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From the Editor

This week's cover *Feature* is the first of a series of articles to appear in this publication which will give subscribers a small sampling of the contents of our forthcoming *Special Report*, "Global Showdown II," the 1987 sequel to the July 1985 360-page report that revolutionized Western perceptions of Soviet policy. Two years ago, we documented the Soviet war plan for world domination by 1988. The new report centers on the integration of "regular" and "irregular" modes of warfare in the Soviet war drive.

While the dossier in this issue on narco-terrorism in Ibero-America focuses on the "irregular" mode of warfare—the drug mafia's guerrilla army—future articles will also describe the mammoth growth of the Soviet "regular" capabilities. While President Reagan was being focused, to the point of obsession, on "stopping communism" in Central America by backing the unsavory "narcontras," the Soviets were building that irregular army and making massive economic and diplomatic gains all over the continent.

The report also runs down the checkerboard pattern of states in the continent of Africa which already are—or are about to become—Soviet client states, under State Department-blessed "regional matters" accords with Moscow. Compare this to our conference report on UNCTAD VII (page 7), where the United States is throwing away the chance to consolidate potential allies in Africa by sabotaging all discussion of the debt issue, and thus handing the stage over to Soviet propaganda maneuvers.

EIR's analysis of the Soviet command changes, and maps and tables on Soviet strategic forces, prepared for this *Special Report*, are far more accurate and frightening than those appearing in official U.S. government publications. This report is being rushed into print in order to block the various "zero options" deals by which a weakened President Reagan is being induced to give not only Europe but every corner of the globe over to Soviet hegemony.

Nora Hamerman

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The biggest Ponzi game in history

by David Goldman

The news is not that American banks will show the worst net loss in history during the second quarter, exceeding \$10 billion. The news is that the banking industry will continue to show such losses for the third quarter, the fourth quarter, and so forth, until such time that it ceases to exist, as matters stand.

The bankers' argument that the immense loan-loss reserves registered by the major banks represent a salutary housecleaning, is equivalent to thinking of Auschwitz as the ultimate weight loss camp. Most analysts argue that the booming stock market liked the loan-loss reserves, led by Citibank's \$3 billion set-aside, so much, that it will like even bigger losses better. It is argued that the Americans are now emulating the German and Swiss banks, which wrote off their Third World loan exposure early, and gained by it. A majority of the same European bankers who wrote off their Ibero-American loans early in the 1980s, expect the worst crash in the banking system's history—as Italy's Carlo De Benedetti, Switzerland's Hans-Georg Rudloff, and other prominent bankers have insisted in recent public statements. Since these bankers are the intermediators of a large portion of the unguaranteed foreign deposits which make up some 40% of the major banks' deposit base, turned over an average of every week or so, these views might otherwise attract attention.

In fact, Citibank's \$3 billion addition to loan-loss reserves covered less than a fifth of its more than \$15 billion in loans to the developing sector, let alone its exposure to oil and gas drillers, real-estate developers, shipping lines, and a dozen other loss-making industries. Other banks, notably

Bank of America and Manufacturers Hanover Trust, set aside reserves against a much smaller portion of their overseas exposure, and only under pressure, following Citibank's action. Their present capital base could not withstand a writeoff proportional to Citibank's.

The second-quarter loss alone compares badly to the last time the banking sector lost money. That it was in the year 1934, when it lost \$600 million, or roughly half the second-quarter loss, when adjusted for inflation. But when will the losses stop?

Washington analysts fear that Brazil's failure to pay interest on its \$100 billion debt may spark the re-emergence of a Third World debt crisis with a vengeance, forcing the major U.S. banks to register multibillion-dollar losses for each of the next succeeding quarters. If Brazil fails to pay by October, the entire Brazilian debt to U.S. banks, which roughly equals the shareholders' capital of several big banks, must be written off, forcing several banks into virtual insolvency. The Treasury still holds to the long-discredited "Baker Plan," under which Third World nations would turn their economies over to creditor management in return for new credits. A newly reorganized World Bank, the International Monetary Fund's sister institution, was to become investment banker to the Treasury, under President Barber Conable.

Thus far, the banks have provided no new credits, except to pay interest back to themselves in the cases of Mexico and Argentina; the countries have shied at handing their national patrimony (e.g., Mexico's oil reserves) to their creditors, and offered chunks of their economy worth only a few billion

dollars; and the World Bank reorganization has turned into a nightmare for Mr. Conable, who now faces a class action suit by senior staff who object to this reorganization. American sources suspect that the prominent role of Belgian central bank official and World Bank director Jacques de Groote in fomenting opposition to Conable's much-vaunted reorganization, indicates that the European central banks are sending a message of mistrust to the U.S. administration.

Treasury Assistant Secretary for International Affairs David C. Mulford, who ran the international desk of White, Weld when it dominated Wall Street's connection to the Swiss money-laundromat, is badly worried, according to friends. He still intones the same Baker Plan formulas in public addresses. But he reportedly will take the opportunity of a privately organized meeting on international monetary affairs in Vienna Sept. 2 to air his fears concerning the consequences of the continuing Brazil moratorium.

The Ponzi game

President Reagan's threat to veto banking legislation otherwise supported by retiring Federal Reserve Chairman Paul Volcker, shows how the administration plans to handle the mess: by doing for the commercial banks what it has already done for the savings banks. The administration and its Fed chairman-designate Alan Greenspan have fought Volcker and New York Fed President Gerald Corrigan over banking deregulation for years. What makes the administration's position most suspect, is Congress's failure (as of *EIR*'s deadline) to approve a federal debt ceiling, and enable the Treasury to continue borrowing. If the Congress does agree before the July 27 "drop dead" date (see *Domestic Credit*), it will likely be with restored automatic sequestration, preventing the administration from using emergency funds to bail out the banks, and leaving the Federal Reserve's printing press as the final and sole defense of the financial system.

It is entirely possible that the federal government, which has backed deregulation with a series of implicit and explicit guarantees, will be unable to spend money, long before it is called upon to do so on behalf of the financial system.

Former Federal Deposit Insurance Corporation chairman Irvine Sprague explained the administration's motives in a critique published July 15 by the *Wall Street Journal*:

The drive toward concentration of the nation's economic resources in megabanks already has turned into a stampede—but this apparently is not fast enough to satisfy the Reagan administration. Undersecretary George Gould has been quoted as saying that the Treasury Department has concluded we should foster the creation of 5 or 10 giant banks in combination with large industrial companies, setting up powerful institutions to compete in world markets. . . . Megabanks already enjoy substantial advantages from the government, and to foster the Gould suggestion with added government aid would require pushing the banker's

cherished "level playing field" right off the cliff. Growth—even to gigantic size—through the marketplace is fine, but to do it with further government aid, encouragement, or intervention would be outrageous. Big banks today have an absolute guarantee against failures—they can pursue any course of action, be it sound or reckless or even indifferent, with the certain knowledge that should failure approach, bailout will not be long behind. The government has never allowed a big bank to fail, and it never will. With the single exception of Penn Square, a tiny shopping-center bank in Oklahoma City that exploded overnight into a \$500 million embarrassment, no bank with more than \$200 million in assets has ever been closed and paid off.

The administration presumes that creative bookkeeping techniques associated with banking deregulation will permit the megabanks to report income, despite the collapse of their loan-portfolio quality, while the government's implicit, absolute guarantee of their deposit base will discourage the depositors' run which otherwise might be expected. In May, when Citibank announced its \$3 billion addition to loan-loss reserves, Chairman John Reed boasted that the bank would rid itself of the other \$12 billion of developing-sector loans, through secondary-market trading of such loans. Eager investment bankers in London, Switzerland, West Germany, and elsewhere, welcomed the chance to earn fees by "securitizing" Citibank's Third World debt holdings.

It won't work

Misled, perhaps, by their positive experience with rising U.S. securities markets, none of these enthusiasts have stopped to ask whether worthless paper will trade on the secondary market.

Two economists for the New York Federal Reserve Bank, Eli Remolana and David Roberts, released a study July 12 through the Group of 30, a private advisory body to the IMF, now chaired by former Bank of England Governor Lord Richardson. It won't work, warn the two Fed staffers. The boom in secondary-market trading of Third World debt promoted by Citibank and other institutions would "complicate an already difficult rescheduling process without providing overriding benefits for debtors or creditors," the paper says.

Analysts who agree with Roberts and Remolana say the problem is that the paper just isn't worth anything without some kind of official guarantee, and the U.S. Congress is not going to put up the money, not while it can't agree to guarantee savings deposits or bail out farmers. "Nobody wants to put up real money," one analyst said. "Investment banks would love to securitize my grocery receipts, but how do you securitize something that's trading at a discount" without an official guarantee? It is one thing to promote a Ponzi scheme involving worthless Third World debt, by guaranteeing in some fashion (as Group of 30 founder Peter Kenen has proposed) debt written down by 40% or more, with some gov-

ernment money. It is another thing entirely to promote a Ponzi scheme with the mere aura of government endorsement, but without the hope of government money.

Overblown estimates of the size of the secondary-market, ranging up to \$12 billion for 1986 debt swaps, circulated in the wake of John Reed's announcement of Citibank's strategy; estimates collected by the Fed economists were as low as \$2 billion. Citibank's grand plan, its justification for the mega-losses, never got off the ground, and never will.

Meanwhile, the Federal Deposit Insurance Corporation's

The administration has just been handed an additional \$50 billion bill on behalf of the thrift industry alone. At some point, some major depositors will take a hard look at the quality of their guarantees, and the game will come to an end faster than you can say, "tulip bulb futures."

announcement that it would accept lower-than-usual capital ratios at commercial banks in economically troubled areas, affecting as many as 2,000 of the nation's 14,000 commercial banks, shows that the savings-and-loan approach has already worked through to the weaker elements of the commercial banking system. For three years, the Federal Savings and Loan Insurance Corporation has permitted a growing number—now over 500—of "zombie" savings and loans to continue operating, because it lacks the \$50 billion it would now take to close these institutions and pay off their depositors.

These institutions, with negative capitalization, continue to run losses; they are being supported by what Federal Home Loan Bank Board staffers call a "government-operated Ponzi game." The FSLIC ran out of its last cash a while ago, and staffers responsible for winding up the affairs of bankrupt institutions are now making paper airplanes. The insolvent, loss-making savings banks are being kept alive by the Federal Home Loan Board Bank, which is "hustling" deposits from deposit brokers, FHLBB officials say. Deposit-brokers take large sums of money from pension funds and other financial institutions, and break them down into deposits of \$100,000 or less, the maximum guaranteed by the now-bankrupt FSLIC. The insolvent, or "zombie" S&Ls pay premium interest rates, often 2% above going rates, for these deposits, which are guaranteed by the government, and use them to pay off old depositors.

FHLBB "hustling" in cooperation with deposit brokers

came in response to a \$6 billion net outflow from S&Ls in April, threatening to collapse insolvent institutions. S&Ls as a whole showed a \$0.9 billion net inflow during May.

Losses accelerate

Meanwhile, losses are continuing, even accelerating, among savings banks. Delinquent loans at thrift institutions rose to 6.2% of their mortgage portfolio in May 1987, against 4.2% a year earlier, and about 2% in 1985, the Federal Home Loan Bank Board reports. Analysts at the FHLBB, which regulates savings and loans, warn that the much higher delinquency rate implies a comparably higher level of losses during 1987.

The savings industry as a whole ran a loss during the second half of 1986, and will, analysts warn, run an even bigger loss this year. Collapsing real-estate values under the administration's 1986 tax reform are behind the surging losses of savings and loans, according to analysts at the Federal Home Loan Board Bank. "The tax reform act is having its consequences in the real-estate market. There are a lot of foreclosures of commercial property, and a lot of developers are walking away from deals after the tax advantages that motivated the deals ceased to exist. So, the S&Ls are taking a lot of property back," said one analyst. The tax reform bill eliminated the tax benefits which had prompted the building boom of 1981-87, which led to a 25% oversupply of urban office space in the United States.

Since the FSLIC is out of money, and the \$8.5 billion recapitalization program not yet passed by Congress would not even cover the bankrupt Texas thrifts, the generalization of the savings-industry crisis to the rest of the financial system is already a fact. FHLBB planners suggest that either the commercial banks' guarantor, the Federal Deposit Insurance Corporation, will have to bail out the savings banks, or the Federal Reserve will have to bend its charter, and buy up bankrupt S&L assets directly from the failing banks. Either alternative would have devastating consequences. The FDIC has prepared an internal working paper analyzing the thrift industry's problems and concludes that it could cost as much as \$40 billion to resolve them, twice the FDIC's current available resources. Earlier, the General Accounting Office, citing FSLIC data, put the tab for closing the most troubled thrifts at \$25 billion. But the FDIC study, prepared in the spring, concluded that that figure was too low. The FHLBB's "Ponzi game" with guaranteed deposits has raised the figure to perhaps \$50 billion.

An administration committed to a \$108 billion deficit target for fiscal-year 1988, now likely to run a \$200 billion deficit as matters stand, has just been handed an additional \$50 billion bill on behalf of the thrift industry alone, and the losses are accelerating in both the savings and commercial banking sectors. At some point, some major depositors will take a hard look at the quality of their guarantees, and the game will come to an end faster than you can say, "tulip bulb futures."

Debt on the agenda at UNCTAD VII, but West cedes the floor to Soviets

by Ana María Mendoza and Hartmut Cramer

The first working week of the seventh session of the United Nations Conference on Trade and Development (UNCTAD VII) in Geneva came to a close, having defined the world economic crisis as in many cases “worse than the depression of the 1930s,” as UNCTAD General Secretary Kenneth Dazie noted in his opening speech to the delegates of 168 nations on July 9, but very far from any solution—thanks to the sabotage of the Western industrialized nations.

According to the French daily *Le Monde*, the OECD countries met some days before the opening of UNCTAD VII and reached a secret agreement “to not get involved in any technical discussion on debt that would be oriented toward a decision.” This suicidal strategy was followed to the last detail by Michel Rouge, a financial expert in the French Economics Ministry, who is coordinating strategy and tactics for the OECD countries vis-à-vis the debt problem.

The OECD first tried to prevent any *mention* of the foreign debt, by claiming that “financial matters” cannot be discussed at a U.N. conference “on trade and development” but only at meetings of the “financial experts of the International Monetary Fund (IMF) and World Bank.” Forced to put the debt on the agenda of the first of the four committees at UNCTAD VII, the OECD then tried every trick in the book in order to prevent any serious discussion of it.

Reality intrudes

No speaker, including even the few heads of government from the OECD countries attending such as President François Mitterrand of France and Prime Minister Gro Brundtland of Norway, could fail to mention the grim reality of the economic crisis. The foreign debt has skyrocketed to “unimaginable heights” according to Mitterrand, and “will not be paid back in any real sense” as Brundtland frankly admitted.

Egypt’s President Mubarak was even more explicit: “The problem of debt has reached serious proportions that cannot be ignored,” he said, adding that the debt volume of the developing countries last year reached “210% of their total exports,” with the situation being “much worse for the African countries south of the Sahara, where it reaches 270%.”

The prices of raw materials, the only source of income in the developing sector, and with it the terms of trade have collapsed to levels “lower than those of the depression of the

1930s” as virtually every representative from the OECD and developing countries alike had to admit. Mubarak urged “North” and “South” to “close ranks,” “coordinate action,” and “look at the situation not in terms of profits and losses, but rather from the perspective of the success of mankind in facing the ultimate challenge: to be or not to be.”

“I don’t think the developing countries this time will content themselves with just some vague argument from us concerning the impending economic upswing and some general statement of intent to solve the crisis,” a high-ranking member of the Irish delegation said. In fact, a big fight broke out in “Committee I,” the committee dealing with the debt question. After Peru had been denied the chair due to its “extremist” position on debt, Mr. Taniguchi, Japan’s ambassador to the Permanent Mission in New York, was elected chairman, because “everybody thinks Japan has some excess money to distribute,” as Ambassador Kobayashi, the acting head of the Japanese delegation, told us.

In Committee I, the leaders of “Group B” (the OECD countries) and of “Group of 77” (the developing countries), though using polite, diplomatic language, clashed on the debts. Osvaldo de Rivero, the head of the Peruvian delegation, who is chairing the Group of 77, so skillfully marshaled his facts about the collapse of the terms of trade, the murderous policy of high interest rates, the unpayability of the debt, and the need for real development and a global solution, that Michel Rouge, the spokesman for Group B, could only resort to “defining,” “analyzing” and “categorizing” the debts in his desperate attempts to avoid serious discussion.

“It doesn’t make any difference whether you pay the debt or not; if the present monetary system prevails, you don’t get any fresh money for development anyway,” the Chilean ambassador blew up after another fruitless exchange between “North” and “South.” He specified that Chile, one of the pet projects of the IMF, “which should be applauded by the IMF and the international bankers, since it so far has managed to pay back the debt service down to the last cent,” nevertheless “didn’t get one penny of new credits.” He concluded bluntly: “Let’s admit that the debt can not be paid in the foreseeable future.”

What solution does the “South” offer? “Give up your linear, ‘Cartesian thinking,’ because if you continue in this

Speeches to the Unctad conference

We excerpt below noteworthy portions of the speeches of three heads of government to the UNCTAD conference.

Gro Harlem Bruntland

Quoted from the speech given by the prime minister of Norway on July 10, in Geneva:

Let us be frank about this: Much of the debt will not be paid back in any real sense. To maintain such a demand will entail political disturbances in many countries of such magnitude that they would be completely unacceptable. What is needed is new lending on concessional terms, new investments and economic and social reforms. Major debtors also need more loans on commercial terms. New policies must comprise debt relief, long-term rescheduling and conversion to softer terms.

But lending alone will not suffice. Aid must be expanded after years of decline. Developing countries need significant increases in financial and other contributions. . . .

Aid and lending efforts are essential. In the longer term, measures to secure increased income from commodity exports and the abolishment of protectionism in inter-

national trade are equally important. Real commodity prices have never been so low since the 1930s. . . .

The setting is urgent. The development crisis is real. UNCTAD and the whole international community are at a crossroads. Business as usual will not do. We must all join forces in a new partnership between North and South in the fight against poverty and for a sustainable development.

François Mitterrand

Excerpts translated from the speech delivered to UNCTAD VII in Geneva, by the President of France, on July 10:

The creation of wealth (today) is less and less linked to industrial development but more and more to monetary and financial gambling. Capital moves bring about more profit than industry and trade. Thus the financial departments of companies are becoming more important than the production and construction facilities and productive investment is decreasing in favor of financial operations which are often speculative. . . .

The rich countries must stimulate world economic growth. . . . They should boldly take on great projects that generate growth. For example, . . . the construction of the tunnel under the [English] Channel. This will bring about in our two countries [France and Great Britain] as well as in neighboring countries the creation of road infrastructure, telecommunications, rapid railways, and a whole series of new programs which will contribute to the growth of this region. . . .

[We have to] set up a new international monetary system to better stabilize exchange rates and to establish

way, we will never find a constructive, workable solution," Osvaldo de Rivero told Mr. Rouge, as all delegates from the developing sector smiled broadly and the OECD diplomats were stunned at the echoes of U.S. economist Lyndon LaRouche, whose ideas and methods dominate international discussion of the debt problem. LaRouche's *Operation Juárez* proposal for U.S. collaboration with the Ibero-American debtor nations, to reorganize the unpayable debt and use it as a springboard for a worldwide economic boom, has been intensely studied by leading circles throughout the Western Hemisphere and on other continents since it was first issued in 1982.

"Take a fresh look at the reality of the problem and let's work together to solve the debt crisis in a creative way," was Rivero's advice to the OECD countries.

Washington gives floor to Moscow

Besides the debt, the other major issue of this conference is the internal U.S. situation. Representatives of all nations

felt almost insulted by the Reagan administration's decision to limit the American delegation to only a third of those of France and Japan and to head it with a mere "senior deputy assistant secretary" of the State Department. This has left the field wide open for Moscow to make a big propaganda move in the developing sector. Observers noted that Boris Aristov, the Soviet Minister of Foreign Trade, made great efforts to sound "responsible" and "moderate," when he quoted his "comrade prime minister" on the need for the "establishment of a new international economic order" and a "new political thinking" based "on the priority of values common to the whole of mankind." To the astonished audience, he went on to support every argument on economic and financial matters of the "South," a move Moscow so far had carefully avoided.

When he announced at the end of his speech, that his government has authorized him to sign the agreement of the "Common Fund" of raw materials (drafted by Henry Kissinger many years ago), all the delegates rose to applaud the Soviet Union. Afterwards Soviet delegates were seen in many

a reasonable level of interest rates. . . .

It seems to me only common sense, that the financial policy agreed upon by international institutions and states should not endanger development. In order to invest—and they have to invest—the countries of the South need a net capital inflow.

Hosni Mubarak

Quotes from the speech given by the President of the Arab Republic of Egypt to UNCTAD VII, July 10 in Geneva:

We have to admit that, so far, all efforts made on the international level have not yielded concrete results capable of redressing the structural imbalance of the world economy, halting the persistent deterioration of the situation in the developing countries and achieving more justice and ensuring equal opportunity to all nations and peoples. . . .

I propose to concentrate on two basic issues, which I believe deserve a special attention and a high priority, on account of their great influence in shaping the contemporary international situation. . . . The first issue is the problem of debt, which has reached such serious proportions that it cannot be ignored, threatening grave consequences unless the international community, debtors and creditors alike, take effective action. . . . The second issue I would like to raise before you is the question of the deteriorating terms of trade. . . . This phenomenon has been accompanied by a decline in the real flow of development assistance from the rich industrialized nations and a rise in interest rates resulting in a reverse flow of financial resources from the developing to the developed countries in

an amount exceeding \$31 billion. . . .

What is required is that we live up to the challenge. We should fully understand that this state of affairs, resulting from the collapse of the export earnings of the developing countries to their lowest level since the great economic crisis of the thirties, cannot go on forever. . . .

An economic collapse in any part of the world will engulf all nations, sparing none, even the powerful. No nation or a group of nations can aspire to live as an

What can self-reliance achieve in conditions dominated by fluctuating exchange rates, rising interest rates, increasing protectionist policies, increasing restrictions and barriers, finally, the diminishing international liquidity? The situation is indeed serious. We must start by admitting that we are all in the same boat to drift, [and] none of us, whatever might be his might or power, will survive. We have to close ranks. We have to coordinate our action. We have to look at the situation, not in terms of profits and losses, but rather from the perspective of the success of mankind in facing the ultimate challenge: to be or not to be.

We have no other alternative but to act together earnestly and sincerely to get out of the impasse and to overcome the crisis.

Failing this, we will have abdicated our responsibility in making history and creating progress. This generation, which has scored the greatest scientific achievements in human history, cannot let fall the torch or allow the march of civilization to come to an end. The challenge is immense, and the responsibility great, but the flame of hope will not die and the standard will not fall if we are resolved to continue unitedly our march forward.

corners of the conference hall intensely briefing developing-sector politicians, no doubt stressing the advantages of Moscow's "peaceful" policy as opposed to the United States.

The next day, the whole conference was interrupted for about one hour so that *all* delegates be present in the last part of the propaganda ploy staged by the Soviets, the signing of this more-than-useless agreement, since the \$427 million earmarked for the Common Fund will never help to stabilize the prices of raw materials, which have collapsed in the last five years alone by about \$90 billion. "It's completely useless, I agree," said one African diplomat, "but maybe it's a political signal that finally something will be done."

While everyone recognized the "typical Soviet propaganda," it was left to *EIR* to bell the cat. Confronted by *EIR*'s correspondent with the question of whether his nice words about the connection between disarmament and development meant that Moscow will now abolish its ambitious arms program in favor of investments in development projects, the Soviets' Aristov needed some time to recover before he could

utter some slogans from "Comrade Gorbachov" on the "defensive nature of the Red Army," and then rushed to close down his press conference only 10 minutes after it began.

In the absence of any sound economic policy from the U.S. government, the political ideas of LaRouche and his growing influence in the United States were intensely discussed in Geneva. "Who is going to exploit the international political vacuum: Moscow or LaRouche?" many a delegate asked, voicing concern about ongoing revelations about the "secret government" plans to abolish the U.S. Constitution. Since LaRouche's economic policies are widely known in the developing sector, the main topic of discussion was the chances of his presidential campaign, and whether there is a chance, "to get the United States to act with responsibility," as the president of UNCTAD VII, Zimbabwe's Finance Minister Chidzero told *EIR* in an interview. No cheap anti-Americanism was expressed in Geneva—just the fear, that Moscow would quickly dominate a world abandoned by the government of the United States.

INTERVIEWS

Oswaldo de Rivero

Debt problem in 'dynamic stage'

Oswaldo de Rivero is Undersecretary for Economic Affairs in the Peruvian Foreign Ministry and head of the Peruvian delegation at UNCTAD VII in Geneva. Since Peru has been elected chairman of the Group of 77 in the important "Committee I" at this conference, which deals with the debt problem, Oswaldo de Rivero is the spokesman for the whole developing sector on the debt issue. This interview of July 15, and the others which follow, were conducted during UNCTAD VII in Geneva by EIR correspondents Ana María Mendoza and Hartmut Cramer.

EIR: Mr. Rivero, what prospects do you see for UNCTAD VII? Do you think, that unlike in Belgrade, constructive solutions will come out? Especially on the crucial debt question?

Rivero: Well, I don't want to be optimistic; I have to be realistic. I think, that because of the political timing of the conference there will be no *concrete* solutions on the debt question. The debt problem is now in a very dynamic phase, it is in a transition stage, because the banks and the creditor countries are now forced to think about the debt in a different way. They begin to believe that the debt is possibly unpayable. For the first time, the banks are building capital reserves to prepare for the possibility that the debt can't be paid.

Also, many developing countries are starting to think that development comes first and servicing the debt second. The fact, that Peru was elected as chairman and spokesman for the Group of 77 in "Committee I" is a reflection of this.

You see, Peru is a country which a year ago was considered to be a typical "pirate"; even for developing countries Peru was the bad example, the "bad guy." Now the situation is different; Peru is no longer alone: Now Brazil doesn't pay the debt, as well as Ecuador, Costa Rica, and the Ivory Coast. Furthermore, in Africa you have Zaire and Nigeria paying only 20% of their export earnings and Zambia only 10%, like Peru. What was very new two years ago when Peru started it, is now very common in the Group of 77, but I don't think, that the conference is prepared to accept this as a solution to the debt problem. I think we have to wait a bit more, the time is not yet favorable to reach agreements.

EIR: So you don't think that, with Peru being the spokesman of the entire developing sector on the debt question the famous "10% solution" of your country can gain a majority and be accepted as a solution of the debt problem at this conference?

Rivero: Well, first of all, the position of Peru is not that all the countries adopt the so-called "10% solution." What we are trying to do is to convince the international community that every developing country has a heavy debt burden and that each country has to accommodate the servicing of the debt to its real capacity to pay. This means that it can be limited to a certain percentage of export earnings, of the GNP, of the trade surplus, or related to the price of raw materials; but every country is sovereign to choose the parameters, according to its real capacity to pay. That *principled* position of Peru has already been accepted by the Group of 77 i.e., the entire developing sector.

Now we are going to propose that same principle to the developed countries, although we think that the developed countries are not ready to accept this position at this moment. But they have to admit, at least in an abstract manner, that new formulas are needed in order to solve the debt problem. Maybe they even think of the possibility of accepting this concept and furthermore these kinds of formulas.

But the problem is that the Peruvian position at this moment is still *unilateral*, it has not been negotiated with creditor countries until now, and I don't think that the creditor countries are going to accept that unilateral act. But they can, possibly, further down the road, agree to negotiate on this. After all, this is a political problem, not a technical one.

EIR: You are optimistic that this can happen?

Rivero: I don't want to be optimistic, but the only way that our position is accepted by the creditor countries is that they say: "Ok, we accept the payment of 10% of the debt and we start a negotiation process." I think the thesis is going to be accepted little by little; it has been already accepted by the Group of 77. Maybe other countries are ready to accept it on the condition that we are ready to negotiate.

We are not against negotiations, but the problem we are facing now is that we are governed by the "creditors' law." The creditors simply *impose* their law on us. When we put our "debtors' law," the "10% solution" or any other percentage on the table, we are faced with the "creditors' law," which means you have to refinance and pay spreads and more interest, which in turn increase the debt burden, with the result that each year or every two years this vicious circle of "refinancing" is continued.

If you accept this, you are going to pay an *eternal* revenue to the system. To this we say: No!

If the creditors want to agree with the principle that we have to get revenues and then negotiate on the basis of our revenues, we say, yes. But we don't accept a decision where the "creditors' law" is imposed on us; we want a decision

where the law of the creditor and that of the debtor are treated equally as in all civilized countries. In a civilized country you have civil rights also for the debtors. For example, if you owe money in the U.S.A. and your creditor increases the interest, you have the right to go to court and sue him. This principle of law does not exist on the international scene.

What we want is to negotiate a new general and multilateral framework to solve this problem. Not the law of the creditors like the Club of Paris and the Committee of the New York banks which are both unilateral. They claim it's multilateral; maybe for them, but for us it's unilateral. We would like to negotiate a new framework where the 10% or 20% solution can be agreed upon, but we will never accept this "creditors' law" which is prevailing now. If the creditors insist on that, they will see that what happened in Peru is going to happen in many more countries. Peru was the first to move, but now we have Ecuador, Brazil, and the African countries I already mentioned. Since the creditors insist on their terms, the debtors are starting also to impose their law, unilaterally.

EIR: The United States have not spoken yet at this conference, but the fact, that they have downgraded their delegation at UNCTAD VII is seen by many observers almost as an insult. What role do you think will the U.S.A. play here in Geneva?

Rivero: For me, the attitude of the U.S. government at this conference reflects that they are still pursuing very conservative policies concerning the problems of the world economy, whereas the important step which Japan has already decided to take reflects the dynamic nature of the Japanese economy. With these initiatives they are one of the big actors in this conference, as well as the Soviet Union.

The only big country that unfortunately has not changed id the U.S.A., they still keep the same pace that started with the Reagan administration. I hope they will rethink their attitude and live up to their responsibility, because the U.S. economy is the biggest in the world, it is the most popular country and they have to start thinking in a more cosmopolitan way.

EIR: In the ongoing election campaign in the U.S., Democratic presidential candidate Lyndon LaRouche is the only candidate in sight who campaigns for an economic policy based on growth and development. Would Peru like to see Mr. LaRouche playing a more prominent role in the U.S. elections?

Rivero: Yes, I think the United States needs new politicians, all the way. I do not know Mr. LaRouche personally, but I have heard that he is a very dynamic and provocative man. Well, you know, an open society needs some kind of provocation sometimes. I think it's good that he runs for President and provokes the American people to think and to change. Why not?

EIR July 31, 1987

Daniel Suazo

Palliatives cannot solve debt problem

Daniel Suazo is Minister Counsellor, Ambassador at the Permanent Mission of the Dominican Republic in Geneva. He was interviewed in Geneva on July 16.

EIR: Mr. Suazo, the biggest obstacle to development is undoubtedly the foreign debt, which is intensely discussed in "Committee I" at UNCTAD VII here in Geneva. Peru has been elected as chairman of the Group of 77 in this important committee, which means that Peru is representing the whole developing sector at this conference. Does this also mean, that the Peruvian position, the famous "10% solution," can be agreed upon as a solution to the debt crisis?

Suazo: What you are saying is only a number. The essential thing is the principle which Peru has introduced. The reality is that the developing countries cannot pay the debt under the conditions the international financial institutions are imposing on these countries, so there has to be a change in these policies. As I said in my speech to the conference: If this type of situation continues, then my country could initiate soon a special commercial relation with countries in the East bloc to try to find a market for its sugar production.

My country, for example, has suffered immensely from the drop in the terms of trade since 1970. The problem of foreign debt is also linked to the fact that every year, less and less capital comes into the country, so there is no money for investment. Consequently, this has resulted in a general deterioration of the living standard of the population and has threatened our social and political stability. Latin American economies were placed in strong and compulsive adjustment programs, which resulted in more contraction. The problem cannot be solved with temporary palliatives or with more debt restructuration accompanied by new money to pay old loans. Our country's debt has now risen to \$4 billion, which means we would have to pay more than 100% of our export earnings in order to pay the debt. That's impossible.

So obviously we need relief on the debt, but first of all, we need *new credits for investment and development* so that we can generate more wealth. Whether such a policy can be agreed upon at this conference, I cannot say.

EIR: What are, in your view, the most important developments at UNCTAD VII so far? What especially do you think about the speech of French President Mitterrand in which he talked about hosting a Paris conference on development, the stabilization of the monetary system, and the necessity to start infrastructure projects in the developing countries in the same way that France and Great Britain started to build the cross-Channel tunnel, or “Chunnel”?

Suazo: Of course, I appreciate his speech. But I also would like to say that it depends whether the speech was given by the *statesman* or the *politician*. If it was given by the *statesman*, then not only my country, the Dominican Republic, but I think the majority of the Latin American countries would be very happy to see these kinds of policies applied. Let me add, that such policies will be very much appreciated, not only if they come from France, but from any other industrialized nation.

EIR: Speaking about other industrialized countries, what is your comment on the fact, that the government of the United States has decided to downgrade its delegation to UNCTAD VII to the level of a “senior deputy assistant secretary” of the State Department?

Suazo: It is very sad to see such an attitude from the United States of America. There are even times when the seats reserved for the delegation of the United States are empty in the assembly while representatives of other nations are giving their speeches. That is not what we would wish to see from a country with such a history as the United States.

