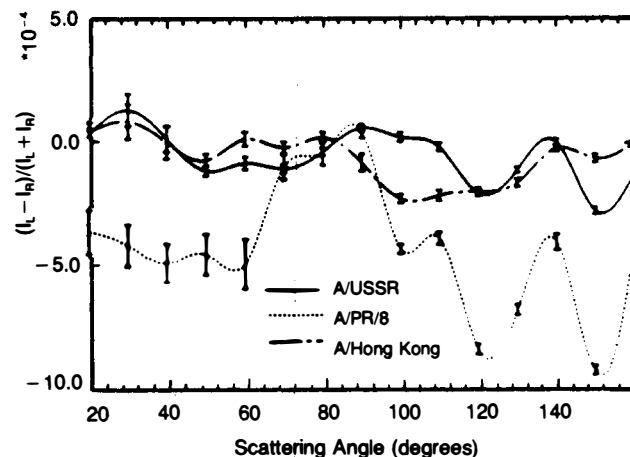
The potentials of *in vivo* Raman spectroscopy for fundamental research in biology and medicine, have hardly begun to be realized. Most important is the fact that this method, like the multiparameter light scattering (MLS), ultraweak photon emission (UPE), and nuclear magnetic resonance (NMR) techniques described below, allow us to directly observe the space-time characteristics of the relativistic (Riemannian) geometry of the living organism. Ordinary micrographs, in contrast, tend to reveal only distributions of object-like "structures," leaving unseen the underlying *life process* in the cell. The results of Webb and others indicate, in fact, that the observed Raman lines do not represent oscillations of isolated molecules, but coherent waves "binding up" the cell components into a unified process.

2. Multiparameter light scattering: When we look at a specimen in a microscope, the image we see consists of light and dark areas corresponding to varying absorption of ordi-

nary light by regions of the sample. But, the microscope image represents only one small aspect of the complex process by which light is absorbed, re-emitted and scattered by the specimen. *Multiparameter light scattering* (MLS) instruments observe the entirety of the light scattered in *all directions* from a given sample, as a function of the wavelength of the light-source (a laser), the angle of scattering and the degree of left-handed or right-handed polarization of the light going into and emerging from the sample (Figure 2). Rather than providing a photographic image, the MLS technique produces a characteristic "signature" which can be used to identify microorganisms and even viruses in biological fluids in the remarkably short time of 5 minutes. Even closely related varieties of virus, which otherwise can only be distinguished by laborious cell culturing or biological engineering techniques, are easily distinguished by MLS methods.

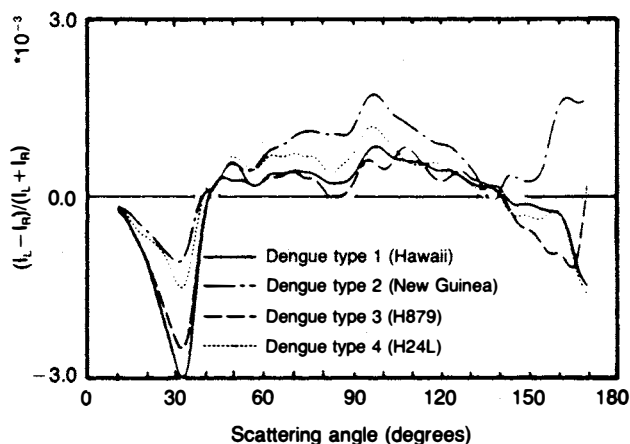
Figure 3 shows a prototype version of MLS, called *Circular intensity differential scattering* (CIDS). In this instrument, light from a laser is first passed through a polarizing filter, then through a modulator, and finally directed onto the biological sample fluid in a cuvette. The scattered light is then measured by a photomultiplier tube preceded by a second polarizer-modulator combination, and mounted on a rotating arm which moves in steps through the angles from 0° to 180° to the axis of the original beam.

FIGURE 4
Typical CIDS spectra for three influenza viruses



The circular intensity differential scattering results are compared here for three types of influenza A virus at 488 nanometers. The vertical axis graphs the ratio of the difference between the measured intensities of left-circularly-polarized light and right-circularly-polarized light in the scattered light to the total scattered light in the given direction. The horizontal axis is the scattering angle. There is good discrimination among the three virus preparations around 60°, 110°, and 150°.

FIGURE 5
CIDS spectra for dengue fever viruses



Four types of dengue fever virus vaccines are plotted here at 360 nanometers, with the best resolution among them obtained at about 30°.

The CIDS signature is obtained by this instrument by measuring the ratio

$$(I_L - I_R)/(I_L + I_R)$$

of the difference between the measured intensities of left-circularly-polarized and right-circularly-polarized light in the scattered light, to the total scattered light in the given direction, as a function of direction. This parameter is highly sensitive to what are called *chiral structures*, processes in the sample which display left-right *asymmetry*. The basic principle behind this method was originally discovered by Louis Pasteur, who was the first to show that living organisms systematically “choose” between left- and right-handed forms of most molecules, in their metabolic processes.

Figure 4 shows typical CIDS spectra, obtained from virus preparations of three different varieties of influenza virus. Figure 5 shows CIDS spectra of the dangerous tropical viruses Dengue 1, 2, 3, and 4. In both cases, the different varieties are easily distinguished by the different intensities of the CIDS parameter at certain angles of scattering. The sensitivity of the technique for viruses is presently about 10^7 virus particles per milliliter (ml), but can be improved.

The same technique produces clear signatures of various types of bacteria at concentrations of 10^5 per ml.

The CIDS technique is based on measuring a single parameter of the scattered light, out of a total number of 16 parameters which characterize scattered light (the so-called Mueller matrix). In the MLS technology, several or all of these parameters are measured, thereby obtaining much more information. Also, different wavelengths of input light produce very different signatures. In principle, the total scatter-

ing information for a sufficient number of input wavelengths should provide enough information to discriminate thousands of different microbes, even when several are present at once in a given sample. In addition, the MLS could be combined with a flow cytometer, permitting it to examine single cells of various types. This would open the way to a revolution in clinical medicine: Ideally, an automatic MLS instrument would feed a large computer storing the signatures of all the bacteria and viruses of clinical interest. Within minutes of obtaining a blood sample from a patient, the physician would obtain a “print-out” inventory of all microbes present in the sample, with approximate titers! This compares with hours or days of laboratory work often required to diagnose a sick patient today. Often, a physician must begin treatment for a suspected viral infection, days before the virus has been positively identified.

Much work will be required to develop the MLS-technique from its present “proof-of-principle” stage into a standard hospital instrument. In the estimation of one of its developers, Dr. Charles Gregg of the Life Sciences Division of Los Alamos National Laboratory, a commercial version of MLS for bacterial identification could be ready within one year. Identification of viruses is more difficult, but could be achieved within a few years given a crash program. The case of AIDS, where titers of virus are characteristically very low, will require technological innovations to increase the optical sensitivity and discrimination of the MLS instrument.

The interest of MLS goes far beyond its potential applications in clinical medicine. The scattering signature of a virus, bacteria or tissue cell gives critical information on the *geometrical structure*, or conformation, of genetic and related material—information which is missed by the standard techniques of molecular biology. Inside the nucleus of a human cell, the DNA is tightly wrapped into a complex hierarchy of helical structures. When fully “unwrapped,” the DNA of a single cell would be about 1 meter long. Inside the nucleus, it occupies a space of less than 1/1,000th of a centimeter in diameter! The actual form of the DNA superstructure, which changes as the cell goes through various metabolic stages, is crucial to understanding how cell functions are regulated. Observation of changes in the DNA supercoiling may be directly important in determining what factors cause HIV retrovirus material “sleeping” within an infected cell nucleus, to become active.

Actually, the characteristic CIDS-MLS signature cannot be completely understood simply on the basis of the interaction of light with a single macromolecule such as the DNA. The signature represents a characteristic of phase-space geometry: the action of the tissue process as a whole upon incident light. Hence, MLS readings have a more fundamental significance than the mere determination of molecular conformation. A crucial direction of research, hardly touched upon so far, is to examine the changes in MLS signature as a function of the phase of a cell in its mitotic cycle.

To be continued.

Soviet gamemasters ready to grab Middle East

by Thierry Lalevée and Scott Thompson

At the beginning of February, the United States was poised to strike a mortal blow to Soviet-backed terrorism and restore the basis for order in the Middle East. During the first week of the month, a U.S. fleet began to mobilize in the Eastern Mediterranean and Persian Gulf with a mission to free 23 hostages held in Lebanon and to check an Iranian takeover of Persian Gulf oil, should the Iraqi city of Basra fall to Iran.

By Feb. 11, all military means were assembled for the United States to run a combined operation, bombing terrorist command centers in the Bekaa Valley, and using special forces to free the 23 German, French, British, U.S., and Arab hostages held by Syrian and Iranian terrorists there.

That military capability was never used, and within days, it was dismantled.

That set the stage for Syria, the main satrap of the Soviet Union in the region, to re-occupy West Beirut on Feb. 20, and for Soviet party boss Mikhail Gorbachov to make a bid to officially take over the administration of the chaos in the Middle East, with the approval of the U.S. State Department.

Scope of the deal

The scope of the deal cut by the State Department with the Soviets' Syrian satrapy was revealed on Feb. 22 when the State Department issued a statement saying: "The past 12 years in Lebanon provide ample proof that no external force can impose political or security arrangements in Lebanon." Two days later Secretary of State George Shultz, in congressional testimony, praised Syria's intervention into West Beirut, the foot-in-the-door for partitioning that country with Israel. Shultz told Israeli Prime Minister Yitzhak Shamir,

who was visiting Washington at the time; that the State Department backed Soviet leader Mikhail Gorbachov's proposal for a comprehensive East-West peace conference.

The European allies have largely shown the same vacillation. Only the West German Patriots for Germany, chaired by Helga Zepp-LaRouche, had the foresight to support U.S. military action, when the Patriots and the Schiller Institute issued a call on Feb. 11 for the United States to occupy Lebanon as President Dwight Eisenhower had done, freeing the hostages, and supplanting Syrian hegemony.

Even French Premier Jacques Chirac, who had been correct in his earlier criticism of the Reagan administration for failure to work out a strategy with the European allies against Islamic fundamentalism, appears to have advised against U.S. military action, because of the fallout from the April 1986 raid on Libya.

Soviets hold Syria card

Behind this strange situation, where the U.S. Marines were mobilized, then vanished when they could not get a warrant to go in, lies a deal by the U.S. State Department with Hafez al-Assad in Damascus to play the "Syria card," actually an ace hidden up Mikhail Gorbachov's sleeve.

The deal, being negotiated for two years between Assistant Secretary of State Richard Murphy and his Soviet counterpart, Vladimir Polyakov, is to hand the Middle East chaos over to Moscow—rather than put an end to the chaos.

Intelligence sources reveal that Murphy struck a deal with Polyakov during his latest tour of the Mideast in January, which included an American pledge not to strike at Lebanon,

in exchange for Syria's help in releasing the hostages.

Damascus was then given the green light by Moscow, Washington, Jerusalem, and Teheran to go back into Beirut.

Moscow has emerged as the leading power broker in Lebanon. This was signaled by the visit of Karen Brutents, the deputy chairman of the Central Committee's International Department, to Tripoli and Damascus in the first week of February. Brutents warned in a Feb. 6 interview with *Al Khalij* that the Soviet Union was considering various options should the United States take military action.

On Feb. 10 Soviet leader Gorbachov, flanked by the Politburo member in charge of playing the Soviet's "Muslim card," Geidar Aliyev, condemned the United States for preparing an "open threat to punish whole nations for mad, criminal acts by a handful of extremists."

Moscow not only thinks it can now dictate how the West responds to Soviet-backed Mideast terrorism, but has orchestrated two parallel sets of international negotiations involving Damascus, Washington, Jerusalem, and Teheran. The Murphy-Polyakov meeting in Stockholm in June 1986 approved the initial Syrian occupation of Arab West Beirut, which was to have encircled Christian East Beirut by September. These efforts were then countered by stiff resistance from both the Lebanese Army forces led by Dr. Samir Geagea, and Yasser Arafat's Palestinian military forces.

Gorbachov diplomatic maneuvers

Nearly a year later, the new Syrian military occupation has occurred as part of an agreement to pursue Gorbachov's proposal for an international peace conference on the Middle East. European sources confirm that one of the back-channels through which this final agreement was negotiated, was the Feb. 1-8 visit by Henry Kissinger to Moscow with a delegation from the Council on Foreign Relations.

It was when he was serving as U.S. Secretary of State in 1976, that Henry Kissinger first proposed a treasonous plan for the partitioning of Lebanon between a Greater Syria and Greater Israel. That plan is nearly accomplished. In private talks with Gorbachov, the CFR delegation began negotiating the terms of a new superpower summit.

On Feb. 20, the day the Syrians entered Beirut, Gorbachov used the unusual channel of the European Community to announce his latest peace initiative. In a letter to the Belgian chairman of the EC, Leo Tindemans—the first political initiative ever from Moscow to the EC as an independent body—Gorbachov announced he would shortly be "calling for the holding of an international peace conference," and requested European approval. On Feb. 23 the foreign ministers said yes, underlining that "because of Irangate," Europe has "to rethink its role in the region." Tindemans rushed to the Soviet embassy in Brussels to transmit the answer.

Few have any illusions that such a conference can be pulled together, or that a new peace initiative can be successful in this period. Many countries or politicians have referred

to such a conference, with different meanings and different goals. But the exchanges between Foggy Bottom, Moscow, and Brussels are signals for broader negotiations along the lines of a New Yalta accord to redivide the world.

On the ground

Syria's move into Lebanon has the approval of Moscow, Teheran, and Jerusalem. None of the powers in those capitals really care about their "allies" on the ground in Lebanon, but see the warring forces in the country as expendable pawns.

Soviet Muslim-handler Karen Brutents arrived on Feb. 2 in Damascus to meet with the secretary-general of the ruling Ba'ath Party. Then he spent a week at the congress of the Lebanese Communist Party, before meeting President Assad on Feb. 8. Brutents gave Assad a letter from Gorbachov which obviously had been transmitted to the Soviet Embassy after his arrival.

