

# EIR

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- VII. Why the Reagan administration has tolerated the CDC cover-up of the AIDS pandemic
- VIII. The necessary public health program to fight AIDS

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## From the Editor

It is with deep joy that we bring you this week's cover story on current history. The *Feature* (starting on page 34) shows, in a quite succinct way, how two potent movements, the Papacy under Paul VI and his successor John Paul II, and the philosophical-political movement led by Lyndon H. LaRouche, Jr., are working simultaneously to bring about a revolution in economic policy, to overturn the power of the evil malthusian policies that have given us a worldwide drug epidemic and the looming threat of species extinction through AIDS.

The centerfold has key excerpts of *Populorum Progressio*, released 20 years ago on March 26. That encyclical, which proclaimed that "development is the new name for peace," and its urgent application to today's crisis, are the subject of conferences sponsored by the Schiller Institute in cities throughout the United States, Western Europe, and Ibero-America on March 26 and in the ensuing weeks.

● Exclusive in our *National* lead article, is the first of a two-part series based on documents *EIR* released to the media in Washington on March 23. These newly obtained papers establish beyond any doubt that the Irangate arms-for-hostages policy goes back to 1979 under Jimmy Carter's administration. They also show why the same "invisible government" which has been trying to shut down *EIR* and other Lyndon LaRouche-associated publications, tried to prevent us from exposing and stopping the policy (page 58).

● "The issue is AIDS," was what *EIR* law editor Edward Spannaus told national media at the time of his arrest on March 17, in a transparently political move by New York Attorney General Robert Abrams, the most active advocate of the nation's sodomy lobby (see page 61). As we went to press, one of the LaRouche presidential campaign backers arrested in this case, Mark Calney, was being held in a Los Angeles prison on the outrageous demand for \$500,000 bail—targeted by the same "AIDS lobby" that violently opposed the LaRouche-supported Proposition 64 ballot measure for treating AIDS as a dangerous communicable disease.

This action came as the Red Cross and Public Health Service were putting out warnings that 34 million Americans who had blood transfusions in the last eight years, should be tested for AIDS (story, page 6).

Nora Hamerman

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## Feature



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**Correction:** Our Science and Technology feature in last week's issue contained a mathematical error. In the article "Powered flight to Mars in less than two days," on page 19, equation four should read:

$$r = (m_0/t) (1 - e^{-v/w}) \text{ or}$$

$$r = (m_0/t) (1 - e^{-at/w})$$

## Swiss banks warn of 'worst financial crash in history'

by David Goldman and William Engdahl

The spokesman for the bank which led the creation of the unregulated offshore \$1.8 trillion Eurobond market told the Swiss Bank Association on March 18, "We face a global crash like never before in history," because bankers have no idea of the liabilities they are incurring in deregulated world financial markets. The statement by Crédit Suisse director Hans-Joerg Rudloff came as

1) The U.S. Federal Deposit Insurance Corporation announced that it had lost money in 1986 for the first time in a quarter of a century (it sold assets to fake a small profit);

2) The FDIC revealed that one out of five American banks lost money in 1986, and that 1,400 of them were on the danger list;

3) Citibank, America's largest, announced that it may put Brazilian loans into non-accruing status;

4) Japanese banks announced that they would begin to put Ibero-American loans into the "garbage can," namely a separate company based in the Cayman Islands;

5) Negotiations for an emergency bailout of the bankrupt Federal Savings and Loan Insurance Corporation collapsed over Texan opposition to the FSLIC's "Gestapo" policy of shutting down community banks throughout the oil belt; and

6) Franz Heinrich Ulrich, the ex-chairman of Germany's largest bank, Deutsche Bank, committed suicide, following revelations about Europe's largest-ever fraud, the \$225 million Volkswagen currency loss.

### How the crash of 1987 will happen

The London *Financial Times* reports that the remarks of Hans-Joerg Rudloff, manager of Crédit Suisse and vice chairman of the world's largest Eurobond dealer, Crédit Suisse First Boston of London, have angered bankers who say he should not have "blown the whistle so loudly." Rudloff said

that deregulated financial markets had gone beyond the control of any national regulatory authorities, citing such recent scandals as the Volkswagen currency fraud, the Stockholm city pension fund financial fraud, and the collapse of the commercial banks' floating-rate notes on the international market, as danger signals.

*EIR* reported in December 1986 that a mini-run against bankers' own obligations was emerging on the London-centered Eurobond market, reflecting a collapse of confidence in the banking system. During the week of March 16, London Eurobond traders reported that the Japanese were dumping the Perpetual Floating Rate Notes issued by British commercial banks. Japanese banks hold an estimated 60-80% of the total \$50 billion market of Perpetual Floating Rate Note paper, of which \$17 billion was issued by commercial banks. Last Dec. 4, trading was virtually suspended on almost \$17 billion of floating-rate notes (FRNs) in London, when the Japanese pulled out of the market. One among many forms of "creative securities" that have proliferated during the past several years, perpetual FRNs, are a device through which the major banks have borrowed to meet capital requirements set by regulators.

Faced with a trillion dollars of bad Third World debt, and hundreds of billions of dollars of bad loans for oil, commodities, shipping, real estate, and related purposes, the major banks issued capital notes whose interest rate changes with the market, but whose capital will never be repaid—hence, "perpetual" notes.

By the middle of March, the entire \$160 billion market for "conventional" floating-rate notes, i.e., notes which pay back principal as well as interest, disintegrated. Dumping was triggered by U.S. banks, "forced to sell their paper because of the Brazil and related debt problems. But because

the Japanese were absent, there was no major buyer for their paper," one Eurobond trader explained. "Everyone is holding their breath and hoping the paper soon becomes tradeable."

"The professionals are so nervous about holding inventory that they will sell at any price," one U.S. bank official was quoted by Reuters on March 14. The recent trading, described as "panic trading," was concentrated in dollar-denominated notes in the banking sector, called "conventional FRNs." This market is some 10 times larger, an estimated \$160 billion, than the "perpetual FRN" market which has been in deep crisis since late last year. Traders say the latest panic selling is related to increased worries over bank exposure to Ibero-American debt. The two-day rout was reportedly triggered by "aggressive selling by a few leading U.S. investment banks of paper they did not actually own."

Commercial banks now hold untold trillions of various types of tradeable paper, such as the "floating-rate notes" whose value is now collapsing on the open market. If a few of them run into serious liquidity trouble, and must liquidate their paper, then the others must step in and pick up the paper—or the collective value of their assets will collapse. Now that the Japanese (whose foreign assets this year will exceed \$500 billion), the biggest players, have given up on the game, that is precisely what has happened.

It is no surprise that Rudloff fears the greatest crash of all time; a 20% drop in the value of such paper would hurt the bankers more than the repudiation of all of Ibero-America's debt combined.

### **Central banks outgunned**

Rudloff's warning makes nonsense of the common argument that the central banks will step in to bail out endangered institutions, thereby avoiding a 1930s-style crash. The entire purpose of "securitization," as the central banks complained loudly, was to put the market outside their grasp. Commercial banks' "off balance-sheet liabilities" (guarantees of various kinds) now exceed \$3 trillion—10 times the combined reserves of all the world's central banks! After years of subverting normal central-banking standards of bank capitalization and solvency, the banks vastly outweigh their supposed "lender of last resort." If the central banks attempt to bail them out, they will go down as well.

Rudloff has acknowledged the point at which so-called securitization, i.e., the substitution of tradeable paper for book loans, has produced a generalized financial panic. Securitization took off in 1984, after the collapse of the \$20 billion Continental Illinois Bank of Chicago. Like most major commercial banks, Conti turned over roughly 40% of its deposits on an average business day, and depended heavily on foreign deposits to fund its loan portfolio. The bank was doomed the moment large depositors, most of them from overseas, decided to pull their money out. The same banks which had "recycled" several hundred billion "petrodollars" during their 1970s heyday, discovered they were vulnerable

to deposit runs that could drain them overnight.

While the Federal Reserve and the Federal Deposit Insurance Corporation found the means to contain the crisis at Continental Illinois, it was less clear that they could do so twice, let alone 5 or 10 times.

The bankers pulled in their horns, and major overseas depositors—drug dealers, OPEC countries, multinational corporations—subscribed to telex services monitoring the major banks, purporting to warn them the moment that their deposits might be in danger. Meanwhile, illegal capital flows increased at the expense of legitimate world trade. While world trade fell back to 1978 levels, the volume of the international drug traffic rose from about \$200 billion then to over \$500 billion today, not counting additional scores of billions of dollars deriving from flight capital, tax evasion, and other slightly less dirty money.

Over \$200 billion a year in Eurobonds replaced what had been, before 1984, an equal volume of bank loans. The banks figured that if they had tradeable paper, they could always sell it on the market if money became tight. Loans on their books, by contrast, were not nearly so liquid. "Securitization" has a big disadvantage, however: Banks can effectively lie about the quality of loans on their books, hoping to collect on them at some future point. If the loans are tradeable securities, the mere anticipation of trouble can collapse their open-market value—and collapse the value of banks' assets, plunging them into instant insolvency.

### **Police-blotter economics**

It is no accident that the shift from commercial banking to speculation in the market-value of traded paper, produced a wave of financial scandals. There is a thin line between "normal" speculation, in a market where \$600 billion of futures and options, \$400 billion of currencies, \$120 billion of U.S. government securities, \$800 billion in bank deposits, and so forth, change hands every day, and criminal fraud. When everyone is broke, bankruptcy takes the form of outright scandal.

Following the mass arrests of Wall Street "insider traders, the March financial scandals included, so far:

1) A \$225 million foreign-currency loss at Volkswagen AG, West Germany's largest automaker. VW was allegedly swindled, with funds reportedly laundered through the Frankfurt branch of the National Bank of Hungary;

2) The collapse of the City of Stockholm pension fund, after a fund manager invested \$80 million in sundry speculations. The entire loss was reportedly run up in only two months, before being detected by authorities.

3) Three top officials of the Berliner Bank, one of West Germany's largest, were fired after "gross irregularities" were discovered at the bank's Stuttgart branch. The firings came the same day that Stuttgart-based Daimler-Benz was forced to deny rumors that it has suffered major losses in foreign exchange dealings.

# Red Cross admits AIDS 'risk areas'

by Warren Hamerman and  
John Grauerholz, M.D.

On March 17, the American Red Cross urged that all of the estimated 30 million Americans who had received blood transfusions between 1978 and 1985 be tested to see if they had received AIDS-contaminated blood. In its statement, the Red Cross admitted for the first time what has previously been uniquely the contention of *EIR*—that there are now “high-risk zones” as opposed to merely “high-risk individuals” in the United States.

The Red Cross was one of the “authoritative” health institutions that opposed classifying AIDS as a communicable disease and applying standard public health measures to it—the approach advocated by *EIR* and put on the ballot last November in California as “Proposition 64.”

The Red Cross statement came less than 24 hours after the U.S. Public Health Service first indicated the need for screening the 30-34 million Americans in the same category. Even this magnitude of screening does not take into account any blood up to the present day which may be contaminated with the second or other variants of the AIDS virus. The Red Cross underscored particular concern with all blood supplies which originated in what it calls the AIDS “high-risk areas”—New York City, Miami, Washington, D.C., Los Angeles, and San Francisco.

“We don’t

*Sun* quoted one federal health official. “We’re trying to come out with something that says: ‘This is a problem that physicians ought to be aware of, and a judgment has to be called for.’

is a responsibility that physicians will have to take.”

American Medical Association officials estimate there were 34 million transfusions during the eight-year period. AMA official William Hendee said, “Everyone now will have to think: ‘Am I one of those people? Has someone with whom I

have to wonder about that. We have to be careful we don’t exacerbate that sense of anxiety.”

## 35,000 more AIDS cases

The Public Health Service estimates that of the 34 million Americans who received blood transfusions between 1978 and 1985, some 35,000 will develop AIDS. An official told

the *Los Angeles Times*, that maybe not all of them have to be tested, only those who “ought to know that they are infected. . . . There are many things that have to be considered, such as the age of the individual and whether they are sexually active.”

This latest proposal comes a month after the farcical Feb. 14 conference at the Atlanta Centers for Disease Control, where a consensus was reached against mass testing for the lethal infection. The new moves represent attempts to avoid a total loss of credibility on the AIDS issue, as citizens respond politically to the government’s negligence, and rally support for Democratic presidential aspirant Lyndon LaRouche, as the only major political figure with a serious policy for dealing with the species-threatening disease.

The *New York Times* devoted two full pages March 15 and a March 16 front-page feature, to the problems AIDS is causing in New York. The *Times* reports that of the 9,188 reported AIDS cases in the city, black and Hispanic poor make up 54% of the victims. The *Times* connects the high incidence of the disease among minority groups with poor nutrition, poor health care, and homelessness.

The *Times* estimates that the federal, state, and city governments will spend \$277 million on AIDS in New York City during FY87, and \$349 million in FY88. The city’s share will be \$74 million this year and \$86 million next fiscal year. Eighty local hospitals are now treating almost 1,000 AIDS patients a day in the five boroughs, with the municipal hospitals being classified as “the treatment centers of last resort for the indigent” by the *Times*.

In Chicago, where school officials are in the process of putting an AIDS-infected child in Pilsen Academy over the protests of concerned parents, 25 new AIDS cases were reported in February, setting a new record and bringing the number of AIDS cases in the city to 47 for the first two months of the year, according to Dr. K.T. Reddi, chief of the Bureau of Public Health. City health officials expect 500 AIDS cases for the year, roughly the number reported from 1980 to 1986.

“There are more people in the state of Illinois with AIDS than in Great Britain,” stated Dr. Corboy in a March 17, television debate on AIDS in Chicago. Corboy, debating the American Civil Liberties Union, said: “This is not a civil rights problem. It is a public health problem. The genesis is what we must know. We need to get our politicians to allocate the necessary dollars for dealing with this killer disease.”

Idaho State Senate Bill 1100, requiring mandatory testing for AIDS prior to issuance of marriage licences, passed in the second week in March by 2 votes. It was sponsored by Sen. Larry Anderson, a Twin Falls Republican, and has a good chance of passing in the House as well.

Thus, less than six months after the Hollywood mafia, the Reagan administration budget-cutters, and their homosexual playmates celebrated the defeat of Proposition 64, pressure for even stronger measures against AIDS is being felt.



## New AIDS virus found in cats

*The "FTLV" virus is much more closely related to the human AIDS virus than lentiviruses found in sheep, cattle, and horses.*

**A** new T-lymphotropic retrovirus isolated from cats may provide important new insights into the problem of Acquired Immune Deficiency Syndrome in humans. This virus is much more closely related to the human AIDS virus, HIV, than the lentiviruses of cattle, sheep, and horses, which do not infect T-lymphocytes and do not produce immune suppression, as HIV does.

The new virus was discovered during investigation of an unusual outbreak of disease in a colony of cats in California. The results were reported in the Feb. 13 issue of *Science* magazine. The cattery contained a total of 43 cats ranging from 6 months to 13 years of age, most of whom were homeless prior to entering the cattery.

All of the cats had been repeatedly tested for feline leukemia virus, FELV, a retrovirus which causes a large number of diseases in cats, including tumors, leukemia, and an immunodeficiency syndrome similar to human AIDS, called FAIDS or Feline Acquired Immunodeficiency Syndrome. No cats testing positive for FELV had been allowed in the cattery and periodic retesting was done to ensure the FELV-free status of the animals. The cats were assigned to one of five outdoor pens, or to the house.

As a result of these precautions, and routine immunizations, disease problems in the cattery were very low from 1968 to 1982, and few animals died. Such diseases as did occur were mild: diarrheas, upper respiratory infections, ear mites, ringworm, intes-

tinal parasites, fleas, and some mouth and urinary tract disease.

All this changed in 1982, after the admission of a four-month-old female kitten to the colony. Three months later, this animal began having bouts of diarrhea, developed chronic eye and nose infections, and aborted a litter of kittens. Over the next two years she became thin and anemic, developed nervous system symptoms consisting of compulsive roaming and constant movements of the mouth and tongue, and lost most of her teeth from chronic gum infections. She ultimately died in spite of medical treatment, including many blood transfusions.

In the meantime, nine other cats sharing the same pen became sick and died from 1982 to 1986, while only one cat from the other pens died during this period.

Because it appeared to be an infectious disease, researchers from the Department of Medicine of the School of Veterinary Medicine at the University of California at Davis, attempted to transmit the disease to uninfected kittens. Two kittens were infected with whole blood, and cell free plasma from sick cats. Both kittens developed swollen lymph glands, fevers, and low white blood cell counts.

White blood cells from both experimentally infected kittens were then examined for the presence of retroviruses. Cytotoxic changes were seen in T-lymphocytes from these kittens which were similar to changes seen in HIV-infected human T-cells. When tested for the presence of the retrovi-

rus enzyme, reverse transcriptase, a similar enzyme to that of HIV was found. Finally virus particles very similar to those of HIV were seen budding from infected cells under the electron microscope.

Using infected white blood cells as a test chemical, the researchers did a serologic study of the cattery and found antibodies to the virus in 10 of 25 sick cats, but only 1 of 18 healthy cats. In addition, almost all the sick cats were from the same pen. The 10 seropositive sick cats showed symptoms of excessive thinness, anemia, and chronic runny noses, and a number of other infectious problems, including a type of bladder infection rare in cats.

Later, a study of cats admitted to the Veterinary Teaching Hospital of the School of Veterinary Medicine has shown that the virus is present in cats from many different regions of northern California.

The new virus has been designated FTLV, feline T-cell lymphotropic virus. It is antigenically distinct from HIV in humans and there is no evidence yet of human-to-cat or cat-to-human transmission. It is very interesting that the first recognized clinical case appeared within a year or so of the first clinically recognized human AIDS cases in California. Preliminary studies indicate that the virus is widespread and if its disease potential in the general cat population is as great as in the cattery, then indeed the house cat may join man as a threatened species.

From a more positive standpoint, the close biologic similarity of the new cat virus to the human and simian T-lymphotropic retroviruses, may make it an ideal research model for AIDS, since cats are much easier to obtain, and more abundant than primates. This could be critical for accelerated animal trials of potential AIDS vaccines.

# Brazilian 'superminister' braces for confrontation with banks

by Mark Sonnenblick

Brazilian Finance Minister Dilson Funaro has dramatically strengthened his internal flank as he heads for a showdown with Brazil's creditors. With manifest support from U.S. Treasury Secretary James Baker III, Citibank proclaimed it would rather take some losses on Brazilian debt accounts than to accept Funaro's demand for conditions which would allow Brazil to grow its way out of its debt crisis.

"History shows conciliatory methods often do not produce results," Funaro told the *Wall Street Journal* recently. A.W. Clausen, the former World Bank president who has moved back to Bank of America, replied March 18, "Brazil is bluffing." A columnist in the business daily *Gazeta Mercantil* the same day described the situation as a "chicken game," the test of guts in which two U.S. teenagers drive down the middle of a road toward each other; the "chicken" is the one who veers to the side first. Bankers are scared of Funaro's uncompromising commitment to Brazilian growth. One commented last week, "I think I see the light at the end of the tunnel, but it may be a locomotive coming down the track toward me."

Brazilian central bank president Francisco Gros was not flustered by the increasingly suicidal tendencies shown by Citibank, Bank of America, Conti Illinois, and the like. "Until the country stopped paying interest (Feb. 20), we were worried. Now, *everybody* is worried." Gros insisted at a March 13 press conference, "If the Brazilian economy does not grow, Brazil will not even pay interest; there will be no way to pay." He said he was sure that the banks would not be so stupid as to act on their threat to cut \$15 billion in short-term credit lines March 31. "If the credit lines were cut, Brazil would lose exports and not be able to resume interest payments." Brazil will use its exports for the imports it needs to grow, Gros asserted. "We will allocate whatever is left over for interest payments." Funaro projects that imports will grow by 10% this year and exports by 6%, with the bankers simply having to find some way to reduce or finance the \$5.5 billion of Brazil's \$9 billion interest bill it cannot pay.

Nor was Brazilian President José Sarney cowed by the bankers' escalation of threats. He asked West German Fed-

eral President Richard von Weizsäcker to make an unscheduled stop in Brasilia March 15. During their meeting, Sarney accused the foreign banks of conspiring to divide and conquer. He warned that such tactics were not prudent, since they could lead to a "real confrontation situation," a Brazilian source close to the presidency reported. Sarney reminded him that the Weimar Republic was forced by the Treaty of Versailles to pay 2.8% of its Gross National Product in reparations. Brazil, in contrast, has been paying 5.5% of its product for debt service. He warned that such economic constraints made it extremely difficult to preside over a smooth transition from 21 years of military rule to a stable democracy. The German President expressed comprehension and praised Brazil's "force and vigor."

## World Bank faction defeated

On March 17, the leader of the bankers' fifth column inside the government, Planning Minister João Sayad, was fired by President Sarney. The nest of those who advocate giving creditors ownership of Brazilian companies is being cleaned out with a series of resignations from second tier economic policy posts.

According to the daily *Gazeta Mercantil*, the U.S. Treasury and many New York bankers were expecting and helping Sayad in his effort to sabotage Funaro's economic program. Sayad, a leftist economist, never supported the Feb. 20 debt moratorium. As soon as it was declared, the World Bank asked him to prepare and fight for an alternative policy, one which would bring Brazil back to playing the debt game by the bankers' rules. Sayad obliged.

After all, Sayad's boys had invented, on request of International Monetary Fund gnome Alexandre Kafka, a new way to sucker countries which had been raped by the IMF to accept being raped again. Their scheme, called "heterodox shock" is now being imposed on Argentina under the name of "Austral Plan" and would have been imposed on Brazil, had not Sarney and Funaro twisted their "Cruzado Plan" into a growth scheme.

Sayad's plan was written in the gibberish that wins Nobel

Prizes for the world's most incompetent economists. But its bottom line was:

- Cut real wages by about 15%.
- Sharply devalue Brazil's cruzado to promote exports.
- Turn worthless foreign debt into equity ownership of Brazilian industry, agriculture, and mining.
- Reinstating the IMF ban on high technology industrial and infrastructure projects by cutting government investment budgets.

This is precisely the "convincing economic plan" which Brazil's foreign creditors demand day after day. Sayad sneaked the plan to Sarney while Funaro was in Europe fighting for international support for Brazil at the beginning of March. When Sarney refused to touch it, he leaked it to the press along with misinformation that Sarney had accepted it, which made bankers in New York and London ecstatic. Sarney, however, was angered, as were the leaders of the ruling Brazilian Democratic Movement Party (PMDB), who had won 80% of the votes in November's gubernatorial elections on an anti-IMF and pro-growth program. With the inauguration of new PMDB governors in 22 of the United States of Brazil, March 15, Sayad's fate was sealed.

PMDB president Guimaraes who had gotten Sayad his job broke the news March 17 that Sayad's plan "should be archived for the future." Within hours, the bearded economics professor was out.

With Sayad's demise goes the World Bank's plan to replace the hated IMF as the protector of creditor's interests in Brazil. The World Bank had waved the big stick of cutting off all loans to Brazil if Funaro remained in power. It announced it was going to open a permanent office in Brazil April 15 and dangled the carrot that it would provide Brazil with a \$3 billion "structural adjustment loan" if Sayad's plan were made government policy.

Although the World Bank has a better image than the IMF, its own technocrats admit that its conditionalities are even stiffer than those of its Bretton Woods sister. When a country submits to World Bank "adjustments," it cannot delay an electric rate increase, give a wage hike, or allow tax relief to a troubled industry without a special dispensation from the colonial overlords in Washington.

Brazil rejected the Sayad-World Bank threat to its sovereignty.

### **Funaro revives great projects**

Funaro announced that the creditors would not be presented with his economic plan until it had the political support of the elected representatives of the Brazilian people. He is not proposing a new edition of last year's consumption increases, because every industry is now working at close to capacity. The 12.1% increase in industrial output last year, called "excessive consumption" by every newspaper in the United States, merely brought Brazil per capita income back to 1980 levels.

Funaro told *Istoé* magazine, "We are going to hand in a

plan for the next four years, approved in Brazil and defining what we need to grow." His idea is that Brazil has to average 7% annual GNP growth for the rest of the century to provide the better living standard its people demand. To do so requires heavy investments in the country's basic industry and infrastructure.

Marcio Fortes, the president of the National Development Fund told a businessmen's conference in Rio March 16 that \$28 billion would have to be invested in steel, paper, petrochemicals, fertilizer, and metals by 1996 just to keep a growing Brazil self-sufficient in those areas. He is zealously guarding the \$6 billion his fund collects each year from compulsory savings on luxury consumption for use in such long-range projects. Other government officials plan to double the steel industry from the 24 million tons this year to 50 million by the end of the century.

The country's ports, inland transportation, and electrical grids also require expansion. That is not to speak of the cheating on social infrastructure during Brazil's "economic miracle" which has left 90% of Brazil's population without sewer connections.

To invest \$12 billion per year in basic industry and agriculture while gradually increasing consumption, Brazil has no choice but to end the debt drain. An equal challenge lies in the internal economy. "My greatest problem is the expectations of the people who elected me," one governor confessed amid the euphoria of his inauguration March 15.

The Brazilian military wisely turned over the task of governing to civilians in 1985 because it knew unmet social needs were creating explosive conditions. The popular belief that democracy means the end of poverty has created extremely high frustration levels. That is providing fertile ground for those who want to destabilize Sarney. Sarney's vision of a banker plot to topple him is "paranoia," "xenophobia," "making of scapegoats," the press and other local allies of the bankers screamed March 18. Yet, that same press is blowing out of all proportion political protests by forces which want a regression to military rule.

In the state of Parana, 100,000 farmers blocked bank offices and roads March 10. They were led by a strange coalition of Nazis and Communists, united on weakening the government and undermining Funaro. They were led by the large latifundists under the control of the oligarchy's Tradition, Family, and Property (TFP) front, the Rural Democratic Union, in alliance with the pro-Cuban Workers' Party. In recent years, 200 deaths have been caused in rural violence between squatters led by Workers' Party leftists and radical priests, and the hired gunmen of the feudal landlords.

Brazil's imports and exports came to a halt for the first two weeks of March. What the bankers cannot do themselves was accomplished by striking seamen, agitated by the Workers' Party. They refused generous wage offers, and seized their ships. Marines were sent to the ports, but did not break the strike.

A plot by the Workers' Party to imitate the seamen and

occupy the country's oil refineries was nipped in the bud by the deployment of army units to a dozen refineries. The unions and the state oil company, Petrobras, agreed to negotiate wage demands.

"Prudence should not be mistaken for weakness," Sarney declared March 11. He was answering charges that the government "lacked a firm hand" made by General Octavio Medeiros and published on the front page of *O Estado de Sao Paulo* that day. Medeiros, the Al Haig of Brazil, is a Mossad-trained spook who ran Brazil's FBI-CIA from 1979 to 1985. "The concept of authority is destroyed today. When I was in government, I think the concept of authority was different."

Medeiros' outburst against Sarney occurred just *after* the President had outraged liberals by deploying military force to the refineries.

Military reaction to Medeiros was so hostile that he tried to deny his remarks. Even the small minority which Chagas says would like to make a coup apparently felt he had moved prematurely.

*O Estado's* Carlos Chagas commented that Medeiros "is the quasi-candidate of the authoritarian system for the presidency of the republic." Chagas suggests Medeiros may be

seeking "the destabilization of the regime." The conservative Chagas asks, "Who benefits from these singular things? Not the government, not the armed forces as an institution, nor society which, despite everything, still had confidence in the New Republic" (Sarney's regime). He answers, "The government did not expect the opening of internal flanks at the moment it was trying to fight a holy war on the international level."

When in power, Medeiros reportedly used intimidation, censorship, and other unattractive forms of pressure to provide political cover for then Finance Minister Delfim Netto's dirty deals with the international banks.

In a speech to businessmen in Rio March 16, Finance Minister Funaro agreed with General Medeiros that the concept of authority *was different* when he and Delfim were running the show. "In 1982, the recession was deliberate; the previous government accepted externally-imposed adjustments. The 1982 crisis was not of the debtors, but of the world economy. In 1980, the American policy raised interest rates. In 1982, financing stopped coming. If the Brazilian government had acted differently in 1981 and 1982, there would not have been a recession."

## Brazil rebuffs foreign asset-strippers

Brazil's foreign creditors want to buy out the country's internal economy for a nickel on the dollar. That would happen if they were allowed to convert their worthless debt paper into "risk investments" in Brazil. The Brazilian economy produced \$265 billion worth of goods and services in 1986. Yet, total ownership of every voting and preferred share issued by the private, state-owned, and multinational companies which produced over 80% of that product could now be bought for \$21.2 billion. For a mere \$6.2 billion, foreign speculators could obtain 51% of the voting shares of all those 632 companies.

These figures were calculated by the Rio stock market, which has been leading domestic lobbying on behalf of the foreign creditors. President of the stock market Sergio Barcellos presented his report to President José Sarney on March 16. He then told the television and print media that Sarney had agreed with his plan to convert debt into equity.

Not even the stock market believed Barcellos; it con-

tinued its decline that day. Finance Minister Dilson Funaro declared the next day that nations have to be careful to keep a balance between national and foreign companies, and not let foreign investors overwhelm domestic initiative. On March 11, Funaro had argued that debt swaps were next to useless as solutions for Brazil's debt crisis.

In 1983-84, Brazilian Planning Minister Delfim Netto gave a 10% bounty on every dollar of debt turned into "investment." Several U.S. banks grabbed the opportunity to buy up Brazilian banks, thereby joining in the looting process by which Brazilian banks return 30% profits on capital year after year. The way was led by Alan Stoga, who bought the Denasa Investment Bank for First Chicago Bank, asset-stripped it, and then went to work for Kissinger Associates, Inc. Bankers Trust bought the Iochpe group with debt money, and Citibank bought the Comind finance house.

The swindle was so scandalous that the government ended the bounties and gradually imposed restrictions, starting in October 1984. But laws permitting such operations remain on the books. The country could be sold off cheap in a moment, were a switch in government policy to occur. The main reason Citibank and others take a hard line on Brazil's debt is to force Brazil to give in on just this point—to surrender its economy to foreign creditors.

# Shadowy 'Chapultepec Group' formed to intimidate Ibero-American business

by Héctor Apolinar

On March 15 was announced the abrupt formation of the Chapultepec Group, made up of seven businessmen from various Ibero-American countries, with the explicit and sole purpose of combatting Ibero-American unity and keeping the Brazilian and Peruvian examples of how to solve the region's cancerous foreign debt problem, from spreading throughout the subcontinent.

At a press conference held at a Mexico City hotel, businessmen Julio Ligorria of Guatemala, Jaime Bengoechea and Jaime Morales Carazo of Nicaragua, Juan Antonio Widow of Chile, Oscar Alfredo of El Salvador, Augusto Blacker of Peru, and Gerardo Garza Sada of Mexico, stated that although Ibero-America's foreign debt has impoverished the debtors, they cannot "support the formation of a debtors' bloc" because it is "pure demagoguery." Peruvian Augusto Blacker was even more explicit, asserting that "it is necessary to wreck any common debtors' front." Instead he proposed that "what we have to do is unite as Latin Americans to make ourselves stronger internally and accept our errors" in managing the foreign debt. Mexico's Garza Sada went further and proposed the sale of nation-states as the solution to debt payment, saying that it is necessary that "governments reduce themselves and leave economic activity in private hands."

The emergence of the shadowy Chapultepec Group was announced on the final day of the First Ibero-American Business Forum held in Mexico City on March 11-13, sponsored by the Business Coordinating Council, big business's main political lobby in Mexico, Coparmex (the large employers association), the National Confederation of Chambers of Commerce (Concanaco), and CIPE, the International Center for Private Enterprise. Albeit CIPE did not present itself formally as promoter of the meeting, its invisible hand was ever present, under cover. The executive vice president of CIPE, William Archey, was one of the most acclaimed speakers.

CIPE is an affiliate of the U.S Chamber of Commerce, and is entirely funded by the National Endowment for Democracy (NED), the "legal front" of the shady Project Democracy guided behind the scenes by Lt. Col. Oliver North and a key group of government officials that form a "parallel" U.S. government.

## Getting rid of mercantilism

The meeting rang with dissonant cries against the Ibero-American governments, blaming them for the foreign debt crisis, but without touching a hair of the creditor banks. The "businessmen" demanded from their governments more sacrifices and total payment of the foreign debt, cost what it may. Inaugurating the forum, the chairman of the Business Coordinating Council, Claudio X. González, appealed to the businessmen for collective suicide by insisting that "we have to be willing to pay the cost required for resuming growth. . . ."

González demanded going to the heart of the matter, and slashing at the root of "the mercantilist phase" in the economy, to be able to make all the "structural changes that are needed without delay or hesitation."

Although the meeting pretended to be about "business," it was clear that all the sessions were led by political and ideological leaders of the National Action Party (PAN) and its fronts, like the shock group known as Integral Human Development, which was formed from the vestiges of gnostic secret societies like the Unifying Guard of Ibero-America (GUIA) and the Unifying Movement of Renovating Orientation (MURO), known for its affinity with the anti-papal sect, Tradition, Family, and Property.

The PAN participated turbulently in the 1985 and 1986 elections, trying to stir violence and discredit the electoral process with twisted anti-democratic intentions.

Moreover, there are innumerable indications that the PAN is the "Mexican connection" to Irangate and received funds from the underground operation of Lt. Col. Oliver North. CIPE channeled large economic resources to Coparmex, which ended up financing the election campaigns of various Coparmex leaders who became PAN candidates. One who may have gotten such funds was Manuel J. Clouthier, ex-national chairman of Coparmex and PAN candidate for governor of the state of Sinaloa. Sources close to Clouthier claim he had a close political relationship with Don Regan, one of the main figures implicated in Irangate. Another PAN candidate for governor (of Chihuahua in 1986) and an ex-Coparmex official, Francisco Barrio, received the strong propaganda support of the U.S. and various CIA agents, sent on North's orders, according to revelations last November in the

*Miami Herald*, and confirmed by unofficial Mexican observers.