We would like to see, that this country returns to the moral standards it had long ago. The last time we saw the United States of America show a sincere intent to help developing countries in Latin America on a wide, large scale was during the presidency of John F. Kennedy, when he initiated his famous program, “Alliance for Progress.” With all its errors and misinterpretations, this was a good program to aid the development of Third World nations.

EIR: The only presidential candidate in the U.S. so far who has proposed to get out of the economic depression by giving new long-term, low-interest credits directed specifically to great projects in the developing sector, is Lyndon LaRouche. Is this the kind of program you are talking about?

Suazo: These policies, as I indicated in my speech, are certainly the kind of policies that we in the developing countries need in order to solve our financial crisis. Whoever adopts such policies, which are the ones that we want and need to see, is welcome.

The Baker Plan and Senator Bradley’s initiatives are also policies that we have hopes for. Unfortunately, we have seen they have not been fully developed.

EIR: Does that mean you support Lyndon LaRouche?

Suazo: I don’t know him enough to support his political

views, but certainly I would very much like to see these economic views gain more influence inside the United States.

Bernard Chidzero

‘There must be a reasonable limit’

Bernard Chidzero, the minister of finance, economic planning, and development of Zimbabwe, has been elected president of UNCTAD VII in Geneva. He was interviewed on July 16.

EIR: There is no doubt, that the problem of the foreign debt is one of the biggest obstacles for development. Does the fact that Peru has been elected as the spokesman of the entire developing sector at UNCTAD VII as far as the debt problem is concerned mean, that their “10% solution” will spread to other countries too and couldn’t the Peruvian principle be the common basis for an understanding between “North” and “South”?

Chidzero: Surely, that is what it means. The fact that Peru has been elected or appointed spokesman of the “Group of 77” on this issue, does not necessarily mean that there is unanimity or that there is a fixed position which is identical to that one which Peru has taken. There are different forms of the same principle applied by different countries: Peru has limited its debt service payment to 10% of its export earnings; recently Zambia has taken similar measures, they are going to pay about 5% of their export earnings; Brazil has postponed the payment of its interest; recently Ivory Coast has taken similar measures; Zaire has been doing it and some countries have just silently stopped paying.

What does this mean? Peru has recognized as Zambia, as Ivory Coast and even Brazil that they have an obligation to pay back, they do not repudiate the debt service as such. But they want to change the conditions. You cannot expect people to commit suicide in order to meet an obligation, as they say in Latin “Primo vivere, secundo philosophare,” first you must eat, before you philosophize.

It is absolutely essential that the debt service payments should not exhaust the financial resources of any country to the point that there is no money for education or health, let alone for investments in agriculture, mining, transportation, etc., which is the very basis to secure its future so they can

meet further obligations. In other words, what is driven home is that there must be a reasonable limit. How do we measure it? Whether it is a percentage of the GDP, of the export earnings, or of the total revenue coming from various sources, there always must be a *net* flowback into the economy, that is the gist of the argument.

Abdul Munim

Bangladesh needs infrastructure

Abdul Munim, Commerce Minister of Bangladesh, headed his country's delegation to UNCTAD VII, where EIR interviewed him in Geneva on July 15.

EIR: Mr. Minister, several speakers have not only stated the fact that UNCTAD is the only forum where the "North-South" dialogue still takes place, but have even said, that this seventh session may be the last chance to find solutions to the great problems the developing sector is facing. What does your country expect from this conference?

Munim: Well, I would not call it the last chance. Definitely UNCTAD VII offers a chance for dialogue and cooperation that can steer the world economy into the right direction. My government feels, and I think most of the developing countries feel, that it is in the interest of the world economy as a

whole to correct certain things, imbalances for instance, without harming any of the long-term interests of the developed countries, because what we need is a broader cooperation, not unilateral declarations. We think that particularly Bangladesh has been helped by the Western world to a large extent. In fact, when our country gained independence, the Western world made a tremendous contribution and gave whole-hearted support. Of course, then we were in a very bad condition, as you know; Bangladesh is a country of 52,000 square miles, and with a population of 100 million people—85 million at that time—it has the highest population density in the world.

EIR: Can you tell us a bit more about this?

Munim: Ours are very peculiar circumstances, compared to other developing countries. My personal belief is that Bangladesh is a country with great potentialities. The problem is that for a long time we had considerable mismanagement of this potential; but the main problem was, that we never had been in control of our destiny.

But since we became independent in 1972, we are in control of our destiny. We would like to go forward, and I feel that we can and make a contribution to the world. But for that we need help, not charity. We are not beggars; if we take something, we will return it. Of course we cannot pay the interest rates in the commercial market and things like that, but although we have immense problems, we have been paying back the money we owe. We have not defaulted so far.

EIR: Undoubtedly the biggest issue which will be discussed during this conference is the debt issue. The proposal of the developing sector on the table of UNCTAD VII calls for debt relief, a new monetary system and a new, just world economic order. It seems that French President Mitterrand in his



At the UNCTAD meeting, the Soviets led the effort to implement Henry Kissinger's Common Fund plan, in opposition to Alan García's "10% solution" and Lyndon LaRouche's "Operation Juárez." This cartoon, drawn at the time of García's September 1985 visit to the U.N., portrayed the Kissinger-Castro policy convergence which is so much in evidence today.

Currency Rates

speech to the conference went in this direction when he called for a "new international monetary system". . . .

Munim: . . . Yes, I mentioned this in my speech too. We acknowledge with gratefulness the declaration of President Mitterrand, and it is good that France as a leading country in this respect is giving help where help is necessary. We also think that a substantial program of action has not really taken off. If this statement by the French President makes it more positive and more real, it is very interesting.

The developing world is a very big market which needs certain things. Our position is clear: Our countries need financial resources and investments, so that we can develop all our potentialities and increase the living standards of our population. It is necessary to increase the living standards, the education rates, just to "take off"; because there is a certain "minimum" below which you cannot "take off."

For this we need investments which, naturally, have to be, at least for the time being, given at low interest rates. That is all we want, and understanding.

EIR: President Mitterrand also mentioned that great projects were needed to revive the world economy. What would be the kind of great projects for a country like Bangladesh, in order to "take off"?

Munim: As for our country, the projects which we really need are infrastructure projects in the communications sector and in the energy sector. We also need water management projects, but for these we only need loans, while for the ones I first mentioned, we need not only the financial resources, but also technical advice and machinery. We also want our people to be educated by these technical advisers too.

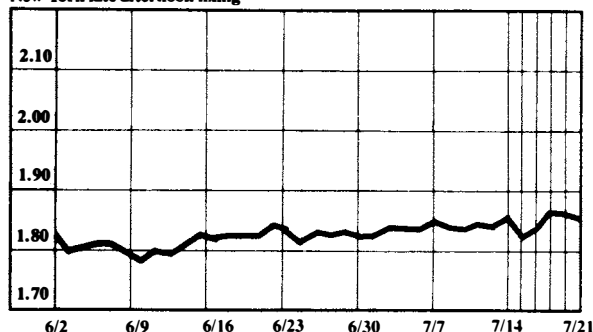
As far as investment is concerned, we need investments mainly in infrastructure, especially in electricity and gas. We have a lot of natural gas, but our exploration has not been completed, each exploration needs a lot of money and we don't have it. There is even the chance to drill for some oil in certain locations in our country, but we do not have the resources to follow up the investigations. We have got some resources from the World Bank and concessional loans from other institutions, but those are very small amounts. So it is very difficult for us to move forward.

EIR: In the ongoing U.S. election campaign, Democratic presidential candidate Lyndon LaRouche is campaigning on the basis of solving the world economic crisis by implementing a new monetary system which will generate longterm, low-interest credits for great development projects, especially in the "South." What do you think about that?

Munim: Well, I'm not acquainted with Mr. LaRouche, but definitely I think that the policies you mentioned are good and that they actually could change the situation for the better. These policy changes are, ultimately, in the interest of the world economy. That is what I personally think, not necessarily the position of my government.

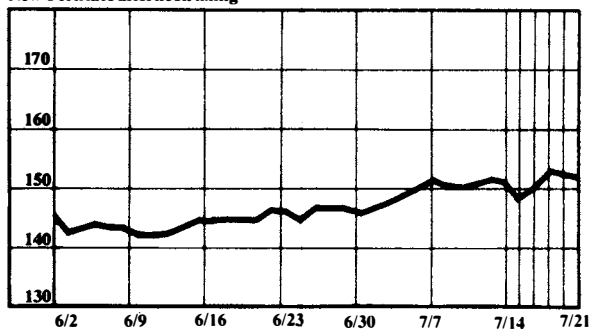
The dollar in deutschemarks

New York late afternoon fixing



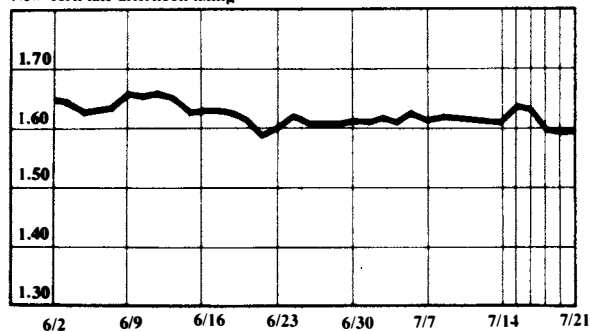
The dollar in yen

New York late afternoon fixing



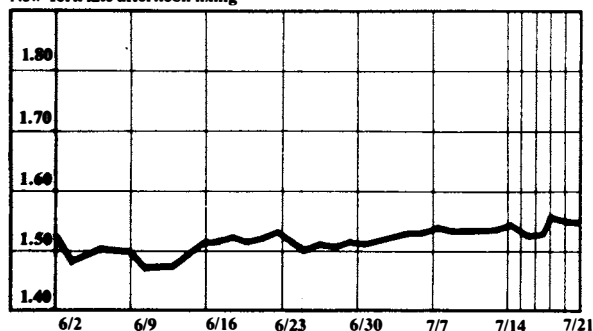
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



How long for the Japanese inflow?

A political deal over the Persian Gulf has temporarily boosted the dollar.

It appears that the Japanese government showed its gratitude to Washington for keeping the Persian Gulf oil lane open, by forcing Japanese financial institutions to buy dollar-denominated securities.

By the week of July 19, Wall Street appeared to have forgotten the days when bond traders programmed their desk-top computers to show the dollar-yen spot rate at all times, and bankers feared that a retaliatory trade bill might prompt the Japanese to reduce their purchases of U.S. securities, provoking a crisis in the U.S. capital markets.

Most analysts argued that the Japanese capital inflow would continue indefinitely, noting that the rising dollar of the month of July provides capital gains for Japanese investors' dollar portfolios, much as the falling dollar caused huge losses.

The dollar's rebound to a peak of DM 1.86 and yen 153, following the previous week's announcement of a huge \$14.4 billion trade deficit, appeared to lend credibility to this argument.

But by *EIR*'s July 24 deadline, the yen had fallen to 1.49, and major New York banks warned their foreign exchange customers that Japanese institutions had turned into heavy net sellers of dollars.

One bank's commentary for foreign-exchange customers July 24 warned that "sentiment for the U.S. currency is weakening," noting that the dollar's steep fall in overnight trading was due to "active speculative

selling by securities and trading houses." The securities and trading houses, it continued, "have turned from net buyers to net sellers after recent declines in the U.S. bond market."

Japan's monetary authorities had a double motivation for squeezing funds into the dollar during June and July. First, they were committed to shaking out a securities market bubble which had pushed price-earnings ratios on the Tokyo stock exchange into three digits. That shakeout was more or less accomplished early in the week of July 19.

Second, Japan was the principal beneficiary of American-British-French military action in the Persian Gulf. Japan receives 70% of its energy through the Gulf, and stands to lose the most from Iranian attacks against oil tankers.

A less immediately, but equally important aspect of Japanese-American military cooperation came to the surface the same week, when Defense Secretary Caspar Weinberger signed an agreement with Tokyo for cooperation in strategic defense research, ignoring the scandal surrounding the Toshiba firm's sales of technology to the Soviet Union.

It is emphatically not the case that Japan's nearly \$100 billion a year of investible surpluses "cannot bypass the U.S. capital markets," as Treasury Assistant Secretary David C. Mulford bragged in a July 16 speech. The global capital market, which used to issue 80% of its paper in dollars, now issues 60% of its paper in non-dollar curren-

cies, and the dollar's role as reserve currency is receding rapidly.

All that Japanese institutions need to do to make life miserable for the U.S. capital markets, in any event, is to "hedge" their dollar securities holdings, i.e., sell the same securities short in futures markets.

However, the Japanese have an extremely practical attitude toward the cost of their security, which depends upon the United States. To the extent that Weinberger's policy of protecting the Gulf prevails, they will assist the U.S. administration with its own problems—as Prime Minister Nakasone did by stabilizing the U.S. dollar days before the last November elections.

But the question remains: How long can this continue? Clearly, the Japanese will not compromise their own financial system in the process of supporting the dollar, as Bank of America learned when it failed to raise capital from Japanese institutions.

Japan's problem is how to deal sensibly with an administration whose existence is in visible jeopardy, and whose leading foreign-policy initiatives now compromise the most fundamental of Japanese strategic interests, i.e., the American nuclear umbrella over its allies.

Against growing domestic opposition, Japan's Prime Minister Yasuhiro Nakasone has bludgeoned the reluctant Japanese monetary authorities, who have bludgeoned the even-more-reluctant financial institutions, to maintain the flow into the dollar.

In the case of the current trade bill, the issue is not so much that Japan might retaliate against injury done by the U.S. Congress. Rather, the protectionist mobilization is viewed, correctly, by the Japanese, as an index of the administration's own collapse of credibility in the economic arena.

U.S. manned space-flight headquarters to be in Virginia

by Joyce Fredman

The third in a series of EIR surveys of state-level production capabilities shows the SDI and space-related potential of Virginia.

The new manned space station which is being planned by NASA will have its management headquarters located in Reston, Virginia, only a short distance from the nation's capital. Aside from its own workforce, this means numerous corporations such as Lockheed, Boeing, and TRW will most likely set up some sort of offices nearby. Along with the new shuttle museum planned for Dulles International Airport, the whole Northern Virginia corridor could go from hotels and shopping malls to a center of science.

The SDI

One of the most important aspects of an economic overhaul of the state of Virginia is the impact of the Strategic Defense Initiative, both in its own right, and as a driver for many spin-off industries.

An important consideration for the impact of the SDI in Virginia is the large number of high-priority military targets in this region. Military facilities alone cover some 450 square miles: the Pentagon, the Administrative Center of the Department of Defense (Arlington), Norfolk Naval Base, Quantico Marine Base, Langley Air Force Base, and the Coast Guard, not to mention the Capital, Dulles International Airport, Newport News shipyard, NATO's United States headquarters command, and the Federal Aviation Administration station.

In the immediate term, a ground-based anti-missile-missile capability is needed, which would continue to be a permanent feature of SDI for some time. The exciting feature of the SDI program is that within two days of the announcement of a commitment to its full-scale implementation on a crash basis, the impact would be felt throughout the state and nation. The program necessitates that capital goods industries expand to produce the most advanced possible equipment and systems, and do so within a specific time-frame. The

very initiation of such a program sends the entire nation's economy into a capital investment boom that increases the amount of capital equipment available per industrial operative. This is the "Manhattan Project" approach: an off-budget operation, totally detached from the Office of Management and Budget and other such bureaucratic constraints. This means a huge upsurge in mining, manufacturing, construction, and utilities, as technology developed by previous programs, but not yet implemented, is infused into the economy.

For many, the SDI means more silicon chips, more teflon, and the vision of so-called "Beltway Bandits" chomping at the bit for high-tech contracts. Even though there indeed will be effects of this nature, the guts of the program and its economic impact are something much more profound and much more durable—rooted in American System economics. This is a program, subsumed under a Moon-Mars project, which lifts Man's eyes to the stars. It is a program which also raises living standards around the globe. It represents economic activity in its noblest moment—man organizing his universe at the highest level.

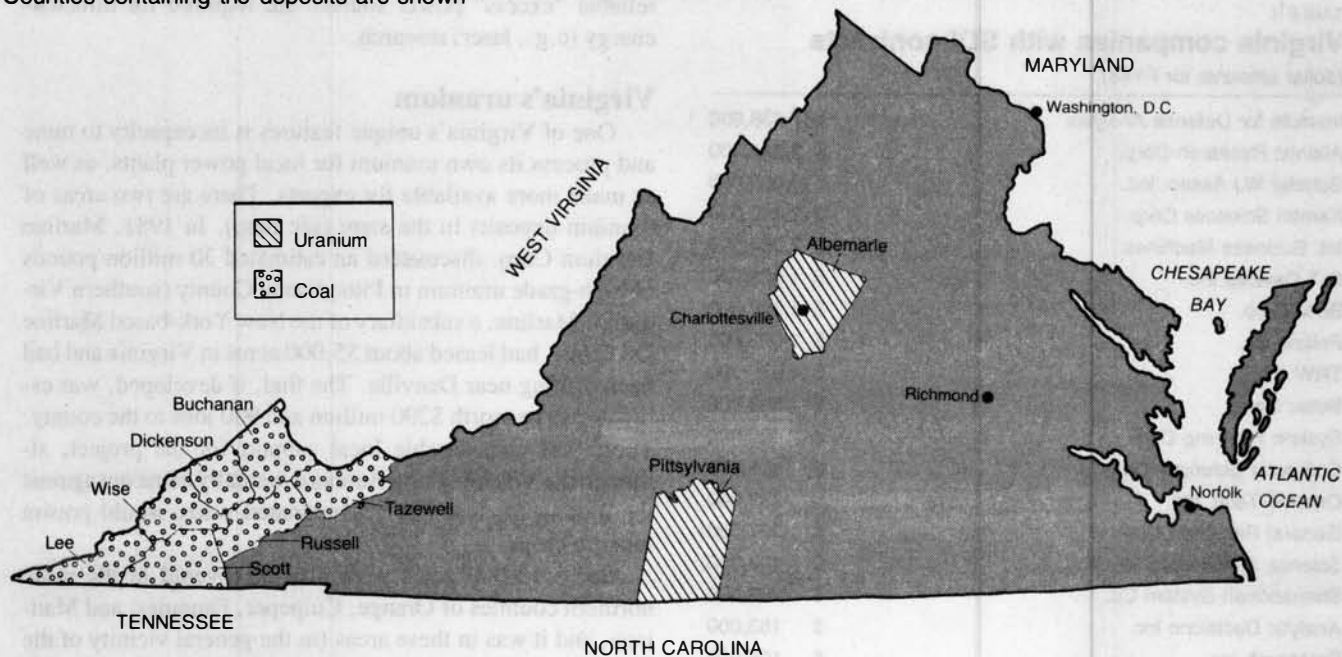
An SDI fleet

In Virginia, the shipyards of Newport News and Norfolk could quadruple their output and lead the country into a 21st-century defense, building an "SDI-dedicated fleet." The most obvious requirement is the ballistic missile submarines that could launch pop-up x-ray lasers and mirrors into space. What is also required for the SDI is a general fleet buildup. At present, the United States has a minimal anti-submarine warfare capability. For this, two types of vessels are needed: attack submarines, which would pursue enemy submarines carrying ballistic missiles; and missile-carrying surface ships, which attack enemy submarines sighted by aircraft or located by sonar. Since submarines take several years to complete, their construction must begin immediately.

A large hidden-redundant launch capability is also a critical feature. In Virginia's case, this would mean an underwater missile-launch facility.

Uranium and major coal regions in Virginia

Counties containing the deposits are shown



The construction of these means not only a gear-up of the shipbuilding facilities of Virginia, but of the total infrastructure of the state. The productive manpower needed for such a program means a demand for advanced education, access to quality health care, high nutrition, and living standards.

Infrastructure must be upgraded. The state's 65,000 miles of streets and highways will have to be improved to handle larger traffic flows. Currently, there are 13,000 urban, 52,500 rural, and 1,024 interstate miles; the interstate and urban systems must be rapidly improved and expanded. Here is where the construction industry will be immediately affected. Thousands of jobs could be opened up and new contracts issued right away.

Power for the project

In order to power such an effort, the state must have a clear and stated commitment to maximum energy-producing capabilities, with no homage to the conservationists. Where does the state's energy program stand currently? The problems involved in Virginia's energy policy are indicative of the backward national trends acclimatized to a cultural pessimism nurtured in an economy which considers progress passé.

Virginia's electricity production breaks down as follows, in kilowatt-hours: hydroelectric—818 million; fossil fuel—18.9 billion; nuclear—22.3 billion.

Virginia Power, which provides electricity for 60% of the state's land area and 80% of the population, is an example

worth noting. Presently, there are only two nuclear power plants. One is in Surry, and has a capacity of 1,830 megawatts; the other is in North Anna at Lake Anna, and has a capacity of 1,562 megawatts. They provide 22 billion kilowatt-hours/year, approximately 50% of Virginia Power's electricity.

When asked about future plans for nuclear plants, spokesmen said there absolutely weren't any. In fact, four nuclear units that had previously been planned have been cancelled: two at Surry in the late 1970s, and two more at North Anna in the early 1980s. Why? Because now "the trend" is to build smaller non-nuclear units with shorter lead time, approximately two years, such as the combined cycle unit planned at Chesterfield. It will have a capacity of 205 megawatts and use natural gas or coal. Virginia Power argues that the 10-year lead time and initial capital investment required for nuclear plants is no longer justified economically, as population is not growing at a fast enough rate, nor is an industrial capacity developing at rates comparable to earlier times.

Under these circumstances, there appears to be a virtual glut of energy.

Nuclear is not the only power source being passed by. Even hydroelectric power is being reevaluated. Hydroelectric now provides for approximately 5% of the state's energy, while fossil fuel accounts for 45%.

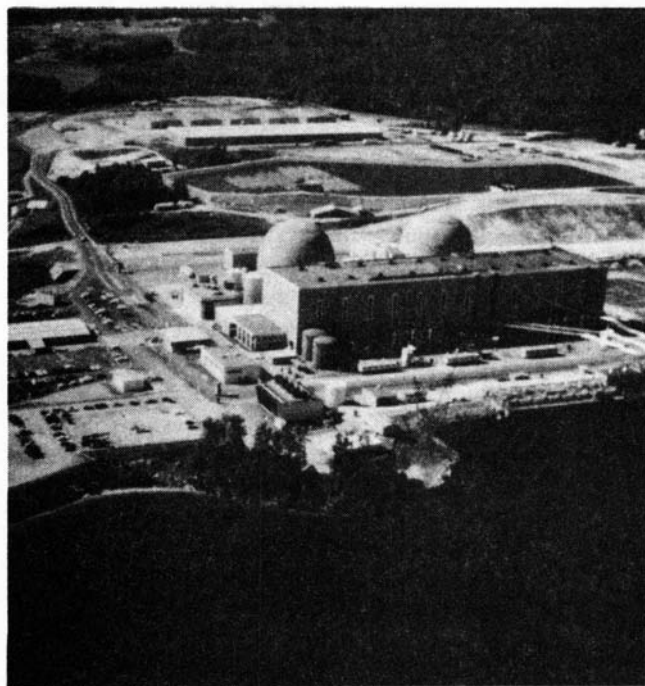
If we are to provide adequate energy for a crash SDI program, we will minimally need to revitalize the programs for the four aborted nuclear units, to permit supporting a

TABLE 1

Virginia companies with SDI contracts

(dollar amounts for FY86)

Institute for Defense Analysis	\$57,438,000
Atlantic Research Corp.	\$ 3,231,000
Schafer WJ Assoc. Inc.	\$ 3,094,000
Kaman Sciences Corp.	\$ 2,850,000
Int. Business Machines	\$ 2,054,000
G T Devices Inc.	\$ 1,928,000
BDM Corp.	\$ 1,299,000
Polaris Inc.	\$ 1,127,000
TRW Inc.	\$ 1,019,000
Betac Corp.	\$ 593,000
System Planning Corp.	\$ 400,000
Computer Sciences Corp.	\$ 325,000
Orlando Tech. Inc.	\$ 238,000
General Research Corp.	\$ 207,000
Science Applications Int.	\$ 193,000
Shenandoah System Co.	\$ 185,000
Analytic Decisions Inc.	\$ 153,000
Presearch Inc.	\$ 105,000
Sparta Inc.	\$ 57,000
Total	\$97,986,000



Bob Jones

The North Anna Power Station, one of Virginia's two nuclear plants, needed to power an industry buildup.

population expected to increase exponentially. Additionally, reliable "excess" power sources are required for directed-energy (e.g., laser) research.

Virginia's uranium

One of Virginia's unique features is its capacity to mine and process its own uranium for local power plants, as well as make more available for exports. There are two areas of uranium deposits in the state (see map). In 1981, Marline Uranium Corp. discovered an estimated 30 million pounds of high-grade uranium in Pittsylvania County (southern Virginia). Marline, a subsidiary of the New York-based Marline Oil Corp., had leased about 55,000 acres in Virginia and had been drilling near Danville. The find, if developed, was estimated to be worth \$200 million and 900 jobs to the county. There was considerable local support for the project, although the Virginia Farm Bureau eventually came out against the mining for fear that contaminated water would poison tobacco crops.

Some 15,000 acres were also discovered in the more northern counties of Orange, Culpeper, Fauquier, and Madison, and it was in these areas (in the general vicinity of the University of Virginia at Charlottesville) that local protests were organized. The radical conservationist Piedmont Environmental Council was leader of the pack. Through a series of legislative maneuvers, a bill was passed in the 1982 legislative session and signed by Gov. Charles Robb in April 1982, providing for a moratorium on issuing uranium mining permits in Virginia. The moratorium extended until July 1984, but declared that it was state policy to allow mining in the future if it could be done safely.

In October 1984, the uranium task force of the General Assembly recommended that uranium mining be permitted in Virginia on condition that more stringent radiation standards than the federal ones be applied; it also called for a prohibition on discharges of processed water into surrounding streams, and for strict liability standards to be administered by the courts. Marline was working toward developing joint ventures with the Tennessee Valley Authority and other utilities. Despite visits to the French government uranium-processing plant at Limoges by a few optimistic state representatives, the efforts were never brought to fruition.

It is no small matter that in a region as depressed and burdened by poverty as southwestern Virginia, a gang of special-interest "environmentalist" incompetents known as the Piedmont Environmental Council (PEC), with Gov. Charles Robb's acquiescence, were able to execute a death sentence on a much needed industry, uranium mining.

The PEC simply does the leg-work for private interests that include the Mellon family, who oppose the development of SDI, nuclear power, and just about everything else.

Aside from the uranium potential, the most important mineral resource in Virginia, both in quantity and value, is

bituminous coal. Coal, although antiquated as an energy source, is in great demand for making composite materials. Seven counties in the Appalachian Plateaus region, underlaid chiefly by sandstone, shale, and coal, constitute the Southwest Virginia Coal Field (see map). During 1985, more than 44 million tons of bituminous coal valued at \$1.55 billion were produced from this field. Bituminous coal has also been produced in the Richmond area and semianthracite coal in the Valley and Ridge region. In 1985, Virginia ranked sixth among coal-producing states, with large reserves of high-quality coal still present.

Virginia is also rich in economically valuable rock for construction. Deposits of granitic rocks, trap rock, soapstone, slate, quartzite, and other rocks occur in the Piedmont region. The production of stone, which may be crushed for roads, concrete aggregate, and other uses, or shaped for use as dimension stone, comes next in importance after coal. The total value of stone quarried in 1985 was more than \$228 million. Kyanite occurs in the Piedmont, and Virginia is the leading state in production of this mineral, which is used for ceramic and refractory products. Hence, there is a tremendous amount of natural resources in Virginia for the building projects needed.

A space museum, ship museum, and space station

The ambitious plans already under way in the state for technology museums and science centers can be of great educational value in giving the local and regional population some of the tools required to enter the Space Age.

The Air and Space Museum in Washington, D.C.—the most heavily trafficked museum in the world—is going to open a Shuttle museum branch at Dulles International Airport. On June 5, the National Capital Planning Commission approved an estimated \$1.9 billion in federal facilities, which included \$32 million for the Dulles Wing of the National Air and Space Museum.

The project was described by the Federal Capital Improvements Program in the following terms: "Thirty-two million dollars for the design and construction of a 100,000 square-foot aircraft hangar-type building for the exhibition of large aircraft and spacecraft such as the space shuttle, the Concorde, and the Boeing 747 and 707 jetliners." The description concluded that, eventually, the Smithsonian Institution believes that four hangar facilities of approximately 100,000 square feet each could be constructed over a 10-15 year period. This could be a major science and educational institution.

In June, plans were released for a \$30 million national maritime center on the Norfolk waterfront. It would combine the latest in marine technology with international shipping and naval history. Combining groups such as the Navy, the Coast Guard, the Virginia Port Authority, and the Virginia

Institute of Marine Science, as well as Norfolk Southern Corp. Railroad, and several shipyards, the maritime center is being built instead of the proposed Cousteau Ocean Center, which was envisioned as an indoor amusement park. In this case, at least, wiser heads prevailed.

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'Meat and milk will make you sick'

Food faddist "experts" rationalize the loss of U.S. farm output potential.

A new phase of propaganda has begun from the food faddist camp about the dangers of animal protein in the diet. In mid-July, a series of articles appeared in the major U.S. press, on the theme "Research is Linking Too Much Protein to Disease" (headline article in the *Richmond Times-Dispatch*, July 16). The so-called research review was released by the Center for Science in the Public Interest, a Naderite group that has consistently opposed nuclear power and advanced technology R&D for industry, agriculture, medicine, and the environment.

The theme of the article—and the accompanying propaganda campaign—goes far beyond the questions of cholesterol, lactose, or other food elements that are undesirable for certain individuals. The new theme is "Less Steak, More Pasta," and that meat should better be used as a flavoring, and milk as merely an ingredient (in cereals products), not as a food. A July 15 *Washington Post* cooking column aimed at "Yup-persons" is typical: "CSPI recommends eating at least one meal a day with little or no animal protein. It urges us to learn new ways to prepare grains, legumes, pasta, and vegetables, and to use meat and poultry only as condiments." Imagine ordering "aura of steak" as a side dish, and corn and applesauce as the main meal.

The argument that meat and milk are harmful, advanced by the "experts" at the Center for Science in the Public Interest, is bogus. But first, consider the timing of the campaign against meat and milk.

The number of meat animals nationally (cattle, hogs, and sheep) has now dropped to the lowest level since the early 1960s. Domestic output of beef, lamb, veal, and pork per capita has dropped drastically.

Temporarily, in recent years, imports of these products disguised the decline in home output. However, the lower-valued dollar now commands fewer imports; at the same time, farmers abroad as well as at home, are going under, and sources of exports are falling.

For example, the meat herd numbers in Canada are shrinking under the worldwide depression conditions.

The number of milk animals has fallen. Over the last 15 months of the federal "Dairy Herd Termination Program," at least 1.5 million milk animals were eliminated. Milk output has been reduced so significantly that there now is no reserve capacity (unless farmers were induced to rev up production again).

Every pound of the current "surplus" dairy product stocks in government storage (under the milk marketing stabilization program) are committed for distribution in one of the national school or charity distribution programs.

When school opens in September, some urban areas will be short of milk, and have to ration. As it is, the only reason the lack of output is not visible, is that more and more households are impoverished and unable to afford the high-quality animal protein in their diet—meat, ice cream, dairy products, whole milk, that used to be routine. Therefore, there appears to be

plenty on the shelves because millions of people can't afford to buy meat and dairy foods.

The anti-meat and -milk lobby is so activated, they filed a request on July 21, to have the Food and Drug Administration reclassify certain categories of milk to attempt to deter the public from wanting normal-fat-content (3.2%) milk, or even 2% fat-content milk. The 2% fat-content milk, and the 1% fat-content milk they contend are misleading if called "low fat." They contend that only skim milk (no fat) should be called "low fat."

The argument being made against meat and milk by the faddist "experts" is that since individuals with weak kidney functioning benefit by reducing the throughput of nitrogen-containing waste products from meat and milk, then healthy people of all ages and sizes should also reduce their meat and milk consumption.

Their contention is that whatever the daily calorie requirement for an individual, little of it should come from animal sources—neither animal fats nor proteins.

Consider: If you think this way, then the decline in the ability of the United States to produce food is supposed to be "good for you," and you won't demand emergency action to restore the productive potential of U.S. agriculture.

The real issue of kidney functioning in the population at large is a matter of the aging process, except in individual cases of illness and malfunction. In populations that live long, the decline in kidney function shows up. According to researcher Mackenzie Walser of the Johns Hopkins School of Medicine, "If there were nursing homes for old rats, they'd be full of animals with kidney disease. . . . All laboratory rats developed this as they age."

Government bankrupt by end of July?

An unresolved federal debt ceiling crisis may blow up in the administration's face.

Bill Simon has not yet announced a leveraged buyout of the Office of Management and Budget, but the prospects that the federal government will actually run out of money were strong and growing at *EIR's* July 22 deadline.

Five days before the Treasury will run out of money, neither the Senate nor House has reached agreement on an extension of the federal debt ceiling, which expired July 17.

The Treasury cannot borrow money to cover its deficit, and will fail to mail Social Security checks if the federal debt ceiling is not extended by Congress by July 27.