While in Lebanon, he met with all of the militia leaders, especially Druse warlord Walid Jumblatt, and then gave token support to the Palestinians besieged by the Soviet tanks given to Nabih Berri's Amal, the Lebanese Shi'ite militia. Intelligence sources suspect that Brutents, with Gen. Ghazi Kana'an of Syrian military intelligence, gave orders to Jumblatt to begin attacking the Amal militia. That created the pretext for Syria to re-enter the city and separate the fighters.

By Feb. 19, a mauled Berri, Jumblatt, and the Syrian leadership conferred in Damascus. The next day some 7,000 Syrian soldiers moved into West Beirut under Kana'an, who warned that all armed men would be shot on sight. Arguing that his "friendship to Syria is above everything else," Jumblatt ordered his troops to withdraw to their Shouf headquarters.

This didn't cost Jumblatt much, since the Druse consider West Beirut only an "advanced defense line" for retaining their control over the Shouf mountains.

The Iranians believe that the strengthening of Syria may be good business right now, despite some degree of competition over whether Lebanon becomes part of Greater Syria or a Teheran-led "Islamic Republic," through an accommodation with Lebanese Sunni forces. (The Sunnis are the majority branch of the Muslim religion, while the Shi'ites are the minority branch, which dominates in Iran's theocracy.) Thus, the Iranians have agreed that a few of the Western hostages held by the Hezbollah, the Iranian Shi'ite militia in Lebanon, may be put in a situation "where Syria will be able to release them." Iran is also concentrating its efforts on the creation of a "Shi'ite belt," to be centered in Iran and Iraq.

As for its Damascus "ace," sources suspect that with Moscow's support Syria will once again seek to annex East Beirut, even if indirectly through its militias, thereby controlling Lebanon. In coming weeks, Damascus is expected to reactivate the pro-Syrian Christian forces of Elie Hobeika and to use them for an assault against Lebanese President Amin Gemayel's loyal military leader, Samir Geagea.

Soviet-sponsored international terrorism goes on trial in Paris

by Thierry Lalevée

With the opening on Feb. 23 in Paris of the long-awaited trial of George Ibrahim Abdallah, the founder of the Lebanese Armed Revolutionary Fractions (FARL), more than ten years of Soviet organized irregular warfare in the Middle East and Europe stands to be exposed.

Abdallah, arrested in France in October 1984, was already condemned last October in Lyons to several years in jail for the use of forged documents, carrying weapons, and association with terrorists. In Paris, he is on trial for personal responsibility in the murders in 1982 of U.S. military attaché Charles Ray and Israeli diplomat Ya'acov Barsimantov, as well as an assassination attempt the same year against Robert Home, the American consul in Strasbourg.

In the 10 days leading up to the trial, the French government decided to deploy in key areas of Paris and throughout some cities in France a large-scale police and paramilitary deployment. Such a deployment was made necessary following the terror wave last September, organized by friends of Abdallah under the name of the "Arab Solidarity Committee with Arab Political Prisoners," which killed 12 during a bombing spree in supermarkets and other public places.

One week before the Feb. 23 trial, the ASALA, as well as the "Special Operations" department of George Habash's PFLP, launched separate warnings of new terror reprisals if Abdallah were not released. The ASALA also urged the release of one of its members, as well as of Iranian terrorist Anis Naccash, who tried to kill Shahpur Bakhtiar, the former prime minister of Iran, in 1980.

What changed the climate of the trial from a defensive mood to an offensive one, was the arrest on Feb. 21 of four of the leaders of the French terrorist group "Direct Action." Jean Marc Rouillan, Nathalie Menigon, Joelle Aubron, and George Ciprianni were caught on a small farm in the center of France. Direct Action has been responsible for more than 80 bombings in the last five years, as well as several assassination attempts and actual murders; the last was in November 1986 when they gunned down George Besse, the director of the nationalized automobile manufacturing firm, Renault.

Police reports indicate that the terrorists were planning the kidnapping of a high level French figure in exchange for one of theirs, the jailed Regis Schleicher. Though so far, there is no indication that the arrest of the four founding

members of Direct Action will affect Abdallah's trial, this may come at a later point. French intelligence and law enforcement agencies have known for years that Abdallah's FARL functioned as the international liaison between European terrorists and Middle Eastern terrorist organizations and states.

Abdallah: a Soviet agent

Creating a climate for major revelations to come out of the Abdallah trial has been the publication by several media of part of his police file. The move has been interpreted as a precaution that if, in case of political and diplomatic pressures, the French government refrains from exposing all of Abdallah's connections, part of them would be made public anyway. Besides publishing precise data over a five-year period which retrace most of Abdallah's movements around Europe and his circumstantial involvement in the murders mentioned above, a few particular facts stand out.

First, contrary to the general belief that the Abdallah terror cell has been known to European intelligence only since the early 1980s, the police reports document that Abdallah's name surfaced as early as 1975. Abdallah joined Habash's PFLP in 1969. By the mid-1970s, he was with the network of international terrorist "Carlos." The arrest of Carlos's associate in Beirut, Michel Mokarbel, brought up Abdallah's name for the first time.

Mokarbel was then extradited by Lebanese security to Paris, where French counterintelligence used him to bait a trap against Carlos. In June 1975, Carlos succeeded in escaping, killing two French inspectors and executing Mokarbel. In the following weeks, several of Carlos's safehouses were raided. There, French police found documentation on an upcoming assassination attempt against U.S. Ambassador Francis Maloy in Beirut. Maloy was ultimately killed in June 1976, a few weeks after Syrian troops took over the city. In this documentation, both the name of Abdallah, and one of his associates, Selim al Khoury (considered the mastermind behind the terror bombings in Paris in September 1986) were found.

The same police report also precisely documents the activities of Abdallah between 1975 and 1979, when the FARL was officially created. Of special importance are details

showing that the FARL was created under the sponsorship of Soviet intelligence as a false "splinter" group which was to look independent and "family-oriented" (in reference to the numbers of brothers and cousins of Abdallah), but whose tasks were twofold: to use such a cover to build new European terrorist networks, and to act as an unofficial liaison between the so-called "Euro-Terrorists" and Middle Eastern terrorism. The creation of the FARL had no other purpose, than to spread further confusion as to the actual game-masters behind terrorism.

A central figure in that process has been one Ibrahim Ahmed Lakhif, a central committee member of the Lebanese Communist Party, which acts as a local liaison between the PFLP of Habash and the Soviet Embassy. In 1977, he also served as a liaison to then-Colonel Ghazi Kanaan, now a general, director of Syrian intelligence for the whole country. It was Lakhif who picked up the Abdallah group in early 1977 to give them an eight-month-long series of ideological seminars on Marxism. After this ideological training, they were sent to the "Special Department" of the PFLP for further training.

The French media have put out precise details on how all of the members of the Abdallah groups were sent to Algeria, Syria, China, and the East bloc countries, especially Bulgaria. Bulgaria was for several years the headquarters of the FARL.

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Soviets upgrade 'Operation Green'

by an Investigative Team

Well-informed Scandinavian sources have reported that Soviet intelligence has decided to upgrade Soviet manipulation of "ecology movements" in the West.

This would represent a third phase in Soviet wooing of the ecology/"Green" movements. Already in the late 1960s, the Soviets played a role in launching such neo-malthusian movements as the Club of Rome International and the International Institute of Applied Systems Analysis (IIASA), together with such individuals as Lord Solly Zuckerman, former scientific adviser to the late Lord Louis Mountbatten of Britain. The Soviets realized that "ecologism," with the international drug trade, would be most useful in helping the West commit suicide.

In summer 1985/spring 1986, this took on a new dimension, particularly after the Chernobyl nuclear disaster. Personal direction over what might be called "Operation Green," was taken by Ivan Frolov, editor of the Soviet magazine *Kommunist* and a member of the Club of Rome, who met with a West German Green Party delegation in Moscow in December 1985, and visited West Germany in May 1986. Also, a confidential meeting of seven European Communist parties, held in Austria in May 1986, resolved to integrate the activities of the Communist parties and the "Green" parties.

EIR has identified four foci of Soviet concentration, in encouraging and manipulating Western ecological movements, in addition to Soviet publications' praise for the West German Green Party. They are:

- The Varna, Bulgaria-based "Eco-Forum for Peace," established in August 1986. The Eco-Forum Governing Board held a private meeting in Moscow during the Feb. 14-16 extravaganza conference called by Soviet leader Gorbachov, with 900 individuals from the West attending. Westerners in the Varna Group, or Club of Varna, include American-born Arthur Westing, of the Stockholm International Peace Research Institute (SIPRI); Vincent LaBeyrie of France; and representatives of the Center for Human Ecology at Edinburgh University in Scotland. According to participants at this meeting, Eco-Forum president Ivan Frolov was unabashed in stating that he thought that "environmentalism" was important for the West, but not necessary for the Soviet Union.

- The "New Détente" project of the Transnational Insti-

ute (TNI) in Amsterdam. TNI is the European branch of the Washington, D.C. left-radical Institute for Policy Studies. The "New Détente" project will sponsor a meeting in May or June 1987, on East-West cooperation in "ecology and economics." "Peace and green groups" from Poland, Hungary, and possibly Czechoslovakia are expected to attend. Project coordinator is Mary Kaldor, chief figure in the Arms Control and Disarmament Project of Sussex University's Science Policy Research Unit (SPRU). Kaldor hopes to use the "New Détente" project as a springboard for decoupling the United States from Western Europe.

- The "European Network for East-West Dialogue," based in West Berlin, and headed by Green Party Euro-parliamentarian Dieter Esche. With Kaldor in attendance, the European Network met in Amsterdam on Feb. 14. "European Network" literature stresses "ecological goals" as primary in its work, and its organizational document has a substantial sub-section on "Economic and ecological cooperation," which attacks "military-industrial complexes," and calls for "new efforts [to] be made to find a proper balance between economic growth, the aim of social equality, and ecological requirements. Economic activity must in its daily practice take into consideration the fact that natural resources are limited. . . . We think that a re-evaluation of nuclear technology is necessary in light of the lessons to be drawn from the Chernobyl catastrophe. . . ."

- The Vienna Center for Research and Documentation in the Social Sciences. Based in the Austrian capital, the "Vienna Center" was founded in 1961 by Polish writer Adam Schaff, later a Club of Rome fellow-traveler. It has instituted an "Eco-Econ Project," and is studying East-West collaboration on this front. The Vienna Center is headed by a Czech, one Charvat, and is studying a proposal from the Czech Academy of Sciences, for a new project on "European culture." It patronizes a European-wide "ethnography project," co-directed by Soviet Institute of Ethnography head Julian Bromley and Cambridge University professor Ernst Gellner. The Vienna Center's Barbara Rhode, a Green Party member, was at the founding meeting of the Club of Varna.

The Soviets have also opened flanks through the older organizations, the Club of Rome and IIASA.

Club of Rome co-founder Alexander King attended an East-West cultural conference in Soviet Central Asia in October 1986, sponsored by Soviet writer Chinghiz Aitmatov and addressed by Gorbachov. Since then, King has been played up in the Soviet media. King's daughter, Jane King, is an instructor at the Club of Varna-connected Center for Human Ecology in Edinburgh. IIASA, headed by Soviet Global Systems Analysis director Dzherman Gvishiani, has sponsored, also in Varna, Bulgaria, joint projects on perspectives in education, with the Bulgarian Ludmila Zhivkova Foundation, named after the late, gnostic daughter of Bulgarian leader Todor Zhivkov. One such joint meeting was held in 1985, and a second is slated for 1987.

What the Tower Commission did not say

Michael Ledeen, Project Democracy, and the secret government behind the Iran-Contra affair

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Colombia's 'bad neighborhood'

Brazil's moratorium is forcing Colombia to examine more closely the veracity of its so-called "privileged" status.

Just days after Brazil declared a suspension of payments on its massive foreign debt, former Colombian Foreign Minister Abdón Espinosa Valderrama wrote in the daily *El Tiempo* that Colombia is "no longer the privileged inhabitant of a bad neighborhood. We now find ourselves in the same boat." Espinosa pointed to the fall in coffee prices on the international market, and the increased percentage of its export income that Colombia is now paying to service its debt, wondering aloud if Colombia, too, will have to go the route of a "tactical moratorium," like Brazil.

The oft-repeated government line that Colombia is the well-behaved exception to the rule in indebted Ibero-America, is no longer holding water. Under the government program of "IMF austerity without the IMF," begun during the predecessor Betancur regime, unemployment and bankruptcies have skyrocketed and officials are openly admitting that the country's 1986 growth rate was almost entirely financed by artificially high coffee prices and a more than 50% increase in "services" (read: illegal) income laundered into the system through the infamous "black market window" at the central bank.

The daily *La República* reported Nov. 30 that Colombia had been forced to increase budget appropriations for servicing the foreign debt by 74.7% in the first 10 months of 1986 alone. Coffee banker Fernando Londoño Hoyos warned Jan. 13 that coffee exports would bring an estimated \$1 billion less into the country in 1987, and predicted expensive government bailouts

of debtor companies.

In his year-end review of the country's 1986 economic performance, Comptroller Rodolfo González García wrote that the economic panorama was "beginning to cloud over," and ridiculed "the very Colombian talent for tip-toeing on the question of the foreign debt so as to not awaken suspicions in the great metropolises."

While other "companions on the same trip" were taking tougher stands in negotiations with the creditors, declared González, Colombia was permitting its deals with the banks "to prove onerous for the expense budget, reducing possible margins for social investment and obliging us through the effect of unbridled devaluations to readjust the costs of basic services and subject domestic prices to the rising cost of the dollar."

Colombian Cardinal Alfonso López Trujillo, in an interview with the Italian monthly *Trenta Giorni* reprinted in the Colombian daily *El Espectador* of Feb. 4, added the authority of the Vatican to growing anti-usury sentiments: "It has become much more difficult to deal with the debt. . . . If great changes are not made . . . the pressure for payments which do not even begin to amortize the debt, will result in intolerable social costs. . . . One President [Alan García of Peru] has said that in such a situation 'the external debt is eternal debt.'"

López Trujillo's sentiment, encapsulated in the Vatican's recent document, "An ethical consideration of the international debt" (see page 28), has also been embraced by the Colombian labor movement. The

United Confederation of Workers (CUT), representing 80% of Colombia's organized trade union movement, backed the Brazilian debt moratorium as "a sovereign decision in defense of its people as well as the people of all Latin America."

