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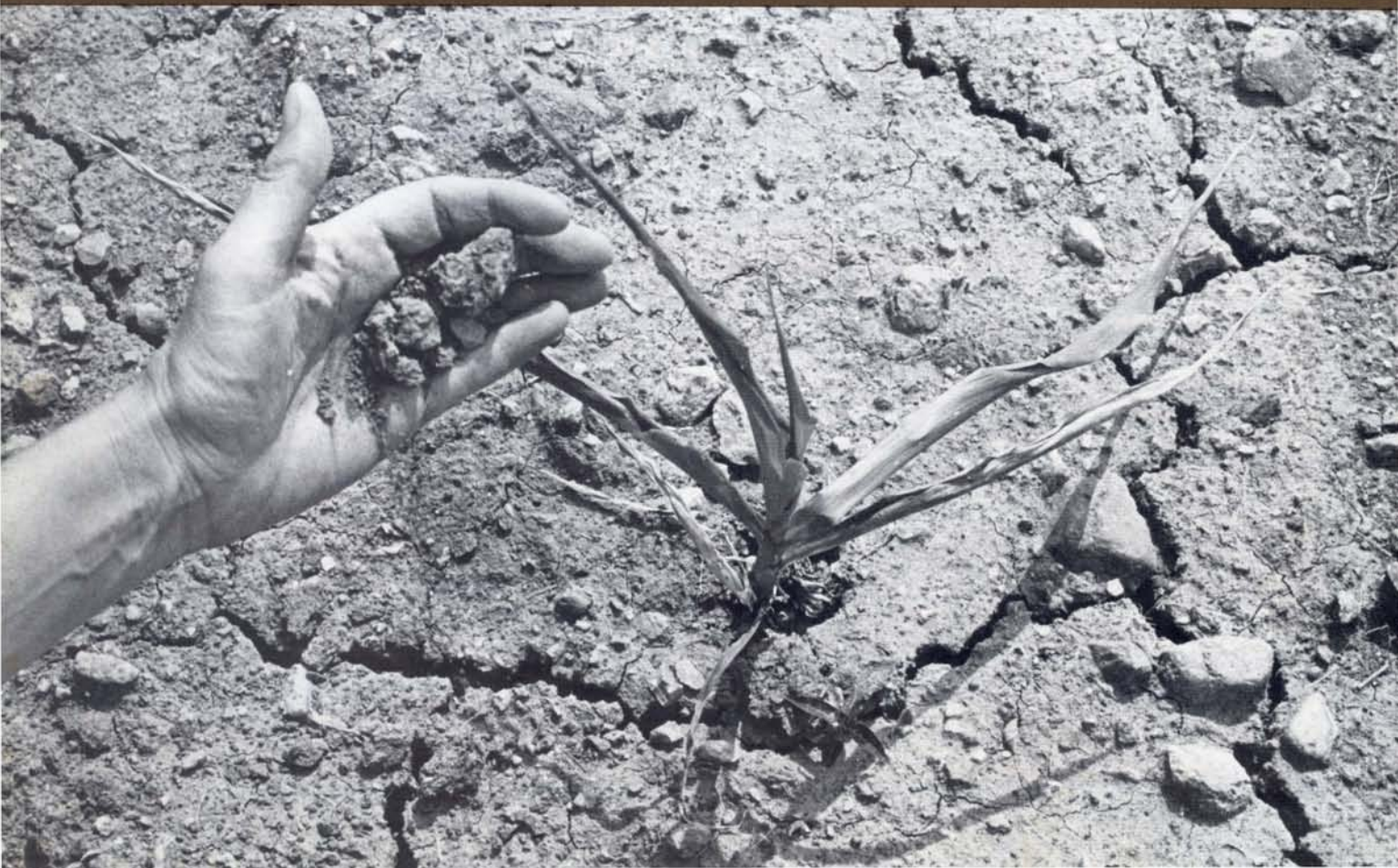
Executive Intelligence Review

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Mexico vote leads revolt against IMF
The Trotskyist past of Albert Wohlstetter
Economic warfare hits U.S. defense

**U.S. crop disaster means
worldwide food shortages**



**The trail leads from Russia's KGB . . .
to Shabtai Kalmanowitch . . . to Armand Hammer
. . . to George Bush.**

Now, for the first time, *EIR* tears the mask off Vice President George Bush's full and witting involvement in the Irangate scandal—and in Moscow's takeover of the U.S. intelligence establishment.

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SPECIAL

REPORT

**The
Kalmanowitch
Report:**

**Moscow's Moles in the
Reagan-Bush Administration**

with a preface by Lyndon H. LaRouche, Jr.

On December 23, 1987, some were shocked at the news that Israeli playboy and arms trafficker Shabtai Kalmanowitch had been caught working as a top agent for the Soviet KGB. But it was no shock to George Bush's "secret government," which had just finished brainwashing President Reagan into accepting Moscow's phony "peace" treaties.

For more than 20 years Moscow has been using the Israeli intelligence services as a conveyor-belt to place its agents high within the U.S. government. And although "little fish" Jonathan Jay Pollard was caught passing U.S. secrets to Israel—and from there to the KGB—the man who recruited Pollard still walks free at Tufts University in Massachusetts.

The threads of the Kalmanowitch's most sophisticated sorts of Soviet warfare against the West: from the brothels and casinos of Bophuthatswana in South Africa, to the burgeoning Russian mafia in the United States, to the "State Department socialist" Roy Godson, to Soviet agent Armand Hammer, and directly into the Reagan-Bush White House.

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From the Managing Editor

We go to press as the Democratic Party is gathering for its presidential nominating convention in Atlanta, amid scenarios for 1968-style violence outside the convention hall. While we can't say whether that will occur or not, we *can* say that neither of the "front-running" presidential candidates has in any way addressed the crucial problems facing the country and the world.

These are starkly outlined in this issue, beginning with our cover *Feature* (pp. 18-29). Agriculture Editor Marcia Merry teamed up with two farmers, Robert Baker from Iowa and George Elder from Pennsylvania, to produce a comprehensive picture of the devastating effect of the drought in America. What you are not being told, by the media commentators or by the Reagan administration, is that none of this had to happen; that our reserve stocks are dangerously depleted, and getting worse day by day; that we are shipping what stocks we do have to the Soviet Union; and that the measures are at hand now to reverse the crisis.

The effects of the same budget-cutting mania which created this crisis, are seen in the aerospace and defense industry sectors (see *Science and Technology*, pp. 30-35). The current "defense procurement fraud" scandal, launched by the U.S. Justice Department, is targeting what is left of a weakened defense production capability. *Cui bono?*

Two articles in our *National* section analyze the scope of the Justice Department's rampage—against the Pentagon and the Teamsters, this time—with some new information that will amaze you (pp. 56-57 and 62-64).

See the *Economics* section for extensive coverage of the upheaval ongoing in Mexico. It shows what can happen when a country decides it has had enough of the International Monetary Fund's austerity conditionalities. Expect the unexpected!

Susan Welsh

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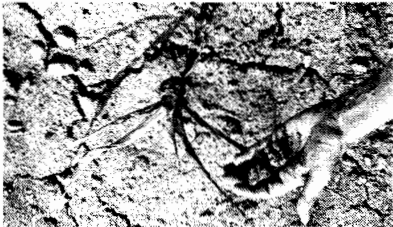
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Mexican vote leads the revolt against the IMF

by Robyn Quijano

Mexican voters mobilized to kick the International Monetary Fund out on July 6, when they handed the ruling Institutional Revolutionary Party (PRI) a stunning defeat. The PRI's loss to ex-PRI leader Cuauhtémoc Cárdenas, who left the PRI last year after President Miguel de la Madrid hand-picked his unpopular Harvard-trained budget minister, Carlos Salinas de Gortari, as the PRI candidate, is the first defeat for the party since 1929.

Ironically, it is not as much a defeat for the PRI, as for what the PRI has become over the last six years under the dictatorship of the IMF. The day after the election, when it was clear that Cárdenas was winning with a relative majority, he commented "The IMF must surely be considering new approaches to the foreign debt problem."

International bankers held their breath, hoping that the PRI machine which the U.S. Eastern Establishment had pledged to dismantle since then-President Jose Lopez Portillo nationalized the banks and threatened a debt moratorium in 1982, would somehow save them from the nationalist Cárdenas. The Eastern Establishment has long played the game of attacking any nationalist forces in Ibero-America that might buck the IMF for "human rights violations" or lack of "democracy." But now, the Mexican elections, followed by the upset victory in the Argentine primary of Carlos Menem, supported by the traditional wing of Peronism, who also campaigned against the IMF, has created a quiet panic. Democracy, it seems, has said no to the IMF.

While the PRI has refused to admit they lost the presidency, the population has equally refused to accept to 40-year-old technocrat, Salinas de Gortari, as their President. "The issue was poverty," a PRI leader from Mexico City said. "Salinas promised another six years of de la Madrid's economic policies. The population stood up and said they won't tolerate that."

Salinas was President de la Madrid's top economic hatchetman, and the author of the policy that has reduced workers' buying power by nearly 50% over the past six years. His policies cut agricultural investment by 50%, setting up drought-stricken areas for starvation. Under de la Madrid and Salinas, Mexico was the world's "model debtor," a nation whose people were put through a meatgrinder to satisfy the appetite of international usury.