Although Senate Budget Committee sources insist that some makeshift agreement will emerge by then—perhaps only a 30-day extension—Senate Budget Committee chairman Domenici is still locked in negotiations with Senators Lawton Chiles (D-Fla.) and Phil Gramm (R-Tex.) over an intended “strengthening” of Gramm-Rudman, to be attached to the debt ceiling bill.

Nothing has yet come to the Senate floor. After the Senate votes, the House must undergo the same process, and then the two versions must be reconciled in conference—all within six days. If not, the checks will not be mailed. What Domenici, Chiles, and Gramm cannot agree on, is the specific method of budgetary suicide which the administration will be asked to commit.

Last year, the Supreme Court threw out so-called “automatic sequestration” of funds, which provided

for the General Accounting Office of the U.S. Congress to institute automatic across-the-board cuts, should the deficit numbers exceed proscribed levels.

All factions in Congress agree that automatic sequestration must now be restored. What they disagree about is the extent to which the administration will be entrusted to administer them, or to what extent Congress will execute the cuts.

Since the latter demand, favored by Senator Chiles, who “does not trust the administration to carry out the policy,” according to Senate sources, raises constitutional issues, brewing the poison is no simple job.

Most commentators have, heretofore, dismissed these events as the usual debt-ceiling cliffhanger, which Congress has enacted every time the debt ceiling came up since late 1985, when it passed Gramm-Rudman-Hollings in the process.

However, the commentators have proved wrong; rather than resolve the debt-ceiling issue within days of its expiration July 17, neither the House nor Senate has shown any sign of resolution. The administration's economic credibility has finally died, and every rodent on Capitol Hill has come to gnaw on the corpse.

The House and Senate are responding, however incoherently, to massive constituency pressure to “do something” to correct the administration's disastrous economic policy, which forced heavy Republican losses in the last election.

The usual staged cliffhanger has

run out of control, and turned into a real-life catastrophe.

No one has yet brought up the subject of how a failing economy will be brought into line with the Gramm-Rudman-Hollings “targets.”

On July 16, Budget Director Miller told the Cabinet that the deficit for the fiscal year ending Sept. 30 would fall to \$155 billion, down from previous estimates of \$173 billion. That assumes a \$20 billion windfall from tax reform, which will turn into a \$20 billion reduction in revenues during Fiscal Year 1988, to which the Gramm-Rudman straitjackets apply.

Even assuming that Budget Director Miller is right, and tax reform produces a \$20 billion swing toward the black, the current tax schedules, which postpone tax reduction to future years, should push the deficit back to the \$190-\$200 billion range for Fiscal 1988.

Gramm-Rudman currently demands a \$108 billion deficit for that year. Even that assumes a continued gain in tax revenues.

As the sagging economy produces less tax revenues, and more federal obligations for entitlements payments, the deficit will rise well into the \$220 billion range registered during FY 1986.

That does not count a \$50-100 billion looming bailout for the Federal Savings and Loan Insurance Corporation, nor the corresponding bailouts of the Farm Credit System, the Pension Benefit Guarantee Board, and sundry other federal agencies.

That could bring the deficit up to the \$300 billion range.

As *EIR* suggested last week, the Reagan administration's solution might be to declare a recession, suspending Gramm-Rudman with two successive quarters of GNP growth of less than 1%.

Business Briefs

Biological Holocaust

Brazil is running out of TB medicine

By the end of August, Brazil will have exhausted its reserves of tuberculosis medication, as a result of its economic crisis, according to a report in the newspaper *O Globo* July 23. The country still has 32 million pills or injections, for 120,000 patients. Officials estimate that 6,000 patients who began treatment this year will be left without medicine.

TB causes 5,800 deaths per year in Brazil. Without treatment, 50% of the patients are expected to die in two years, 25% will remain in a chronic state of illness, and 25% will recover on their own.

Imports have been blocked since last year because of exchange controls, and medicines have already run out in many localities. People are refusing to go to the main TB hospital in Rio de Janeiro, Santa Maria Hospital, because conditions are so bad that 11% of patients die.

In 1979, Brazil spent \$100 million to cure 55% of the TB cases which were treated. Today, it spends \$67 million, of which \$10 million is for medicine, to cure 97% of those who complete the six-month treatment.

Health

OSHA demands worker protection against AIDS

The U.S. Labor Department's Occupational Health and Safety Administration (OSHA) will soon begin penalizing health care employers who fail to protect workers from exposure to AIDS and other blood-borne diseases, the *Washington Post* reported on July 23.

The decision means that the federal government will begin subjecting hospitals and other medical facilities to legal sanctions, such as fines, for failing to enact safeguards protecting workers against transmission of AIDS. OSHA, however, has decided not to issue new safety standards for AIDS and hepatitis B, but to use existing federal rules.

"We believe we need to begin enforcing our existing guidelines," said an unnamed Labor Department source. "We don't think that [adherence to] the guidelines by employers is consistent enough."

Real Estate

Tax reform bill worsens S&L crisis

Collapsing U.S. real-estate values because of the Reagan administration's 1986 tax reform are worsening the disastrous losses of savings and loan institutions, according to analysts at the Federal Home Loan Board Bank.

"The tax reform act is having its consequences in the real-estate market. There are a lot of foreclosures of commercial property, and a lot of developers are walking away from deals after the tax advantages that motivated the deals ceased to exist. So the S&Ls are taking a lot of property back," said one analyst. Losses have increased from 4.2% to 6.2% of S&L mortgage portfolios over the year to May 1987.

The tax reform bill eliminated the tax benefits which had prompted the building boom of 1981-87, which led to a 25% oversupply of urban office space in the United States.

International Trade

'Pasta war' looms between U.S., Europe

The European Community on July 20 rejected as "completely unacceptable" a U.S. demand for large cuts in pasta export subsidies, raising the prospect of a transatlantic "pasta war" beginning in August, UPI reports.

If the United States imposes sanctions on European pasta imports on Aug. 1, then the EC would retaliate with "mirror measures." The EC position was stated by officials after the July 17-18 ministerial meeting in Copenhagen, which U.S. Agriculture Secretary Richard Lyng attended, along with the outgoing Undersecretary Daniel Am-

stutz (formerly of the Cargill grain cartel), who talked tough about protectionist measures.

On July 22, the U.S. Senate approved a protectionist trade bill, which would force the President to retaliate against other countries' "unfair practices."

Industry

Europe will slash its steel production

The European Commission on July 21 approved a \$7 billion, three-year plan to cut Western European steel capacity by 30 million tons. The program proposes that member-countries maintain production quotas on the most common steel products, shut down a number of large mills, and cut 80,000 jobs. The plan will be submitted to the member governments for consideration in September.

Several thousand West German steel workers demonstrated the following day against the measure. In the Saarland cities of Dillingen and Voelklingen, which have an official unemployment rate of 18-19%, several thousand steel workers called on the Bonn government to secure jobs for the Saar Steel Corporation, and to resist the European Community's quota for closures of steel plants.

Also 4,000 workers of Maxhuette Steel in eastern Bavaria took to the streets, demanding job security through joint emergency action by the Bavarian state government in Munich and the federal government. Maxhuette Steel has filed the equivalent of Chapter 11 bankruptcy, and there are plans to lay off 3,000 of the 4,500 workers employed at the plant.

AIDS

Colorado meatpacking firm will test workers

The Montford Meatpacking company of Colorado, owned by Conagra, Inc., has announced that it will test all prospective employees for AIDS. President Ken Montford

said that the company is trying to protect its employees, who work with knives, from spreading AIDS-contaminated blood.

If blood from an AIDS-infected worker is spilled in an industrial accident, it could serve as a conduit for spreading AIDS to others, said Montford, adding: "My philosophy is that it is a communicable disease, and we have historically tested for communicable diseases."

Transport & Communications

Thailand maps trade ties to U.S.S.R.

The government of Thailand has approved a proposal to open air and sea links with the Soviet Union, and has called upon the communications ministry and Thai Air to investigate possible transport links between Bangkok and Vladivostok.

The opening to Moscow is a direct result of actions by the U. S. State Department and affiliated "Project Democracy" networks, to antagonize Thailand and break its traditional ties to the United States.

The Joint Public-Private Consultative Committee, under Prime Minister Prem, also asked Thai firms and the Chamber of Commerce to come up with ways to expand trade with the U.S.S.R. All of these initiatives have been taken under the direction of Foreign Minister Siddhi Savestila, an associate of Henry Kissinger, who announced that he will be visiting China and North Korea Aug. 18-25, to increase bilateral ties. On announcing the trip, a foreign ministry spokesman noted that Thailand officially supports unification of North and South Korea.

The Debt Bomb

Bolivia will divert anti-drug funds to banks

Bolivia and the international banks have worked out a novel "solution" to the country's foreign debt problem: \$1 billion of the debt will be bought up from the banks at 15¢ on the dollar.

But since the Bolivian government does

not have a penny, the money for this would be contributed by foreign governments, as money "to fight the war on drugs." But the money would go to a fund run by the International Monetary Fund, which would give it to Bolivia only to pay off the banks.

Bolivia says it would go through a book-keeping game: The pesos budgeted for anti-drug activities would be used to buy back the foreign debt. Eventually, the war on drugs would supposedly be financed by diverting pesos which would have gone to debt service.

The catch is that Bolivia now spends nothing on fighting drugs and has not paid foreign creditors since 1985. So, it all boils down to foreign contributions for fighting drugs going to pay off the international banks that set up Bolivia's drug economy in the first place, and reap the lion's share of profit from it.

Infrastructure

Thailand's Kra Canal project moves ahead

The Kra Canal Committee of the Thai Parliament is now finalizing plans for delegations to go to Egypt and West Germany to inspect canals built there, preparatory to building a canal across the Isthmus of Kra which would make it possible to vastly expand shipping in the Pacific and Indian Oceans' basins.

The project has been vigorously promoted by *EIR*'s Bangkok Bureau, along with the Mitsubishi Research Institute of Japan.

The proposed canal is getting regional support. A Chinese government spokesman on a visit to Thailand said that China would help with explosive devices which would make construction cheaper.

When U.S. Defense Secretary Caspar Weinberger visited to Bangkok June 12, he also indicated his support for the canal. At a press conference, *EIR*'s Bangkok Bureau Chief Sophie Tanapura asked him if he would support the canal. Weinberger responded, "We have not had a formal request of that kind at this point, but I think we would tend to be very sympathetic to requests for things that we believe could strengthen the country economically or from the point of view of security."

Briefly

● **OCCIDENTAL** Petroleum, Armand Hammer's company, said it may sell "a substantial minority interest" in IBP, the nation's largest meat processor, which was fined \$2.6 million for violations of federal safety regulations. Inspectors compared conditions at the company's plants to those portrayed in Upton Sinclair's *The Jungle*.

● **AN IMF TEAM** which left Turkey late in July issued a statement accusing the Turkish government of mismanagement. The statement demanded cuts in public-sector firms and in the money supply, calls the inflation rate "most discouraging," and expresses "a pessimistic view." The IMF also attacked a decision to decrease interest rates, aimed at promoting internal investments.

● **BOLIVIA'S CENTRAL BANK** will offer for sale its gold reserves in Europe, in order to finalize the conversion of tradeable resources, Spain's EFE news agency reported July 22. The head of the central bank will go to Switzerland and West Germany to conclude the deal.

● **PENTAGON SOURCES** recently returned from Africa describe the AIDS pandemic there as the largest-scale genocide in history. According to these estimates, fully 30% of black Africa's intelligentsia is infected, and 50% of the officer corps.

● **BURTON BONGARD**, the former president of Ohio's Home State Savings Bank, was sentenced to a maximum of 10 years in prison July 22, on four charges of fraud stemming from the 1985 collapse of the Cincinnati-based thrift.

● **A NEW INSURANCE PLAN** went into effect in Maryland on July 1, which raised rates for obstetricians 16-40%, depending on location and size of practice. An average obstetrician, who delivers 100 babies a year, would see his or her rates increase from \$39,000 to \$52,000.

Mining helium-3 on the Moon for unlimited energy

There is enough fuel on the Moon's surface to power the fusion reactors that can advance the Earth's economy and begin industrializing space. Marsha Freeman reports.

For years, space scientists have dreamed of one day using fusion power to build cities in space, a task that would be impossible with less efficient chemical fuels or inefficient solar energy, or even with more efficient nuclear fission technology. At the same time, fusion researchers hoped that in the near future, the most advanced fusion fuels would open the age of unlimited plasma energy. Now, both of these dreams could become a reality just after the turn of the century, by implementing a new proposal to mine helium-3 from the Moon. Helium-3 will be a crucial fuel for fusion reactors on Earth and in space.

"There is enough fuel on the Moon to meet the present energy needs of the entire Earth for close to 2,000 years," Dr. Gerald Kulcinski told a lunar science conference in September 1986. This lunar fuel is an Earth-rare isotope of helium, which is abundant in much of our Solar System and on the Moon. Kulcinski and the research group at the Fusion Technology Institute at the University of Wisconsin are now working out the details of a plan to begin lunar mining of helium-3, not only for use in setting up lunar industries and powering Earth reactors, but also for advanced fusion propulsion systems to open the rest of the Solar System to man's exploration.

Using fusion energy on the Moon was the centerpiece of the lunar industrialization plan worked out by space scientist Krafft Ehrlicke. In an article on industrializing the Moon in 1982, Ehrlicke noted that Selenopolis, his name for a lunar city, "cannot be built with yesterday's technology." Fusion energy will be as fundamental on the Moon as the Sun's energy is for the Earth's biosphere, Ehrlicke said, for "conditions for fusion plants are more favorable in the high vacuum on the lunar surface than on Earth." Ehrlicke set the goal of using "clean" deuterium-helium-3 fuel to do the job. Now,

based on the work of the Wisconsin team, that goal can be met much earlier than Ehrlicke had envisioned.

Industrial materials processing on the Moon will be significantly different than conventional Earth technologies, which require vast amounts of water, chemicals, and other volatiles that do not exist in the lunar environment. Fusion has great advantages, even over nuclear fission, for materials processing and other industries: It requires a small amount of fuel, most of the fuel is already on the Moon, it produces no waste that requires recycling, it requires virtually no radiation protection, and it can make use of direct conversion technologies such as magnetohydrodynamics (MHD)—getting rid of the steam turbine. In fact, direct plasma processing, using the high-temperature charged-particle product of the fusion reaction itself, has the potential to increase productivity by orders of magnitude over today's chemical or even electrical processing technologies.

Previously, the only obstacle Ehrlicke and others saw to a lunar fusion economy, was that the deuterium (D) and tritium (T) isotopes of hydrogen, which scientists planned to use as fuel, had to be transported from Earth, creating a serious economic penalty.

Fusion scientists knew that eventually they would be able to use advanced fuel cycles, such as the fusion of helium-3 and deuterium, and that this was desirable because it would greatly reduce radiation problems from tritium and highly energetic neutrons. In addition, with advanced fuel cycles, energy conversion efficiencies could be doubled or tripled. However, in the past, fusion scientists were not aware of any ready source of helium-3 that would make commercial development of this advanced fuel realistic. As Kulcinski put it, "The lack of a long-range supply of helium-3 has limited serious consideration of this fuel cycle for the past 20 years."

Even the most recent work on advanced fusion fuel cycles, such as the soon-to-be-published book, *Introduction to Fusion Energy*, has assumed that "obtaining the required helium-3 poses a serious problem, since it is not available in the quantity needed for a fusion economy based on the deuterium-helium-3 reaction." Endeavoring to find a way to open up the possibility of this superior advanced fusion fuel cycle, fusion scientists proposed that power plants producing fusion with the more elementary D-T or D-D reactions would create tritium as a by-product, and that they would then collect the helium-3 that is produced as tritium decays. The deuterium-helium-3 fusion "satellite" plants could then produce the "clean" fusion.

Accumulating helium-3 by waiting for tritium to decay is a very slow route to the 21st century. The Wisconsin team's plan for mining helium-3 on the Moon will get us there much faster. According to the Wisconsin group, an aggressive space program that takes America back to the Moon just after the turn of the century, and an aggressive fusion research effort that demonstrates a deuterium-helium-3 reactor by about the same time, could open an era of unlimited energy on Earth and in space for millennia to come.

The helium advantage

One basic requirement for all of human economic activity is energy, and electricity is the universal form of energy available today. For 100 years, mankind has produced almost all of its electricity by burning coal, oil, gas, or uranium to produce heat, which is used to boil water and run steam turbines. One of the major advantages of using deuterium-helium-3 reactions to produce fusion energy is that most of the output is not heat, but charged particles, which can be converted directly to electricity in a variety of ways.

Compare this with other fusion reactions. If fusion energy is produced with deuterium and tritium, about 80% of the output will be in the form of high-energy neutrons. The only efficient way to extract energy from these uncharged particles is to slow them down through collisions with a material or blanket that lines the reactor wall. When they slam into the liner material, heat is produced. This means that a reaction taking place at millions of degrees will have to have its energy degraded to less than 2,000° in order to match the limit of today's steam turbine technology.

A fusion fuel cycle using D-D reactions improves the quality of the fusion energy, because about two-thirds of the total energy released is in the form of charged particles, with the rest in neutrons. But with deuterium-helium-3, the neutrons are virtually eliminated (Table 1).

The opportunity to use charged particles to directly convert the fusion output to electricity is a prerequisite for space propulsion systems (which certainly will not carry along steam turbines), and for power plants on the Moon, where there is no water available to turn turbines. The efficiency of conversion will be increased from today's utility steam turbine sys-

TABLE 1

Comparison of fusion fuel cycles

Fuel	Reaction products	% energy released as charged particles
D-T	Neutrons + helium-4	20
D-D	Neutrons + helium-3 Protons + helium-4	66
D-H ³	Protons + helium-4	93-100

The deuterium-helium-3 fusion fuel is the most efficient, releasing nearly all of the energy produced as charged particles and permitting the direct conversion of the fusion energy to electricity.

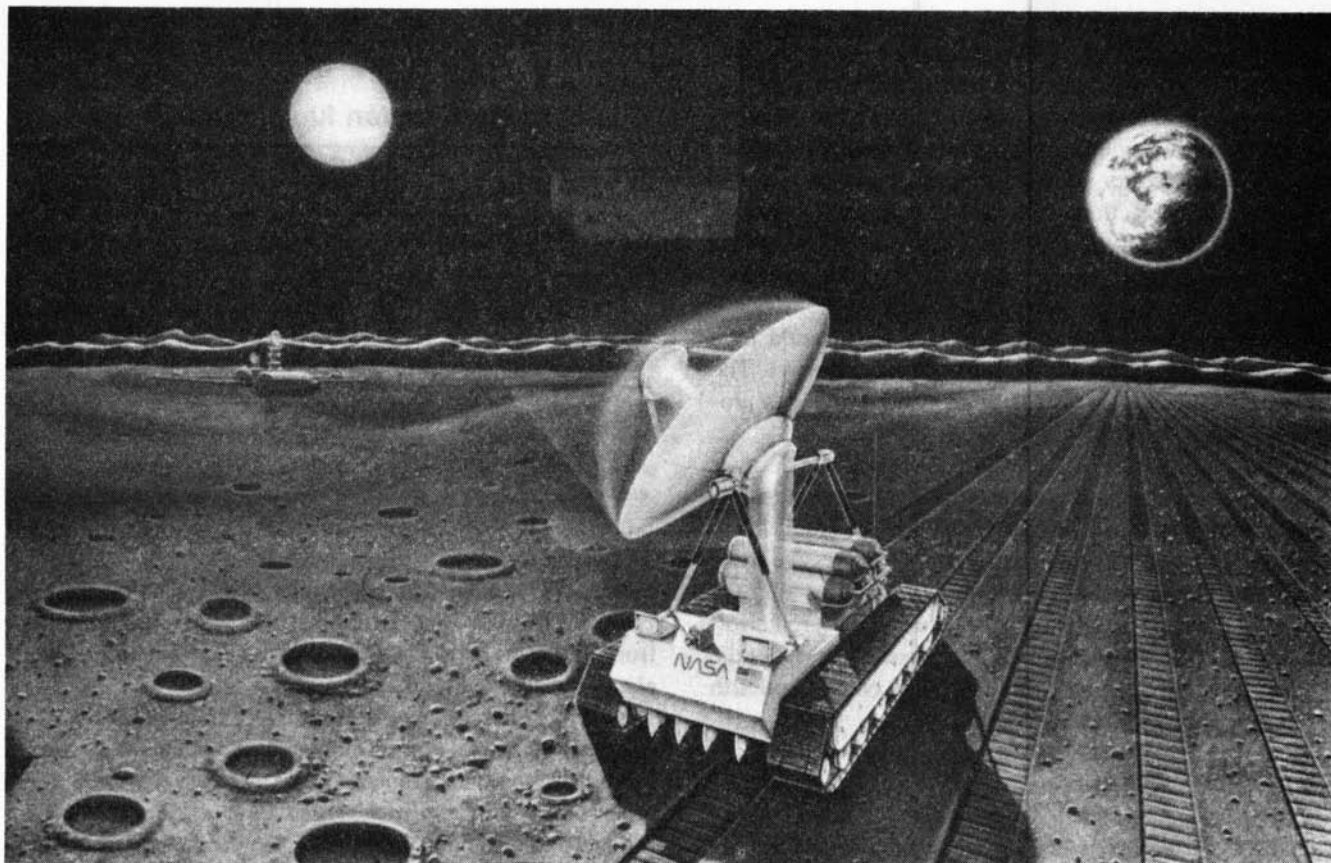
tems of 34%, at best, to potentially 100%, with no wasted energy. The high-temperature plasma, which is the product from any individual plant, could be used both to produce electricity and to directly process materials.

Various direct conversion designs and technologies are currently being considered for match-up with deuterium-helium-3 fusion power plants, and for different reactor geometries. One would involve the use of the synchrotron radiation produced in the fusion process. Energy in the form of microwaves, for example, could be diverted and extracted from the reactor for direct use in materials processing and the transport of energy to remote parts of the Moon, or for conversion to electrical power. Designs are also under consideration for diverting a portion of the charged particles from the fusion reaction for either magnetohydrodynamic (MHD) conversion systems which have already been demonstrated, using low-temperature fossil fuel plasmas.

In studies carried out at the Lawrence Livermore National Laboratory, *in situ* fusion-MHD conversion designs are also being investigated, where the magnetic field already used to contain the fusion reaction would do double duty, and be used for the MHD conversion as well. The charged particles and electromagnetic radiation produced by the fusion reaction could be used to ionize a separate working fluid, right inside the wall of the reactor.

Electrostatic conversion involves diverting the protons released by the fusion reaction and organizing them into beams. The positively charged proton beams from the deuterium-helium-3 reaction are then matched to electrodes with similar voltages, where the protons are collected, producing high-voltage direct current.

A second major advantage of the deuterium-helium-3 fuel cycle is the simplification of the design of the fusion reactor itself, because radioactive tritium fuel will be eliminated and the high-energy neutrons will be much reduced. Although there is the possibility that side-reactions of D-D could take place, producing unwanted neutrons, the helium-



Fusion Technology Institute, University of Wisconsin

In a concept developed at the University of Wisconsin, a remotely operated mobile unit scoops up lunar soil, extracts the helium and stores it, and then ejects the mined soil. Illustration by John Andrews.

3 to deuterium ratio can be increased in the fuel mixture, to perhaps nine parts helium to one part deuterium, in order to lessen the D-D reactions. It is also possible that spin-polarizing the fuel will suppress side D-D reactions.

Tritium is not an abundant, naturally occurring isotope of hydrogen on Earth, because of its short half-life of 12.3 years. Therefore, for D-T fusion, the tritium will have to be bred from lithium in a blanket surrounding the reactor cavity. The deuterium-helium-3 reaction eliminates the need for this breeding blanket, because it eliminates the need for tritium.

Because there is no radioactive fuel or by-product from deuterium-helium-3, special precautions for handling the fuel and waste are unnecessary. With lower neutron flux and radiation effects, internal reactor components should last longer, with increased plant lifetime.

The paucity of natural helium-3 on Earth is not the only reason, however, that the emphasis in the fusion program has centered on using deuterium and tritium; the D-T fusion reaction is the easiest to obtain in terms of the temperatures required, the strength of the magnets, and so on. For example, producing fusion energy with deuterium-helium-3 requires plasma fuel temperatures three to five times higher than those already achieved in current fusion tokamak experiments (about 100 million degrees). Kulcinski has noted,

however, that in the past 15 years, fusion scientists have increased the plasma operating temperature by a factor of 40, so another factor of 5 "should not take an unreasonably long time."

In order to contain the plasma fuel at this higher temperature, the external magnetic fields must also be increased. Instead of the 10-12 tesla magnetic fields that are now conceived as necessary for D-T tokamaks, Kulcinski notes that 16-tesla magnet systems will be needed. (A tesla is 2,000 gauss, with 0.5 gauss equal to the magnetic field of the Earth.) Again, in terms of getting from here to there, this is only a 30% increase from magnetic fields already achieved in the Mirror Fusion Test Facility-B at the Lawrence Livermore National Laboratory, and the Japanese plan to build a 16-tesla fusion magnet test facility, according to Kulcinski.

It is also possible that polarizing the fusion fuel (aligning the spin of the fuel particles) could increase the reactivity of the plasma, thereby lessening some of these constraints, in addition to suppressing the unwanted D-D reactions. Increasing the plasma reactivity by 50% could reduce the overall reactor size by two-thirds. The Fusion Technology Institute is investigating the potential advantages of spin polarization this year.

What kind of fusion reactor design will be best fitted for

using deuterium-helium-3? There are advantages to the linear, or open fusion reactor designs, such as the tandem mirror, whose open ends would allow the easy extraction of plasma particles for direct conversion. Initial experiments using electrostatic direct conversion on the Tandem Mirror Experiment at Lawrence Livermore National Laboratory have demonstrated a 95% efficiency. This design would also be best suited for fusion propulsion, as an open end is needed to expel the particles out the back end of the rocket.

The donut-shaped tokamak design, which is driven by higher plasma currents, would lend itself to synchrotron radiation conversion. The microwaves would be produced in the cavity of the reactor, which would have highly polished walls to reflect them. The microwaves could then be diverted to a nearby facility, where they could be converted to electricity or used in chemical processing or even food irradiation.

The modifications required for existing D-T experiments or devices that are on the drawing board in order for them to test the advanced deuterium-helium-3 fuel would be a "very small perturbation" in the program according to Kulcinski—in other words, barely noticeable. The team is now investigating how and when this unexplored fusion fuel cycle can be tested. They are confident that when the next-step fusion Engineering Power Reactor machine is operating, perhaps by the year 2000, it will be possible to have deuterium-helium-3 fusion fuel ignited and burning in a demonstration reactor.

If fusion scientists are now optimistic that there are no insurmountable physics problems to going directly to advanced fusion fuels as soon as the engineering technology is ready, the only question is, where will they get the helium-3?

Phase 1: helium-3 on Earth

Between now and the year 2000, when the manned space station will have small vehicles parked outside that can go back and forth to the Moon, where will the helium-3 come from for the fusion reactor? The solar wind, which constantly spews high-energy particles and radiation from the Sun throughout the Solar System, has been found by spacecraft probes to contain about 20 parts per million particles of helium-3. However, these particles do not survive the Earth's atmosphere and are, therefore, not found deposited on the Earth's surface. Some helium-3 exists in the nuclear weapons program. Helium-3 is a natural decay product of radioactive tritium, which is used today principally for the production of thermonuclear weapons. Although the inventory of tritium from weapons production is classified, it has been estimated that there are currently about 300 kilograms (kg) of tritium in U.S. weapons. As 5.6% of this tritium decays each year, there should be about 15 kg of helium-3 produced per year in this manner. If this helium-3 were collected, it could reasonably provide between 200-300 kg of helium-3 for fusion experiments by the year 2000, when such amounts would be

required for a demonstration reactor. In addition, there is a small amount of helium-3 that can be extracted as a by-product of natural gas production.

Researchers have estimated that this could provide, cumulatively, more than 200 kg by the turn of the century. The tritium decay from Canadian CANDU fission reactors, and other small supplies, could bring the total to between 500-600 kg (Table 2). This supply could power a small (100-200 MW) electric demonstration plant, for several decades, at a current cost of \$700 per gram of helium-3.

Phase 2: helium from the Moon

Because the Moon has no atmosphere, the helium-3 bombarding it from the solar wind has collected there over billions of years. Samples of lunar soil returned by the Apollo astronauts and analyses from the Soviet unmanned Luna probes indicate that the lunar soil contains an estimated 1 million tons of helium-3.

The Wisconsin group states, "The characteristic of the lunar soil (regolith) that makes it an effective collector is its extremely fine grain size," which is due to the pulverization of the soil to a depth of between 5 and 15 meters, caused by the impact of meteorites.

It has also been determined that the lunar mare or dark plains, have a higher helium content than the soil in the highlands, because the solar wind particles appear to be concentrated in ilmenite granules, which comprise up to 10% of the mare soils.

How much of the helium-3 on the Moon can be economically exploited is still under study, but the technologies for extracting the helium are already under development in a variety of studies on lunar mining. Studies are ongoing, for example, to develop methods for the extraction of plentiful oxygen from the lunar soil, which will be crucial for the lunar base.

The Wisconsin team has designed a way that the recovery of helium from the lunar surface soils will involve a simple process. In the latest concept developed at Wisconsin for

TABLE 2

Potential terrestrial sources of helium-3

Source	Cumulative to the year 2000 (kg)
U.S. weapons	300
CANDU fission reactors	10
Storage at natural gas wells	29
Known reserves at gas wells	187
Department of Energy research supply	13
Total	500-600

Before the turn of the century, a total of 500-600 kg of helium-3 could be made available from Earth-based sources.

mining the lunar helium, a remotely operated mobile unit will collect and process the soil.

The rover will pick up the top 30 centimeters of lunar soil. The raw material will be scooped up at the front of the unit and will be heated by the Sun to 600° Celsius. At that temperature the helium is vaporized and extracted. The extracted helium-3 will be stored in a tank on the mobile unit, and the processed soil will be dropped back on the surface about a meter from where it was scooped up.

If the processing is done during the two-week lunar day, the ambient temperature on the lunar surface will be nearly 130°, and the remainder of the heat can be supplied by solar collectors, which are pointed toward the Sun.

It has been estimated that to produce 1 kg of helium-3, about 100,000 tons of pristine soil will have to be processed.

Once the helium is liberated, the helium-3 must be separated from the more abundant helium-4. Cryogenic distillation is a technology that has been demonstrated to produce 99.99% pure helium-3. When the helium is cooled to only 2.1° above absolute zero (2.1° Kelvin), the two isotopes of helium can be separated using fine filters. If these distillers are operated during the alternate two-week lunar night, when the ambient temperature on the surface is already down to 120° K, less energy will be needed for cooling.

If the volume of the cargo bay of one Space Shuttle orbiter were filled with helium-3 mined on the Moon and the helium were transported back to Earth, it could produce as much electricity in fusion power plants as the United States consumed throughout 1985! This would require mining an area on the lunar surface that is approximately equivalent to the size of Washington, D.C.

How much energy would be produced on Earth by using the helium on the Moon is, of course, a function of the rate of growth of energy consumption and the percentage of the lunar surface that is mined. Mining 1% of the entire lunar

surface, could provide all of the Earth's energy, at a little more than today's levels of consumption, for about 100 years.

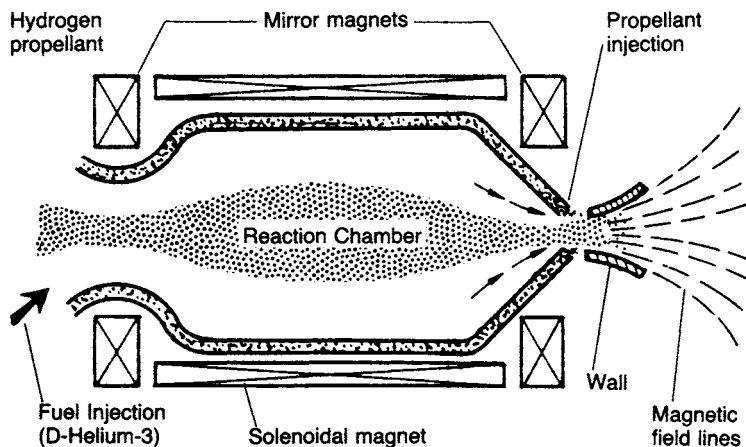
At present, the world's population consumes approximately 10 terawatts (1 terawatt equals 1,000 billion watts) of total energy per year. On an average, this is about 2 kilowatts per capita for 5 billion people. Kulcinski's group assumes that the world's population will grow to about 8 billion early in the next century, and that there will be at least a modest increase, to an average of 3 kilowatts per capita, during that time. Therefore, minimally, 24 terawatts per year will be needed.

If the entire surface of the Moon were mined, and all the helium-3 recovered were used in Earth-based fusion power plants, the helium fuel could produce enough energy to meet current world demand for 1,900 years. It will not be practical, however, to mine the entire surface of the Moon, because other scientific and industrial activities will be ongoing on the lunar surface. It also will not be necessary to mine the entire Moon, because there are much larger reserves of helium-3 just a little farther away on other planets.

The lunar helium reserves will also be needed to fuel the space propulsion systems that NASA must develop over the next 20 years. John Santarius, one of the scientists at the University of Wisconsin, has estimated that a deuterium-helium-3 fusion-propelled rocket could obtain a specific impulse up to 1 million seconds. This value, which measures the efficiency of the fuel in the propulsion system, can be compared to the 800-second value for today's Space Shuttle-type chemical rocket systems.