The CUT statement also endorses President García's 10% ceiling on foreign debt payments, and calls on "all Colombian workers to mobilize in support of the important decision taken by Brazil," while proposing "a continental meeting of workers to lay out a common strategy for all representative labor organizations on the debt problem." The CUT document, signed by CUT president and former Labor Minister Jorge Carrillo Rojas, concludes: "We workers have much to contribute in the creation of a new international monetary system, in which usury is suppressed and the criteria of economic justice reign."

The Barco government has so far ignored these warning signals. In response to the Brazilian move, presidential economic secretary Enrique Penalosa Londoño declared Feb. 24 that a debt moratorium was not part of the Barco government's plans. He said that Brazil's determination "obeys the autonomy of each country and we cannot second it, since we have a very different and highly favorable situation which enables us to meet our obligations punctually."

The daily *El Espectador* answered editorially that, like Colombia, Southern Cone countries like Brazil and Argentina "took their doses of financial morphine, which not only did not cure but aggravated the problem. . . . In view of these examples, to remain blind and persist in believing it couldn't happen here is as incredible as it is explosive."

It's illegal to think of nuclear power

The extremists determining party politics in Sweden are modern King Canutes trying to stop the tidal wave.

Years of relative silence in Sweden regarding nuclear energy—after the 1980 popular referendum ostensibly settled the matter once and for all—have now been followed by a new demand to shut down all nuclear reactors. Ironically, the renewed nuclear energy debate erupted after the Social Democratic minority regime sought to outlaw even *thinking* of building more nuclear plants.

After the 1980 referendum, the Parliament decided that no more nuclear reactors were to be built in Sweden. But the coming on-line of several new reactors then already under construction, has more than doubled nuclear electricity generation since 1980, accounting now for fully one-half of all Swedish electricity, a nuclear ratio surpassed only by France. Thus the paradox of one of the world's most anti-nuclear regimes presiding over one of the biggest nuclear energy programs per capita.

In spite of this—or, maybe because of it—the many opponents of the cheapest, safest, cleanest, and potentially most abundant energy technology already in operation, have reactivated their campaign to translate Sweden's consensus of 1980 into practical policies today: 1) build no new reactors; and 2) shut down the last reactor by 2010, at the latest. Secretly, they have begun to fear that this policy might not be workable, unless people start getting used to life without energy.

In order to enforce this anti-nuclear policy, an ad hoc majority of the

Swedish Parliament, composed of the ruling Social Democratic Party, the supportive Communists, and the opposition Center Party, passed legislation proposed last year by Energy Minister Birgitta Dahl, stipulating that “nobody must make construction designs, calculate costs, order equipment, or take other such preparatory measures aimed at building a nuclear reactor within the country.”

Nicknamed the “Brainwashing Paragraph,” the law is meant to ban all qualified projections of costs that might show the economic superiority of building more nuclear reactors, relative to coal- or oil-fired power plants, windmills, etc. Rather than the previous legislation, which simply outlawed new reactors, in itself an extreme measure, *the new law attempts to ban the act of merely contemplating more nuclear power!*

Energy Minister Dahl wants to shut down the first two reactors, those of the Barsebäck nuclear plant on the southern Swedish coast, during the 1990s, in spite of their intended lifespan extending well into the 21st century. But the anti-nuclear extremists of the Center Party, to whom Dahl appears to be a “pro-nuclear hawk,” want to shut them down by 1987-88. These are backed by, among others, the Danish Social Democrats—the Barsebäck plant directly faces the Danish capital of Copenhagen, across the straits separating Sweden from Denmark.

Even Swedish Social Democrats have opposed such a radical shut-

down, knowing that this past winter, for example, Sweden's electricity consumption was only barely met by its own electrical power production. Experts estimated that a temperature drop of but a few degrees centigrade would have sufficed to trigger an electricity blackout, as demand for heating would have surpassed power supply.

But come spring, the fundamentalists within the Center Party and the Danish Social Democracy, much like 11th-century Danish King Canute's attempt to stop the incoming tidal wave, are calling for the shutdown of the Barsebäck plant, which in 1986 produced 7% of Sweden's electricity, in reckless contempt for the overwhelming probability that another winter will come in 1987.

While Sweden's parliamentary parties—having kept the Greens out, not by fighting their ideas, but by adopting them as their own—are all complicit in the dismantling of one of the world's most ambitious nuclear energy programs, many scientists have now begun to speak up against this unprecedented waste of advanced research and high-technology investments launched in the late 1940s through the 1960s.

In an open letter to the government, 60 science professors from Lund, the university town neighboring Barsebäck, warned on Jan. 21 of a premature reactor shutdown, and attacked the hysteria being whipped up against nuclear energy. Noting that an end to nuclear energy would mean massive construction of coal-fired power plants, with a “serious increase of the air's carbon dioxide content,” the scientists demanded an energy policy based on “reason, knowledge, and responsibility,” where not only no premature shutdowns would occur, but the decision not to build any more reactors would be reversed.

'Decoupling' faction strengthened

The new government's foreign policy is tilting toward Moscow, as U.S. troop cuts loom.

In the aftermath of the January elections in West Germany, which returned Chancellor Helmut Kohl to power and strengthened the hand of his foreign minister, Hans-Dietrich Genscher, the advocates of "decoupling" the Western alliance have lost no time in shaping the foreign policy of the new government. While their continuing calls for U.S. troop withdrawals from Europe receive high publicity, an intensified diplomatic courtship with Moscow has begun.

The latest in the chorus of disengagement calls was a letter by Sen. John McCain (R-Ariz.) to the editors of the daily *Die Welt*, published on Feb. 25. The senator announced: "All efforts to reduce the [U.S. budget] deficit will inevitably lead to a close review of defense expenditures, which absorb 25% of the total federal budget." Mentioning the calls for troop withdrawal by Henry Kissinger and Zbigniew Brzezinski, McCain predicted: "Therefore, I think it is likely that the United States will withdraw troops from Europe in the next years."

The same view predominates in the office of Chancellor Helmut Kohl. His national security adviser, Horst Teltschik, sided with the U.S. disengagement faction, in an interview in the Feb. 21-22 edition of the *Stuttgarter Zeitung*: "In the U.S.A., a debate has already begun, whether 40 years after the Second World War, it wouldn't be time for the U.S. to reduce its engagement in Western Europe—this is understandable, given the richness of nations in Europe. Why

should an American accept, in the long run, that an annual budget of \$125 billion be spent for Europe's defense, while the budget deficit of the United States is reaching astronomic dimensions?"

Arrangements are well advanced for Moscow to fill the vacuum left by the United States. Teltschik himself will confer with Soviet Central Committee secretary Anatoli Dobrynin in late April, and the agenda will deal with "prospects of extended economic cooperation." The ground for this arrangement was laid by trips of ranking representatives of German industry to Moscow during the previous month.

At the end of January, Otto Wolff von Amerongen, president of the eastern trade division of the German Industry Association, traveled to Moscow. He met with several top-level Soviet officials, including Yevgeni Pitogranov of the Moscow Chamber of Trade and Commerce. Pitogranov is known as a KGB general, whose main assignment it is to build political contacts to businessmen in the West.

Amerongen and Pitogranov talked about Gorbachov's reform program and the so-called Peace Forum which was to take place in Moscow in mid-February. The two agreed that attendance of a high-powered delegation of West German industry at this forum's economic panel was most welcome.

The delegation, which was put together within days after Amerongen's return from Moscow, listed top names of German industry and banking: Ernst Pieper (Salzgitter Steel), Joerg Henle

(Kloekner Steel), Werner Dieter (Mannesmann Steel), Berthold Beitz (Krupp), Friedrich W. Christians (Deutsche Bank), and Amerongen himself.

Topics discussed included joint projects in the nuclear power sector, cooperation in monetary affairs, and transfer of Western high-technology products to the Soviet Union.

Back from Moscow, Christians and Amerongen gave interviews to the press, to advertise Gorbachov's new economic policy as a "great chance for German industry." Christians said on German TV on Feb. 17: "I consider the Soviet Union the big market of the future."

In an article published on Feb. 19 in the *Frankfurter Allgemeine Zeitung*, Amerongen reported that his Soviet discussion partners had mentioned plans to "make the ruble at least partly convertible." In another interview, published the same day by the weekly *Stern* magazine, Amerongen denied the propagandistic character of the Moscow economic forum, portraying it, instead, as a welcome "framework for discussion between the international world of business with the relevant people who work on the reforms here." Christians, in another interview with the weekly *Der Spiegel*, revealed on Feb. 23 that the talks in Moscow had dealt "with very concrete projects," notably "cooperation in the nuclear technology sector."

These interviews provided the context for the ongoing Bonn coalition talks on the new government's policy toward Moscow. Suddenly the Christian Social Union of Franz-Josef Strauss withdrew its opposition to Genscher's pro-Soviet policy, and the three Bonn coalition parties agreed to "continue the illusion-free, realistic détente policy of the previous government."

Drug legalizers speak out

French President François Mitterrand is giving his backing to a drug lobby asset.

An open ideological war is being waged over drug policy in France, between the supporters of legalization and the Chirac government.

The way this war has broken out is itself a victory for the government. After the March 1986 elections, the government announced a war on drugs, to be conducted by both the Justice Ministry of Albin Chalandon and the Interior Ministry of Charles Pasqua. The "Chalandon Plan" shifted to a less liberal policy toward drug addicts and traffickers—meaning jail for those who refuse to be cured. This simple change of behavior against one of the weapons of the counterculture is creating the conditions for a foreseeable cultural paradigm shift in France, especially since concern over the AIDS epidemic is also mounting.

The revolt against the Chirac government's anti-drug measures has come from pro-drug, counterculture supporters, in particular in the Socialist Party. The first salvo came when the Socialist Party-linked Dr. Claude Olievenstein, who "cures" addicts by giving them palliative drugs, complained to *Le Monde* last Nov. 15 that he should "have gotten himself more involved on behalf of the decriminalization of marijuana use." Then on Feb. 5, the pro-drug daily *Libération* escalated, printing statements by proponents of drug legalization in France on the Netherlands model. Speaking for this policy were Leon Schwartzberg, a member of the peacenik International Physicians for the Prevention of Nuclear War, and Socialist at-

torney Georges Apap, the prosecutor of the city of Valence, who declared that the way to defeat drug pushers is to replace the narco-mafia by the state!

Professor Schwartzberg suggested: "We could imagine a special entity attached for instance to the Health Ministry, and managed by responsible individuals under professional secrecy, where all the addicts could come to be registered but in an anonymous way, before they go into withdrawal." Mr. Apap went further: "Without saying that the increasing severity of the law is favoring the scourge, at least may we set forth as an evident truth that it [the repressive law] is of no help in curbing it and that prohibition is useless. Worse, it has the perverse effects of all bans and, for instance, favors trafficking. . . ." He concludes: "Since this phenomenon is out of our control, why don't we organize it?"

These interviews were published the same day Justice Minister Chalandon was invited to a conference at the French Senate, organized by the "National Federation of Defense Associations Against Drugs" which brought together some 500 doctors and anti-drug experts to endorse the government's new measures. This popular support for Chalandon was made possible after a petition drive to collect hundreds of signatures of famous scientists' and professors' names. The list was published in late January in the national press.

This idea goes back to the French branch of the Anti-Drug Coalitions

founded by Lyndon LaRouche, which held a rally in Paris on Nov. 22, 1986, and gave the Justice Ministry a petition of thousands of names supporting its initiatives. At that time, the Socialist media were arguing that Chalandon's measures were unpopular. Proving the contrary, the Jan. 20 *Figaro* daily printed an opinion poll revealing that 63% of parents (against 27%) and 50% of citizens generally (against 35%), support the strong anti-drug policy.

At this conference, a member of the "National Committee," Dr. Leon Hovnanian, declared: "Contrary to what has been said, the medical profession is now proving it is ready to take up its responsibilities. The movement is starting to spread to all other sectors of the French population. Support is coming from everywhere, even from companies. . . . We must reach 100,000 signatures within six months. This mobilization must not be disappointing. We hope the whole government will show solidarity with it. Parents and families, for too long bewildered and disarmed, have the right to the legal means to save their children from drugs and have intake centers in sufficient numbers to treat them. If we need to make demonstrations of 100,000 people in the streets to get them, we are ready to do it!" he concluded.

He added that an information campaign to France's 150,000 doctors will be carried out. After this event, Justice Minister Chalandon decided to demote the pro-drug Prosecutor Georges Apap from Valence to the lesser city of Bobigny. But President Mitterrand opposed this decision on Feb. 10, "thus backing Apap's statements," commented Chalandon. In fact, this is the first time a French President has protected an asset of the drug lobby, which Chalandon once labeled "intellectual terrorists."

Patriots appeal to save Italy

A new movement has emerged to rally the nation against the threat from the Soviet Union, AIDS, and economic collapse.

About 50 distinguished Italians, among them a former chief of the defense staff, generals, industrialists, a parliamentarian, teachers, and musicians, on Feb. 24 published in the Rome daily *Il Giornale d'Italia* the first "Call to Italian Patriots." The call they issued launches a new movement calling itself Patriots for Italy, to save the country from the dangers threatening it: the AIDS plague, the Soviet threat, and economic and moral collapse.

Among the signers are Gen. Duilio Fanali, former chief of the defense staff (Italy's highest military post); Col. Fernando Pouget, former collaborator of Guglielmo Marconi in the Italian Army; Prof. Bernardino Lattanzi of the Guidonia School of Aerodynamics, which first tested hypersonic flight; Michele Colombino, who chairs the World Piedmontese Association and is a regional counsellor in Turin; Salvatore Meleleo, a parliamentarian of Italy's majority party, the Christian Democracy (DC); Sen. Benedetto Todini of the Rome provincial association; and Fiorella Operto, the chairman of the Schiller Institute in Italy.

The "Call to Italian Patriots" reads as follows:

"Dear Italians: Never before was our nation in such danger of being destroyed physically as well as morally. The AIDS plague which is spreading so rapidly, is so dangerous that it might kill the whole world population within 40 years; it would be a worse catastrophe than nuclear war. As with all epi-

demics in the past, AIDS is the consequence of a usurious economic policy demanded by the financial oligarchy. Such economic austerity caused misery, particularly among the populations of the Third and Fourth World; and it was the collapse of living standards which spread the virus so rapidly. Also our nation is so impoverished, morally and economically, that it does not guarantee the demographic development and the well-being of all Italians. The measures against AIDS adopted by the Italian government will not stop the epidemics; we need a large-scale emergency health program. And we have to have the courage to change current economic and financial policies. Italy urgently needs an economic boom.