Nearly half a million stood up for Cárdenas in the *Zocalo*, Mexico City's central plaza, on July 17, in the first mass rally of the *Cardenista* movement's mobilization for the recognition of the Cárdenas victory. Cárdenas message is that there is still time to impose the rule of law, and respect for the vote and for the constitution. He has also continuously stressed that his mobilization will be without violence, and warned against provocateurs. The other major opposition party, the PAN, has already started violent provocations including a physical assault by Manuel Clouthier, the PAN's presidential candidate, against President de la Madrid that ended with the presidential guard raising their weapons to shoot.

In a televised address on the same day, Cárdenas said, "Our fight is on political terrain, and not that of electoral figures. . . . The people have disqualified the election. . . . It is necessary to mobilize the population . . . to avoid provocation and demonstrate always that we are the majority." "Mexicans know they voted for Cárdenas," stated the ad that his National Democratic Front (FDN) ran in the press calling for the mass rally. The half million in the plaza proved who won the election.

Electoral alchemy

It took the government nearly a week to cook up the vote tallies to give PRI candidate Salinas 50.36% of the vote. The anti-PRI mood in the nation was so evident in the streets, that

even the U.S. press reported that while the PRI worked their “alchemy,” nationalist Cárdenas, who ran on a program to end the IMF austerity regime, and pay only a small portion of the nation’s export earnings for debt service, “might” actually have won.

Cuauhtémoc, son of Mexico’s favorite President, Gen. Lazaro Cárdenas, swept Mexico City, which comprises over 15% of the nation’s electorate, by 2 to 1. Cárdenas was given an official 31.2%.

Cárdenas’ FDN coalition made their own tallies, which gave Cárdenas 38.3% to 32.69% for Salinas, without taking into account the basic PRI fraud tactic of giving peasants dozens of already marked PRI ballots, and sending them from voting place to voting place. Nor did those figures take account of the hundreds of incidents in the countryside in which ballot boxes in heavily *Cardenista* districts were simply stolen.

Cárdenas gave a report on “preliminary information” from election exit polls, which give the FDN 54% of the total vote of 12 Mexican states. In Mexico City, the PRI received only 24% of the vote, and the candidate of the pro-IMF National Action Party (PAN) got 17%, according to FDN figures. In the areas where the PRI stole the vote massively, protests have already been launched and the population, rather than being demoralized by the PRI declaration of victory, remains mobilized.

In Mexico City, where the FDN machine was able to safeguard its vote, FDN senatorial candidates Efigenia Martínez and Porfirio Muñoz Ledo were leading 6 to 1 in hundreds of districts. The PRI “gave” the FDN the two Senate seats for Mexico city and Michoacan, Cárdenas’ home state. How it came to do so, however, only demonstrates what is really at stake.

On July 9, the head of the PRI in Mexico City demanded a recount of the vote on the absurd premise that Cárdenas votes had been counted more than once since four different parties had backed Cárdenas. Cárdenas held an emergency press conference at 3 a.m. the next morning to denounce the move and claim victory. A brawl ensued within the PRI between the hard-liners who had predicted that Salinas would get 60% of the vote, and the technocrats who thought they should please look a little more democratic. A PRI official on the Federal Election Commission said of the Mexico City recount, “It’s absurd. What do you want, a civil war in the Federal District?”

Brawl inside the PRI

Cárdenas, who split from the ruling PRI party in October 1987, drew some of the PRI’s most important nationalist leaders to his side. His platform called for “recovering our economic sovereignty” and rejecting the banks’ demand for payment of Mexico’s \$100 billion foreign debt. While many of the ‘democratic current’ left the PRI with Cárdenas, many more nationalists that sympathize with his program and hate the Harvard-trained technocrat stayed inside. It is that faction

which will cause trouble for Salinas by forcing him to modify his IMF program, or put their weight behind Cárdenas and his popular mobilization aimed at disqualifying the Salinas presidency.

Cárdenas has set his sights on organizing the House of Deputies, which will convene in September to officially vote in the new President. That chamber will have 500 deputies this year, a majority of which will still belong to the PRI. If a groundswell of support for Cárdenas’ victory emerges in the next month, another faction of the PRI could split out of the party.

Ex-President Jose Lopez Portillo, responding to reporters’ questions about why “many of your former collaborators” are working with Cárdenas, said jokingly that one isn’t married to a party. “Like the song says, this pact is not with God.”

Unionist for Cárdenas

Pro-government columnists complained that the leader of the powerful oil workers’ union, Joaquin Hernandez Galicia, had instructed his members to vote for Cárdenas. Whether or not this is true, Hernandez Galicia himself had told Salinas de Gortari only a few weeks before that, even should they wish to, labor leaders would be unable to convince the rank-and-file to vote for the PRI unless the PRI changed its policy. The states of Tamaulipas and Veracruz, where the petroleum workers are a major force, were lost to Cárdenas. As the early vote totals came in, it was clear that the trade union machine that was counted on to deliver the big vote for the PRI didn’t come through. The PRI later grabbed both states, but the fact that the unions went for Cárdenas is established.

The trade union machine was a particular target of the Salinas technocrats, and many trade union candidates were set up by the PRI in districts that the PRI planned to lose. Ecology Secretary Manuel Camacho, a top Salinas aid, expressed satisfaction that the trade union candidates had lost. While octogenarian Confederation of Mexican Workers (CTM) boss Fidel Velasquez has closed ranks behind Salinas, most of the base and many of the bureaucrats would openly bolt to Cárdenas in the next weeks. Salinas’s program has so devastated workers’ living standards, that only the most brutal party discipline could keep labor within the PRI ranks, unless Salinas offered some rather large and fast concessions.

Arturo Romo Gutierrez, education secretary of the CTM, who lost his bid for the Chamber of Deputies in Mexico City, was quoted in the press saying that the country is experiencing a “different reality, a formidable experience that the PRI should value for all it’s worth, toward overcoming old procedures and ways of doing politics, modernizing and radicalizing itself, fully expressing what the working class thinks. In a word, being more revolutionary.” This was clearly understood to mean more like the Cárdenas movement. Voters “are demanding a decisive historic turn in the path of the revolution,” he concluded.

Mexico no longer to be model debtor

by Mark Sonnenblick

Mexico will not fulfill its foreign creditors' expectations, even if Carlos Salinas de Gortari were made President through vote fraud. The bankers are nervous, although they console themselves that the Mexican regime will once again be able to buy off the opposition to its austerity and denationalization policies. But, the anger of workers, whose buying power has been more than halved by the policies crafted by Salinas as planning minister, cannot be bargained away in a back room.

In 1982, it was Mexico which almost triggered a continental debtors' cartel. And, if opposition candidate Cuauhtémoc Cárdenas rallies the majority of the electorate which actually voted for him, Mexico could again take unilateral action to stop payment on its \$103 billion foreign debt.

Since becoming President at the end of 1982, Miguel de la Madrid has done everything in his power to assure foreign creditors that Mexico would never again "misbehave." He implemented what the *Wall Street Journal* calls his "versions of *perestroika* and *glasnost*. A painful restructuring of the economy is under way." De la Madrid subordinated all productive government spending to paying the debt, and he began dismantling the state sector of the economy by selling or shutting down 750 of the 1,200 government-owned companies.

From the bankers' perspective, he has been a complete success. In 1987, Mexico spent 39% of its exports paying \$9 billion in interest on the foreign debt and a total of 60% of its exports on debt service, including amortization. That is 6% of the gross national product.

The transfer of income from productive uses to the bankers is accelerating. Pedro Aspe, Salinas's replacement as budget and planning secretary, announced May 29 that 65.8% of the federal budget went to foreign and domestic debt service in the first quarter. In real terms, Mexico spent 10.7% more for debt service than in the same period last year. The wage bill for state workers was sharply cut by means of drastic wage-gouging to only 8.8% of the budget. Public capital investment is the biggest victim of the debt service orgy; it is only budgeted at 1.33% of expenses. Mexico is spending 49 times more for debt service than for investment.

The foreign creditors were elated when de la Madrid

hand-picked his planning minister, Salinas, as his successor. Both of them, after all, were carefully trained at the Harvard University economics department in how to ruin economies. Before the elections, Salinas assured the world he would continue the painful transition of Mexico into a model debtor. He swore, "We have to look beyond [a single presidency] if we expect these programs to bear fruit. I am not at all inclined to reinvent Mexico during my six-year term." Chase Manhattan Bank political strategist Riordan Roett exalted this "12-year continuum in terms of monetary and fiscal policy. And that's never happened before in Mexico."

The Harvard dynasty's plan is to "de-Mexicanize Mexico." In June, they gave foreign bankers one of the world's biggest copper mines, Cananea, in return for \$910 million in nearly worthless debt paper. London's *Financial Times* reported that Salinas "has declared his intention to take divestitures further than could be imagined even a year ago. . . . Salinas will—his advisers say privately—almost certainly also privatize the Sidermex steel concerns, the bulk of petrochemicals production, and the remainder of the state mining industry." The London oracle fears, however, that Cárdenas's mass movement "could short-circuit Mr. Salinas' radical strategy to modernize the economy."