This fantastic rocket capability would have a tremendous impact on possibilities to explore the Solar System. Although the rocket would have a low overall thrust (rate of acceleration), the constant acceleration rate would produce impressive velocities over time, and open up regions that are today beyond our reach, such as the outer planets, for human ex-

FIGURE 1
Schematic of a fusion-propelled rocket



This early design for a fusion propelled rocket uses the magnetic mirror configuration. The Wisconsin group estimates that a deuterium-helium-3 propelled rocket would reach a specific impulse of 1 million seconds, compared to the present 800 seconds achieved by chemical rocket systems like those by the Shuttle.

Source: John J. Reinmann, "Fusion Rocket Concepts," Technical Paper, Sixth Symposium on Advanced Propulsion Concepts, Air Force Office of Scientific Research, Niagara Falls, N.Y., May 4-6, 1971 (Washington, D.C., NASA Technical Memorandum TM X-67826).

TABLE 3

Potential extraterrestrial sources of helium-3

Source	Potential supply (kg)
Moon	1.1×10^9
Jupiter	7×10^{22}
Saturn	7×10^{22}
Uranus and Neptune	10^{20}

The Moon can supply us with enough helium-3 to power the Earth for 1,900 years, but even more fantastic reserves of helium-3 can be found on Jupiter, Saturn, and beyond.

ploration. Manned spacecraft today do not accelerate once they are in space but maintain ballistic trajectories, basically coasting, due to the weight penalty involved in carrying additional fuel needed for constant acceleration.

A fusion-propelled rocket could directly expel the products from the fusion reaction, rather than using the reactor to produce electricity or simple heat. "Cold" hydrogen gas or other particles could be added to the exhaust flow to increase the mass and thrust. This would create the ability to "tune" the rocket, by changing the thrust ratio and specific impulse according to which parameters were desired during any particular mission.

The helium on the Moon will not be an unlimited energy supply in itself, but it could function as a one-century bridge to the recovery of virtually limitless helium-3 from the outer planets. It will open the next millennia, providing humanity with the first biologically benign, non-polluting, efficient, and economical energy in human history. The abundance of this quality of energy will actually *create the possibility, and is itself prerequisite*, for the colonization of space, and the necessary revolution of all economic activity on the Earth. The Moon can open the fusion era.

Phase 3: Jupiter and Saturn

During the second half of the 20th century, mankind opened the space frontier by stepping on the Moon and sending his robots to planets farther away. In the next century, mankind must set up permanent scientific laboratories in Earth orbit, an industrial and scientific base on the Moon, and colonize Mars.

Robotic spacecraft not only will further explore the outer planets, but also can become fuel tankers, bringing to the space colonists and the Earth the helium-3 needed for continued growth and exploration.

While the Moon has been capturing helium from the solar wind in the grains of its surface over eons, the giant gaseous planets are actually composed mainly of hydrogen and helium. There are estimates that as much as 25% of the weight of Jupiter and Saturn is helium, which would make more than 10^{23} kg of helium-3 available in their atmospheres. This fan-

tastic reserve of fuel is what awaits us on the other side of the one-century lunar helium bridge (Table 3).

Today's spacecraft use ballistic trajectories to traverse the multibillion-mile distances to the great planets. Even with the help of gravity assists from fly-bys near other planets, the Sun, or the Moon, these are arduously long trips, whether the spacecraft is manned or unmanned. The fusion propulsion that will be commonly available by the time we are looking toward Jupiter and Saturn for our helium-3, will make these round trips no more arduous than today's supertanker journeys from the Middle East or Alaska.

There is also helium below the frozen surfaces of Neptune and Uranus, and possible resources of helium-3 on Mars, Mercury, the asteroids, or the moons of various planets, which still remain to be investigated.

It is inconceivable that if deuterium-helium-3 fusion were demonstrated to be feasible on Earth near the year 2000 and became widely commercially deployed in space and on Earth during the next century, that a system for extracting and delivering helium-3 from the outer planets would not be available soon after that. Fusion will provide the quality and abundance of energy to allow mankind to explore and colonize space. Space science and technology will be key to making available the extraterrestrial resources that will bring the age of fusion power to the Earth and to its offspring centers of human civilization on other planets.

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Has the U.S. given in to Moscow in the war on drugs?

by Robyn Quijano

Soviet-directed narco-terrorism has penetrated every nation of Ibero-America. This flank of the Russian Empire's subversion of the West demonstrates exactly how Soviet irregular warfare operates, and why the United States has been losing the irregular war to Moscow for the last 20 years.

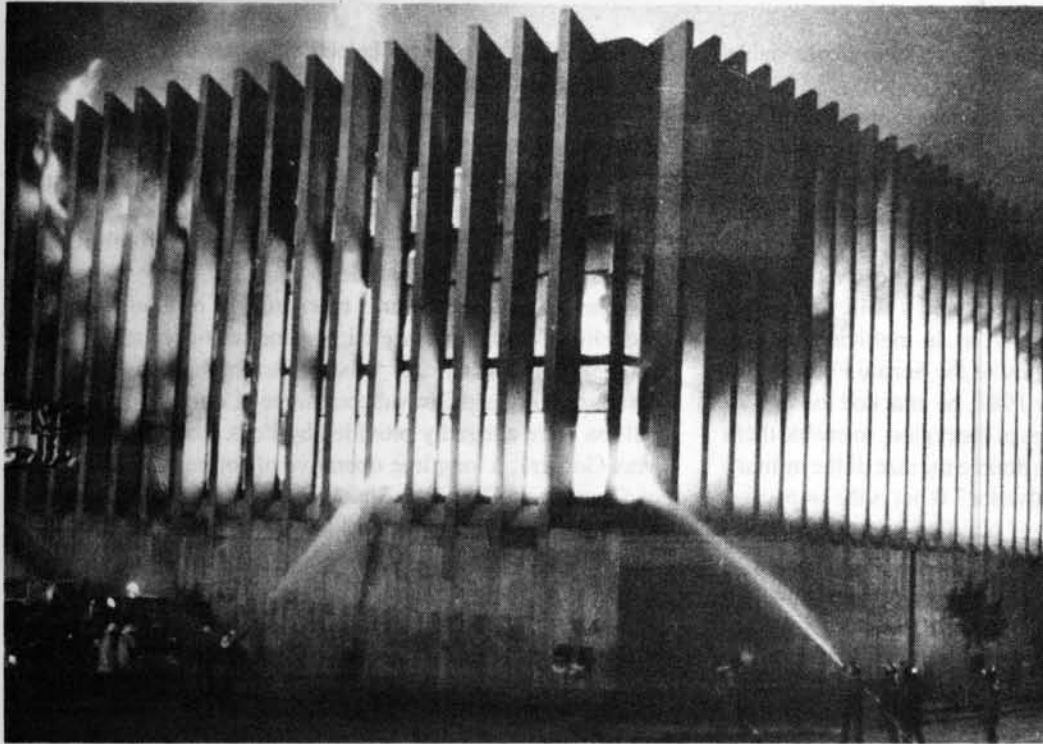
U.S. intelligence evaluations which deny the existence of narco-terrorism, deny the ongoing irregular war the Soviets are winning in the hemisphere. The "secret government" of the United States, in the person of such individuals as Undersecretary of State for Inter-American Affairs Elliott Abrams, has developed policies designed to open the door to Soviet subversion of the nations of the hemisphere.

Now the Iran-Contra scandal has brought to light the dirty dealings of the secret government with the drug mafia, and its extensive arms-for-drugs deals. The result of these deals has been the poisoning of American youth, for the allegedly "patriotic" aim of supplying illegal arms to the Nicaraguan Contras. The filthy story of the Contra-cocaine connection, exposed by this news service over a year ago, has yet to get top billing in the Irangate media extravaganza.

The U.S. surrender to Moscow in the war on drugs, is an integral part of the administration's Contra policy. For the sake of supplying arms to a mercenary army of drug runners, the United States is handing a continent, whose nations are the natural allies of the United States, to the Soviets.

The logistical infrastructure of terrorism and guerrilla warfare in Central and South America is the drug traffic. All the principal drug-traffickers engaged in the production and export of drugs from that region are Soviet-Bulgarian-Cuban assets, including the Medellín mafia and their financial wizard, fugitive Robert Vesco, who resides in Cuba under Fidel Castro's protection. It is the Medellín mafia that contributed \$10 million to the Contra war chest. Cartel chief Pablo Escobar, who has been profiled as an "anti-communist" drug-runner, operates out of Cuba, and often flies into Nicaragua aboard a Cuban Air Force plane.

The word around Washington, is that there are "anti-communist" drug-traffickers, who are a lesser evil with which to ally in fighting communism. This



Colombia's Palace of Justice in flames, in November 1985, following the seizure of the ministry by commandos of the M-19 narco-terrorist gang. In the ensuing battle to oust the terrorists, nearly 100 people died, including 12 Supreme Court judges.

El Espectador

intelligence evaluation is so blind as to constitute outright treason, designed to cover the U.S. surrender to Moscow in the war on narco-terrorism. The reality is, that there is no such thing as an anti-communist drug-trafficker.

Soviet irregular warfare

The drug trade has been part of Soviet irregular warfare against Western civilization since the Korean War. Cuba's role in gaining control over the narcotics industry in Ibero-America goes back to 1960, when Raúl Castro visited Czechoslovakia, and agreed to the reorganization of the Cuban intelligence service, the DGI, to run narcotics into the United States.

EIR published details of the Soviet connection in the book *Narcotráfico SA*, in January 1985. There we documented the growing phenomenon of narco-terrorism, the Bulgarian connection, and the use of gnosticism and satanic cults as the ideological base for this Nazi-communist alliance.

Since then, more details have come to light, largely through the records of defectors who participated in Warsaw Pact planning of the destruction of the West through the drug trade.

According to *America the Vulnerable*, by Joseph Douglass, Jr. and Neil C. Livingston, Nikita Khrushchov summoned the Warsaw Pact leadership to run the drug business for intelligence operations against the West in 1962. "It would destroy the U.S. education system and would cause a decline in the influence of religion. In certain cases it would be used to create chaos," write Douglass and Livingston. The infor-

mation comes from defector Jan Sejna, who was secretary of the Czechoslovak Defense Council at the time. In 1967, the Warsaw Pact secret police met in Moscow to design a 10- to 15-year "long-range plan" for a narcotics war against the West. The theme was "how to exploit and hasten the inherent corruption of Western Society."

But "the inherent" corruption of Western society was actually introduced by the section of Western intelligence forces and the U.S. Eastern Establishment that created the rock-drug counterculture, as part of the design for an "Age of Aquarius" to usher in the post-industrial society. This oligarchic Western faction also runs Western economic policy. The coincidence between the International Monetary Fund's policy of imposing genocidal levels of austerity on the Third World, and the marginalization and desperation of the population which makes recruitment into the Soviets' narco-terrorist army so efficient, is widely recognized.

Reagan's Contra policy

The Reagan administration's Contra policy is a perfect example of a policy designed to destroy the natural allies of the United States. The administration has categorically refused to support the Contadora nations (Mexico, Panama, Venezuela, and Colombia) and their policy of bringing peace to the region through economic development. The United States has likewise rejected: 1) technical and financial support for the national military forces in the region; 2) a total commitment to wiping out drug traffic in the region with high-tech military aid to the sovereign nations of the region;

3) infrastructural development and debt relief to create viable economies.

Elliott Abrams, champion of the drug-running Contras, has officially rejected the policies that would stabilize the region. State Department policy since the Carter years continues to be an assault on the Central and South American military. For Adm. John Poindexter and Elliott Abrams, military institutions, not narco-terrorism, threaten democracy in the region. Abrams openly rejected a policy of development for Nicaragua's neighbors, as an inefficient and far too long-term tactic. In testimony to the Senate Foreign Relations Committee in February 1987, he attacked the idea of strengthening the military forces of the region, to enable them to fight subversion: "Would we double the size of the military aid to say, Honduras and El Salvador? What is the impact on democracy in those countries of building and building and building the military machines?"

Lyndon LaRouche, in a presidential campaign statement issued on July 18, underlined the insanity of Abrams's view: ". . . we must contain the Sandinista threat, chiefly by nation-building in nearby nations, but also by strengthening the military capabilities of those nations. If 'special forces' were needed at some point, there is probably more developed talent for creating such forces in Hispanic America today than we have inside the United States. In general, we must pose the improvements in conditions of life among Nicaragua's neighbors to the minds of the people of Nicaragua.

"To this, we must add one particular lesson from Vietnam: Any person, U.S. or otherwise, caught trafficking in drugs, must have reason to believe he is already as good as a dead man.

"By destroying, again, and again, and again every drug crop, every drug-processing laboratory, every attempted shipment of chemicals to the drug-processors, every plane carrying drugs, every drug convoy, with terrible force, and searching and sealing every transit-point for total inspection where drugs pass, we must shut down the supply of drugs into the United States and Europe. Dry out the drug-trafficking in that drastic way, and the logistical infrastructure of the Soviets' terrorist and guerrilla assets collapses in the largest part."

It is precisely the LaRouche approach to the war on drugs, the key to stopping Soviet subversion of the region, that the Reagan administration has rejected. LaRouche wrote, "The only available solution to the Nicaragua problem is the so-called Contadora group, which the Reagan administration has tried to destroy, and a network of senior military officers in the region, many of whom the Reagan administration is also trying to topple from positions of influence. Running a bunch of drug-trafficking 'Rambos' on the borders of Nicaragua, is the best way one could think of to strengthen the support for the Sandinista dictatorship among the people of that country; it is an idiot's attempt to replay every piece of U.S. stupidity from the war in Indochina—partly by people

such as Bill Colby, who helped so much to make such a bloody mess of the Vietnam situation in the first place."

The 'narcontras'

The United States has allied itself with known drug runners, involving itself in the guns-for-drugs trade, dealing with "friendly" terrorists, and even buying arms for the Contras directly from the East bloc.

The Nicaraguan Contras received \$10 million from the Medellín Cartel, a convicted cocaine trafficker testified in early July, in closed-door sessions before the U.S. Senate's narcotics and terrorism subcommittee. Couriers for the \$10 million were allegedly provided by Felix Rodríguez (a.k.a. Max Gomez), a longtime operative of former CIA Director of Operations Theodore Shackley. Rodríguez is known to have been in contact with Shackley operative Donald Gregg—Vice President George Bush's main security adviser.

Convict Ramón Milian-Rodríguez told the senators that the purpose of the Medellín Cartel's payoff to the Contras was to bribe the CIA, and through it, the Drug Enforcement Administration, to go easy on drug-runners. He said he acted on behalf of the cartel, which controls roughly 75% of cocaine entering the United States, and is run by the Ochoa family and Pablo Escobar.

Convicted drug-trafficker George Morales told the Senate Foreign Relations subcommittee chaired by Sen. John Kerry (D-Mass.) on July 15 that he had run guns and drugs for the Contras' southern-front forces, which formerly operated under Edén Pastora in Costa Rica. In return for guns supplied from Florida, Morales's air freight service flew back marijuana and cocaine from Costa Rica and Colombia.

Morales thought he was working for the CIA, which promised him assistance in quashing a previous drug-running indictment. His operation overlapped that of CIA contract employee John Hull in Costa Rica. While running drugs for the Contras, Morales also had a deal with Cuba, where government officials assisted in drug money-laundering activities.

As the Iran-Contra affair unravels, there is more and more evidence that the exchange of drugs for weapons was the official policy of the secret government. The "patriotic" forces supplying the Contras, not only made deals with drug runners, but with the Soviets as well, as was revealed when Panama's Gen. Manuel Noriega captured the *Pia Vesta*, a Danish ship, illegally carrying East bloc weapons for delivery to the Contras.

As we document below, the narco-terrorists, from the old Nazi networks and the "anti-communist" Medellín Cartel, to the Shining Path terrorists, are under the control of the Soviets. In the following dossier, we demonstrate the coincidence in method and goals between what has recently been exposed as the "secret government," under the self-styled label of "Project Democracy," and the Soviet deployment to "bury" the West."

Narco-terrorists' target: the Canal

by Gretchen Small

In February, the annual maneuvers of U.S. and Panamanian military forces, named "Operation Liberty Torch 87," were conducted on the tactical assumption that the primary threat to the Panama Canal arose from a narco-terrorist uprising, covering an attempt to occupy the Panama Canal. The scenario of armed rebels backed by the drug-traffickers was chosen because, "It is our view that all guerrilla groups have partial or total financing from the drug-traffic," Panamanian army spokesman Maj. Edgardo López explained.

Yet, in June 1987, the U.S. State Department threw its support behind an attempted uprising in Panama, led by a group of Soviet-linked narco-terrorists! Although the June uprising failed, State Department officials now insist that Panama's government negotiate a "peaceful transfer of power" to the narco-terrorist-led opposition.

Thus, U.S. support for a Soviet-triggered crisis in Panama has created the worst threat to the Panama Canal since Nazi activist Arnulfo Arias became President in 1940, and attempted to aid Axis sabotage of the Canal.

The Soviet Union has already gained a foothold in the South Atlantic, through concessions granted by the Alfonsín government in Argentina, from where they can strike at the Straits of Magellan—the only route around the hemisphere should anything happen to the Canal.

Accidental? "You must also remember that the precision of current weapons allows a single missile to destroy the Panama Canal," Victor Volski, director of the Soviets' Latin American Institute, told the Argentine newspaper *La Razón* on Nov. 21, 1986.

The timing of the June uprising itself reveals the narcotics mob's hands behind the insurgency.

On May 6, 1987, U.S. officials announced the conclusion of "Operation Pisces," which they called "the largest and most successful undercover investigation in federal drug law-enforcement history": 118 top narcotics runners were arrested, while simultaneously, the Panamanian government froze 54 accounts in 18 banks of the offshore center in Panama. The accounts were then opened for examination by U.S. drug

agents, in the first implementation of Panama's new banking Law 23.

Representatives of the National Association of Banks in Panama cried: "This will end the Panamanian banking system, because people will no longer believe in banking secrecy." Panama's authorities replied, "Anyone who has nothing to do with drug-trafficking has nothing to fear."

The opposition press attacked "Operation Pisces," as a move that "will devastate the Panamanian banking center." *Extra* railed, "The U.S. Attorney has more power to investigate bank accounts in Panama than he has to investigate bank accounts in his own country." Its sister paper, *La Prensa*, accused the Panamanian Defense Forces (PDF) and government of "serving U.S. interests" by cooperating in anti-narcotics operations.

On June 8, those same forces led the uprising against the Defense Forces and government. Until ordered to open by the government, the banks joined the general strike, and shut their doors. The case is airtight: The leaders of the opposition movement in Panama are drug-traffickers, drug money-launderers, or advocates of narcotics legalization.

- The riots were called to support allegations by retired **Col. Roberto Díaz Herrera** against PDF Commander, Gen. Manuel Noriega. Díaz Herrera has long been identified as a Cuban agent and a drug-runner. He ran the "Panama connection" for the Reynaldo Rodríguez López gang in Peru, one of the largest cocaine pipelines in South America. In the same interviews where he accused Noriega, Díaz Herrera hailed Fidel Castro as "an extraordinary friend of mine," and said he was acting on instructions of his guru, Satry Shri Sai Baba.

- Díaz Herrera hoped to be the "Juan Ponce Enrile," for an opposition regime—the new defense minister in a government headed by Panama's would-be Aquino, **Arnulfo Arias**. "What I am saying is that Arnulfo Arias is the President of Panama," Díaz Herrera stated. On July 4, Arias announced that the opposition still aims for power. "We don't want to shed blood, but if the military clique insists we will defend ourselves. . . . Anything is allowed to topple this regime."

Anything? Arias was first overthrown as President in 1941 with U.S. help, as an Axis agent who threatened hemispheric safety. U.S. intelligence reports on Arias's ties to narcotics trafficking and gambling rackets in Panama are still available at the U.S. National Archives.

- **Cesar Tribaldos** was the spokesman during the strike for the Chambers of Commerce, which played the inside role in creating the "Movement for Democratic and Free Elections" in collaboration with the U.S. embassy's number-two man, **John Maistos**. "Civil resistance means not to obey, not to work, not to go to school, not to pay taxes," Tribaldos urged. Newspapers identified Tribaldos as the ex-president of the Chambers of Commerce, but couriers for the Colombian dope mob knew him in a different capacity. When Panama's government shut down **First Interamericas Bank** in 1985, because it was owned by Colombian cocaine king

Gilberto Rodríguez Orejuela, Orejuela's people identified Tribaldos as the man who laundered \$40 million through the **Banco Continental del Panama** for them.

- **Banco Continental** is headed by **Roberto Motta**, one of nine conspirators accused of "promoting public disorders of grave consequence for the nation" by Panama's Legislative Assembly.

- Tribaldos was the alternate board member at Banco Continental for **Roberto Eisenmann**, the owner of the opposition newspaper, *La Prensa*, so opposed to Panama's cooperation against drugs. Eisenmann has been a contact man for pro-opposition activities funded by the U.S. **National Endowment for Democracy**. Eisenmann had also been a top contact in Panama of the **Fernández marijuana syndicate**, until the chiefs of that Colombian-connected gang were indicted in Florida in December 1984, in the "Sunshine State Bank case." The Fernández syndicate had bought shares in Eisenmann's Miami bank, **Dadeland Bank**, and used it for money-laundering. One of Dadeland's employees was Eisenmann's friend, **Iván Robles**. Iván was granted immunity from prosecution, in a deal arranged by the ring's money-manager, **Steven Samos** (later identified as also a money-launderer for the Nicaraguan Contras).

- *La Prensa* contributing editor **Winston Robles** has also been seen recently with John Maisto, the opposition's point-man at the U.S. embassy. Winston, too, was part of the Fernández ring. **Robles y Robles**, his law partnership with his brother Iván, was hired by money-manager Samos for "legal" work with the drug ring.

- Former President **Nicolás Ardito Barletta**, named by the Legislative Assembly as one of the nine top conspirators in the plot to overthrow the government, returned hurriedly to Panama to give his support to Díaz Herrera. A former economics student of George Shultz, Barletta was one of the bankers most angered by Panama's participation in "Operation Pisces." Barletta personally, back in the early 1970s, ensured that the offshore banking center was, in his words, "more secret than Switzerland." Barletta also supported the 1986 call by the Inter-American Dialogue, for the "selective legalization" of narcotics to be considered as an option, even if, as the Dialogue admits, this would likely lead to 60 million cocaine addicts in the United States.

- Fellow Inter-American Dialogue member, Panamanian Catholic **Archbishop Marcos McGrath**, also signed the call for the legalization option. McGrath has lent his support to cultist Díaz Herrera, and the opposition generally.

- Christian Democrat Secretary General **Guillermo Cochez**, is at the center of the opposition plot. Cochez, who also protested Panama's cooperation in "Operation Pisces," stated on May 22, 1986, "I tell you, we are preparing the soil here for the same problems they have in El Salvador and Nicaragua. People are losing their faith. What are they going to do? They are going into the mountains soon."

Symbiosis of drugs and terror in Peru

by Sara Madueño

Peru is unfortunately one of the countries where Moscow's fairy-tale that there is no such thing as narco-terrorism has had the widest echo—so much so that the recent narco-terrorist atrocities in May and June in the jungle city of Uchiza and a dozen nearby villages in the Departments of Huánuco and San Martín, carried out by a combined force of Shining Path terrorists and bands of drug traffickers, have been labeled mere Shining Path "opportunism."

As shown in **Maps 1** and **2**, the strategy is nothing new. The recent years' growth of zones where drugs are cultivated and processed has proceeded in strict parallel, in time and space, with the burgeoning terrorism, deployed and expanded in lockstep with the great irregular army occupying the Andean region.

When Peru's President Alan García warned in Uruguay last May 15 that the terrorism typified by Shining Path is not unique to Peru, but "is essentially an Andean phenomenon which will stretch over the Andes toward Bolivia, Colombia, Venezuela, and Ecuador," he was not painting a futuristic picture. This transnational narco-terrorist army is already reality, and it deploys throughout the Andes without regard to borders.

For example, last March 16, the Peruvian weekly *Visión* reported that the number-two man of the Ecuadorian terrorist band "Alfaro Vive, Carajo," Edgard Antonio Frías, had been operating in Peru for two years. On May 6, the *Washington Times* revealed that terrorists of the Peruvian Shining Path and the Colombian M-19 are operating jointly and "are responsible for numerous blackouts in the last two years." The same day, the Caracas newspaper *El Nacional* reported on the arrest, in Caracas, of "foreign terrorists probably linked to the M-19 and Shining Path," and revealed that "Shining Path and M-19 operate jointly in Venezuela."

Shortly before, on Feb. 25, Bolivian Interior Minister Fernando Betherlemi reported on the arrest in Bolivia of five Peruvian subversives of the group "Red Fatherland," and a Uruguayan, connected to the Basque terrorist group ETA,

accused of various terror attacks in Bolivia in 1986, according to a UPI wire. It was said to be the second case of foreign subversives apprehended in Bolivia.

Shining Path narco-terrorists

As early as 1984, Shining Path was identified as narco-terrorist by the Italian news weekly *Panorama*, as reported in the book *Dope, Inc.* Holding its first and second fronts in the high plateaus of Ayacucho and the jungle town of Tingo María, it had already extended its actions to other parts of Peru. *Panorama* exposed the links of the Nazi International to Shining Path when it stated that “according to Peruvian police sources,” Stefano Delle Chiaie (the Italian terrorist recently arrested in Venezuela for the 1980 Bologna train station massacre) “organized one of Shining Path’s most spectacular acts: the assault on Lima of May 28, 1983,” to stop a program of substituting crops for coca, to the northeast of Lima.

Panorama also reported on the cancellation of a joint Peruvian-U.S. coca eradication program in Tingo María, after Shining Path organized 2,000 peasants of the valley of Tingo María, and attacked, on July 4, 1983, a complex of the Agency for International Development (AID) which coordinated the program, murdering numerous policemen and technicians.

- On May 1, 1987, the *Wall Street Journal* revealed that in the coca zones, Shining Path “guerrillas now present themselves as the defender of the coca growers.” In return for their protection, “the guerrillas demand that the farmers turn over one-fifth of their coca crop,” which they sell to the international traffickers—usually Colombians—in exchange for arms, money, and local resources. The “coca zones” are mainly located in the jungle area of the Upper Huallaga Valley, which includes Ucayali and Tingo María, as well as the departments of San Martín and Madre de Dios, and the jungle fringe departments of Ayacucho, Huánuco, Cuzco, Puno, Cajamarca, and Apurímac.

- On May 23, the *Times* of London Lima correspondent reported that “Shining Path guerrillas halt efforts to eradicate cocaine; they have exploited farmers’ anger at official anti-drug efforts; coca eradication is a hopeless task.” Established in the Upper Huallaga Valley, one of the main sources of cocaine, the guerrillas “engage in expensive arms deals with the traffickers,” the *Times* continues, asserting, incredibly, that the guerrillas themselves are “not believed to be involved in the drug business.”

García targeted by Moscow

Since 1985, the year of Alan García’s inauguration, Peru has recorded 2,605 terrorist acts, between blind and targeted assassinations, power-line bombings, and massacres of army units and police posts, etc., according to Interior Ministry statistics released on April 20, 1987.

- On Jan. 16, 1985, Shining Path, which alternates in urban terrorism with the Túpac Amaru Revolutionary Movement (MRTA), announced plans to “turn Lima into a second Beirut, demolish its national productive apparatus, and paralyze its national industry,” according to statements by an arrested member of Shining Path, published in the Lima daily *El Nacional*.

- In October 1986, the Soviet Spanish-language review, *América Latina*, dedicated its issue to analyzing “the correlation of forces” in Peru, and concluded that it was time for the Peruvian Communist Party (PCP) to stop playing the democracy game. The publication made it clear that Peru is Moscow’s principal strategic target in Ibero-America, and gave the signal to launch the “Third Phase” of total armed insurrection.

Communists drop ‘democratic’ mask

Shortly before, on March 11, the “democratic” communists abandoned all democratic pretexts. “Some 200 dissidents of Jorge del Prado’s PCP are said to have signed up in the ranks of the MRTA,” reported the weekly *Visión*. The others, more cautious, merely launched into an overt campaign to promote an alliance with Shining Path, MRTA, and “similar groups.”

On May 4, Shining Path foresaw “the start of a great subversive offensive, which would go up to July, and which would complete the long wave of attacks begun last December.” This offensive would “reach its climax in mid-June, with bold and far-reaching acts of sabotage and hair-raising assassinations of politicians” in reprisal for the government’s quelling of the prison uprisings on June 19, 1986. By then, Shining Path warned, “they were preparing . . . the assassination of an important political leader, whose name, obviously, was not given to us,” said the Peruvian journal *Equis X*, a habitual Shining Path mouthpiece, which “anticipates,” with amazing clairvoyance, the narco-terrorists’ actions.

Not long afterward, the PCP went public with its demands for an alliance with the terrorists:

- On May 13, Jorge del Prado, the PCP secretary general, revealed the conclusions of the regional congress of the PCP in the Department of Junín, saying that, concerning the MRTA, “it reached the opinion that it would be possible and appropriate for United Left and other anti-imperialist forces . . . to initiate a dialogue” with that organization.

- May 18, Shining Path’s seventh anniversary, was the date published as its “great assault on Lima.” To hardly anyone’s surprise, the celebration was timed in coordination with the May 15 police strike which Shining Path forces and the MRTA had provoked in limited sectors of the police, and was to coincide with the general strike of the communist-controlled General Confederation of Workers of Peru (CGTP). The latter, which failed, was called for May 19 by “fortuitous

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MAP 1.
**Presence of drug trade
 in South America**
Coca cultivation and cocaine processing

- ☐ Zones cultivated with coca (1985)
- Zones cultivated with coca (1960)
- ↓ Zones where basic cocaine paste is produced
- ↑ Zones of cocaine refining



MAP 2.

Geographic confluence of drug trade and terrorism

- Zones of coca cultivation and cocaine processing (1985)
- Zones of coca cultivation and cocaine processing (1960-1969)
- Current presence of narco-terrorism
- Zones where guerrilla movements appeared in the 1970s

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coincidence,” according to CGTP chairman and secretary general, Gustavo Espinosa.

- From May 19 onward, PCP secretary general Jorge del Prado threatened that “the way things are going . . . everything points toward a civil war . . . and we must be ready for anything.” United Left Sen. Valentín Poacho, chimed in on Peruvian television that the CGTP “has the capacity to blow up the country if we want.”

- Simultaneously, the secretary general of the CGTP, Gustavo Espinosa, blurted out on the TV program “En Persona,” that “the United Left will not wait until the 1990 elections to attain power . . . [because] the present regime may end in an unexpected way, perhaps via a coup d’état.” This is why, as Espinosa himself made clear, the PCP has long maintained both “legal” (called “democratic”) and “conspiratorial” work. Now it is busy trying to bring the two together.

- On May 28 the PCP national congress concluded, with an agreement to recognize Shining Path and MRTA as “political organizations,” and called the García government “bourgeois, developmentalist, and in the process of turning fascist.” Del Prado, Espinosa, et al. also announced that the PCP is open “to dialogue with the MRTA, if they take the first step.” The MRTA folks, they explained, “are closer to the PCP because they are a mass movement.”

- On May 30, the president of United Left, Alfonso Barrantes Lingán, was forced out because his open opposition to terrorism was getting in the way of Moscow’s plans. The PCP gave Barrantes his last stab in the back: After provoking a humiliating scene against him in the congress, they forced his resignation. In his farewell speech, Barrantes denounced those who moved to get him out: “Terrorism, as John Paul II says, is never justified in a civil society;” this, he added, “is a sophisticated return to barbarism and anarchism; it is always a manifestation of hate.”

- The next day, May 31, Barrantes’s erstwhile collaborator, the Jesuit senator for United Left, Enrique Bernales, dropped his mask and proposed “the articulation of all the forces of the popular camp, with an organic mobilization capability, that can convince those who are in other parts of the revolutionary camp, Shining Path, the MRTA.” It is a question, he added, of “getting Shining Path and MRTA to drop their militarist strategies . . . to begin the process of incorporation of both Shining Path and MRTA into the popular national project.”

- On June 5, communist leader Jorge del Prado, now doubling as the president of United Left, called a press conference to be more explicit in his appeal to close ranks with the Shining Path narco-terrorists: “We do not condemn the armed struggle,” he said. “We think that in a given case we also can take up arms.” As to Shining Path, del Prado said: “It is a political movement which has risen up in arms, which

uses direct terrorist action. We admire and cultivate their spirit of sacrifice.”

Narco-terrorism in action

While in Lima the handshake was being clinched between the “democratic” communists, Shining Path, and the MRTA, the narco-terrorists staged their first major show of force:

- On June 2, three hundred narco-terrorists equipped with modern weaponry (such as Soviet AK-47s) had their debut as Shining Path’s “Popular Guerrilla Army,” attacking the jungle fringe town of Uchiza, where they reduced the police post to rubble, and then raised the hammer and sickle flag in town’s main square.

Peru’s entire population watched “eyewitness” reportage on TV’s Channel 5 and read in the magazine *Caretas* how narco-terrorist operations are run. As could be seen, the seizure of Uchiza and a dozen nearby towns—later retaken by the army—was a combined Shining Path-drug mafia operation. The journalists who did the documentary were clearly aided by Shining Path guerrillas and drug traffickers alike—some of the latter sporting unmistakable Colombian accents. The TV broadcast showed how walls all over Uchiza were painted with graffiti cheering on Shining Path leader “Chairman Gonzalo” and rejecting the government’s anti-drug operations, particularly “Operation Condor.”