One fact that appears to definitely confirm the ties of the forum with North's Project Democracy was the presence of Jaime Morales Carazo, member of the board of the National Opposition Union (UNO), an umbrella group of the Nicaraguan Contras. In June 1986, he apparently proposed a total alliance with the PAN to an UNO meeting in Miami, to make it the party in power in a few years. Morales is one of the closest cronies of Adolfo Calero, Jeane Kirpatrick, and others, for liaison operations between Mexico, Miami, and Honduras.

The real, anti-business purpose of the meeting was made clear by the PAN leader, Manuel J. Clouthier, when he threatened the actual businessmen who did not want to throw themselves into the collective suicide of political adventurism. Clouthier asserted that the "people of Mexico," i.e., the PAN, "does not forgive nor will it ever forgive those businessmen who negotiated with the political power that has been oppressing the majority." What this means, the PAN demonstrated in last year's elections when they blocked businesses, sacked private homes, spread slanders, harassed people by telephone, and verbally insulted and in some cases physically attacked businessmen who sympathized with the government or did not want to get involved in the PAN's adventures. This strategy was called by the PAN, "civic death."

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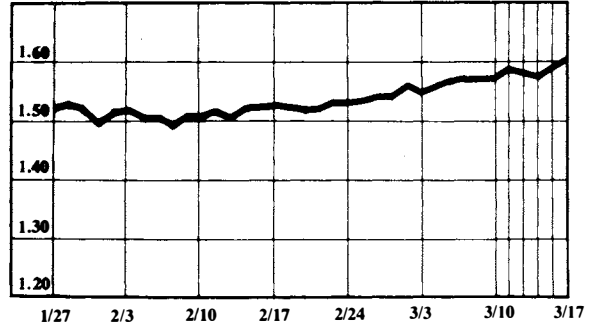
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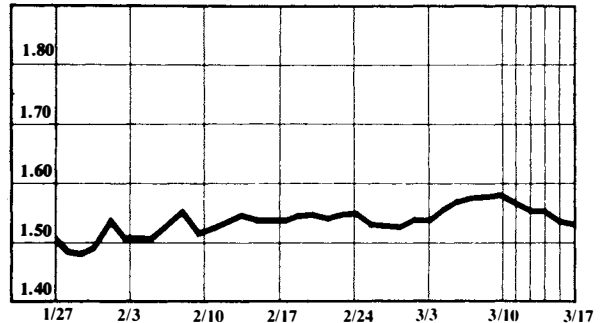
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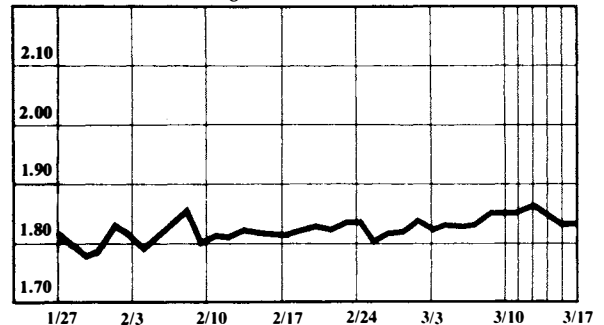
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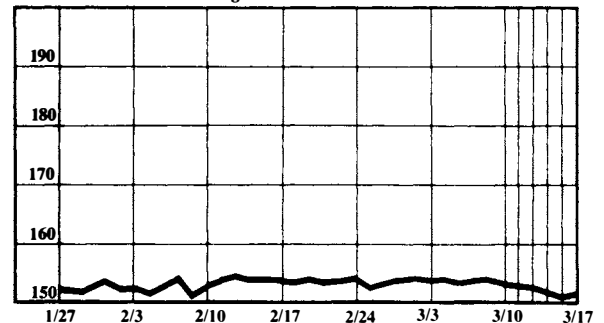
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New York late afternoon fixing





# Yugoslavia: a prey to IMF dictates

by Luba George

Widespread protest strikes have erupted in Yugoslavia over a government-imposed wage freeze at the beginning of this year. The wage freeze marked the government's capitulation to a nasty chain of blackmail by the International Monetary Fund (IMF) and Western creditor-banks. The banks had told Yugoslavia that it must come to terms with the IMF in 1987 for an IMF standby credit as the precondition for rescheduling of Yugoslavia's debt to the bankers. The IMF made the standby credit conditional on a wage freeze.

There is only one problem with the wage freeze scheme. Yugoslavia in 1987 has been hit with a 130%-plus annual inflation, or shall we say hyperinflation, rate. No wonder then that Yugoslavia is undergoing the most concentrated outbursts of strikes in recent years. In one week alone in March, some 70 work stoppages involving over 11,000 workers occurred. Labor Minister Dr. Janko Obocki told a press conference on March 17. Roughly half the strikes took place in the more prosperous republic of Croatia. Meanwhile, Finance Minister Svestozar Rikanovic has, according to reports, "no intention" of rescinding the new law which virtually freezes wages at their average level in the last quarter of 1986.

Branko Gretic, executive secretary of the Croatia section of Yugoslav trade union confederation, said: "In the past 15 years not a single measure has caused as much turbulence as this law. We've never experienced anything like it in this country."

The most recent social-economic upheavals, reports London's *Financial Times*, come at a critical "break point" in Yugoslavia's debt rescheduling agreements with the IMF creditors. The banks, having agreed to continue their rescheduling of some \$3.5 billion in debt due in 1985-88 beyond the end of this month, have made it clear that they will only continue their relief agreements if the country gets a "favorable progress report" from the IMF, which last year undertook to provide "enhanced monitoring" of the Yugoslav economy. And the latest IMF report discussed by the Fund board in mid-March was, observers report, "distinctly unfavorable" because Yugoslavia has "not gone far enough" in implementing its austerity measures and is resisting the reign

of the "free flow of the market forces."

Future scheduling arrangements are due to be discussed with Yugoslavia in Paris March 30. Some Western governments are said to be suggesting that Yugoslavia should return to "full-fledged IMF supervision" under a standby credit program, for added pressure.

Yugoslavia's debts, according to official announcements, are at \$20 billion. Its annual official inflation rate, at 130%, is the highest in Europe—and real wages have been reduced by more than half. An "explosion of prices" has hit the country's staple foods, with the price of bread and meat undergoing increases several times in one-to-two week periods. Unemployment, now at nearly 14%, continues to spread. In both the workers' self-management, based on "respect for market laws," and the state-controlled development enterprises, there has been a sharp drop in labor productivity. In the period from 1980 and 1985, annual average labor productivity was minus 0.4% in general and 3.5% in the state sector.

Indicating alarm at the way things are going in Yugoslavia, a 74-page draft memorandum, "The Crisis of the Yugoslav Economy and Society," produced by the Serbian Academy of Arts and Sciences last October, warned that the current crisis, with "no solution in sight," might "end up in social upheavals with unforeseen consequences," even including "the disruption (dismemberment) of the Yugoslav state." The document provoked a strong reaction from Yugoslav government circles and was banned soon after it came out. The general ordering of belt-tightening, concludes the report, will ensure that the crisis will become political.

## The prospects

The hyperinflation is causing social chaos especially in Yugoslavia's western, industrialized republics of Croatia and Slovenia. The Belgrade government's capitulation to the IMF is thus aggravating the strong centrifugal tendencies in the Yugoslav Federation. Barring a dramatic policy shift, where Yugoslavia would follow Brazil's debt moratorium example, the prospects for the already unstable country look grim.

For the past few years, Yugoslavia, ruled by a weak government—a presidium, where the prime minister is chosen on an annual rotating basis—has responded to the debt crisis by a combination of austerity and shifting foreign trade toward the Soviet Union and the Comecon. Now, over half of Yugoslavia's foreign trade is with the Comecon (compared to about one-third in the 1970s) and its largest foreign-trade partner is the Soviet Union.

IMF policies toward Yugoslavia have thus brought us to the verge of a mini-"New Yalta" in the Balkans. Yugoslavia, propelled into growing dependence on the East bloc, is shifting toward eventual reintegration into the East bloc. The alternative, growing in likelihood with each year of austerity, is fragmentation, with the western republics of Croatia and Slovenia seceding. In either case, the Balkan part of Europe's map would be redrawn in Moscow's favor.

## **New push for monetary reform?**

*After a long silence, Indian officials make a point of the need for world economic reform.*

**S**ince the government of the late Indira Gandhi put international monetary reform—specifically the call for an international conference on money and finance for development—at the top of the Non-Aligned Movement's agenda in 1983, the subject has virtually vanished from India's foreign-policy priorities.

India is one of the few developing nations not embroiled in a debt crisis itself, so there is no domestic compulsion to take up the issue on a priority basis. Most important, the October 1984 assassination of Mrs. Gandhi removed from the scene the one international leader who took on the necessity for a new world economic order as a personal responsibility.

Even today, neither the financial earthquake in Ibero-America nor the historic intervention of the Papacy on the debt issue has received more than a mention in the Indian press.

The Brazilian debt moratorium announcement appeared as a brief news blurb, with one paper recycling a snide British commentary on Brazil's "irresponsibility."

But there are indications that India's growing ties with major Ibero-American nations may be reviving the debt issue. India's collaboration with Brazil to stop a retrograde OECD "free trade" initiative in the GATT, and Peruvian President Alan García's official visit to Delhi in January are two important benchmarks.

At the three-day Non-Aligned foreign ministers meeting in George-

town, Guyana in early March, Indian Foreign Minister N.D. Tiwari emphasized the urgent need to tackle the world economic crisis.

He called for a formula to end and reverse the net outflow of resources from developing countries, and measures to enable the debt-burdened countries to generate more financial resources.

Tiwari insisted that short-term and stopgap palliatives will not succeed in defusing "explosive potentialities of this veritable debt bomb." The challenge, he said, was to first arrest and then reverse the present trend.

Tiwari was not simply propitiating his Ibero-American hosts, as India's intervention in the Group of 77 pre-meeting on the other side of the world several days later makes clear.

Representing India, Commerce Minister P. Shiv Shankar proposed that the UNCTAD XII meeting scheduled for July in Geneva be a launching pad for a new dialogue in search of a stable international economic system.

Shiv Shankar was addressing 32 Asian economics ministers assembled in a three-day meeting in Dhaka, Bangladesh to finalize the Asian region's declaration, which, along with similar platforms from Africa and Ibero-America, will form the basis for the Group of 77 deliberations in April in Havana.

The initial economic conditions embodied in the Bretton Woods institutions have been fundamentally transformed over the past 30 years,

producing a state of disequilibrium in international economic relations, Shiv Shankar said. He deplored the fact that no effort had been made to reexamine the theoretical foundations of the system and launch a cooperative search for the political basis for its reconstruction.

In India's view, the commerce minister explained, a new international economic system must be based on principles of equality, harmony, and universality. Trade expansion is essential to development, he said, but "the belief in the efficacy of the unbridled market forces is neither theoretically tenable, nor consistent with historical and contemporary experience," he said.

A new economic order must have sound and equitable underpinning in the monetary and financial spheres, Shiv Shankar added, and should facilitate durable solutions to the debt crisis that is consistent with the overriding requirements to maintain acceptable rates of growth in debtor countries. More important, he said, it should secure a substantial increase in financial flows for development on an assured, continuing, and predictable basis.

Significantly, India's was not the only clear voice on the issue. On March 14, Bangladesh President H.M. Ershad had inaugurated the meeting with a call for determined political will to initiate common international action to solve global economic problems in their entirety. Ershad cited the negative transfer of resources from developing to developed nations, and the collapse of primary products prices.

The "Dhaka Declaration" voted up by the Asian ministers called for "expression of genuine political will" to launch a constructive dialogue to solve the global economic crisis, as a step to a new international economic order.

## Cartel consolidates control of meat

*Thanks to their friends at the Departments of Justice and Agriculture, anti-trust laws aren't being enforced.*

**T**he latest news in the meat trade, is the consolidation of control over U.S. meat packing by so few individuals and companies, that an anti-trust investigation is in order if national food security is to be restored. As of March, an agreement has been reached for ConAgra, the international company that already is the largest poultry processor in the United States, to buy out Monfort of Colorado, Inc., the fourth-largest U.S. beef-packing company. Monfort is now independently owned and specializes in lamb, as well as beef. The deal is to be completed by June.

The line-up of top meat processors now will be: First, Iowa Beef Processors (IBP), a division of Armand Hammer's Occidental Petroleum; second, Cargill, Inc., the cartel company that now plays a monopoly role in U.S. beef supplies through its recent additions to its Spencer meat division; and third, ConAgra. There are a few others.

The irony of the acquisition of Monfort by ConAgra is that Kenneth Monfort and his wife, now owners, fought hard in the courts on grounds of anti-trust law over the past three years to enjoin Cargill, the grain cartel giant, from acquiring the meat packing division of Land-O-Lakes, the famous dairy cooperative. Kenneth Monfort is well known as a fighter among western cattlemen and independent meat packers.

Monfort won his case in the lower courts, but Cargill got its way in the higher courts—just as the company is accustomed to doing wherever it op-

erates around the world. In Argentina, for example, Cargill dominates the entire poultry business, from farm to exports. After Monfort lost his anti-trust battle last fall, it appears he decided to give up his own independent feedlots and processing plants, and incorporate them with ConAgra. Monfort will receive 10.8 million shares of ConAgra stock, valued at \$365.5 million.

As of 1983, it was estimated that IBP, Cargill (Excel division), and Spencer (now owned by Cargill) controlled an estimated 70% of the national market for boxed beef—the form of chilled beef in pre-cut units, rather than carcasses, that now supplies the major urban areas of the country with fresh beef. At that time, Monfort's share of this market was 6%. The assimilation of its operations into ConAgra may change the respective shares of control, but retain the cartel-style domination by a few companies. ConAgra, based in Omaha, Nebraska, will be one of the largest and most diversified meat suppliers in the world.

The events of the past few years and months show the direction of consolidation of processing and distribution that constitutes a *de facto* danger to reliable meat supplies for the public. Fifteen years ago, Armand Hammer reportedly said, "Beef will be the oil of the '80s." Since Hammer acquired IBP, he has systematically bought out independent processing plants, driven down wages, and set low prices to cattle producers—take it

or leave it—that established cutthroat standards throughout the trade. The story told in *The Jungle*, the exposé about U.S. abattoirs by muckraker Sinclair Lewis, is nothing compared to Armand Hammer's practices. For example, in Iowa, locals report that he has brought in Vietnamese families from Texas to live in trailer courts and work the night shift for peon-wages.

Meanwhile, thanks to the protection from friends of Hammer, Cargill, and the other food cartel interests in the Departments of Agriculture and Justice, there has been no anti-trust enforcement in the food processing industry, in contrast to the frenzy of divestiture in oil, transportation, communications, and other industries over the same time period.

From Dec. 14 to March 16, IBP locked out the 2,800 workforce at its flagship plant in Dakota City, Nebraska, because, according to IBP spokesmen, the company felt the workers might disrupt operations. On Dec. 13, the labor contract expired between IBP and Local 222 of the United Food and Commercial Workers Union, and IBP wanted to coerce concessions.

ConAgra will acquire extensive facilities developed by Monfort. It is not known exactly how they will be integrated with its existing poultry, fish, pork, and beef processing operations. But ConAgra's methods of consolidation are almost as infamous as those of Armand Hammer.

When ConAgra bought up the 13-plant Armour meat-processing company a few years ago, it closed all 13 plants on a Friday, then reopened 12 the following Monday after forcing large concessions from the workforce. An Armour plant in Pittsburgh never reopened. The average wage scale at the Armour plants before they were sold was \$10.69 an hour; ConAgra proposed \$5.50 an hour.

# Business Briefs

## International Credit

### Ecuador declares debt moratorium

Ecuadorian President Leon Febres Cordero on March 14 declared that his country had suspended payment on its foreign debt. "I am not ashamed to say it," he said. "Definitively there is no way to pay the foreign debt this year." Ecuador's debt amounts to \$8.2 billion.

Ecuador suffered an earthquake on March 11 which left hundreds dead, thousands homeless, and destroyed 45 kilometers of the nation's oil pipeline. The country will now have to suspend crude oil exports, and will have to import oil to cover domestic needs.

Referring to the devastation caused by the quake, Febres Cordero said, "I first have to rebuild my country before I start paying debts." But in fact, Ecuador had stopped making payments to the international banks even before the earthquake occurred.

This year, Ecuador would have had to pay out \$1.3 billion, \$800 million on interest alone, while the drop in the oil price—whose export gives the country half its foreign currency earnings—means a loss of \$1 billion.

## Population Control

### LaRouche hits genocide policy of 'liberal' media

Lyndon LaRouche, in an article published in the newspaper *New Solidarity* on March 20, denounced the *Washington Post* for a March 12 editorial which demanded that Brazil cut its population.

"Didn't we see enough of that in Nazi-occupied Poland?" LaRouche asks. "The *Post* evidently fails to grasp the point, that merely because 'neo-malthusian population policies' have become fashionable among liberals, does not mean that genocide is anything but genocide.

"I suggest that the *Post* get off the airy realm of rhetoric, and get down to Earth.

"If you wish to reduce the population of Brazil, please have the honesty to publish a list of the names and addresses of the Brazilians you wish to have eliminated. Have the decency to inform them of your intent to kill them, and at least do them the courtesy of offering to publish their reply in your newspaper."

LaRouche proceeds to demonstrate that the population-density of Brazil is about half that of the United States, and what makes the difference in the two nations' ability to sustain their populations, is basic economic infrastructure. But the *Post* refuses to allow the economic development of Brazil, which would make it possible for an expanding population to thrive. "So, the *Post* demands that the level of economic development be kept significantly below the level needed to maintain existing levels of the population. That means that the corresponding margin of population must die. . . . Gee, fellas, that was exactly Adolf Hitler's policy for occupied Eastern Europe."

In an article published in *EIR* last week (March 20, 1987, "The World Bank's population policy for Brazil"), LaRouche elaborated these issues, and traced the historical origins of today's malthusian genocidalists.

## East-West Trade

### Pravda seeks closer ties with West Germany

The Soviet newspaper *Pravda* on March 9 featured the possibilities for expanding trade with the Federal Republic of Germany, including an interview with Hans-Joachim Hoffmann, economics minister of West Germany's Saarland.

*Pravda* put forward a scenario for an intersplicing the Soviet and West German economies so closely as to merit the term "division of labor." According to Hoffmann: "The expansion and deepening of our ties . . . requires a search for new forms of organization. . . . We must by no means permit an unjustified tightening of the discriminatory regime." Hoffmann singled out for criticism the COCOM lists, which restrict the export of Western technology to

communist countries. "The limitations resulting from these lists deprive us, on the one hand, of the opportunity to supply you certain goods, which we are producing and need to sell. On the other hand, it makes you and your industry waste efforts and resources on producing them. Is this really wise, from the standpoint of division of labor?"

*Pravda* also interviewed Werner Presser, a member of the Society for the Aid of the Economic Development of the Saar, who has had 18 years of experience trading with Soviets. Presser expressed great interest in "the reforms being carried out in your country, including those for the improvement of foreign trade ties."

## Foreign Exchange

### VW fraud shakes West Germany

The largest financial crime in West German postwar history has looted Europe's largest automaker, Volkswagen of Wolfsburg, of more than 480 million deutschemarks since 1984, through speculation on the international currency exchanges. The amount is close to total corporate earnings for 1986. Several top firm officials have already been fired, but there's more to come.

Frankfurt financial insiders report that the Frankfurt offices of several commercial banks are implicated, including the Hungarian National Bank, Bankers' Trust, and at least one of the largest West German banks. For this reason, the office of the Frankfurt City Prosecutor and the German Criminal Police (BKA) have been called in to the case.

The fraud dates back at least to 1984, and there are preliminary reports that VW employees altered computer records of transactions in order to hide the scale of looting. Burkhardt Junger, the manager of VW's foreign exchange operations, told *Stern* magazine on March 19 that the Board of VW was fully aware of the scale of the currency operations.

In recent years, many large multinational firms have engaged in various forms of curren-

cy "options" or "forward contracts" to limit losses due to the wild fluctuations of currencies. But, according to reports, VW exceeded all prudence in such dealings. By one account, the company's foreign exchange unit was running trades as high as \$7 billion in paper volumes per day. This was more than five times that of its major competitors.

The VW scandal has already sparked rumors of similar currency losses, at other major German companies.

## Public Health

### Greens fight for AIDS virus

A Green Party city councilman in Munich is bringing criminal charges against Peter Gauweiler, state secretary of the interior ministry in Bavaria, for "public instigation" because of the measures he implemented to stop the spread of AIDS. The measures include mandatory tests for AIDS of all public servants and prison inmates, and a requirement that AIDS-infected persons inform their doctor or sex partner.

In the neighboring state of Baden-Württemberg, the Green Party has called for an anti-discrimination law for AIDS patients. Three percent of the inhabitants of the state's prisons are infected with AIDS, the local health ministry announced. Barbara Schaefer, state health minister, declared that mandatory testing of the whole population would be unconstitutional and that she would resign, if a majority wants her to act in the same way as Bavaria did.

## Energy

### U.S. dependence on foreign oil a threat

A new study shows that growing U.S. dependence on imported oil is a threat to national security and has "devastated" domestic oil producers, Energy Secretary John Herrington said on March 17.

The report, *Energy Security*, was re-

quested in 1986 by President Reagan, in response to concerns about falling domestic production and rising imports.

The study rules out an oil-import tax, which has been urged by oil-state members of Congress as a way to raise prices and make drilling profitable for domestic producers. The report claims that a \$10/barrel fee would result in a \$273 billion drop in the Gross National Product by 1995, while total benefits were estimated at less than \$82 billion. The import tax would add 120,000 oil jobs, it is claimed, but would cost at least 400,000 other jobs nationwide.

The following day, Herrington said in an interview on NBC's "Today Show," that the United States could reduce chances of another energy crisis by deregulating natural gas and developing a new oil field in Alaska.

## Japan

### Economy shows worst performance in years

Japan's economy turned in its worst performance in 12 years in 1986, as the strong yen battered its exporters and sapped business confidence, the government announced on March 17.

The Economic Planning Agency said economic growth slowed to 2.5% last year, from 4.7% in 1985. The 1986 figures were the worst since 1974, when the economy was hit by the first oil price shock.

Prime Minister Yasuhiro Nakasone's economic policy received a blow when he was forced, by an on-off parliamentary boycott, to adopt a provisional budget, according to Japanese economic analysts.

The parliamentary boycott by opposition parties over Nakasone's plans for a 5% sales tax has made it impossible for the full 1987-88 budget to be passed by the start of the fiscal year on April 1, government officials said. Faced with domestic and overseas demands for measures to boost the economy, the government decided to adopt the largest and longest stop-gap budget ever—\$52 billion over 50 days, including up to \$11.8 billion for public works, government officials said.

## Briefly

● **WESTINGHOUSE** Electric will supply \$200 million in components and technology to Britain to build a 1,150-megawatt nuclear plant on the southeast coast. The plant was approved after a two-year inquiry analyzed 55 tons of testimony on the economics and safety of the proposed plant. Britain has 38 operating nuclear reactors, supplying 19.3% of the total electricity produced.

● **ITALY'S \$50 MILLION** allocation for fighting AIDS, decided on by Health Minister Carlo Donat Cattin, has still not been disbursed. Prof. Fernando Aiuti, head of the Italian government's anti-AIDS task force, told the press: "What 50 million? It became 10 very fast and now it's 6. And it's all hypothetical, because the provision speaks generically of \$11 million for AIDS and tumors."

● **CONDOMS** are obstructing sewage treatment plants in West Germany, according to the weekly magazine *Ja*. In an interview, Prof. Wolfgang Haber, the head of the environmental affairs department of the federal government, warned that burning condoms was no solution to the disposal problem, since this can release dioxin. He proposed a special million-deutschemark tax for the removal of condoms.

● **THAILAND'S** proposed Kra Canal project has been officially approved by the parliamentary committee designated to study the proposal. The committee will pass the recommendation to Parliament, which convenes in April.

● **WEST GERMANY** is faced with a national strike of steel workers. The ministry of economics speaks of "necessary readjustments in the steel labor force" and points to allegedly "binding decisions at the European Community," as calling for layoffs for 15,000-20,000 workers.

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## DOE advisers set plan for a U.S. nuclear renaissance

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*Marjorie Mazel Hecht reports on a little-publicized plan issued by a Department of Energy advisory committee, to rescue nuclear power in America from the environmentalist dust.*

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A little-publicized report issued in October 1986 by the Energy Research Advisory Board (ERAB) to the U.S. Department of Energy (DOE) makes it clear that the U.S. nuclear industry must not stay buried in the environmentalist dust. Instead, the four-volume ERAB study lays out some very minimal steps for the United States to launch a nuclear renaissance and develop the advanced nuclear technologies to take the nation into the 21st century.

Although its recommendations are quite modest, the ERAB report is unequivocal in pointing out the absolute danger to the nation's security—"military, environmental, or economic"—if the present downward course of nuclear-power development is not reversed. Unfortunately, the report assumes a limited budget perspective and a limited estimate of increase in electricity demand (2-3% annually). Nevertheless, it provides the necessary information about the U.S. nuclear capability from which to plan a program for more rapid industrial growth at home and in the rest of the world.

What kind of nuclear program the United States would need to reindustrialize at home and begin to industrialize the developing sector was spelled out by the Fusion Energy Foundation in the Oct. 15, 1985 *Quarterly Economic Report* of EIR. To meet such a goal, the United States would require about 650 gigawatts of additional power for itself by the year 2000, and another 650 gigawatts to meet the urgent needs of the developing sector. (This is considerably more than the 300-gigawatt increase called for by the DOE by the year 2000 for the United States alone.) The way to do it, the FEF study said, is by mass producing modular nuclear plants using standardized parts and assembly-line shop fabrication. With a crash program to gear up such an assembly-line production, once the required parts were "on the shelf," the process of

putting a small plant on-line could be reduced to as little as two years.

In addition, as the nation sets a goal of going back to the Moon and then on to Mars in the next 40 years, we will have to break through the nuclear technology barrier to the next frontier—thermonuclear fusion for energy production as well as propulsion. Thus, the mass production of modular nuclear plants is simply a way of powering the transitional growth period to a fusion economy in the 21st century. One intermediate step on the way is the fusion-fission hybrid reactor, a fuel-breeding power reactor that is not even touched on in the ERAB report.

With this mission perspective in mind, we can welcome the assessment of the ERAB panel, especially its review of the extensive research already ongoing in advanced nuclear technologies both here and in other countries.

### ERAB's assignment

The ERAB report was requested by Secretary of Energy John S. Herrington in August 1985 as a review of the Department of Energy's draft Strategic National Plan for Civilian Nuclear Reactor Development. "It is timely that we review our approach to nuclear energy research and development so that it can continue to be a prime contributor to America's energy security, stability, and strength," Herrington wrote to the ERAB chairman. "I am particularly concerned that we may not be doing enough to ensure that the nuclear energy option will be available to meet our future needs." The Department of Energy is now in the process of reviewing the ERAB report and is reportedly making some changes in its draft report as well as in the 1988 draft budget.

The ERAB panel—whose members include industry and



utility experts, private consultants, and university representatives, all with expertise in the nuclear area—also expanded its task to include a review of the institutional factors holding back nuclear power development. There were ERAB subpanels on three topics: light-water reactor utilization and improvement, advanced-reactor development, and institutional challenges. The final report lays out a series of steps the DOE must take to regain U.S. leadership in the nuclear area and ensure national energy security, including regulatory legislation, budget measures, international collaboration, and an educational campaign to put out some “balanced” information on nuclear power.

The ERAB report also points out that a crucial factor in ensuring the nuclear option is how the DOE deals with solving the problem of nuclear waste, and it recommends continued work on a monitored, retrievable waste-storage facility. Such a facility would not permanently bury the waste, therefore preventing its future reprocessing for use as nuclear fuel or for separation into valuable isotopes.

One of the most useful points of the report is its sharp criticism of the DOE plan’s inadequate treatment of regulatory and other institutional problems. As the ERAB report states the problem: “It is clear that public policy, as established by the U.S. Congress and dating back to 1954, supports the development and utilization of nuclear energy for electricity generation under federal regulation to ‘protect the public health and safety.’ In spite of this public policy, *the Federal Government technical nuclear regulatory process has become a major component of the institutional impediment to the continued deployment of nuclear energy for electricity generation in the United States.*” (Emphasis added.)

The first item proposed by the ERAB report is an obvious one; it calls for exactly what one would have expected an avowedly pro-nuclear administration to do: ERAB recommends that as an “initial step,” “the Secretary of Energy urge the President to issue a strong policy statement supporting the continued development and deployment of civilian nuclear power, including directives to government agencies to create a more favorable climate for such development and deployment, *without reducing protection of the public or the environment.*”

Next, the ERAB report recommends that a Presidential Commission be established to develop long-range objectives for U.S. nuclear power use, to provide international leadership, and to oversee the recommendations outlined in the report. (Some specific recommendations are discussed below.)

### **Can the patient be saved?**

From an objective standpoint, the U.S. nuclear industry, once the world leader, is now half dead. The national security issue is how fast can it be revived, and how fast can it catch up in those areas of advanced nuclear technology where the United States, via budget cuts, has taken a back seat?

The seriousness of the patient’s condition is well known, and the media almost daily report on new attempts by the environmentalists to pull the plug. Since the early 1970s, there have been more than 100 nuclear power plant cancellations. During the nominally pro-nuclear Reagan administration, there have been 57 U.S. nuclear plant cancellations and no new orders; 18 plants have received construction permits, but of these, 3 are indefinitely delayed. There are an additional 8 plants awaiting approval to operate, 5 of which have a low-power license, and 3 of which have a full-power license. In the case of two of these plants, Shoreham in New York and Seabrook in New Hampshire, regulatory wrangles preventing the fully-completed plants from opening are costing millions of dollars per day.

Not only have there been no new orders for nuclear plants in the United States since 1978, but also *no nuclear plant that was ordered since 1973 is now operating or will be completed.* As the ERAB report bluntly states, “There is a general consensus that there will not be another nuclear plant order under current conditions.”

Today there are 105 operable nuclear plants in the United States, producing 91.5 gigawatts of power, 15% of the electricity consumed. Although this is the largest number of plants in any one country, it is by no means the largest ratio of nuclear-generated power to total power. Western Europe, for example, is 30% nuclear, with France leading the world at 65%.

Furthermore, the United States has abdicated leadership in advanced nuclear technology areas and even state-of-the-art areas. For example, thanks to President Carter, the United States is the only nuclear nation that does not reprocess spent fuel from civilian nuclear plants. Therefore, instead of recycling 96% of our nuclear waste, the United States stockpiles it, providing the antinuclear environmentalists with a political hot potato. The United States also virtually abandoned its breeder program and its high temperature gas-cooled reactor program, both of which are being pursued in the other nuclear nations. In fact, ERAB estimates that the United States is now 10 to 15 years behind in breeder technology.

Perhaps the most telling measure of the sad state of the U.S. nuclear industry is how far it has slipped from the high hopes of the Atomic Energy Commission (AEC) in the optimistic years of the 1960s and 1970s. In 1971, the AEC projected that by 1985, the United States would be producing 300 gigawatts of nuclear power; in actuality, the United States produced 77.8 gigawatts that year, less than one third of the goal. Even the AEC’s less optimistic projection made in 1974 for 1985, 275 gigawatts, is more than three times the actual 1985 figure achieved.

### **Light-water reactors**

The ERAB subpanel on light-water reactors makes a strong case for government action to get the nuclear industry back on its feet:

FIGURE 1

**Nuclear Power Plants in the United States**

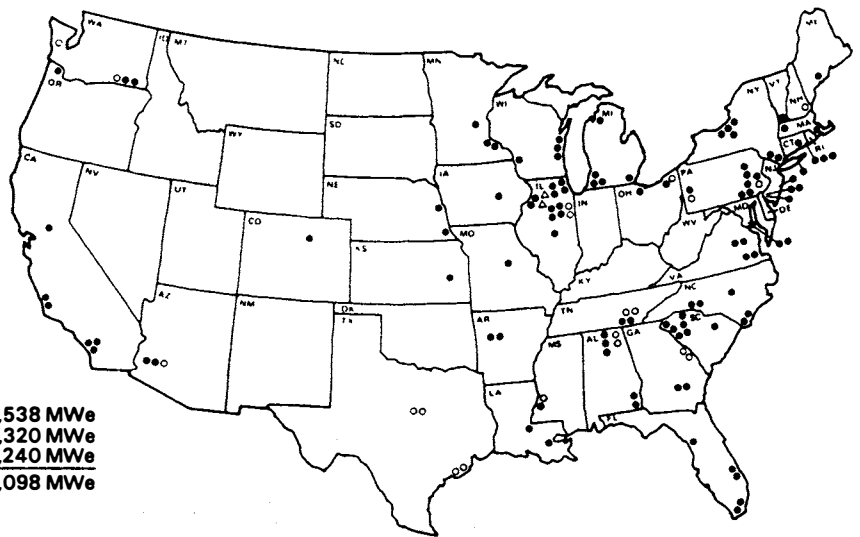
*If there is to be any real economic recovery, the United States would require about 650 gigawatts of additional power by the year 2000. Even taking the conservative Department of Energy forecast of a 3% annual growth rate in electricity use, the nation would need 300 more gigawatts.*

**Key**

- Reactors With Operating License
- Reactors With Construction Permit
- △ Reactors On Order

105 Reactors operable .....	91,538 MWe
20 Reactors with construction permits.....	23,320 MWe
2 Reactors on order.....	2,240 MWe
<b>127 Total.....</b>	<b>117,098 MWe</b>

Source: Atomic Industrial Forum, January 1987



The subpanel believes that an adequate, affordable, reliable electric supply is an essential and necessary input to economic growth in our industrialized society. For the purpose of national security a diversity of energy sources is required including an expanded deployment of light-water reactors to meet this country's growing demand for electricity. *However, because of the important government responsibilities, nuclear power can be a future economic alternative only if it receives strong support from the Federal Government and DOE.*

The national security, economic, and environmental risks of a future U.S. society with only coal as a long-term domestic energy resource for baseload electricity generation, are far too great to allow nuclear energy to disappear as a domestic energy resource.

Stating that "an adequate, economic, and secure supply of electricity is one of the prerequisites for continued economic growth," the subpanel notes that according to the latest estimates of growth in demand for electricity of between 2 and 3% per year, new baseload capacity will be needed in the early 1990s.