The debt cannot be paid

Several economic factors will add to the political pressures to abandon the bankrupt Harvard strategy:

- **Oil prices:** The record trade surpluses used to pay debt are shrinking. The government's austerity budget is calculated on the basis of receiving an average of \$16 per barrel of oil exports. But average Mexican oil prices fell from \$15.30 in 1987 to \$11.72 in May 1988. Exports of manufactures have been falling during the past few months from their record high levels. This is due to devaluation policies and to the shrinkage of the U.S. market.

- **Interest rates:** U.S. and Eurodollar rates have risen by more than 1.5% in the past few months, double the interest rate reductions "won" by Mexico when it renegotiated its debts to banks last year.

- **Drought:** Northern Mexico has been in a drought cycle since 1986 and is suffering more than any part of the United States. Most rainfed crops are gone. Plantings in irrigated areas have been cut in accordance with the 40% drop in water available. The government investment budget for irrigation is zero pesos; many projects were abandoned, half-built, in 1982; 30,000 head of cattle have died in Sonora this year alone. Despite the losses, the government is not importing more than the planned 7.5 million tons of grain for the year—if it can buy even that.

"There is no food supply problem," the agriculture minister assured everyone last month, since "Mexico is prepared for failures." The massive vote against the Harvard candidate, however, shows most Mexicans are fed up with failures.

Mexican oligarchs rush to dictatorship

by Héctor Apolinar

Outgoing Mexican President Miguel de la Madrid is persisting in his campaign to consolidate an economic regimen of brutal austerity, despite the Mexican population's overwhelming vote July 6 against an International Monetary Fund dictatorship over their country.

In the days following the election, it was announced that de la Madrid has given instructions for a new 3.5 billion peso cutback in the government budget, an austerity measure which will seriously affect such vital national resources as the state oil company Pemex (Petróleos Mexicanos), the Federal Electricity Commission, Communications and Transport, Agriculture and Water Resources, and the department of the Federal District (Mexico City).

The announcement was made by Planning and Budget Minister Pedro Aspe Armella, during a meeting of finance secretaries of all 31 Mexican states, as well as at several other meetings Aspe has held with the directors of the semi-public companies and cabinet ministries.

Stifling credit

Added to the above is the announcement made on election day, July 6, that only 41% of the total resources available to Mexico's banking system were channeled as credit into private or public production. Statistics indicate that the private sector has received 4 billion pesos in credit this year to date, representing a reduction of 1.2 billion pesos over the same period in 1987. The de la Madrid government has given orders to reduce credit still further, with the intention of keeping the economy stifled.

This brutal "freeze" of nearly all productive economic activity is part of the agreement struck between the Mexican President and the so-called "Group of 300," the most powerful businessmen in the country headed by former banker and speculator Agustín Legorreta. It is no accident that Legorreta was one of the businessmen who gave the most money to de la Madrid's presidential campaign in 1981 and 1982.

With such severe economic measures, so late in de la

Madrid's administration, it is clear that the Group of 300 intends not only to determine the direction of the economy for the rest of this year, but for the future government as well.

On July 13, an economic surveying team from the Bureau of Market Research (BIMSA) called upon the next government to "postpone a growth policy for at least the first six months of the next six-year term," for the alleged purpose of "consolidating" the anti-inflationary measures initiated by de la Madrid. Such measures, including a maximum reduction in public spending, and a freeze in exchange rates, prices, and wages, are part of the monetarist creature that has been baptized with the name, Economic Solidarity Pact.

Private sector economic advisers have announced that the budget cuts the government will be announcing over the course of July and August will produce a 1.4% decline in the Gross National Product, which will shrink the growth rate of general economic activity in 1988 down to a mere 0.8%. At the same time, they warn that the next government should "avoid pressures to abandon . . . the stabilization policy because of the costs of adjustment," according to a report in the daily *El Universal*. Clearly, those "costs of adjustment" refer to the population's growing resistance to such austerity measures, so starkly demonstrated at the polls.

Capital flight

Pressure from the group of financiers headed by Legorreta to keep the economy from growing and the population's living standards from rising, had unleashed a wave of pre-election rumors about an imminent and drastic peso devaluation, rumors which quickly made it to the front pages of newspapers controlled by Legorreta's group.

On July 12, the daily *Novedades*, owned by Miguel Alemán Velazco, ran as the lead headline of its financial section: "Excessive Dollar Purchases in the Last Two Weeks." The article attributes the panicked buying of dollars at exchange houses across the country to "political uncertainty." That article was, however, nothing more than a message to the de la Madrid government, warning that recognition of nationalist candidate Cuauhtémoc Cárdenas's anticipated election victory would trigger enormous—and deliberate—capital flight.

According to trustworthy sources, the capital flight far surpassed the \$1 billion mentioned by *Novedades*, and came closer to \$3 billion. In just the week prior to the elections, the "dollarization" reached nearly \$900 million, forcing the Bank of Mexico to intervene to cover the deficit.

On July 14, the daily *Financiero* revealed that the machinations of the exchange houses were so outrageous that some state ministers (Finance Minister Gustavo Petricioli, for example) were forced to call in the exchange houses' treasurers to ask them to stop their mass dollar purchases. More than likely, Petricioli, et al. offered in return to guarantee that the government would not recognize the vote for Cárdenas and his coalition partners.

Washington stunned by Mexican vote

by D.E. Pettingell

Thirty-six hours after Mexico's July 6 milestone elections, Washington did not hide its dismay. In a seminar-press conference July 8, representatives of official Washington and top academicians on the payroll of the financial community, showed surprise and concern over the outcome. It represents the beginning of a "new political dynamic" in Mexico, they stated. "The substantial decline in the voting" for the Institutional Revolutionary Party (PRI) "appears to be much more than had been anticipated."

Cuahtémoc Cárdenas, presidential candidate for the National Democratic Front, was "demonstrated to be more popular than many people believed," said moderator Susan Kaufman Purcell, director of Latin American affairs at the blue-blood Council on Foreign Relations. Participants included John St. John, director of Mexican Affairs at the State Department, Reps. James Kolbe (R-Ariz.) and Ron Coleman (D-Texas), and the so-called "specialist on Mexican elections" at the Center for Strategic and International Studies, Delal Baer.

What they are most worried about is the lack of any guarantee that, in its new political geometry, Mexico will continue servicing its foreign debt. "What will the strong showing of Cárdenas mean . . . ? Will it mean that a Salinas administration will be pushed toward a more populist and leftist approach?" asked Representative Kolbe. He was assuming that the PRI's Carlos Salinas de Gortari would be the next President, even before July 13, when he was "officially" proclaimed the winner.

Brushing off Kolbe's concern, the State Department's St. John, although he refused to talk explicitly about the elections, took it for granted that Salinas was the winner. He assured the audience that Salinas can be fully trusted. "It is in Mexico's interest to be responsible," he said, "Salinas will indeed be tougher on negotiating debt rescheduling, but Mexico has been very responsible, perhaps the most responsible country in the hemisphere. I wouldn't look for anything radical."

In CSIS's Baer's opinion, too, Salinas "would be very reluctant to do anything drastic that would jeopardize Mexico's trade credits [since] Salinas has predicated his strategy of growth on the expansion of trade."

But the seminar participants kept asking over and over, what went wrong? While they ostensibly agreed that Mexico was ripe for a "political opening" that would allow more

participation by opposition parties, the nationalist Cárdenas, as opposed to the neo-Nazi National Action Party (PAN), wasn't the opposition they meant. "It is unclear what gave Cárdenas so many votes, whether there has been an ideological turn to the left in Mexico, or whether it was Cárdenas's strong personality, or perhaps the image of his father," Baer wondered. "What is certain is that there has been a change in the psychological climate of the population."

Purcell interrupted Baer to assert that "more than anything else, it's the impact of the economic crisis." The PRI has lost support due to the austerity policies imposed by the administration of President Miguel de la Madrid. "The economic hardship brought about a very large protest vote."

The panelists felt equally insecure about the future of the North American Common Market, an issue on both Republican and Democratic agendas. While Salinas is on record endorsing the idea of economic integration with the United States and Canada, Cárdenas has insisted that Mexico, the weakest partner in the scheme, will be put at a "serious disadvantage." He rejects the proposal as a "way of forcing upon us a greater dependency on the United States economy." And he's right.

Kaufman said she believes that Mexico must first achieve an "open economy" before joining the United States and Canada. She regretted that the strong showing of Cárdenas make it uncertain whether Salinas would be able to continue the savage IMF austerity that would make Mexico more "competitive" on international markets, and therefore more "suitable" for a North American Common Market.

The proposal will continue to be a key item in Mexico-U.S. bilateral relations. Kolbe told the audience that he has co-authored a bill aimed at creating a broad "free zone" along the U.S.-Mexican border. Kolbe's ultimate goal is to impose upon Mexico the drug-ridden Hong Kong "economic" model based on the proliferation of foreign-owned sweat shops (*maquilas*) where the "host" country, in this case Mexico, provides abundant cheap labor. The *maquilas*, which have grown explosively along the Mexican side of the border, is the only sector of the economy (aside from drugs) that has expanded under the de la Madrid administration. Aside from exploiting a couple of million unskilled young Mexicans (as young as 13 years old) at salaries way below the U.S. minimum wage, Mexico gains nothing.

Cárdenas has denounced them as an "invasion not carried out by armies, but silently and peacefully. . . . What we are seeing is an integration of our economy and a good portion of our territory, with the activities and under the domination of the economic interests of the United States."