- On June 4, by executive order, a combined 500-man force of the army and police retook control of Uchiza and 12 other towns.

- On June 14, the director of Brazil’s Anti-Narcotics Office, Augusto Bellini, revealed that “Brazilian police agencies and the DEA [U.S. Drug Enforcement Administration] have verified that Shining Path and the M-19 operate with international narco-terrorist bands and are financed by them,” the Peruvian daily *El Comercio* reported.

On June 17, the French paper *Le Monde* reported that “Peruvian terrorists of Shining Path and the drug traffickers identify themselves as defenders of the small coca producers,” and have sealed a “non-aggression pact.”

With the drugs-terrorism symbiosis made public, Moscow started a desperate campaign to deny the existence of narco-terrorism, and called its own troops into the fray. Thus on June 23, in the district of Qina, a contingent of 30 Shining Path members set fire to a truck loaded with coca from the National Coca Enterprise of Peru (the official entity which authorizes, buys, and trades in the legal coca crops for pharmaceutical purposes) to “prove” they have nothing to do with drugs. According to testimony from the driver and the other occupants of the assaulted truck, before burning the coca the Shining Path guerrillas gave them an indoctrination lesson for 10 minutes saying that “nothing unifies” Shining Path with the drug traffickers and that they were doing this action to “prove it.” “Death to the liars, we’re not drug traffickers,” shouted the guerrillas as they burned the coca.

Drugs and terrorism in Colombia: how the two combined into one

On Nov. 6, 1985, an M-19 terrorist squad assaulted the Colombian Justice Palace in downtown Bogota, seized and systematically murdered 12 of the Supreme Court's 24 magistrates, and burned extradition petitions and documentation on numerous drug traffickers, both fugitive and imprisoned. In the ensuing battle for the Palace, the building was gutted, the nation's legal archives burned, and 100 people killed, including the 40 terrorists.

Most Colombians branded the act a clear case of "narco-terrorism." *EIR* published a dossier on the event, identifying it as a "narco-terrorist" assault run jointly by the Gnostic Church and the Soviets. Months later, evidence came to light that the M-19 had been paid millions by drug traffickers to murder the magistrates, who were in the process of debating a challenge to the U.S.-Colombia extradition treaty, and to burn the extradition documents.

Yet, not one of the U.S. news media covered the mafia-terrorist link, and even as late as Feb. 13, 1986, U.S. FBI director—now CIA director—William Webster was publicly denying the drugs-terrorism link. In an interview to the *Los Angeles Times* that day, Webster declared, "Words like narco-terrorism tend to exacerbate the realities as we know them. I also do not believe that the hard evidence links the two. . . ."

On June 30, the Colombian press reported on the result of a Catholic Church poll in that country, which determined that the guerrillas were active in 80% of the national territory, and that their presence "is combined" with the drug traffickers in many of those areas.

Formation of the narco-terrorist army

The competing Colombian guerrilla movements—the "socialist" M-19, Maoist EPL, the Moscow-linked FARC, and Cuba-linked ELN—began to clearly emerge as a narco-terrorist army in 1985, when they joined with the "indigenist" Quintín Lamé Brigade under the umbrella National Guerrilla Coordinator. Quintín Lamé was founded and led by Nazi-Communist cocaine czar Carlos Lehder Rivas, who had publicly pledged to create a "half-million army" to "liberate" the continent. In 1986, the Americas Battalion surfaced, incorporating the Colombian terrorists into a larger Andean-based

army including Peru's MRTA, the Venezuelan Brigada Roja, and the Ecuadorian Alfaro Vive Carajo.

- In March 1984, "Tranquilandia," the largest cocaine-processing facility in the world to that date, was discovered in the Colombian jungles of Caquetá province. Evidence was found that M-19 guerrillas were serving as the security guards for the "coca city." Within the month, several hundred M-19 narcoterrorists seized and bloodily occupied Florencia, the state capital of Caquetá, in retaliation for the Tranquilandia bust.

- Nov. 2, 1986: Hermil Lozada, commander of the FARC's seventh front near the border with Venezuela, told the daily *El Espectador*, "We have no problems with people growing coca. It is not a vice or problem for the people, but for the government." In March 1987, *Semana* magazine carried an interview with the head of the FARC, Jacobo Arenas, who responds to charges that his guerrillas finance themselves through the drug trade: "What we are telling the [coca] growers is: 'Comrades, we are not going to prohibit you from sowing, because it is generalized, and besides, we are not the government. Grow it.'"

- Nov. 13, 1986: The National Liberation Army (ELN), trained by Castro's Cuba, clashes violently with Venezuelan national guardsmen in Sierra de Perija, along the border with Colombia. Sierra de Perija is identified by Venezuela's national guard commander in the state of Zulia as the largest marijuana-producing center in the world. Sierra de Perija is also part of a contested oil-rich region between Colombia and Venezuela known as the "diferendo," an historic source of friction between the two countries.

- November 1986: The ELN dramatically escalates its sabotage campaign against Colombia's oil industry, begun in early 1985. Financed by the Soviet-linked Occidental Petroleum Co. of Armand Hammer, and by the Mannesmann Co. of West Germany, to the tune of millions of dollars in both kidnap ransoms and protection money ("war taxes"), the ELN targeted Colombia's 1,500-kilometer pipeline, the Cano-Limón-Covenas line, for sabotage, simultaneously aggravating tensions between Colombia and Venezuela over the "diferendo." In December 1986 statements to the Colombian Congress, Defense Minister Samudio declared that the

pipeline had been blasted 21 times, eight helicopters of the oil companies destroyed, and at least 26 oil company employees kidnapped over the previous 18 months.

- Nov. 25, 1986: The magazine *Hoy por Hoy* reports that fugitive narco-banker Jaime Michelsen Uribe, first cousin to former Colombian President Alfonso López Michelsen, had paid the ELN \$3.5 million in ransom money to try to get his daughter Camila, kidnapped 14 months earlier, back. Another seven months, and possibly millions of dollars later, Camila is still not home. It is revealed, however, that Michelsen had deployed his cousin Alfonso López and Senator Mestre Sarmiento to personally plead with Fidel Castro, acknowledged controller of the ELN, to intercede in the affair. Senator Mestre, currently one of five executive members of the ruling Liberal Party in Colombia, had earlier been denied the post of “designado” (vice president) because of his business relations to notorious drug-trafficker Gilberto Rodríguez Orejuela.

It was also revealed that Michelsen’s intermediary with the ELN is one Juan José Echeverría, also known as “Mr. Johnny,” a former security minister for an ex-president of Costa Rica and an intimate of Castro and his “guest,” Robert Vesco, and of Nicaragua’s Daniel Ortega. Mr. Johnny had mediated earlier ransoms of Mannesmann Co. employees kidnapped in Colombia by the ELN.

- Jan. 19, 1987: A march of 23,000 peasants is organized by the Colombian Communist Party in Guaviare, to protest militarization of the region as a violation of the government-FARC truce. In fact, the military is there on anti-drug operations. Colombia’s agriculture minister charged that the march had been organized by the drug-traffickers to force a military retreat, and even presidential peace adviser Carlos Ossa Escobar—who had previously denied that narco-terrorism existed—insisted, “If the guerrillas don’t rapidly split from the narcos, they will be corrupted by it and lose.”

- April 10, 1987: Following repeated terrorist attacks along the Colombian-Venezuelan border, Venezuelan Defense Minister Cardoso Grimaldi places troops in a state of alert in three border states to prevent the transfer “of Colombian guerrilla action to Venezuelan soil.”

- June 12, 1987: 100 heavily-armed ELN terrorists assault a sleeping contingent of Venezuelan national guardsmen in Sierra de Perija and slaughter nine of them. The guardsmen had been involved in eradicating coca and marijuana plants in the area. The Venezuelan press responds by publishing a stream of accusations against the Colombian government and armed forces for “harboring” narco-terrorism. One newspaper published a map purporting to show that 30% of Venezuelan territory had been stolen by Colombia in decades past.

- June 16, 1987: 200 FARC terrorists in the Colombian jungle province of Caqueta use land mines to blow up two army convoy trucks, killing 32 soldiers and officers. Presidential counselor Ossa Escobar tells the press, “In Caguan,

the region of Caqueta where the army suffered its ambush, the FARC totally controls production of coca. . . . The hypothesis, that they fear an operation similar to that in Putumayo [army raids on vast coca crops the previous week], and are therefore trying to divert attention with attacks like those of Caqueta, is very probable.”

- June 25, 1987: the Colombian Communist Party newspaper *Voz* fully defends both the FARC assault on the military patrol in Caqueta and, it appears, the ELN assault on Venezuelan troops, by insisting that the FARC “cannot be led to slaughter like tame sheep,” but must “defend itself and repel the monstrous siege that generals from Colombia and Venezuela, on orders of the U.S. mission, are running against the brother peoples of our two countries.” The same issue of *Voz* announced a unity meeting between the communists and the ELN.

War over the extradition treaty

The U.S.-Colombian extradition treaty has been repeatedly identified by the drug-traffickers as the number-one threat to their bid for power. Through corruption, threats, and murder, the mafia finally succeeded on June 25 in forcing the highest court in the country to overturn the treaty. They had the help of the guerrilla movements as a combination “big stick” and public relations voice for their anti-extradition efforts.

- Dec. 5, 1984: M-19 chieftain Iván Marino Ospina held a Mexico City press conference to announce M-19 support for mafia threats to “kill one American for every Colombian extradited.” Said Marino Ospina, “These threats should be carried out throughout the world against the representatives of rapacious imperialism . . . and will serve as the basis for negotiations if some day these traffickers, who are also Colombians . . . use their money to build the nation.” Several weeks later, cocaine czar Lehder declared: “The M-19 is the only movement that has declared itself against extradition. Iván’s call in Mexico is a call for the guerrilla movements to join in the [drug] bonanza.”

- Nov. 10, 1985: Excerpt of press conference by then Justice Minister Enrique Parejo González: “The day the guerrilla movement took the Palace of Justice, the four judges of the constitutional court were meeting to decide upon the request to declare the extradition treaty [unconstitutional]. . . . One cannot have many illusions about the fate the judges were to suffer.”

- Dec. 12, 1986: The Colombian Supreme Court overturns the U.S.-Colombian extradition treaty as unconstitutional. It is reinstated—temporarily—by President Barco. Hector Hurtado, executive member of the Colombian Communist Party, praises the Court’s decision: “It is a matter of sovereignty; we can’t let foreign courts decide our affairs.” The daily *El Espectador* editorially denounces the court decision as cowardice.

- Dec. 17, 1986: *El Espectador* director Guillermo Cano is killed by mob assassins on the streets of Bogota.

AIFLD: friend of drug traffickers

Narco-terrorism in Ibero-America got an early start through the State Department-funded CIA creation known as the American Institute for Free Labor Development (AIFLD). As John Ranelagh describes in his book, *The Agency: The Rise and Decline of the CIA*, "[Agent] Cord Meyer had had the original idea for the institute in the late 1950s, and since its inception over two hundred thousand Latin American labor union officials have been trained at its center at Front Royal, Virginia. It has been one of the more successful CIA ventures, indirectly organizing a very sophisticated collaboration between government, business, and labor, carrying out a clear policy conceived as being in the external interests of the United States. Presumably it also had the additional advantage of providing the CIA with informants and agents throughout the labor unions of South and Central America."

What Ranelagh leaves out is that AIFLD is also "one of the more successful" efforts of Soviet agents of influence within the U.S. intelligence community to establish an intelligence/counterintelligence conduit into—and out of—Ibero-America. A Communist collaborator and World Federalist who worked throughout the 1950s and 1960s to create the networks which yielded Castro's Cuba, the Nicaraguan Sandinistas, and the Nazi-communist drug-trafficking apparatus, Cord Meyer and his AIFLD "brainchild" are the narco-terrorists' best friends.

AIFLD's links to the narcotics trade, elaborated in more than one *EIR* special report, are exemplified in Colombia, where its puppets in the labor movement are not only collaborators of leading drug traffickers, but highly public lobbyists for their interests. This is most easily seen in the case of the U.S.-Colombia extradition treaty, which both the "anti-Communist" UTC and the Colombian Communist Party have ferociously denounced as a "violation of national sovereignty."

The figure of Gilberto Rodríguez Orejuela gives in a nutshell the essence of AIFLD and the broader network of which it is a part:

- In 1975, Colombian "banker" and "entrepreneur" Rodríguez Orejuela becomes a partner in a business venture undertaken by the Union of Colombian Workers (UTC), then the largest trade union federation in Colombia and a showcase of AIFLD training and financing. Rodríguez Orejuela, who is to become a leading financier for the "Medellín Cartel" of

drug-traffickers, already has an unsavory reputation for kidnapping exploits in his youth; DEA documents from the period show that his links to the drug trade go back at least to 1976.

- Endowed with labor credentials as a UTC partner, Rodríguez buys heavily into the UTC's newly-formed Workers Bank. The bank funds AIFLD-designed projects, and would become part of a network of drug-money laundering banks throughout the region.

- In 1984, UTC president Victor Acosta organizes a nationwide campaign against extradition of Colombian nationals to the United States, a campaign which complements that being run through the above-ground publications of then-fugitive cocaine czar Carlos Lehder.

- In November 1984, Rodríguez is arrested in Spain with one Jorge Luis Ochoa Vásquez, number-two man in the infamous "Medellín Cartel." Within months of his arrest, a delegation of Colombia's leading trade unionists—including the secretary general of the UTC—arrives in Madrid to plead his defense.

- In 1984, the UTC's Workers Bank is accused of being one of four banks involved in laundering drug money for one Hernán Botero, a wealthy soccer team owner who earns the distinction of becoming the first Colombian drug-trafficker extradited to the United States. He is currently doing 30 years in a U.S. jail.

- During his 1985 Miami trial, Botero's defense attorney brings up one Mario Valderrama, the head of the UTC's Medellín affiliate, to argue Botero's innocence.

In March 1985, Panamanian authorities shut down First Interamericas Bank, S.A., whose majority stockholders are Rodríguez Orejuela and Jorge Luis Ochoa Vásquez. Managing the bank at the time is former UTC treasurer and Workers Bank director Antonio Beltrán.

- In 1986, the U.S. embassy and AIFLD jointly underwrite a UTC convention, which names Valderrama vice president of the national federation.

- In 1986, both Rodríguez and Ochoa are extradited from Spain to Colombia, despite a previous U.S. extradition petition. Ochoa, accused in Colombia only of illegally importing wild bulls, is promptly released from jail and disappears. Rodríguez, wanted on drug-trafficking charges, remains in jail through 1987. His trial is expected to yield a verdict soon.

- In 1987, a U.S. extradition petition against Rodríguez Orejuela is rejected by Justice Minister Edmundo López Gómez, who promptly resigns his post in protest against administration pressures to change his decision. López Gómez tells the press that his "principled stance" was taken on the advice of former President Alfonso López Michelsen, whose 1974-78 administration helped sponsor the drug trade in Colombia. In 1984, López met with the country's drug kingpins only days after their contracted murder of Justice Minister Lara Bonilla. He then mediated their offer to pay the national debt with their drug profits in exchange for an amnesty.

U.S. Gulf deployment a blow to New Yalta deal

by Jeffrey Steinberg

On the very day that American flags were raised above the decks of two Kuwaiti oil tankers, thus activating a U.S. commitment to militarily secure free transit through the war-torn Persian Gulf, Defense Secretary Caspar Weinberger published a letter to the editors of the *New York Times*, rebuking those who insist that the United States pursue a superpower New Yalta-type solution to the Middle East regional crisis.

Answering a July 19 *Times* op-ed by George Ball, Weinberger wrote on July 22: ". . . there is a deeper problem, and it involves Mr. Ball's understanding of Soviet intentions in the Persian Gulf. Mr. Ball restates the shopworn criticism that United States policy in the Persian Gulf is driven by 'the bellicose idiom of the East-West struggle.' Mr. Ball contends that by not recognizing that Moscow and Washington 'share a common objective in the Persian Gulf,' the Reagan administration is passing up the chance for a historic East-West agreement on that region's future. The popular academic theory of the 1970s, which went by the name 'convergence,' is given full rein in Mr. Ball's thinking. He sees a United States-Soviet deal on the Persian Gulf as the prelude to further agreements on Afghanistan and the Arab-Israeli struggle.

"Moreover, Mr. Ball argues that the Russians have been reassuring about our benign intentions in the region and are 'desperately' trying to 'extricate' themselves from the 'Afghan inbroglio.' Forgotten here is Russia's historic pursuit of influence in this region, the massing of Soviet military power on the Iranian border, Soviet arming of the warring factions in Ethiopia and Yemen, and Soviet attacks on American policy that can hardly be interpreted as reassuring. . . .

"Mr. Ball also ignores that we are talking with the Russians and the entire United Nations Security Council about

our initiative to obtain a cease-fire in the Iran-Iraq war and sanctions against parties that do not comply. Here we have a limited and probably short-term parallel interest with the Kremlin, and we are acting on it. Success will require, however, that the Russians and their allies stop sending arms to Iran, the intransigent party in this conflict."

Ending with a statement of American support for the sovereign rights of the nations of the Gulf, Secretary Weinberger concluded, "Far from living in the 'idiom of the East-West struggle,' the United States recognizes that the future of the Persian Gulf lies in the hands of the Persian Gulf states, not in pronouncements from the most powerful nations. We can and must secure our own interests and those of our friends and allies. We can urge a cease-fire, negotiations and peace, but we cannot, alone, or with the Soviet Union, determine the future of the Persian Gulf."

This policy formulation, combined with the impressive U.S. and European commitment of naval force to challenge the Khomeini regime's bullyboy tactics in the Gulf, represents a potential first step toward a dramatic shift in U.S. strategic orientation, a shift that one well-placed American intelligence source described as "a reversal of seven to eight years of disastrous failures in American Middle East policy."

Countervailing policy signals, such as those advanced by Trilateral Commission ideologue and Khomeini-backer George Ball, have left some of America's allies with the unsettling impression that the Reagan administration, fresh from the Iran-Contra scandal, still lacks a center of power and is proceeding along a schizophrenic course, simultaneously pursuing a Weinberger-centered policy of confronting the Khomeini regime and the Soviets in the Gulf, and a State Department-centered policy orienting toward a New Yalta

deal, surrendering Gulf hegemony to Moscow. These fears, while not unjustified, ignore the long-term implications of a direct American military response to the increasingly Soviet-linked Iranian regime.

Several high-level U.S. sources have told *EIR* that one outcome of an aggressive U.S. execution of the declared policy of securing the Gulf by military force, will be the establishment of permanent basing for the U.S. Central Command in the Persian Gulf, either in Saudi Arabia or in one of the other member states of the Gulf Cooperation Council. Such a permanent land basing would go a long way toward returning the United States to a balanced Middle East policy, placing the moderate, anti-Soviet Arab states on a parallel footing with Israel, and defining Islamic fundamentalism and Soviet aggression as the principal threats to the security and sovereignty of the states of the region.

Iranian terrorist response

On July 24, as the re-flagged Kuwaiti supertanker *Bridgeton* was proceeding under escort through a section of the Gulf that had been recently patrolled by Iranian Pasdaran (Revolutionary Guard) gun boats, it struck a mine, sustaining costly damages. Within hours of the incident, President Reagan convened a meeting of the National Security Planning Group at the White House. Reportedly the administration determined to refrain from an immediate retaliatory action, in order to sow further factional strife within the Khomeini regime.

The prevailing estimate in Washington and in other Western capitals, is that the Khomeini regime will resort to an increase in international terrorism, a move that began with the hijacking of an Air Afrique flight by an Islamic terrorist on July 24. The incident ended in Geneva, with one passenger killed before the terrorist was overpowered by crew members and police commandos.

Signaling a full-scale terrorist activation, 20,000 Lebanese Shi'ite fanatics demonstrated in Baalbek on July 22. Khomeini protégé and Hezbollah leader Sheikh Mohammed Yazbek told the rally, "France, U.S.A, and Great Britain are the enemy of God. . . . Terrorism is the only solution. . . . We are awaiting the *fatwa* (religious edict) from Imam Khomeini to fight 'til victory or martyrdom." Breaking months of public silence, Khomeini himself responded several days later, in a televised address to Shi'ite fanatics in Teheran, by repeating his 1982 declaration that "the word of God" commands Iran to crush the Iraqi regime of Saddam Hussein.

The Teheran regime is virtually guaranteed to strike directly at American or Western European ships in the Gulf in the near future. Iran has announced major sea maneuvers involving the Navy, Air Force, and Pasdaran in early August. Between now and the end of the summer, the "moment of truth" will come, and at that point, the United States must respond with a "hot pursuit" military assault—devoid of State Department "crisis managers."

Moscow gets into the act

Far from happy with U.S. actions in the Gulf, Soviet leader Mikhail Gorbachov took two initiatives during the week of July 20-26, both aimed at tilting President Reagan back in the direction of the maleable New Yalta partner he met with at Reykjavik last October. First, Gorbachov sent a letter to Reagan offering to adopt any forum for joint efforts at solving the Gulf crisis, along the lines of the State Department's "regional matters" discussions, so long as the United States refrains from going forward with the re-flagging program. *Pravda* and the Soviet news agency TASS denounced Washington for pushing the confrontation button in the Gulf.

The following day, Gorbachov gave an interview to an Indonesian newspaper offering a major "concession" in the Intermediate-Range Nuclear Force (INF) talks in Geneva, by agreeing to the U.S. demand that the "zero-zero option" agreements include the Asian theater. Amidst a flurry of Western media praise for "peacemaker" Gorbachov, the Reagan administration as of this writing has responded coolly, awaiting the formal proposal at Geneva. White House spokesmen, including National Security Adviser Frank Carlucci, have warned about previous Soviet "breakthrough" offers that were loaded with fine-print conditions unacceptable to Washington and the European allies.

In her visit to Washington a week before the Gorbachov INF offer, British Prime Minister Margaret Thatcher had cautioned President Reagan against rushing into any zero-option agreement without first considering carefully all of the implications for the security of Europe. Thatcher's "go slow" warning coincided with similar urgings by Secretary Weinberger and other Cabinet officials. Weinberger is coordinating his activities closely with both Thatcher and French Prime Minister Jacques Chirac. Chirac, in turn, has established close bilateral collaboration with West German Chancellor Helmut Kohl. Within hours of returning to London from her Washington junket, Mrs. Thatcher announced that two Kuwaiti tankers would soon be flying British flags and would be accompanied by British Navy vessels.

Pearl Harbor factor

For the United States, the policy crisis goes deeper than the choice between the Weinberger military policy and the New Yalta "Great Powers" deal. The deeper crisis involves the implication for America's collapsing industrial base of a sustained commitment to project military power in the Gulf. To carry that mission forward and broaden it into a new overall foreign policy, requires a revival of industrial capacities, impossible under the regime of "Reaganomics." Perhaps a decisive military response to the Khomeini challenge will spark a "Pearl Harbor" reaction in the American public. Under those conditions, perhaps President Reagan could be convinced to abandon his "post-industrial" and "free enterprise" delusions, and crank up America's greatest military resource, its industrial mobilization capacity.

North Korea and State Department seek deal for Korean peninsula

by Linda de Hoyos

The same day that Soviet Secretary General Mikhail Gorbachov declared through the pages of the Indonesian newspaper *Merdeka* that the Soviet Union would be willing to pull back its SS-20s from the Asian theater as well as from Europe, a "peace offer" for the Korean peninsula was issued from the North Korean capital of Pyongyang. The regime of Kim Il Sung proposed in an official broadcast that it join with both South Korea and the United States in talks to reduce military forces on both sides of the Demilitarized Zone, bring about the withdrawal of the 40,000 U.S. troops currently in South Korea, and achieve the reunification of the two Koreas.

The North Korean proposal fits into a pattern with Gorbachov's offer, which was timed with the first anniversary of his famous Vladivostok speech, in which Gorbachov asserted Russia's role as an "Asian power." As with the North Korean proposal, the Russian offer is aimed at diplomatically forcing back the lines of the U.S. military presence in Asia—although it is the Soviet military presence, not American, that has increased dramatically in the region over the last decade. Gorbachov said the Soviets would not increase the number of Soviet aircraft in Asia if Washington agrees to do likewise; proposed that the Soviet and U.S. naval fleets be reduced and limit areas for nuclear-armed or powered navigation; and proposed to eliminate nuclear testing. The offer is designed to convince Asian nations of Soviet sincerity in its drive for regional "nuclear-free zones." Along with the ASEAN nations, the Korean peninsula is targeted to become "nuclear free"—a euphemism for removal of U.S. military forces.

There is little doubt that Pyongyang and Moscow coordinated their "peace bids." In the last two years, the Soviet Union and North Korea have grown closer than ever before, and Moscow has provided North Korea with nuclear energy and military aid. For Pyongyang, however, the peace bid has the additional advantage of asserting the North's presence into the election campaign now building within South Korea itself.

Roh Tae-woo takes the high ground

Only a month ago, the North Koreans were happily viewing events in the South, as thousands of protestors, led by the opposition Reunification Democratic Party, were threatening to bring down the government of President Chun Doo Hwan. Under conditions in which the U.S. State Department was

demanding a "transfer of power" in South Korea, it appeared that either the military would directly intervene and crush the growing protests, or the U.S.-backed opposition and student movements would succeed in overturning the Chun government.

The Chun government, however, with Roh Tae-woo, the presidential nominee of the ruling Democratic Justice Party, found a third option. In an action that stunned the opposition and the world, Roh Tae-woo and President Chun Doo Hwan acceded to opposition demands for direct elections and release of political prisoners, bringing an end to the rioting that had begun on June 10.

In Korean society, student protests have a far greater moral and psychological impact than similar protests in Western countries. As one Korean expert explained it: "The students consider themselves the voice of society. It is a role which Korean students have had for centuries. . . . Korean society appears to authorize students to be a conscience for society which is, and ought to be, above and beyond the power of the society to reject. . . . Never has there been a moment in Korean history over the last 600 or 700 years . . . where anybody would consider repressing a student moral protest without very, very carefully considering the consequences. . . . [The students] consider themselves morally invulnerable. They may get busted but the more they're busted, the more they will be vindicated, because the very fact that they're busted proves that they are right, and the other people are ogres. So everything you do to them only confirms their self-image. The instinct to martyrdom is a very strong part of it."

On Monday June 29, Roh Tae-woo, a former general and close associate of President Chun, managed to avert the acute danger to the country, by announcing that he would press President Chun to agree to opposition demands for direct elections. If the President did not accede, he stipulated, Roh would step down as presidential nominee. According to news reports in the *Wall Street Journal* corroborated by U.S. intelligence sources, Roh pressed his demand through the leadership of the Democratic Justice Party and then on to Chun. On June 22, the DJP leaders had called upon the government to compromise. The removal of Home Affairs Minister Gen. Chang Se Dong, the leading proponent of a coup, from the cabinet, in the wake of the scandal over the police torture-

death of a student, gave Roh the leverage to press his demand.

For Koreans, the turnabout "had the effect of a political nuclear bomb," reported the Japanese daily *Mainichi*. In South Korea's Confucian society, where the premium is placed on consensus and loyalty, Roh's direct challenge to Chun sent a shockwave through the country, and silenced the opposition.

After 48 hours, President Chun himself addressed the nation, giving his promise that, depending upon agreement on constitutional revision with the opposition, direct elections will be held late this year, in time for Chun's scheduled departure from the Blue House in February 1988. The President appealed to South Korean patriotism and pride. "Now, let all of us create another legend to bring our country into relief in world history, not simply as an economic example, but as a political example. After giving up past practices of misunderstanding, mistrust, and mutual hatred, we, as members of the same nation and country and as fellow democratic citizens, must expand trust and reconciliation."

The President further warned that "if any attempt were to be made to cause social disorder by lawlessness and violence for any reason whatsoever, it will be regarded as an attempt to destroy the liberal democratic system, and the people will not tolerate this."

The government has since made additional concessions. President Chun resigned from the leadership of the Democratic Justice Party, the cabinet was reorganized in order to give the appearance of assuring fair elections, and on July 22, the leading parliamentarians of both parties agreed to waive a clause in the constitution which prohibited opposition leader Kim Dae Jung from running for President.

The government has managed to seize the moral high ground, for the moment. In addition, it hopes that the tensions between the two opposition leaders—Kim Dae Jung and Kim Young Sam—will be exacerbated and lead to a divided opposition that can thus be defeated.

For the Korean military, the danger is the ascension to power of Kim Dae Jung, whom they suspect of being an agent of the North, and key generals have let it be known that the military would not permit Kim to become President. Certainly, Kim Dae Jung would be a willing negotiating partner with the North for the expulsion of the U.S. military presence in South Korea and a Soviet-Chinese-sponsored "reunification," and this is why his return to South Korea and bid for power has been sponsored by the U.S. State Department and its Project Democracy fronts. A demand from Kim Dae Jung for the immediate creation of a caretaker bipartisan government was heralded on the op ed page of the *New York Times*.

Only the day before Pyongyang issued its peace offer, Assistant Secretary of State Gaston Sigur addressed the Foreign Policy Association in New York and urged that Pyongyang cooperate "in lessening conflict and strengthening regional peace."

Alfonsín, IMF push Argentina to brink

by Cynthia Rush

The Argentine government of Raúl Alfonsín is portraying the upcoming Sept. 6 elections for several key gubernatorial and congressional posts as a test of the four-year-old regime's success as a "democracy." In the midst of extraordinary economic crisis, which will deepen as a result of new accords with the International Monetary Fund, Alfonsín is telling Argentines that if Radical Civic Union (UCR) candidates aren't voted into office over opposition Peronists, the country will sink into chaos.

Acts of violence—bombings, murders, assassination threats—have accompanied this election campaign, as also occurred prior to the 1985 congressional elections, when citizens were told that a vote against the UCR was a vote "against democracy." In recent weeks, bands of unidentified terrorists have bombed several UCR offices around the country; the editor of the ultra-right-wing newspaper *Alerta Nacional* was murdered; and word of an assassination plot against Alfonsín by French terrorists was leaked to the press.

On June 29, news that the tomb of Gen. Juan Domingo Perón had been desecrated by an unknown commando shocked the nation. Individuals entered the Perón family tomb at Chacarita cemetery in Buenos Aires, stole the general's sword and cap, and severed the hands from the cadaver. Letters received by Peronist leaders Vicente Saadi and Carlos Grosso warned that the hands would be "pulverized," unless the perpetrators received the sum of \$8 million to pay "a debt owed us by Perón."

The government promised an immediate investigation, but promptly announced that "right-wing extremists," wishing to destabilize the nation, had carried out the desecration. To date, the investigation appears to have gone nowhere; and few have bought the "right-wing destabilization" explanation.

The word on the street, among angry Peronist activists and trade unionists, is that "the government did it." Political observers speculate that the State Intelligence Service (SIDE), a bastion of UCR political appointees which is advised by the Israeli Mossad, was likely involved, perhaps in connivance with other government officials. They also fear that in combination with the devastating economic situation, and contin-

ued military unrest, Argentina could explode in an unprecedented political crisis, after the Sept. 6 elections.

IMF: more blood

In late June, the IMF announced its decision to grant Argentina \$2.1 billion in "new money," of which \$660 million has been disbursed thus far. In addition, Argentina's commercial bank creditors are about to finalize details on a \$1.95 billion loan package, the first disbursement of which is expected to come through in August.

The government boasts that these loans are a sign of creditor "confidence" in Alfonsín's democracy. That is hard to believe since Argentina failed to comply with virtually every IMF guideline established for the second quarter of 1987, in the categories of fiscal deficit, inflation, monetary issuance, and trade balance. The country is headed for well over 100% inflation this year, if current trends continue.

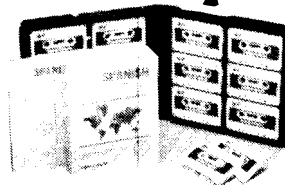
Because this year's trade balance is estimated to be no more than \$800 million, rather than the hoped-for \$2.7 billion set in the national budget, the government has been forced to dip into its reserves to service its \$50 billion in foreign debt. Available reserves reportedly are no more than \$686 million—enough for only *two months* of imports.

For political reasons, the IMF waived Argentina's non-compliance with second-quarter guidelines, and granted new funds. Banks have a certain stake in promoting Alfonsín's success. But, the Fund says, the Argentine President had better produce results. The agreement calls for raising interest rates above existing levels of 15% monthly; reducing the fiscal deficit by increasing taxes and rates on public utilities, and implementing a new package of measures for "structural reform," which will meet creditor demands for privatizing the state sector, and opening up the economy to asset grabbing.

The Peronist party's municipal council in Buenos Aires issued a document characterizing the government's economic authorities "as designers not of a sovereign policy, but as the Fund's ambassadors in Argentina." The Peronist-run General Confederation of Labor (CGT) is considering mass protest actions against these austerity measures; and the Argentine Industrial Union is expected to rebel against higher interest rates.

But on July 20, Finance Minister Juan V. Sourrouille went on national television to announce further "reforms." He reported that the Treasury would assume the foreign debt of state-sector companies, but would no longer provide them with any financial assistance for their functioning. They would have to generate revenues to finance their activities, or be bought up by private concerns, probably leaving tens of thousands of state-sector employees jobless in the process. He explained that state sector companies in the area of petrochemicals would be the first targets of privatization, and that national transportation and airline companies would be deregulated in order to foster "competition."