"There are some who feel that rotating brown-outs or black-outs are a possibility in the 1990s," the subpanel states. "A more probable scenario, however, is that our electric utilities will, in fact, use more oil and gas and import more electricity from Canada, making our electricity and the goods and services which rely on electricity, more expensive. If this happens, it will have the effect of gradually lowering our standard of living and our competitiveness in the world

market. It is the *gradual* deterioration which is insidious since it may not prompt action to correct it."

The subpanel then makes a series of broad recommendations to the DOE, giving top priority to activities directed to ensure the continued successful operation of currently operating light-water reactors, second to activities directed to the successful completion of plants currently under construction, and finally to activities to set the stage for future plants. The report recommends that the DOE study whether it would make sense to revive the light-water reactor projects that were canceled in construction—reactors that represent a \$10 billion investment.

Specifically, the subpanel calls for a strong presidential policy statement at a public forum that announces the formation of a presidential commission on electricity and nuclear power. In addition, the subpanel recommends the setting up of a task force to work with the DOE on institutional, regulatory, and financial issues. Among the suggested programs to be developed by this Task Force is reform of the nuclear licensing process, including reforms that encourage standardization, one-step licensing, and limits on retrofitting—all of which are now problems that delay and increase the costs of nuclear construction. One of the stated goals of the regulatory reform is to give industry some incentives for achieving certification from the Nuclear Regulatory Commission for several standard light-water reactor designs by the year 1988.

**Regulatory chaos**

The subpanel bluntly states that the licensing regulatory process established by the Atomic Energy Act of 1954 has

“not kept pace in an orderly fashion with the development of nuclear electric power technology” and “no longer serves the best interest of the public, the regulator, or the private industry.”

To put this more concretely, since the Three Mile Island accident in 1979, the antinuclear activists have intervened in the regulatory process to the point that this has stretched the construction time from four to 14 years, and made the cost of construction prohibitive and raised the cost of electricity not just for the activists, but for all nuclear electricity consumers.

The subpanel notes that the “current system postpones resolution of a number of issues until late in the licensing process when the plant is essentially complete and billions of dollars have been invested, the interest on the borrowed money approaches \$1 million per day, and there is uncertainty over when the issues will be resolved and at what ultimate cost.”

Further, the subpanel says, “There is an undisciplined process for imposing backfits that, in addition to adding unnecessary costs to the plants, in some cases may have degraded, not improved, public health and safety.” In addition, the subpanel criticizes the “use of adjudicatory procedures to resolve technical issues and diversion of legal and technical resources to issues which have little real public health and safety impact.” Further, the subpanel notes the “lack of an orderly means for public participation in the licensing process.”

What the subpanel recommends is joint government-industry support to move legislation through Congress that would include standard plant certification, early site approval, and a combined, single operating license procedure that would mean both an early resolution of issues and an opportunity for the public to review a more complete design early in the process. In addition, the subpanel recommends a centralized process to review any proposed backfits that would consider both cost and safety.

### Advanced nuclear reactors

The modesty of the ERAB recommendations for a U.S. nuclear renaissance is most noticeable in the third volume of the report, authored by the subpanel on advanced reactor development. This volume discusses three main areas: improved light-water reactor systems, the liquid metal-cooled breeder system, and the high temperature gas-cooled reactor, and it reviews recent advances in both the national laboratory programs and in industry research.

The ERAB subpanel states its task as one of reviewing the DOE plans for advanced reactor R&D “under current realities”—federal budget limitations and the “apparent excess of electrical generation capabilities” in the United States. Nevertheless, it is in this subpanel’s report that one gets a sense of the tremendous potential of advanced nuclear technologies to produce electrical power more efficiently and cheaply, while providing new energy applications for indus-

## Information à la Carter

During the Carter administration, the public education materials that had been produced in the spirit of the Atoms for Peace era were literally buried and replaced with new items that catered to the prejudices of the anti-nuclear environmentalists—anti-growth, anti-industry, anti-science. Although the Reagan administration attempted to put out more balanced materials, Congress squelched the plan.

The ERAB report recounts this process as follows:

“During the Carter administration, a large amount of money (over \$100 million) was spent by the federal government on public information programs on conservation, solar, and other renewable energy resources, while the nuclear and coal public information programs were essentially nonexistent. In December of 1980, there was a Congressional report prepared by the staff of the Subcommittee on Energy Research and Production of the Committee on Science and Technology. The basic findings of this report were the following:

1) The Department of Energy’s programs for public information and education do not reflect an objective, balanced, or realistic view toward energy resources and the problems and opportunities in meeting the nation’s requirements for energy.

2) The Department’s information and educational programs largely ignore coal and nuclear energy or depict them in an unfavorable light.

“The basic recommendation of this report was as follows:

“The Department of Energy should establish, at the highest level, an effective policy and the appropriate procedures, for assuring a balanced program of public information and education on all energy forms, consistent with their place in the nation’s overall energy mix.

“In response to this Congressional report, the Department of Energy in 1981 began a planning process to put into place a new nuclear power public information program. While it was still in the planning stage, Congress became aware of it, held hearings, and put pressure on the Department not to move forward with it. As a result, this program did not become a reality.”

trial use. The ERAB R&D price tag for such benefits is a paltry \$200 million per year for the next decade, but as the subpanel report warns at the outset, even this meager sum is endangered:

The current DOE advanced reactor program is in danger of being totally eviscerated by the cutbacks being proposed in government funding of this important work. For the first time in the four-decade-long history of the federal government's commitment to research and development on the peaceful uses of nuclear energy, the administration appears to be pulling out. Funding has decreased by almost fourfold since 1983 and even larger cuts are proposed for fiscal year 1987. Virtual elimination of the federal role in civilian nuclear power R&D will send a loud signal to private industry, as well as to the international community, that the U.S. is relinquishing its leadership role to overseas interests in this vital element of national energy policy.

In our opinion, pursuit of this course of action would be a serious and irrevocable mistake. Meaningful research simply cannot be conducted in an environment of on-again, off-again funding. This nation's investment in nuclear power is too great and its past and future contributions too significant to allow liquidation of four decades of advanced reactor R&D by default. Billions of dollars of consumer savings in addition to billions of dollars of export sales and thousands of high technology jobs for U.S. workers are at stake. . . .

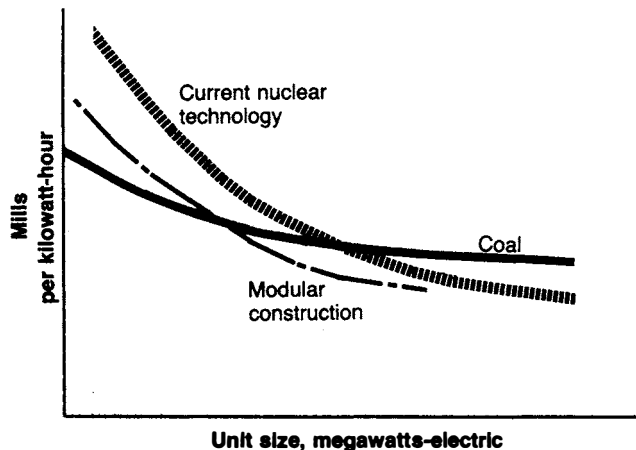
The importance of filling this need for advanced nuclear systems is underscored by the key role that electricity plays in ensuring a strong U.S. economy and by the growing contribution of nuclear power to the nation's electricity production. Since the 1973 Arab oil embargo, electrical consumption has risen by one-third in the United States, despite a 13% decline in the use of all other forms of energy. During that period, the residential sector increased its use of electricity by 34%, the commercial sector by 48%, and the industrial sector by 22%.

The nation recorded an all-time production record of 380 billion nuclear power-generated kilowatt-hours in 1985. That is more electricity than is generated from any U.S. source except coal. . . .

The current excess of electric power in the U.S., along with the present oil and natural gas "glut," makes it difficult to keep in perspective the longer-range need to ensure economic and plentiful fuel supply. Nuclear power promises to be a virtually unlimited source of energy for the U.S. and for the world for hundreds to thousands of years. The important point that seems to be forgotten, disregarded, or dismissed at the present is that development progress over the past four decades shows that no scientific or engineering unknowns are

FIGURE 2

## Economy-of-scale versus power technology



*The loss of economy-of-scale with smaller, modular reactors is compensated for by the cost savings of assembly-line production and the sharing of facilities like turbines and control centers, as well as savings from not having to license each plant individually after the basic design is licensed.*

Source: Energy Research Advisory Board Civilian Nuclear Power Panel, Subpanel II Report, Advanced Reactor Development, Vol. III, Oct. 1986, p. II.1-5.

standing in the way. What is needed is to ensure that advanced nuclear systems can be deployed economically with an acceptable environmental impact and with proliferation control. What is also needed is the national resolve to complete the R&D job that was initiated four decades ago.

## The international market

The ERAB subpanel sees the advanced reactor research as critical for helping U.S. nuclear vendors maintain a presence in the international market, where the report points out there will be a need for 27 to 30 nuclear units in the next three to four years. U.S. vendors have not had a foreign nuclear plant sale since 1978, the report notes, and the interest rates of the Export-Import Bank for foreign buyers are not competitive with the government-supported financing that other nuclear nations can offer developing sector countries.

In addition, the report notes, the Carter administration nonproliferation policies, still in effect, have created "uncertainties" for countries that rely on the United States as a nuclear supplier. The ERAB subpanel sees as a "reasonable" expectation that U.S. vendors could sell at least 10 of the 27 or so nuclear reactors likely to be ordered abroad. "Such sales could result in payments up to \$10 billion and in 200,000 man-years of direct employment for U.S. workers," the report notes. Further, "sales of small safeguardable reactors to less developed nations could further reduce the balance-of-trade deficit and increase U.S. employment."

## The breeder reactor

"In 1945, Enrico Fermi stated that 'the country that first develops a breeder reactor will have a competitive advantage in atomic energy,'" the ERAB subpanel notes. "Six years later in 1951, the U.S. was the first country to demonstrate the technical feasibility of breeding at Arco, Idaho, in the experimental breeder reactor EBR-I. This reactor not only demonstrated breeding but was the first reactor in the world to produce electric power from fission."

Despite continued progress, however, the U.S. breeder program came to a halt in 1984 when the Reagan administration cut its budget and relegated breeder development to "private enterprise." Now, France, West Germany, Britain, Japan, India, and the Soviet Union are moving ahead with breeder technology, leaving the United States 10 to 15 years behind. As the ERAB report spells out the details:

The breeder budget has been cut back approximately \$100 million each year for the past four years, from approximately \$600 million to \$200 million in fiscal year 1986, with a recommended cut by OMB to \$129 million in fiscal year 1987. If the current program is not maintained, the U.S. will not only fall further behind the rest of the world, but will not be able to capitalize on its investment to date and will have so decimated the infrastructure that it will take years to reestablish the capability that will have been lost.

The ERAB subpanel, however, makes the best of these setbacks, reasoning that breeders will not really be economically essential until well into the 21st century, when uranium reaches the price of \$100 per pound, thus driving up the cost of fueling light-water reactors. For this reason, the subpanel recommends that government R&D focus on improving the economics of the breeder by developing innovative reactor designs, a metal-alloy-fueled reactor with pyrometallurgical reprocessing, and an ultra-long-life oxide-fueled reactor core. In this way, the subpanel says, the end-product will be a "design concept that could far exceed any current projections of breeder plant economics either in the U.S. or in foreign breeder programs."

## Research advances

While this go-slow approach of the subpanel is disappointing in its acceptance of budget constraints as a necessity, all of the advances and ongoing research discussed in the report could of course be speeded up and come on-line not only faster but in greater numbers. Most exciting of the advances reported on are the conceptual designs by General Electric and Atomics International (part of Rockwell International) for a small, modular breeder reactor in the 100 to 300 megawatt-electric (MWe) range. These would be standardized nuclear designs that could be mass-produced in a factory and transported by barge or rail to a site where the

rest of the plant would be conventionally constructed. Chief among the advantages—such as shorter lead times, ability to group several reactors together depending on need, and reduced financial risk—is the reduced cost, which promises to overcome the traditional economies of scale associated with nuclear power plants (see **Figure 2**).

The DOE facilities involved in testing innovations for the breeder program, such as passive safety features and fuel configurations, are the Fast Flux Test Facility (FFTF) in Hanford, Washington, and the Experimental Breeder Reactor II in Idaho. The FFTF is working on an advanced fuel design with an operating lifetime three to four times longer than earlier fuel systems, a capability the subpanel says is unmatched in the rest of the world and one that will help make the new breeders competitive with today's light-water reactors. Such an extended-life fuel system, which can stay in the reactor core three to five years, uses new materials that are resistant to radiation damage.

The savings from such a long-life core are considerable. Westinghouse estimated that the fuel cost would decrease from about 13.5 mills per kilowatt/hour (kWh) to less than 7 mills.

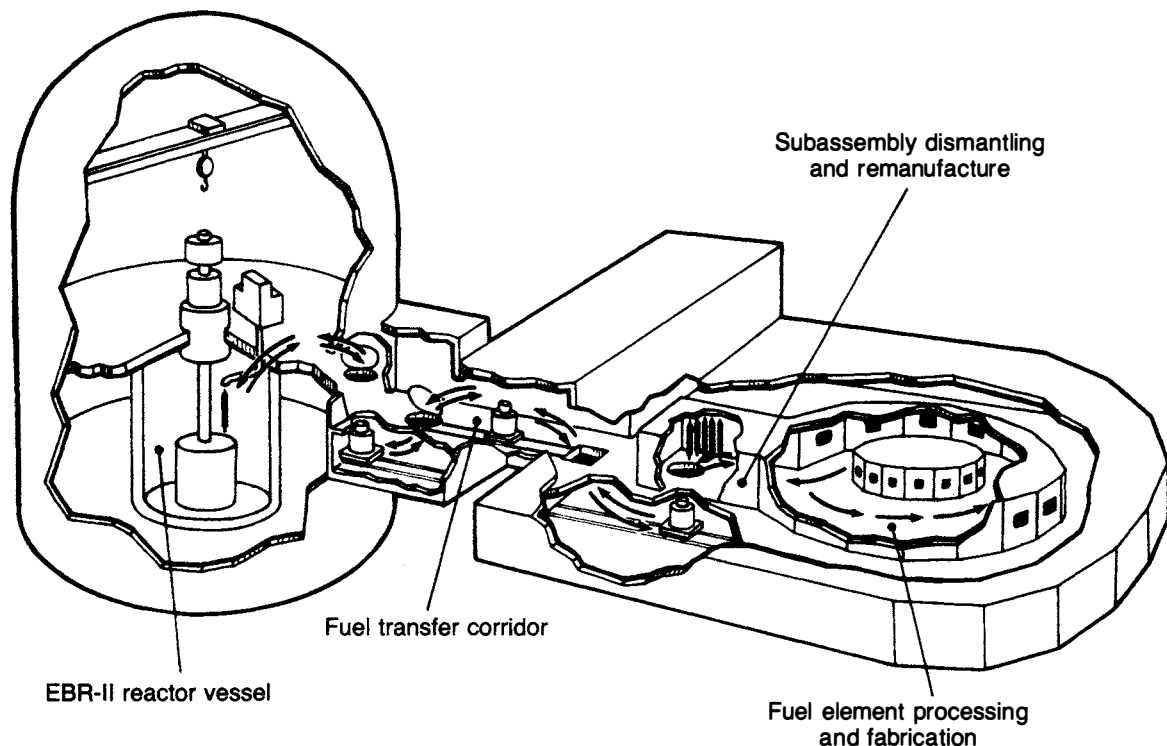
The FFTF is also testing new safety features, including passive systems that ensure reactor shutdown and core cooling if a problem arises. These systems give the plant operators additional time to correct a problem.

Also at Hanford is a Westinghouse plant, Secure Auto-

## The Chernobyl bogey: for export only

Chernobyl has become the new environmentalist bogeyman, the very mention of which is used to imply that nuclear power is not safe, that existing plants should shut down, and that new plants should not open. Yet while the Soviet-supported Greenies in Europe and the United States were escalating their fight against the nuclear industry, moving to riots and sabotage in Europe, the Soviets were busy putting two of the four damaged Chernobyl reactors back on-line, one at 50% power and the other at 90%. And as U.S. political figures like New York Governor Mario Cuomo and Massachusetts legislators Sen. Ted Kennedy and Rep. Edward Markey have waved the bloody Chernobyl banner in their fight to keep closed the already completed Shoreham plant on Long Island, N.Y. and Seabrook plant in New Hampshire, the Soviets announced that they plan for a fivefold increase in nuclear capacity by the year 2000.

FIGURE 3  
Experimental Breeder Reactor II and Fuel Cycle Facility



*In this Argonne National Laboratory experiment, used fuel from the EBR-II breeder reactor was reprocessed in a remotely controlled facility, attached to the reactor that removed the fuel from the core, reprocessed it, and returned it. This is the model for a new Integral Fast Reactor design that Argonne says "virtually eliminates any chance to steal or divert nuclear fuel." After the first fuel is loaded into the core, nuclear fuel and waste products would never enter or leave the plant site during its working lifetime.*

Source: Argonne National Laboratory

mated Fabrication or SAF, which is scheduled to begin production in 1987 to test fuel fabrication for liquid metal breeders. The SAF plant will use automated, remotely controlled processes for fuel fabrication that make use of new systems for safeguarding the nuclear material and also reduce the radiation exposure for the operating staff by a factor of 15. The plant uses an advanced robot developed for handling hazardous materials as well as new fiber-optic and laser technologies to inspect the product.

The EBR-II, operated by Argonne National Laboratory, is experimenting with new metal alloy fuels—plutonium, uranium, and zirconium—as well as a reprocessing system that processes spent fuel into new fuel at a site adjacent to the power reactor (see Figure 3). Argonne expects that its pyrometallurgical process will be a breakthrough in fuel-cycle costs and that it will be attractive in terms of nonproliferation because plutonium is never separated into a single element. ERAB notes that Argonne has estimated that a central reprocessing/fuel fabrication facility serving several modular breeder reactors totaling 1,400 MWe, would fit in a 32-foot-

by-52-foot building and cost \$48 million.

Two other modular reactor designs noted by the subpanel are General Electric's PRISM, the power reactor inherently safe module, and Rockwell International's SAFR, or sodium advanced fast reactor. PRISM is a 135-MWe liquid metal breeder reactor designed to be grouped in threes, with one turbine serving all three modules. GE estimates that the capital cost of a PRISM plant can be within 30% of a similar-size coal plant and can be constructed in less than four years. Each plant breeds enough fuel to refuel itself.

SAFR is a 350-MWe design that stresses simplicity and low construction costs, with a reactor vessel 39 feet in diameter. This size, which Rockwell expects to group in sites with four modules, was found to be the optimum both for factory fabrication and new features such as passive decay heat removal.

### The high-temperature gas-cooled reactor

Another front-runner candidate for mass production as the next-generation nuclear reactor is the HTGR, or high-



temperature gas-cooled reactor. As the ERAB subpanel put it, the modular HTGR “appears optimum for near-term deployment.” The HTGR is not a new concept; it has been under development for 35 years, and the United States has spent \$1.5 billion on it, two-thirds of that coming from the private sector.

The HTGR has a graphite core, a ceramic pebble fuel, and a helium gas coolant, all of which make it highly efficient as an electricity producer and as a process heat producer. (More than 70% of the energy used in U.S. industry is nonelectric, in the form of heat or steam.) The HTGR can produce much higher temperatures than light water reactors because the graphite has a very high vaporizing point (about 3,650° C.); there is no boiling point to worry about in the coolant because it is a gas, not a liquid; and the ceramic fuel pellets do not have the inherent temperature limit of a metal-clad fuel. The fuel pellets, whose design came out of the space program research, consist of a particle of fissile uranium or nonfissionable but fertile thorium, about the size of a grain of sand and enclosed in a graphite and silicon carbide shell.

The 330-MWe demonstration HTGR at Ft. St. Vrain in Colorado, has achieved steam temperatures of 1,000° F. (compared to 350° in a light water reactor), and a net efficiency of 38.5%, which ERAB notes is the highest of any nuclear plant in the United States. (The average heat-to-electricity conversion efficiency is 32% in a light water reactor.) Another advantage is that there is no possibility of

corrosion in the piping or metal parts, because the coolant is a chemically inert gas.

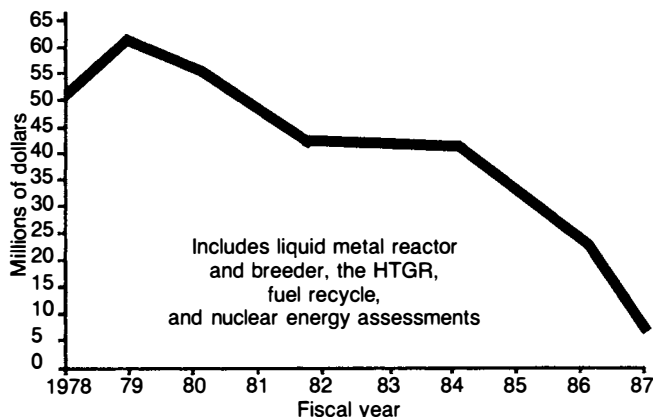
At the same time, these HTGR characteristics provide inherent safety features. Helium, for example, unlike water, is virtually radioactively inert. The gas has a low neutron absorption cross section, which means that even if the coolant were bombarded by neutrons from fissioning fuel (an extremely unlikely event), it would not become radioactive. In the 140-MWe modular HTGR design recommended for further development by the ERAB subpanel, the design limits the core power size and power density so that the decay heat generated inside the core can be removed passively—that is, without operator intervention—using conduction, radiation, and natural convection without releasing any significant amount of fission products from the core. The idea here is to design the core so that the core temperatures don’t exceed 1,600° C., below which the fuel particle coatings lock in all fission products.

The ERAB advanced reactor development panel concludes by calling for the development of ultra-long-lived reactor cores, the use of metal alloy fuel along with the integral reactor concept under development by Argonne, both the modular breeder and the modular HTGR (with a winnowing process to select the best design in each area), a more aggressive international research effort, and concentration of DOE funding for those national laboratories “having the relevant test bed facilities.” Again, accepting the budget limitations as “evident,” the subpanel also calls for innovative funding arrangements such as selling the power from some of the experimental laboratory reactors in order to support the ongoing experiments! In addition, the subpanel opposes the use of money “previously slated for civilian advanced reactor development to assist the military program,” recommending that such funds be provided by the SDI budget.

Finally, the subpanel recommends that some of the DOE advanced reactor budget be allocated to universities, “contingent on matching funds from nonfederal entities for nuclear based research to ensure a flow of highly qualified talent for the nuclear industry.” The subpanel makes the point in the following quote from a paper prepared by the Nuclear Engineering Department Heads Organization of major U.S. universities, that if this is not done, there won’t be any qualified personnel around to staff a nuclear renaissance:

The current decline of nuclear energy education in the United States threatens the ability of the country to supply nuclear energy professionals. Without such professionals, the nuclear industry will eventually find it impractical to maintain the option of using nuclear energy for power generation. . . . Some educational experts speculate that in five years, if the current trend continues, nuclear energy education programs will have difficulty gearing up to provide the necessary nuclear energy professionals for a resurgence of nuclear power. . . .

FIGURE 4  
Nuclear Technology budget at Oak Ridge National Laboratory



The dramatic decline in the nuclear research budget at this national laboratory is typical of the course of nuclear R&D funding. Oak Ridge originated much of the gas cooled reactor development in the United States and is now the lead laboratory for the HTGR program. The ERAB report sets a minimal level of \$200 million annually for advanced reactor development.

Source: ORNL

## Integration of the fishing industry

### Part 27

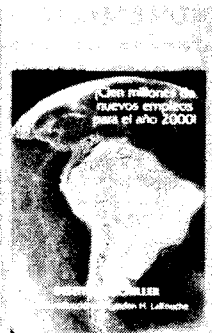
#### Ibero-American integration

Scientific methods and the construction of a modern fishing fleet, combined with the continent's resources to achieve maximum modernization of the industry, are the measures that will assure an important animal protein source for Ibero-America's population: seafood.

This installment is Chapter 9 of EIR's translation of the Schiller Institute book, *Ibero-American Integration: 100 Million New Jobs by the Year 2000!* published

in Spanish in September 1986. It was commissioned from an international team of experts by the Schiller Institute's Ibero-American Trade Union Commission, to elaborate the "nuts and bolts" of the proposal by Lyndon LaRouche in 1982 for an "Operation Juárez" that will transform the huge foreign debt problem into the springboard for a regional economic boom—and an unheralded world recovery.

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

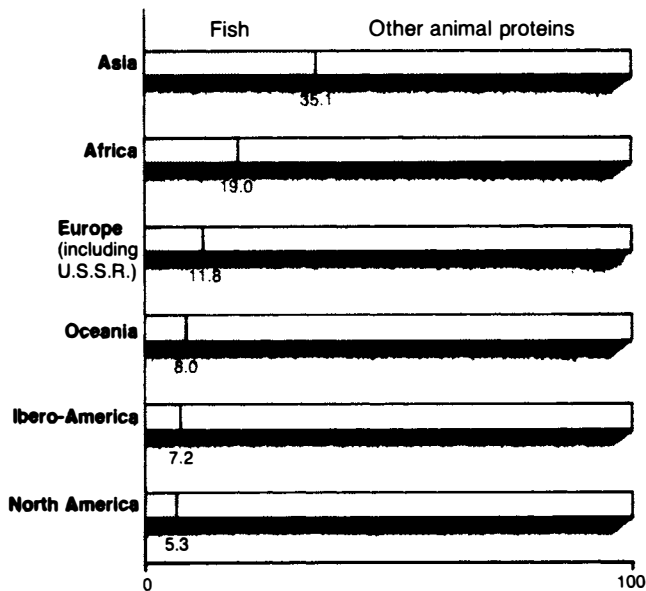


As we have shown in the previous installments, protein consumption in Ibero-America is extremely low. Given the continent's constantly growing population, achieving a level of per capita protein intake of 90 grams daily—of which 55 grams should be of animal origin—over the next decade and a half, will require large-scale exploitation of fishing resources as a complement to farming activity. As agriculture is modernized to bring about high-yield livestock husbandry, protein intake will rise to 100 grams per capita per day, 65 grams of which will be animal protein; fish products will necessarily represent at any one time an important fraction of consumption, generally 25% of the animal protein. At present, of the total animal protein consumed in Ibero-America, fish and shellfish contribute 7.2% (see **Figure 9-1**).

The difficulties to be overcome are essentially of the same nature as those which appear in the other aspects of the region's economic activity: Fishing has been distorted by the chase after foreign dollars, such that both the catch capacity and the processing and distribution are oriented essentially toward export, to the detriment of internal consumption. Besides, in general—aside from efforts like those made by Mexico during the López Portillo government, and Peru under the government of Juan Velasco Alvarado—in the last 20 years the Ibero-American fishing industry has stagnated in terms of investment in better technology.

A simple comparison puts this into relief. Ibero-America and Japan have similar volumes of annual catch—a bit over 10 million tons—but, whereas the Ibero-American region exports about 51% of its fish product, Japan consumes 92% (and even buys quantities of seafood from other countries). As a result, in Ibero-America the yearly consumption per

**FIGURE 9-1**  
**Contribution of fish to world protein consumption 1980**  
 (percent from fish)



Source: Food and Agriculture Organization (FAO).

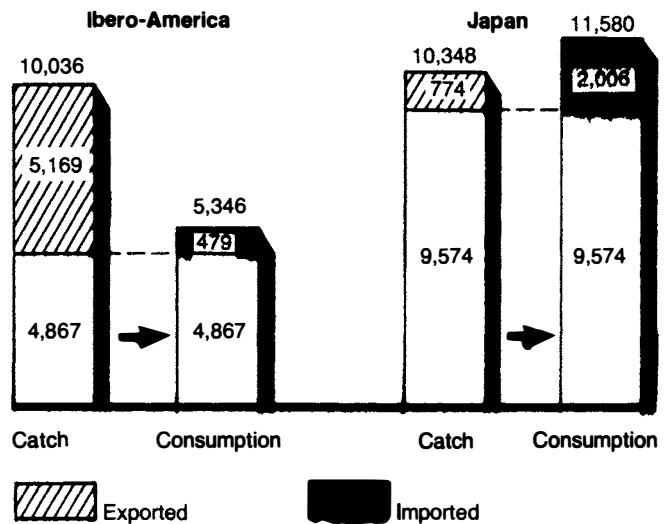
capita of fish and shellfish is 9.4 kg, while in Japan it is 83 kg (1980 figures). The minimal desirable is 30 kg per year per capita (see **Figure 9-2**).

Moreover, there are great inequalities in the fishing activity of the various countries. Chile and Peru, the two major fishing nations, make almost two-thirds of the total catch, as **Figure 9-3** shows.

The colonial distortion of economic activity is expressed in a *physical* distortion of the productive apparatus. For example, two decades ago Peru became the leading fishing nation of the world, but only thanks to its tremendous catch of anchovies, destined to make fish meal for export. The physical apparatus—mainly anchovy fishing boats and processing plants—which served to produce millions of tons of fish meal, would be hard to use to produce a similar amount of fish for direct human consumption. In another case, that of Mexico, 75% of the modernized fishing fleet is concentrated on fishing for shrimp, which is mainly exported.

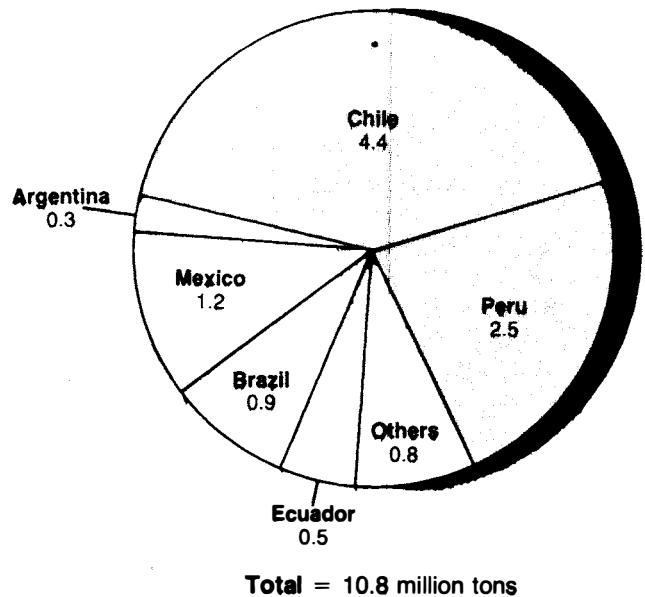
In other words, although there are plentiful fish resources to rapidly increase the protein intake of Ibero-Americans, the existent equipment for extracting this resource is only partially suited to that end. In particular, a considerable portion of the modernized fishing vessels lacks refrigeration and depends on ice to keep the product cold. This limits their radius of action, and in the case of various fisheries, makes the product useless for direct human consumption (for example,

**FIGURE 9-2**  
**Catch and consumption of fish in Ibero-America and Japan**  
 Average 1979-81  
 (thousands of tons per year)



Source: Food and Agriculture Organization (FAO).

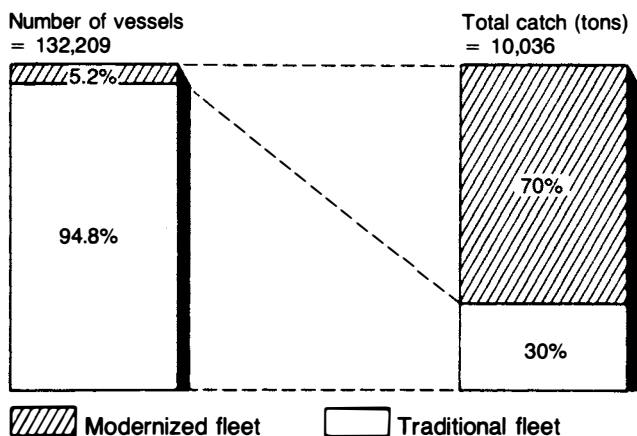
**FIGURE 9-3**  
**Fish catch of Ibero-America 1984**  
 (millions of tons)



Source: Food and Agriculture Organization.

FIGURE 9-4  
**Fishing fleet of Ibero-America  
 and what it catches  
 1979-81**

(percentages)



in sardine fishing).

In general, the capitalization of the sector is low. A considerable portion of the fish for domestic consumption is caught by backward, even homemade, methods. A part of the fleet is very old, and even the part of the fishing industry devoted to exports uses machinery which is already obsolete in the advanced countries, or second-hand (this can be observed, for example, in the many fish meal factories which arose in northeastern Mexico when the price of the product went up, as a result of the crisis suffered by the Peruvian industry in 1971 during an unexpected shortage of fish resources).

Thirty percent of the total catch is by traditional fishing methods; i.e., the exploitation of river, lake, and coastal waters with elementary means, for family consumption or sale in local markets. According to FAO figures, the Ibero-American fishing fleet consists of 132,209 vessels, of which 94.8% are dedicated to traditional fishing; these are tiny boats, with a cargo capacity of less than 10 tons, generally propelled by oars, sails, or outboard motors. Brazil and Mexico have 79.3% of these vessels (see **Figure 9-4**).

The distribution of seafood for direct human consumption suffers from the same limitations—scarcity of highways and vehicles, an excessively spread-out population, etc.—facing food distribution in general. On top of this, because of their peculiar characteristics, fish products require special care for preservation (for example, they have to be refrigerated at lower temperatures than red meat and poultry). It is calculated that 20-25% of the fishing catch of Ibero-America is lost due to lack of refrigeration on the vessels, deficiencies in the unloading installations in the ports, lack of efficient transport, and so forth.

Of course, the quality of the fish and shellfish which is sold in places far from the ports where they are unloaded is often decidedly poor. The markets of the inland cities offer “fresh” fish for retail sale which has traveled for two weeks or more in trucks with no refrigeration, and has been kept on ice which is rarely restocked in time, so that the water from the melted ice turns into a hotbed for bacteria. Of the preservation methods, the one most used is tinning, which up to now has allowed the greatest geographical penetration of fish products. Fresh-frozen fish, which offers enormous nutritional advantages, requires refrigerated transport and a network of sales outlets with refrigeration for sale to the public, and hence it only gets to the larger cities.