"Another enemy threatens Italy and Europe: Soviet imperialism's war plans. Do not be fooled by the 'reforms' and the détente proposal of Gorbachov: Moscow has declared war on Western nations, a war fought with all means, from terrorism to sabotage, from drugs to political corruption to moral degeneracy. Only from a position of strength shall the Atlantic Alliance start negotiations with the Soviets. Italy can contribute, with its scientific and technological potential, in cooperation with the United States, Europe, and Japan, to realize the space shield. Any 'historical compromise' with Moscow will have disastrous consequences for our freedom.

"We call on all Italians who want to defend the nation and to see it progress, to join us in the creation of a

Patriots for Italy Movement. Only by reviving the great Italian scientific and cultural tradition, the ideals of Dante, Leonardo, and Verdi, the Christian heroism of San Francesco and Santa Caterina da Siena, and the noble political passion of patriots and scientists around Cavour, will Italy make a precious contribution to humanity, in facing the challenges of our time."

The call was issued in the middle of a new wave of terrorism hitting Italy, and a government crisis provoked by the "Moscow faction" inside the Christian Democracy, led by Foreign Minister Giulio Andreotti, who is currently visiting Bulgaria and the Soviet Union, whitewashing the Soviet role in the attempted assassination of the Pope.

The call was welcomed by military officers and other citizens who called to join the Patriots, and expressed their fear that Andreotti might become the next premier and form a pro-Soviet government, with the support of the Italian Communist Party. Premier Bettino Craxi has announced the demise of his ruling coalition, and Andreotti is demanding his "right" to form a new government, as soon as he returns from Moscow.

To further intensify the political and economic crisis in Italy, Gorbachov is extending the "carrot" of new détente offers to the Italian government, through a message delivered to Craxi.

The effect the Patriots' call had in Rome and all over Italy can be seen not only by the many phone calls the Patriots received, but also by the refusal of some dailies, such as *Il Giornale*, which claims to address a conservative audience, to publish it as a paid ad, because of its clear words against the Soviet role in terrorism and drugs, which deny the "friendly image" the Italian press is portraying of Gorbachov.

Czar Mikhail's Russification drive

When the Communist Party chief hails the "Russian soldier-liberator," non-Russian nationalities, beware!

Not a day passes these days without Western newspapers hailing Soviet leader Gorbachov as a "reformer" and "liberalizer." Yet, as his recent statements during a tour of the Soviet Baltic republics of Latvia and Estonia document, the real Gorbachov represents the "Russian Party" chauvinist elite of the Soviet *Nomenklatura*.

On Feb. 19, Gorbachov addressed the Latvian Communist Party leadership in the capital city of Riga. The speech hailed "the Russian" as the historical "soldier-liberator" of the Baltic states, and was fully quoted in all Soviet newspapers of Feb. 20. To avoid wrecking Gorbachov's image, no Western newspaper published the following passage:

"We know the real history of czarist Russia; we have our own views and evaluations, based on a scientific Marxist analysis. . . . In the memory of our peoples, what's constantly being kept alive and passed on from generation to generation, is, that repeatedly in the course of many centuries, the Russian soldier-liberator came to help the Baltic grain-growers and fishermen to defend their native soil against profanity and servitude, and against foreign conquerors."

Latvia and Estonia were independent states until 1940, when they were (as a result of the 1939 Hitler-Stalin Pact) invaded and brutally reincorporated into the Russian Empire.

The Baltic states have never recovered from the mass executions and deportations conducted under Stalin. To this day, the number of Latvians

and Estonians in their respective "republics" has yet to reach the population level recorded in the 1935 census. By the 1979 census, Latvians comprised only 53% of the population of their "own" republic—a result, in part, of the postwar policy of massive forced settlement of Russians in the Baltic regions. Given the accelerated immigration of Russians into Latvia and Estonia during the 1980s, and the extremely low birth rates among Latvians and Estonians, by 1990 Latvia will join Kazakhstan as the second non-slavic "republic" having a slavic majority, and may well follow Kazakhstan in having a Russian installed as Communist Party boss.

In October 1985, Gorbachov candidly told the French Communist Party newspaper *L'Humanité* that his top concern was the low birthrate among Russians. It was only a matter of time before the "Russian Party" elite began calling for "solutions" to the "problem" of the population explosion and resistance to Russification among the Muslims of Soviet Central Asia. After the December 1986 riots in Kazakhstan, triggered when Gorbachov installed a Russian to rule there, there emerged a racialist side to Gorbachov's *glasnost* (openness) campaign that the Western media would prefer to ignore. The Russian media began to proclaim that the U.S.S.R. has too many Muslims.

In January 1987, the Soviet news agency TASS announced that measures would be taken to lower the birthrate in Muslim Tadjikistan, border-

ing on Afghanistan and China. The Tadjiks have the highest birthrate in the Soviet Union. This marks the first time in Soviet history that a policy of stopping a nationality's population growth has been proclaimed. The move against the Tadjiks is the start of a drive against the other high-birthrate Muslim nationalities in Central Asia. The latest news available from Kazakhstan confirms this.

Pravda of Feb. 11 denounced the Kazakhstan media for an "exaggerated emphasis" on Kazakh "national culture and language," and for encouraging "national egoism and anti-Russian resentments." Newspapers in Alma Atá, the Kazakh capital, were accused of reporting only about persons with Kazakh names, and publishing pictures mostly of Kazakhs.

The *Pravda* article contained the first Soviet denunciation of the high Kazakh birthrate. Two Kazakh magazines were attacked for publishing articles in December 1986 hailing the high birthrate, and for predicting that Kazakhs would become the republic's majority by the year 2000.

Following Gorbachov's Baltic tour, the campaign against non-Russian nationalism has been extended further. The latest example is the Soviet Republic of Moldavia, (until 1940, the Romanian province of Bessarabia), another Hitler-Stalin Pact addition to the Russian Empire. Moldavian party boss Semyon Grossu, at the just-concluded Moldavian Komsomol (party youth) congress, delivered a harsh attack against Moldavian nationalism, now affecting "above all" the youth, who are "falling victim to enemy propaganda." Grossu was brought in to rule Moldavia under the late General Secretary Leonid Brezhnev, and has been, along with the Moldavian party leadership as a whole, the object of personal denunciations from Moscow.

Flap over AIDS testing

The protest by foreign students puts the issue of a battle plan against AIDS on center stage.

In August 1986, it was decided at a top-level meeting of officials of the Education Department and the External Affairs and Health Ministries, that all foreign students in India would have to undergo a test to determine whether they were carrying the AIDS virus. There are about 25,000 foreign students in India, about 80% or more from African countries.

A circular marked "Strictly Confidential" was promptly sent out to the 140-odd educational institutions in the country, ordering them to implement the decision and report back on their actions.

Six months later, after several score more AIDS cases have been discovered in the country (including the case of several African students who were deported in January) and after a January reminder to the university vice-chancellors from the Human Resources Ministry, the move to implement these orders has provoked a firestorm of protest from foreign students.

The protest erupted at Bombay University, where officials made admission to the year-end exam conditional on the AIDS test certificate, and then spread to Delhi and Lucknow. Foreign students in Delhi have called a protest march against "arbitrary and discriminatory AIDS test requirements," and vowed not to comply.

Days before the Bombay outburst, Delhi University authorities had sent a letter to all affiliated colleges mandating "urgent action" on the AIDS test for foreign students. Now they are

stalled in consultations with the Human Resources Ministry.

By contrast, in Madras, all the estimated 300 foreign students have already been tested without protest. One exception was found seropositive for AIDS.

Foreign student leaders in Delhi have demanded that the university suspend the requirement for the AIDS test until after the April/May exam period, or until efforts to seek reversal of the government policy are exhausted. In a letter to the vice-chancellor, African Students Association (India) President Ndirangu Maina charged that the idea that AIDS was an African virus was unscientific and racist—a charge reflecting the cynical Soviet disinformation campaign pushed by the pro-Moscow daily *Patriot*.

At the Delhi protest meeting, African students and their Indian sympathizers attacked the government policy on AIDS testing as a reversal of India's pro-Africa stand. But many students interviewed in the Indian press said they did not personally oppose the test, but failed to see why all students and all foreigners shouldn't be tested.

It is a happy coincidence that the controversy surfaced just as Parliament convened for the budget session. On the second day of Parliament, the issue surfaced during question hour, drawing a categorical statement from Union Minister for Human Resources and Development P.V. Narasimha Rao, that the medical checks of foreign students would continue. "It is much too serious a matter to be jaun-

diced by protests and complaints," Rao said, in response to MPs' complaints that the practice would spoil India's relations with the African countries. Rao added that allegations of harassment, etc., would be looked into.

The minister was also asked why only foreign students were being tested, and not also foreign tourists. To Rao's reply that tourists stay just a short while, whereas students spend a year or more, an MP queried, "How much time does it take to pass the infection?"

Indeed. The proposal to subject foreign tourists, as well as all blood donors, to the AIDS test requirement had been made a year ago, following confirmation of the first several AIDS cases in Madras. Now, according to press reports, total AIDS cases in the country stands at 86.

Moreover, doctors in Delhi report a significant increase in the last several months in the number of foreigners taking treatment at the city's several posh private clinics. A 45-year-old American tourist died of AIDS recently in one of these clinics, and a Swede was rehabilitated sufficiently to be put on a plane back to Sweden.

The experience has proven to medical officials here what they already know: India does not have the infrastructure to be able to efficiently check for the disease. As of year's end, the health ministry's proposal for a \$6 million AIDS Control Strategy, has not been cleared by the Planning Commission.

So far, in fact, not a single penny has been allocated for the AIDS program. A series of TV advertisements warning against promiscuity and sharing razor blades, has been squeezed out of petty cash funds, and the 23 surveillance centers in the country, equipped only with the inconclusive Elisa test, are functioning on an ad hoc basis.

International Intelligence

Israel favors bombing of Pakistan plant

Israel has repeatedly proposed to India a joint strike against Pakistan's nuclear weapons development plant at Kahuta, according to top-level political analysts in London. The analysts were quoted in the *Jerusalem Post* on Feb. 22.

In 1981, Israel bombed a nuclear facility under construction in Iraq on its own. However, it would be impossible for Israeli planes to attack the Pakistani reactor without refueling facilities in western India.

Although Pakistan is known to have a nuclear bomb under development at the facility, India rejected the proposal on three separate occasions.

According to a report just published in London, Israel was provided with detailed satellite photos of Kahuta by convicted Mossad spy in the United States, Jonathan Jay Pollard. Israel attributes India's rejection to Soviet pressure, and the fact that India did not want to compromise its leadership of the Non-Aligned movement, the report said.

England and Syria to resume ties?

British-Syrian negotiations are under way for a resumption of diplomatic relations, according to a front-page article in the *London Independent* Feb. 25. A special Syrian envoy, a businessman, is now in London to negotiate the resumption of full ties.

The crux of the talks is said to be an agreement by the British Foreign Office to drop its campaign to get the Europeans to impose more sanctions against Syria, while Syria is committing itself to help release several British hostages in Lebanon, including "hostage negotiator" Terry Waite.

Waite is believed being held by the Iranian-backed Hezbollah, inasmuch as Druse militia leader Wallid Jumblatt recently made a public request to the Hezbollah for his release.

Columnist Robert Fisk, writing in the Feb. 25 *Times* of London, predicted that Syria's international credibility would be fully restored very soon, when, in the course of its current occupation of Beirut, the Hezbollah terrorists hand over "a few hostages to be publicly released by the Syrian army." Ongoing negotiations between Syria and Iran have reportedly reached an agreement whereby in exchange for the release of some hostages, the Syrian army will not attempt to penetrate south Beirut.

Burma launches drug crackdown

The Burmese army has begun a military campaign against drug warlord Khun Sa, who controls the opium trade in the Shan tribal states, the Burmese sector of the "Golden Triangle." Last month, the usually elusive Khun Sa held a celebration for 700 new recruits to his Shan United Army, at a base in Burma just across the Thai border from the town of Mae Hong Son. Khun Sa claims his army numbers 15,000, and predicts that the opium crop in Burma will rise from 600 tons in 1986 to 900 tons this year—500 tons from territory under his control.

Khun Sa claimed he made \$7.7 million last year, and now is demanding the "autonomy" of the Shan people.

As the Burmese army began operations, border troops in Thailand were placed on full alert and ordered to repel any spillover fighting.

Moscow hails the 'German nation'

An article on the "German Question" in the weekly *Moscow News*, by the Soviet Central Committee's Germany expert, Nikolai Portugalov, has raised eyebrows in West Germany. Portugalov announces that there now exists a "new, concrete, and dynamic process of national self-confidence among the West Germans."

The article continues: "Certainly for every German, including every progressively inclined West German, the people of the GDR [East Germany] are also German, and belong to the same Nation."

The Soviet press has more typically denounced German "nationalism" as an indication of "revanchist" or "militarist" sentiments—this, to the extent that West Germany has been a pillar of the NATO Alliance. The current shift reflects a Soviet bid to foster "nationalism" against the United States. The statements were clearly authorized by the Central Committee.

The article contains a wholehearted endorsement of German "nationalism," by which Portugalov specifies anti-American "neutrality." "One component of the new national self-confidence of West Germany—this mood finds its fullest expression in the program of the Greens—is the growing revulsion with the U.S. position, especially the hegemonistic and aggressive course of the present U.S. government, and the more or less latent (in the case of the Greens, open) neutralist attitude."

There have been many signals recently that Gorbachov might revive the tactic of the notorious 1952 "Stalin Note," proposing Germany's reunification on a "neutral," i.e., Soviet-dominated basis.

Israeli police bust Orthodox patriarch

Parts of a large-scale regional arms-for-drugs network, operating between Jordan, Israel, and Egypt, were uncovered by Israeli police when they arrested the Greek Orthodox Patriarch of Jerusalem on Feb. 10. Theodorus I had \$1 million worth of heroin and gold in his car at the time. Because of his diplomatic immunity, he was released.

In November 1986, Armenian Archbishop Adjemian was caught in similar circumstances.