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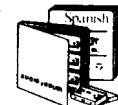
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A long-overdue look at the Red Army

Some people in Germany have rediscovered the aggressive character of the Soviets' military policy.

In the late summer and autumn of 1984, contributors to this magazine talked to military experts here, some of them ranking officials of the Defense Ministry. In most of the encounters, which were intended to gather and compare facts on Soviet military power, the experts disagreed with this magazine's analysis of the Ogarkov Plan and the Red Army's unchanged strategy of an annihilating, war-winning attack.

Said a ranking official of the Ministry of Defense: "I can agree with everything you've just presented here. But you are not allowed to tell the public." Why not? "If you tell the public, you create panic, and that is more dangerous than the facts."

The official added a threatening remark, "Everybody trying to create such panic among the population would meet the firm opposition and resistance of this government."

From the summer of 1984 until July 1987, this pact of officially decreed silence has predominated among most ranking military experts. Fortunately, a change is now visible.

On July 13, Defense Minister Manfred Wörner caused quite a stir when he addressed an international seminar on defense policy. "In spite of all recent Soviet arms-control diplomacy," he said, "the Soviet armed forces have rearmed and modernized at full pace." Wörner said there was "full continuity" in Soviet armaments policy since "at least the early 1970s, when détente began." And, he added: "As before, Soviet strategy aims at offensive operations on the territory of the Federal Republic from the start of

military conflict."

Because of that, Wörner said, he doesn't like Gorbachov's term "common home of all Europeans," which implies the absence of the Americans from the European continent. A Europe "from the Atlantic to the Urals," often talked about these days, is not possible as long as Soviet armaments policy still aims at surprise attack against and victory over Western Europe, and first of all, he warned, West Germany.

Because of that unchanged Soviet military policy, a "zero-zero option" leading toward total denuclearization of defense in Central Europe would not find support in the Bonn government, "even if that view is not liked in other Western capitals," said Wörner. He was clearly referring to new attacks from the U.S. State Department, charging that his Defense Ministry was a "source of constant obstruction of a Geneva arms-control settlement."

Wörner added some very straightforward reminders to the disengagers at the State Department and in the U.S. Congress: "No serious American politician would deny that the alliance with Europe is a pillar of the American world power position. The United States can't secure the opposite North Atlantic coast on their own. More than that, the political, economic, cultural, and also strategic connections have grown so tight that an amputation would cause the most severe harm to the American organism as well. . . . Between the United States and Western Europe, there exists a strategic symbiosis that can be disbanded only with damages for both sides.

"There is no efficient defense of Europe without close cooperation and partnership with the United States, and its strong presence in Europe. That is why all tendencies toward unilateralism or even isolationism in the United States must be fought with the same rigor as those dangerous theses of a Europeanized defense."

Wörner's statements caused some very alarmed headlines in the West German media, and also in Moscow and the United States.

Then, on July 16, Vice-Admiral Dieter Wellershoff, the Inspector-General of the West German Armed Forces, created new waves when he presented the "1987 Strategic Comparison" report to the press.

As Wellershoff remarked, he and many military officers believe that Gorbachov's *glasnost* and *perestroika* serve only one purpose—"to make the Soviet military machine much more efficient." This policy, Wellershoff said, can be documented with new figures on Soviet armaments. Comparable NATO armaments in Europe are in brackets: more than 50,000 tanks [17,800], 43,000 pieces of artillery [14,000], 14,000 aircraft [12,000], 2,265 helicopters and gunships [680], and 4.0 million men [2.2 million].

Wellershoff said this study, the first of its kind since summer 1984(!), was made public three months before the "official NATO study due in September," because it was desirable to "provide to the already ongoing arms-control debate some basic facts on increased capabilities of the Warsaw Pact for in-depth attacks on a very large scale." Admiral Wellershoff warned the American administration: "In spite of the zero option policy, a nuclear capability that can reach into Soviet territory" should be kept at NATO's front-line in the Federal Republic of Germany.

AIDS time bomb ignites in Sweden

Though a patient was operated on ten times, the 200 hospital workers involved weren't told she had AIDS.

The government's "human rights" policy on AIDS was all but shattered on July 6, as Swedish newspaper readers had their morning coffee go down the wrong way, reading the gory details of the lethal danger to which surgeons and nurses had been exposed by not being told that a patient was AIDS infected.

A 60-year-old woman, undergoing surgery for tumors, was AIDS-infected several years ago. This was detected by one Stockholm hospital, but the doctors' professional secrecy prevented the information from reaching a second Stockholm hospital, where the patient was undergoing surgery.

The surgeons at the second hospital, Karolinska, learned about the AIDS infection only after the patient had died. When informed about the patient's death, a relative revealed that the patient had been AIDS-infected through a blood transfusion several years ago. Since then, she had undergone surgery more than 10 times, and had been treated at both the intensive care and plastic surgery wards of the Karolinska Hospital.

During the last two operations alone, and the subsequent care, over 200 persons were involved, all of whom now have to be tested. The patient lost lots of blood during surgery—one operation lasted 15 hours—and this blood was not treated as contaminated. One nurse, taking a blood sample from the patient, inadvertently pricked herself with the needle. Others had skin contact with the patient's blood.

The surgeon in charge of the pa-

tient, Dr. Göran Jurell, said that had he known the patient was AIDS-infected, he wouldn't even have operated, as a person whose immunological system is impaired cannot pull through such extensive surgery.

"Maybe the patient died of AIDS. We don't know," Jurell said. "The worst thing is that the infection ward of the Danderyd Hospital, which detected the AIDS infection, didn't tell us. Especially as they knew very well that the operation would occur." Today, under the law "protecting" AIDS patients, a doctor detecting an AIDS infection can only appeal to the patient to voluntarily inform doctors at other hospitals he or she might visit.

Jurell called for testing of everyone who is to undergo surgery, and for treating anybody who refuses as if he or she were AIDS infected, as well as for hospitals to exchange information about who is infected.

The incident provoked a strong revival of the AIDS debate. Inger Ohlsson, chairwoman of the Hospital Employees' Trade Union, called for a central register of AIDS infected people, as it's impractical to test all patients just before an operation. Prof. Hans Wigzell at the Karolinska Institutet, a government AIDS policy-maker, said it's a "pity" the patient didn't say she was AIDS infected, but this is something we'll have to live (or, die?) with. The only alternative, Wigzell claimed, is a totally registered society.

Dr. Jan Wersäll, chief of the ear, nose, and throat ward at the Karolinska Hospital, announced he is routinely testing everybody who will undergo

surgery, unless the patient explicitly refuses—contrary to current rules stipulating testing only upon the patient's explicit request. "If society does not take its responsibility, at least we have to," he stated, and called for universal mandatory testing. "I am prepared to be sued to find out where the line will be drawn."

National media response varied from "human rights" apologies to calls for stronger measures. The liberal *Dagens Nyheter* wrote on July 8 that "testing must not be conducted so routinely that the tested is deprived of the chance to decide for himself. A person suspecting that he is AIDS infected, may have legitimate reasons for not wanting his suspicions confirmed."

The next day, the conservative *Svenska Dagbladet* attacked *Dagens Nyheter*, calling for mandatory testing, and pointing out that AIDS is not of concern only to those already infected. *Dagens Nyheter* counter-attacked, editorializing on July 11 that the conservative daily supports the AIDS policy of LaRouche! After complaining that *Svenska Dagbladet* called for universal mandatory testing, the liberal daily charged, "It is an argument supported in the U.S. almost exclusively by Lyndon LaRouche."

Local press covered an anti-AIDS campaign run by the Anti-Drug Coalition on the Baltic island of Gotland, whose usual 50,000 inhabitants triple in the summer. Under the headline, "The ADC Wants Mandatory Testing," *Gotlands Tidningar* wrote, "Poor-Sweden could eradicate TB, but Welfare-Sweden thinks it can't afford to stop AIDS." *Gotlands Allehanda* quoted ADC chairman Ulf Sandmark, charging that "the government lies to save money. . . . If we don't fight to put up the money, Sweden will adopt a new Nazi euthanasia policy already on its way in other countries."

Kremlin blesses Brazil's 'theolibbers'

Brazil's theologians of 'liberation' trek to Moscow to pay homage to the cult of the Third Rome.

In one of the most serious challenges to Pope John Paul II's authority to date, prominent Ibero-American leaders of the so-called "theology of liberation" have laid out the welcome mat to the imperial plans of Gorbachov and the Russian Orthodox Church. As a result of the official opening between the liberationists and Moscow, terrorist groups under Soviet sponsorship across the continent are now assured open access to an important faction of the Ibero-American Catholic Church.

On July 12, the Seventh International Solidarity Encounter began in Rio de Janeiro, presided over by the Brazilian theologians Leonardo Boff and Father Betto, Bishop Mauro Morelli, Mexico's former archbishop of Cuernavaca Sergio Méndez Arceo, and Mexican theologian Miguel Concha. Their slogans read: "Only the cowards yield, men die on their feet" and "We revolutionaries will be like Che." Nearly 300 leaders of the liberationists' *comunidades de base* gathered from Central America, Brazil, Peru, Colombia, Mexico, and Argentina, together with U.S. and European representatives, to discuss plans for the "Popular Church" over the next two years, following the gnostic examples of Sandinism in Nicaragua, the Salvadoran guerrillas, and the indigenous movement of Guatemala.

This well-planned movement—a product of the "Marxist-Christian dialogue"—seeks to propagandize Fidel Castro's proposed solution to the continent's foreign debt crisis, which envisions the downfall of the West. It

was not accidental, therefore, that Mexican theologian Miguel Concha contemptuously dismissed as "moderate," the Vatican debt document issued this year by the *Justitia et Pax* commission, while attacking the sovereign solution adopted by the Alan García government of Peru.

Said Concha, "The Peruvian comrades have informed us that Alan García lies and has paid more than 35% of his exports in interest payments on the debt."

However, the pace of the meeting was set from Moscow. Leonardo Boff, who inaugurated the event, and Father Betto had just returned from a trip to the Soviet Union, on invitation of the Soviet Communist Party and the Orthodox Church, during which they effectively formalized their sympathies for the Russian war against Western Christian culture, sympathies fully shared by Méndez Arceo and Miguel Concha.

The trip of the Brazilian theologians was organized by the Soviet Culture Ministry, under Konstantin Karchev, which according to Father Betto is the government agency in charge of promoting an alliance between the liberation theologians and the Russian Orthodox Church.

On June 23, on the eve of that trip, Father Betto—one of Fidel Castro's favorite mouthpieces—declared that Gorbachov "is interested in recovering the spirituality of the Soviet Union, not in the religious sense as we understand it in the West, but in the ethical plane." He added, "The visit had two goals: preparation of the 1,000th an-

niversary, in 1988, of the introduction of Christianity to old Russia, and the 70 years of the Bolshevik revolution."

In a July 10 interview published by the Novosti press agency, Leonardo Boff said that the final objective of his trip was to get to know the Russian Orthodox Church, "previously considered conservative and closed." He said that, after getting to know the Orthodox clergy, "a totally different reality" was revealed to him.

In his challenge to Pope John Paul II, Boff lied that there is religious freedom in Russia, and that "socialism and religion are not incompatible." He then insisted that he found in the Soviet Union "signs of the City of God," and that the Soviets were promoting "a cause in which we are joined."

In truth, the sympathies of Boff and company with the Russian Orthodox Church—which maintains that Holy Mother Russia will be the "Third and Final Rome"—are not new, but go at least as far back as Boff's second-to-last book, *The Trinity, Society and Liberation*, currently being examined by the Vatican's Congregation for the Doctrine of the Faith.

With respect to his concept of the Trinity, Boff used an interview published by the Mexican daily *La Jornada*, in December of last year, to violently attack the concept of the *Filioque*. It was precisely the Christian concept of the *Filioque* with which the Russian Orthodox Church disagreed, and around which issue the latter split with the Western Church following the Council of Florence in the 15th century.

Boff's gnostic interpretation of "God as mother" is, no doubt, warmly embraced by the modern-day zealots of Holy Mother Russia. An equally gnostic interpretation has been offered by the Sandinistas, who present Christ in the guise of a guerrilla fighter.

A 'green' presidential campaign

Ecologists fail to halt Mexico's nuclear project, but their political godfathers are still in the running.

Mexico's greenies suffered a blow July 18, when their so-called "Victory March" in the state of Veracruz, intended to halt the imminent inauguration of Mexico's first nuclear plant at Laguna Verde, drew a mere 200 supporters from across the country. Despite millions of pesos invested in a publicity campaign to try to bamboozle the population of Veracruz into shutting the plant down, the greenie march was a wash-out.

The "Victory March" was timed to intersect a multimillion-peso public-relations campaign mounted by Interior Minister Bartlett and Urban Development and Ecology (SEDUE) Minister Camacho Solis, both rabid ecologists. This was to have been the "final phase" in the plan to annihilate the Mexican nuclear project. On the afternoon of July 18, radio and television news shows were repeatedly carrying a statement by Camacho Solis, that "the reconversion of Laguna Verde into a gas-electric plant is not being discarded." The electrical workers' union, SUTERM, has insisted that the cost to convert the virtually completed nuclear plant to a thermal one would be more than the cost of constructing one from scratch.

This has nonetheless been the insistent demand of the greenies, who allege that no matter how much technical security is provided, sooner or later Laguna Verde would become another Chernobyl. The same day of the "Victory March," the leading Mexican daily *Excelsior* carried a front-page article railing against the inauguration of the plant.

An editorial in the same edition panic-mongered that an explosion at Laguna Verde would kill 100,000 in the first year and injure another 600,000, long-term cancer victims would number 40,000, and economic damage would cost more than \$300 billion. Entire pages of photographs showing the greenie protests against Laguna Verde graced the rest of the edition. The greenies themselves have insisted that once operative, Laguna Verde would probably become a target for terrorists.

And with it all, the march failed. Camacho Solis's declarations were taken off the air come the evening news, and the social communications bureau of SEDUE blocked publication of the statement the next day, with explanations that the minister's words had been "misinterpreted."

Weeks before the march, thousands of leaflets had been issued by the National Committee in Defense of Nuclear Energy, made up of industrialists, professionals, and students from throughout the country. Titled, "A nuclear plant is not an atomic bomb, and Laguna Verde is not Chernobyl," the leaflets were even distributed to the greenie protesters.

And in the days just prior to the march, the national weekly newspaper *Solidaridad Internacional*, charged that the ecologists' campaign to link Laguna Verde to a "corrupt government nucleocracy" was sheer hypocrisy. The newspaper observed that, according to the confessions of one of the editors of the greenie magazine *Ecología*, the anti-Laguna Verde

campaign is financed and coordinated from the offices of Camacho Solis, Budget and Planning Minister Salinas de Gortari, and Minister of Agriculture and Water Resources Eduardo Pesqueira.

All of them are key figures in the Mexican branch of the Trilateral Commission, the so-called Tepoztlán Center.

During the month of July, for example, *Ecología* editor Gabriel Quadri de la Torre—also an "adviser" to the rabid monetarist head of the Bank of Mexico Miguel Mancera Aguayo—will be traveling to Washington "to get economic support from the non-government private agencies." The costs of the trip will be picked up by Camacho Solis, Salinas de Gortari, and Eduardo Pesqueira, according to a collaborator of Quadri. The California-based Sierra Club is sponsoring Quadri's stay in Washington. He will be meeting with World Bank officials. According to information received by *EIR*, SEDUE allocates \$700,000 a year to "promote citizen participation," i.e., for the green movement.

One of those most responsible for the publicity campaign against Laguna Verde is presidential hopeful Manuel Bartlett, who in July of 1986, prevented the creation of an inter-sectorial group within the Mexican government to run an educational campaign on nuclear energy. A top Bartlett staffer, Ignacio Morales Lechuga, has been accused by the general secretary of SUTERM of financing the ecologists along with former Veracruz governor Agustín Acosta Lagunes.

With the choice of the PRI presidential candidate just months away, the warning of greenie coordinator José Arias Chávez that activation of the reactors "would mean political suicide for the officials who decide on it" is clearly proving a factor in the presidential succession fight.

A new front against García

The narco-warfare against the President of Peru has moved onto the financial front.

On July 14, the dollar was trading on the informal market of Ocoña Street, in Lima, at 38 intis. The next day, it was up to 40.9 intis. On July 17, the dollar was quoted at 45 intis, representing an unprecedented rise of 28.55% in three days.

Although observers assert that the increase is due to an excessive demand due to paralysis of the domestic banking system, the truth is rather that the rise in the dollar reflects a massive flight capital operation currently under way, in cahoots with the drug-traffickers, who provide the dollars. The orchestrated flight capital joins the offensive of Soviet narco-terrorism and the Peruvian agents of "Project Democracy," against the nationalist García government.

It is no accident that this offensive of the narco-dollar emerged only days after President García went on national television to denounce the Ocoña black market in dollars. On July 5, in a message to the nation on the new economic measures taken by his government following a dramatic cabinet reshuffle, President García said that alongside the legal dollars, "there are other dollars that stem in large part from the profits of the drug trade, and are sold in exchange houses and even in street sales."

On July 13, García ally and Planning Minister Javier Tantalean was more specific, charging that at least \$1 billion in narco-dollars had entered the Peruvian economy, "and this is what

has complicated the stability of the inti with respect to the dollar. . . . Initially, it was thought that Ocoña represented one or two percent of our exports, but now we are talking about nearly a third," said Tantalean. Asked if the government was considering shutting down Ocoña, Tantalean replied, "this is under study. Ocoña is like the tip of the iceberg, which means there is something much larger."

One week earlier, on July 6, independent economist Gonzalo Salazar León said that \$4 billion in "coca-dollars" had entered Peru so far this year. Salazar reviewed the various kinds of dollars—the official dollar, the financial dollar, the free dollar. "Finally, there is the coca-dollar, which is quoting in Upper Huallaga at 20-23 intis, and in Pucallpa can even be gotten at 17 intis. . . ." Clearly, those "coca-dollars" are going right out of Peru again, through Ocoña Street.

Despite this, former prime minister and finance minister Luis Alva Castro unblushingly declared July 17 that the rise of the dollar on the Ocoña black market "responds to mere speculation, and the transactions carried out there have no greater significance."

Since President García denounced the Ocoña market, the money launderers and their political godfathers have been very active. The daily *La República* published an extensive report on the Peruvian economy July 7, which concluded with the proposal that

García adopt the "Colombian model" of accepting dollars without asking their origin, through a so-called "sinister window." One day later, *La República* wrote that "sources linked to the government" revealed that the authorities were considering the possibility of creating "free zones" in the country, to attract foreign investment.

The mouthpieces of the "free exchange" advocates insist that there will be a large devaluation, with which rumor they are sowing distrust and inciting the re-dollarization of the Peruvian economy. On July 12, in a televised debate with Planning Minister Tantalean, former central bank head Manuel Moreyra Loredo argued that the government had decreed a devaluation that bordered on 45%, and added that it would not be unusual to see the Ocoña "free market" dollar rise to 45 intis.

Tantalean responded furiously that Moreyra was "a sower of suspicions, who for some time . . . as been trying to create mistrust among the businessmen, making predictions that don't come to pass." Finance Minister Gustavo Saberbein also responded to Moreyra, denying the devaluation and observing that "the liberal economists don't like either planning or economic programming; they leave all to the free market, as the IMF recommends. But we have known these policies. They are what we have been subjected to . . . in the worst crisis of the republic's history."

García has responded to the financial warfare with characteristic cultural optimism. Pledging that the country's economic growth will be premised on reviving consumer demand, thereby revving up production in factories currently working at half-capacity, García insisted that "This concept is important not only for Peru, but for Latin America and the world of poor nations. . . ."

International Intelligence

Brazilian President seeks to dump his party

Brazilian President José Sarney is striving to clear the way for a new agreement with foreign bankers by splitting the Brazilian Democratic Movement Party (PMDB), which elected him in 1984. Although Sarney's faction of the party was able to prevent a frontal assault on Finance Minister Luiz Carlos Bresser Pereira's monetarist policies at the July 17-18 PMDB convention, the party reiterated its commitment to increased real wages, agrarian reform, limits on debt for equity conversion, and the protection of national sovereignty from International Monetary Fund (IMF) surveillance.

Bankers are demanding a clear political mandate for austerity before they renegotiate Brazil's \$110 billion debt. Sarney cannot provide that. But he made a gesture of good faith by putting Fernão Bracher, the central bank president fired by former finance minister Dilson Funaro for opposing his Feb. 20 debt moratorium, on his foreign debt negotiating commission.

Sarney is trying to form a new government, based on the opportunists who supported the military government until it was clear the PMDB would defeat it, and on various agents of influence of the U.S. secret government networks known as "Project Democracy."

Despite Sarney's capitulation to the bankers, the traditional PMDB and Funaro are fighting to write the party's nationalist program into Brazil's new constitution.

Soviets pressure Bonn: Give us 'war criminals'

The Soviet Union is intensifying its pressure on the West German government to prosecute or extradite "war criminals still living in freedom." According to a report by the Soviet news agency Novosti on July 23, Supreme Soviet Attorney Natalya Koleznikova declared that Bonn has "not yet acted

appropriately" on the list of 16 "war-criminals" which President Andrei Gromyko handed over to German President Richard von Weizsäcker in Moscow on July 8.

Gromyko shocked the German delegation at a diplomatic reception by handing Weizsäcker the list, as a precondition for further development of German-Soviet "détente." West Germany's constitution forbids the extradition of its citizens abroad.

Mrs. Koleznikova demanded that "all war-criminals" be put on trial, and attacked the alleged lack of will in West Germany to "use detailed documentation provided by the Soviet Union" for about 40 cases in recent years.

The U.S. Justice Department responded to a similar Soviet demand by handing over Karl Linnas, a naturalized U.S. citizen, to face execution in the U.S.S.R. earlier this year. Linnas had been tried in *absentia* in the Soviet Union, and his case was never even heard by the U.S. judicial system. The Justice Department simply took Moscow's word for it, that he was guilty.

Is Moscow so anxious to get out of Afghanistan?

Soviet withdrawal of troops from Afghanistan can only begin when all "outside aggression" has halted and firm guarantees supplied against future "aggression," said Afghan leader Najibullah at a news conference in Moscow July 21, in an amazing display of *chutzpah*. Najibullah emphasized that the key to a solution lies in the Geneva talks under U.N. mediation between Afghanistan and Pakistan.

During the rest of his two-hour press conference, which followed lengthy talks with Mikhail Gorbachov, Najibullah elaborated on promises of a cosmetic "People's Democracy" style of "coalition government." The opposition could receive "up to eight" cabinet posts, plus the post of deputy prime minister and deputy chairman of the Revolutionary Council.

Najibullah's statements might be expected to discourage those members of the

U.S. Eastern Establishment, like George Ball, who believe that Moscow is "desperately" trying to extricate itself from its Afghanistan "imbroglio." That was the subject of a June 19 commentary by Ball in the *New York Times*. Defense Secretary Caspar Weinberger, in a letter to the editor of the *Times* published on July 22, sharply criticized Ball's stand. "I am at a loss to understand Mr. Ball's sympathy for the Soviet situation in Afghanistan," he wrote. "If the Russians want to leave Afghanistan so 'desperately,' what is holding them up?"

German socialist sees 'new' Red Army

The defense policy spokesman of the West German Social Democratic Party has returned from Moscow with the announcement that there is a "new Red Army" only interested in defense, not offense.

Andreas von Buelow, after spending a week in Moscow, stated in Bonn July 22 that he is "definitely convinced that the Soviet military leadership has broken with the offensive doctrine of Marshal Sokolovski."

Von Buelow's "new Red Army" rehearses "defensive defense," according to a briefing he received from Gen. Nikolai Chervov. Von Buelow was also told that "Soviet troops no longer rehearse surprise attacks on West German target zones," but only "operations for defense on Warsaw Pact territory."

Japan signs SDI accord with U.S.

U.S. Defense Secretary Caspar Weinberger and Japanese Ambassador to Washington Matsunaga signed an agreement on July 22, allowing Japan to participate in the Strategic Defense Initiative. This makes Japan the fifth nation to join the program, after Great Britain, West Germany, Italy, and Israel.

U.S. administration officials said that the agreement will serve as a precedent for future collaboration in military research be-

Briefly

tween the two nations, and stressed that Japan has much to offer to developing a strategic defense, especially in the areas of advanced sensor technologies, optics, and signal processors.

The Russian newspaper *Sovetskaya Rossiya* attacked the move forthwith, describing the Japanese decision to take part in the SDI research as "Japan's political Hiroshima."

General proposes joint Franco-German army unit

A French-German "Army on the Rhine" has been proposed by Gen. (ret.) Etienne Copel, formerly in charge of nuclear target planning at the staff of the French Air Force.

In the July issue of the newsletter *Active Defense*, Copel wrote that rather than a joint combat brigade only, France and West Germany should build a real army group, consisting of the German Home Army, with up to 400,000 men, strong French troop contingents, and air units of both nations. German aircraft could even be stationed on French territory, and the army group would operate under France's nuclear umbrella.

In related news, the Soviet daily *Izvestia* on July 22 attacked plans for "a Bonn-Paris military axis," charging that this was the "seed-crystal for a European NATO." *Izvestia* warned France against "rejoining the military integration of NATO" and thereby changing the military balance between NATO and Warsaw Pact in Europe.

General Rogers warns of U.S. disengagement

Former NATO Supreme Commander Gen. Bernard Rogers warned in a commentary in the German weekly *Welt am Sonntag* July 19, that a U.S. disengagement of military forces from Europe would "create a feeling of hopelessness that could lead to reliance on and concessions to the East."

"I do think . . ." he said, "that the loss of confidence in American support would

entice the West European allies in the long run, to seek neutrality as the way to survive—although their current governments would deny that."

"American troops are the most visible symbol of American engagement in Europe. They are an unmistakable signal that Soviet attempts to intimidate or coerce will not succeed. The Soviets would draw false conclusions from a withdrawal of U.S. troops. It would reduce the credibility of NATO's strategy of deterrence. The pull-out of 100,000 soldiers, for example, would have much bigger military consequences than the figure as such would lead one to believe. . . ."

"The withdrawal of U.S. troops from Europe would undermine the strength and cohesion of NATO, reduce its capacity to deter and increase the chance that once again, the United States would have to shed the blood of its soldiers, to convince the aggressors that our engagement for peace and freedom in Europe is still unalterably strong."

Split looms in India's Congress Party

On July 18, Indian Prime Minister Rajiv Gandhi expelled three top leaders of the Congress Party (I): former Minister of Internal Security Arun Nehru (a cousin of Rajiv's); Arin Mohammad Khan, an anti-fundamentalist Muslim; and V.C. Shulka. The charge was "anti-party activities."

In protest against the expulsions, V.P. Singh, former defense and finance minister, resigned from the party. Singh has a strong political base in Uttar Pradesh, the power base for Delhi politics, signifying that a serious split in the Congress Party, isolating Rajiv Gandhi, may now occur.

Singh and other critics are reported to be planning a series of rallies across India to press for Gandhi's resignation. Singh says he has no immediate plans to start a new party, although he has not ruled out a split within the Congress. At least 23 state-level legislators from the Congress Party are reported to have extended their support to Singh.

● **THE JOURNAL** of the All-India Congress Committee (Congress Party-I), *Congress Varnika*, features a two-page poem commemorating the death of Indira Gandhi, written by long-term political associate of Lyndon LaRouche, Kenneth Kronberg.

● **COLOMBIAN GUERRILLAS** held a "summit" meeting on July 19 in Santander, Colombia, according to a broadcast by the clandestine guerrilla radio station monitored by *El Mundo* in Caracas. Participants included the chiefs of the narco-terrorist armies of Colombia, and others from Nicaragua and Cuba.

● **AN AIDS VICTIM** was lynched in Rio de Janeiro July 21, according to a report in the West German daily *Bild Zeitung*. One hundred people watched without intervening as he was shot to death by three men, who put a sign on the body: "I do not spread AIDS anymore. I was one of the sexual criminals, who made this area unsafe."

● **SWISS NAZI BANKER** Francois Genoud was exposed by the weekly *Evenement du Jeudi* on July 23 for his involvement in the Geneva-based Iranian terrorist network. Genoud, it says, "who was . . . the right-hand man of the Nazi dignitaries before giving his experience to the Palestinian networks, also helped the funding mechanism of the Khomeinac networks, by payment of commissions in the weapons' market."

● **THE PERU DAILY** *La Republica* called for legalization of drugs in an editorial on July 13. Since the United States won't fight drug consumption at home or give enough anti-drug aid abroad, "the sensible approach is to eliminate prohibition" of drugs, it argues. *La Republica*, which is owned by a senator close to International Monetary Fund circle, recently attacked Lyndon LaRouche's AIDS policy.

Walsh launches next phase of Iran-Contra probe

by Paul Goldstein

By the time that the congressional cover-up hearings end in the second week of August, Independent Counsel Judge Lawrence Walsh's investigation will become the center of the political faction fight now unfolding within the elites in the United States.

Up until this point, the factional struggle among the various centers of power within the U.S. establishment has resulted in some changes in the policy-making apparatus, i.e., the Persian Gulf policy and keeping the "Israeli Lobby" at arm's length.

However, these changes are described by some as a slow "step by step" transfer of the center of power from the dominant Eastern liberal establishment apparatus to the traditional, constitutionally defined policy-making centers—without fundamentally challenging the content of policy now dominating Reagan administration decisions on the economy and East-West relations.

The signal that the shift away from the liberal establishment's complete dominance was occurring, was the failure of the Congress to "Watergate and impeach" the President and thereby destroy the presidency as a constitutional power. An ironic, but telling counterpoint to Congress's intention to destroy the President came with a relatively overlooked incident during the testimony of former National Security Adviser Admiral John Poindexter: Poindexter's attack on President Reagan.

Poindexter stated that he believed that the President would have approved the diversion of funds to the Contras. This statement, of course, stirred an immediate White House denunciation of this point made by Poindexter. However, Poindexter did not provide Congress the "smoking gun" needed

to begin impeachment proceedings, by refusing to testify that the President knew about the arms-sales scheme. In effect, Poindexter, representing the viewpoint of the traditional military institutions, defended the presidency, but left the door open to the interpretation that the President could have known, and approved, the illegal scheme.

This episode was followed immediately by the announcement that U.S. District Court Judge William Sessions would be the next director of the Federal Bureau of Investigation. The naming of Sessions, a Texas federal judge originally helped to become U.S. Attorney there by ex-Sen. John Tower, signals another tilt away from the liberal establishment's grip on the Justice Department. Whether Sessions will clean up the "secret government" apparatus deeply embedded in the FBI and DOJ will ultimately be determined by the Walsh investigation.

DoJ must produce notebooks

The Walsh investigation is sending shock waves into the heart of the liberal establishment's secret government apparatus. The latest developments center around the Judge's decision to subpoena all Department of Justice officials' memos and notebooks concerning their involvement in the cover-up in the Iran-Contra Affair. Leading DOJ officials and FBI agents are reportedly scrambling all over the place to find out what the Walsh group is up to. At present he has approximately 300 individuals as "targets" and according to well-informed sources, about 30-50 of these are expected to be indicted:

Moreover, these sources report that Judge Walsh is going after the infamous Hashemi file of DOJ officials, concerning

the case of Iranian arms merchant Cyrus Hashemi, who began the secret funneling of arms to Khomeini back under the Jimmy Carter regime. Hashemi was exposed by *EIR* in 1980 along with his Carter administration cohorts. High level administration officials tried to use "national security" as a pretext for withholding information in a libel suit Hashemi brought against this publication, a suit that was eventually dismissed.

The Hashemi file is key to the cover-up being conducted by Congress. At the core of the Hashemi case is the fact that the Carter administration's "arms-for-hostages" policy and its support for the overthrow of the Shah was continued by the Reagan administration. If Walsh's investigation goes in this direction, then the very foundation of the "secret government" is in jeopardy.

One of the chief targets of Walsh's investigation is the number-two man in the FBI, Oliver "Buck" Revell. Revell is not only in the middle in the Iran-Contra cover-up, but has been instrumental in protecting the "secret government" apparatus within the administration and the intelligence community. Walsh is seeking to connect the "private intelligence" operations in diverting funds to the Contras to the organized cocaine apparatus. Key figures in the Department of Justice, such as Criminal Justice chief William Weld, were at the center of the cover-up.

The Casey legacy

Probably the most significant center of the factional struggle among U.S. policy elites is the direction of the U.S. intelligence community. The mid-July leak that CIA Deputy Director of Operations, Claire George, and Counter-Terrorism Chief Duane (Dewey) Claridge, would be removed, caused tremendous trepidation among the operatives within the intelligence community tied to former Director of Central Intelligence William Casey.

According to U.S. intelligence sources, Casey tried to run the intelligence community the way Allen Dulles, the first director of the CIA, did, through "vest-pocket" operations, privately funded. Professional operatives inside the community were shocked at the rank amateurism of the method of operations under Casey. This was especially true concerning the Secord-Hakim network whose real control was Theodore G. Shackley—the former Deputy Director of Operations.

Casey turned to Shackley when the bureaucratic struggles in the CIA became an impediment to the President's Contra fixation. In fact, to cover the President's fixation on Central America, the NSC Project Democracy special operations capability went into motion against the Philippines, Haiti, Panama, South Korea, and Taiwan as a partial means for covering for the President's obsessions.