As a result, in whole areas of Ibero-America, seafood consumption is far below the general average; and in many areas, the habit of including it in the diet has never formed, nor does the corresponding culinary culture exist.

### Immediate increase in domestic consumption

To increase the catch of seafood products for direct human consumption fast, the first thing that has to be done is to redirect to consumption the portion that is currently exported. This would immediately double the fish intake, since today more than half the Ibero-American catch is sent abroad. Thus, per capita consumption, which went down from 9.4 to 8.5 kg per capita (more or less) between 1980 and 1985, will increase to some 17 kg per capita—much less than in Japan, but already almost two-thirds of the minimal satisfactory level of 30 kg per capita per year, and more than any country in the region now consumes (**Figure 9-5**). This goal defines Phase 1 of the reorganization of the Ibero-American fishing industry.

The only way to bring about this reorientation with the greatest efficiency in the shortest possible timeframe is to *integrate* the fishing industry of the region. In fact, for a great number of nations there, it will be impossible to attain any short-term increase in the supply of seafood without participating in a region-wide, joint effort. It is recommended that the first concrete steps in that direction be based on activities on the Pacific Coast. As **Map 9-1** shows, historically fishing has concentrated on that coast, and most of the major fishing ports are found on the Pacific.

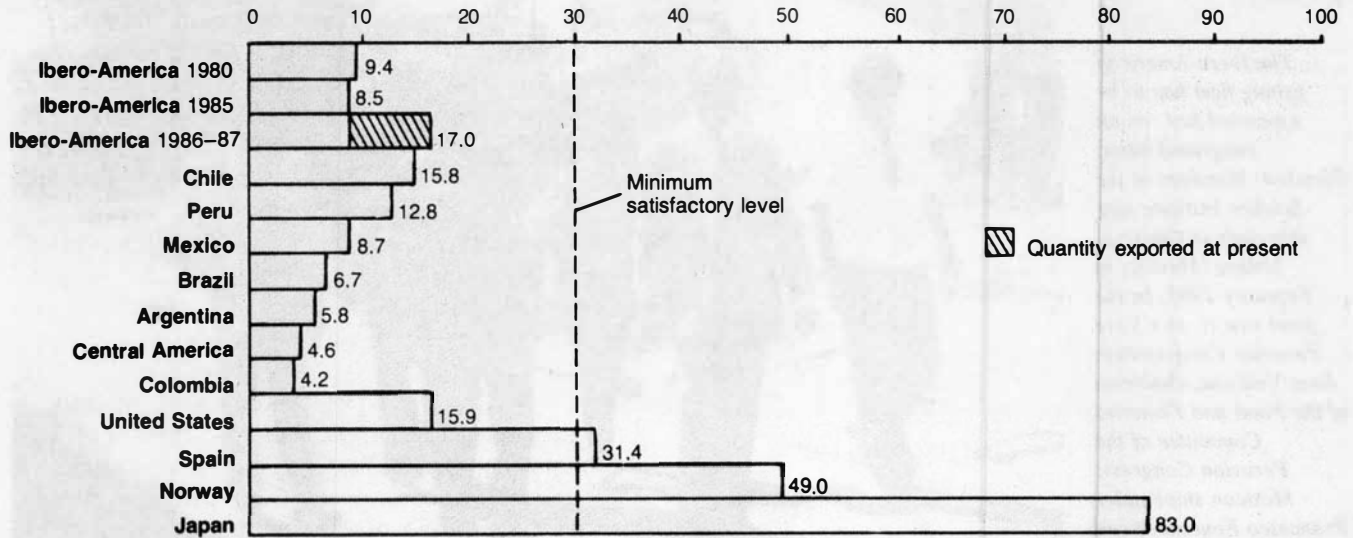
A concrete project in which countries like Mexico, Panama, Ecuador, Peru, Chile, and others could join forces, is the exploitation of tropical tuna fish in the Pacific. This group of migratory fish has a large economic importance for Ibero-America, but Japan, the Soviet Union, and the United States catch significant amounts of tuna in waters within the 200-mile strip which constitutes the exclusive economic territory of the Ibero-American nations bordering on the tropical Pacific. This theft of Ibero-American fishing resources by powers outside the region, who operate *inside* the 200-mile limit, has to be stopped.

The cited countries will negotiate an Ibero-American ac-

FIGURE 9-5

### Annual per capita consumption of fish and shellfish 1979-81

(kgs. of equivalent live weight)



cord for tropical tuna, in which they will not only divide up quotas, but establish forms of cooperation and a system of compensations which will permit their tuna fleets and their land installations to operate as an integrated whole, with all the concomitant advantages in costs and productivity. At the same time, they will start a program for building modern tuna vessels, which besides taking advantage of the experience and capacity of countries like Mexico and Peru, can use the shipyards of other Ibero-American countries which have developed a great shipbuilding capacity, such as Argentina and Brazil.

With various concrete projects like this, the orientation of Ibero-America's fishing activity can be changed *at once*. This reorientation would include, ideally, the following regional and national measures:

- Integrating an Ibero-American marine fishing fleet which brings together the best modernized and semi-modernized craft of the participating nations. The exact capacity of this fleet will have to be gauged from the standpoint of the technical characteristics of each vessel (type of fish it is suited for, capacity of the hold, if it is refrigerated or not, radius of action, autonomy, etc.). Special attention has to be given to the integrated use of multiple fishing vessels and factory vessels.

- Integrating, through accords and cooperation contracts, the fishing port installations of the participating countries, so as not only to fully take advantage of the warehousing and processing capacity for seafood production for direct human consumption, but to carry out industrial processes and

MAP 9-1

### Principal fishing ports



*The Ibero-American fishing fleet has to be expanded fast, on an integrated basis. Pictured: Members of the Schiller Institute tour shipyards in Guayma, Sonora (Mexico) in February 1986. In the front row (l. to r.) are Peruvian Congressman Juan Valdivia, chairman of the Food and Fisheries Committee of the Peruvian Congress; Mexican shipbuilder Francesco Fourcade; and Juan Rebaza, the general manager of Pesca Peru, the Peruvian state fishing industry.*



maintenance for the vessels wherever it is most efficient in each case.

- Working up a general plan for applying to available fishing resources the totality of the Ibero-American capacity for catching and processing seafood products for direct human consumption. The production obtained with factory vessels can be of short-term aid to nations underendowed with industrial facilities.

- Adapting the fleet of each nation to the new orientation. Starting from the technical inventory of the existing fleet (including out-of-use vessels which can be repaired), a part of this should be redirected to catching species appropriate for direct human consumption domestically, while at the same time a fleet expansion program will be undertaken directed at the most promising fisheries, for increasing the catch with the maximum productivity per worker, per vessel, and per trip.

- Where possible and necessary, adapting the existing industrial plant to processing the products for direct domestic human consumption. In this sector, Peru's recent experience is very useful, of utilizing the processing plants it already had to process a high-protein food product starting from fish meal. This product, called "sea beef" and processed with Japanese technology, has neither taste nor smell, so it can be added to many other products to raise their protein content; or it can be given various flavors to be used as the basis of traditional dishes in rural areas where people are unaccus-

tomed to eating fish. Thus, Peru has succeeded in reorienting part of the production of the fish meal plants into direct human consumption.

- Upgrading the capacity for handling and distribution of the processed product. The public and private sectors will have to make agreements to use 100% the warehouses for tinned and salt-dried fish, cold-storage rooms for frozen and fresh fish, refrigerator trucks and boxcars, warehousing and preservation plants in the interior of the country for local distribution, installations at the sales outlets, etc. Besides bringing this capacity into phase with the capacity for catching and processing fish, special attention has to be given to the tremendous difficulties which obviously exist for getting the product to remote regions.

- Upgrading inputs. A detailed inventory has to be made of the supply and sources of fuel for vessels and machines, all types of repairs, ice, containers, nets, chemicals, etc. Bottlenecks have to be identified, to figure out shortcuts and urgent measures to resolve them. Reserves must be formed of scarce inputs or ones that represent vulnerabilities in the production flow.

### **Thirty kilograms per capita by 2000**

Just by carrying out the above steps (and adopting certain complementary measures to take better advantage of the inland water resources, utilize the accompanying fauna caught in the nets with luxury catches like shrimp, etc.), the per



capita seafood consumption of the region can be immediately raised to 17 kg per year per capita—i.e., double the current consumption.

But almost at the same time, a longer-term Ibero-American fishing development plan has to be launched, aimed at ensuring by the year 2000 a minimum per capita yearly consumption of 30 kg of fish and shellfish, with a total production of more than 27 million tons. This goal, which assumes almost quadrupling the present per capita consumption and almost tripling present production, defines Phase 2 of the integration of the Ibero-American fishing industry (see **Figure 9-6**).

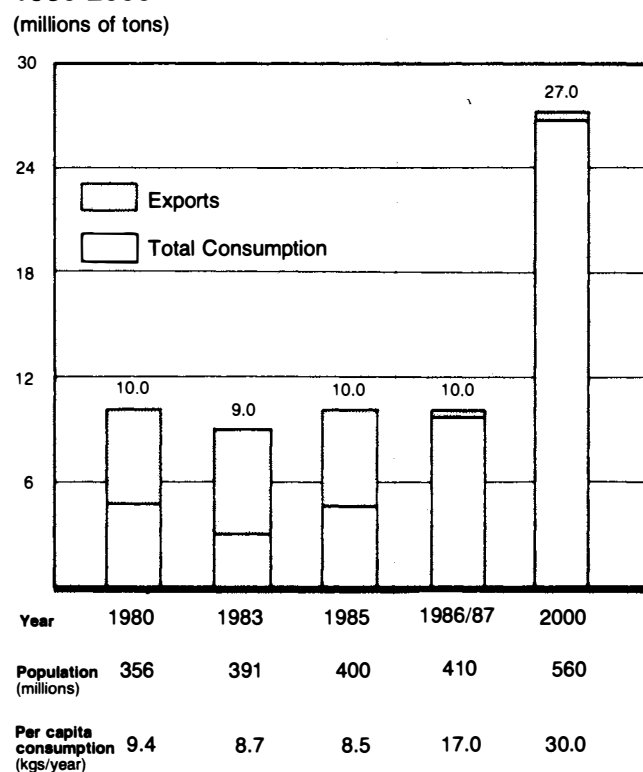
The crux of the Ibero-American fishing development plan will be to create various total fishing ports, endowed with multiple processing installations, adequate for fully exploiting every type of fish and shellfish. Hence, they will have to have berths for ships, drydocks for repairs, refrigeration and electronic workshops, and so forth, in keeping with a modern fishing fleet fitted for every kind of fish, with a considerable number of factory vessels having a wide radius of action and capable of several weeks of autonomy (freezer-equipped tuna vessels, hake-fishing vessels with tinning equipment on board, etc.).

As to the fleet, it must be kept in mind that the productivity per worker, vessel, and trip depends directly on the autonomy and radius of action of the vessel, its instruments for navigating and locating schools of fish, whether it has refrigeration or not, the capacity of the hold, and—something which often becomes an absurd bottleneck in many fishing ports—unloading capacity. All the adaptations and amplifications of the fleet must observe as their number one criterion, that of technological modernization to increase productivity. The pretense that criterion number one should be creating employment by using fishing methods that use a lot of labor—like tuna boats filled with anglers, for example—have to be rejected as anti-economical.

Ibero-America will get the fishing fleet it needs faster if it integrates its naval construction capacity. From day one, the maximum coordination of shipbuilding capacity has to be sought for the region, which has at least 25 shipyards capable of building ships over 4,000 tons. (If a shipyard builds 1,000-ton vessels, it is capable of building almost any kind of craft the fishing industry could need.) Some 30 Ibero-American shipyards have the capability of building factory vessels (see **Table 9-1**).

In the next 15 years, a fishing fleet will have to be filled out which is capable of almost three times the present volume of catch. The main crux of this expansion will have to be the building of modernized fishing vessels, which will supply almost all of the increase in catch. The capacity of the modernized fishing fleet will have to go up by about 20 million tons, which implies that the continent's shipyards will have to build in that period more ships than the total number that makes up the present modernized fleet, which is about 6,500

**FIGURE 9-6**  
**Projection of the fishing catch of Ibero-America 1980-2000**  
(millions of tons)



**TABLE 9-1**  
**Number of shipyards in Ibero-America**

	Large craft*	Medium craft†	Small craft‡	Total
Argentina	5	3	132	140
Brazil	10	28	n.d.	38
Colombia	0	1	6	8
Chile	1	1	n.d.	2
Ecuador	0	1	2	3
Mexico	4	4	90	98
Panama	2	0	n.d.	2
Paraguay	0	1	0	1
Peru	1	4	5	10
Uruguay	1	0	0	1
Venezuela	1	0	n.d.	1

\* More than 4,000 dead weight tons (DWT)

† Less than 4,000 DWT

‡ Shops

Source: Asociación Latinoamericana de Armadores

units, and will have to do it on the basis of building bigger and bigger vessels, with more modern installations and equipment, to increase their autonomy of deployment and their operative efficiency.

The best shipyards of the region have to be complemented with the best state-of-the-art engineering for fishing, refrigeration equipment, electronic equipment for navigation and finding schools of fish (including satellite-guided navigation), machines designed to process food on board, etc. Likewise, Ibero-America has to become determined to master in the next dozen years all the technical and industrial aspects which are indispensable to build from prow to poop, with 100% Ibero-American components, factory-vessels of the quality that the United States, Japan, and the Soviet Union have.

As part of the Ibero-American fishing development plan, the preservation of fishing products (and of food in general) has to be revolutionized by introducing the use of ionized radiation. This method, the most modern, cheap, and efficient, consists in subjecting food, which is wrapped in sealed packages, to doses of ionized radiation capable of destroying any pathological germs; this done, the foods can be preserved for an indefinite period as long as the package is not opened, without losing their flavor or nutritional qualities. In space flight, the U.S. astronauts—and presumably, the Soviets as well—consume irradiated food exclusively, since they cannot run even the slightest risk of getting sick from eating contaminated food.

It is very important, in this area, to start with the most advanced technology. To date, the irradiation of foods, both experimentally as well as commercially, has been based almost entirely for more than three decades on the use of radionuclides, especially cobalt 60. Although few things are done so safely and efficiently by man as working with radionuclides, they do have some disadvantages. The world production of cobalt 60 and cesium 137 is insufficient to guarantee the large-scale diffusion of this technique. The immense majority of the underdeveloped countries would depend, at least for a while, on foreign supplies. Moreover, the plants that use radionuclides are not well adapted to multiple uses.

Recent advances in the field of pulsed electron accelerators—capable of producing very short high-voltage discharges—make these machines excellent candidates for use in the irradiation of food. These accelerators are cheaper and safer sources of radiation, independent of the availability of radionuclides, and perfectly regulatable in intensity, frequency, etc. The electron accelerators are easy to transport: A complete irradiating unit could be mounted on caterpillar treads or the equivalent on a large moving van. Once an adequate model is obtained, these machines can be mass-produced like TV sets.

Brazil is already utilizing food irradiation commercially; sale to the public has been authorized for 21 irradiated products. Argentina has already built a closed-chamber experi-

mental irradiator, with radionuclides, mounted on a tractor unit, and may very well profit from this experience in the design of units using electron accelerators. Chile, Colombia, and Peru have been carrying out experimental studies on food irradiation for some time.

Given that irradiated food, as long as it is kept in its original packaging, requires no refrigeration, it can be taken to practically any place in any kind of vehicle, like a can of sardines but without the excessive weight of the metal (in general, for irradiation, foods are wrapped in sealed plastic bags). Hence, the preservation of foods by ionized radiation will allow storage and distribution of seafood in the most remote zones without needing special vehicles or plants.

In the long term, world fishing will have to undergo a profound technical revolution that pulls it out of its present stage which is, mostly, a hunting and gathering activity, or if you prefer, an extractive industry. Fishing activity has to be changed into a productive activity equivalent to modern farming and livestock raising.

The myth that there is an absolute limit to fish resources—which the FAO and other institutions calculate at 100-200 million tons of catch yearly in traditional species and perhaps as much again in non-traditional species—is based on the implicit assumption that today's fishing technology will remain essentially unaltered. The reality is that in the future man will have to create, or "cultivate" most of the fish and shellfish he consumes, and will thus be able to enjoy billions of tons per year.

Ibero-America, therefore, has to give a huge impulse to fish farming. Seeding of fish in interior tanks and streams—including, of course, the enormous receptacles that result from hydroelectric projects—is a basic measure. But in genuine fish farming all the most advanced methods must tend to be employed, especially those of the U.S. and Japanese fish farming industry. Although China has methods applicable to relatively small receptacles of water as a transitional means, fish farming has to be conceived as a form of advanced agriculture in which the best yields per worker and per hectare under cultivation have to be sought, as in U.S. fish farming.

Farming the sea is a vaster task, which humanity must seriously undertake before this century is out, and doubtless it represents a great joint enterprise for the Ibero-American nations. An initial phase—in fact technically quite simple—is to create artificial reefs at the mouths of the big rivers, an action which in itself can increase the availability of various fish resources several-fold. The two most promising points to create artificial reefs are the Amazon and Plata deltas. In the future, entire bays can be closed off to create conditions completely ruled by man for raising fish, mollusks, and so forth.

As support for all such activities, Ibero-America must integrate its oceanographic researches, and sign cooperation accords on the topics of naval architecture, fishing technology, and food processing technology.

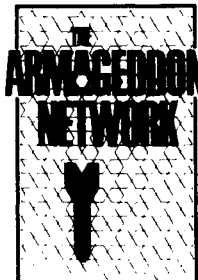
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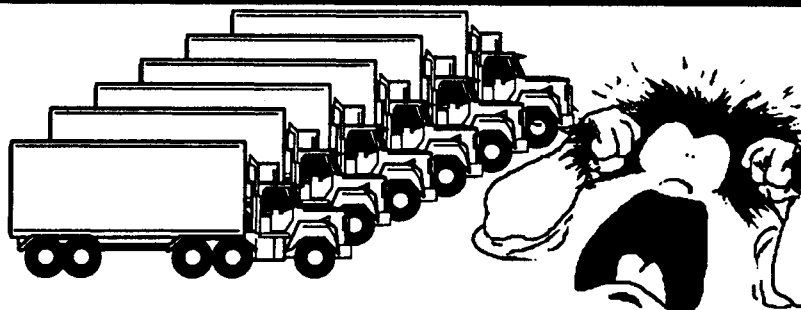
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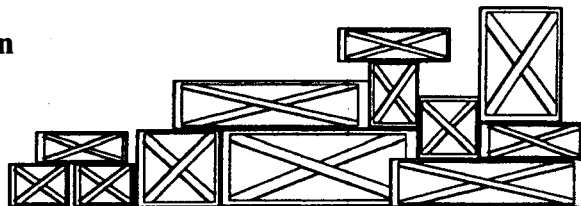
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## Populorum Progressio: a 20-year fight for development

by Warren J. Hamerman

From the standpoint of today's dramatic challenge to the International Monetary Fund by the nations of Ibero-America and their developing sector allies led by the Catholic countries Peru and Brazil, Pope Paul VI's 20-year-old Encyclical Letter *Populorum Progressio* stands out as an historic branching point. It is the seed crystal for all of the extraordinary statements and actions condemning the practice of debt servicing above the preservation of life and national sovereignty, and of the explicit attacks on the "free enterprise" system of amoral liberal capitalism by Pope John Paul II, Joseph Cardinal Ratzinger, and the Pontifical Commission *Justitia et Pax* in the 1985-1987 period. The ideas now being voiced are clearly present in the formulations and policy guidelines articulated in *Populorum Progressio* two decades ago.

*Populorum Progressio*, issued on the 26th day of March in the year 1967, concentrated attention upon the urgent need for a global world monetary and economic reorganization based upon the foundation of morality in the following basic terms: "freedom" from disease, hunger, misery, and ignorance through development. The document contrasted an "ethical" underpinning to the world economic order based on "development" to the immoral system of enforced usury, austerity, and brutal debt collection upon which "liberal economics" is founded. *Populorum Progressio* identified the essence of such immorality in world economic affairs as the inequities built into the so-called liberal mechanisms of the "free-market" system. It raised a famous battle standard—"Development is the new name of peace"—around which peoples could rally "to wage war on misery and to struggle against injustice."

The international banking and establishment elites of Western civilization rejected *Populorum Progressio*'s premises and instead made one disastrous policy decision after another to try to roll over the unpayable debt, preserve the system based upon the economic liberalism of Adam Smith. They thereby murdered millions unnecessarily, while incompetently ensuring that the total magnitude of the crisis would expand in nonlinear fashion. In reality, their policy of "controlled disintegration" of the world economy amounted to trying to squeeze blood from a



Leaders in the fight for a new world economic order (clockwise, from top left): Frederick Wills (Guyana); Mrs. Indira Gandhi (India); Lyndon H. LaRouche, Jr. (U.S.A.); Alan García (Peru, center) and Jorge Carrillo (Colombia, to García's right).

stone, in order to pyramid uncollectable debt payments.

As a consequence, for 20 years, a ferocious war has been waged between those forces fighting to preserve the free market economic liberalism of Adam Smith, even at the cost of murdering millions in defiance of Natural Law, and those who would reorganize the world economy on a moral footing of expansion and development.

Over the span of several millennia of human history, mankind has been in the grips of such immense crises of civilization before, such as in the mid-14th-century banking crisis, which led to the Black Death, wiping out up to one-half the population of Europe. At those moments of crisis, the historical question, is whether or not there is an actor or force on the stage to provide a solution to the crisis. As the past 20 years of intense combat for a world economic reorganization has proceeded from battle to battle, a formerly obscure American economist, and currently 1988 Democratic presidential candidate, Lyndon H. LaRouche, Jr., has emerged as the programmatic author, the political leader and energizer, of the world army for economic reorganization and development, a story which is richly documented in the following review of the major battles to implement *Populorum Progressio*.

### 1975-76: from the IDB to Colombo

At a public press conference in Bonn, West Germany on April 24, 1975, Lyndon H. LaRouche delivered a major proposal for world monetary reform through the creation of a new institution, the International Development Bank (IDB), to replace the bankrupt institutions, such as the International

Monetary Fund (IMF) and World Bank, of the shattered Bretton Woods system. LaRouche's proposals for a new system of gold-reserve parities among national currencies was the basis for a new institution, the "IDB," designed to issue new, long-term, low-interest credits for large-scale infrastructure projects in the developing sector; he specifically proposed that "development" be added to the demands of the "Third World" agenda of energy, raw materials, and food. One of the unique features of the proposals associated with the IDB was LaRouche's emphasis on an increased flow of "technology transfer" to the developing sector.

The IDB proposal identified opportunities for the creation of a massive agro-industrial development project in the Rio de la Plata region of Ibero-America, as well as longer-term projects to create vast food-producing centers in the Sahel of Africa and the India-Bangladesh-Pakistan region of Asia through massive engineering efforts based upon high-technology U.S. exports. In his proposal, LaRouche underscored that the global reorganization would not merely benefit the developing sector, but would lay the basis for an era of unprecedented export-driven expansion and skilled-job generation in the U.S. and European economies:

On the basis of our own organization's studies, and our discussions of these studies with governments and leading political forces within the "Third World," we have determined to the point of certainty that the activities of an International Development Bank in connection with present wishes and consumption ca-

*Continued on page 38.*

# From the text of Populorum Progressio

*Excerpts from the encyclical Populorum Progressio, issued on March 26, 1967 by Pope Paul VI:*

... Today the peoples in hunger are making a dramatic appeal to the peoples blessed with abundance. The Church shudders at this cry of anguish. . . .

Before We became Pope, two journeys, to Latin America in 1960 and to Africa in 1962, brought Us into direct contact with the acute problems pressing on continents full of life and hope. Then on becoming Father of all We made further journeys, to the Holy Land and India, and were able to see and virtually touch the very serious difficulties besetting peoples of longstanding civilizations who are at grips with the problem of development. . . .

Then quite recently, We considered it Our duty to set up a Pontifical Commission in the Church's central administration, charged with "bringing to the whole of God's People the full knowledge of the part expected of them at the present time, so as to further the progress of poorer peoples, to encourage social justice among nations, to offer to less developed nations the means whereby they can further their own progress": its name, which is also its program, is *Justice and Peace*. . . .

## Part I: For man's complete development

Freedom from misery, the greater assurance of finding subsistence, health and fixed employment; an increased share of responsibility without oppression of any kind and in security from situations that do violence to their dignity as men; better education—in brief, to seek to do more, know more and have more in order to be more: that is what men aspire to. . . .

In [the current world replete with inequalities] . . . the temptation becomes stronger to risk being swept away towards types of messianism which give promises but create illusions. The resulting dangers are patent: violent popular

reactions, agitation towards insurrection, and a drifting towards totalitarian ideologies. Such are the data of the problem. . . .

[L]ocal and individual undertakings are no longer enough. The present situation of the world demands concerted action based on a clear vision of all economic, social, cultural and spiritual aspects. . . .

Development cannot be limited to mere economic growth. In order to be authentic, it must be complete: integral, that is, it has to promote the good of every man and of the whole man. . . .

In the design of God, every man is called upon to develop and fulfill himself. . . . By the unaided effort of his own intelligence and his will, each man can grow in humanity, can enhance his personal worth, can become more a person. . . .

But each man is a member of society. . . . It is not just certain individuals, but all men who are called to this fullness of development. . . . The reality of human solidarity, which is a benefit for us, also imposes a duty. . . .

"Fill the earth and subdue it": The Bible, from the first page on, teaches us that the whole of creation is for man, that it is his responsibility to develop it by intelligent effort and by means of his labor to perfect it, so to speak, for his use. If the world is made to furnish each individual with the means of livelihood and the instruments for his growth and progress, each man has therefore the right to find in the world what is necessary for himself. The recent Council reminded us of this: "God intended the earth and all that it contains for the use of every human being and people. . . ." All other rights whatsoever, including those of property and of free commerce, are to be subordinated to this principle. . . .

Development demands bold transformations, innovations that go deep. Urgent reforms should be undertaken without delay. . . .

Individual initiative alone and the mere free play of competition could never assure successful development. . . . It is not sufficient to increase overall wealth for it to be distributed equitably. It is not sufficient to promote technology to render the world a more human place in which to live. . . .

It can even be affirmed that economic growth depends in the very first place upon social progress: thus basic education is the primary object of any plan of development. . . .

Not that material prosperity of itself precludes the activity of the human spirit. On the contrary, the human spirit, "increasingly free of its bondage to creatures, can be more easily drawn to the worship and contemplation of the Creator. . . ." What must be aimed at is a complete humanism.

## Part II: The development of the human race in the spirit of solidarity

There can be no progress towards the complete development of man without the simultaneous development of all

humanity in the spirit of solidarity. . . . This duty is the concern especially of better-off nations. . . .

But . . . it is not just a matter of eliminating hunger, nor even of reducing poverty. . . . It is a question, rather, of building a world where every man, no matter what his race, religion or nationality, can live a fully human life, freed from servitude imposed on him by other men or by natural forces over which he has not sufficient control; a world where freedom is not an empty word. . . .

Every nation must produce more and better quality goods to give to all its inhabitants a truly human standard of living, and also to contribute to the common development of the human race. . . .

In order to be fully effective, these efforts [to improve the economic conditions of the developing sector] ought not to remain scattered or isolated. . . . [T]he present situation calls for concerted planning. . . .

At Bombay We called for the establishment of a great *World Fund*, to be made up of part of the money spent on arms, to relieve the most destitute of this world. What is true of the immediate struggle against want, holds good also when there is a question of development. Only world-wide collaboration, of which a common fund would be both means and symbol, will succeed in overcoming vain rivalries and in establishing a fruitful and peaceful exchange between peoples.

There is certainly no need to do away with bilateral and multilateral agreements. . . . However, if they were to be fitted into the framework of world-wide collaboration, they would be beyond all suspicion, and as a result there would be less distrust on the part of the receiving nations. . . .

This means that it is absolutely necessary to create among all peoples . . . dialogue. This dialogue between those who contribute wealth and those who benefit from it, will provide the possibility of making an assessment of the contribution necessary, not only drawn up in terms of the generosity and the available wealth of the donor nations, but also conditioned by the real needs of the receiving countries and the use to which the financial assistance can be put.

Developing countries will thus no longer risk being overwhelmed by debts whose repayment swallows up the greater part of their gains. Rates of interest and time for repayment of the loan could be so arranged as not to be too great a burden on either party, taking into account free gifts, interest-free or low-interest loans, and the time needed for liquidating the debts. Guarantees could be given to those who provide the capital that it will be put to use according to an agreed plan and with a reasonable measure of efficiency. . . . And the receiving countries could demand that there be no interference in their political life or subversion of their social structures. As sovereign states they have the right to conduct their own affairs. . . .

The efforts which are being made to assist developing

nations on a financial and technical basis, though considerable, would be illusory if their benefits were to be partially nullified as a consequence of the trade relations existing between rich and poor countries. . . .

In other words, the rule of free trade, taken by itself, is no longer able to govern international relations. . . . [P]rices which are "freely" set in the market can produce unfair results. One must recognize that it is the fundamental principle of liberalism, as the rule for commercial exchange, which is questioned here.

The teaching of Leo XIII in *Rerum Novarum* is always valid: If the positions of the contracting parties are too unequal, the consent of the parties does not suffice to guarantee the justice of their contract, and the rule of free agreement remains subservient to the demands of natural law. . . ."

Without abolishing the competitive market, it should be kept within the limits which make it just and moral, and therefore human. . . . Here again international agreements on a rather wide scale would be helpful: They would establish general norms for regulating certain prices, for guaranteeing certain types of production, for supporting certain new industries.

### **Conclusion: Development is the new name for peace**

. . . To wage war on misery and to struggle against injustice is to promote, along with improved conditions, the human and spiritual progress of all men, and therefore the common good of humanity. Peace cannot be limited to a mere absence of war, the result of an ever precarious balance of forces. No, peace is something that is built up day after day, in the pursuit of an order intended by God, which implies a more perfect form of justice among men.

The peoples themselves have the prime responsibility to work for their own development. But they will not bring this about in isolation. Regional agreements among weak nations for mutual support, understandings of wider scope entered into for their help, more far-reaching agreements to establish programs for closer cooperation among groups of nations—these are the milestones on the road to development that leads to peace.

This international collaboration on a world-wide scale requires institutions that will prepare, coordinate and direct it, until finally there is established an order of justice which is universally recognized. . . .

Some would consider such hopes utopian. It may be that these persons are not realistic enough. . . .

### **A final appeal**

. . . We turn to all men of good will who believe that the way to peace lies in the area of development. . . . For if the new name for peace is development, who would not wish to labor for it with all his powers. . . .



Continued from page 35.

pabilities of the developing sector, would be sufficient to generate a higher rate of industrial expansion in the advanced sector than has been seen during the most prosperous intervals of the past quarter century.

The IDB proposal rapidly attracted sympathy and interest among various governments of the Non-Aligned nations. It also generated a sharp polarization, into a minority of interested proponents and a majority of hostile opponents of the plan among leading government and banking circles in Western Europe. LaRouche himself ran for President in 1976 on a platform promoting the new proposal.

Sixteen months after LaRouche had presented the IDB, on Aug. 19, 1976 at a conference of the Non-Aligned Nations in Colombo, Sri Lanka the more than 70 nations represented adopted a "Final Resolution" which incorporated key features of the IDB proposal. Addressing the brutal effects of the world economic crisis upon their nations, the Colombo Final Resolution called for a complete reorganization of the global monetary system so as to institute a "new world economic order" designed to "promote development" as a means to "eliminate hunger, disease, and illiteracy." They specifically reiterated the right of every country to "exert its sovereignty" in its national economic affairs, and called for:

Deep restructuring of world production on the basis of a new international division of labor through the following means: improvement of the access of developing countries' manufactured products, transfer of technology. . . .

When the IDB and Colombo proposals were definitively rejected by the hegemonic majority among Western governments and banking leaders, the world economy was plunged into a full-scale economic breakdown crisis.

Immediately thereafter, in the autumn 1976 General Assembly session of the United Nations, Fred Wills, then both the foreign and justice minister of the nation of Guyana, delivered an extraordinary speech highlighting the LaRouche policy alternatives. Wills stated that there indeed was a solution to the otherwise unsolvable international debt crisis, with the following historic words: "We must have international development banks."

### **1974-79: from the 'Biological Holocaust' report to Volcker**

One feature of the scientific studies behind LaRouche's proposals in the 1970s merits special emphasis in light of the now universally recognized threat that the AIDS pandemic will devastate the populations of the world, as it is already causing genocide in Africa, on a scale greater than the mid-14th century Black Death. In 1973, LaRouche created an interdisciplinary scientific task force to study the causal re-

lationship between economic breakdown and the generation of pandemics. In early 1974, the Task Force published a now-famous forecast on how new and reactivated old, deadly pandemics would be the inevitable consequence of the then-proposed "zero growth," "Fourth world triage," "brutal food consumption lowering," "energy reduction," and "large-scale population reduction" policies of the IMF, World Bank, and Bank for International Settlements. The LaRouche Task Force prepared a long-range forecast, specifying with precise maps, graphs, and charts, that a full-scale global "biological holocaust" would be the inevitable result of such policies.

In quite explicit detail, the 1974 study predicted that, beginning in the mid-1980s a new form of species-threatening "recombined" deadly pandemic would sweep from the developing sector, devastating Africa and threatening to overwhelm the United States itself, beginning to acutely accelerate in the 1987-88 period. The Biological Holocaust Task Force had precisely forecast the development of what is today known as AIDS, along with the renewal of deadly classic diseases associated with economic breakdown—cholera, tuberculosis, tropical fevers of various kinds, etc.

In October 1979, Federal Reserve Chairman Paul Volcker and the Carter administration embarked upon a course of high-interest-rate austerity to "crisis manage" through the global economic depression. Their plan was based upon a series of papers also prepared in the mid-1970s under the name, "1980s Project," proposing to "tough it out" through the world economic breakdown with a policy of "controlled disintegration" of the world economy. A subsumed feature of their policy was to allow "nature to take its course," by creating the conditions favorable to disease that would eliminate unwanted, "excess eaters" in Africa, Asia, and targeted areas of Ibero-America.