CSIS's Baer concluded the seminar by proposing that the next administration create a new position: assistant secretary of state for North American affairs, with two deputies, one for Mexico and another for Canada. In other words, Mexico should cease to be part of Ibero-America, and become part of North America!

Peronist victory scares creditors

by Cynthia Rush

Ibero-America's creditors were still reeling from the outcome of Mexico's July 6 presidential elections, when nationalists in Argentina clobbered them with another dose of reality just three days later.

On July 9, members of Argentina's Peronist movement or Partido Justicialista, went to the polls to repudiate five years of International Monetary Fund "adjustment" policies imposed by President Raúl Alfonsín's "democracy." Voters resoundingly defeated Buenos Aires Gov. Antonio Cafiero, an asset of the international social democracy, charged by the United States's sordid "Project Democracy" apparatus with "reforming" Peronism to make it more palatable to foreign creditors. Elected instead was La Rioja Gov. Carlos Saul Menem, who will be the presidential candidate in the mid-1989 elections.

A maverick provincial leader, Menem had shaped his campaign around the call to unleash a "revolution of production," based on the dirigist economic policies associated with the late Gen. Juan Perón. He insisted that Argentina must negotiate a five-year moratorium on its \$54 billion foreign debt, and vowed to carry out an anti-drug campaign, including instituting the death penalty for drug traffickers. British presence on the Malvinas Islands and in the South Atlantic constitutes a form of "economic aggression" against Argentine resources, Menem charged. If elected, he promised that one of his first acts would be to confiscate British assets in the Patagonia region of the country.

Argentina's obedience to IMF policy under Alfonsín and the Radical Civic Union (UCR) has thrown the country into social and economic chaos. Inflation is running at 20% monthly; social protest over government economic policy has paralyzed entire sectors of the economy. Industrialists demand a return to policies of growth. Argentine government officials admit that their upcoming negotiations with the IMF for a new standby agreement are likely to be "difficult" due to their inability to guarantee compliance with new austerity guidelines. On June 26, the government narrowly avoided having its debt declared non-performing by making a \$100 million interest payment to creditors.

Although the popular Menem is not a leader of the stature of Juan Perón, his campaign has served as the rallying point for those patriots who understand that Cafiero's social democratic "reform" movement is tantamount to treason. Under

conditions of economic chaos, the Peronists' July 9 electoral outcome could realize bankers' worst fears. Together with developments in Mexico, it can revitalize a political movement capable not only of addressing the internal crisis, but linking up with similar movements on the rest of the continent which are prepared to do battle with the IMF.

Cognizant of this potential, the *Wall Street Journal* nervously commented on July 11, "Mr. Menem's success illustrated how a deep economic crisis has ensured the enduring appeal of populist methods in Latin America. . . . With large segments of the population suffering severe economic hardship, calls for debt moratoriums, immediate wage increases, and major government spending programs have a powerful appeal."

Upset victory

Local observers had admitted that the election would be close, but Cafiero was expected to win. As governor of Argentina's most populous and politically important province, he controlled the party machinery, had the support of 15 out of 17 Peronist governors, and enjoyed significant financial backing to pay for lavish publicity nationwide. Local press coverage and political debate were organized around the assumption that Cafiero would be the Peronist candidate to face Alfonsín's hand-picked successor from the UCR, Córdoba Gov. Eduardo Angeloz, in next year's elections.

Instead, Menem took the election with 54% of the over 1.5 million votes cast, against Cafiero's 45%. Aside from the city of Buenos Aires, where he won with 3,000 votes, Cafiero only took three other provinces, Córdoba, Salta, and Formosa. Not even his own province of Buenos Aires backed him.

On the other hand, the La Rioja governor had virtually no institutional backing and limited resources. International press and local Cafiero supporters attribute his win to "nostalgia for Juan and Eva Perón," and to "irrationalism." The reality is that Menem drew the support of trade unionists and the poor, whose living and working conditions have been devastated by the ruling UCR's austerity policies.

Nor were workers enticed by the brand of "modern" Peronism that snake-oil salesman Cafiero was peddling at the behest of the Socialist International. For months, international and national press have portrayed the Buenos Aires governor as the leader of a vigorous reform movement which would bring Peronism into the modern era, free of those "authoritarian"—i.e., nationalist—concepts which the international oligarchy has found so offensive since Juan Perón founded his Justicialista movement in 1948.

In place of an outspoken defense of national sovereignty, the right to industrial and scientific development and social well-being which were the founding principles of Peronism, Cafiero intended to incorporate the movement into the international social democracy, with the likes of Spain's Felipe González and Venezuela's Carlos Andrés Pérez. Such an

affiliation was intended to guarantee that Peronism would play no decisive role in a continental battle for integration or against the IMF's debt-collection policies.

Money flowed freely into Cafiero's coffers from both the Social Democratic Friedrich Ebert Foundation and the Christian Democratic Konrad Adenauer Foundation of West Germany, channeled through several local foundations and trade union groups. His running mate, José Manuel de la Sota, had reportedly cultivated his own contacts with Carlos Andrés Pérez, presidential candidate of Venezuela's ruling Democratic Action party who has worked so closely with the State Department against Panama's Gen. Manuel Noriega. Like Pérez, members of Cafiero's group traveled to the United States to work with Democrat Michael Dukakis's campaign. Cafiero had also planned a grand, post-election tour of the United States as the Peronist presidential candidate.

Battle ahead

The fight has really only just begun, however. The Menem victory offers the country's anti-IMF forces an opportunity to quickly mobilize around an aggressive program for economic development and continental integration. But Project Democracy's spokesmen in the U.S. State Department and in Argentina won't sit by as idle observers.

One of their flanks will be the UCR's presidential candidate, Eduardo Angeloz. Because of the precarious state of Argentina's economy, Angeloz's chances don't look good for the 1989 elections. However, his campaign will serve to portray the Project Democracy program as the "responsible" alternative to "irrational" Peronism. An advocate of libertarian free enterprise, Angeloz asserts that the country's economic crisis is merely the result of an over-large state, excessive regulation, and mismanagement. His solution is to completely deregulate the national economy, giving way to such "informal" activities as drug money laundering, and to institute such "audacious change" as pulling Argentina out of the Non-Aligned Movement. "Argentina shouldn't really be part of the Third World," Angeloz said recently. Its only true ally is the United States.

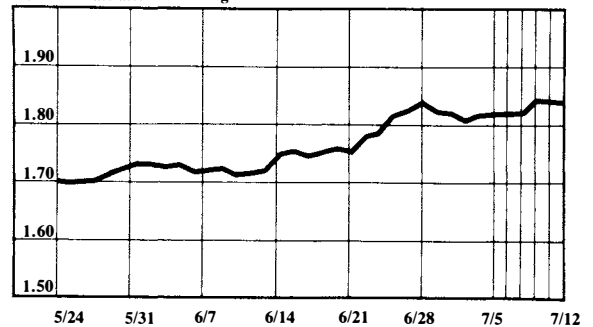
At the June 29 closing of his campaign in Buenos Aires, Angeloz incurred the wrath of the population when he charged that Argentina's 1982 war with Great Britain over the Malvinas Islands was an absurd mistake, carried out by a "general driven by alcoholism," a reference to then-junta president Lt. Gen. Leopoldo Galtieri.

From the U.S. side, when U.S. Ambassador to the United Nations Vernon "military coup" Walters visited Argentina in late March, he bluntly indicated that a victory by traditional Peronists would not be tolerated. He told one diplomatic source privately that a Menem victory would be dangerous, because the La Rioja governor was "uncontrollable." He might be "another Hitler or Mussolini," Walters warned. Recall that the State Department branded Juan Perón a Hitler-lover because he refused to bend to its demands.

Currency Rates

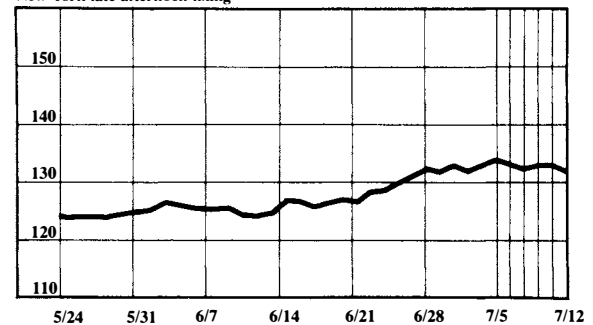
The dollar in deutschemarks

New York late afternoon fixing



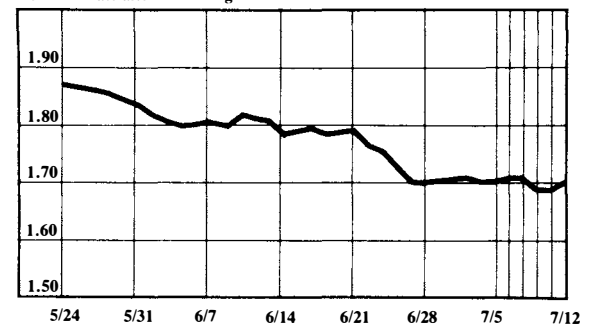
The dollar in yen

New York late afternoon fixing



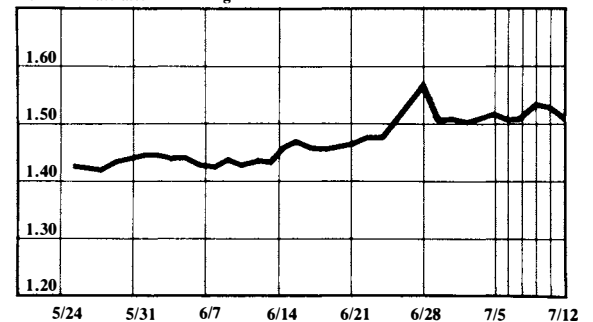
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Soviet takeover is 'Single Europe' goal

by William Engdahl

"One day national parliaments will wake up to what is happening; there will be a shock reaction, and this will create problems for the Community," admitted Jacques Delors, president of the Commission of the European Community, the administrative center of the 12-nation EC. The former Bank of France socialist added, "In 10 years, 80% of economic legislation, and perhaps tax and social legislation, will be directed from the Community," not by sovereign nation-states.