The Casey method of dealing with "covert operations" brought the entire Israeli intelligence apparatus into the Contra operation and related arms brokering intelligence opera-

tions. Casey's antics within the intelligence community produced deep resentment against real intelligence evaluations, in favor of doctoring or prejudicing intelligence on behalf of a policy.

Yet, the President is still committed to repeating the same errors as Bill Casey concerning the Contra operation. It is another point of irony, that most of the revelations concerning the Contra-drug connections are coming from the CIA itself. Most of the leaks to *Newsweek* magazine on this subject, according to informed sources, are coming from the Agency.

However, the Shackley linked forces inside the intelligence community are fighting back to prevent the removal of their forces. The normal means of fighting back will be to sabotage any new initiative coming out of CIA director Judge Webster's office. By sabotaging these initiatives, the opposing faction hopes to gain some leverage over the decisions concerning who gets ousted. Demonstrating bureaucratic muscle to prevent a policy from being implemented is as important as carrying one out.

According to U.S. intelligence sources, the critical question being discussed within the "corridors of power" is the rescinding of Executive Order 12333 and reforming the notion of National Intelligence Mission from the standpoint of presidential candidate Lyndon H. LaRouche's proposal, which was published as the *Feature* in the last two issues of *EIR*. This fight may not be resolved until the fall when the presidential campaign gets into full swing, and it is expected that Vice President Bush's intelligence community connections to the Contra affair will come out. This situation is not only focused upon Bush's national security adviser, Donald Gregg, but those former and present CIA officials who comprised themselves as the Bush braintrust which former director Casey came to rely upon for his "special operations."

In this context, most of the CIA personnel who have been involved in the Contra and Iran policy fiasco were former officials operating in Southeast Asia. The present CIA Chief of Station in Honduras was formerly a deputy to Shackley associate Thomas Clines. Clines was chief of station at Site 98 during the secret war in Laos. Site 98 was in Long Chan. Clines is presently under investigation for his involvement with the diversion of funds under Gen. Richard Secord and Albert Hakim which came to light in the congressional hearings.

What could ultimately decide the outcome of the intelligence community's factional warfare is the direction of Judge Walsh's indictments. If Walsh carries through on going after the inner core of the "secret government-Project Democracy" apparatus, the whole house of cards could fall, and then, the Eastern liberal establishment's ability to contain the efforts of the forces centered around Democratic presidential candidate Lyndon LaRouche will fail. Then, pro-LaRouche forces inside the intelligence community will be able to carry out the most significant transformation of U.S. policy since the American Revolution.

Anti-AIDS ballot initiative gets under way in California

by Marla Minnicino

Brian Lantz and Khushro Ghandhi, proponents of Proposition 64, the 1986 California State ballot measure demanding basic public health measures against AIDS that was defeated at the polls last November, announced July 14 that petitioning for a new AIDS ballot initiative—differing only slightly from the original—has begun in California.

Only eight months after Prop. 64, which became widely known as the “LaRouche AIDS initiative,” was defeated, Lantz and Ghandhi say the AIDS crisis has reached a point that citizens will demand basic public health measures to combat the disease.

The 1986 initiative attracted international attention, including opposition from the World Health Organization and U.S. Surgeon General C. Everett Koop. In recent interviews, proponents Ghandhi and Lantz charged that Proposition 64 had been defeated by a “campaign of lies.” “We’ve been proven right. Our opponents have been proven dead wrong,” they said. “If we wait much longer, there are not going to be many people left” to fight the war against AIDS.

The new initiative, filed in Sacramento May 28, received authorization from the California Attorney General on July 10. A committee, Prevent AIDS Now In California (PAN-IC), has been formed to organize support for the new ballot initiative effort, and volunteers have already begun to collect the necessary signatures. Approximately 409,000 valid signatures are required to qualify the initiative for the 1988 ballot.

The wording of the new AIDS initiative is almost exactly that of Proposition 64, except for a minor wording change which extends the definition of an “AIDS virus carrier,” to persons infected with any viral agent which causes AIDS, besides the well-known HTLV-III (HIV-1) virus. This is necessary, say its proponents, since recent medical work has identified forms of the AIDS virus differing from HTLV-III, and the rapid rate of mutations of these viruses render highly probable the genesis of still more variations of the AIDS virus.

The AIDS Initiative Statute defines AIDS as “infectious and communicable,” and the condition of being a carrier of the HTLV-III (HIV) virus or any other viral agent which may cause AIDS, legally, as “infectious and communicable.” It places the disease on the list of reportable diseases and conditions maintained by the Department of Health Services. This list already contains virtually all dangerous communi-

cable diseases and conditions in the state, such as German measles, typhus, tuberculosis, syphilis, plague, etc. Once AIDS, and the condition of being an HTLV-III or other AIDS-causing viral carrier, are placed on this list, all the existing public health statutes and codes which presently apply to every other communicable disease, will apply to AIDS and its carrier form(s), as well.

In a recent interview, Lantz and Ghandhi emphasized that, despite sensational characterizations and interpretations of the initiative by opponents and the media, the bill merely applies existing, proven, traditional public health measures to AIDS. The necessary laws and codes are already on the books, laws and codes which have been applied “day-in and day-out for years.” These procedures are applied “every day, throughout the state, and most other states, to at least 58 different communicable diseases.” This bill, say its proponents, “returns our state to a traditional public health policy respecting AIDS.”

Mr. Ghandhi is a Los Angeles County Democratic Party Central Committee member. Mr. Lantz, of Livermore, was a candidate for the Democratic nomination for U.S. Senate in the 1986 primary elections.

If the new initiative is passed, the most prominent provisions of the existing health law which would now apply to AIDS are: 1) All cases of the disease must be reported; 2) No one infected with the virus may be present in a public or private school, whether as teacher, student or employee; 3) No one with the virus may be involved in commercial food handling; 4) It is a serious misdemeanor to knowingly spread the disease. 5) The Department of Health Services has the power and obligation, to test as much as may be necessary to halt the spread of the disease; 6) The Department of Health Services has the power and obligation to apply measures of quarantine, as they deem necessary to halt the spread of the disease.

In a press release, Lantz and Ghandhi point out that all these measures are already applied to every communicable disease by law. Their effectiveness is “proven by decades of experience. Their constitutionality is beyond question. The highest state and federal courts have, on numerous occasions, upheld the constitutionality of all of the above measures, on the ground that the state has both the right and the duty, to defend and promote the general welfare, and that measures of public health are essential to that end. The entire question

of contagious disease, if we are sane, is a matter of public health, and public health law, not of civil rights law.”

PANIC spokesmen also note that AIDS is not a “gay” disease. They point out that the vast majority of the victims of AIDS are in none of the so-called high risk groups; they are poor people of both sexes in Africa and the Caribbean. Furthermore, the virus shows every sign of being a classic tropical disease syndrome, spread most rapidly through the tropical “insect belt.” It is a retrovirus with totally new and unknown characteristics, for which there exists no cure, which mutates at enormous rapidity, and which, according to many studies, may be 100% fatal for those infected. Heterosexual transmission has been proven, as has insect vectoring. AIDS is doubling every 8 to 12 months in the United States, and spreading with increasing rapidity outside the “high risk” groups.

Proposition 64 lost, according to Lantz and Gandhi, because of a “well-financed campaign of deliberate lies concerning the medical facts of AIDS, as well as the content of the initiative itself.”

However, since last November, a number of developments, including the Reagan administration’s emphasis on “routine” AIDS antibody testing, and the President’s appointment of a special commission on AIDS, charged to

examine what is being done at all levels of government to combat the spread of the disease, combined with a flurry of state legislative efforts to stem the AIDS epidemic, indicate that the political tide may have turned in favor of measures like the new initiative.

This is precisely what is worrying opponents of the measure, who are already voicing their hysteria. A July 19 article in the *Los Angeles Herald Examiner*, entitled “AIDS initiative might get back on ballot,” worried that “things have changed” since Prop. 64 was defeated. Recent political developments at the state and national level have “fueled panic and fear about the fatal epidemic and may allow measures like Prop. 64 to flourish, AIDS and gay activists say.” The article quotes David Mixner, campaign consultant for last year’s “No on 64 campaign,” saying: “This time around, I think it’s a much more difficult race if it makes the ballot. People are much more afraid and they’re looking for political leadership.”

A July 15 lead editorial in the *Los Angeles Times* hinted at the major reason for opposition to the AIDS initiative from policy-making circles: the economic cost factor. The editorial declares the new initiative “mischievous,” particularly, “as the crisis in public finance has placed extreme constraints on public-health programs, including those addressing AIDS.”

President’s AIDS panel: a lost opportunity

On July 23, President Reagan announced his 13-man Commission on AIDS and visited the National Institutes of Health for a briefing on progress in AIDS research. The Commission appears to have been selected as a cross-section of almost every possible viewpoint in regard to what has already become the most emotional issue of the 1988 presidential campaign. As such, it represents a lost opportunity to follow up the President’s commitment to large-scale AIDS testing, stated in June, with a crash national program of preventive public-health measures and research.

For the record, the Commission includes: the self-avowed homosexual Dr. Frank Lilly, a geneticist at the Albert Einstein Medical Center in New York; Roman Catholic Archbishop of New York John Cardinal O’Connor; Illinois State Rep. Penny Pullen, co-sponsor of a legislative package mandating strong public health measures on AIDS; and Adm. James D. Watkins, recently retired Chief of Naval Operations and former head of the Pacific Fleet.

The media sought to make the “gay” issue overshadow

all other facets of the appointment of the panel and its visit, with the President, to the National Institutes of Health by, among other things, arranging to have Lilly seated beside Cardinal O’Connor at a photo session of the Commission. Commission chairman William E. Mayberry, head of the Mayo Clinic of New York, said the Commission’s first report will be in the hands of the President in 90 days, and its final report is due in one year.

The Commission is charged to:

- 1) review current efforts at AIDS education;
- 2) examine what is being done at all levels of government and outside of government to combat the spread of AIDS;
- 3) examine the impact of the needs of AIDS patients in years to come on health care in the United States;
- 4) review the history of dealing with communicable disease epidemics in the United States;
- 5) evaluate current research relating to the prevention and treatment of AIDS;
- 6) identify areas for future research;
- 7) examine policies for development and release of drugs and vaccines to combat AIDS;
- 8) assess the extent to which AIDS has spread both among specific risk groups and the population as a whole.
- 9) study the legal and ethical issues relating to AIDS;
- 10) review the role of the United States in the international battle against AIDS.

How U.S. laws were changed to be pro-mosquito—and against humans

by Marjorie Mazel Hecht

In the past few years, U.S. public health has been forced out of the picture by concern for the protection of wildlife, and one of the chief beneficiaries is the mosquito. Mosquito populations in the United States are thriving, and their future looks even better, with disease-bearing foreign species arriving by such means as used tires sent here for retreading from tropical countries.

Mosquitoes are not just a nuisance. They carry and transmit deadly diseases: St. Louis encephalitis, dengue, malaria, yellow fever—all of which are responsible for millions of deaths annually worldwide. Most alarming is the news from a research team at the University of Florida that mosquitoes carry the lethal AIDS virus. The researchers are now trying to determine whether the mosquitoes can actually transmit the virus that they carry.

Effective mosquito control as practiced in the United States for decades, consists primarily of draining the swamps and standing water where the insects breed, and secondarily of using chemical and biological control measures. Since the late 1960s, however, laws and regulations aimed at protecting wildlife and endangered species and preserving wetlands have superseded the traditional pest control measures with criteria that are no longer based on the promotion of public health and safety.

In 1969, the emphasis of U.S. national policy switched from protecting humans to protecting flora and fauna. The National Environmental Policy Act of 1969 declared that it was now national policy “to encourage a productive and enjoyable harmony between man and his environment.” This might sound a little bit like support for motherhood, but the environmentalist interpretation of such harmony favored the wildlife at the expense of man.

According to Section 102 of the act, “all agencies of the Federal Government shall . . . insure that presently unquantified environmental amenities and values may be given appropriate consideration in decision-making along with eco-

nomie and technical considerations. . . .”

After almost 20 years of elaborating these “unquantified environmental amenities,” especially during the green years of the Carter administration, the government regulatory agencies have brought the pest control programs to a crisis point. The consequences are hair-raising in terms of public health as well as agriculture.

For example, a land developer filling in a swampy area on his property at the request of the mosquito control agency was slapped with a cease and desist order by the state Fish and Game agency and then with criminal charges because he was disturbing wetlands and the state of California has a legislative mandate to “preserve and increase wetlands.” In other words, let the mosquitoes breed, but don’t upset the natural ecological balance.

Also in California, in order to protect the habitat of the longhorn elderberry beetle, an endangered species, farmers cannot take action to prevent the banks of the Sacramento River from encroaching on their orchards and farms. (This practice, called rip-rapping, places large rocks on the river banks to stop the erosion.) So what if valuable agricultural land is lost and we produce less food—man must protect this endangered beetle at all cost.

And soon, the Environmental Protection Agency will begin its Endangered Species Labeling Project, which will prohibit the use of pesticides in and around the habitats of endangered species. Unbelievably enough, this means that if a mosquito control agency plans to apply a mosquito larvicide, according to the EPA draft regulations, “they will be legally required to call an Endangered Species Specialist in the Fish and Wildlife Service” to find out if they have permission to proceed.

No more mosquito control

“This whole series of regulations puts us out of business,” said Dr. Bill Hazeltine, an entomologist who is the Manager/

Environmentalist of the Butte County Mosquito Abatement District in northern California. "There is a denial of the basic principle of good mosquito control: prevent the breeding places of mosquitoes by good water management."

"Once you eliminate the breeding places, you don't have to worry about controlling them afterwards," he said. "There are some places where drainage should not take place, and in those places, you would use other measures, biological and chemical. But now our arsenal has been destroyed. When you take away water management and then you restrict the chemicals that can be used, all that's left is the biological controls. By itself, biological control will give us levels of mosquitoes that very often are not tolerable."

Dr. Hazeltine scored the regulations for the Army Corps of Engineers, which is responsible for issuing permits for the filling or draining of water and wetlands, as well as some of the provisions of the Clean Water Act. "All of these regulations are looking at preserving the health of the wetlands and wildlife, not the people. . . . Somebody has to speak up for the people," he said.

Disease vectors

Mosquito-borne diseases are not restricted to the developing sector. In 1984, Dr. Hazeltine said, local mosquitoes (those produced in the urban area of Los Angeles) were responsible for 25 cases of St. Louis encephalitis in Long Beach, California. And a few years earlier, there was a similar epidemic in Dallas and Houston. At the time, he said, military aircraft were used to spray the whole area to control the disease-bearing mosquito. Today, the concept of "chemical trespassing" would "deny us the capacity to respond to a large-scale epidemic in the same way."

Malaria is another mosquito-borne disease that could become a problem. Dr. Hazeltine pointed out that California's mosquito abatement program began back in 1911-12 to stop a malaria epidemic in the flood area of the Sacramento delta that within three years had wiped out half of the native population.

One of the most serious dangers, Dr. Hazeltine said, is the mosquito *aedes albopictus*, which carries dengue. This mosquito is coming into the United States in used tires—millions of them—sent here from China, Formosa, and Japan for recapping. The tires, mostly truck tires, hold water on the inside where the pests breed, and right now there is no program to fumigate them. As a result, the dengue-carrying mosquito has spread through Texas and Louisiana, into Florida and Georgia, and up the Mississippi River as far as Ohio and Indiana.

"This mosquito poses a severe risk," Dr. Hazeltine said. "It is aggressive and a colonizer, and the only way to control it is to keep it out. Cuba had a dengue epidemic in 1985 that hospitalized 160,000 persons, with 185 deaths. . . . In China, it is the largest cause of infant deaths."

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Confessions of a Soviet Trust agent

by Scott Thompson

Hammer

by Armand Hammer with Neil Lyndon
G.P. Putnam's Sons New York
543 pages, clothbound, \$14.95.

In the latest best-selling biography of Armand Hammer, the story is told of how this Soviet Trust agent was cleared for work with President Reagan by the same networks that introduced Soviet false flag agent Jonathan Pollard into the U.S. intelligence community. The clearance procedure was arranged by Israeli leader Menachem Begin through Secretary of State Alexander Haig. Haig was later fired from his post when secret arrangements were discovered that he had made with the Israelis, behind the back of the Reagan Cabinet, for the 1982 Israeli invasion of Lebanon.

The story goes that when Menachem Begin met with President Reagan, Begin suggested "that he really ought to make more use of you [Hammer], because you understand the Russians so well." President Reagan's gut response was: "But I am told that Armand Hammer is a Communist." "I was appalled," Begin later told Hammer, adding that he then told President Reagan: "Armand Hammer is not a Communist. He's a pure capitalist, through and through. Everybody knows that."

"Well," President Reagan said, "Armand Hammer's father was a Communist.

"Yes, he was," Begin said, "but that doesn't mean Armand is a Communist. I'm afraid your supporters have been seriously misinformed, Mr. President, and I urge you to check him out more thoroughly. I know you'll find that Armand is a completely loyal American. . . ."

Hammer's story continues: "Shortly thereafter the Israeli Ambassador in Washington, Ephraim Evron, wrote to Sec-

retary of State Alexander Haig, vigorously defending me and concluding, 'The Prime Minister asked me to tell you that there is no truth to these allegations, and that we consider Dr. Hammer a good and trusted friend. . . .'

"I have always believed," Hammer writes, "that by speaking and acting as he did, Menachem Begin changed Ronald Reagan's mind about me. My appointment as Chairman of the President's Cancer Panel—which required a full investigation of my record and FBI clearance—followed soon after."

This confession by Hammer clears up the mystery posed by Hammer biographer Joseph Finder, who writes that according to reliable sources, at the start of the Reagan administration, a memorandum circulated in the National Security Council to the effect that Armand Hammer was a Soviet agent. *EIR* conducted and published, in 1985, the results of a search of the very early records of the State Department headed by Alexander Haig, that ironically showed that Armand Hammer was known by State Department investigators to be closely associated with Soviet intelligence networks on whose behalf he performed valuable services. So, the mystery is finally cleared up as to how Armand Hammer gained entry into the Reagan administration, despite being a known Soviet fixer.

The cover-up continues

Otherwise, this, the third or fourth biography of Armand Hammer, continues the pattern of cover-up which characterized each of the earlier biographies that date back to 1932. Some of the elements of cover-up reflect close reading of *EIR*'s exposés of Armand Hammer. Perhaps the most glaring omission is the fact that Armand Hammer's father was more than a follower of Daniel De Leon and the Socialist Labor Party—he was a co-founder of the Communist Party U.S.A. with Jay Lovestone, Bertram Wolfe, and others. Even Ar-

mand Hammer cannot gloss over the fact that his early meeting with Lenin, where he took up the first concession during the New Economic Policy in the 1920s, was arranged by his father's friends such as Ludwig Martens and Boris Reinstein. State Department documents printed in *EIR* report that Hammer served as a courier for Martens (a.k.a. "Peter the Painter"), who briefly became head of the "Soviet Embassy" in the United States after he was chased out of England by Sir Winston Churchill. Failure to tell the true story of his father's role in Armand Hammer's original entry into Bolshevik Russia—an entry in which his father could not have had a direct hand because he was serving a jail sentence on manslaughter charges arising from an abortion he performed—is the most glaring omission in the latest Hammer biography.

Several clear examples of damage control that may have been influenced by *EIR* include:

1) Hammer's dismissal of the charge that he made his first fortune, with a drug company set up by his father, through "bootlegging" activity. Hammer counters this by saying that he may have skirted the intent of the law, but stayed within it. Hammer omits any mention of the "bootlegging" background of Louis Rosenstiel, to whom he ultimately sold his large whiskey-producing interest.

2) Hammer's dismissal of the charge *EIR* found and reprinted from secret State Department documents, that his first wife, Olga Vadina, was an agent of the OGPU intelligence service. Hammer goes to some length to argue that she was entirely too flighty to be trusted by the OGPU on any serious mission.

3) Hammer's dismissal of the charge that he was aided in his Libyan concessions by the Soviet Union's intervention with Muammar Qaddafi. Hammer agrees that the Soviets may have been interested in his negotiations with Qaddafi (the start of the OPEC price rises), but says the charge of Soviet aid is a pure fabrication of the CIA.

What Armand Hammer not merely confesses, but actually brags about, is his role as a back-channel in negotiations that have resulted in two summits between President Reagan and Mikhail Gorbachov, with a third summit pending. During the course of his attempts to keep these summits from being blocked, Hammer even admits his role in running cover for 25 Soviet espionage agents at the United Nations, whose case he suggested be "decoupled" from the Daniloff/Zakharov spy swap in order to smooth the course for the second Reagan-Gorbachov, "Reykjavik," summit.

Hammer's summitry

The following chronology of Armand Hammer's activities leading up to two summits is compiled largely from Hammer's biography; it will figure shortly in the forthcoming publication of *EIR*'s report "Global Showdown II:"

● Dec. 4, 1984—Meeting with Konstantin Chernenko arranged through Hammer's friend, Anatolii Dobrynin. This meeting occurred at a time when there had been minimal

contact on arms-control agreements between the United States and the Soviet Union. Hammer proposes to Chernenko that the Soviets redraft their "no-first-use" proposal to cover both nuclear and conventional weapons, as the foot in the door for starting up annual summit meetings.

● Jan. 29, 1985—At the European Conference on Security and Cooperation, the Soviet Union adopts Hammer's "no-first-use" gambit, but Chernenko dies of illness before he and President Reagan can attempt to meet.

● June 11, 1985—Hammer meets with Mikhail Gorbachov. Hammer is told that Gorbachov is communicating with President Reagan for a summit. Gorbachov is certain that a condition for that summit will be for the United States to abandon the Strategic Defense Initiative. Hammer suggests both sides develop and deploy the system together.

● June 15, 1985—Armand Hammer writes a commentary for the *New York Times* which says that the time is "right and ripe" for resolving the "long impasse" between the Soviet Union and the United States. President Reagan has been "turned by events into a cooperative spirit. . . . He can have only one ambition—the noblest kind—to go down in history as a peacemaker."

● June 23, 1985—Hammer meets with Dobrynin, then with President Reagan. He briefs the President on his discussion of a summit with Mikhail Gorbachov, and he responds to critics of this policy among Reagan's advisers who are present.

● July 5, 1985—Viktor Afanasyev, editor-in-chief of *Pravda*, tells a group of American editors visiting Moscow that Hammer "had played a significant role" in bringing about the agreement to hold a summit meeting on Nov. 19-21 in Geneva.

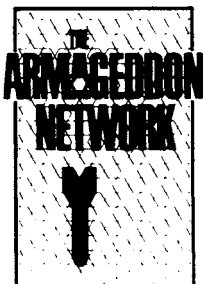
● Aug. 15, 1985—Israeli Prime Minister Shimon Peres announces: "We approached the Kremlin on the 40th anniversary of their victory over the Nazis through the American Jew, Armand Hammer, who was a friend of Vladimir Lenin." The talks dealt with the possibility of renewing Soviet-Israeli diplomatic ties.

● Sept. 22, 1985—The *New York Times* prints a commentary from Armand Hammer calling for joint development and deployment of the Strategic Defense Initiative. Hammer is told that the President considered, but rejected this proposal, as did Gorbachov at the Geneva summit.

● November 1985—An Armand Hammer-funded U.S.-Soviet Writers' Conference attended by senior KGB officials meets in Vilna, Lithuania to attempt to abort the SDI.

● Nov. 21, 1985—President Reagan and Gorbachov sign a new U.S.-Soviet cultural exchange accord which the Soviets intend to help upgrade the KGB's penetration of the U.S. Information Agency (USIA), headed by Armand Hammer's friend Charles Z. Wick.

● Dec. 7, 1985—Hammer flies to Moscow for the first meeting of the U.S.-U.S.S.R. Trade and Economic Council since the Russian invasion of Afghanistan. He concludes a



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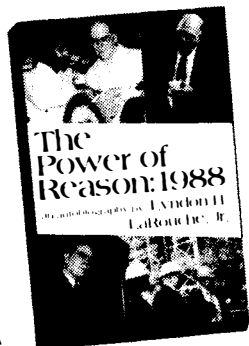
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THE POWER OF REASON: 1988

An Autobiography by Lyndon H. LaRouche, Jr.

Published by Executive Intelligence Review
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cultural agreement with the Soviet Union. The next month, Charles Wick travels to Moscow to work out the details of the U.S.-Soviet cultural accord with the same Cultural Minister Pyotr Demichev. Later, a USIA official says of Hammer's role in the matter, "He really opened doors for us."

- April 28, 1986—Armand Hammer arranges to send Dr. Robert Gale and others to treat the disaster patients at Chernobyl.

- May 15, 1986—Hammer meets a second time with Gorbachov, who lists three items that could form the basis for a summit: 1) a nuclear test ban; 2) ratification of SALT II; and, 3) a 50% reduction in nuclear armaments immediately. Hammer urged Gorbachov to arrange a meeting between his friend Secretary of State George Shultz and Soviet Foreign Minister Eduard Shevardnadze, leading to a meeting between Reagan and himself.

- May 23, 1986—Hammer meets with Secretary of State George Shultz to relay the discussion of the summit conditions, as well as the possibility for its rescheduling "if the initiative comes from America." National Security Adviser Adm. John Poindexter turns down Shultz's request that Hammer meet with President Reagan.

- May 1986—Mary Jane Wick, wife of USIA chief Charles Wick, is given \$500,000 by Armand Hammer to restore Washington, D.C.'s Ford Theater.

- June 14, 1986—Based upon a meeting with President Reagan a week earlier, Armand Hammer meets in London with Soviet Ambassador Leonid Zamyatin to discuss rescheduling the talks between Shultz and Shevardnadze, which Moscow had indefinitely postponed.

- Sept. 3, 1986—Hammer is in Moscow where he meets with N.I. Ryzkov, chairman of the Council of Ministers of the U.S.S.R., to discuss expanding U.S.-U.S.S.R. trade, joint ventures, and other matters. V.L. Mokevich, the Minister of Internal Trade, is present at the meeting.

- Sept. 5, 1986—Hammer contacts Deputy Secretary of State John Whitehead to offer his services in the Nicholas Daniloff/Gennadi Zakharov affair, which threatens to derail the upcoming Reykjavik summit. He proposes that they go to Moscow together and get *U.S. News and World Report* journalist Daniloff released in a spy swap on reduced charges. Whitehead rejects the idea of their going together, but approves Hammer's personal diplomacy.

- Sept. 21, 1986—Hammer meets President Reagan at a reception, and is informed that everything is on hold for a summit "until this Daniloff affair is solved." Reagan also gives Hammer a green light for personal diplomacy in the matter.

- Sept. 22, 1986—Hammer meets with Soviet Ambassador Dubinin and Foreign Minister Shevardnadze. Hammer proposes that the question of 25 Soviet KGB and GRU agents be decoupled from the Daniloff/Zakharov affair "by asking Shultz to postpone his Oct. 1 deadline for their departure." The same day Hammer meets with Shimon Peres in New

York immediately prior to Peres's meeting with Shevardnadze and enlists Peres's approval for a swap.

- Sept. 23, 1986—Hammer flies to Moscow, where he meets with Dobrynin, who asks him to write a letter for Gorbachov on these proposals that wins Gorbachov's approval.

- Sept. 27, 1986—The U.S. State Department admits that Hammer had flown to Moscow a few days previously as an official State Department channel to secure the release of Daniloff.

- Sept. 30, 1986—Secretary of State George Shultz announces that Daniloff is on a plane out of Moscow, having been released without trial, while Zakharov would be released shortly thereafter when he adopted the plea of *nolo contendere* suggested by Hammer's attorney, Louis Nizer.

- Oct. 13, 1986—Armand Hammer secures the release of Russian geneticist David Goldfarb with permission from Anatolii Dobrynin. Goldfarb flies to New York on Hammer's private plane.

- Oct. 15, 1986—Armand Hammer provides funds to the Soviet Cultural Foundation, which he helped Raisa Gorbachova found earlier that summer. Raisa Gorbachova's father, the 95-year-old Maxim Titorenko, was a leading proponent of Lenin's New Economic Policy. At its inauguration, Soviet Academician and Great Russian chauvinist Dimitrii Likhachev dedicates a part of his keynote address to Dr. Armand Hammer as "an old friend of the Soviet Union" who had a "contributing role" in setting up the fund.

- Oct. 24, 1986—Hammer leads the way to Soviet joint ventures. In a speech before the American Committee on East-West Accord, Yuri D. Shcherbin, president of Amtorg, announced that 15 American companies have come to the Soviets to propose joint ventures and that Hammer's Occidental Petroleum heads the list. Hammer wants to build joint ventures in chemicals and plastics in the U.S.S.R.

- Dec. 6, 1986—Hammer meets with Shevardnadze to discuss the post-Reykjavik situation. Shevardnadze complains that there are those in the West who are consistently trying to undermine the breakthrough represented by the Reykjavik summit, while once again relaying conditions to further the process that include U.S. elimination of the Strategic Defense Initiative.

- Feb. 14-16, 1987—Hammer attends Gorbachov's "International Forum for a Non-Nuclear World and for the Survival of Mankind" in the Soviet Union. While in Moscow, Hammer donates a painting and \$100,000 to Raisa Gorbachova's Soviet Cultural Foundation after meeting with the Soviet leader's wife.

It is this chronology of activities, which places Hammer as virtual head of the Trust group seeking regular appeasement summits between the United States and U.S.S.R., which makes so important his confession in the same autobiography of how his name was cleared of being a Soviet agent so that he would have access to President Ronald Reagan.

Books Received

The Ties that Bind, by Jeffrey T. Richelson and Desmond Ball. Allen & Unwin Publishing, 1985. 402 pages.

The Killing Winds: The Menace of Biological Warfare, by Jeanne McDermott. Arbor House Publishers.

Murrow; His Life and Times, by A.M. Sperber. Bantam Books, 795 pages. \$12.95 paperback.

Making Public Policy: A Hopeful View of American Government, by Steven Kellman. Basic Books, New York.

Was Einstein Right, by Clifford Will. Basic Books, New York.

The Khrushchev Objective, by Christopher Creighton and Noel Hynd. Doubleday & Co., New York, 333 pages. \$17.95 clothbound.

The Ultimate Evil: An Investigation of America's Most Dangerous Satanic Cult, by Maury Terry. Doubleday/Dolphin.

Making News, by Martin Mayer. Doubleday, 1987. \$18.95 clothbound.

Secrecy and Power: The Life of J. Edgar Hoover, by Richard Gid Powers. Free Press, New York.

Who's Who in Space: The First 25 Years, by Michael Cassutt. G.K. Hall, Boston.

Up 'til Now, by Eugene McCarthy. Harcourt Brace, Jovanovich, Inc., San Diego, Calif.

An Unquiet Life in the 20th Century, by Sidney Hook. Harper & Row, New York, New York.

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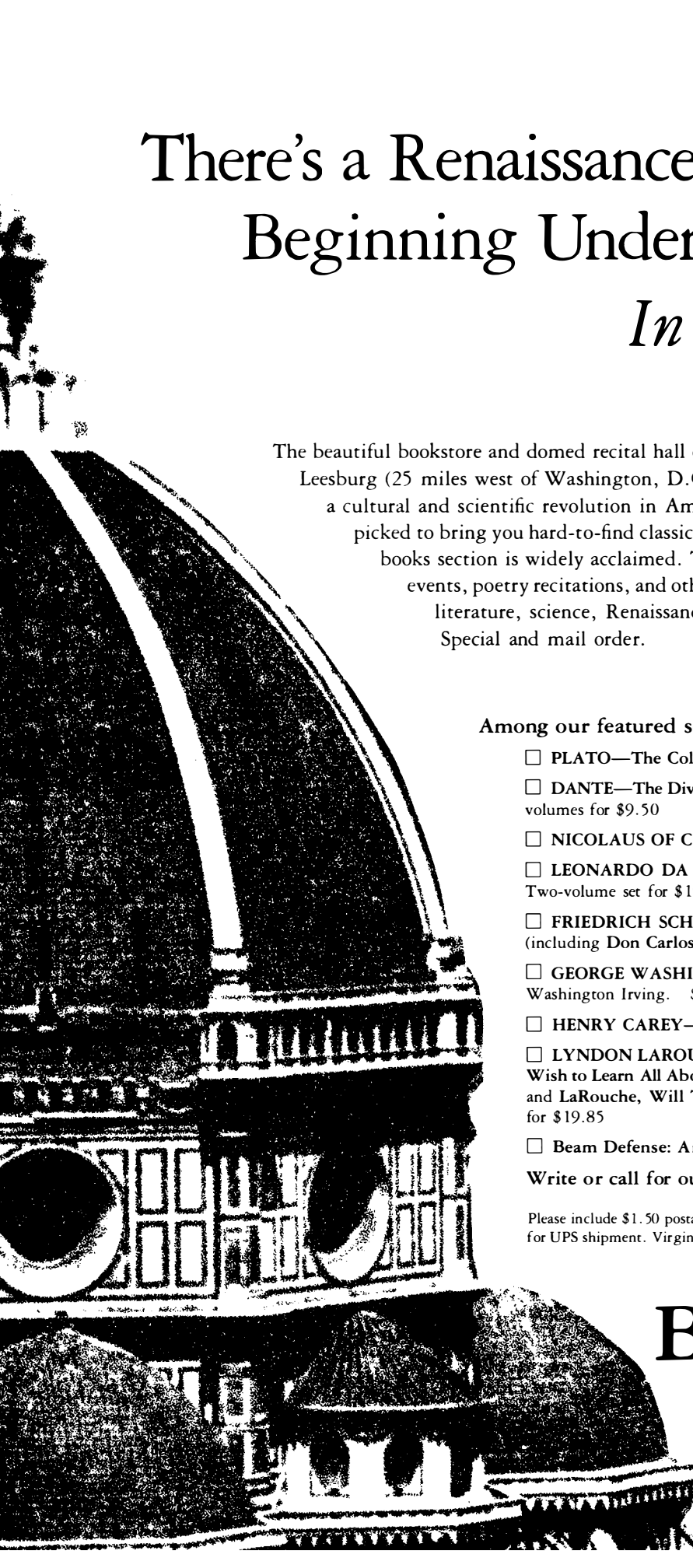
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'Foreigners' threaten auto?