We can say with scientific certainty that there is a direct causal relationship between the policy decision by the Western banking and political "elites" to reject the development proposal of *Populorum Progressio* and the IDB-Colombo plan, thereby defying Natural Law by imposing a Malthusian "forcing environment" for the generation and uncontrolled spread of disease, and the subsequent uncontrolled spread of the AIDS pandemic in tropical areas.

### **1982-83: Operation Juárez**

On August 2, 1982, after discussions with the heads of state of two Third World nations—Lopez Portillo of Mexico and Indira Gandhi of India—Lyndon LaRouche issued a new programmatic policy proposal for development: *Operation Juárez*. The kernel of *Operation Juárez* was the political concept that, were the United States not prepared to unilaterally "initiate" a global economic reorganization, then the nations of Ibero-America should deliver a series of political shockwaves by deploying their "debt bomb" to force the issue of a global "Chapter 11" bankruptcy reorganization for development. He proposed that the Ibero-Americans take the

lead by forming an Ibero-American Common Market based upon development.

At the beginning of September 1982, in his historic "state of the state" national address, Lopez Portillo nationalized Mexico's banks and began intense negotiations with Argentina and Brazil for the declaration of a common debt moratorium, along the lines of the Operation Juárez proposal. By his actions, Lopez Portillo was moving to stem the massive capital flight and destabilization of the economy occurring because of his nation's massive debt burden. The combination of the oil price collapse and the usurious Volcker interest rates had totally destroyed what had previously been an impressive Mexican economic development program. Through a combination of manipulation, threats, and classical "divide and conquer" tactics, the international banks and their operatives, such as Henry Kissinger and Vernon Walters, successfully averted the possibility of immediate Ibero-American solidarity.

Nonetheless, their brutal actions and the resulting ever-more-intolerable "conditionalities" of the IMF ensured that the next battle would be on a larger scale. LaRouche correctly anticipated that a Brazilian challenge to the international system would be inevitable. In October 1983, he published a detailed plan entitled "What Reagan Must do When Brazil Defaults."

During his 1984 presidential campaign, LaRouche gave a series of nationwide half-hour television addresses which promoted his plan for an FDR-style 1939-43 economic mobilization, in conjunction with the Operation Juárez global monetary reorganization, to tens of millions in the United States. LaRouche's campaign was widely reported throughout the world.

## 1985-86: Garcia and Pope John Paul II

The battle for development intensified so greatly in the events leading up to and following the inauguration of Peruvian President Alan García, that they are best reported in the form of a brief chronological battle summary:

**January-February 1985.** Pope John Paul II does a two-week tour of Ibero-America, repeatedly denouncing the "imposed financial conditionalities" of the international banking institutions. Emphasizing themes from *Populorum Progressio*, the Pope undercores the conception that the world economic system must have no other aim but to support a conception of "Man created in the image of God." During the Pope's visit, Lyndon LaRouche and his associates published the first Spanish-language edition of *Narcotráfico, S.A.*, the combat manual for fighting the War on Drugs.

**June 1985.** With Alan García already President-elect of Peru, LaRouche issues *Ni Kissinger, Ni Castro*, an operational handbook to accompany *Operation Juárez*, which specified the precise, political-tactical perspective for Ibero-America to do battle against the IMF.

**July 15-17, 1985.** The Schiller Institute Trade Union

Commission held its first Continental Congress in Mexico City, with 40 trade union leaders from seven Ibero-American nations issuing a declaration endorsing *Operation Juárez*. The Schiller Institute had been founded in the summer of 1984 by Helga Zepp-LaRouche, the wife of Lyndon LaRouche.

**July 28, 1985.** Alan García was inaugurated President of Peru and proclaimed that the nation will not pay more than 10% of its export earnings for international debt, no longer the 60% which the IMF had demanded. García embarks on a program of national "development."

**Aug. 20, 1985.** Colombian President Betancur names Jorge Carrillo, who spoke at the founding conference of the Schiller Institute Trade Union Commission, the labor minister of Colombia. Carrillo embarks on a challenge to the IMF through mobilizing labor and business interests of his nation around the Abraham Lincoln "American System" concept of a "harmony of interests."

**September 1985.** García receives a Schiller Institute delegation of 20 Ibero-American labor leaders pledging support to his challenge to the IMF. García travels to the United Nations where he declares: "World economic injustice causes genocide."

**Nov. 1-3, 1985.** The Schiller Institute organizes an international conference in Rome, Italy in celebration of the 1,600th anniversary of the conversion of St. Augustine to Christianity. A broad alliance from five continents pledged support to Alan García in his fight with the IMF. Days afterward, President García was greeted on his arrival in Rome by a Schiller Institute delegation.

**Nov. 25-Dec. 8, 1985.** An Extraordinary Synod of Bishops is assembled by John Paul II around the theme: "To make all men into sons of God." At the Synod, Joseph Cardinal Ratzinger declares that there must be a moral, ethical imperative to economic theory and practice. Just prior to the Synod, he had specifically attacked Adam Smith's "free enterprise" and the practitioner of economic liberalism par excellence, "Mr. Rockefeller." He announced that the Church would involve itself in the "unpayable international debt situation."

**March 18, 1986.** Two LaRouche-associated candidates win Democratic Party primaries in Illinois for statewide offices.

**July 1986.** Pope John Paul II in Colombia urged Ibero-America to unify to bring about a new international order where "man is the subject and not the object of economics and politics." He denounces narcotics trafficking as a "new and more subtle form of slavery."

**Aug. 15, 1986.** The IMF declares Peru "ineligible" for new loans at the precise moment that García was meeting with an Ibero-American labor delegation which included Jorge Carrillo, now head of the Unified Confederation of Workers of Colombia, and several members of the Schiller Institute Trade Union Commission.

**September 1986.** The Schiller Institute issues a Spanish-

language book, *Ibero-American Integration: One Hundred Million New Jobs by the Year 2000!*, detailing the program for an Ibero-American Common Market.

**October 1986.** A meeting of 26 Ibero-American and Caribbean countries (SELA) in Lima endorsed the García "10 percent" debt-payment ceiling in a challenge to the IMF.

**Oct. 28, 1986.** Zaire breaks with the IMF.

**Nov. 29, 1986.** Peru announces that its course has been an economic success. Since Peru broke with the IMF conditionalities policy, her manufactures have grown 22.5%, inflation has been massively reduced, and the country has experienced 7.8% overall economic growth.

### **1987: Brazil ends the IMF era forever**

On January 29, 1987, the Pontifical Commission *Justitia et Pax* issued an extraordinary document on the debt question which has functioned as an immediate battle document, captured in the following statement in the "presentation" of the document by the Commission:

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.

The document explicitly referenced the 1967 *Populorum Progressio* of Paul VI for a world monetary reorganization.

One month later, on Feb. 20, 1987, the government of Brazil suspended payment on interest of foreign debt. In his announcement of the historic decision, President José Sarney quoted from the just issued Pontifical Commission document.

Lyndon H. LaRouche commented immediately:

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 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.

Thus, we have entered a stage of total crisis in which the range of policy choices is extremely limited. The world today is in a state of "limbo," the old era has been demolished, the new institutions and arrangements of a global reorganization for "development" have not been established.

Either mankind will be consumed in the apocalyptic Hell which the species-threatening AIDS pandemic threatens, or the long overdue global monetary reorganization, along the lines first raised by *Populorum Progressio* 20 years ago, will proceed.

*The author delivered the above speech at a conference honoring the twentieth anniversary of Populorum Progressio in Philadelphia, Pennsylvania on March 21, 1987.*

## **Economics and the Catholic Church**

by Vivian Freyre Zoakos

The internationally recognized, preeminent role which the Catholic Church is playing in the current fight to establish an equitable solution to the Third World debt problem, is a most fitting commemoration of the 20th anniversary of *Populorum Progressio*, Pope Paul VI's celebrated encyclical, first published on March 26, 1967.

When Brazilian President José Sarney rocked the world banking community Feb. 20 by announcing that Brazil was "suspending payment on the interest of its foreign debt," the document he cited in moral justification of his nation's action was authored by the Vatican Commission established by Paul VI for the purpose of implementing *Populorum Progressio*. The document Sarney named, and which has been named again and again by like-minded world leaders, including French Premier Jacques Chirac, is entitled "At the Service of the Human Community: An Ethical Approach to the International Debt Question." It was issued at the beginning of this year, at the instigation of the current Pope, by the Vatican's *Justitia et Pax* Commission. In both content and philosophy, it is the direct successor of Paul's encyclical.

Back in 1967, Pope Paul had created that Commission because, as he wrote in the Introduction to *Populorum*, "We considered it Our duty to set up a Pontifical Commission . . . to offer to less developed nations the means whereby they can further their own progress": [the Commission's] name, which is also its program, is Justice and Peace."

### **A misunderstood document**

Yet, although the expression of the best of Catholic orthodoxy and an instrument for a desperately needed intervention by the Church into world affairs at a time of profound crisis, *Populorum Progressio* has been a widely misunderstood document almost from the moment of its publication. The advocates and founders of Liberation Theology have attempted to claim the encyclical as their own, a fact which has provided grist for the mill of those who would prefer to see the Church remain the backer of the political status quo,

no matter how corrupt it might be.

*Populorum* was published in time for discussion in the Latin American Episcopal Conference (CELAM), held in Medellín, Colombia, in 1968. The conference, also known as CELAM II, was only the second time in history in which the entire Latin American hierarchy was meeting as a body to deliberate on continent-wide, as opposed to nation-by-nation, policy. The fact that Latin America contains the largest proportion of Catholics in the world lent the gathering additional importance. Pope Paul VI personally traveled to Medellín to open the CELAM II proceedings.

The preparatory commissions of both the CELAM and the preceding Eucharistic Congress had been dominated by liberal theologians. Acting as spokesmen for the orchestrated radicalism which was sweeping Ibero-America in the wake of the Cuban revolution, theologians such as Yves Congar prepared documents for the CELAM espousing a pseudo-Christian theology. This “new theology” was dubbed “Liberation Theology,” and Medellín is generally reckoned to have been its birthplace.

It was a proto-Marxist theology that called upon the Church to set itself up as a class institution—a spokesman for the poor, in opposition to both the interests of large industry and of colonialist, “non-indigenous” cultures. Industrial capitalism, and particularly the United States, became the unqualified bogeymen for liberation theologians. In the name of defending the poor from both financial and cultural exploitation, they turned Christ into a guerrilla figure. This they used as an ideology with which to foment mass destabilizations, which have been used to manipulate the continent’s population on behalf of oligarchical and Soviet interests.

Through it all, liberation theologians held up a truncated version of *Populorum Progressio* as their justification. At Medellín and thereafter, they proclaimed the encyclical to be their founding document.

They paid no attention to Paul VI when, in his speech to the CELAM, he not only divorced his encyclical from these violent proclivities, but condemned the doctrine of revolutionary violence itself as a panacea for the problems of the developing sector. As the excerpts we reprint in this issue of *EIR* show, and as the subsequent words and actions of Paul’s successor, John Paul II, have elaborated, the program proposed by *Populorum* was truly revolutionary. It was designed to destroy the power of the oligarchies, which the liberation theologians only helped strengthen by keeping Third World countries in a state of perpetual unrest.

It was not Joseph Cardinal Ratzinger who, in a speech given near the end of 1985, initiated the practice of condemning Adam Smith and Keynesian “free market” economic policies as being at the root of the problems of the developing sector. *Populorum Progressio* did it first. It was not Ratzinger, or Pope John Paul II, or even the 1987 *Justitia et Pax* document, which first pointed out that paying the debt cannot be the guiding consideration of responsible Third

World governments, and insisted that the well-being of populations came first. *Populorum Progressio* had made this argument eloquently 20 years earlier.

The famed five paragraphs in the 1987 *Justitia et Pax* document condemning the International Monetary Fund [see *EIR* Vol. 14, No. 10] were also presaged by Paul’s encyclical. Although omitting mention of the IMF by name, *Populorum* called for its replacement by a new international development bank, to be the motor behind the industrialization and development of the poor nations of the southern hemisphere. This institution, Paul proposed, should lend development monies at nominal rates of interest—thus financing that “development” which is, in the phrase the encyclical coined and made famous, “the new name for peace.”

It has taken the efforts of Pope John Paul and Cardinal Ratzinger, however, to realize in organizing practice the true policies and the philosophy outlined by *Populorum Progressio*. Even looking back at some of the speeches given at the *Justitia et Pax* Commission’s 10th anniversary celebrations, back in 1977, the classic misrepresentations are visibly carried forward even by Commission members. Among the most prominent such was Barbara Ward (Lady Jackson). Under the guise of praising *Populorum*, Ward’s speech failed to mention the encyclical’s actual programmatic content, to interpret it instead as a document which, in upholding the rights of the poor, tends to pit them against the rich. This efficiently subverted Paul’s vision of a “new humanism” grounded, as he said, in the application of man’s duty to seize dominion over nature through the application of scientific development.

It has taken John Paul’s and Ratzinger’s harsh polemics against the purveyors of pseudo-Christian thinking inside Catholicism itself to finally create the conditions where *Populorum Progressio* can be understood, and put to use. Ever since at least 1979, the year following his rise to the papacy, John Paul has dedicated his message on World Peace Day to homilies preaching the message of *Populorum Progressio*. John Paul’s policy has been consistent. But it was only when he and Ratzinger began actively to silence liberation theologians, as well as to lambaste the free marketeers, that the Pope’s intervention began to have teeth.

At the same time, John Paul has personally intervened to support Ibero-American leaders engaged in concrete fights on the debt question, backing their fight against those who, like the IMF, insist that the debt must be paid even at the expense of genocide. Exemplary have been the Pope’s interventions inside Peru, or his Dec. 10, 1985 audience with former heads of state. He used the occasion to urge the Ibero-Americans repeatedly to unify themselves, as a prerequisite to making headway in the fight against foreign creditors. “Latin American integration,” he said, is needed to tackle the issue of the foreign debt, which “has become in a broader sense a problem of political cooperation and economic ethics.”

## U.S. probes Lansky mob, hunts 'new Pollards'

by Paul Goldstein

A new twist in the unfolding Jonathan Jay Pollard spy affair developed during mid-March, centering around revelations by former Senate Intelligence Committee Chairman David Durenberger (R-Minn.). According to the *Jerusalem Post*, Durenberger told a group of 150 members and fundraisers of the American-Israel Political Affairs Committee (AIPAC) that the CIA spied on Israel during and after the Israeli invasion of Lebanon. The alleged spy, an Israeli colonel who opposed the invasion, "walked-in" to the CIA one day offering his services.

Durenberger's briefing to these Jewish-American backers of his re-election campaign occurred the weekend of March 13 in Palm Springs, Florida. It was leaked to the *Jerusalem Post* by members of AIPAC, certainly with Israeli backing, in retaliation for the hard-line posture Department of Justice and other Reagan administration officials have taken on the Pollard affair.

It is very likely to backfire, only causing a further intensification of U.S. efforts to force the Israelis to "come clean" on the operation. According to well-placed U.S. intelligence sources, no matter which way the Israelis attempt to cover-up or "damage control" the Pollard affair, relations between Israel and the United States will never be the same.

### The targets

The Pollard affair has opened the eyes of many government officials to the extensive espionage activity of the Israelis inside the United States and how the Israel-lobby organizations have functioned to protect and promote these operations. Fearing their own vulnerability in the Pollard affair, 65 Jewish-American leaders went to Israel in mid-March to pressure the Israeli government into making concessions to the United States in four areas: 1) the Pollard case, 2) Prime

Minister Shamir's remarks on Soviet Jewish emigration, 3) Israeli weapon sales to South Africa, 4) Irangate.

As of this writing, the only, even cosmetic change made in any of these four areas has come in the matter of Israeli arms sales to South Africa. Pushing hard for this policy change was Foreign Minister Shimon Peres, who is deeply implicated in not only the Pollard affair, but the arms-to-Iran scandal as well. From reports in Israel, the sale of weapons to South Africa will be cut off, but only after the current contracted ones are completed. Even this change can be easily bypassed through covert arrangements through Swiss and African connections. Minister without Portfolio Moshe Arens is key in making these kinds of covert arrangements.

However, on the Pollard affair itself, the Israeli government has so far refused to do anything substantive. According to high-level Israeli sources, the government is attempting to buy time by appointing a two-man investigative committee whose findings will have no binding power. The committee is empowered to investigate the espionage ring run under the cover of the Israeli scientific liaison unit, LEKEM. The LEKEM is ostensibly under the control of the Israeli defense ministry—supposedly not the Mossad. The government's gameplan is to hand over to the U.S. Department of Justice Israel's leading spymaster, Rafael Eytan, and Colonel Aviem Sella in exchange for not pursuing the higher-ups who ordered the operation. Moreover, by blaming a section of Israeli intelligence, the National Unity government is hoping to avert the targeting of the Mossad itself. But it was Mossad that controlled the Pollard operation.

This prospective move by the Israeli authorities does not sit too well with former Mossad founder and leader Isser Harel. He surfaced for the first time in many years to attack the government for running the kind of operations that the

Pollard affair represents. Harel, according to U.S. counter-espionage experts, was always opposed to hostile penetration operations against friendly governments. His opposition was based upon his outlook that agents-of-influence, not spies, inside friendly governments were the best means of securing policy support.

Harel's action is unprecedented for the former Mossad chief, and it is believed by certain U.S. intelligence circles that this signals a willingness on the part of top-level intelligence circles in Israel to shift the government's policy. His concerns go far beyond the day-to-day questions of espionage and U.S.-Israeli relations, to the survival of Israel itself.

According to Israeli sources, one of the biggest problems in getting to the bottom of the entirety of the Pollard affair and Iran-Contra scandal is the fact that Foreign Minister Shimon Peres is not only implicated in it through his active support of the relevant policies, but is being blackmailed by the Shamir and Sharon circles because of it. "Shimon is a schlimeil. He doesn't have the guts to break with this crazy policy," according to this Israeli source. This source further stated that he's worried that the U.S. government and even hard-liners like Defense Secretary Weinberger would accept the compromise whereby Israel turns over Eytan and Sella. Some Israelis interpreted Secretary of the Army John Marsh's trip to Israel as a signal that the United States was looking for such a compromise.

The Reagan administration, through the Department of Justice and certain FBI circles, are going to continue the investigation into the leads provided by Pollard's debriefings. U.S. Attorney in Washington, D.C., Joseph DiGenova, believes there are more than one Pollard operating within the U.S. government. The March 15 *Washington Post* op-ed by Lally Weymouth, "Are There More Pollards," not only reflected the DiGenova's thinking and that of key U.S. intelligence officials, but caused a strong verbal protest to be lodged with the *Washington Post* by the Israeli embassy March 16.

At the same time, Israeli Defense Minister Yitzhak Rabin challenged the United States to find more Pollards. He stated that Israel is not spying on the United States. In front of an American-Jewish audience of Haddassah women, Rabin said that the United States had broken the deal it had with Israel. According to DOJ-linked sources, the deal Rabin was referring to involved Israel's agreement to allow Sella to be interviewed by DOJ officials on the Pollard case. This arrangement had been made through the State Department's legal advisor and Mossad asset Abraham Sofaer and DiGenova. However, upon learning that the United States intended to question Sella about "other Pollards," the Israelis backed off.

At this point, the entire Israel lobby went into a full-scale cover-up mobilization.

Their first point of attack is Weinberger. According to U.S. sources and columnists Evans and Novak, the Israel lobby is set to go on a propaganda rampage against Weinberger and his policy of shutting down the Lavi jet plane project

and other bilateral military arrangements. These sources point out that the removal of Richard Perle from his post as assistant secretary of defense was seen by the Israelis as evidence of a movement to clean out all their friends in the administration. Therefore, the Israelis are looking to their support in Congress to target Weinberger.

The next phase of the U.S. government's clean up of the Israel lobby and their allies' dirty operations in the United States is the targeting of the heirs of the Meyer Lansky apparatus in Wall Street and the Democratic Party. The recent targeting of the Merrill Lynch office in London, where an Israeli citizen was running a scam netting him upwards of \$4 million, will be one focal point. Most of the Wall Street's insider trading scandals overlap with Israeli dirty-money operations. It is not coincidental that New York U.S. Attorney Rudolph Guiliani is targeting those sections of the Democratic Party and the so-called Italian organized-crime families which historically were integrated into the original "Lansky Plan" to make Israel an organized-crime playground.

According to circles close to the investigation, one of the key figures slated for indictment is former Anti-Defamation League chairman and ex-head of the Conference of Major Jewish Organizations, Kenneth Bialkin. It is through Bialkin that U.S. law enforcement officials are looking to find the source of support for the Pollards in the United States. Bialkin and his longtime associate, Milton Ellerin of the American Jewish Committee, a former FBI Special Agent, helped set up the network through which Israeli intelligence recruits its operatives. Known in intelligence jargon as "talent spotters," Bialkin works closely not only with the most corrupt sections of the FBI, but with the network of financiers and Wall Street insiders who have arranged many dirty-money operations for Israeli intelligence.

Key in this apparatus is the notorious Marc Rich, an American Jew now living in Zug, Switzerland, who was indicted in 1984 by Guiliani for illegal financial transactions. Rich, according to a source in U.S. intelligence, is the key Mossad financial and commodities dealer, with big East bloc connections. He was part of the Solomon Schwartz arms deals operation that led to Schwartz's indictment by federal authorities. His main corporate front in the United States is the Clariden Corporation of Stamford, Connecticut. His main U.S. contact is Rabbi Arthur Greenwald of B International, another Mossad proprietary which ships East bloc materials to Africa under Rich's shipping network.

Rich's operations also tie in sections of the Project Democracy operation run through the National Security Council, specifically, Howard Teicher. Teicher, fired by new NSC chief Frank Carlucci, was Lt. Col. Oliver North's boss at NSC and is considered one of the Mossad's top assets. Teicher is under investigation by the DOJ and special prosecutor Lawrence Walsh in connection with "Irangate." One intelligence specialist speculated that Teicher may in fact be the next Pollard.

# LaRouche to the Arab world: how U.S. Mideast policy can be transformed

*The following interview with Lyndon H. LaRouche, Jr., conducted by Khaldoun Shamaa, was published on March 20 by the London-based Arabic magazine Ad Dastour:*

**Ad Dastour:** You have always followed events in the Middle East and in Iran in particular with great interest. Years ago, Kissinger elaborated the concept of a fundamentalist “arc of crisis.” What was the rationale behind the present administration’s following such a policy?

**LaRouche:** This is an example of a U.S. policy-area over which no postwar President has exerted any significant control. During Kissinger’s period, under Nixon and Ford, this was known as the “Bernard Lewis Plan.” Brzezinski named it the “Arc of Crisis”; President Carter called it “The Islamic Fundamentalism Card.” Inside the United States, the policy is run from Princeton’s Arab studies center, Georgetown, and the Aspen Institute, with operations run jointly by the Mossad and the Kissinger-Haig-Brzezinski faction inside the intelligence community. Although President Reagan has been manipulated into supporting secondary features of the policy, I doubt that the President has ever been informed of the existence of the policy as a whole.

Every report indicates, that the President’s conscious role in this connection is limited to three particular considerations: 1) saving the lives of U.S. nationals taken hostage, almost at any price, as he was blackmailed by Moscow in the Daniloff case; 2) maintaining the special relationship with the Israelis; and 3) doing nothing to prevent his reaching what he would view as a successful summit agreement with Gorbachov before the end of 1988.

Kissinger’s “rationale” is clear. Kissinger’s controllers intend to disengage the United States from strategic commitments outside the Americas, and therefore see it as convenient to destroy the value of many among those regions of the world being abandoned, step by step, to Moscow’s spheres of influence.

**Ad Dastour:** Doing so, the American administration has followed two policies at the same time, saying one thing publicly, doing something else through covert operations. As

a result, the United States did not win friends, but lost friends. What does that mean for a power like the United States? What will be the consequences of “Irangate” crisis?

**LaRouche:** I am cautiously optimistic about the “Irangate” crisis. It has already weakened Kissinger’s apparatus inside the U.S. intelligence establishment, and has begun to chew away at the dirty apparatus around the AFL-CIO’s international department and the Mossad-allied Heritage Foundation. Without crippling the power of these and allied power-blocs within our government, no significant degree of positive changes in policy-shaping could be expected.

**Ad Dastour:** One day the media are mobilized against Libya, while Syria is the actual culprit; another day Syria is accused, while Iran is responsible. How should international terrorism and the hostages-takers be dealt with?

**LaRouche:** To define the problem, we must first put the PLO to one side, as a special case. Israel has so far maintained a continuing state of war against the PLO, and insofar as PLO-related actions are addressed to that continuing state of war, such actions belong to that state of warfare, whether the actions are wisely selected or not.

“International terrorism,” including that directed by Syria, Iran, and Libya, is primarily a Soviet-coordinated covert arm of irregular warfare against the United States and its allies. I say “primarily,” because there are many complications in secondary and tertiary aspects of this general phenomenon. The Western European and U.S. governments are generally well aware of this set of facts, at least the higher levels of the intelligence services are. However, just because it is Soviet-directed overall, these governments treat terrorism as an area of “crisis management” relations with Moscow and its surrogates, rather than actually attempting to crush terrorism.

The way in which the United States reacts at any point in time, is partly a politically cosmetic action, designed to please angry public opinion in North America and Western Europe, without actually going far enough to damage current U.S., Western European, or Israeli back-channel and other negotiations with Moscow and Moscow’s surrogates. That is the



chief reason for the inconsistencies.

As President, my response to terrorist actions against the United States or its citizens would be a crushing retaliation.

However, anti-terrorist actions must be situated in a clear and positive policy toward each and all of the nations of the region of North Africa and the Middle East. The effective use of the punitive instruments of justice, requires that the United States be demonstrably and consistently a trustworthy instrument of justice in its dealings with other nations. If the United States would take a consistently positive attitude toward the issue of securing justice for the Palestinian Arabs, and pressuring Israel to follow that course, and would strengthen the position of Islamic nations against the menace which Khomeini typifies, it would become much easier to deal with terrorism.

**Ad Dastour:** Do you think that there can be a push toward a settlement of the Palestinian question in the near future, such as through the forum of an international peace conference? The United States is not considered as an independent partner, but as part of the problem. How do you see the solution to that problem?

**LaRouche:** Until the 1973 war, an international peace conference might have had a useful impact, provided that the PLO and Israel were both brought to the conference table. Probably 1976, prior to the Likud victory, was the last actual opportunity for success in such an approach. In the context of today's East-West negotiations, and the deterioration of the quality of the situation inside Israeli politics, I have no confidence in such a conference's being proposed. Were I U.S. President, with my known policies, that fact alone would make things possible which have not been possible since the defeat of the Rogers Plan by Kissinger and his cronies.

The United States bears much of the blame for the degeneration of Israel's political life. Since Kissinger's role under Nixon and Ford, and through special agreements between President Carter and Israel, we have made Israel a creature of its international weapons-trafficking and related sordid trading abroad, to the effect of destroying the internal productive sectors of Israel's economy. The Israeli arms-trafficking interest would never make peace with the Palestinian Arabs. Therefore, as long as Israel's national income depends chiefly on the income of this interest, the likelihood of a peace process is at a minimum.

If the United States were to take Israel out of its arms-trafficking role, and promote a healthy internal economy in Israel, that would change the political potentials inside Israel for the better. That, combined with firm U.S. backing for a just peace, would provide some of the most essential preconditions for a negotiated peace. If the United States would commit itself to an effective form of what former Prime Minister Shimon Peres called a "New Marshall Plan," the prospects would be greatly improved.

**Ad Dastour:** The United States is a secular state by constitution; how is it that in dealing with the Middle Eastern region, it doesn't do so on basis of relations with states, or nation-states in the European sense, but rather does so on the basis of sectarianism? How can that be explained?

**LaRouche:** Over thousands of years to date, the "magicians" of the Middle East have recognized that the cheapest way to destroy a nation, is to turn neighbor against neighbor, and brother against brother, by exploiting to the maximum the differences among religious and ethnic groupings. That has been Soviet policy since the 1920 Baku Conference of the Communist International; that is also the policy of the "Bernard Lewis Plan."

**Ad Dastour:** You are a presidential candidate. If you were to be nominated and elected, what kind of foreign policy would you follow?

**LaRouche:** As President, my foreign policy is based on three leading considerations. 1) That the Russians are Russians, racists committed by mystical tradition to making Moscow the world-capital of a new, third Roman Empire. This imperial drive must be checked by a build-up of economic and strategic strength among all regions of the world threatened by Soviet imperial impulses. 2) That the combination of prolonged economic injustice for the developing sector, and recent erosion of the material welfare of the majority of people inside the OECD nations of Europe and North America, are the great injustice to be remedied during the decades ahead. 3) The principle that nation-states must be truly sovereign, not subject to foreign or supranational agencies.

My U.S. foreign policy is based upon a revival of the 1823 Monroe Doctrine, as that doctrine was defined by Secretary of State John Quincy Adams. Nations which share the principles of the 1776 U.S. Declaration of Independence, are to be treated as members of a community of principle, in common with the United States. Nations which do not choose to join that community of principle, but wish to collaborate with it, will be extended the benefits given to members of the community of principle. The promotion of the security and material well being of these two classes of sovereign states, is the foundation of the foreign policy and strategic commitments of the United States. Toward the remainder of the world, we proceed according to our notions of justice for sovereign nation states, with the desire to win those nations to choosing membership in our community of principle.

The center of the changes in general foreign policy I will make is twofold: 1) a new international monetary system, designed to promote technology transfer from industrialized to developing nations; 2) general and regional economic cooperation in promoting urgently needed major infrastructural development projects of water management, transportation, energy production and distribution, and urban development, to provide nations the needed foundations for increasing the

productive powers of labor in agriculture and industry.

For North Africa and the Middle East, the key is a large increase in water and very-high-temperature modes of production of industrial energy. With sufficient energy we can develop new water-resources for conquest of presently arid regions, building clean new cities, and building up agriculture to high levels of productivity and self-sufficiency for those nations. By the third decade of the next century, the conquest of the Sahara should be under way, using fusion energy supplies to make this an economical possibility.

**Ad Dastour:** You have proposed several projects for a world reorganization, in favor of a new world economic order on the subject of debt reorganization. Many think that this is utopian and cannot work. Then there have been the steps taken by Brazil. Do you think that such a program can be actualized? Is it realistic?

**LaRouche:** Taking into account the great power represented by those governments which have imposed IMF "conditionalities" upon developing nations, no positive change in monetary and economic relations was likely until the present international monetary system came to the brink of general collapse. In large degree, this is key to the likelihood of spread of the initiative just launched by Brazil; the international financial system is at the brink of a general collapse much more severe than that of 1931-32. Now, my proposed reforms, which have made me such a controversial figure in the eyes of leading bankers, are the only realistic alternative available. Either those reforms are forced through very soon, or the world will be plunged into a general dark age for perhaps a hundred years or more to come.

Ordinarily, governments as well as ordinary persons confuse money with wealth. Wealth is the improvement of the fertility of land, food, clothing, machinery, and so forth. The amount of such wealth per capita is the measure of a nation's wealth, and the productivity of labor measured in these terms, is the economic security of the nation. Money is a political instrument, which appears therefore to have power over wealth. Governments and persons therefore tend to mental habits which confuse money with wealth, seeing money as all-powerful. In a financial collapse, nations and persons are reminded that money is not wealth, but merely a political convenience in the organizing of purchases and sales. Wealth is reality, and money is useless unless there is wealth to buy.

The hysterics of Europe and North America threaten to cut off flows of money into Brazil. Brazil has no need of their money; it can produce and barter, and thus have more wealth per capita, than were it to submit to the creditors' conditions for receiving a variety of money which is falling in value, and too expensive to buy. If the U.S. banks are to be bailed out of their threatened bankruptcy, the U.S. government will have to accept the terms Brazil is offering. In this and related ways, events are demonstrating, that it is my critics who have been unrealistic: I believe in real wealth, and base my policies on that knowledge.

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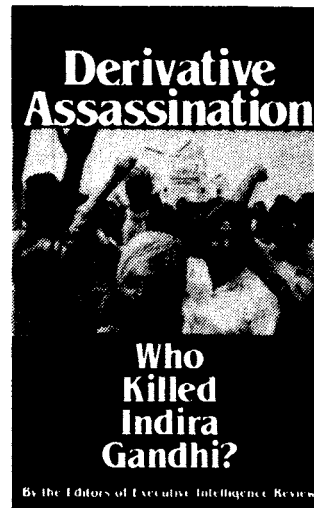
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## Derivative Assassination: Who Killed Indira Gandhi?

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# Aquino challenged in Philippines by Grand Alliance for Democracy

by Linda de Hoyos

In the 13 months since the United States orchestrated the overthrow of Ferdinand Marcos, the events in the Philippines have borne out the warnings of this news service: The Aquino government has been unable to bring stability to either the nation or the economy. Especially since the U.S.-orchestrated ouster of Defense Minister Juan Ponce Enrile in November, the alliance between Aquino and the military has been shattered, with the political momentum going to the New People's Army. By all accounts, the Philippines was on its way to becoming "another Vietnam."

But on March 8, the Philippines was given a new chance, with the formal announcement of the formation of the Grand Alliance for Democracy, the opposition slate that will present a formidable challenge to Aquino in the May national elections for congress. The Grand Alliance, led by its chairman, Vicente Puyat, brings together a coalition of leaders from four different parties to present to the voters an alternative platform based on national sovereignty—as opposed to the Aquino government's disastrous policy-combination of appeasement toward the NPA and adherence to the economic austerity dictated by its international creditors.

The Grand Alliance is fielding a full slate of 24 senators against Aquino in the elections, bringing together many of the most respected among Filipino leaders, including many of the key figures, like Puyat himself, who fought against Ferdinand Marcos.

"We have been promised democracy, but we do not have it," stated Puyat at the press conference announcing the Alliance. The Alliance, he stated, will take issue with Aquino on three major points—the government's "cavalier manner in the handling of the rapidly deteriorating insurgency problem"; the "inadequacy of the Aquino government's economic program"; and the "dismal re-emergence of corruption in government."