Delors, the guiding hand pushing the controversial "Single Europe Act of 1992" which calls for elimination of all national borders, trade differences, and capital flow controls within the 320 million population EC, told the now largely symbolic European Parliament in Strasbourg on July 6 that part of the process of total deregulation under way in the EC under the rubric of "1992" must include creation of a supranational "European government." "We will not be able to make all the decisions necessary between now and 1995 without the existence in some form of an embryonic European government."

According to informed Brussels sources, "Delors is moving very fast now that the [June] Hanover Summit [of EC heads of state] has given him an incredible part of the 1992 package."

On July 10, Delors flew to Basel for a special meeting with 12 Bank for International Settlements governors. Delors is the designated chairman of a new EC commission which is mandated by the Hanover summit to draw up plans for the creation of the world's first truly supranational central bank since the collapse of the Roman imperium in the 4th century.

Corporatism in new clothes

While the scheme is being politically played as the greatest boon to economic prosperity in postwar European history, complete with chauvinist allusions to presumed creation of large "European" industrial groups which will be able to "compete" with the predatory Japanese and American multinationals, in reality, the 1992 revolution would amount to the most far-reaching coup d'état by multinational financier powers in modern history, and ready Europe for looting by the Soviet Empire.

It is not accidental that the architects of "1992" hover around the orbit of the secretive Trilateral Commission. EC Commissioner for External Affairs Willy de Clerq is Trila-

teral, as is EC Commissioner for Industrial Affairs Karl-Heinz Narjes. All significant policy initiatives of the EC in recent years are echoes of Trilateral policy to smash national industrial interests in favor of the presumed "free trade" interest of the multinational financial groups behind the Trilaterals.

Indicative is a Brussels operative and Trilateral member, who boasted in a recent private discussion, that the real significance of 1992 will be "for Europe, a consensus process between industry, labor, and government that could be seen as a more reasoned form of what used to be called 'corporatism.'" Corporatism is the term used to describe the tripartite social structures used to impose savage Bank of Italy-directed austerity under the Fascist regime of the 1920s and 1930s. The source went on to say contemptuously, "There are no more sovereign nations anymore. All that is over, it's a thing of the past. With the exception of Mrs. Thatcher, there's not much of the old nationalist hiccup that de Gaulle represented left in Europe anymore."

European central bank

The European Central Bank that Delors' commission is to create will issue a single currency based on the current ECU. One of its principal architects is Niels Thygesen of Denmark. Thygesen is a leading member of a private group created in 1985 by former West German Chancellor Helmut Schmidt and former French President Valery Giscard d'Estaing, known as the Committee for European Monetary Union. Thygesen is also a member of the Trilateral Commission.

Thygesen and the Schmidt-Giscard group have drafted detailed plans to create an "autonomous" central bank, taking over all sovereign control of credit, money, and interest rates. Once nations abandon control over national credit, political sovereignty is a dead letter, as Thygesen and Delors are fully aware.

A Soviet satrapy

In early July, Greek Prime Minister Andreas Papandreou told a private gathering of European Parliament socialists in Athens that he plans to use his six-month EC presidency to create a "Common Market of collaboration and peace for 800 million people" in Eastern and Western Europe. He made his remarks shortly after talks with Soviet-bloc Comecon officials. The EC has recently accorded official recognition to the Comecon.

Papandreou was echoed by Trilateralist Mario Schimberni, a power broker in East-West trade deals, and a member of the Schmidt-Giscard European central bank committee. "Some Soviet leaders are pushing for a union across Europe," Schimberni said in an interview published in the Italian daily *Corriere della Sera* on July 6, "growing out of the agreements between the EC and Comecon. The European Currency Unit could be an instrument, an autonomous vehicle, in the new phase of relations between the two parts of Europe."

Can Thai public health officials check the spread of AIDS?

by Sophie Tanapura

Executive Intelligence Review joined with the Lions Clubs of Bangkok (Thailand) Rajasa, Bangkok Phrakonong, and Bangkok Phramahanakorn to host a full-day conference on July 9 in that capital city, "Can Present Government Measures Stop the AIDS Virus?"

Officials of the Public Health Ministry together with representatives of the *EIR* Biological Holocaust Task Force spoke at the conference, which was designed not only to assess the AIDS situation in Thailand, but to try to learn from the mistakes made in other countries where the AIDS epidemic is much more advanced.

The conference drew some 120 participants, the vast majority of them from Bangkok's medical community. Groups also came from the Lions Clubs that helped finance the conference.

As of June 30, 1988, Thailand had 934 AIDS-infected citizens, 923 of whom live in Thailand. Of these, the vast majority, 776, are heroin addicts. Only 9 are full-blown AIDS cases.

Thai public health officials have admitted that they were misled by information provided by international organizations which had over-emphasized transmission of the virus by way of sexual intercourse as the most efficient means. Therefore, it is only recently that they have begun mass testing of drug addicts, especially those using needles, i.e., heroin addicts.

According to the official statistics presented by Dr. Amnuay Traisupa, director of the Venereal Disease Division at the Health Ministry, it is estimated that there are 100,000 drug addicts in Thailand, 80-90% of them heroin addicts. Given the most recent statistics obtained from blood testing among addicts, there is every reason to believe that needle-sharing among drug addicts is the most efficient means of transmitting the AIDS virus. The interface between AIDS and the problem of drug addiction has forced the Thai government to face a very difficult problem. Further testing in this particular high-risk group is certain to reveal more HIV-infected people. These carriers are highly dangerous, be-

cause needle-sharing is not only an economic problem, but is virtually a ritual among heroin addicts.

When informed of the most recent statistics on the number of HIV-infected among drug-addicts, Dr. John Grauerholz, coordinator of the *EIR* Biological Holocaust Task Force in the United States and a conference speaker, suggested that these cases be pinned on a map to see if there is any clustering pattern. If such clustering is evident, then the next step should be broader testing of the population in those particular areas, to determine if the virus has moved from the high-risk group into the general population. If it has, then questions must be asked as to the possibility of transmission of the virus by means other than that which is evident for this or any other high-risk group. In addition, environmental factors must be seriously investigated in the area of clustering.

The importance of monitoring

Dr. Grauerholz, who spoke on "The AIDS Epidemic Worldwide and the Situation in the United States," stressed that monitoring the number of HIV-infected is perhaps the most important task of any government. With the AIDS virus, one is dealing with a lenti- or slow virus, whose incubation period is very long. If one waits to count the number of actual AIDS cases, one is looking at a situation which has been building up for 5, 10, or even 15 years, since that is the probable time period which has elapsed since the current AIDS cases were initially infected, and during which these victims were in all probability spreading the infection to others.

Dr. Grauerholz warned, "The threat we face is as much a result of the present approach to the problem as it is a result of the biological nature of the infection itself. In the face of a spreading pandemic of a lethal, incurable infection, for which we possess no vaccine, the national and international public health agencies have dispensed with many of the disease control measures which mankind has built up in its centuries-long war against infectious disease."

Faulty premises have to be changed if we are to act effec-

tively to combat this species-threatening infection. Stated Dr. Grauerholz, "One of the most strongly held positions of the public health establishment is that HIV is a sexually transmitted virus which is also present in, and transmissible by, blood and blood products, and which can be passed from an infected mother to her offspring. Transmission by means other than homosexual or heterosexual sex, sharing of needles by drug addicts, or passage from mother to child is asserted to be rare, or nonexistent."

Dr. Grauerholz said that "authoritative" institutions such as the World Health Organization, the Centers for Disease Control, or the U.S. National Academy of Sciences often assert that HIV cannot be spread by "casual" or environmental contact with an infectious individual, or by vectors such as biting insects," when there are ample reports that the contrary may just be true.

After extensive discussion with the conference participants on this issue, Dr. Wiwat Rojnaphithayakorn of the AIDS Center of Thailand had to admit that even if it is not probable, although possible, that mechanical transmission of the virus by way of insect bites and saliva can occur, precautions are necessary to eliminate the slightest possibility of transmission of the lethal virus.

Dr. Wiwat announced at the conference that Thailand is perhaps one of the few countries, if not the only one, to have mapped out its own medium-term program to stop AIDS. The Thai government had decided to allocate 43 million baht over a period of four years for the fight against AIDS, showing that a certain priority has been given to the dangerous disease.