Israeli sources report that the network, originally based on the smuggling of gold, has been operating in Jordan, the West Bank, Gaza, and Egypt. The West Bank trade amounts to 7 kilograms of gold per day, for

Egypt about 150 kg. In exchange, Egyptian currency is smuggled through Jordan to the Gulf.

However, in recent years, the same networks have been used to smuggle drugs such as heroin and hashish, as well as weapons which have been used in the West Bank.

Priests have been often used for such smuggling, since they can claim immunity. In the mid-1970s, Melkite priest Msgr. Hilarion Capucci was caught with weapons for the Popular Front for the Liberation of Palestine, and spent time in jail before being expelled.

Church of England facing deep schism

The deepest schism since the Reformation is threatening to engulf the Queen of England in a constitutional crisis as the Church of England fissures apart.

At issue is "a vote this week on women priests," the *Daily Mail* reported front-page Feb. 23. As the Feb. 26 Synod of Anglican bishops, clergy, and laity prepares to meet, the *Mail* notes, several warnings are being heard of a mass exodus, if a proposal calling for legislation allowing women's ordination is approved.

Joining Bishop of London Dr. Graham Leonard, who says he will lead a walkout from the Church, is British farm minister and ex-Tory chairman John Selwyn Gummer, a leading lay member of the Synod. He predicted: "This is the issue which will force me out—and not just me but thousands of priests and tens of thousands of laity."

The *Mail* says that the matter could become "extremely sensitive," because the Queen is the head of the Church.

The proposed changes have been pushed forward by Robert Runcie, the Archbishop of Canterbury, the Church of England's highest prelate. He is an appointee of the Queen and is known to have her full backing for such "reforms," including changes in the Nicene Creed modeled on the churches of the East.

At the same time, "Mrs. Thatcher, a supporter of the Bishop of London on most

ecclesiastical issues, is certain to be irritated if one of the constitutional pillars of the country shows signs of splitting apart," says the *Mail*. "The Prime Minister is still incensed by the Church of England's critical report on the impact of government policies on the inner cities."

Rehabilitation of Bukharin seen

Some Kremlin-watchers believe that the regime of Mikhail Gorbachov is trying to prepare the Soviet people for the rehabilitation of one of Stalin's chief opponents, the "right opposition" leader until his purge in the 1930s, Nikolai Bukharin. Bukharin was a chief agent inside Russia of those Western financial interests allied with the Soviet Union after 1917, called "The Trust."

Bukharin's rehabilitation would symbolize Gorbachov's revival of those "Trust" relations Bukharin represented, broken up by Stalin in the Great Purges.

Among the signals is an article appearing in the Soviet KGB mouthpiece *Literaturnaya Gazeta's* Jan. 28 issue. One "V. Listov" reviews a movie series, "Aspects of a Portrait of V.I. Lenin," now running on Soviet television. He comments: "One of the most revealing episodes . . . shows the quiet but intensely polemical dialogue between Lenin (M. Ulyanov) and Nikolai Bukharin (O. Tabakov) about the Brest peace. . . . Bukharin is a clever opponent with a splendid grasp of logic, and the accusations he makes against Lenin are personal as well as political.

"That Lenin was right and Bukharin wrong is a historical fact. . . . But . . . Ulyanov and Tabakov achieve something more than an affirmation of the facts. . . . Ulyanov subtly and accurately stresses Lenin's ability to rise above accusations of a personal nature and prevent the argument from deteriorating to the point where it is merely a matter of personalities. The opponent may be wrong, he may even be angry and aggressive, but it is necessary to maintain your respect for the other participant in the debate if he is sincere and honest."

Briefly

● A BRITISH citizen, Derek Gregory, goes on trial for heroin-smuggling in Penang, Malaysia March 2. Drug-smugglers there face the death penalty. Last year, two Australians, and in February of this year, six Malaysians and one Thai were hanged.

● HOME DELIVERY of marijuana and hashish has begun in Amsterdam. A "company" called Blow Home Deliveries will operate out of one of the 120 pot-distributing "coffee houses," and customers can telephone for supplies. The drugs are illegal, but sales are tolerated if minors aren't involved.

● AN EAST GERMAN ship was caught in mid-February in the Jordanian port of Aqaba with several millions of dollars worth of hashish on board. Press give no details, not even the ship's name. A similar cover-up went into effect around the *Kapitan Tomson*, a Soviet ship caught with heroin aboard in Holland last year.

● ZAIREAN President Mobutu Sese Sekou will be asked to give the U.S. military access to Zaire's Kamina air base when he holds talks with high-level U.S. officials Feb. 24-25 in Washington. Mobutu was to meet with Vice-President Bush, National Security Adviser Carlucci, and Secretary of State Shultz.

● PAKISTANI President Zia-ul-Haq told Indian Prime Minister Rajiv Gandhi and Indian President Zail Singh, during talks Feb. 21, that if they insisted, he would sign a "package declaration" confirming that Pakistan will have nothing to do with the Sikh separatist movement in India. In return, India would have to renounce support for Pakistani separatists.

● THE AFRICAN National Congress, the South African terrorist organization, has rejected Britain's call for a constitutional conference to end apartheid, calling it a ploy. ANC Secretary General Alfred Nzo called the proposal "an insult to Africa by the Thatcher government."

The overdue fall of Donald T. Regan

by Webster G. Tarpley

In a press conference at the National Press Club in Washington, D.C., on April 9, 1986, Democratic Presidential candidate Lyndon H. LaRouche demanded the jailing of the White House Chief of Staff, Don Regan. In the late afternoon of Friday, Feb. 27, 1987, the first step toward the fulfillment of that demand was completed as the sacked Regan flung out of the White House in apoplectic rage after his job had been transferred to Howard Baker, the former Republican Senate Majority leader.

For two years Don Regan had sought to hold the President and the White House in a tyrannical grip. His peripeteia was as unceremonious as could be imagined: Although Regan knew that the Tower Commission report had brought his tenure to an end, he was obsessed with the notion of a graceful exit, prolonging the agony into the following week to save face. Instead, one day after the Tower Commission report was delivered, Baker was called to the White House and offered the job of chief of staff, which he accepted. Nancy Reagan's office in the East Wing then issued a statement welcoming Baker's appointment, even before Regan's resignation had been announced. The President then issued a statement saying that Don Regan had asked months ago to return to private life, and that now, with the Tower report completed, the President was regretfully accepting his resignation, effective immediately. It was only then that the furious Regan dictated his one-line resignation, and departed from the White House forever.

Baker was not the first choice to fill the chief of staff post, but rather the second or third choice. The job may have been offered to former Transportation Secretary Drew Lewis. It was certainly offered to Reagan crony and former Sen. Paul Laxalt, who declined, and television networks attributed the refusal to Laxalt's own desire to run for President. Laxalt

suggested Baker for chief of staff. Although Baker, by his own admission, had previously declined an offer by the President to become the director of Central Intelligence, he accepted what he called the highly sensitive post of organizing the White House.

A scoundrel departs

With Don Regan a scoundrel departs from the Washington scene. This was the boss of Merrill Lynch who, in the late '70s supervised the creation of money-laundering mechanisms that processed hundreds of billions of dollars in dirty money from the international narcotics traffic. Don Regan was the White House enforcer for the junk-bond asset-stripping bandits of Wall Street, and, through them, for the oligarchical families which control the great rentier *fondi* of Europe. Regan was the single most important factor in the debacle of the second Reagan administration, having had prime responsibility for the insane Gramm-Rudman law and the deficit-cutting hysteria, the Reykjavik sell-out, and the big lie of the Reagan recovery. Regan's ham-handed stupidity played a part in the decision to launch the Challenger Space Shuttle under the worst conditions. Regan's obsession with austerity had poisoned administration relations with the Congress. He was hostile from the very beginning to launching a War on Drugs, even telling Nancy Reagan that she should refrain from getting involved. He was responsible for the nomination of William Weld as assistant attorney general, a move that condemned the War on Drugs to failure. Most characteristic of Regan was that he was consumed with hatred for Lyndon LaRouche and his friends, and took a leading role in fomenting the illegal, politically inspired vendetta that has been unleashed against LaRouche.

Don Regan will be followed into oblivion by his bureau-

cratic hatchet-men and retainers, the so-called Mice. The victims of this imminent hecatomb will include White House counsel Peter Wallison, Assistant to the President for Cabinet Affairs Peter Kingdon, Regan's own executive assistant Thomas Dawson, and Regan's Staff Secretary David Chew. The weekend at the White House will be devoted to a comprehensive staff reorganization. At the same time, Frank Carlucci and Gen. Colin Powell at the NSC are completing a review of all ongoing covert operations with a view to determining if they are in harmony with overall policy.

Don Regan was one of the great villains of the history of the 20th century. One day soon he will be brought to justice. The mere fact of his ouster is a vast net gain for humankind as a whole.

Baker's background

Howard Baker entered the Senate in 1966. He had married Joy Dirksen, the daughter of Everett Dirksen of Illinois, the GOP Senate leader of the middle '60s. During the Watergate scandal, Baker was the ranking Republican member of the committee chaired by Sam Ervine that investigated the affair. Baker's profile was moderate to liberal. In 1977, he became the Republican majority leader. He entered the Republican presidential primaries in 1980 but was soon forced to drop out of the race. Under the Reagan administration, he generally voted for what the White House wanted. In 1984 he was not a candidate for reelection because he wanted to prepare another bid for the White House. In the meantime, he has been earning \$750,000 a year working for Vinson and Elkins of Houston, John Connally's law firm, which numbers among its clients such firms as Merrill Lynch, Parisbas, Morgan Stanley, and Dillon Reed.

Baker's nomination was widely welcomed in Congress, where it was said that through him the administration had procured "instant credibility." Relations between the White House and Capitol Hill, as already noted, had been made into a shambles by Don Regan. If he proves loyal to the President's deep desire to see the Strategic Defense Initiative become reality, Baker could help gain irreversible congressional commitment to Caspar Weinberger's proposal for the deployment of the SDI. It is unlikely that Baker could become the Rasputin of the White House to the degree that the President's "cousin," Don Regan, did.

The Tower Commission report

The stage for the long-overdue fall of Don Regan had been set by the release of the Tower Commission report. This document must be examined not as a serious attempt to bring to light any new truth about the Iran-Contra scandal, but rather as the seal of an attempted temporary political compromise among rival factions that are, at a deeper level, ultimately irreconcilable. This fact is reflected in the composition of the Commission itself: former Senator Tower of Texas, who was chairman of the Senate Armed Services Com-

mittee, is linked to Republican Party circles as well as to the interface of the Pentagon with defense industry. Former Air Force General Scowcroft is an asset of the Kissinger-Trilateral Commission networks. Former Democratic Senator and Carter Secretary of State Edmund Muskie was there to represent the Carter-Mondale Democrats and the partisans of Global 2000. Every statement in the Tower report reflects the haggling among these three groups.

The genesis of the Tower compromise transpired as follows, according to informed sources. Certain liberal Democratic circles were beginning to float plans for driving President Reagan out of office, using aspects of the Irangate scandal for this purpose. These plans came to the attention of Attorney General Edwin Meese, who was impelled by his own best trait, his loyalty to the President, to launch a counterattack. Meese saw to it that certain revelations about Project Democracy, Carl Gershman's National Endowment for Democracy, and their connections to the Oliver North networks appeared in the *New York Times* and in other locations. The warning to the pro-Watergate Democratic cabal was clear: An attempt to hound the President out of office would lead to the systematic exposure and destruction of the Project Democracy infrastructure, including the most precious assets of the Democratic National Committee, the Anti-Defamation League, and the AFL-CIO.

Shortly after these Meese-inspired salvos appeared, the *New York Times* published an op-ed jointly authored by Walter Mondale and Frank Fahrenkopf of the Republican National Committee. In the op-ed, entitled "An Innocent Victim of the Iran Scandal," Mondale and Fahrenkopf, who are both on the board of the National Endowment for Democracy, allege that this organization is not what Oliver North repeatedly refers to in his notes as Project Democracy, but rather a benign private, non-profit entity formed by the cooperation of labor, business, the two political parties, and organizations of the private sector. The op-ed notes that this organization is active on behalf of "openness" and "democracy" in such places as the Philippines, Haiti, Taiwan, Guatemala, South Korea, Chile, and Paraguay—all governments that are being deliberately destabilized. It is further alleged that the NED is active in a similar way in Argentina, Peru, Colombia, and the Central American and Caribbean countries, as well as in Soviet bloc nations, South Africa, Afghanistan, Northern Ireland, and Nicaragua. The publication of this "bipartisan" letter was widely seen as signaling that the forces contemplating the ouster of the President were desisting in hopes of saving their "Project Democracy" assets.

Placing responsibility

The Tower Commission reflects a consensus that nothing more damaging than errors of judgment will be attributed to the President, and that Don Regan, among the officials still in office, will be singled out for retribution. The *coup de grace* for Regan came under the rubric, "The Failure of

Responsibility,” in the chapter entitled “What Went Wrong.” The relevant passage is as follows: “The President’s management style is to put the principal responsibility for policy review and implementation on the shoulders of his advisors. . . . President Reagan’s personal management style places an especially heavy responsibility on his key advisors. Knowing his style, they should have been particularly mindful of the need for special attention to the manner in which his arms sale initiative developed and proceeded. On this score, neither the National Security Advisor nor the other NSC principals deserve high marks. . . . Mr. Regan also shares in this responsibility. More than almost any Chief of Staff of recent memory, he asserted personal control over the White House staff and sought to extend this control to the National Security Advisor. He was personally active in national security affairs and attended almost all of the relevant meetings regarding the Iran initiative. He, as much as anyone, should have insisted that an orderly process be observed. In addition, he especially should have ensured that plans were made for handling any public disclosure of the initiative. He must bear primary responsibility for the chaos that descended upon the White House when such disclosure did occur.”

The report’s limited merit

With these highly laudable observations, however, the analytical merit of the report is exhausted. The rest of the report can be charitably characterized as a failure, on the following specific counts:

- The Tower Commission refuses to restore the morality of United States foreign policy by condemning the Iran rapprochement as such: “The Board believes that a strategic opening to Iran may have been in the national interest but that the United States never should have been a party to the arms transfers.”

- The question of Carter administration arms deliveries to Iran and the activities of Cyrus Hashemi is avoided, no doubt through the good offices of Muskie, who was in the State Department at the time. The origin of the opening to Iran is relegated to “intellectual threads” in the minds of Howard Teicher and Geoffrey Kemp back in 1982-84.