On the nationally televised "Issues and Answers" program on March 10, Puyat elaborated the Alliance's economic program, in a direct challenge to the Aquino cabinet's kowtowing to the international banks. "The Philippines must not carry out a carbon-copy of the prescriptions of the World Bank and the International Monetary Fund on the domestic economy," he said. "The Peru or Brazil model should be

followed by our government," Puyat stated, in reference to these nations' rebuff to IMF conditionalities. "The Latin Americans have been tough in their negotiations. They are telling the banks, 'We either pay you according to our capability, or we don't pay at all.' We should follow their example."

Puyat noted that the Philippines cannot expect large inflows of capital investment until the near civil war conditions in the country are abated. "We need a clear and unified policy against the insurgency," he said. But in a clear rejection of the Operation Phoenix assassination programs that failed in Vietnam and are peddled in the Philippines by Gen. (ret.) John Singlaub, Puyat affirmed: "This policy cannot be based on counter-insurgency; it must be based on nation-building."

The Alliance is also demanding a full renegotiation of the lease for the U.S. bases at Clark Field and Subic Bay, negotiations based on "national sovereignty" and the strategic interests of both the United States and the Philippines. "We do not need a 'good advice' and pats on the back from the U.S.," stated Alliance candidate Blas Ople. "What we need is capital investment and transfers of technology, Marshall Plan style."

## What is the Grand Alliance for Democracy?

The Grand Alliance is composed of leaders of the Nacionalista Party, the Liberal Party, the Philippines Nationalist Party, and leaders who have left the KBL party of Marcos. Among its leading candidates are Eva Kalaw of the Liberal Party; René Espina, who recently resigned as secretary general of the government coalition Unido Party; Francisco Tatad, a former information minister who became the first cabinet member to leave the Marcos government in protest; former defense minister Enrile; former labor minister Blas Ople; Wilson Gamboa, formerly of the Unido party who has just resigned as undersecretary of defense in the Aquino cabinet; Isidro Rodriguez, former governor of Rizal and former KBL member; and former justice minister Arturo Tolentino.

Eight of the 24-member list are considered "shoo-ins." However, Tolentino told the press March 8, "We intend to take the majority. That is, anywhere between 13 and 24." If

the Alliance succeeds in this mission, it will call into question Aquino's ability to serve out her term.

Many of the Alliance senate candidates could have found places on the slates of either Aquino or Salvador Laurel's Unido Party, but declined. In a televised breakfast meeting March 9, Alliance chairman Puyat explained his reasons for founding the opposition slate, given his well-known role in bringing down the Marcos government. In answer to reporters' queries, Puyat explained: "Since my father was the president of the Senate and the head of the Nacionalista Party, I inherited from him my respect for the republic, which brought me into opposition against Marcos." Puyat told how this opposition had led him to play a leading personal role in bringing together the coalition of Aquino and Salvador Laurel's Unido Party, to challenge Marcos in the February 1986 elections. But, he stated, "I must tell you that I have been gravely disappointed in the government. I have no personal quarrels with Mrs. Aquino, but I believe she has permitted herself to be surrounded by people who will destroy the country, the republic, and this is why I have reluctantly taken this position."

### **Cory: a narrowing political base**

This is a formidable moral challenge to "Saint Cory" at a point when the Aquino government has proven itself unable to bring economic and political stability to the country. Since the November removal of Enrile from the Aquino government, the political base of that government has steadily narrowed. On the one side, the government has lost its broad support among the left—the NPA and its political fronts. The left let its controlled constituents vote "yes" for the draft constitution on Feb. 2, boosting the 80% "people's power" mandate Aquino had called for. Otherwise, the left is at war.

On the other side, Aquino's continual insults to the military have alienated the armed forces and destroyed the AFP—"people's power" alliance that brought down Marcos. The split surfaced openly with the declaration in late February by Armed Forces chief of staff Fidel Ramos, a staunch Aquino loyalist, that the army would take resolute action against the NPA, given that the level of violence has reverted to the highest levels of 1985 since the end of the NPA-AFP cease-fire Feb. 10.

Ramos received an immediate answer from the Aquino-controlled *Manila Chronicle*, whose lead editorial was headlined: "Ramos Proposal Reverts to Martial Law." The armed forces want a "monolith" against the insurgency, the *Chronicle* complained, leaving the government on the sidelines. "This felicitous combination of insight and military dogma" coming from Ramos is why "the military and the government cannot act in concert," the daily concluded.

The Aquino cabinet currently mimics that coalition of oligarchs and jacobins that carried out the British-instigated French Revolution in opposition to the principles of the American Revolution in 1791-93. At the center of the coterie

around Aquino is Jovito Salonga, the reported "Rasputin" of Malacanang Palace. The head of the "Good Government Commission," to retrieve the Marcos billions, Salonga is an executive board member of the World Council of Churches, the Soviet front. Aquino's slate is led by such pro-NPA jacobins as René Saguisag, Raul Manglapus, Salonga, and Sonny Alvarez, Marcos foes who—like Benigno Aquino himself—left the Philippines during the Marcos years to hit the cocktail circuits of Boston, New York, and Washington, and were protected by benefactors such as Ramsey Clark and the Project Democracy networks in the United States.

In league with the jacobins are the oligarchs, represented by Aquino herself and her brothers in the Cojuangco family who run the Filipino gambling and prostitution franchise; Central Bank chief José Fernandez; and Finance Minister Jaime Ongpin.

There is also a minority strain of nationalists in the Aquino cabinet: Leticia Shehani, former deputy foreign minister; Solita Monsod, the head of the National Economic Development Agency (NEDA); and presidential executive secretary Joker Arroyo, who has stated on U.S. television that national economic development is the only route toward solving the insurgency.

The demands from the Grand Alliance for economic sovereignty and the "Peruvian solution" for the Philippines has given this nationalist faction new leverage. Shortly after Puyat's televised speech demanding a rejection of the IMF, Aquino candidate Shehani, the sister of Armed Forces chief Fidel Ramos, declared that "our creditors must realize that they cannot get blood from a stone." Monsod simultaneously released figures showing that if a settlement with the bankers goes through, the Philippines will be forced to send a net outflow of \$7 billion from the country over the next five years.

On March 16, Manila's newspapers were headlined with broadside attacks from Joker Arroyo against Ongpin, accusing the finance minister of "blindly advocating World Bank and International Monetary Fund formulas for repayment of the nation's debt," reported UPI. Ongpin is "battling for IMF-World Bank conditions even if they treat the Aquino government as if it were the Marcos government," Arroyo charged. Ongpin, in turn, complained that Arroyo is blocking government projects by delaying a proposed tax increase.

Arroyo is now being ousted by the so-called Council of Trent—Ongpin, Cojuangco, et al.—surrounding Aquino. Aquino, however, while acquiescing in his removal, has stated that she will determine its timing. If Arroyo is removed, Manila sources indicate, he could take with him the entire nationalist faction in the Aquino slate over to the opposition.

The shifting currents in the Aquino cabinet already attest to the political and programmatic strength represented by the Alliance for Democracy, a strength that could forge the pathway out of the dire crisis this ally faces.

# Späth-Schmidt government is rumored in West Germany

by Lyndon H. LaRouche, Jr.

Investigative journalists in West Germany are tracking signs pointing toward an early Späth-Schmidt CDU-SPD coalition government in Bonn, replacing the shaky Kohl-Genscher coalition. The corroborating evidence is massive.

Former Social Democratic (SPD) Chancellor Helmut Schmidt has resurfaced over the recent weeks, promoting the idea of CDU-SPD coalitions, while reactivating the special arrangements between Germany and France which existed during the last years of Valéry Giscard d'Estaing's French presidency. In the wind, is the creation of a new Western European economic and defense arrangement, centered around the European Monetary System which Giscard and Schmidt created to defend Europe against U.S. President Jimmy Carter's reckless economic policies.

In addition to Schmidt and Giscard, the key figures in relevant contacts between Germany and France appear to be the Christian Democratic Union's Lothar Späth, Bavaria's Franz-Josef Strauss of the Christian Social Union (CSU), and France's President François Mitterrand. Späth, currently the parliamentary governor of the state of Baden-Württemberg, has been considered for months Washington's first preference as replacement for the present CDU Chancellor, Helmut Kohl.

Indications are, that Britain is intended to play a key role in the new arrangement, in partnership with Paris and Bonn. Tokens of new degrees of cooperation between Britain and France are already visible.

The signs point to Späth as likely Chancellor, probably with experienced "Atlanticist" and "crisis-manager" Schmidt replacing the present foreign minister, Hans-Dietrich Genscher.

Meanwhile, apart from strong indications of Schmidt's being groomed to play a leading role in a new government, it is now likely that the Bonn government will undergo sweeping changes, probably within a few weeks.

A new crisis inside the SPD has all but ousted Brandt from his position as party chairman. A massive financial scandal, triggered by uncovering of the looting of hundreds of millions of marks from the Volkswagen concern, could be the crisis which topples the Kohl government. The combined effects of these and related crises will hit within a few weeks at most.

The key to the possible Späth-Schmidt government is the economic crisis. The unveiling of the politically explosive Volkswagen scandal, in the same time-frame as warnings of a major international financial collapse, issued by the leadership of the Swiss Banking Association, tells the story.

When the general manager of Crédit Suisse was picked to deliver the March 18 announcement, that the world "faces a global crash like never before in history," the timing of that announcement, delivered under those auspices, must be understood to be a collective decision of the Swiss banking system. The purpose of the announcement is to impose this policy upon the world's central banking systems, and to force governments to make those drastic changes in policies, and in compositions of governments, which the situation requires.

The skyrocketing international financial crisis, triggered by chain-reaction effects of the October 1986 deregulation of the London stock-exchange, has now reached the stage at which the situation is out of control of the central banking systems. All intelligent leading circles in Western Europe recognize, that in this situation only drastic action by governments can prevent the European economies from being crushed almost flat by the sweeping collapse among key financial institutions.

In West Germany, such drastic political measures can be taken only by a "crisis-management" government solidly based on the two major political party-formations, the SPD and the CDU-CSU. However, no such coalition could be formed with the left-wing factions dictating the SPD's role in Bonn. Inside the CDU-CSU, the political base for the needed changes is centered in Strauss's Bavaria and Späth's Baden-Württemberg, a combination which would be acceptable to the Ruhr industrialists under these crisis-conditions.

Given the economic structure of the European Community, no one Western European nation could take the needed crisis-management actions without close coordination of leading economies within the community. Germany and France are the indispensable center of any such coordination.

This shift away from the recent, rapid leftward drift in the SPD and the Kohl government, does not mean that negotiation of the so-called "zero option" is altogether dead,

but the explosion of the financial crisis would put such negotiations more or less on the back burner for a time.

The main impetus for a "panicked rush to Reykjavik," has been the previous, relatively milder degree of the economic crisis up to the recent weeks. Seeing his "economic agenda" in ruins, and heavy pressures to cut back U.S. military expenditures, and the added burdens of "Irangate," President Reagan has acted as he has done. In West Germany, German industries and their bankers have become desperate for Soviet orders.

The prospect of an early general financial collapse in the West, blows "Reaganomics" out of the water, and puts the economic motives for large deals with the East on the back burner. What is the sense of looking for needed added busi-

ness in Moscow, if the firms might be wiped out by a financial collapse at home? The financial and economic crisis in the West now takes first priority, by an overwhelming margin.

If I had to make a guess, I would think the most probable line-up is the following. Späth as the Chancellor of a CDU-CSU-SPD coalition government in Germany, with Schmidt as the new foreign minister. A shift in the SPD leadership, toward something approximating the SPD under the former Schmidt government, and a Ruhr/Baden-Württemberg/Bavaria center in the CDU-CSU. Valéry Giscard d'Estaing as the next President of the European Parliament, and probably support by these forces for the reelection of François Mitterrand as President of France. These are just good guesses, but they indicate the way deals are being cut at this time.

## Debate on Spanish bases is a threat to NATO

U.S. Defense Secretary Weinberger was in Madrid early in the week of March 16, in what looks like an attempt to convince the Spanish government to soften its "anti-Yankee" position with regard to the presence of the U.S. bases on Spanish territory.

The United States has four big and strategically important bases on Spanish territory, plus nine smaller communication and observation outposts. Of these bases two, the air base of Torrejón, near Madrid, and the navy base of Rota, are crucial. In Torrejón, 79 fighter bombers are located, 72 of which are nuclear-capable F-16s, whose mission is to reach the front line in the Central European theater in case of a Warsaw Pact attack. It goes without saying that the Spanish bases have the additional importance of representing the natural bridge for logistical supplies from the United States in case of war. In these bases, a total of 12,545 military men and 1,869 civilians are deployed.

In 1988 the present agreement on the U.S. bases expires, and a new agreement must be reached by November of this year, or else, with the expiration of the old one, the bases will have to be removed. In 1986 the Spanish Socialist government called and won a referendum to keep Spain in NATO, on condition that no nuclear weapons be deployed on its territory and that the U.S. bases would be "substantially reduced." That referendum, an incredible piece of ideological manipulation, set the stage for a lengthy debate, which is still going on, over whether or not the United States will leave Spain, and whether and how much

the bases should be reduced.

The debate, like the referendum, has nothing to do with reality and is purely ideological manipulation of "public opinion." As Weinberger reportedly stressed during his visit, in case of reduction of the Intermediate Nuclear Forces in Europe, the conventional forces had better be upgraded rather than downgraded. From the military standpoint it is ridiculous to propose to dismantle or "significantly reduce" military bases of crucial importance for the defense of Central Europe.

Nothing is known publicly about the Spanish-U.S. negotiations. The only thing known is that according to the Spanish government, the United States is not proposing an adequate "substantial reduction" of its forces; while according to the U.S. version, if the Spanish keep demanding too big a reduction, the United States will prefer to abandon their bases in Spain to keeping them so reduced.

There is the hypothesis, circulated in the press, that the most crucial base, the one of Torrejón, could be removed to Morocco or Portugal. In this case, little would change strategically. This hypothesis is denied by the United States, probably for negotiating reasons.

Recent polls indicate that 48% of Spaniards favor closing down the bases, while the United States and the U.S.S.R. are perceived as similar threats to world peace. The publication of such polls, who knows how authentic, is in itself a manipulation of public opinion.

The neutralist policy which the Socialist Spanish government is increasingly pushing is the best possible policy to be pursued to the advantage of Moscow. Spain is a NATO country, the Socialist government is "socialist," not "communist"; so if Spain turns increasingly neutral, to the point of expelling U.S. bases, this would create a precedent for other "social democratic" NATO regimes.

—Leonardo Servadio

## Trading with Khomeini

*The Social Democrats have sponsored massive trade with Iran, without one Swedish hostage held.*

When Khomeini took power in 1979, Swedish exports to Iran and Iraq were about the same. As disgust over events in Iran swept the world, exports to chaotic Iran initially dropped from Sweden (ruled by non-socialist regimes since 1976), while exports to Iraq increased, especially after the Iran-Iraq war began in 1980.

As execution patrols worked overtime in Teheran, Social Democratic leader Olof Palme, soon to become official United Nations mediator in the Gulf war, won fame for his astonishing assertion that Iran "with pedantic care is building its democratic institutions."

In October 1982, Palme returned to power, and in February 1983, Foreign Trade Undersecretary Carl-Johan Åberg was sent to Iran to change the situation. And the change was dramatic. As high-level trade delegations tripped over each other in Teheran and Stockholm, exports to Iran nearly tripled between 1982 and 1983, while dropping by two-thirds to Iraq.

Rather than exploiting the need for supplies on both sides of the war, and cynically shipping arms to both parties, the Swedish pattern is one of systematic Social Democratic support for Khomeini.

While media have focused on Swedish arms shipments to Iran, a much larger flow of "civilian," though often enough war-related, goods has been neglected. While the arms shipments are by no means insignificant, the one-sided "civilian" trade expansion to Iran flies in the face of Sweden's official "neutrality" doctrine.

Most indicative are truck exports, where Swedish manufacturers are among the world's largest. Although trucks are not arms, modern wars cannot be fought without them. Without trucks, no arms, ammunition, food, or troops will reach the front. Until 1982, Sweden supplied Iraq with thousands of trucks per year; after Palme's return to power, Sweden supplied the trucks to Iran.

During 1980-82, Sweden exported 15,400 trucks to Iraq, and only 2,094 to Iran. Of the latter exports, 90% occurred in 1982, after Palme and Kissinger Associate executive Pehr Gyllenhammar of trucks-producing Volvo were pressing hard for support of Iran. During 1983 through 1985, Swedish truck exports to Iraq dropped to a total of 574, less than 4% of the preceding three years, but instead grew to 12,781 to Iran, a more than sixfold increase relative to 1980-82.

These dramatic shifts were not debated by newspapers or "intellectuals," nor subject to parliamentary review. No mere whim of the free-enterprise system of the West, they embody a deliberate *intervention* of a "neutral" country into a foreign war, where Soviet and allied Socialist International bets have increasingly been staked on the mad mullahs.

This intervention was effected by Sweden's own invisible government, whose complicity in shady Iranian affairs is but an extension of that in the United States—and whose unraveling is a likely corollary of that in the United States.

When a March 1 *New York Times Magazine* feature on the Palme murder cited "evidence that police and prosecutors may have been restrained and perhaps misled by their own government, particularly the foreign ministry," it is former foreign ministry undersecretary Sverker Åström who is under attack, both as a key Swedish arms trade figure and as a special foreign policy liaison associated to the Palme murder investigation.

And when the *Times Magazine* quoted a Swedish official that most people don't want the truth about the murder, because "it would be disastrous for the foreign ministry if people knew how stupid we have been in the Gulf," it is foreign trade undersecretary Åberg who is under attack.

A friend of recently resigned U.S. Assistant Defense Secretary Richard Perle, Åberg, since Palme's return to power, has been responsible for Swedish support of Iran—along with Palme himself and former Foreign Trade Minister Mats Hellström. The latter was discreetly made agricultural minister in October 1986, allegedly "to expand his domestic political base"—an unlikely prospect, given the rate at which Swedish farmers are driven out of business.

Åberg's job included facilitating Khomeini's imports of Volvo trucks, by making Swedish authorities and companies—among them Volvo!—buy overpriced Iranian oil, allowing Teheran to balance its swelling trade deficit with Sweden. As Åberg's efforts failed, exports to Iran collapsed by half in 1985, and by another half in 1986, as Swedish truck sales dropped to zero in 1986. This failure to comply with Iranian trade requirements likely played a greater role in aggravating Palme's conflict with Khomeini than any blocked arms shipments, which have been mentioned as a possible motive of Palme's murder.



### Expensive dreams about the East

*The Leipzig Industrial Fair is launching a new phase in German-German relations.*

**T**he policy of the new Bonn government vis-à-vis Gorbachov and the Warsaw Pact is based on unfounded expectations and illusions. Assuming the withdrawal of medium-range nuclear missiles from Europe (the "zero option") is just a matter of time, the Bonn government believes that Gorbachov's reforms will, once freed from the "burden of the arms race," lead to a fundamental change in East-West relations for the better. Sooner or later, the Gorbachov reforms are expected to launch liberalization in the other Warsaw Pact countries.

It is believed in Bonn that this liberalization will make it easier for the two Germanys to come together again—up to the option of real reunification. It is also believed that Gorbachov's reforms mean a "historic chance" for West German industry to get a dominant share in the coming five-year plans for the Soviet economy as well as for the other Warsaw Pact member countries.

Provided with this fantastic belief-structure, Bonn's politicians are seeking any occasion to intensify contacts with the East German regime. More than ever before, Bonn is willing to sign preferential economic contracts with the East, hoping this will help to "build confidence." All of a sudden, the Warsaw Pact—of which the East German regime is an essential part—ceases to be a military pact hostile to the West, and begins to appear as an organization of potential "first-rate" business partners.

The East Germans are grabbing for

this "historic chance" themselves, to harvest favorable deals with the West Germans. Over several weeks, they have been sending signals—though very vague ones—to the government in Bonn that they were interested in "improved and intensified relations." In Bonn, these vague signals were evaluated as "significant changes" and proof for the thesis that Gorbachov's reforms would soften up the hard-line communists in East Germany.

The annual mid-March Leipzig Industrial Fair, always offering abundant opportunities for encounters on the highest level, gained a special weight this year. An unprecedented pilgrimage of ranking West German politicians occurred this time, culminating in three successive high-powered meetings with East German ruler Erich Honecker on March 15.

First, Bonn Economics Minister Martin Bangemann talked with Honecker, then Franz Josef Strauss, Bavarian state governor and leader of the Christian Social Union, and third, West Berlin's mayor Eberhard Diepgen.

Their meetings were topped by the special meeting arranged for March 16 between Lothar Späth, the Christian Democratic governor of the state of Baden-Württemberg, and Honecker. Lothar Späth, who is viewed as the most-likely successor to Bonn Chancellor Helmut Kohl, was given first-rate coverage in all East German media.

All four politicians were given the red carpet treatment by Honecker, who

proved to be master of skillful, propaganda targeted to Western politicians at a moment they subscribe to illusions rather than to the strategic reality of a global showdown between East and West. With the West Germans, this treatment apparently yielded results.

From his meeting with Honecker, Bangemann reported that the zero option was welcomed as "improving opportunity for development of German-German relations." He also said that Günter Mittag, the East German Politburo's chief economic expert, had promised him personally that German-German business contracts worth 1 billion deutschemarks would be signed at the Leipzig Industrial Fair this time.

Bangemann also discussed projects of electrifying and modernizing the railroad system in East Germany, of delivering West German technology for East German nuclear and conventional power plants. Furthermore, the option of supplying the East German economy with electricity from West Germany during periods of energy shortage, was discussed. As Bangemann reported, the East Germans had signaled interest in cooperation projects totaling investments of 5-9 billion deutschemarks. Who would finance that, was the question many in West Germany asked, when learning of these Leipzig discussions.

Some light on the financing aspect was shed by Bangemann. Two days after his Leipzig encounters, Bangemann told the press in Bonn that he could "not imagine that any current business contract with the German Democratic Republic would fail to find appropriate financing among the banks here"—meaning West German banks.

Apparently, Bonn's politicians are not only subscribing to illusions on East-West affairs, but are even so naive as to pay for their dreams.

## Hernu warns of 'New Yalta'

*Former defense minister blasts the "zero option" for dismantling NATO's nuclear arsenal in Europe.*

Speaking at a dinner debate in Lyon on March 14, former Defense Minister Charles Hernu delivered one of the strongest attacks yet against the zero option and the latest Gorbachov "peace" proposals. The debate concluded the first general assembly of the GERMES, the "Groupement d'Etude et de Réflexion Militaires et Strategiques," the strategic think-tank created by Hernu after he was ousted over the Greenpeace affair in 1985.

Hernu, a military thinker respected by defense-minded politicians from across the French political spectrum, clearly outlined the dangers of the strategic situation. He denounced the deal the superpowers are trying to strike at Europe's expense. Beware, he warned, that Reykjavik does not lead us to a new Yalta, worse than the first—a Yalta which would make the Pacific the main zone of U.S. influence, while Europe would become part of the Soviet zone of influence.

On Gorbachov's recent arms proposals, Hernu expressed deep concern over the initial praises for the offer by both the West German foreign minister, Hans-Dietrich Genscher, and his French counterpart, Raimond. Hernu warned that "Khrushchov had also made proposals of that sort." The former defense chief gave full support to the declarations of President François Mitterrand, who warned against any deal which did not take into account the tremendous imbalance of forces in the Warsaw Pact's favor in the European theatre, not only in short-range nuclear missiles, but also in conven-

tional forces and chemical weapons.

Like many French political leaders, Hernu warned that the Russians would try to include France's nuclear deterrent, the *Force de Frappe*, in later negotiations, something that France must refuse to do at all costs.

Adopting a typically Gaullist diffidence about any positive role for Britain in Europe, Hernu blasted the British Labour Party as "too sensitive to Gorbachov's proposals" and to "unilateral disarmament." He warned against the development of "national-neutralism" in Germany leading to a reunified, but disarmed Germany. Could one exclude the following scenario? he asked. Imagine that in four years Gorbachov decides to withdraw all Russian troops from East Germany. West Germany would respond by demanding a withdrawal of American troops from its soil in order to allow for reunification. And isn't there a coincidence, he remarked, between this scenario and the American proposals to pull medium-range nuclear weapons out of Europe?

Indicating that the situation in Germany is fast deteriorating, Hernu stated that "no time should be wasted" and that we "must act rapidly" lest the western line of defense might no longer be at the Elbe, but at the Rhine.

The former defense minister discussed some of the policies that France might adopt. He said that after 1992, through the ongoing modernization of the nuclear submarine forces, France will be able to wield more than 500 nuclear warheads, much more than is

needed for the defense of France alone. The possibility of an "enlarged *Force de Frappe*" enabling France to reinforce some of its allies, is not to be excluded in this context.

The broad common interests between the Federal Republic of Germany and France identify these two nations, in Hernu's view, as the main pillar of the alliance. While reiterating that the alliance could not possibly survive without the United States, he favors a greater French role in reinforcing Germany. He hailed the upcoming maneuvers of the French rapid deployment force (FAR) to take place in Germany next month and went as far as to favor creating mixed Franco-German combat units.

One problem we have, stated the ex-minister, is that the present structure of NATO does not allow for France, which is not a NATO member, and Germany, which is part of the integrated structure, to cooperate without first getting permission from the head of the NATO military command. Could there not be a reform of the NATO structure to allow for a bilateral treaty between France and Germany?

Hernu's remarks were in sharp contrast to statements made at the same gathering by former minister Leo Hamon, who while expressing some concern about the zero option, insisted that Europe should have no illusions about its chances to stop the "superpower deal." Hamon insisted that France should not become "isolated" in the alliance by appearing to neglect all chances of disarmament and should rather make constructive proposals for disarmament.

A leader is always relatively isolated, General de Gaulle said many times. The time has come for France to adopt a Gaullist attitude and to lead the Atlantic alliance away from its suicidal course.

## For 30 pieces of silver

*The de la Madrid government turns its back on a historic opportunity.*

**M**exican President Miguel de la Madrid has responded to the potential for a unified Ibero-American debt strategy, created by his courageous Brazilian colleague José Sarney, with the assertion, made Feb. 26, "We don't want to embark on adventures of international economic warfare, or sterile polemics." This, just one year and five days after his famous speech declaring that Mexico would "only pay according to its possibilities."

De la Madrid's government, in fact, stands at a crossroads, where the opportunity to abandon its role as the plaything of international financiers, and to retake the path of economic development, has presented itself. Even should it receive the mythical \$7.7 billion in "fresh money" that will supposedly be made official on March 20, the country will only return to insolvency by year's end, or in 1988.

The finance ministry, under "Tiger" Petricioli, has announced how the "fresh money" will be allocated: \$4.5 billion will go to "strengthen" international reserves at the Bank of Mexico, and \$3.2 billion will go to finance the current balance-of-payments deficit.

The entirety of the money, such official categories notwithstanding, will go to pay the debt, since the current accounts deficit represents nothing less than insufficient income to meet payment on foreign debt interest charges, remittances, and profits of multinational companies, international transport for exports, etc. Should the bulk of the new credit in fact go to

"strengthen" international reserves, this will give the lie to the claims of central bank director Miguel Mancera and Petricioli that reserves "are high." If they are high, what need to "strengthen" them?

The truth is that in 1986, before the collapse of the oil prices, servicing the foreign debt was done by drawing down accumulated international reserves, which brought them to dangerously low levels. They lie when they say that reserves are "nearly \$9 billion," since that concocted figure represents not only cash reserves, but also gold deposits, Mexican contributions to multilateral financial organizations such as the IMF, World Bank, IDB, etc., the IMF's SDR allocation to Mexico, and other pieces of paper that do not represent available financial resources.

The government is desperately seeking a means of replacing the \$9.5 billion it lost in 1986 with the oil price collapse. Since Feb. 21, the country has been in technical bankruptcy, and it is this reality which debtor and creditors alike have sought to hide since June of last year, when all the propaganda about debt restructuring and "fresh money" began to spew forth.

Not only did Mexico lose \$9.5 billion in 1986, but it also paid its creditors the equivalent of 50% of its export earnings. In 1987, according to the estimates of Petricioli's technocrats, the country will allocate 78% of its export earnings to pay the debt, which includes interest charges of \$7.8 billion and amortization of \$5.833 bil-

lion. These same technocrats hope to obtain foreign exchange of \$16 billion, but have yet to make clear where that will come from, since oil prices remain unstable and the price of coffee on the world market (Mexico's leading non-oil export in 1986) has fallen more than 50%.

In the tourist beach-resort of Cocoyoc, Morelos, a forum was recently sponsored by the economics faculty of the Autonomous National University of Mexico (UNAM) and Washington University of St. Louis, Missouri, titled "Financial Crisis and Containment Mechanisms." Statistics were released at that forum, which painted the Mexican economy as a corpse after a school of piranhas had finished with it.

For example, foreign investment in Mexico, which is not expected to exceed \$1.7 billion in 1987, is in fact negative, since for each dollar invested, more than \$1.20 leaves the country in gifts and remittances. According to the Cocoyoc analysts, Mexico holds first place in Ibero-America for flight capital between 1982 and 1985: For each dollar that enters as foreign credit, \$1.37 flees the country. During that same period, the foreign debt grew by \$17.561 billion, and \$24.109 billion left the country as capital flight. Through 1985, Mexico's foreign debt was \$95.869 billion, while the figure released on capital flight through that same year is \$56.539 billion. If one adds the interest that money earned in foreign bank accounts, this rises to \$103.823 billion.

This is the policy which led the national economy into a growth rate of -4.5%, and raised unemployment to the worst levels in the history of modern Mexico: 4.5 million unemployed in an economically active population of 25.6 million, 17.6%, according to official finance ministry figures.

## Plotting an Andean debt strategy

*The Andean Parliament demands regional debt forgiveness, while a nervous Colombia watches which way the wind blows.*

**T**he Andean Parliament, a delegat- ed body of Ibero-American congress- ional representatives, met in Colom- bia the week of March 15 to debate strategy on dealing with the Andean region's pressing debt crisis. It con- cluded with a demand for creditor for- giveness of the majority of the re- gion's foreign debt, and with an ap- peal to the Pope to use his "moral au- thority" to mediate such a debt reor- ganization policy.

According to the economic affairs committee of the Andean organiza- tion, the foreign debt is one of the most serious obstacles to autonomous development of the Andean region. The committee charged that the prob- lems of the debtor nations are directly linked to the high interest rates applied in the past six years, making repay- ment of the debt an impossibility.

The Parliament also noted that various European nations have al- ready forgiven part of their outstand- ing loans to countries in Africa and Asia, and to Bolivia in Ibero-Ameri- ca, and insisted that broadening such a policy would be the best way to re- verse the economic and social decline of the region.

On March 12, the president of the Andean Parliament, Bolivian Vice- President Julio Garret Aillon, urged the mediation of Pope John Paul II in debt forgiveness negotiations between creditors and debtors. Drawing on the ferment stirred by the recent papal document on debt, Garret said that "it would be important to place the im-

mense moral authority of Pope John Paul II at the service of solving the foreign debt problem, making the principles of justice and solidarity which the Church represents prevail." Garret referred to the immorality of usury by proclaiming "economic vio- lence unacceptable and unworthy of the human community."

Colombia and Venezuela have special reason to be fearful of their economic future at the moment. Ven- ezuela, anticipating that the U.S. Congress will slap a tax on foreign oil imports in the immediate future, ex- pects that such a move will take a huge bite out of its earnings—and there- fore, out of its capacity to service its substantial foreign debt, only recently refinanced.

Former head of the Venezuelan central bank Díaz Bruzual charged last month that, even with the refinancing, Venezuela would have to devote 50% of its foreign exchange to service the debt in 1987, "which represents 73% of our oil income. This is criminal, an attack against the country."

Colombia, meanwhile, is facing a loss of foreign exchange equivalent to a full 35% of its debt service payments due this year, the result of U.S. sabo- tage of the World Coffee Pact in Lon- don last month. Pointing to the col- lapse of the international coffee ne- gotiations, and consequent plunge in world coffee prices from \$2.30/lb. last year to \$1.75-1.35/lb. presently, the opposition Conservative Party of Col- ombia has called on the Liberal Barco

government to renegotiate the coun- try's \$14.5 billion foreign debt.

Colombia reportedly owes a whopping \$2.2 billion in debt service this year. Renegotiation of the Colom- bian foreign debt, which would al- most certainly require formal submis- sion to International Monetary Fund guidelines, has been studiously avoid- ed by preceding administrations fear- ful of provoking nationalist opposi- tion.

However, Finance Minister César Gaviria Trujillo—a former employee of the IMF—insists that Colombia needs no renegotiation, but will con- tinue to meet its debt obligations by selling off its ample coffee stocks and drawing on reserves, currently at \$3.5 billion. He claimed that interest pay- ments on the foreign debt absorb only 16% of total exports, and that total debt service between 1987 and 1989 will equal 40-45% of export income.

President Virgilio Barco added his voice, denouncing those Colombians who urged a renegotiation of the for- eign debt as "terrorists." He further insisted that Colombia would not risk its reputation after struggling so hard to gain the confidence of the interna- tional banks through "proper" man- agement of its economy.

The protestations of Colombia's and Venezuela's presidents and fi- nance ministers notwithstanding, the nations of the region are increasingly aware that if an economic power like Brazil was forced to "risk the confi- dence of the international banks" by declaring a debt moratorium, how long would their own drug- and debt-rav- aged economies last?

The Andean Parliament's eco- nomic working group concluded its deliberations with the statement, "Re- cent events have again demonstrated to the countries of the region that not one of them can consider themselves immune to the debt crisis."

# International Intelligence

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## **What was Michael Ledeen doing in Spain?**

Usually reliable sources report that Michael Ledeen was spotted in Madrid, Spain during September and October 1986. Ledeen, a sometime "adviser" to the U.S. State Department and National Security Council, is a key operative in the "parallel government" whose existence has come to light in the current Iran-Contra scandals in Washington.