Unlike many other countries, Thailand began random testing of blood units in January 1987. However, since Oct. 1 of last year, it has been policy to test all blood units in the Bangkok Metropolitan Area and suburban areas, despite The World Health Organization's advice that this would not be "cost-effective."

In June, the Public Health Ministry decided to acquire testing facilities for 77 public hospitals in the provinces. It is clear that Thai public health officials are moving in the direction of broader testing.

A threat to our species

Dr. Jonathan Tennenbaum of the *EIR* Biological Holocaust Task Force in West Germany, told the conference, in his afternoon presentation, that humanity has never been confronted with a disease or epidemic such as AIDS, where the virus has such a long incubation period that if it is not checked, it is perfectly capable of wiping mankind from the face of the Earth.

The reason we know that such a disease has never existed, Dr. Tennenbaum stated, is that we are still here today. Unlike other epidemics such as cholera, which may initially infect a larger and larger number of victims, but will taper off by itself because the infectious period of the cholera victims is

relatively short, the number of HIV-infected grows with time because of its very long incubation period.

Dr. Tennenbaum then presented the Bangkok audience with his computer simulation of the AIDS epidemic in the United States, in which it is predicted that 30 years from now, more than 80% of the U.S. population will be either infected or dead, if basic health measures to control infectious diseases are not adopted, and if a cure is not found in the meantime. If basic public health measures were adopted now, Dr. Tennenbaum said, the curve of the infected and dead could be reduced by sixfold, but would still continue to rise over the 30-year period.

It was proposed at the conference that *EIR* be provided with AIDS data for Thailand, so that a computer simulation could be done in order to better convince experts that the threat of the epidemic is indeed real.

In concluding his presentation, Dr. Tennenbaum, on a note of optimism, said that an eventual cure for AIDS may not be found in the field of medicine at all, but rather in the area of physics known as optical biophysics. A handful of scientists are presently investigating the radiation and electromagnetic properties of cells. A better understanding of these properties, which are key in differentiating between healthy and unhealthy cells and between living and dead cells, may help us win the war against the AIDS virus.

Still a 'young' situation

It must be noted that the AIDS situation in Thailand is still young, and with the right kind of public health measures, the AIDS epidemic may be controllable until a cure can be found. Public health officials in Thailand take pride in the sovereignty they retain in deciding what to do or not to do in implementing measures necessary to control disease.

So, there is a difference in the way public health officials deal with the AIDS problem in the United States and in Thailand, and there is the difference in the response they are getting from the AIDS-infected and the general population on the AIDS issue. This can be partially explained by the difference in cultural matrix of the two countries. Unlike the United States, which is today imbued with liberalism, Thailand is still a very conservative society, where religion continues to provide moral guidance for the general population.

In the concluding conference panel on "AIDS and the Socio-cultural Environment," Dr. Wanlop Piyamanotham, a psychiatrist who specializes in treating homosexuality, noted that in Bangkok and other tourist towns, the estimated number of prostitutes and homosexuals has reached alarming proportions. A return to traditional Thai moral values and behavior should be encouraged. "French kissing is not part of Thai culture," he remarked.

During the conference, several references were made both by the speakers and the audience to the third Buddhist precept ("Thou shalt not commit adultery") as perhaps one of the more efficient means of stopping AIDS.

What Chad needs is economic development

France's General Revault d'Allones, a Compagnon de la Libération (the group of the late Gen. Charles de Gaulle's closest associates), is general secretary of an association called Support to Free Chad, formed to defend Chadian sovereignty and to assist that African nation in its efforts toward economic development.

EIR: Why was your association founded?

Revault d'Allones: Our association was formed on Sept. 30, 1987, in the midst of the conflict between Libya and Chad. Our aim is and has been to provide Chad the support it needs to safeguard its national independence, secure its territorial integrity, and help in the country's economic development. In short, to help sustain the unity of the country in freedom and fraternity, as stated in our statutes.

The idea was born during the big Libyan offensives in the north of Chad. Our idea was to complement, on a private level, what the French government had committed itself to at the time; we thought that a private association could act in various ways to help the effort. The group, small at first, grew rapidly. It includes eminent personalities such as Mrs. Marie Madeleine Fourcade (who led the Allied intelligence and resistance organization during World War II).

EIR: There is a long history of Libyan aggression against Chad—

Revault d'Allones: —which is continuing. Aouzou is still occupied, for example. From the standpoint of international law, the sovereignty of Chad over Aouzou is incontestable. But Qaddafi does not recognize international law. He invents his own. . . . As a matter of fact, he denies not only international law, but Koranic law as well.

EIR: Some Western observers have recently raised the idea that Qaddafi was shifting, changing—flirting with both Washington and the new French government.

Revault d'Allones: His changes are episodes. . . . Like *glasnost*: Those who want to, will believe in it.

EIR: What is the situation now in military, political, and economic terms?

Revault d'Allones: First, militarily: There exists a permanent Libyan threat against Chad. The concentration of Libyan forces in the north and the recent buildup in Darfour province

of Sudan speaks for itself. We are quite aware of the capacities of the Chadian Army—they have proven themselves—and have faith in their fighting ability. With sufficient support, they can face the threat. We would like the French government to pursue the policies of strong support that France was previously committed to. The Chad war and the spectacular defeats suffered by the Libyan Army and Islamic Legion tremendously weakened Qaddafi. He lost face, not only in black Africa, but also in the Arab World. Libyan losses of equipment in Chad are calculated at over \$1 billion! All of this demoralized the Libyan Army.

Second, politically: The reconquest of Chadian sovereignty during the war created a strong sentiment of national union in Chad and stabilized the government of President Hissene Habré. The war helped to recreate national unity. North and south both helped to repulse the invader. Prior to Chad's victories on the field of battle, there were dangers of splintering. But the war is not over, and the crucial question is how to maintain stability and forge national unity now. This depends largely on the third point, the economic situation.

We and our Chadian friends are conscious that the territorial integrity of Chad depends on economic development. Furthermore, the lessening of immediate military pressure has forced the economic situation to the fore. If Chad is not aided appropriately, national unity could be put into question. Two levels of aid are required: emergency food and economic aid, and longer-term aid. The international community and the West must become aware of this. This is needed to win the peace. Chad is the Sahelian country which receives the least direct economic aid—I am not talking about military assistance.

The priority now must be economic support. Our association has engaged in modest but important aid programs. One of these was to provide milk powder for orphaned babies in Abeche, transported by the French Air Force. We brought the milk in within 24 hours. Another demonstration of solidarity: The Chadian embassy informed us that the Libyans had burned all French schoolbooks in public libraries in the parts of the country they had occupied. We, along with the Alliance Française, the Chadian embassy, the Chadian students association, and with the help of the French Army and Air Force, sent in a large quantity of schoolbooks for the north.

We are now orienting toward other projects, around the capital of N'djamena. It needs a modern hospital, and we intend to deal with this problem. . . . We intend to create a mobile dispensary, and will search for the financing necessary to the construction of a hospital.

All of these are urgently necessary measures, but cannot replace in-depth economic development. A broader and longer-term effort for agricultural and industrial investment is needed, for Chad and its friendly neighbors. Military support must be combined with measures designed to win the peace.

Working and hungry

"It is the nature of food emergencies that they are recurrent. As family funds dwindle during the month, food emergencies increase."—A food distributor.

Soup kitchens, a term that harkens back to the Great Depression, brings to mind homeless vagabonds, people with nowhere to go and nothing to eat. But the 1980s have seen a whole new clientele lining up at emergency food centers across the country.

The "working poor," those whose poverty results primarily from low wages, constitute the fastest growing segment of the impoverished population. The number of adults who work but are still poor has increased 50% nationally since 1978. Most of these people have homes, and families as well. They just don't have enough money to feed them.

A reflection of the inadequacy of the minimum wage to support a family is the fact that two-worker families with children have increased 50% in the past 10 years. The consequences of this are seen in the growing numbers of workers seeking emergency food aid in Boston, Pittsburgh, New York, and elsewhere. The average increase in requests for emergency food assistance in the past year was 18%. That increase was comprised of families with children requesting food assistance.

Governor Dukakis take note! Hunger in Massachusetts has been increasing over 13% per month for the past two years. In Massachusetts, at least half a million people live below the poverty line and experience hunger at some point every month. Moreover, 28% of the free food pantries surveyed said they cannot serve everyone who requests it.

In Boston alone, there are 89 pantries and 26 soup kitchens. The pantries are serving over 8,700 families a

year, up 21% from last year. The soup kitchens last year averaged over 1.5 million meals a year.

Only 27% of the requests statewide came from the unemployed. The shipbuilders who once worked for General Dynamics at Quincy shipyards, or the autoworkers who made an adequate living at General Motors in Framingham, both now closed, are now out of luck. They must take pay cuts of \$20/hour and more. If they're lucky enough to get a job, it will most likely be at MacDonald's.

According to the hype of Reagan and Bush, Pittsburgh's unemployment rate has gone from 15.7% in 1983 to 5.8% as of April 1988. What is not mentioned is that the non-manufacturing jobs created in the region have lower wages and reduced benefits compared to the steelworkers' jobs they replaced. In fact, many are part-time jobs.

In 1961, there were 269,000 manufacturing jobs in the Pittsburgh region. That has declined 55% to 122,600 currently.