- Concerning the National Security Council, the Tower report limits itself to recommending the abolition of a covert operations role: “As a general matter, the NSC Staff should not engage in the implementation of policy or the conduct of operations.” The report is at great pains to stress that no changes in the NSC system ought to be made: The “solution does not lie in revamping the National Security Council System.” The essential argument here is that the structures of the “formal interagency policy process” are sound, and the causes of the current “aberration” must be sought the human failings of individuals. This ignores the central Constitutional role of the President’s Cabinet, and also begs the question of the systematic, institutionalized perversion of the NSC initiated by Henry Kissinger. “The Board recommends that no

substantive change be made in the provisions of the National Security Act dealing with the structure and operation of the NSC system.”

- Although the report takes some pot-shots at Secretary of State Shultz and even Defense Secretary Weinberger, there is strange silence on the role of Vice President Bush, whom the Senate Intelligence Committee report had identified as being present in a number of important White House meetings on Iran, and as supporting the arms-shipment initiatives.

- The report yields scant insight into the little Irangate cover-up, the one organized by North with his secretary Fawn Hall in late November when it was clear that the jig was up. More important, there is no attention to the primary, institutionalized Irangate cover-up, located in the offices of Stephen Trott and William Weld at the Department of Justice and Oliver Revell at the FBI.

- The report makes no attempt systematically to depict aspects of the affair other than the Iran arms deliveries, although all of North’s and Poindexter’s surviving files were at the disposal of the Tower board. Scowcroft commented on television that the Tower report had lacked the time and the resources to explore the “Contra side,” and had viewed this aspect primarily as a “fallout” of the Iranian machinations. As a result, there are no revelations on such issues as Southern Air Transport, Assistant Secretary of State Elliott Abrams, and related topics.

- On the question of the Israeli instigation of the arming of Khomeini, the report is briefly promising. It is stated that “. . . elements in Israel undoubtedly wanted the United States involved for its own sake so as to distance the United States from the Arab world and ultimately to establish Israel as the only real strategic partner of the United States in the region.” It is added that “there is no doubt . . . that it was Israel that pressed Mr. Ghorbanifar on the United States. . . . At critical points in the initiative, when doubts were expressed by critical U.S. participants, an Israeli emissary would arrive with encouragement, often a specific proposal, and pressure to stay with the Ghorbanifar channel. . . . It is clear, however, that Israel had its own interests, some in direct conflict with those of the United States, in having the U.S. pursue the initiative.” However, despite mention of Michael Ledeen and others, the report does not entertain the question of the U.S. special relation to Israel, which was anchored in the NSC, nor of NSC staff acting as agents for the Israeli government.

The board was obviously embarrassed by the frequent references to “Project Democracy” that are speckled through North’s private jottings. Their solution is to play dumb: “We have no information linking the activities described herein as ‘Project Democracy’ with the National Endowment for Democracy. . . . It appears that Lt. Col. North later adopted the term to refer to his own covert operations network. We believe this is the only link between the NED and Lt. Col. North’s activities.” The Tower board knows better. As the board itself asks, *Quis custodiet ipsos custodes?*

Trilaterals hit a rough spot

Mario Cuomo's decision to bow out of the Democratic presidential contest, along with Georgia Sen. Sam Nunn's decision not to enter the race at this time, are the latest signs that the Democratic Party is suffering acute disarray.

According to reliable sources, the party's kingmakers—Bob Strauss, Pam Harriman, et al.—cannot settle upon a viable candidate, and are bickering over whom to put forward. Reality is finally catching up with them. AIDS is sweeping the country, the international monetary system is about to blow—and not one of the so-called major candidates, nor the backroom boys, knows what to do.

The Democratic Party establishment remains wedded to policies associated with the Trilateral Commission, and these policies are becoming increasingly identified as the source of the economic and other problems swamping the United States.

Even some of the party's centrist leaders are making this point. Sen. Ernest Hollings (D-S.C.), a Democratic presidential candidate in 1984, attacked the "big banks" and the "Trilaterals" by name as responsible for the state of the U.S. economy, in remarks broadcast on C-Span television Feb. 18. America's economic problems do not stem from Japanese competition, Hollings said, noting that the Japanese have just adopted the policy favoring exports we used to follow. The problem is that the big banks of the East and West Coasts are extend-

ing multinational loans that cannot be paid back, and squeezing potential U.S. markets. This Hollings labeled the "Trilateral" policy.

Mario goes to Moscow, Nunn stays home

Although Cuomo's departure from the field was treated by pundits as a dramatic surprise, it was obvious that he hadn't a prayer of winning. As *EIR* has previously reported, there are enough scandals in Mafia Mario's background to make Geraldine Ferraro seem a paragon of virtue.

Included in that background is Congressional testimony that mafiosi contributed to Cuomo's campaigns. Such connections finished off Ferraro politically, and would have done the same for Cuomo.

Rather than face the American electorate, Cuomo has decided to take a series of trips abroad, including one to the Soviet Union this spring, where he will lecture at the University of Moscow.

Sam Nunn's decision to stay out of the race appears to be purely tactical. Both he and his alter ego, former Virginia Gov. Chuck Robb, stress that Nunn is keeping his options completely open. Sources say that the Georgia Democrat and his backers don't think there's any reason for him to risk getting dirtied at this point, and can afford to sit back and wait while other, weaker, candidates knock each other out before making his grand entrance next fall.

Nunn, a fourth cousin of the despised Jimmy Carter, is finding his "pro-defense" veneer, which he was counting on to win votes from conservative Democrats, is wearing thin. His proposal to pull out troops from Western Europe, together with his recent threat to slash SDI funding if Reagan adopts the "broad interpretation" of

the ABM Treaty, have shown him to be a total fraud.

The LaRouche problem

Both Nunn and Cuomo were closely associated with the Trilateralist outlook—as is nearly every other present and potential candidate of both parties. The one notable exception is Democratic presidential candidate Lyndon H. LaRouche—a fact which is causing no end of trouble for party bigwigs.

The fact that the other Democratic hopefuls have no answers to the major crises facing the country becomes even more apparent when contrasted to LaRouche, whose proposals for dealing with the AIDS pandemic and resolving the Third World debt crisis are drawing international attention.

Although LaRouche formally declared his candidacy in fall 1985, the major media has been trying to pretend he doesn't exist as a candidate. Press reporting of the internationally renowned economist has been limited to smears, with no coverage afforded to his policies.

This little game reached the height of absurdity when Rep. Richard Gephardt (D-Mo.), formally declared his candidacy in late February—and was promptly hailed by the media as the "first" announced Democratic candidate.

EIR has learned that Democratic National Committee chief Paul Kirk, unable to rally party bigwigs behind any one candidate, is trying to unite them *against* one—LaRouche.

Kirk should reflect on an interview with LaRouche in the Feb. 6 edition of the French magazine *Nouvel Observateur*. There, he said: "I destroyed Mondale in 1984, I will destroy Mario Cuomo, Sam Nunn, and Gary Hart." Now Cuomo is out of the race, and Nunn has decided to sit it out for a while. Who's next?



How a grand jury was manipulated against political opponents

by Marianna Wertz

This bicentennial year of the U.S. Constitution will see a major test of the enduring strength of that document, which is challenged by the ongoing attempt by government officials, who are political opponents of declared candidate for the U.S. presidency, Lyndon H. LaRouche, Jr., to destroy him and those associated with him, through show trials and "trial by press."

The principal weapon in use by U.S. Justice Department official William Weld, in his witchhunt against LaRouche, is the grand jury investigation in Boston, Massachusetts since 1984, which has handed down indictments of numerous associates of Mr. LaRouche, charged with "fraud" and "obstruction of justice." Weld and his cohorts have wielded the grand jury as a weapon of prosecution in a two-year-long "trial by press" against LaRouche, in total opposition to the intent of the Constitution's drafters. The grand jury was defined in the Fifth Amendment to the Bill of Rights:

No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War of public danger; nor shall any person be subject for the same offence to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

Among the more than 150 motions filed by attorneys for those indicted in the case, U.S. District Court, District of Massachusetts,

United States of America v. The LaRouche Campaign, et al., the question of abuse of the grand jury is prominently featured, because of its singular role in U.S. jurisprudence:

In *Wood v. Georgia*, 370 U.S. 375 (1962), the Supreme Court identified the role of the grand jury as a "primary security to the innocent against hasty, malicious and oppressive persecution; it serves the invaluable function in our society of standing between the accuser and the accused, whether the latter be an individual, minority group or other, to determine whether a charge is founded upon reason or was dictated by an intimidating power or by malice and personal ill will" and stressed that "an independent and informed grand jury" was a "necessity to society."

Last week, this column documented, quoting from the defendants' "Motion to Dismiss Superseding Indictment on Grounds of Discriminatory and Selective and Vindictive Prosecution" in this case, that Weld and his associates view the prosecution of LaRouche et al. as a personal vendetta against a *political* figure whom they oppose *politically*, in which they are illegally using means in their possession as government officials. That the prosecution is illegally misusing and abusing the grand jury process toward that end, will be documented in this column.

Boston grand jury abuse

The defendants' motions on this crucial question are summarized in their "Joint Motion to Dismiss and for Hearing," excerpted below:

"In or around October 1984, the U.S. Attorney's Office in Boston, Massachusetts opened a well-publicized grand jury investigation of alleged credit card fraud in connection with the 1984 presidential campaign of Lyndon H. LaRouche, Jr. Subsequently, the investigation was apparently expanded to include allegation of tax fraud and obstruction of justice. On October 6, 1986, indictments were returned against defendants for wire fraud and conspiracy to obstruct justice. A superseding Indictment was returned on December

16, 1986, adding several defendants and additional counts.

“As will be discussed more fully below, the grand jury investigation was characterized throughout by violations by the office of the United States Attorney [William Weld—ed.] of provisions of the Fed. Rules of Criminal Procedure: the willful avoidance of having certain grand jury colloquy recorded, the intentional disclosure of grand jury testimony to the media, the failure to inform the court promptly of the identity of government personnel assisting the government, and the allowance of government personnel not properly designated by order of the court to be present in the grand jury. Far more prejudicial to defendants, however, was AUSA Small’s undisguised ill-will toward them. Small’s animus revealed itself on numerous occasions: yelling at witnesses, raising questions without proper foundation, and generally manipulating the sentiments of grand jurors as evidenced by hostile grand juror questioning. AUSA Small’s conduct and demeanor served to destroy the grand jury’s impartiality, and his inflammation of the grand jury irreparably prejudiced the grand jury against defendants.”

Trial by press

While all these violations of grand jury procedures are documented by the defendants’ brief, most extensively documented is the use of the grand jury to conduct a “trial by press” against LaRouche and his associates. As the defendants’ “Memorandum of Law in Support of Defendants’ Joint Motion to Dismiss . . .,” cited above, summarizes the case:

“The government long ago decided to try their case in the press rather than in court. The government’s actual case against the indictees is patently ridiculous. After two years of intensive investigation from coast to coast, the government is charging in the original indictment the campaign committees and individuals with less than \$60,000 in credit card fraud, i.e., less than one per cent of the total money raised by these committees. The government’s conspiracy to obstruct case hinges upon pitting the testimony of Nazis, Klansmen, terrorists, and felons against people who have no prior criminal record. The illegal disclosures [to the press] are too numerous and systematic to be the responsibility of a few wayward subordinates. Rather, they reflect the policy of the U.S. Department of Justice, Federal Bureau of Investigation, and other high government circles to conduct a trial by press using the power and prestige of the government to defame, through grand jury ‘leaks,’ the government’s political opponents. . . .

“The two-year investigation culminating in the October 6, 1986 indictments was the subject of a nationwide government-orchestrated media barrage which became especially intense, pervasive, and systematic during the last ten months. The continuation of the Boston grand jury after October 6 has been accompanied by a further round of disclosures contravening the prohibitions of Rule 6(e). Matters occurring before the grand jury and even verbatim testimony were routinely reported on network TV news segments, national

wire stories, the front pages of several major metropolitan newspapers, and many other publications too numerous to itemize. These grand jury revelations include leaks of ‘preliminary findings’ by the grand jury, claims that the grand jury has evidence of millions of dollars in credit card fraud, accusations that material before the grand jury links the accused with the assassination of a foreign head of state, and other patently prejudicial material.

“The indictments at bar resulted from an investigation which sacrificed the observance of grand jury secrecy and constitutional liberties on the altar of political expediency. Former United States Attorney William Weld announced his investigation of The LaRouche Campaign and Independent Democrats for LaRouche on local Boston TV less than one week before the 1984 general election and set the political tone for the overall inquiry. The circumstantial evidence adduced below strongly indicates that the government’s media-mongering was, in part, designed to curb the electoral successes of candidates for public office associated with Lyndon H. LaRouche, Jr.

“One of the organizations affected by the grand jury leaks was the National Democratic Policy Committee (NDPC), the political action committee which was instrumental in the March, 1986 Illinois Democratic primary victories of Mark Fairchild and Janice Hart. The NDPC, *inter alia*, was the nationwide target of grand jury leaks linking the organization to credit card fraud and the specter of wrongdoing unjustly tainted the campaigns of numerous NDPC candidates for public office and party position. Despite the government’s best efforts, the prosecution was unable to indict the NDPC on a single count of credit card fraud. The Fusion Energy Foundation, a tax exempt scientific foundation, was another innocent victim of the government’s vicious propaganda campaign.”

The Memorandum quotes from a government document obtained through the Freedom of Information Act, which documents the fact that “. . . in mid-February, 1986, the government at the instigation of Mr. Weld and Stephen Trott (Deputy Attorney General) convened a national conference in Boston to discuss the investigation. Although Mr. Weld was ‘extremely interested’ in the case, the grand jury investigation had clearly been unsuccessful at the point the conference was convened. The acknowledged target of the investigation was not ‘fraud’, but ‘fundraising’ activities of those associated with Mr. LaRouche.”

The following month, on March 18, 1986, two LaRouche-associated candidates, Mark Fairchild and Janice Hart, won the Democratic primary for Lieutenant Governor and Secretary of State in Illinois. This victory, according to the Memorandum, “prompted the government to retaliate against this electoral threat by escalating its press campaign against the targets of the grand jury inquiry. Within two months after the triumphs of Fairchild and Hart, virtually every news outlet in the United States had printed or broadcast stories which disclosed matters occurring before this

grand jury, including a major *New York Times* report on the front page of its Sunday edition detailing 'preliminary findings' of the grand jury and a *Washington Post* front page story containing direct quotes from grand jury transcripts."