Media emphasis about "foreign competition" is a hoax, timed to coincide with autoworkers' contract talks.

The July Commerce Department industrial inventories report showed that business inventories soared in May to the largest in three years—much of which were unsold automobiles. Inventories of unsold cars on dealers' lots are running 10% higher this year than last.

This again proves the fraud of the "Recovery." Hardly anyone can afford to routinely buy a family car. The annual level of car sales has remained in the same range for the last 10 years, running between 8 and 10 million to 11 million units. During this time, sales of imported cars have doubled, but now sales of imports have likewise slumped. Annual car sales this year will be lucky to go over 10 million.

However, according to the media hype, the only problem affecting the car industry is the issue of foreign imports. This propaganda is timed with the start of contract talks July 27, that begin between the United Autoworkers union and GM and Ford. Their three-year contract expires Sept. 14. The Chrysler workers' contract expires in 1988.

Typical of the national media coverage is the *Washington Post* feature July 19: "For both the companies and the union, however, the driving force at the bargaining table will be an invisible third party: foreign competition."

The reality is that even some of the foreign automakers—many in corporate subsidiary relations with domestic manufacturers—also have slowed down or halted car production for periods of time, to try to "adjust" to the disastrous effects of the "Reagan Eco-

nomie Recovery."

Automakers had reduced their output during the first six months of the year by 7.8%, from 4,466,934 units in 1986, down to 4,118,400 in 1987. Nissan and Honda both idled some of their U.S. plant capacity in June. For the entire second quarter this year, GM conducted a sweeping program of plant idlings, in an attempt to pull down its inventories. GM has carried about a 75-day supply of cars, when the industry regards a 62-day supply as optimal.

The layoffs in auto have ripple effects throughout the economy. Every assembly line job generates—or loses—two jobs outside the factory, according to the Motor Vehicle Association.

The National Machine Tool Association reports that as of the first half of 1987, new orders for U.S. machine tools were down by 8.8% from last year—mostly due to the sharp fall this year in auto sector orders.

In an effort to mobilize some cash flow, automakers have turned to "specialty" vehicles for segments of the U.S. households with money still to spend. The lightweight truck market has broken all previous sales records. Ford had an unprecedented month this summer, where its truck sales outpaced its car sales for the first time in history.

Similarly, the farm-vehicle manufacturing sector has promoted small tractors and riding mowers for the few, select "hot-house" suburbs where people can still afford semi-recreational vehicles. John Deere is heavily advertising its lawnmowers and mid-

et tractors in the Washington, D.C. area. The famous Caterpillar Co. of Peoria, Illinois has begun this shift. Allis-Chalmers first went out of vehicle manufacturing altogether and sold out. Then, the new company declared bankruptcy in June.

When the slump in auto sales worsened this spring, automakers also resumed low-interest loan terms, money givebacks and other financial inducements to consumers. However, this has not changed the trend of declining sales.

Some industry-watchers predict there will be an auto strike in September. Some say it will be at GM—which would "benefit" from a lockout in the same way the USX Steel Division did during the record six-month lockout that began last summer. USX inventories were drawn down. Other industry observers say that anger runs high against the Ford management—which has shown some profits, so "therefore," there may be a strike.

Neither management nor union leaders have chosen to blame the general collapse of agriculture and industry on the impact of the "Recovery" policies. The media give big play to any and all talk of the foreign car threat. From Peter J. Pestillo, Ford's vice-president for employee and external affairs: "If there is one overwhelming compelling dynamic in these talks, it is the internationalization of the U.S. auto industry."

Even the simple facts of the international auto industry shows how the decline is worldwide. In June, 4,000 Ford and VW workers were programmed to be suspended in Brazil. GM told its Brazilian employees that it would give them a general vacation from July 1-10, because of the 7,500 unsold cars in its stockpiles. GM has also announced that it is delaying plans to assemble cars in Egypt.

Volcker: Greenspan's deregulation is disastrous

In perhaps his final appearance before the House Banking Committee July 23, outgoing Federal Reserve chairman Paul Volcker said the nation faces a "critical juncture" because of the "uncommon combination" of international and domestic debt crises.

He said that if the situation is handled properly, no one single factor, even a significant increase in the oil price, will necessarily trigger an explosion of inflation. On the other hand, he warned, if the impression is created that the Fed is not in command of the situation, then even the slightest tremor could trigger such an explosion.

Volcker was emphatic that the nation's banking system needed reform, and urged passage of the "Competitive Equality Banking Act of 1987," which, among other things, closes the "non-bank bank" loophole and provides a secondary market for agricultural loans.

Meanwhile Volcker's replacement, Alan Greenspan, was testifying on the north side of Capitol Hill in the first day of his confirmation hearings before the Senate Banking Committee. While committee chairman Sen. William Proxmire (D-Wisc.) was embarrassing Greenspan by reading documentation proving his economic forecasts have been some of the worst in the last decade, Greenspan took the opposite position from Volcker on the congressional banking bill.

Greenspan said he favored the administration position of wanting to leave the "non-bank bank" loophole open in the name of deregulation and supported President Reagan's stated intent to veto the "Competitive Equality Banking Act."

Thus, all of the administration claims that there was "no difference" between Volcker and Greenspan, were exposed as a fraud.

All this just corroborates *EIR's* analysis last May—that Volcker refused to accept a third term in the spirit, as it were, of a rat abandoning a sinking ship. In his place, Reagan got someone of his own mind.

The prognosis is for near-term catastrophe. Despite Volcker's own meat-ax approach to the economy on behalf of financier interests, particularly the looting of the Third World, he was able to forestall a global financial collapse largely on the strength of the soothing effect of his personality among nervous central bankers of the industrial powers.

In contrast to the calm and commanding Volcker, Greenspan has the personality of a didactic rodent, driven by cult-like ideological fixation on "theories of the totally free market," which he mistakes for economics. That he is not likely to inspire confidence in the international banking community is an gross understatement.

When asked by this reporter to comment on Volcker's opposition to President Reagan's intent to veto the bank bill, White House spokesman Marlin Fitzwater said, "We simply disagree with the chairman on the deregulation portions. We think it's counterproductive to the President's views." The remark is symptomatic: He did not say "counterproductive to the economy," but "to the President's views"—the ideological fixation on deregulation.

Veto would trigger inflationary take-off

According to Stephen Verdier, the senior legislative counsel for the In-

dependent Bankers Association of America (IBAA), President Reagan's veto of the bank bill could trigger the very inflationary take-off that he fears the most.

This is because, Verdier said, the bill includes a desperately needed \$8.5 billion recapitalization of the Federal Savings and Loan Insurance Corporation (FSLIC). Even through President Reagan said he wants more than that for the FSLIC, his veto will delay the designation of any funding to the agency for months, and this could, he said, have the effect of beginning to burn up the economy very rapidly.

The total deregulation of banking will lead to a similar result very fast. Once there are no federal constraints on interstate banking (which keeping the "non-bank bank" loophole open sets the stage for), then the huge money-center megabanks, with massive access to liquidity (including from highly questionable sources, as the Treasury Department documented in alleging billions in drug money-laundering through many of the biggest banks of the country) will drive most of the nation's 14,500 smaller banks out of business.

While this will lead to a lot of "absorptions" of smaller banks by larger ones—resulting in perhaps only a half-dozen megabanks controlling all the credit of the country—it will also lead to thousands of failures, bursting the demands on the Federal Deposit Insurance Corporation (FDIC) at the seams. The bailouts required will be hyperinflationary.

Finally, when the dust settles, our half-dozen remaining megabanks will not be that solid, themselves. On the contrary, as Paul Volcker said, both international and domestic debt crises will loom larger than ever. And the collapse of even just one giant under such conditions will bring down the roof.

Elephants & Donkeys

by Kathleen Klenetsky

Hart campaign manager scores Iowa 'blackmail'

The former national campaign manager of Gary Hart's ill-fated presidential bid, shook up the Democratic Party apparatus recently, when he accused the Iowa Democratic Party of being composed of greedy and corrupt politicians, who regularly extort money from the party's presidential candidates.

Bill Dixon leveled these accusations in a speech to the National Association of Secretaries of State July 14, in which he charged that "greedy" Iowa politicians have consistently resorted to "blackmail and threats" to procure campaign donations from the candidates.

Dixon denounced Iowa political leaders "who trade their support for campaign contributions." Iowa, he said, "is the home of sophisticated, greedy political leaders who threaten national political candidates with regularity and with crudeness in a quest for political money. . . . They have been corrupted by big money."

Dixon specifically accused the state party leaders of threatening to undercut those presidential candidates who refused to donate hefty sums of money to state Democratic campaigns. He said that several Iowa politicians had flatly refused to consider endorsing Hart, unless he came up with a donation to their own electoral operations.

"We know money corrupts, and Iowa has been first in the nation for too long, and political money is corrupting a small portion of the leadership there," Dixon later said in an interview with the *Boston Globe*. "I'm not alone in saying that. It's just other campaign managers still have candidates in the race. Iowa has gone too far. It's time for someone else to be

first in the nation."

Philip Roeder, communications director for the Iowa Democratic Party, denied Dixon's charges—although he did admit that presidential candidates Bruce Babbitt, Joseph Biden, and Richard Gephardt distributed liberal amounts of money to Iowa politicians last year, especially those who exert significant influence on the state's caucuses.

Chris Hamel, Babbitt's Iowa campaign coordinator, told the *Globe* that Babbitt and his supporters had donated about \$60,000 in money, services, and staff contributions to Iowans last year, including a \$10,000 contribution to Lowell Junkins's unsuccessful 1986 gubernatorial campaign.

Those contributions paid off in spades, Hamel said. Junkins "says nice things about my campaign, and nice things about Gephardt," who also contributed to Junkins. "He does trash Gary Hart. Is that worth \$10,000 to me? Yes. . . . We are looking for any advantage over the others to personalize relationships in any way we can."

Dukakis's anti-SDI stance stirs rancor

Massachusetts Gov. Michael Dukakis's vehement opposition to the Strategic Defense Initiative is causing some consternation back home, where defense contracts in general, and SDI ones in particular, have become mainstays of the economy.

Dukakis openly acknowledged, at a meeting of the Association of State Democratic chairs July 17, that his commitment to terminating the SDI could cost Massachusetts a whopping 251 defense contracts. But he also insisted that the loss of SDI contracts would not harm his home state's economy.

Dukakis's claim was disputed by Stephen Levy, chairman of the Massachusetts High Technology Council. Noting that the defense industry makes up a large component of the state economy, Levy told the *Boston Globe* that "the absence of SDI would certainly hurt." He predicted that cutbacks in SDI contracts would cause layoffs—a view which Dukakis also disputes.

Southern Dems not charmed by 'Dwarfs'

Southern Democrats are singularly unimpressed by the current crop of officially sanctioned Democratic party presidential candidates, and unless the party comes up with a better candidate, they will once again vote Republican in 1988.

That's the conclusion of a study conducted by the Roosevelt Center for American Policy Studies, based on interviews with "hard-core Democrats, "swing" Democrats, and Republicans. "Swing Democrats [are] strongly—though not irreversibly inclined to back the Republican nominee," wrote report co-authors Mark J. Rovner and William A. Galston.

The findings present a real problem for the Democrats, who must win big in the South to take the White House. Democratic voter apathy about the "Seven Dwarfs" isn't limited to the South. Syndicated columnist David Broder reported recently that he and a colleague undertook an informal survey of Cleveland blue-collar workers shortly after the Democratic debate in early July. Most of those interviewed saw the candidates as "simply a blur." "The Democrats are almost certain to pay a price for offering a skeptical nation a stranger as President," Broder warned.

Senate passes trade war bill

The Senate completed over three weeks of work on the trade bill, passing it by a vote of 71-27 on July 21. A House-Senate conference to resolve differences between the two versions is expected to begin in September. The bill faces the threat of a White House veto.

The Senate bill contains a variant of the highly protectionist Gephardt provision contained in the House bill. The provision mandates import restrictions and retaliation if other nations fail to reduce their trade surplus with the United States. The Senate approach instead attempts to force open markets for U.S. goods.

The Senate grants protection to any American industry injured by imports even when traded fairly.

The Senate had first restricted the President's discretion to deny import restraints sought by domestic industries to cases of national security, or where a company would suffer from increased costs. Two days later on July 9, two amendments were adopted by voice vote, sponsored by Sens. Bill Bradley (D-N.J.) and Phil Gramm (R-Tex.) allowing the President wider latitude to deny relief if the costs affected the poor, or added the impact of possible retaliation against American farmers.

The Senate version also includes a provision sponsored by Howard Metzenbaum (D-Ohio) and Ted Kennedy (D-Mass.) requiring companies with 100 or more employees to give 60 days notice of their intention to close a plant. Passed by a vote of 60-40 on July 9, business and the administration are strongly opposed on the grounds that it would place them at a competitive disadvantage. Business is

also leery of the political mobilizations that are made to attempt to get companies to stay in a community.

An attempt was made by Senator Gramm to eliminate the section of the bill which would create a new international debt management agency, but was defeated 50-49 on July 15. Gramm objected that the type of agency and its cost was not clarified by the bill. A provision sponsored by Sens. Don Nickles (R-Okla.) and Steve Symms (R-Idaho) was incorporated to halt all lending to develop products defined as being in surplus. This perhaps was the most clear-cut acceptance of accommodation to current depression conditions.

Annunzio attacks banking deregulation

Rep. Frank Annunzio (D-Ill.), a senior Democrat on the House Banking Committee, on July 15 strongly attacked the Depository Institutions Deregulation and Monetary Control Act, which Congress passed in 1980, and which some hope will be followed up with further massive deregulation of the banking system in the near future. For example, Alan Greenspan, the chairman-designate for the Federal Reserve and an ally of the House of Morgan banking interests, testified in favor of further deregulation during his confirmation hearings before the Senate Banking Committee on July 21.

Annunzio outlined how he had fought against deregulation in 1980 and had argued that "the legislation was anti-consumer and would end up costing consumers millions of dollars a year in unnecessary expenses.

"I also predicted that the legislation would be responsible for hundreds

of financial institutions being forced out of business. Perhaps, if the GAO had issued its report in 1980 rather than 1987, consumers and the banking industry would be on much sounder footing."

Annunzio showed a report newly prepared by the General Accounting Office, which has now confirmed that consumers were hurt by deregulation.

Lower-income consumers were more affected, Annunzio said. "The report suggests that for the most part what the banks gave with one hand under deregulation, they took away with the other hand and both legs. Thus, the consumer instead of gaining from banking deregulation, actually lost ground. . . .

"My vote against the legislation in 1980 was the right vote. I am happy to see that others, even seven years later, are starting to realize that financial deregulation was an idea whose time had not come."

GOP task force told: AIDS politically protected

Rep. William Dannemeyer (R-Calif.) outlined testimony on the House floor July 15, which had been presented to the Congressional Republican Leadership Task Force on June 3, that made hair-raising allegations on how AIDS has been treated as a politically protected disease.

Dannemeyer warned of the extreme economic and demographic consequences of the AIDS epidemic. AIDS is spreading "at a speed that jeopardizes our very survival and threatens our economic stability," he said. "We could lose one-quarter of the world's population before we gain control of this epidemic, even if we

act swiftly right now." He added that society is "in grave danger from the experts who have consistently misread this epidemic."

Dr. Theresa Crenshaw testified before the task force on the various ways AIDS has been politically protected. "The most interesting and unfortunate politics at the CDC [Centers for Disease Control] have been the politics of labeling, the artificial and misleading distinction between AIDS, ARC, and confirmed asymptomatic infection," she said. This has created a "false sense of security" because "cases are discussed in terms of thousands rather than millions." She also noted that the self-consoling definition of "high-risk group" has been continually expanded to encompass virtually the entire population.

Crenshaw also charged that business concerns have played a role in allowing the spread of AIDS. "The big business of blood banking caused delayed screening of blood for almost a year beyond the proven value of testing and continues to claim greater safety of transfusions than is warranted."

She charged that alternatives such as blood substitutes or suctioning and filtering a person's own blood during an operation were not made known to people as options.

Crenshaw noted various interest groups trying to protect themselves. "Africa would hate to have it known that AIDS was spread by mosquitoes," she said. "It would ruin their tourist trade. Gays would not want it known that AIDS is spread by casual contact, for fear that they would be ostracized."

"Laws have been passed, initiated by Art Agnos in California, that have swept the country and ensure the

spread of AIDS. These laws forbid contact tracing, forbid a physician to tell another physician caring for the same patient that that patient is infected, forbid telling a spouse that their husband or wife is infected, and forbid doing a screening test for AIDS without the witting consent of the individual. This is the only blood test in the history of medicine that cannot be performed by law."

This pressure has "prevented physicians from doing the blood test when they feel it is indicated, has prevented health professionals from communicating with each other, and has forbidden physicians to protect the lives of sexual partners of those infected with the virus."

Legislation tailored for presidential ambitions

Fighting for delegates to the 1988 GOP convention, and kissing the feet of the American-Israeli Public Affairs Committee (AIPAC), seem to have been motivating factors behind some legislation introduced into Congress.

Competing for GOP delegates for the presidential nomination in Puerto Rico, Sen. Robert Dole (R-Kansas) on May 12 introduced a bill for Puerto Rican statehood, S. 1182. Not to be outdone, another presidential aspirant enlisted Rep. Robert Lagomarsino (R-Calif.) to introduce H.R. 2849 mandating a yes or no referendum on statehood. Rep. Ron Dellums (D-Cal.) also joined the fray with a bill to grant Puerto Rico independence.

Rep. Jaime Fuster (D), the Puerto Rican delegate to the House of Representatives, strongly attacked such politicking July 15. Acknowledging

that he represented the party in power which favors the commonwealth status, Fuster said that statehood advocates are not more than 30% of the vote. "The great majority of the people of Puerto Rico in 1984 voted substantially in favor of parties and candidates whose platforms expressly pledged to leave political status matters aside, so as to focus only on urgent socio-economic problems. The bill disrupts political discussion in the island by forcing the public to focus on a matter that is not of their urgent interest or concern."

Fuster posed the questions to be answered. "Is Congress ready and eager to grant statehood to an organized community of Spanish-speaking people who would have the right to elect two Senators and seven Members of the House? Is Congress ready to bear the cost of well over \$1 billion in additional federal aid money to the island which statehood for Puerto Rico would represent, according to a recent Government Accounting Office report?

"Is Congress ready to deal with expected and perhaps fierce opposition not only of significant leftist groups in the island and the mainland who favor independence for Puerto Rico, but also of Latin nations that don't support statehood for the island?"

Placating the Israeli lobby, AIPAC, seems to be another pastime of presidential aspirants. Senators Dole and Paul Simon (D-Ill.) cosponsored S. 1203 on May 14 to shut down two information offices of the PLO located in the United States. Dole claimed that such action was necessary to protect the American people against terrorism, yet no one remotely claimed that either of these offices were linked to aiding or abetting any act of terrorism.

National News

NASA scientists promote Mars mission

Three hundred scientists gathered in Boulder, Colorado on July 23-26 for the third annual "Case for Mars" conference, to discuss the scientific requirements for a manned Mars mission, and the need for a national political mandate for the effort.

Conference chairman Tom Paine, who headed up the President's National Commission on Space, declared in his opening address that the main reason that man should go to Mars is "the prospect of the limitless growth potential of mankind . . . opening an unlimited frontier that will eliminate malthusian limits to human aspirations."

NASA administrator James Fletcher enthusiastically endorsed the report of the National Commission on Space, issued one year ago, which called for a manned Mars mission.

"People could very easily be en route to Mars in the second decade of the next century," Fletcher stated. Because so much needs to be done before that can happen, "We must begin now to define such a mission, and to define the technologies that will be required for its success." Other spokesmen from the space agency stressed the fact that the new Office of Exploration that Dr. Fletcher has established, will be evaluating these long-term planning goals for the U.S. space program.

Hart wins ruling on campaign funds

A federal judge has ruled that nearly \$30,000 in contributions seized at a Hollywood fundraiser for Gary Hart cannot be used to pay off his 1984 campaign debts, AP reported on July 21. District Judge James M. Ideman in Los Angeles said the funds must be returned to Hart's 1988 campaign committee, and that it would be unjust to use the money raised by one group to pay off the debts of another.

The decision was a victory for Hart and his supporters, who had argued that the two campaign committees were separate organizations. The money was seized April 15 by federal marshals, after suit was filed by a creditor.

Hart withdrew from the presidential race on May 8.

Nofziger indictment puts Meese on notice

Former White House adviser Lyn Nofziger, a close associate of President Reagan, was indicted on six counts of violating federal ethics law on July 14. He was charged with lobbying the administration on behalf of Wedtech Corp., Fairchild Industries, and a maritime union.

The indictment stems from an investigation by Special Prosecutor James McKay, who is also investigating U.S. Attorney General Edwin Meese, in connection with the Wedtech case. Wedtech, which had paid Nofziger lavish fees, had allegedly secured no-bid defense contracts with the government through the intervention of Meese.

Nofziger responded to the charges in a written statement which charged that prosecutor McKay "and his large staff of lawyers, FBI agents, and IRS investigators have systematically ruined my good name, my business, and my finances. . . . This action comes at the expense of justice and fair play. . . . I am innocent of any deliberate violation of the law, and if the independent counsel wants my scalp, he will have to get it the old-fashioned way."

According to informed sources, the Nofziger indictment and the threat to indict Meese are intended to prepare the way for removing Meese as attorney general. Meese is already in trouble as a result of Independent Counsel Lawrence Walsh's investigation of the Justice Department's role in covering up the Iran-Contra scandal. Nofziger was on a lavish retainer from Carl "Spitz" Channell, who recently pleaded guilty to tax evasion in connection with laundering NSC funds to the Contras.

Cover-up continues on Executive Order 12333

White House spokesman Marlin Fitzwater reacted as though he had seen a ghost, when *EIR's* White House correspondent Nicholas F. Benton asked him at the July 20 press briefing what he could say about the nature or contents of Executive Order 12333. Fitzwater sputtered that he would say nothing on matters dealing with covert operations.

As *EIR* has reported in recent issues, the order, signed by the President on Dec. 4, 1981, gave the green light for actions by the "secret government" that are now being exposed in congressional hearings, as well as for "dirty tricks" against political opponents of that faction of the intelligence community known as "the bankers' CIA."

In related news, Michael Ratner, the legal director for the Center for Constitutional Rights, raised the issue of EO 12333 in a letter to the editor published in the *New York Times* on July 19. Ratner says its "surprising" that none of the members of the congressional Iran-Contra committees brought EO 12333 to the attention of the witnesses, given that it identifies the National Security Council as the "highest executive branch entity" providing direction and guidance on all intelligence and counterintelligence activities.

In view of this, he writes, "it is disingenuous to argue that the NSC is not, in the language of the Boland Amendment, an 'agency or entity of the United States involved in intelligence activities.'"

Rangel: 'no evidence' against Contra leaders

Three research institutes—the Christic Institute, the National Security Archives, and the International Center for Development, presented six hours of testimony to the House Select Committee on Narcotics on July 21, concerning links between the Contras and

drug trafficking. But committee chairman Charles Rangel (D-N.Y.) announced that "none of the witnesses gave any evidence that would show the Contra leadership was involved in drug smuggling."

The House Crime Subcommittee is now taking over the case, and will receive the reams of testimony obtained by Rangel's panel since it began its inquiry in June 1986. The information will also be forwarded to the Judiciary Committee, which will consider whether or not to hold further hearings.

The key question the crime panel will face, according to a report in the *Washington Post*, is whether U.S. government officials deliberately ignored drug dealing by individuals who supplied the Contras. "There were flights going down with goods and guns, and there were flights coming back with drugs," said Rep. James Traficante (D-Ohio). "I don't know how it could occur without someone in this country knowing what's going on."

Greenspan grilled on past economic blunders

Don't ask Alan Greenspan, the new Federal Reserve chairman, if you want to find out what's going on with the U.S. economy. That's the message Senate Banking Committee chief William Proxmire delivered during his questioning of Greenspan July 22.

Proxmire: "When you were chairman of the Council of Economic Advisers during the Ford administration, the Council had a dismal [forecasting] . . . record. I have here a study . . . which you headed; you were wrong by the biggest margin of any in the 11 years '76 through '86. . . . Then we come to the Treasury bill rate . . . there you broke all records for the entire period in errors. . . . Then we come to your forecast on inflation . . . there, again, you broke all records. . . . Your estimates on unemployment . . . were way off in those areas."

Greenspan: ". . . I will explain to you, as best I can, the imminent sense of failure of my mission. . . . I feel sorry for me."

During the years Greenspan was so wrong, *EIR's Quarterly Economic Report* had an unmatched record of forecasting accuracy on the real U.S. economy.

Superior Court rules against du Pont Smith

The Pennsylvania Superior Court in Philadelphia has affirmed a lower court decision, ruling political activist Lewis du Pont Smith "mentally incompetent" to manage his estate. The ruling, issued on July 21, confers on the associate of Democratic presidential candidate Lyndon LaRouche, the status of a virtual political prisoner in his own country.

The lower court had ruled to strip away Smith's right to vote, to marry, and to manage his financial affairs, because of the opposition of his family to his political views. Smith is an heir to the du Pont family fortune.

The appellate court entirely avoided the constitutional questions in the case, by claiming that such questions can only be considered in Pennsylvania upon notice to the attorney general.

Smith said that he planned to appeal the new ruling "as soon as possible." His avenue of appeal would be the Pennsylvania Supreme Court.

The decision, he said, "makes a mockery of the U.S. Constitution. It's the kind of court that is found all over the U.S.S.R., where political dissidents are routinely convicted and sent off to Gulags," under the guise of being "mentally incompetent."

He warned, "The United States is turning into George Orwell's *1984*."

Smith added that he has received information indicating that it was Edgar Bronfman, who has recently taken over the DuPont Company, who "prompted my family to take the actions against me starting in November 1985, and who prompted the more recent actions by my alcoholic father to nullify my marriage."

He said that his father and Bronfman share an "obsessive" hatred of the political views of Lyndon LaRouche.

Briefly

● **PRESIDENT REAGAN** called former NASA administrator James Beggs on July 22, to apologize for his indictment by the Justice Department two years ago, saying that the recently dropped suit should never have been brought.

● **SEN. DANIEL MOYNIHAN** will introduce a sweeping welfare revision bill to force parents of dependent children into low-wage jobs, or face loss of their welfare benefits. The bill would require mothers of children three years or older to take workfare jobs.

● **ELLIOTT ABRAMS** was forced to testify under oath on July 21 before the House Banking, Finance, and Urban Affairs Subcommittee, where he was called upon to discuss loans to the Chilean government. Rep. Bruce Morrison (D-Conn.) cited Abrams' lies to Congress in the Iran-Contra affair, adding that without an oath, "we have no legal assurance that he feels compelled to respond accurately, truthfully, and fully."

● **SEN. ALBERT GORE**, during his first presidential campaign swing through New Hampshire, met with environmentalists and pledged to reopen investigations into the accident at the Three Mile Island nuclear plant.

● **ABRAHAM FOXMAN** was named national director of the drug mob's Anti-Defamation League of B'nai B'rith on July 20, succeeding Nathan Perlmutter, who died the week before. Foxman, who was born in Poland in 1940, had been associate national director. He joined the ADL in 1965.

● **OLIVER NORTH'S** "second channel" to the Iranian mullahs is still operating, according to highly placed sources in the Iranian opposition. This channel is being used to continue contact with elements of the Khomeini regime centered around Speaker of Parliament Rafsanjani.

Pentagon ignoring Soviet scientific lead?

According to the Soviet newspaper *Izvestia* of July 18, the most recent Soviet Politburo meeting made a commitment to strengthen the material-technological basis for research in high-energy physics. The Politburo decided to step up the work in all of their scientific centers and experimental installations, and the expansion and construction of pilot experimental programs in high-energy and particle physics programs.

Several months ago one of our nation's senior experts in Soviet assault radio-frequency weapon capabilities told us: "To understand the way in which the Russians intend to use Radio-frequency (RF) assault weapons, you can't think simply in terms of microwaves and radio frequencies; that's not the way the Soviet war machine works, and they are in a full-scale war buildup. They're organized the way we used to do things here. They are backing science across the board. Then when they need a weapons application, they can pull it off the shelf. It's under the high-energy physics and directed-energy programs that they develop the hardware—oversized gyrotrons, special phased array radars in which the antennae are designed either to receive or broadcast powerful signals, and so forth—for military deployment of RF strategic assault weapons. These are advanced electromagnetic weapons which are based upon 'new physical principles.' Any signal from the Russians that they are pouring resources into high- and directed-energy physics programs at this time, would have to be understood as a full-scale commitment to radio-frequency weapon deployment."

Such a full-scale commitment is precisely what the Soviet Politburo made a decision to do.

Nonetheless, dangerous illusions permeate the top echelons of U.S. military officials responsible for evaluating Soviet weapons capabilities. They have foolishly locked into the fantasy that electromagnetic weapons will not be developed in this century. The Pentagon old boys suffer from the delusion that World War III will "look like" World War II, only with more modern gadgets. While acknowledging that electromagnetic weapons are "theoretically possible," they mystically be-

lieve in dozen-year to quarter-century cycles between scientific ideas and weapons applications. In other words, they ignore the fact that the Russians are in the midst of a crash war drive.

In the United States, we used to uphold the development of scientific discovery as the bedrock of our national security. Then the desperate banking institutions undercut science and forced the nation into the disastrous path of a "post-industrial society."

Only an individual imitating the posture of an ostrich could fail to see the Russian commitment to scientific-military programs. The Russians are going full throttle in high-energy physics and directed-energy programs. The Russians are going full throttle in fusion energy and plasma physics programs. They are moving full throttle in their rocketry physics and space program, while we can't lift a missile four feet off the launch pad. During 1986, 91 of the 103 successful rocket launches worldwide were Russian. They are averaging nearly two launches per week in snow, sleet, rain, or hail, and 75% of their payloads are military. The Russian space station MIR is serving as a successful platform for laser, physics, and military tests.

The Soviets are fully backing research into the biological effects of electromagnetic systems, as well as the basic principles of optical biophysics. America's senior scientists in all of these basic areas of research are having their funding slashed and fighting to keep their projects alive.

Recently the head of Moscow's Vernadsky Institute toured the United States. He told his American counterparts at a scientific conference here: "For our part in Russia, we have no problems with money and budgets."

That is the summary of the military-strategic equation. Every U.S. program of strategic military-scientific importance has massive problems with money and budgets. Every area of development necessary for countering the Russian radio-frequency, biophysics, and electromagnetic breakout is being chopped to ribbons on our side.

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Why this is the most controversial publication in the West

Insects and AIDS

This month, the federal Office of Technology Assessment finally held a seminar of 16 top experts to **weigh the evidence** of insect transmission of AIDS.

Almost two years ago *EIR* was out front—and alone—facing the wrath of the medical establishment, the budget-cutters, and the radical homosexual lobby when we first argued that AIDS could be transmitted by mosquitoes.

- In our 1985 Year-in-Review issue, we reported that it was likely that “the mosquito carries contaminated blood like a flying syringe from one victim to another,” especially in the Tropics.

- July 18, 1986: *EIR* excerpted a speech by Dr. Mark Whiteside of the Institute for Tropical Medicine in which he said: “We noticed that symptoms of AIDS resembled the symptoms of many viruses, including insect- or mosquito-borne viruses.”

- Aug. 23, 1986: Dr. Jean-Claude Chermann of the Pasteur Institute in Paris told the International Congress on Cancer in Budapest that his research team had found the **AIDS virus in four different types of African insects**. *EIR* was the only publication to give this extraordinary finding more than passing notice.

Irangate cover-up

EIR said it first. On page 118 of our *Special Report* on “Project Democracy: the ‘parallel government’ behind the Iran-Contra affair,” released last spring, *EIR* warned: “Is there a reason to fear that Inouye and Hamilton’s committees might attempt to destroy Walsh’s investigation, or otherwise **cover up** for the implications of the scandals? A resounding, yes.” We pinpointed committee counsel **Arthur Liman** and his links to Irangate culprits as a key problem.

Contras and cocaine

Last February, *EIR* exposed the fact that the “Nicaraguan freedom fighters” were **Soviet-linked drug-traffickers** as much as the Sandinistas, in a cover story titled “Who’s behind the Contra cocaine connection?” **Five months later**, on July 15, George Morales testified before the Senate Foreign Relations Committee’s subcommittee on terrorism and narcotics, that he **ran drugs and laundered money** for the CIA and the Contras.