In the 20-county area surrounding Pittsburgh, there are 200 soup kitchens. That is not enough to deal with the problem. In Allegheny County (Pittsburgh) alone, 200,000 people, or 16% of the population, goes hungry every day.

One of the most dramatic examples of poverty is New York City. This is neither surprising, nor a new phenomenon. What is shocking, is the level of devastation to which the poor have been recently subjected.

The most conservative estimates of the number of people dependent on emergency food in New York are in

the vicinity of 1.5 million a month. More realistic approximations are 2 million—over 25% of the population!

The question of how 1 person in every 4 is placed in a circumstance in which he or she cannot feed themselves or their families is one of the harshest indictments of the recent period of "recovery." It is now an indisputable fact that minimal necessities such as food, clothing, and shelter are out of reach of the poor and near-poor. This was not the case historically.

As recently as 1975, public assistance could lift a family somewhat out of poverty. Today, a family on public assistance would require a grant increase of 33% just to reach the poverty line.

In New York, as in the rest of the country, the most disturbing trend is for those that do work. Because the minimum-wage scale has been frozen at \$3.35/hour since 1981, a family of four, with one full-time and one part-time wage-earner working at the minimum wage, lives below the poverty line.

Twenty-nine percent of the meals provided in New York City are served in soup kitchens, where one can walk in without referral and eat a meal on site. Food pantries, on the other hand, usually require referral and provide a short-term supply of canned and non-perishable items that are taken home. Most serve families. Seventy-one percent of the meals provided in New York City are provided by food pantries.

The fact that the largest amount of emergency food is distributed through pantries gives the lie to the prevailing myth that emergency food is mostly for the homeless.

In each of the four boroughs outside of Manhattan, over three-quarters of the emergency meals served are food pantry meals. Over two-thirds are to families with children.

Business Briefs

Resources

Multinationals dictate looting terms to Brazil

Leading multinational companies operating in Brazil, headed by Shell, Xerox, and the Bronfman family's Brascan, held a press conference the first week of July to announce a \$2 million lobbying effort inside Brazil to overturn two articles of the newly drafted Constitution, just approved by the country's Constituent Assembly.

The first article merely defines a Brazilian company as any company majority-owned by Brazilians, but it poses a potentially devastating problem to those foreign enterprises which have added a Brazilian stockholder to their portfolios, in order to masquerade as Brazilian companies. The second article calls for nationalization of all exploration and exploitation of Brazil's vast mineral resources.

The Debt Bomb

Non-Aligned ask revival of North-South talks

A ministerial committee for economic cooperation of the Non-Aligned Movement meeting in Harare, Zimbabwe the first week in July, issued a communiqué calling for an urgent revival of the North-South dialogue. "The current economic and social crisis is one which no single nation or group of nations can solve in isolation," states the draft communiqué, prepared by Indian diplomat and foreign ministry official Munchkund Dube.

The communiqué states that the slow growth in world trade and output will cause increasing problems for the developed nations and is already devastating for much of the developing sector. Continued stagnation would make it impossible even to begin dealing with the long-term dimensions of the debt problem. "A world economic structure based on self-perpetuating inequalities could last forever and must be dismantled through cooperative action," the communiqué states.

The document will be forwarded to the

Sept. 5 ministerial meeting of the Non-Aligned Movement in Cyprus, which will decide on the agenda for the next Non-Aligned summit.

High Finance

Insider trading scandal hits Tokyo politicians

The current insider trading scandal rocking Japan has implicated top political figures of the ruling Liberal Democratic Party, including aides to Prime Minister Noburu Takeshita, Finance Minister Miyazawa, LDP General Secretary Shintaro Abe, and former prime minister Yasuhiro Nakasone. Financial sources in the City of London estimate that this is the most serious political scandal in Japan since the Lockheed Affair in the 1970s.

"It is a clear attempt by someone to target the LDP," said one informed source. "Everyone knows such insider deals are everyday affairs, so why is this leaked now?" If the affair is not successfully hushed up, he added, it could have a potentially serious impact on an increasingly nervous Japanese stock market.

The head of a real estate development company, Recruit Cosmos, is alleged to have given the implicated officials stock in his company at rock-bottom prices, allowing them to make large personal fortunes in the real estate boom of the past three years. Ko Morita, the head of Japan's leading business daily, *Nihon Keizai Shimbun*, has resigned over the affair.

Euthanasia

Conference in China promotes 'right to die'

The international malthusian lobby is at it again. At a conference on euthanasia held early in July in Shanghai, People's Republic of China, participants proclaimed the "right to die," and called for a public campaign on "death education," the *People's Daily* re-

ported on July 11. One hundred doctors, lawyers, and scientists took part.

The Chinese media is publicizing opinion polls which allegedly show popular support for mercy killing, or what the Chinese call "peaceful and happy death." A sample of radio listeners' letters earlier this year showed that 90% agreed with voluntary euthanasia for the incurably ill, and a survey of Shanghai doctors showed that many already practice euthanasia.

A Reuter's dispatch from Beijing on July 12 remarked that "the Chinese media earlier this year expressed surprise at the apparent public support for euthanasia, saying it went against traditional moral concepts."

Meanwhile, the over 1 million children born in violation of China's one-child-per-family rules, suffer discrimination which deprives them of food rations, schools, and jobs, the *People's Daily* reported on June 30. It noted that parents of an illegal second or third baby often hide the birth from the authorities, thus condemning their child to grow up without official documents.

Technology

Brazil asks Chinese help for advanced projects

Brazilian President José Sarney, speaking at the Great Hall of the People in Beijing on July 4, urged China to help break the wealthy countries' monopoly on advanced technology, by joining with other developing nations in research projects.

One of the highlights of his five-day visit was the signing of a bilateral satellite agreement. China and Brazil will launch two research satellites in 1992 and 1994 at a cost of \$150 million, using a Chinese rocket. Chinese and Brazilian officials also discussed cooperation in hydroelectricity and petrochemicals.

Brazilian Foreign Ministry spokesman Ruy Nogueira said that an agreement would be signed to share data on combating tropical diseases such as malaria and yellow fever.

Other agreements involved aeronautics and the peaceful use of nuclear energy. "After we launch the two satellites into space, it

will be easier to talk about nuclear cooperation," said Brazilian Foreign Minister Abreu Sodre.

Brazil and China currently have a nuclear cooperation agreement, signed in 1984, but it has meant little in practice. A meeting has been scheduled to take place in Beijing in September, to revive the agreement.

On the aeronautics side, Brazilian Aeronautics Minister Octavio Moreira Lima met with Chinese Air Force Commander Wang Hai, and spoke of "the possibility of associating ourselves with Chinese industry to produce first-line airplanes."

Sarney was accompanied by several top military officers.

Development

U.S. killed Japan's Third World aid plan

The Reagan-Bush administration killed Japan's request to increase Japanese contributions to the Third World through the World Bank, IADB, and Asian Development Bank, according to a senior source close to the World Bank.

The U.S. administration deliberately blocked recent Japanese offers to pour billions into the key multinational lending agencies. "Right now, the Japanese want very, very badly to get into the Latin American markets," the source said. "They know they need to develop new export markets. Latin America for them is an obvious such market, but they still lack the adequate infrastructure for lending, so they for the present have proposed to funnel billions from their trade surpluses into the region, as well as into Asian economies via the multinational agencies such as World Bank, Asian Development Bank or Inter-American Development Bank.

"The U.S. administration vetoed the increased funds in all cases. Why? They would then have to match the money or lose U.S. voting control of the banks. The Japanese understand the enormous real economic costs of destroying export markets, as the U.S. has done since the early 1980s. But Japan is developing alternate structures to funnel the funds."

Drought

Egypt's crisis worsens as Nile waters fall

Egypt is facing one of the most difficult periods in its history, President Hosni Mubarak said, concerning the effects of the current drought. After eight years of drought in the Ethiopian highlands, the source of springs which feed the Nile River, the level of the Nile is very low. Since the river is the only source of water and energy in the country, the situation is moving toward a catastrophe.

If there are no heavy rains soon, hydroelectric turbines will have to be switched off at the end of August. They have been working at only half capacity for several months.

Eighty percent of the water that flows through the Nile is needed for agriculture. Agricultural production has already been cut by 20%, to save water, and will break down if the crisis continues to worsen.

International Trade

China, Japan look to markets in Europe

Both the People's Republic of China and Japan are trying to consolidate and expand their trading and manufacturing and investment programs in Europe, in anticipation of the European Community markets becoming a single trading area by 1992, reported the *Hindustan Times* correspondent from London on June 27.

A Chinese state-owned company is buying into off-shore oil service businesses and another company has launched a joint venture with a British property development group in the fast-developing London dockland area. The total Chinese investment through these companies is estimated to be around \$75 million.

A decade ago, China's two-way trade with the EC hovered around \$2.5 billion, which, grew to over \$8 billion after 1985. By the turn of the century, it is expected to be \$10 billion plus. After Japan, the European Community will be Beijing's second-largest trading partner.

Briefly

● **DROUGHT LOSSES** will cut Canada's wheat exports by at least half. Brian Stacy of the Canadian Wheat Board, the government export agency, predicts that exports this year will drop from last year's 30 million tons to 14 million tons, because of the drought. This will be the lowest level of grain exports in 20 years. In Thunder Bay, the main grain export port, 20 ships are waiting with no grain to load, and 450 dockworkers have been laid off.