Twenty of the more prominent stories dating from the Fairchild-Hart victories to the handing up of indictments are then detailed, including feature articles in the *Boston Globe*, *Wall Street Journal*, *United Press International*, *Village Voice*, *Washington Post*, *Newsweek*, *NBC Nightly News*, *New York Times*, *Associated Press*, *Christian Science Monitor*, *Newsday*, the *Los Angeles Times*, and the *Seattle Times*.

Perhaps the most outrageous abuse of the grand jury proceedings by Weld and the prosecution, was the publicity stunt, in which notebooks seized in the Oct. 6, 1986 raid on the offices of *Executive Intelligence Review* and other organizations associated with Lyndon LaRouche, were turned over to Swedish authorities investigating the murder of Olof Palme. According to the Memorandum, "The story was reported by NBC as a major breaking development in the Palme investigation. According to a national UPI wire dated December 4, 1986, 'NBC quoted anonymous sources close to investigation as saying the notebooks, written after Palme's murder, contained 45 references to [one-time murder suspect Victor] Gunnarsson, to the assassination, and to the use of .357 Magnum used in the shooting.'

". . . Numerous other media outlets in the United States and Europe picked up the story after the NBC broadcast, and published or broadcast high profile accounts regarding the purported connection between the notebooks and the Palme investigation.

"As a December 5 UPI release reveals, this story was discredited long ago by Swedish police and a spokesman said 'there is a disproportionately great interest among journalists in the United States about one of the leads we have followed up during the investigation. . . . Every time NBC or some other agency from the States calls up about this [LaRouche angle] we look at each other at police headquarters and say, 'Oh no, not again.'"

"NBC has repeatedly aired false and defamatory stories claiming that Mr. LaRouche and his associates have or are plotting to assassinate various political figures, including former President Carter. The leaker(s) of this story could reasonably anticipate that NBC would make the alleged tie between the notebooks and the Palme murder a spectacular nationwide story. It is reasonable to assume that the leakers intended that the accused and their associates would be defamed by the irresponsible airing of this long-discredited story. Further, these leakers used material pending before the Boston grand jury to accomplish their designs."

The defendants' Motion to Dismiss argues persuasively that the prejudice of the prosecutors in the case is particularly troublesome, given the nature of the grand jury. "The grand jury is a time-honored institution which is a bulwark against malicious and vindictive prosecutions. . . ." [The] Grand Jury exists as an integral part of Anglo-American jurisprudence

for the express purpose of assuring that persons will not be charged with crimes simply because of the zeal, malice, partiality or other prejudice of the prosecutor, the government or private persons.' *United States v. DiGrazia*, 213 F.Supp. 232, 235 (N.D.Ill. 1963) ". . . Since the grand jury is a secret, nonadversarial proceeding, there is a special onus on the prosecutor to behave in a fair and impartial manner to preserve the 'independent and informed grand jury.' '[A] prosecutor who presents a case to a grand jury has the obligation of preserving the fairness, impartiality, and lack of bias of this important governmental investigative body.' *United States v. Gold*, 470 F.Supp. at 1346. The Fifth Amendment guarantee of an independent grand jury 'cannot be achieved in the absence of independent, unbiased prosecutors whose concern for justice transcends all considerations.' *United States v. Dondick*, 460 F.Supp. 849, 855 (N.D.Cal., 1978). It is the government's transgression of these principles in connection with the grand jury investigation which resulted in the instant indictment that forms the basis for the instant motion."

Time-honored role of grand jury

A Memorandum of Law submitted in this case by attorney William B. Moffitt, of Moffitt and Jones, on behalf of Jeffrey Steinberg and Michele Steinberg, completes the defendants' argument against grand jury abuse, by relating the centuries-old history of the grand jury, to underline its necessary role in a democratic republic.

The grand jury, the Memorandum recounts, "is a judicial institution of the most ancient lineage. . . . While there is some Frankish, Scandinavian and Roman precedent for the grand jury, its place in our Constitutional structure is traceable to the reign of King Henry II of England. . . . The grand jury, as established in 1166 with the issuance of the Assize of Clarendon, has undergone extreme changes. Henry II's effort to consolidate his power and to utilize the judiciary as a means of combatting the power of the church and its ecclesiastical courts was the principal motive for the establishment of the grand jury. . . . The grand jury underwent a gradual transformation, and by the 17th century, it had become a primary source of protection of the citizenry from the crown. . . . The institution of the grand jury was brought to this country by the early colonists and was ultimately incorporated in the Constitution. . . . The framers of the Constitution established the grand jury as an institution central to the protection of basic liberties, and interposed it in the law enforcement process to safeguard citizens against governmental oppression."

Whether the grand jury returns to its proper function as "safeguard," depends upon the outcome of the case of the *United States of America vs. The LaRouche Campaign, et al.* On trial in this case are not Lyndon LaRouche or his associates, but the violators of constitutional guarantees, who have illegally seized the powers of the government for their own personal and political motives.

Conservative clowns stage phony debate

The so-called conservative movement, which spent much of the past 25 years riding on the fame and fortune of Ronald Reagan, is now staring into a grim future. The 14th annual Conservative Political Action Conference (CPAC) here drew only 300 hard-core faithful, and most of them were cynical, at best, about the revelation that the man they'd given their money to over the last decade, Terry Dolan, died of AIDS recently, after maintaining what turns out to have been a particularly decadent homosexual lifestyle.

Stalwarts were distressed, since the cornerstone of the "conservative" movement's appeal to the masses has been the restoration of traditional family moral values. But beneath this rhetoric, the real agenda of these "conservatives" is the immoral hedonism of "free market" economics—the economics of the dope trade.

For all the pro-family talk, it is the replacement of the American System economics of Alexander Hamilton and Abraham Lincoln, with the corrupt economics of Adam Smith and the Viennese monetarists, that has destroyed the economic underpinnings of the American family—and the deep wounds that have been inflicted are not going to be healed with mere ideology.

At CPAC's three-day conference, President Reagan spoke, quoting the Viennese economist Ludwig Von Mises—unaware, perhaps, that he is the father of the school that hopes for

a crash of the U.S. monetary system. But more than the President's speech, or the speeches by most of the potential Republican candidates for the 1988 presidential election, the CPAC audience was thrilled by the prospect of the "big media debate."

It was going to be better than any professional wrestling match, pitting conservative columnist Robert Novak against ABC-TV's Sam Donaldson, the boogeyman of conservatives. The room was jammed to the rafters. Novak spoke first, and charged Donaldson with the crime of being prejudiced against the Reagan administration. All the knees in the room jerked, and the roar of approval was deafening.

The banality of Novak's charges made it easy for Donaldson to acquit himself. "So what?" he parried, and produced copies of Novak's column with headlines attacking the administration, to show that Novak was just as much against the administration as he was. If being "for or against the administration" is the criterion for judgment, said Donaldson, then anyone who is against Secretary of State George Shultz (as everyone at the CPAC conference was, including Rep. Jack Kemp, their darling for President in 1988, who called for Shultz's resignation), is also against the President, because Shultz serves at the pleasure of the President.

This reporter, who sits daily in the White House press briefing room within six feet of Donaldson, can certainly vouch for the fact that Donaldson harbors a deep resentment against the President. But if the conference organizers were serious about exposing the corruption and perversity of the national media, they should have done so directly. That would have meant exposing the interlocking directorates of elites controlling these institutions—not focusing on a run-

of-the-mill media whore like Donaldson. This, apparently, they were not willing to do.

In short, "the great debate" was a sham: proof of how a handful of manipulators, like Paul Weyrich and his late friend Terry Dolan, are suckering patriotic citizens into a dead-end cause.

But the good news is that their day in the sun has passed.

Republicans preparing for a 'dark horse'

Strategies for the 1988 Presidential race are firming up quickly in both parties.

Republican "conservatives" are rightfully panicked by their dim prospects for victory—thanks to the economic crisis and the "Irangate" scandal—and are working feverishly to pull their act together behind Jack Kemp—with Pat Buchanan not only denying he'll run, but refusing to even show his face at the CPAC conference, to avoid drawing any attention away from Kemp. Even evangelist Pat Robertson is being shunned in this climate of desperation.

However, it is a foregone conclusion that this is a losing battle. If Vice-President George Bush falters, the mantle will go not to Kemp, but to Kansas Republican Sen. Bob Dole. But if Dole, a weak campaigner, can't cut it, then the Republicans are prepared to move to a "dark horse," someone with no links to the current embattled administration. Earlier, this column suggested Rep. Bob Michel (R-Ill.), but he has aged significantly in the past year. A more likely candidate for the "dark horse" position is Donald Rumsfeld, the former defense secretary, or one of two or three strong Republican governors.

Wilson proposes commission on AIDS

Senator Pete Wilson (R-Calif.) held a press conference Feb. 24 to announce that he will introduce legislation shortly to create a national commission on AIDS.

Unfortunately, the bill's content makes it quite apparent that Wilson—who vociferously opposed Proposition 64, the anti-AIDS referendum which was on the California ballot in last November's elections—is still catering to the homosexual lobby and the "GAY-CLU."

A Wilson staffer, reiterating that the senator opposes mandatory AIDS testing, reported that one of the bill's main goals is to deter "discrimination" against AIDS carriers.

Under Wilson's proposal, the Health and Human Services Secretary would appoint 10 members of the scientific community to the commission, which would be authorized for an initial five years.

Working under the auspices of the National Academy of Sciences, the group's responsibilities would include: advising the President and Congress on policies and programs to reduce the incidence of AIDS; making recommendations regarding AIDS-related health care and research; monitoring the spread of AIDS; and evaluating research programs and health efforts.

In addition, the commission would be charged with protecting the "civil rights" of AIDS victims, and would be required to study the problems encountered by AIDS victims in obtaining and maintaining housing, employment, and other areas of discrimination.

Wilson's proposal is backed by Sens. Lowell Weicker (R-Conn.), David Durenberger (R-Minn.), Alan

Cranston (D-Calif.), Al D'Amato (R-N.Y.), Daniel Moynihan (D-N.Y.), Bill Bradley (D-N.J.), and Frank Lautenberg (D-N.J.). According to Wilson's office, the White House is expected to endorse the bill, and Wilson is confident that it will pass.

Senate Armed Services Committee to target SDI

The Senate Armed Services Committee voted 18 to 2 on Feb. 24 to endorse a nonbinding recommendation to the Senate Budget Committee, to accept the administration's request for a \$312 billion defense budget in FY 1988—a 3% real increase over the current year.

After years of underfunding of defense, however, this seemingly pro-defense vote by a committee chaired by Sen. Sam Nunn (D-Ga.) may have been designed as an exercise in futility.

The committee first made clear that its "priorities are different than the President's." A committee source indicated that defense R&D would be targeted for reductions, and "Star Wars will be cut."

At the same time, the 3% real growth figure seems to be a standing joke on Capitol Hill. Armed Services expects the Budget Committee to take its recommendation and "throw it in the wastebasket." Both committees seem to expect a defense budget with real growth only if the Gramm-Rudman-Hollings balanced budget targets are eased. Otherwise, defense will end up with real cuts in the budget, rather than growth.

House Democratic leaders told arms-control negotiator Paul Nitze and Defense Undersecretary Richard Perle that efforts to expand testing of the

SDI would be countered by House action to impose funding cuts crippling to the SDI program. House Speaker Jim Wright (D-Tex.) emerged from the meeting to say that Nitze and Perle were told it would be a "grave mistake on the part of the administration to rush pell-mell into an expansion of the arms race" by expanding tests. "If [Reagan] tried to do so," Wright said, "he might expect a majority to rebel and deny him the money to do so."

Nelson pushes for expanded NASA budget

Rep. Bill Nelson (D-Fla.), chairman of the Space Sciences subcommittee of the House Science and Technology Committee, called for a \$225 million increase in the NASA budget on Feb. 25.

Nelson opened his hearings by saying that "the NASA budget is and has been inadequate to carry out the space program in a manner expected by the American people."

The increase would bring the NASA budget to a paltry \$9.74 billion total. The additional funds would be used for expendable launch vehicles, the Air Force Titan 34D rockets, to orbit the advanced technology satellite, and the Mars Observer satellite.

The Mars Observer would be launched in 1990, two years earlier than planned, and is designed to map the surface composition of Mars, study its atmosphere, look for a magnetic field, and map wind patterns over a Martian year.

Nelson would like to commit NASA and the nation to a goal of a manned mission to Mars in the next century. But as a spokesman for the congressman admitted, a decision on

the national goal is yet to be reached. A national commitment would most likely have to come from the President, in order to secure the necessary resources.

Aspin reports on Reykjavik arms control

The Defense Policy Panel of the House Armed Services Committee, under its chairman, Rep. Les Aspin (D-Wisc.), issued a report Feb. 19, "Reykjavik and American Security," on the October 1986 U.S.-Soviet summit in Iceland.

Aspin's major point was that "Reagan passed up a good deal at Reykjavik" by refusing to abandon the Strategic Defense Initiative. "The President took his own Star Wars rhetoric too seriously and gave up a good deal by treating Star Wars as untouchable," Aspin said in releasing the report.

If Reagan had given up on SDI, Aspin claimed the 50% reduction in ballistic missiles discussed at Reykjavik, combined with a U.S. Midgetman land-based mobile ballistic missile, would "double the number of American ICBM warheads that would survive a Soviet attack." Why one would choose the Midgetman instead of a cheaper, more powerful rail mobile MX missile, was not discussed. Neither were the assumptions of survivability of mobile missiles, which is particularly questionable in light of increased chances for Soviet cheating. Evidence of Soviet violation of arms-control treaties was not analyzed.

The report also criticized the "zero option" Intermediate Nuclear Force (INF) proposal, by suggesting that "a few" INF missiles should be left in Europe in order to comfort the Euro-

peans. A military assessment of the need for Pershings to be based in Europe, and the overwhelming nuclear superiority the Soviets would have in Europe even without their SS-20s, was never addressed.

While the report starts on the premise of "Soviet capability to wipe out virtually all American land based missiles in a single swift strike," the report claims that bombers and submarines would survive such an attack and be able to retaliate—a dubious proposition at best.