Ledeen's appearance in Spain has led to speculation that he is part of a project for restructuring the Spanish intelligence apparatus, to take it away from the traditional military structure and put it under the control of Ledeen's friend, Julio Feo, the Socialist secretary to the presidency. The existence of such a project was revealed in October 1986.

The situation developing now in Spain parallels precisely an operation conducted through Ledeen in Italy in the late '70s, when a parallel secret service was created around the Propaganda-2 (P-2) Freemasonic lodge. This was implicated in numerous attempts to destabilize Italy, such as the 1980 Bologna train station bombing.

Does this mean that a sort of "P-2 scandal" is about to emerge in Spain and sink the present Socialist government?

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## **French interior minister denounces the IMF**

French Interior Minister Charles Pasqua attacked the International Monetary Fund for its austerity policies toward Third World countries. In a speech March 10 before the Judaism and Freedom association, Pasqua charged the IMF with "impoverishing these countries and producing revolutionaries and communists. What we have to do, is to help these countries produce what they need, respecting their culture and civilization." He further criticized the idea of aid to the Third World which "limits itself to sending the poor countries the food surplus of the Western countries."

Pasqua also denounced the Western proponents of the "zero option" plan for removing intermediate-range missiles from Europe, who "are ready to fall in the Gorbachov trap. There was already the Khrushchov trap. It's the trick the Soviets have been playing on us for 20 years."

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## **Italian pianist takes Mexico by storm**

Italian pianist Carlo Levi Minzi, touring Mexico under the patronage of the Schiller Institute Research and Education Fund, has triumphed in two concerts as a soloist with the National Symphony of Mexico.

On March 13, at Mexico City's Bellas Artes hall, an audience of 2,000 people brought the artist back to the stage five times for his performance of the Brahms Second Piano Concerto, and obliged him to play a piano solo after the sixth bow—an unheard-of gesture at a symphonic concert. Then on March 15, the performance was sold out to an audience of 3,000 people, and was broadcast over national television.

Levi Minzi, professor of chamber music at Milan's Verdi Conservatory and formerly a student of renowned piano pedagogues Mieczyslaw Horszowski and Paul Baumgartner, played his first concerts in the United States in 1976 at the age of 22. Since 1984, his tours in the Americas have been sponsored by the Schiller Institute, founded by Mrs. Helga Zepp-LaRouche, as a crucial aspect of the Institute's program to reverse the moral decay of Western society by revitalizing classical culture.

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## **Cyrus Hashemi's death 'may have been murder'**

American investigators believe the death of Cyrus Hashemi in a London hospital last July "may have been murder," wrote the London weekly the *Observer* on March 16. Hashemi, a key player in the arms-for-hostages deals between the United States and Iran during both the Carter and Reagan

administrations, was under protection of elements of the U.S. Justice Department (see article, page 58).

According to the *Observer's* report, "An Iranian-born U.S. citizen came forward with evidence that Hashemi had been poisoned." This Iranian claims that Hashemi was killed because he knew "too much" about the U.S. government's own secret arms shipments to Iran. The informant "also took part in the U.S. Customs operation which led to the arrest of 17 alleged arms smugglers, including a retired Israeli general. . . . He claims that U.S. Customs special agents told him on three occasions that Hashemi had been 'got rid of' by an unidentified U.S. government agency." The informant's evidence prompted Rudolph Giuliani, U.S. Attorney for the Southern District of New York, to order an inquiry reopened into Hashemi's death.

The *Observer* claims that results of toxicology tests on Hashemi's tissue samples, which were taken at the request of Scotland Yard and the U.S. Customs Service, "have never been officially released."

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## **Venice's Cini Foundation hosts East-West meeting**

Five Soviet media and government representatives will be attending a March 19-21 conference sponsored by the Cini Foundation on the island of San Giorgio Maggiore in Venice, on the theme, "Helsinki After Ten Years: Liberty and Obstacles to Mass Communication in Europe."

Panel discussions will include the position of the media in East-West relations, cultural problems confronting Europe, and international terrorism.

The Soviet officials will include Valentin Falin, editor of Novosti News Agency, and Yegor Yakovlev, editor of *Moscow News*. Western participants will include terrorist expert Claire Sterling; Juan Luis Cebrían, editor of *El País* of Spain; Gunnar Andren, editor of *Svenska Dagbladet* of Sweden; Hugo Büttler, editor of *Neue Zürcher Zeitung* of Switzerland; Erwin Frenkel, editor of the *Jerusalem Post*; Serge

July, editor of *Liberation* of France; Flora Lewis of the *New York Times*; and various representatives of the Italian radical-chic pro-terrorist circuit.

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### **Sovietologist predicts Bukharin's rehabilitation**

"The rehabilitation of Nikolai Bukharin will be the second or third next major step taken by Gorbachov, if he can succeed in continuing his reform experience," according to a European Sovietologist close to both the Italian Communist Party (PCI) and right-wing Social Democratic circles. "Now, historians associated with Soviet historical institutes have decided to rehabilitate Bukharin. The moment has come, and it will be welcomed in the West."

Bukharin, leader of the Right Opposition to Josef Stalin, was purged in the 1930s, and is being rehabilitated as part of Gorbachov's *glasnost* (openness) policy toward "democratization" of the U.S.S.R. Many of Bukharin's collaborators in the Comintern, such as Jay Lovestone in the United States, left the communist movement during the Great Purges, resurfacing in the West as "anti-communist" Social Democrats. These circles today are the biggest promoters of Gorbachov's *glasnost* in the West.

The Sovietologist will be taking up the matter of Bukharin at a forum in March in Milan, Italy, sponsored by the PCI-connected Feltrinelli Foundation.

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### **Lawyers for Demjanjuk charge Soviet plot**

Lawyers for John Demjanjuk, the American on trial in Israel on the charge that he is "Ivan the Terrible," the brutal guard at the Nazis' Treblinka death camp, charged on March 17 that their client has been framed by a plot originating in the Soviet Union.

Attorney Mark O'Connor questioned the credibility of Israeli investigator Miriam Radiwker, noting her Soviet past. "All these charges came from the Soviet Union, not

the United States," he said. Radiwker, a former member of the Israeli police force's Nazi war crimes investigation unit, testified about a photo line-up she held in 1976 with Treblinka survivor Eugen Turowski. She said that Turowski, since deceased, identified a photograph of Demjanjuk as "Ivan the Terrible."

In a defeat for Demjanjuk, the court accepted this testimony, overruling the objection of attorney O'Connor that such evidence should be inadmissible, because he cannot cross-examine the dead. Court President Dov Levin said Turowski's identification would be entered into evidence, clearing the way for other such evidence to be presented. He said Section 15 of Israeli's Nazi and Nazi Collaborators' Law contains a provision covering such "hearsay" testimony.

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### **Soviet emigré warns of Russian outlook**

Emigré Russian analyst Andrei Navrozov, in an op-ed in *The Independent* of London March 10, wrote a review of a book which warns that the Soviet Union is really the old mystical Russian imperialist state in disguise.

Under the title, "Stalin's alter ego," Navrozov reviews *The Bear's Hug: Religious Belief and the Soviet state*. He writes: "The Russian Orthodox Church will celebrate its millennium in 1988, and there is now little doubt that we may look forward to a new union of church and state in Moscow, perhaps much like the one contemplated by Stalin. . . . It will be of incalculable strategic value to the Soviet regime. . . ."

"It is almost inevitable that Russia's leaders will use next year's celebration of the Millennium as an excuse to correct the strategic blunder of its predecessors, restoring the Church to the function envisioned by the erstwhile seminarian Djugashvili-Stalin. . . . The only question is whether the West will greet the Soviet regime's 'new attitude to religion' as the newest of all the glad tidings from Gorbachov's Russia, for in so doing, it will surely seal its fate."

## Briefly

● **RADIO MOSCOW** reported March 16 that "There is no reason for slowing down thermonuclear power. . . . The only lesson to be learned from the Chernobyl experience is that better and safer nuclear power plants should be built." The U.S.S.R., Bulgaria, and Czechoslovakia will double their nuclear power output by the end of the century.

● **THE SOVIET** delegation in Geneva March 17 called for establishment of a new international agency with the power to make on-the-spot inspections of satellites before launch to ensure that no country deploys weapons in outer space.

● **GEN. RAFAEL SAMUDIO**, Colombia's defense minister, has met with all division commanders of the army and police to study possible measures against terrorism, according to a March 16 UPI report. Colombia has recently experienced a wave of guerrilla actions, including the kidnapping and assassination of businessmen and government officials.

● **TURKEY** and the United States signed a five-year defense and economic assistance pact that provides for U.S. military bases in Turkey through 1990, and nearly \$720 million in U.S. assistance to Turkey this year.

● **CHINA AND BRITAIN** ended a round of talks March 20 on Hong Kong's future after discussing a timetable for the withdrawal of British armed forces. A joint communiqué at the end of four days of talks said the two sides discussed defense issues and the maintenance of law and order after 1997, when the Crown Colony becomes Chinese territory.

● **900 TRIBESMEN** who fled to India last year to escape a separatist tribal guerrilla war in southern Bangladesh have died of diarrhea, dysentery, and malaria, government-owned newspaper in Dhaka reported March 20.

## Documents show Carter sanctioned Iran arms sales

by Jeffrey Steinberg

By no later than December 1979, the Jimmy Carter administration was ambitiously pursuing a policy of negotiating an arms-for-hostages deal with the Khomeini regime in Tehran.

This is one unmistakable conclusion drawn from a careful review of a series of recently declassified "secret" State Department documents released to *Executive Intelligence Review* this month under a Freedom of Information Act request filed in April 1985.

Those documents came to *EIR* as part of an FOIA request to the CIA, the State Department, the FBI, and other federal agencies, filed by Washington, D.C. attorney Bernard Fensterwald III, into the role of Dr. Cyrus Hashemi, a recently deceased Iranian arms broker and financial wheeler-dealer, who has been a central figure in the dirty underbelly of American-Iranian relations since the Feb. 1-10, 1979 fundamentalist coup that installed the Ayatollah Khomeini in power.

### The background to the documents

Beginning in early 1980, this publication began receiving information from scores of Iranian exile sources indicating that Dr. Cyrus Hashemi was a leading secret intelligence agent for the Khomeini regime, in charge of the procurement of weapons for Iran in the United States. Following the July 22, 1980 assassination in a Washington, D.C. suburb of Dr. Ali Akbar Tabatabai, the leading anti-Khomeini Iranian opposition figure in the United States, *EIR* among other publications began exposing Hashemi's role in Khomeini's arms-procurement and terrorist underground.

In September 1980, Hashemi sued *EIR*, the *Washington Post*, Cable News Network, and other news organizations for their exposés of Hashemi's secret work for Khomeini. While the other co-defendants ultimately settled, *EIR* entered

into a protracted, and costly legal defense that ended in the summer of 1983, when a federal district court judge dismissed Hashemi's suit. Appeals on the case continued into 1986. It seems that the elusive Dr. Hashemi had grave misgivings about subjecting himself to days of grueling deposition by *EIR*'s attorneys.

No wonder.

In May 1984, Hashemi was indicted by a federal grand jury on charges that he, on behalf of the Iranian Naval Procurement Office in London, illegally bought and shipped American arms to the Khomeini regime in violation of the Carter administration's arms embargo of 1979. On the surface, it appeared that Hashemi decided to bow out of his libel suit against *EIR* because he was guilty as hell of the crimes charged. However, after an extensive investigation, *EIR* concluded that Hashemi was not only working for the Khomeini regime; he was, at the same time, working for the Carter administration.

According to a November 1986 article in the *Baltimore Sun* by freelance writer James Traub, "Had Hashemi ever come to trial on the arms-smuggling charges, Mr. Richardson [Hashemi's attorney Elliot Richardson, Attorney General under Richard Nixon] says he would have claimed that Carter administration officials had sanctioned his arms sales in order to enhance his credibility with his Iranian contacts."

Indeed, U.S. intelligence sources, following the Hashemi indictment, revealed to *EIR* that Hashemi had been set-up in business as part of a Carter CIA and National Security Council "covert program," and that a former assistant attorney general of the United States, J. Stanley Pottinger, had been assigned through NSC director Zbigniew Brzezinski and CIA director Admiral Stansfield Turner as Hashemi's "case officer" for the project. According to these sources,



millions of dollars in "private" bank credits were made available to Hashemi for the creation of a string of offshore banks and corporations through which he would carry out his covert arms purchases for Iran.

Sound familiar?

Hashemi's attorneys, according to Traub, went even further in drawing out the Carter connection: "Attorneys on the case, arguing that the government should be compelled to turn over classified information about Hashemi, say the evidence suggests that Hashemi was doing intelligence work for the United States. 'The word is,' says lawyer Neal Hurwitz, 'he's CIA.' Mr. Richardson, while not confirming this theory, states that 'there were other services that Hashemi had performed at the request of the U.S. government.'"

Contacted by *EIR* on March 20, Richardson stated through a secretary that he stood by the accuracy of all of the statements that he had earlier made to the *Baltimore Sun*.

To date, no former Carter administration official has ever acknowledged this report that Dr. Hashemi had been, in effect, a covert operative for the Carter White House and CIA.

However, the newly declassified documents do unquestionably confirm that, despite Jimmy Carter's foul-mouth attack on Ronald Reagan last November for the President's admissions that the Reagan administration had shipped arms to Iran in an effort to free American hostages in Lebanon, the Carter administration was pursuing the same arms-for-hostages deal beginning a month after the Nov. 1, 1979 takeover of the U.S. embassy in Teheran.

## The documents

Chronologically, the first of the newly released FOIA documents is a Dec. 7, 1979 letter from J. Stanley Pottinger to Warren Christopher, deputy secretary of state under Cyrus Vance, written on the letterhead of the lawfirm Troy, Malin and Pottinger. The letter indicates an already ongoing involvement of the Pottinger-Hashemi group in the hostage negotiations at the time that the letter was written:

As I understand it, Henry Precht [Iran desk officer at the State Department's Bureau of Political-Military Affairs and a key player in the U.S. Iran policy up through August 1980] has informed you about Dr. Cyrus Hashemi and his willingness to be of assistance in the U.S. hostage matter.

The enclosed memorandum from him sets forth points which he believes are of concern to his government and which might, from Iran's viewpoint, form the basis for settlement discussions. Other than the immediate return of American hostages, he has not attempted to state the United States agenda for such a meeting.

If after reading his memorandum, you believe that his efforts can be helpful, he will come to Washington

immediately in order to discuss with you or your designee precisely how he proposes to arrange a negotiation meeting.

At the same time, Dr. Hashemi believes that the many private channels presently being used are somewhat confusing to Iranian deliberations and perhaps are counter-productive to U.S. efforts as well. He therefore wished you to know that if you have better lines of communication than the ones he offers, or if you believe his proposed efforts are not productive at this time, he will remain dormant in the matter. . . .

Although Dr. Hashemi is in daily contact with several persons at high levels of the Iranian government, please note his disclaimer here to the effect that the enclosed memorandum does not represent official views of the Iranian government.

The letter is signed, "Sincerely, J. Stanley Pottinger."

Attached to Pottinger's letter was a five-page memorandum, also dated Dec. 7, 1979, from Hashemi to Pottinger, laying out the outlines of a negotiating package for the release of the 52 American hostages. The six-point Hashemi plan would recur throughout the Carter administration's hostage release efforts no matter what "back-channels" were being pursued into Teheran.

After outlining a series of conditions, including a statement of sympathy by the Carter administration for the plight of the Iranian people under the Shah, the removal of the Shah from the United States to a "third party country," the creation of a United Nations Commission to hear evidence against the Shah and leading officials of his regime, and the lifting of the post-hostage U.S. freeze on Iranian assets and bank deposits in the United States, the Hashemi proposal stated:

6) *Spare Parts*. The United States would resume furnishing military spare parts pursuant to pre-existing agreements and programs. The post settlement, self-defense of Iran is highly dependent upon such a program.

In concluding his memorandum, Hashemi authorized Pottinger to pass the six-point plan on to the appropriate Carter administration officials:

You are authorized to submit this draft memorandum to appropriate U.S. officials for their consideration. If there is an indication that these points, and such others as may be suggested, are within the realm of discussion, I will recommend and help create a meeting between U.S. and Iranian officials. From the Iranian side, this would include the approval of Qom [referring to Khomeini himself]. If this goes forward, I believe London or the United Nations to be the best location, but am equally willing to arrange such a meeting in Teheran. Please advise."

Did the Pottinger-Hashemi communications ever reach the "appropriate" officials in the Carter administration?

Ex-Deputy Secretary of State Christopher, the recipient of the original Pottinger letter, told *EIR* in a telephone interview at his Los Angeles law office on March 19 that he "does not recall the letter, but believes that he referred the matter to Hal Saunders."

In a follow-up phone discussion the next day, Christopher admitted that he had known Pottinger through the Hashemi lawyer's former association with a Los Angeles-based law firm and through their mutual involvement with the California Bar Association. He denied that he had ever met personally with Hashemi and claimed that his active involvement in the Iran hostage negotiations did not begin until September 1980. He did, however, acknowledge that the Carter administration had been inundated with approaches by some of the very "same gunrunners the Reagan administration later dealt with," and that all of these contacts had been pursued through the Iran desk at State.

According to the next document, a six-page internal State Department communication with attachments written by Near East Affairs director Harold Saunders to Cyrus Vance, passed to the secretary through Undersecretary of State David Newsom, a meeting between Carter officials and Hashemi occurred on Jan. 2, 1980.

According to that document, Saunders and a second State Department official present at the meeting were favorably impressed both with Hashemi's proposal and with his ability to open the appropriate contacts in Teheran:

Mark Feldman and I met for more than three hours in New York this morning with Cyrus Hashemi and Stan Pottinger who arranged the meeting and with: [redacted]

In short, they offered to try to establish direct contact [redacted] to discuss release of the hostages and an investigation of Iran's grievances. They did not guarantee success. The vehicle for their proceeding is a U.S. counterproposal to the paper Cyrus Hashemi sent us through Stan Pottinger on December 7. . . .

Saunders then went on to summarize the main points raised by Dr. Hashemi in the meeting:

One of the significant mistakes the U.S. has made since the revolution is failure to establish direct contact with Khomeini. The Iranians read that as our trying to ignore Khomeini and hence the revolution. . . .

A direct approach to Khomeini is needed. [redacted] The basis of the approach should be a concrete U.S. proposal. Khomeini needs someone on the American side to deal with.

"Hashemi stated his view that Khomeini does not care about the person of the Shah. He is more inter-

ested in a judgment about the Shah's regime which would lead to return of the Shah's assets to Iran. He spoke of using the money for housing or some other use for the Iranian people. M. Hashemi [apparently a reference to Mohammed Hashemi, the older brother of Cyrus, who must have also been present at the meeting], representing Admiral Madani, also expressed strong interest in availability of spare parts for the Iranian military.

In a later section of the memo, "Elements of a U.S. Position," indicating his own recommendations, Saunders concluded, "This group is particularly interested in the resumption of the flow of spare parts for military equipment from the U.S. . . ."

In the very next paragraph, Saunders concluded:

There is, of course, the basic decision whether to put a position into this channel. After talking with the group, I conclude that they are serious, concerned about Iran's rapid drift to the left, willing to try to persuade Khomeini to release the hostages and to open the door to a better long-term relationship with the U.S.

And several paragraphs later:

Finally, if we are going to be dealing with Madani, we will have to say something about military spare parts. This will be very difficult but in my view not to be dismissed out of hand if some understanding could be reached with Iran in the context of the Soviet invasion of Afghanistan.

Underscoring his serious interest in pursuing the Hashemi connection, Saunders recommended "that we now look at formulations more specific than those we are presently using. Using the attached draft as a vehicle for decisions, you might want us to check it with Treasury, with Lloyd Cutler, with Zbig and discuss it with the President in the very near future."

In his own 10-point elaboration on the Hashemi proposal, Saunders included as point 9:

The United States is prepared to appoint a representative to discuss with Iranian representatives the current threat posed by the Soviet invasion of Afghanistan and to recommend to their governments steps that the U.S. and Iran might take in order to enhance the security of Iran, including the resumption of the supply of military spare parts by the United States to Iran.

As the second installment of this special report will show, the Saunders-Hashemi formulations from the very outset constituted the core of the American approach to all of the hostage negotiations that followed.

# New York AIDS lobby continues assault on LaRouche backers

by Herbert Quinde

Throwing caution and the U.S. Constitution to the winds, the "gay" and lesbian mafia which dominates New York State Attorney General Robert Abrams's office, cracked its whip on St. Patrick's Day, arresting numerous supporters of Lyndon H. LaRouche, Jr. Fifteen supporters were indicted by a New York State grand jury, on charges of alleged illegal fundraising, in a continuing attempt to stop LaRouche's 1988 presidential bid. As network television cameras bumped into each other, attempting to film LaRouche supporters being led to jail in handcuffs, Edward Spannaus, LaRouche's campaign treasurer and law editor of *EIR*, with hands locked behind his back, said to the pre-assembled media, "The issue is AIDS."

LaRouche described the latest indictments as "politically transparent." He commented, "This is one of a series of actions launched during 1986 by the AIDS lobby, in revenge for my support for the famous anti-AIDS, California ballot Proposition 64. In the case of Abrams's office, my friends possess a tape recording of voluntary statements by an official of that office, in which Nathan Riley bragged of the intent to frame up friends of mine, and identified the homosexual lobby in Abrams's office as an instigator of this effort."

"It is already widely recognized, around the nation, increasingly, that the current wave of legal harassments against my friends, is a desperate effort to stop my campaign for the Democratic Party's 1988 presidential nomination. The corruption-riddled New York State Democratic organization has stated publicly, repeatedly its politically motivated intent to 'stop' my friends by 'legal and other means.'"

Confirming LaRouche's analysis was the *Washington Post's* coverage of the arrests, quoting unnamed government "authorities" that the New York indictments are "the latest in a string of criminal and civil actions that are acting like a tightening noose around the financial lifeline of the LaRouche organization," which is threatened with collapse "like a house of cards."

In a politically explosive interview, duly recorded by an investigative reporter last summer, Nathan Riley, a "gay" activist and official "spokesperson" for Attorney General Abrams, spilled the beans. Asked why LaRouche had to be stopped, Riley responded, "The Illinois thing [March 18,

1986 primary victories in statewide races by two LaRouche Democrats] was a great embarrassment for the Democratic Party. . . . I think the problem is political. I don't know what the problems are legally . . . but politically Ronald Reagan has nothing against LaRouche. LaRouche is embarrassing to the Democrats. On the political level LaRouche is also a tumor to the Republican Party. I don't think these things are decided by politics alone and I was hoping people concerned about LaRouche and what he is doing with AIDS, who have influence with the Reagan administration would be urging them to indict these guys and expose them before the November elections. . . . I think [then U.S. Attorney William] Weld discovered what he thought was a routine investigation became a hot potato, into something terribly significant after the Illinois primary."

Riley also revealed that Attorney General Abrams had briefed his staff to vigorously pursue the investigation of LaRouche's associates. On Oct. 6-7, this publication's offices were raided by a paramilitary force of 400 federal and state agents at the instigation of the "conservative homosexual" network of "Spitz" Channell, Lt. Col. Oliver North's pro-Contra fundraiser, now under investigation by the FBI and the U.S. Congress for Irangate. (See *EIR*, Feb. 27, 1987: "Disturbing role of GOP 'gaypaytriots'".) On Nov. 17, 1986, the California offices of the Prevent AIDS Now Initiative Committee (PANIC), were raided by state authorities.

Although Attorney General Robert Abrams was forced to sheepishly deny the obvious at the press conference announcing the witchhunt, the political nature of the arrests was demonstrable in numerous instances. One of the 15 arrested was Governor Mario Cuomo's opponent in the recent gubernatorial primary, Judah Philip Rubenstein. He and Senate candidate Webster Tarpley made charges of corruption and perversion in New York State government a centerpiece of their campaign. The blatant corruption in New York should prove a severe embarrassment to state's attorneys around the country who have been collaborating with Abrams.

## Vindictive bail shows political motive

In California, where Mark Calney, a LaRouche supporter and volunteer paralegal was arrested, Los Angeles District

Judge Glennette Blackwell set the bail at an outrageous half-million dollars (\$500,000). Appointed by former Gov. Jerry Brown, Judge Blackwell scandalously stated that the bail was "perfectly appropriate" because "this is part of a national and international investigation of Lyndon LaRouche." Because of that, she said, Calney must be considered a significant threat to the community. Calney is charged with two counts of alleged financial wrongdoing and one misdemeanor charge. In comparison: Suspects in homosexual homicides, known by law enforcement specialists and forensic specialists as particularly violent and vicious, usually have their bail set at \$100,000!

Attorney General Abrams, who first requested the vindictive bail, was fully backed by both the offices of California Attorney General John Van de Kamp and Los Angeles District Attorney Ira Reiner. Van de Kamp and Reiner come out of the political machine of Moscow's favorite "capitalist," Occidental Petroleum's Armand Hammer. Both have been outspoken foes of the LaRouche-backed Proposition 64, which proposed traditional public health measures to stop the spread of AIDS.

Van de Kamp, who publicly slandered LaRouche as a "fascist," refused to protect the rights of Prop 64 organizers who were regularly assaulted across the state of California while petitioning to place the initiative on the ballot, by proto-terrorist homosexual activists. Reiner has gained national attention for his office's refusal to vigorously prosecute child sex abuse cases and was a defense attorney for a member of Charles Manson's murder cult.

While William Weld and Stephen Trott have been using the U.S. Justice Department to conduct a continuing illegal harassment campaign against LaRouche and his associates, New York State Attorney General Robert Abrams has a particular animus against LaRouche and his supporters, because they have repeatedly exposed the nest of child-molesters and drug-pushers who operate out of his Albany and New York City offices.

### **Abrams office boosts child sex, sodomy**

Abrams and Van de Kamp both presented an *amicus* brief in the United States Supreme Court case *Bowers v. Hardwick*, defending the rights of sodomists. In an interview given in March 1984, to the New York deviant periodical *Connection*, Attorney General Abrams describes his staff and their advocacy role for perversion. "In the early days when I was expressing support for gay rights legislation," comments Abrams, "I guess it was unpopular like a lot of other things I was doing. I was somebody who was outspoken with respect to the war in Vietnam; it wasn't the majority or popular position at that point. I was outspoken on behalf of the rights of women to be able to control their bodies. . . . We have a number of caucuses in our office, a Women's caucus, a Third World Caucus, and a Gay Caucus."

Besides Riley, another leading light on Abrams's team is Ehan Geto. Last summer, he was Abrams's campaign man-

ager. Geto, who from his high school days was part of the New York network of radical leftist and homosexual activists linked to the Communist Party U.S.A., was also a leading organizer for the Human Rights Campaign Fund's 1984 Gays-for-Mondale extravaganza at Madison Square Garden. Geto also has been identified as a funder of the North American Man-Boy Love Association (NAMBLA), a group which openly supports sex with young boys.

It is no surprise to discover that the Abrams office also opposes the "war on drugs." Frank Fiormanti, a member of the board of the National Organization for the Reform of Marijuana Laws (NORML), the lobby associated with *High Times*, the drug magazine which advocates legalizing marijuana, is Attorney General Abrams's liaison to the New York State Assembly. Dennis King, a writer for *High Times* magazine and self-proclaimed expert on LaRouche, had criminal charges dropped against him by Abrams's office when it was established that King's full-time job was slandering LaRouche. King has acted as an "informant" against LaRouche associates for the Attorney General's office in the present case.

Perversion and corruption are pervasive throughout the Democratic Party-controlled administration of the state of New York. On June 24, 1986, Democratic Committee Chairman Paul Kirk and New York Gov. Mario Cuomo held a press conference in Albany to announce their campaign to "Stop LaRouche." They admitted that they were committed to using "any means necessary" to prevent LaRouche backed candidates from taking part in the state's elections.

Five days after the press conference, Virginia Apuzzo, a leading lesbian activist and Cuomo's Deputy Commissioner for Consumer Affairs, spoke at a "whips and chains" Lesbian and Gay Freedom Parade, held in San Francisco to oppose organizing by LaRouche supporters there for Prop 64. Apuzzo is a member of Cuomo's AIDS task force and the Human Rights Campaign Fund (a gay and lesbian political action committee).

On July 14, Abrams began his illegal operations to shut down his LaRouche opponents by issuing a personal letter to all New York State LaRouche contributors, soliciting complaints from them. Nathan Riley, in early August of 1986, indicated to the investigative reporter who interviewed him, that the Attorney General's office had only been able to squeeze out five complaints by that time. This came just as Governor Cuomo's own links to organized crime were being exposed.

As *EIR* has documented and the *New York Post* reported, convicted drug smuggler and organized crime gopher Lawrence Iorizzo testified before Congress that he had given mafia money to Cuomo's 1983 election campaign. Indeed, not 48 hours before the recent arrests, two leading New York Democrats, Congressman Mario Biaggi and Party boss Meade Esposito, were indicted on seven counts of bribery and conspiracy. Will Attorney General Abrams and Governor Cuomo be next?

# Kenneth Bialkin is next on the list

by Joseph Brewda

Former Anti-Defamation League (ADL) chairman and New York corporate attorney Kenneth Bialkin has become the latest target of the clean-out of U.S. intelligence known as "Irangate." Bialkin, who has held press conferences to put out lying denunciations of the anti-drug political leader Lyndon LaRouche, could end up behind bars as a result of ongoing investigations into the Soviet KGB-Israeli Mossad networks in the U.S. government and their ties to organized crime.

On March 19, the *Washington Times* ran an interview with Adnan Khashoggi, in which the wealthy arms merchant, and intelligence hand, made a point of emphasis that Bialkin has not only been his attorney, but has also been his liaison to the FBI in the Irangate affair. Khashoggi's implied threat of fully recounting Bialkin's role, was preceded by the March 12 indictment of Bialkin's business partner, arms merchant, and stock speculator David Sofer, together with Merrill Lynch's international mergers and acquisitions director Nahum Vaskevitch, for "insider-trading," following a Securities and Exchange Commission investigation. Bialkin has remained unavailable to reporters.

## Insider trading, arms trafficking

A senior partner at the law firm Willkie, Farr and Gallagher, Bialkin is widely considered a top expert in coordinating foreign-based, hostile takeover bids of U.S. concerns. Bialkin has such clients, as Swiss banker Edmund Safra, who also controls American Express and Republic National Bank. Bialkin is also the attorney for a number of top arms smugglers, including the Mossad's Shaul Eisenberg, who supervises the Israeli arms trade to Iran, often in partnership with his crony Ya'acov Nimrodi, the central Mossad arms smuggler implicated in Irangate.

In the summer of 1985, Bialkin was very active with another one of these Israeli traffickers, David Sofer, in a Merrill Lynch-financed plot to take over Ampal Corporation, a subsidiary, and intelligence arm, of the Israeli Bank Hapoalim. The Sofer-connected Merico Shipping, had been caught the previous year shipping Israeli arms to the Italian Red Brigades terrorists, and is known to run arms to Central America.

Bialkin's associate in the Ampal takeover bid was Merrill Lynch acquisition director Nahum Vaskevitch, a Mossad agent who entered Merrill Lynch in 1981, the same year that its chairman, Donald T. Regan, was detailed to become U.S. treasury secretary. Vaskevitch's assignment at Merrill Lynch included setting up the financial arrangements necessary for expanded joint U.S. National Security Council-Mossad arms sales to Iran. The takeover bid for Ampal was part of this scheme.

The most significant Swiss-based figure in this complex financial network has remained Bialkin's client, Edmund Safra, who has long served as a key financial and logistics officer of Israeli intelligence. Closely working with Safra is Bialkin's former partner Willard Zucker, who established every single Swiss account used to manage the NSC-Mossad arms sales to Iran, including the one used to conduit Adnan Khashoggi's funds for this purpose. Zucker and Safra, moreover, were partners in the aviation companies which shipped the arms to Iran.

The genesis of this Swiss-Mossad financial network was the notorious Investors Overseas Services, which had been formed by Meyer Lansky's financial adviser John Pullman in the 1960s, for the joint use of the mob, the Mossad, and the bankers' faction of U.S. intelligence. Control of the day-to-day operations of IOS, however, were detailed to Bialkin's Willkie, Farr and Gallagher, which maintained three members on the board of directors. Among these Willkie, Farr directors was Willard Zucker, who also ran IOS's legal department. Bialkin and Zucker later ran the reorganization of IOS, which installed Robert Vesco in control of the firm. Vesco, now based in Havana, supplies the cocaine used by both the Contras and the Sandinistas to swap for Israeli arms, carried by such firms as Sofer's Merico Shipping.

Thus the following picture on Irangate emerges: Adnan Khashoggi, the Saudi arms merchant who is credited with getting the arms sales to Iran going, and who put up the millions of front money for the sales, was represented by Kenneth Bialkin, who was also his liaison to U.S. intelligence. The arms sales to the Iranians were overseen by Mossad arms dealer Ya'acov Nimrodi, a business partner of Bialkin's client Shaul Eisenberg. The Iranian arms profits diverted out of the Swiss accounts, reportedly to the Contras, were diverted out of accounts created and operated by Bialkin's former law partner Willard Zucker. The Contras received arms from Israeli arms merchants, among whom a favorite shipper is the Sofer-linked Merico Shipping. The Contras and the Nicaraguan government purchase Israeli arms with cocaine, or cocaine profits, derived from their dealings with Bialkin's Robert Vesco.

All this, and much more, is well known to Adnan Khashoggi, who since Irangate has been "hung out to dry" and subjected to efforts to bankrupt him by his former "handlers," including his former attorney. What Khashoggi will say, is just one element determining the fate of the ADL's Kenneth Bialkin.



## 'Project Democracy' on trial in Boston LaRouche case

The year 1987 is the bicentennial of the U.S. Constitution. Whether that document is currently, in practice, worth more than the paper it is written on, is the principal question in *U.S. v. The LaRouche Campaign et al.*, which is scheduled to come to trial June 1 in the U.S. District Court in Boston.

The "Iran-Contra" scandal now rocking the Reagan administration, challenges the very fabric of constitutional law in the United States, as it brings into question the rule of elected officials. The "secret government" now under scrutiny by congressional investigators and Independent Counsel Lawrence Walsh, has *made law* for the United States, behind the backs of this nation's elected officials.