The end result of Aspin's arms-control assumptions, is that the overwhelming Soviet offensive nuclear capability can be neutralized without the SDI.

Brazil moratorium puts Congress on edge

Treasury Secretary James Baker faced some skeptical congressional questioning on the debt crisis Feb. 24, in the wake of the debt moratorium declared by Brazil. The first chance to question Baker on Brazil came in a previously scheduled appearance before the Senate Appropriations Foreign Operations subcommittee chaired by Sen. Daniel Inouye (D-Hi.).

Inouye asked questions on how much exposure American banks have in Brazil, the potential impact of the moratorium, etc. He then asked Baker to estimate the impact of the moratorium on other nations. "What is the danger that the Brazilian action will have an impact on other Latin American debtors to effect similar suspensions?" Inouye asked. While Baker expressed his usual "confidence that the problem will be resolved," and that Argentina, for example, was in a different situation than Brazil, Inouye pointed out that the Argentine finance

minister was in Sao Paulo, Brazil, discussing the moratorium at that moment.

Inouye, a master of understatement, concluded by asking: "Notwithstanding the Equadorian moratorium, and the Brazil moratorium, and the possibility of an Argentinian moratorium, do you think they are cooperating" in these debt negotiations? "Your message to the banks is not to panic but to hang on?" he asked.

Senator Arlen Specter (R-Pa.) told Baker that banks should be putting up reserves, since there was a chance "the loans to Brazil will be considered bad debts," and said banks "ought not to be paying dividends" when they were paying them out of bank capital. "It may become necessary to bail out American banks," Specter warned. They will "come back to Congress upon a great calamity" asking for a bailout, which Specter seemed to believe was a necessary step.

Senator Patrick Leahy (D-Vt.) questioned Baker about the economic degradation that takes place as nations are told that "the only viable way" to pay debts is to "increase exports in the short term." Baker denied that the United States was giving such advice to these nations; he did not confirm that the International Monetary Fund was.

Senator Barbara Mikulski (D-Md.) asked Baker whether a debtors' cartel was being formed, and about Sen. Bill Bradley's (D-N.J.) debt forgiveness plan. Baker said he agreed with Bradley that we must find a way for these nations to grow, but that could only take place with the lines to international financing remaining open. Nobody mentioned that Peru's high growth rate was achieved after it decided to limit debt payments to 10% of its foreign earnings.

National News

New York controller facing Boesky probe

New York City pension funds made \$20 million by helping Ivan Boesky's insider trading, says the Feb. 22 *New York Daily News*. Some of the friends of Harrison Goldin may have made a pretty penny, too. Goldin is New York City controller, responsible for pension funds' management.

Fund trustees have asked Goldin to report on how Boesky's activities affected the value of the funds' \$30 billion portfolio, because of a disclosure in 1986 that Goldin asked "friends" to invest in a \$1 billion war chest Boesky was amassing for speculation in takeover stocks.

The New York Department of Investigation is probing several aspects of Goldin's relationship with Boesky, including: the cited investment solicitations; Goldin's decision to invest personally in two of Boesky's companies; whether Goldin took actions in the management of New York City funds that benefited illegal activities by Boesky.

Jones vote stolen in Chicago fraud

Even election officials in Chicago were shocked at the "irregularities" that secured incumbent Mayor Harold Washington the Chicago Democratic Party's mayoral nomination Feb. 24 with 53% of the vote. Former mayor Jane Byrne received 47%.

"LaRouche Democrat" Sheila Jones was credited with 2,400 votes (exactly 1/5th of 1%) of the 1 million votes cast. Her two running-mates for citywide office, Ernest Washington (City Clerk) and Elma Jean Washington (City Treasurer), won 44,059 and 46,939 votes, respectively, while aldermanic candidate Maurice Johnson, a well-known LaRouche Democrat, polled 46% in the suburban 19th District.

Jones's 1/5th of 1% is the exact rate at which she proposed to tax the Chicago Board of Trade. Coincidence?

Voting irregularities began the moment

the polls opened, with thousands being handed the wrong ballot. They couldn't have voted for Jones if they had wanted to. When the "error" was discovered, the election judges decided to record the votes themselves—20,000 of them—based on the candidates they thought the person intended to vote for!

Washington's people were smart enough to denounce this; Jesse Jackson charged that there was a "well-orchestrated plan to sabotage the election." Washington decried a "monumental foul-up [which] simply cannot be countenanced."

But one week earlier, the Chicago media had begun to issue warnings against Jones and the LaRouche candidates—and the warnings rose to a crescendo after Jones appeared on television with LaRouche on Feb. 20. More victories like those of LaRouche Democrats on March 18, 1986 could not be allowed, said the press. Obviously, someone in a position to steal elections was listening.

PBS runs KGB-spawned attack on U.S. scientists

The British Broadcasting Corporation's series "The Nazi Connection" was aired on the U.S. Public Broadcasting System's "Frontline" show Feb. 25, branding German rocket scientists working for the United States "ardent Nazis."

The program, designed to discredit the U.S. space program, was inspired by the Soviet KGB, naturally enough, working through the U.S. Justice Department's so-called Office of Special Investigations. The OSI is a "Nazi hunting" office whose sole source of information appears to be the Soviet Union.

At one point in the program, BBC interviewer Tom Bower tried to corner the brilliant Dr. Arthur Rudolph, whom OSI hounded into returning to Germany two years ago, into admitting that he endorsed slave labor and torture in the Norhausen V-2 assembly plant.

Though great effort went into making the case during the show that these scientists were really national security threats, who were let into the U.S. by immoral Pentagon

officials, it was made clear by Rudolph and others that the interviewer had never lived under a fascist regime, where it is not possible to "disagree" with the SS, or "ask for a transfer," as Bower implied could have been done.

Rudolph then made the important point: The United States would have gotten to the Moon without the Germans—but "20 years later."

Revell denies FBI break-ins

The FBI's number-two man, Oliver "Buck" Revell, testified under oath Feb. 20 that the bureau was "not involved in any capacity" in break-ins against churches and organizations opposed to U.S. backing for the Nicaraguan Contras.

Revell told the Subcommittee on Civil and Constitutional Rights, which is holding hearings into the break-ins, that the FBI was investigating charges by former informer Frank Varelli that FBI agents in Dallas had been responsible for some of the break-ins.

Another government witness, Deputy Assistant Attorney General James Turner, said there had been "no evidence developed" to support allegations that government agents had committed illegal burglaries.

American theologians attack Ratzinger

Cardinal Ratzinger's view of dissent is "a dangerous novelty" that could destroy "theology in any traditional sense of the word," wrote the board of the Catholic Theological Society of America in their testimony to the Academic Senate of the Catholic University of America.

The testimony was filed in December to support Father Charles Curran's appeal to retain his teaching post at the university, despite his advocacy of homosexuality, abortion, euthanasia, and much else repugnant to the Church.

After a variety of warnings, Curran was removed by Ratzinger, Prefect of the Congregation for the Doctrine of the Faith, for rejecting the magisterium of the Church.

The Catholic Theological Society's testimony said that Ratzinger's view of theological dissent involves a "most dangerous" blurring of the "distinction between infallible and non-infallible teaching and between the assent of faith and the religious respect of intellect and will."

"Occasional responsible dissent" was one of the chief ways in which doctrine has developed, the statement said.

Democrats to tighten primary process

Democratic Party National Chairman Paul Kirk is personally taking a role in heading off "divisiveness" in the party that could arise during primary season. The object of his action is clearly the "threat" of LaRouche.

On March 11, Kirk will give a major speech at the National Press Club, spelling out plans to urge the 1988 candidates to "keep the message positive" and avoid attacks on each other and on party rules. He is also planning sessions with candidates and their advisers, and will enlist a group of respected party leaders to "monitor" the campaign, and "admonish" anyone who violates the good conduct code.

Under a stern warning from Kirk, no state party thus far has scheduled any "straw votes" on candidate preference, like those of 1984.

Supreme Court tosses out Fourth Amendment

The U.S. Supreme Court on Feb. 24 took another bite out of the Fourth Amendment to the U.S. Constitution when it ruled 6-3 that evidence seized in the course of searching the wrong home or business office is admissible in court as long as the police

made an "honest mistake."

This decision, entitled *Maryland v. Garrison*, further erodes the Fourth Amendment protections secured by the exclusionary rule. The exclusionary rule permits defendants in criminal cases to suppress illegal seized evidence.

In 1984, the Court eviscerated the rule in the case of *U.S. v. Leon*, by allowing "good faith" exceptions to the suppression-of-evidence remedy.

The Garrison case opens the door for a host of illegal searches and seizures under protection of the novel "honest mistakes" doctrine. The ruling could have an impact on certain aspects of attorneys' efforts in Boston to suppress evidence illegally obtained in October 1986 raids on the offices of *EIR* and other companies associated with Lyndon LaRouche. Can police agencies violate the law at will, "in good faith"?

Rogers to retire; was he forced out?

General Bernard W. Rogers will retire in June as NATO commander. According to the *New York Times* of Feb. 24, he will be replaced by Gen. John R. Galvin, who now commands U.S. forces in Latin America.

The Feb. 25 *Financial Times* of London said that Rogers is being forced to step down by President Reagan because of his public opposition to the "zero option" sell-out of Europe nearly signed by the President at the Reykjavik pre-summit with Gorbachov in October 1986.

The newspaper reported that Rogers, during an interview in Mons, Belgium, "... agreed, however, that White House sensitivity to his open criticism of certain U.S. arms control proposals, such as reducing medium-range nuclear missiles in Europe to zero ... might have contributed to his removal."

In the same interview, Rogers stressed that the next two years would be crucial for NATO, given the renewed calls for U.S. troop withdrawals and the 1987-88 elections in Britain, France, and the United States: "In the run up to these elections, things are often said which are not conducive to enhancing the cohesiveness of the alliance."

Briefly

● **THE U.S. ARMY** has set up a toll-free spy hotline for use by Army personnel suspicious of other servicemen's activities. The idea for the spy line came after the May 1985 break-up of the Walker family-and-friend spy ring made up of current and former Navy men, who were convicted of passing secrets to the Soviets, including codes that compromised submarine warfare operations. The toll-free hotline number is 1-800-CALL-SPY.

● **HENRY KISSINGER** blamed a "sloppy and unwise" National Security Council for Irangate, in a speech at Tulane University Feb. 25. He added, "It is important for us to improve relations with Iran."

● **SEVEN SOVIET** Bear bombers flying near Alaska's coast were intercepted and turned back by Air Force F-15 Eagle jet fighters over a four-day period beginning Feb. 16, said the Feb. 25 *Washington Post*. Air Force spokesman Frank Singleton said he assumed they were flying "practice striking routes."

● **THE NEW JERSEY** Assembly has voted up legislation to impose mandatory three-year prison terms on anyone selling drugs to minors near schoolyards. The vote was unanimous. The Assembly also approved various bills to appropriate \$13.5 million in state and federal funds for narcotics law-enforcement and drug education.

● **VIRGINIA STATE** indictments against 16 LaRouche fundraisers on Feb. 17 were ordered by the Democratic National Committee, according to sources close to Democratic Party headquarters. Governor Baliles, Attorney General Mary Sue Terry and ex-Governor Charles Robb were reportedly ordered to move against LaRouche on any pretext. The sources warned that an increasingly desperate DNC will order similar operations in other states.

A faction for sanity?

From the standpoint of developing any reasonable policy toward the world economic crisis, the long-awaited meeting of the Group of Seven in Paris Feb. 21-22 was a total bust. Keeping official silence on the largest economic-political event of the decade, the debt moratorium declared by Brazil, the grouping instead put together an official demand for austerity by all the nations involved, and went home.

However, there was something more important happening behind the scenes. As the press in Europe began to leak out, the meeting was the occasion for meetings by a dissident grouping, comprised of Japan, Italy, and France, which was looking for a different policy toward the world economy, and particularly Third World debt.

There was a formal split at the meeting, which centered around the fact that the inner core nations decided to exclude Italy from their first day of discussions. Italy declared that this practice was a violation of the previous agreements made in Tokyo, and was supported in this contention by France and Japan. Italy's representative immediately went home, with the threat that his country would refuse to host the next meeting, scheduled for June in Venice.

But the first indications of what the content of that discussion was came only a couple of days later, when both Japan and Italy announced that they were extending credit lines to Brazil, at levels of \$133 million and \$35 million, respectively. Coming at the time when the rest of the world's bankers were screaming about embargoes and similar kinds of reprisals, this action symbolizes a significantly different outlook toward the South.

A look at the recent actions of the French government shows that it is moving in tandem with Italy and Japan. Not only has Premier Jacques Chirac been consistently hammering home the point that IMF conditions are injuring the Third World, but his colleague in the finance ministry, Mr. Edouard Balladour, actually submitted the Vatican's statement on morality and debt

to his staff for study.

In other words, what is currently emerging is a powerful bloc of nations, including the most dollar-rich nation in the world, Japan, which is committed to bucking the murderous austerity policies of the IMF, and supporting the cause of development in the Third World.

This situation is unique for the post-war period. Up until recently, there was no question but that the United States held the balance of power in economic councils, and U.S. financial policy was firmly in the hands of the monetarist financiers who are committed to putting their property values above the value of human life. Since 1967, there has been increasing evidence that this system is bankrupt. Yet the U.S. government has refused to take heed, clinging ever more desperately to the monetarist nostrums which created the problem in the first place. Now, the U.S. government's following of IMF policy has made it the biggest debtor in the world, and potentially at the mercy of creditors such as Japan.

The Third World, of course, learned the horror of IMF monetarist economics a long time ago, and has periodically attempted to overthrow them. But it has always run into the block of having no one in the industrialized countries who would dare buck the United States, and the international financial institutions which the United States has defended.

But now, aid seems to be on the horizon. First and foremost, that aid comes from the agency of the Vatican, which has determined to sound the alarm at the apocalypse that could result from continuing IMF austerity. Secondly, the governments of Italy and France, whose nations have been devastated by the IMF, have responded to the Vatican call, and begun to put their weight behind a moral solution to the economic crisis.

Our sources also report that this nascent alliance is seriously studying the monetary reorganization proposals of Lyndon LaRouche. If so, the faction for sanity could indeed save the world from falling into the most dramatic financial collapse in history. A welcome development, that didn't come a moment too soon.

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