With the filing on March 11, 1987 of new pre-trial motions in the Boston court case, a much deeper level of this political scandal was made public. These motions establish, beyond a shadow of a doubt, that the "secret government" which carried out the illegal weapons-for-hostages deals with Khomeini and the Contras, has been deeply involved in the selective and vindictive prosecution of individuals and organizations associated with declared U.S. presidential candidate Lyndon LaRouche. The prosecution has been carried out by agents of this "secret government" for the explicit purpose of destroying its political enemies—LaRouche and associates.

What these motions establish, abridged here and without exhibits, "could blow the government's case" against LaRouche "sky high," according to knowledgeable observers. The case should also, if honestly conducted, result in the indictment and prosecution of the *prosecutors*.

Lawyers for the defense in these motions have charged that LaRouche and his associates were in direct conflict with the Poindexter/North NSC over policy issues and fundraising; that LaRouche and his associates were targeted by the FBI and NSC for "dirty tricks" under the government's "counterterrorism" program; and that the National Endowment for Democracy, the public side of Project Democracy,

funded opponents of LaRouche.

Federal Judge Robert Keeton ruled on March 9, in favor of defendants' motion for a delay in the start of the trial until June 1, in order to hold substantial evidentiary hearings on pre-trial motions.

Whether these motions and the array of evidence being marshalled by the defendants can succeed in bringing the "secret government" to the full light of day through the process of the trial, remains to be seen. But the survival of the U.S. Constitution depends on it.

### **Joint Supplemental Motion to Dismiss on Grounds of Selective and Vindictive Prosecution Reflecting Newly Discovered Evidence**

#### **Factual Background**

Defense motions in this case were due on or around February 3, 1987. Since that date new information relevant to this case has been released via the news media and the Tower Commission investigating the National Security Council. This new information supports Defendants' belief that this Prosecution is rooted in a selected prosecution based on policy disputes arising out of foreign affairs, domestic politics, and the operations of the United States intelligence community.

The new information falls into two categories:

1. "Project Democracy"—On February 15, 1987 the *New York Times* reported that in 1982 an interagency program of the Government named Project Democracy was created to undertake a broad range of covert and overt action programs in the field of foreign policy. According to the *Times*, the overt side was run by the National Endowment for Democracy (NED), a bipartisan political organization composed of the Democratic and Republican parties funded by the U.S.

Government. The covert side was run, according to the *Times*, by Lt. Col. Oliver North of the National Security Council (NSC) at the White House. . . .

Among the groups under investigation for being utilized by Colonel North for Project Democracy are 15 groups set up by Republican fundraiser Carl Channell, which funded millions of dollars to support the Contra effort. As will be shown below, Carl Channell's organizations were in direct competition with the Defendants for very large contributions. . . .

2. In mid-February 1987, Mr. Frank Varelli testified before a Congressional committee regarding recent Federal Bureau of Investigation (FBI) infiltration of political groups in the United States. Mr. Varelli stated that he was instructed by FBI superiors to infiltrate a group in Texas opposed to U.S. policy in Central America. Varelli stated that his FBI supervisors often spoke of "breaking" the group politically because of its opposition to U.S. foreign policy. The FBI conducted this domestic political infiltration under the title of "counter-terrorist" investigation—authorized by Executive Order 12333. Among the persons Varelli stated were under FBI investigation for terrorist activities are former U.S. Representative Michael Barnes and U.S. Senators Christopher Dodd and Claiborne Pell. Varelli stated that the FBI conducted warrantless break-ins under the purported authority of this investigation. It should be noted that Assistant FBI Director Oliver "Buck" Revell served on an interagency counterterrorist committee headed by Lt. Col. North. . . .

## **I. LaRouche and Associates Were in a Dispute with Lt. Col. North Apparatus on Contra Question and Raising of Funds**

As previously stated in Defendants' motions, LaRouche and certain Defendants maintained a working relationship with the National Security Council of the White House until 1983-84. This relationship is further reflected by the trial testimony of Judge Clark's Executive Assistant at the NSC, Richard Morris. Mr. Morris testified among other things that Mr. LaRouche received security clearance to visit the White House, and that the matters discussed with Mr. LaRouche could not be discussed for reasons of national security. . . . With the departure at that time of William Clark from the position of National Security Advisor and his replacement by Robert MacFarlane and later John Poindexter, significant policy changes occurred at the White House. Concurrently, as the *New York Times* reported, Lt. Col. Oliver North began his program of overt and covert Project Democracy activities leading up to the current scandal in Washington. . . .

The relevance of these developments to this case is the fact that Defendants and their associates were in direct competition with Lt. Col. North and his associates in obtaining funding for their respective projects. It is unlikely that Lt. Col. North and associates would have overlooked Defendants' activities, as can best be shown by the following example.

## **A. Barbara Newington, Oliver North and Western Goals**

. . . Western Goals is a political organization co-founded by the late Rep. Larry McDonald and the late husband of Barbara Newington of Connecticut. Barbara Newington has continued to support Western Goals as its largest contributor, and, according to press reports, she donated one million dollars to the Channell-North apparatus. Barbara Newington is also a very large contributor to causes organized by LaRouche and associates. . . . During the period 1985-86, Mrs. Newington was in frequent contact with Defendants' representatives. A representative of Defendants was informed by Mrs. Newington of the desire of Carl Channell and Oliver North that she provide the funding vehicle for pro-Contra activity. Defendants' representative persuaded Mrs. Newington not to provide such a funding vehicle for the Contras on several occasions. Defendants' representative urged such a course of action based on the political belief that the Contra policy is a wrong policy. During the 1985-86 period in effect a tug-of-war developed between the Channell-North covert grouping and Defendants and associates for the patronage of Mrs. Newington. Arguments and counterarguments were made by the opposing interests to convince Mrs. Newington to support one cause or the other. . . .

Defendants believe on information and belief that Oliver North's interagency committee to conduct covert activities against opponents of the Contra policy targeted LaRouche and associates because of this competition for funds.

Defendants believe there is a relationship between the Varelli infiltration campaign and the interagency group headed by Oliver North and including FBI Assistant Director Revell.

## **II. Defendants Believe They Are Improperly Targeted as Part of the Government's 'Counterterrorism' Program of Dubious Legality**

In or about 1982, President Reagan signed classified Executive Directive 12333 relating to efforts of federal agencies involving counterterrorism. On information and belief the FBI has conducted numerous warrantless break-ins within the U.S. under the purported authority of that directive.

Defendants believe that they have been targeted by federal agencies under that directive and have been subject to illegal surveillance and destabilization efforts under this revived COINTELPRO-type program.

Support for Defendants' belief is as follows:

- David Abshire, now Special Assistant to President Reagan in charge of the Iran-Contra matter and Edward Bennett Williams, Esquire, members of the intelligence community oversight panel called the President's Foreign Intelligence Advisory Board (PFIAB), raised the issue of LaRouche and associates at the PFIAB meeting in January 1983. . . . Abshire asked if the FBI could investigate LaRouche and as-



sociates under the guidelines governing FBI harassment of political groups or *otherwise*, presumably suggesting an extra-legal investigation. Williams asked for U.S. intelligence analysis of possible funding for LaRouche and associates by "hostile foreign intelligence agencies." Apparently, a review of the matter was undertaken by the U.S. intelligence community. The matter was referred to Assistant FBI Director *Oliver Revell*, who served on the interagency task force headed by Oliver North.

- Unsolved break-ins have occurred at offices of Defendant Caucus Distributors, Inc., including an unsolved break-in at the Boston office on or about January 23, 1985. Nothing of value was taken, but documents and files were disturbed and several blank Caucus Distributors, Inc. checks were missing.

- The FBI keeps a file on *EIR*'s policy initiatives and FBI Counterintelligence communicated to FBI offices that Defendant NCLC and *EIR* were "propitious" to the aims of Soviet intelligence agencies. . . .

- Defendants believe they were targeted as interfering with Oliver North's Iran arms deal for pursuing a contact offer offering release of the hostages in Lebanon. . . .

### **III. The National Endowment for Democracy (NED) Branch of Project Democracy Has Funded Opponents of LaRouche**

The NED was created in 1982 as the overt side of the Project Democracy operation, according to the *New York Times*. The NED is a joint venture of the Democratic and Republican National Committees, but funded by the U.S. Government. The alleged purpose of the NED is to foster democratic values in other countries, such as those promoted by the NED.

The Defendants and associates have a long history of significant political activity in the United States. Their activity has been denounced by both the Democratic and Republican parties nationally. Defendants also have a long history of organizing politically and over policy issues in other countries, including Western Europe, South America, and free Asia. Defendants' policy proposals have been at odds often with *status quo* policy options regarding free countries.

For example, LaRouche and associates became alarmed about the U.S. banks' foreign debt overextension with developing nations before the issue became publicly known. LaRouche and associates developed a plan to deal with the Latin American debt called Operation Juárez in 1982. . . . LaRouche met with the President of Mexico, the President of Argentina, and numerous other high ranking leaders of Latin America to popularize Operation Juárez. . . .

The National Endowment for Democracy includes among its sponsorship not only the Democratic and Republican par-

ties, but also other organizations in the private sector. Among these is the League for Industrial Democracy, which has funded Dennis King, a writer who wrote the *New Republic* article in 1984 regarding the LaRouche-National Security Council relationship, as well as a pamphlet about LaRouche and associates entitled "Nazis without Swastikas" which was funded by the League for Industrial Democracy. . . . King's *New Republic* article contained numerous interviews with high-ranking present and former members of the U.S. intelligence community, as if the author had ready access to such persons.

Defendants believe that LaRouche and associates have been targeted by Project Democracy for their policy views. This targeting would explain why the U.S. State Department alerted embassies in 1982-83 that LaRouche and associates were to be discredited by embassy employees when foreign nationals inquired about their political activities. Another example is a memo from Assistant Secretary of State Elliott Abrams (in charge of Latin American policy) in which Abrams requests the State Department to pass information about LaRouche and associates to the FBI "which I assume must keep close tabs on Mr. LaRouche". . . . NED, being a grouping of *status quo* political parties and interest groups, running a "privatized" foreign policy for the U.S. Government, begins to take on sinister dimensions when its activities connect with domestic political infiltration and destabilization as FBI informant Varelli testified before Congress.

In addition, key recipients of money from Project Democracy funding conduit the National Endowment for Democracy (NED), such as the American Institute for Free Labor Development (AIFLD), which is the foreign policy apparatus of the AFL-CIO, has regularly engaged in counter-organizing against LaRouche and associates.

- AIFLD regularly distributes to its attendees at its George Meany Center of Labor Studies in Silver Spring, Maryland, a packet of materials taken from 1982 editions of the AFL-CIO newsletter of "The Strange Cult of Lyndon LaRouche." The same packet is also distributed by its affiliates and representatives in Colombia, Argentina, Panama, and elsewhere.

- The labor attaché of the U.S. embassy in Bolivia, who works closely with AIFLD there and throughout the continent, regularly distributes a Spanish-language packet of negative information on LaRouche entitled "The Truth about Lyndon LaRouche."

- AIFLD receives more than 70% of its \$18.3 million in funding from the U.S. State Department and NED.

Defendants are entitled to an evidentiary hearing to determine the extent of Project Democracy's targeting of LaRouche and associates for political destabilization.

## White House admits system bankrupt

With remarkable candor, James Warner of the White House's Office of Policy Development confessed to an audience of 150 at a "Debt Reform" workshop at the International Development Conference here March 19, that the U.S. monetary system is bankrupt. Warner said that the only issue facing the government is finding a way to "write down the debt in an orderly way, rather than a disastrous way, so that people don't think the banks are collapsing."

He said most of the Third World debt owed to U.S. banks, as well as to the U.S. government and multilateral lending institutions like the International Monetary Fund (IMF) is "a paper fiction, already."

Warner advocated the creation of an "intermediary institution" which would be willing to buy up all this non-performing debt from the banks at a discount in exchange for a "paper share" with a roughly equivalent face value. "The paper the bank would receive in exchange for selling off its debt couldn't be worth less than the non-performing loans, but it will give the bank the ability to show its shareholders and depositors that it has this asset."

The "intermediary institution" would then be able to try to collect the debt from the Third World country—but would not be faced with the same pressures the banks are to produce immediate payment. "Nonetheless,"

Warner said, "They would have to proceed with the burning zeal of a revolutionary to insist on sound and realistic developments in the debtor countries, pushing for privatization of the economy, and for taking assets as payment for the debts."

What was amazing was how openly Warner presented this proposal as a way of creating the public *illusion* that the monetary system is not bankrupt, when in fact it is. He did not even figure the \$10-12 trillion domestic debt into his equation.

Warner's proposal has already taken shape in legislation introduced by Rep. John LaFalce (D-N.Y.) to create a "multinational debt adjustment facility." This most cynical attempt yet to paper over the U.S. economic collapse is no joke in terms of its commitment to bleed the developing sector further. The "intermediary institution" would have more clout than any single bank to pressure Third World nations—especially, to force them to "open up" to outside looting, and to swap their debt for equity.

Warner said that the United States should not give a dime to sub-Saharan Africa for agricultural development: "Agriculture is a disaster for Africa. I'd rather see them producing Toshiba than growing crops. There should be no fertilization of the soil—it only creates an artificial economy that throws everything out of balance."

This radical "free market" approach is indifferent to the fact that the Sahel, directly south of the Sahara, could be one of the world's richest agricultural regions, if flood control and irrigation were provided by a system of dams and canals.

There is little difference between Warner's hard line on this issue, and that of the "small is beautiful" proponents who were crawling all over the conference demanding aid for local well-digging and land reform instead

of large-scale energy and infrastructure development in the Third World.

The contrasting view was demonstrated by supporters of Democratic presidential candidate Lyndon LaRouche outside the hall with signs reading, "Africa Needs Nuclear Power."

## The Brazil bogeyman

Sally Shelton Colby, the wife of former CIA director William Colby, joined Warner in the "Debt Reform" workshop. A member of the secret government network organized under the National Endowment for Democracy (the "Project Democracy" that Lt. Col. Oliver North utilized), Shelton Colby warned that time is running out to find a solution to the Third World debt crisis, and that some U.S. commercial banks, like Citibank, will have to give in somewhat to avoid a blow-out.

While trying to downplay the recent debt moratorium declared by President José Sarney of Brazil, she added in an agitated tone that "the creditor community cannot run the risk of allowing Brazil to go beyond 90 days without paying, and getting away with it." She said that a short-term bridge loan can extend the deadline another 90 or 180 days, but that "the U.S. banks are going to have to be willing to take some kind of a hit" in order to see the Brazil crisis resolved.

She said she favored the proposal of her husband's crony, former White House national security aide Norman Bailey, to "lock in" the relatively low interest rates of Third World loans that now exist.

She added, smugly, "All President Sarney needs is something he can turn to his population and call a political victory. . . . We have to finesse the problem."

## Senate SDI foes push for crisis on ABM Treaty

Senate opponents of the Strategic Defense Initiative (SDI), led by Senators Joseph Biden (D-Del.) and Sam Nunn (D-Ga.), are attempting to force a "constitutional crisis" over the interpretation of the ABM Treaty to either achieve major new arms control limitations on the SDI, or program funding cuts.

On March 12 Biden, chairman of the Senate Judiciary Committee introduced Sen. Res. 167, the "ABM Treaty Interpretation Resolution," which seeks to specify what the Senate ratified. The Judiciary and Foreign Relations Committees held the first of two joint hearings on March 12, to marshal their arguments.

Section 8 declares that "development, testing, or deployment of any sea based, air based, space based, or mobile land based ABM systems or components for the purpose of countering strategic ballistic missiles or their elements in flight trajectory, including ABM systems or components involving technologies not in existence when the Treaty was ratified, would be inconsistent with the provisions of the Treaty and would require an amendment to the Treaty."

Since October 1985, the administration has "moved slowly but inexorably toward a constitutional confrontation with the Senate," Biden charged. If Reagan doesn't adhere to their interpretation, SDI funding will be "cut dramatically from current levels," Sen. Carl Levin (D-Mich.) said.

Nunn, chairman of the Senate Armed Services Committee, backed up this assault with three speeches on the Senate floor March 11-13. Nunn claimed that "notwithstanding the ambiguities, the negotiating record con-

tains substantial and credible information which indicates that the Soviet Union did agree that the development and testing of mobile/space-based exotics was banned."

Nunn admits that the United States and Soviets "have not reached a meeting of the minds" on the precise meaning of such important words as "development," "component," "testing in an ABM mode," and "other physical principles." In addition to declassifying the negotiating record, Nunn urges arms control efforts be used to enter into "a comprehensive agreement on offense and defense" to supersede the current debate.

## Boren-Byrd bill leads campaign finance reform

The "Senatorial Election Campaign Act," S. 2, sponsored by Sens. David Boren (D-Okla.) and Majority Leader Robert Byrd (D-W. Va.), is the Senate campaign financing proposal with the most political backing.

The bill would "establish a voluntary system of campaign spending limits for Senate general elections tied to partial public financing." If a candidate chose to participate, he would be eligible for public financing if he were to first raise \$250,000 from individual contributions of \$250 or less, 80% of which would have to come from the candidate's own state. Contributions of \$250 or less raised beyond the threshold would then be matched up to an overall campaign spending limit of \$600,000 plus 25¢ for every voting-age individual in a state. The candidate or his immediate family could contribute no more than \$20,000 in personal funds.

Independents or third-party candidates could get matching funds but only up to 50% of the overall spending limit, obviously giving a significant edge to a nominee of the party system.

Non-participating candidates would no longer be entitled to the benefits of lowest unit rate costs for television advertisements.

Allowable political action committee (PAC) contributions would be reduced from \$5,000-\$3,000 per PAC, with an overall limit of \$175,000 to \$750,000 of PAC contributions depending on state size. Party campaign committees would be limited to \$2 million per two-year election cycle.

Independent campaign expenditures would also be limited to \$25,000 per individual or group. If this limit were exceeded and the funds spent against a candidate or for his opponent, the participating candidate would get public funding in the amount by which the \$25,000 limit is exceeded.

If a non-participating candidate first exceeds the spending limit, and then exceeds twice the spending limit, the participating candidate is first eligible for twice the amount of tax dollars, and then all spending limits are lifted, respectively.

At best, this system locks in the current high level of campaign spending. At worst, it opens up the potential for more political abuse and party control—using tax dollars!

## Bentsen maneuvers to save U.S. oil production

Senate Finance Committee chairman, Sen. Lloyd Bentsen (D-Tex.), introduced the "Energy Security Act of 1987" on March 10, the latest effort to save domestic oil production.

The bill, S. 694, would require the President to submit an annual report to Congress projecting the dependence on foreign oil for the next three years. If that dependence was projected to exceed 50% of domestic consumption, the President would be required to submit a plan to redress that dependence. The bill does not specify what the plan might or might not contain.

Bentsen said that an oil import fee is the "most direct" means of aiding the domestic industry. However, Bentsen has noted that such a fee has "no chance" of Senate passage without the President's support.

The latest administration stand, the Martin report produced by the Energy Department, was criticized as "madness" for its estimates and hostility to the import fee by many oil state congressmen. One set of calculations was that 900,000 barrels of production would be lost by 1995, a ludicrous figure given that 800,000 barrels of production were lost in 1986 alone. The DOE report "admits the oil import fee gives the highest production and most direct stimulant," Bentsen said, but "gave it the worst-case scenario."

## House banking panel votes study of Third World debt

A House Banking subcommittee approved on March 17 mandating a study of a new facility designed to ameliorate the Third World debt crisis. The study will evaluate a proposal advanced by Rep. John LaFalce (D-N.Y.), H.R. 1423, which he introduced on March 5, and which is similar in nature to proposals by Reps. Obey (D-Wis.) and Morrison (D-Conn.), and Sens. Levin (D-Mich.)

and Sarbanes (D-Md.).

LaFalce said he was introducing his proposal because the debt crisis "may be reaching a new breaking point" with "an increasing number of countries declaring bankruptcy," and "we have an administration policy which is not coming to grips with this problem. . . . I believe that the Mexico package may characterize not the beginning of the Baker Plan," he said, "but its demise." LaFalce noted that banks have already cut off new loans, and that the debt must be reduced before "new private capital flows will or should take place."

LaFalce's proposal would create a special facility in the IMF to which 10% or more of the IMF's 100 million ounces in gold would be pledged as collateral. It would "help commercial banks voluntarily dispose of loans they no longer wish to hold," with the benefits of reducing the face value of the loan going to the debtor nation. It would also package the debt into longer-term instruments at lower interest rates.

LaFalce makes clear that conditionalities and economic restructuring of debtor economies is not to be abandoned.

## Burton bill to require yearly AIDS tests

Rep. Dan Burton (R-Ind.) announced at a press conference March 18 that he is introducing legislation "to require annual mandatory testing for all U.S. residents" for the AIDS virus. Burton was seconded by Rep. William Dannemeyer (R-Calif.), Dr. Vernon Mark of Harvard University, and A.D.J. Robertson, President of Research Testing and Development Corp. of Georgia, who had just briefed 28 con-

gressmen on the AIDS threat.

"I am introducing this legislation," Burton said, "because AIDS is a fire out of control and we're in the dark about it." He said that "mandatory testing will help to control the spread of AIDS by educating the public and providing important information to the scientific community." He also warned that "if the attitudes and practices of those infected with AIDS do not change, we may have to take more extensive measures in the future."

Burton said that "in the short run my legislation will probably be defeated," but predicted that testing will be mandatory, "in the not too distant future . . . people will demand it," he said.

Dr. Mark warned reporters that it is "unfair to say that casual transmission will not occur in the future. This is a goad to get us to do something now." Mark pointed out that we are only dealing with "stale statistics" on the AIDS syndrome, with data anywhere from two weeks to 10 years old. "We don't have any reliable data as to how AIDS is spreading today," he said. "If we make a mistake on transmission of AIDS it will be a national catastrophe."

Dr. Mark stressed the importance of retesting to "ensure that voluntarism is going to work." He, like Burton, said that if it does not, it may "indicate an overwhelming national interest to implement [additional] public health measures to prevent the transmission of AIDS."

Robertson suggested that it was "not terribly likely" that a cure would be found, and that, without testing, "we have no way of knowing whether any of our methods are working" to halt transmission.

# National News

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## Congressmen plan junket to Moscow

House Speaker Jim Wright (D-Tex.) and 20 other congressmen will visit the Soviet Union April 10-20, according to a spokesman for Wright's office. The trip will overlap that of Secretary of State George Shultz to Moscow; Shultz will be discussing the "zero option" plan for withdrawal of nuclear missiles from Europe with Soviet Foreign Minister Eduard Shevardnadze.

The final details of the Wright delegation's trip are not yet available, but his aide said the trip was a reciprocal visit to one made last year to the United States by members of the Supreme Soviet. Included in the delegation will be House Democratic leader Tom Foley (Wash.), assistant Democratic leader Tony Coelho (Calif.), and Republican Dick Cheney (Wyo.).

Wright will also visit West Berlin, where he is scheduled to address the opening session of the annual meeting of European parliamentarians.

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## Dukakis seeks to brown out New England

Michael Dukakis (D), the governor of Massachusetts, devoted his first speech as a presidential hopeful to a blast against nuclear power. In a Louisiana campaign appearance in March, he called for expanding research in extraction of fossil fuels, so that the United States can cut back its use of "unsafe" and "unreliable" nuclear power.

Dukakis's machine in Massachusetts is using every dirty trick in the book to prevent the Seabrook nuclear plant from operating. The Massachusetts attorney general is suing a pro-nuclear group that has spent \$2.3 million in television advertising throughout New England to defend the Seabrook nuclear plant in New Hampshire. The attorney general has called the advertising of the Coalition for Reliable Energy "deceptive" because it "falsely" suggests that the coalition is run

by volunteers who have no ties to Seabrook.

The Coalition maintains that New England will have an electricity shortage unless all forms of reliable energy are used. To counter the pro-nuclear advertising, the three major television stations have given the environmentalists free time.

Seabrook, which is 10 miles from the Massachusetts border, is ready to go on-line, but cannot go to full power because Dukakis has refused to participate in an emergency evacuation plan.

At a hearing of the Nuclear Regulatory Commission on Feb. 24, Dukakis denounced a rule change proposed by the NRC which would permit Seabrook and the Shoreham nuclear plant on Long Island to operate. "What you are proposing is the nuclear equivalent of cutting the number of lifeboats for the 'unsinkable' Titanic, because it would reduce the space for passengers and make the voyage unprofitable," he said. New York's Gov. Mario Cuomo (D) attacked the NRC for protecting the "multibillion-dollar" investments of the utilities, and Rep. Edward Markey (D-Mass.) vowed retaliatory legislation curbing the NRC if the change is adopted.

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## Weinberger concerned at NATO 'backtracking'

U. S. Defense Secretary Caspar Weinberger on March 19 warned of the erosion of NATO capabilities on the Southern Flank. In a pointed reference to Spain's decision to reduce American troop deployments there, he said that the Western alliance could not afford "backtracking" from commitments such as maintaining U.S. military facilities in host nations. Weinberger was speaking in Istanbul, Turkey, on a European tour that also took him to Spain.

"If we do not do enough in time, we will never do it until it is too late," he said. "It would be damaging indeed to NATO to consider removing U.S. military facilities without providing a full substitute for the loss of defense capability, so that there is no loss in either defensive military strength or political support."

He added that the United States and other industrially developed nations need to provide more security assistance to Turkey, Greece, and Portugal. The current level "is not adequate." Turkey alone, he said, "needs well over \$1 billion in annual security assistance to modernize effectively—well above current levels our Congress will appropriate." He said that unless more foreign military sales credits are provided, and additional help from NATO allies is forthcoming, "Turkish armed forces modernization will be impeded seriously and NATO will be correspondingly weakened."

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## Not much headway in U.S. war on drugs

Drug smuggling is at an all-time high, according to a study released in March by the congressional Office of Technology Assessment. "Despite a doubling of federal expenditures on interdiction over the past five years, the quantity of drugs smuggled into the U.S. is greater than ever," the study said.

The stepped-up government effort has had little long-term effect on the availability of illegal drugs, according to the report. "Illegal imports of cocaine, the drug now of intense national concern, have about doubled since 1981, supplying a growing number of users at prices that have fallen as the supply has increased."

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## Congressman hits Soviet disinformation film

Representative William Broomfield (Mich.), the ranking Republican on the House Foreign Affairs Committee, attacked the Soviet Union's film, "Who Killed Olof Palme?" in the March 5 *Congressional Record*. The film blamed the CIA and Lyndon LaRouche for the February 1986 assassination of the Swedish prime minister.

Without mentioning the film's treatment of LaRouche, Broomfield attacks the Sovi-

ets for "hints that the CIA was behind the still unsolved assassination of the late prime minister. That is patently ridiculous." "Mr. Gorbachov must turn off this propaganda machine if he truly wants to improve relations with the United States," he said. "Mr. Gorbachov boasts that this is the so-called age of *glasnost*, or openness, but Soviet conduct shows otherwise."

## Deaver indicted, loses constitutional challenge

Former top White House aide Michael Deaver was indicted by a grand jury on March 18 for allegedly lying about his lobbying activities on behalf of South Korea, Canada, Puerto Rico, and four airline companies. The indictment was handed down after Chief Justice William Rehnquist denied a plea by Deaver challenging the constitutionality of the use of a special prosecutor to investigate his activities. A federal appeals court had rejected the plea on March 17.

Deaver, who had temporarily restrained a grand jury indictment on four counts of perjury on Feb. 25, argued through his attorney that the office of independent counsel violated the constitutional doctrine of separation of powers and no indictment could properly be returned by a grand jury functioning under the supervision of the independent counsel.

Federal Judge Thomas Jackson of the District of Columbia, who had issued the unprecedented restraining order, found against Deaver on three grounds. First, Deaver had a viable remedy at law, which is to move to dismiss the indictment after it is returned. Second, Deaver could not demonstrate "a likelihood of ultimate success on the merits," which is the traditional legal standard for the issuance of preliminary injunctions. Judge Jackson found the constitutional issues to be novel, without significant case law precedent, and therefore, the ultimate success on the merits is not "clearly foreordained."

Finally, the Court decided that the public interest required both an expeditious res-

olution of the constitutional issues as well as a speedy enforcement of the criminal laws.

In a related case, a suit filed by Lt. Col. Oliver North, challenging the constitutionality of independent counsel Lawrence Walsh's investigation of the "Irangate" scandal, was thrown out of court on March 12 by U.S. District Court Judge Barrington Parker. "The nation demands an expeditious and complete disclosure of our government's involvement in the Iran-Contra affair," Parker wrote.

## Where did Gary Hart get these 'new ideas'?

Former Colorado Sen. Gary Hart, the unannounced but vigorously campaigning contender for the 1988 Democratic presidential nomination, went on the stump in Brazil in mid-March, borrowing heavily from the policies of Lyndon LaRouche in an effort to present himself as a viable candidate in the eyes of U.S. allies in Ibero-America. Brazil has declared a moratorium on interest payments on its foreign debt.

Hart met for 40 minutes with President José Sarney on March 16. Then in a speech on March 18, he declared, "The U.S. government should act more like a champion of global growth and less like a collection agency for the overextended banks. If we help expand Latin American economies rather than squeeze them, we can increase U.S. exports as we strengthen southern democracies—and our mutual security."

Debtor nations, he said, need "to avoid capital flight by elites and irresponsible fiscal policies. . . . The banks should know that full repayment of these loans is no longer tenable as a primary goal of U.S. policy."

In order for the United States to be able to increase its exports to Latin America, he said, the debt crisis will have to be solved. "According to a recent study, nearly half of Latin American interest payments were generated by reducing purchases of U.S. products." Banks should consider "selected direct debt relief and in some cases, corresponding writedowns, extended repayment schedules, interest rate relief and new international lending mechanisms."

# Briefly

● **THE FBI** has asked Attorney General Edwin Meese to designate the Israeli Mossad "a hostile agency of a foreign power," in light of the Pollard espionage affair. Sources report that this information was leaked to the press by Israel itself, in part because American leaders of the Anti-Defamation League (ADL) are worried that they will come under FBI surveillance the minute this occurs.

● **MARIO BIAGGI**, the Democratic congressman from New York, and Brooklyn Democratic Party boss Meade Esposito were indicted on March 16 on bribery and conspiracy charges, for using their influence to bail out the failing Coastal Dry Dock and Repair Co., whose insurance Esposito handled. The indictments are the newest round in an ongoing dismantling of the New York Democratic Party apparatus.

● **ANDREW STEIN**, the New York City Council president, voted to award more than \$2 million in city contracts to Telecom Plus, a company in which his father, Jerry Finkelstein, owns stock and is a member of the board of directors, according to a report in the *Village Voice*. The votes appear to violate conflict-of-interest guidelines in the City Charter.

● **THE POPE'S** American tour Sept. 10-19 has raised fears for his security, particularly in San Francisco. The Secret Service has vetoed the idea of a motorcade down Market Street, because of the danger of an assassination attempt by a sniper. Homosexual groups unsuccessfully attempted to persuade Mayor Dianne Feinstein to bar the visit.

● **SIX FORMER U.S.** defense secretaries were praised by the Soviet government newspaper *Izvestia* March 11, for their opposition to a "broad interpretation" of the ABM Treaty. *Izvestia* reported that "R. McNamara, C. Clifford, M. Laird, E. Richardson, J. Schlesinger, and H. Brown" have urged President Reagan "to uphold the traditional interpretation of the agreement."

## *The banking system crisis*

The federal government must take new forms of action now, to deal with the tidal wave of banking failures.

The greatest danger, would be a refusal to recognize that the threat to our banking system is part of a combined economic depression and an international financial crisis with many analogies to that of 1929-32. If we pretend that there is no economic depression and no spiraling financial crisis, and if we continue to employ policies attuned to assumed normal business conditions, we invite an unnecessary, deep catastrophe.

First, the government must proceed on the basis of the fact, that most of the banking failures are the fault of neither the banks nor their borrowers.

Second, the wave of collapse of local banking institutions must be seen as adjunct to liquidation of farms and plant shutdowns. The loss of a large number of these institutions, during the present economic depression, would represent a major loss of essential structure of the U.S. economy, a loss of structure which could make an economic recovery very difficult to mobilize.

Third, under conditions of economic recovery, many of these banks, farms, and industries would be viable economic entities. Since it must be our intent, to make those changes in policy which bring about such an economic recovery, it should also be our policy to save those banks, farms, and industries which would resume economic viability under recovery conditions.

Therefore, our policy should be, to prevent precipitous collapse of banking institutions, and to take measures to maintain operations of those banks which would become viable under recovery conditions.

It should be determined, whether it were better to take the appropriate action under the President's emergency powers, or whether an emergency, clean bill must be enacted by Congress for this purpose. Were the latter deemed feasible, it were to be preferred, for rather obvious reasons.

An emergency action under law must provide for: The orderly and efficient determination of which im-

periled banking institutions could be successfully reorganized under conditions of economic recovery, and emergency measures of reorganization to provide for the continued operation of banking institutions falling into the latter category.

The following considerations should be included.

- Congress should resolve that a condition of threatened international financial crisis and economic depression exists, and that the government is resolved to effect such changes in current monetary, fiscal, and economic policies as may be needed to begin an immediate and durable economic recovery.

- The general approach to financial reorganization should be to classify non-performing assets as ceasing to accrue debt-service charges according to law.

- Non-performing loans which might become performing assets, in respect to unpaid principal, under conditions of economic recovery, should be considered as potentially performing loans, and that amount of value of unpaid principal should be classed as a frozen asset. If the bank is solvent on this basis, then the bank should be kept in operation.

- If there is no prospect for successful reorganization under conditions of economic recovery, and if greater damage to depositors would result from continuing operations than otherwise, the best mode of liquidation should be adopted.

The same approach should be adopted, on principle, for the case of foreign non-performing debts. Banks holding loans which are non-performing, should carry balances without accruing debt-service charges, unless the bank should elect to write off the entirety or a portion of this unpaid balance, carrying only some residue as a balance.

In the case of currently non-performing debts of foreign governments, except in the case of the so-called "least developed nations," it should be assumed that a successful reorganization of payment of either all or a substantial portion of the principal amount of the unpaid balance will occur.



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