● **THE COORDINATING** Committee for Multilateral Export Controls for NATO nations announced on July 8 in Paris that it will be easing controls on high-technology exports—including computers—to China. The committee monitors exports to communist nations.

● **IN BOLIVIA**, a study conducted by the Social and Economics Studies Institute (IESE) of Cochabamba University reports that more than 703,000 Bolivians are directly or indirectly linked to the production of cocaine, out of a total population of 7 million. Of those, 415,500 are linked to production, purchase, and transport of coca to the refining centers.

● **SECRET CENTRAL BANK** selling is behind the recent weakness in gold, London gold trading sources report. The sales are being made through dealers in Hong Kong or Singapore, so that they are impossible to trace. Gold is now trading at about \$440/oz., down from a high of \$500 earlier this year.

● **THE DOLLAR** rose sharply July 15, on the expectation that the U.S. Federal Reserve will be forced to increase interest rates in the United States. One day earlier, the prime rate rose to 9½% from 9%, the highest rate in over two years. *EIR* had predicted the rise in interest rates in its June 3, 1988 edition, pointing to the demands of America's OECD creditors that U.S. internal consumption be sharply cut or they will refuse to continue financing U.S. deficits.

Drought in U.S. means worldwide food catastrophe

by Marcia Merry

As of mid-July, the extent of damage to the North American farmbelt from the "Drought of '88" was clear: U.S. crop and livestock losses are on a scale that threatens global disaster.

In a "normal" growing season, the United States accounts for half the world's output of corn and almost three-quarters of the world's soybeans—both critical livestock feeds. Because of the early onset of drought in the U.S. cornbelt, world corn production will be down by at least 25%. "Miracle" rains may yet save some of the soybean crop—on a different schedule from corn—but world soybean output could also fall by at least 30%.

The corn harvest in Iowa, accounting for 20% of the U.S. crop, will be down more than 50%. The corn loss in the number-two corn-producing state of Illinois will be at least 50%. The corn loss in number-three Indiana will be off at least 40%.

Because of the searing heat, lack of water, loss of pastures, and cost of feed, hundreds of thousands of beef, milk, and pork animals are prematurely on their way to market. Prices are plummeting because of the temporary glut. This represents the liquidation of a large part of U.S. breeding stock—beef cattle, high-producing dairy cows, and young sows. This also represents big losses for thousands of farmers.

U.S. crop acreage and livestock inventories were already low before the drought set in, because of the combined impact of federal food reduction policies (land set-aside, the Dairy Herd Termination Program, etc.), and the disintegration of the independent family farm and agriculture supply sector during the recent years of the "Reagan Recovery." Over 90 million acres, more than one-fifth of all potential crop and pasture land, were idled this year. National cattle inventories at the start of the year were down to 99 million head, from 130 million head just a few years ago.

Despite a few alarming weather reports and scare stories, however, government and media commentaries continue to downplay the significance of the drought and the associated losses. July 7 *Washington Post* headlines spoke of the "Winter



Robert Baker

A vacant feed grain business in Iowa. The drought emergency never had to happen; it was caused by the looting policies of the cartels, the banks, and the "free enterprise" budget cutters. Yet, the measures are at hand to reverse the crisis, even now.

Wheat Harvest Bounty"; television has stressed how some farmers will "reap higher prices." The function of the warped coverage is to confuse and distract the public and policymakers alike.

Buffer stocks?

It is a lie that there are world "buffer stocks" to compensate for the drought. Both the U.S. Department of Agriculture and the U.N. Food and Agriculture Organization statistics—unreliable as they are—show that the world food cupboard is bare, even by the most minimal reserve standards. According to the July 11 FAO "World Food Outlook," annual world grain carryover has sunk to an official 17%, when carryover of 25% of annual harvest is considered the bare minimum for food security.

The Agriculture Department released a special drought report on July 12, which minimized the danger to food supplies from the drought, while listing preliminary crop shortfall estimates. The conclusion:

"Based on what we know about existing levels of stocks, supplies are adequate and will be more than enough to meet the needs of domestic users and our foreign customers. Meat supplies this year will actually be larger because of the drought. The immediate problem is not one of shortages, but rather one of responding in a compassionate way to the losses faced by American farmers."

On the same day that the Agriculture Department released its revised forecast, Congress began debate on a package of "compassionate emergency legislation."

The truth is, the incidence of food shortfall is seen grimly across the entire continent of Africa, across more and more of Ibero-America and Asia, and in the growing number of hungry and ill-fed throughout the formerly "developed" world. Almost daily, there are emergency requests for food shipments through the FAO Global Early Warning System on

Food and Agriculture in Rome. In June, for example, Vietnam called for food relief of 165,000 tons to feed 7 million people in its northern provinces.

What will turn the U.S. drought disaster into a world catastrophe is the continuation of the lies and policy of scarcity that have prevailed to this point. The major food cartel companies (Cargill, Bunge, Continental, Garnac/André, Louis Dreyfus, Archer Daniels Midland, Nestlé, Unilever, etc.) have dictated policies to Washington and European Community headquarters in Brussels. These cartel companies are moving to hoard grain and other staples, that they might dictate price and destination. The cartels are brokering hundreds of thousands of tons of grain to Moscow and the East bloc, to serve the objectives of "New Yalta" deal-making.

A military/logistics-style approach to the food crisis is the only effective course. All staples exports from the United States must be stopped, pending a national grain audit, and determination of priority allocations. War Mobilization Board-style action is required to expedite measures to preserve breeding stock, and maximize crop production.

The very persistence and intensification of drought cycles in recent years are in some part attributable to the extensive decline in agriculture and general physical economic practices over this time period: the failure to switch over to nuclear and hydro power, the poverty-based denudation of groundcover for heating and cooking, the substitution of "wilderness" vegetation for high-density, high-evapotranspiration cropping, and the elimination of advanced animal husbandry because of the impoverishment of farmers. These are some of the factors that have degraded the global ecosystem, and marginally contributed to the huge energy shifts involved in the recurrent adverse weather patterns. If, faced with famine, we finally rise to the challenge of restoring plenty to the globe, then we may truly be able to "change the weather."

World food stocks below danger levels

by Robert L. Baker and Marcia Merry

On April 28 of this year, before the headlines appeared on the drought now devastating the North American and other of the world's breadbasket regions, the United Nations Food and Agriculture Organization in Rome released a report, *A Global Early Warning System on Food and Agriculture*, which stated, "A substantial decline in 1987/88 carryover cereal stocks is now certain." Understatement is typical for the FAO, but this may be the understatement of the ages.

The FAO was warning merely that world grain stocks would fall to a level of 382 million tons by this summer, below an FAO-recommended safety level of 25% of annual grain output. Last year's total world grain output is estimated at 1.596 billion metric tons. In reality, world stock levels are far below 382 million tons, down to less than 21% of annual grain output, and will plunge even farther relative to need because of the devastation of harvests now guaranteed by the "Drought of '88."

The quantity of food—grain staples—held over each year as a reserve, is best thought of as a percentage of annual

grain output (minus requirements for seed). At minimum, the FAO recommends that 25% of a nation's output be held in reserve—an amount which dozens of the world's poorest nations have never achieved, and many more have harvests over 25% less than annual food requirements. Logistics and military experts concur that the desirable food-stocks reserve level is in the range of one to two years' supply of cereals staples, to prevent deprivation in case of disaster or war.

In recent years, policies resulting in food scarcity have been deliberately promoted by food cartel company circles through government decisions in the United States and European Community, on a scale that has drawn down world stocks—relative to need—to unprecedented marginalization and shortage. Large exports to the Soviet Union and cutbacks in crop acreage in the West are responsible for this depletion of Western food reserves. Because, at the same time, food output potential has also been declining, i.e., fewer independent farms, fewer breeding stock, fewer farm and food machines manufactured, and so forth, this process of drawdown has led to the situation in which the current drought promises not merely a hardship, but catastrophe.

First, consider just the facts and figures of the situation in the United States. The United States, even under current conditions of economic decay under the great "Reagan Recovery," is still the largest grain producer in the world. If there are shortages in stocks in the United States, there are automatically worldwide shortages.

In **Table 1**, in the last rows shown for corn and for wheat, the *EIR* projection for ending stocks is given, calculated under the presumption that the current high rate of exports to the Soviet Union will be maintained, and that the drought will persist. By contrast, the latest projections made by the U.S. Department of Agriculture are given as of May for

TABLE 1
Drought and exports draw down U.S. wheat and corn to disaster levels
(millions of bushels)

Crop year	Mn. of acres harvested	Yield in Bu/acre	Beginning stocks	Production	Imports	Exports	Domestic Use	Ending stocks
Corn								
Last drought year: 1983	51.5	81	3,523	4,175	3	1,902	4,793	1,006
USDA, 1988 proj.	60.8	120	4,112	7,300	2	1,750	6,275	3,389
EIR, 1988 proj.	56.1	60	4,112	3,366	2	1,750	6,275	545
Wheat								
USDA, 1988 proj.	55.8	39	1,231	2,170	15	1,500	1,120	796
EIR, 1988 proj.	55.8	27	1,231	1,506	15	1,500	1,120	132

Source: U.S. Department of Agriculture.

TABLE 2
U.S. corn acreage idled, planted, and harvested for grain

(millions of acres)

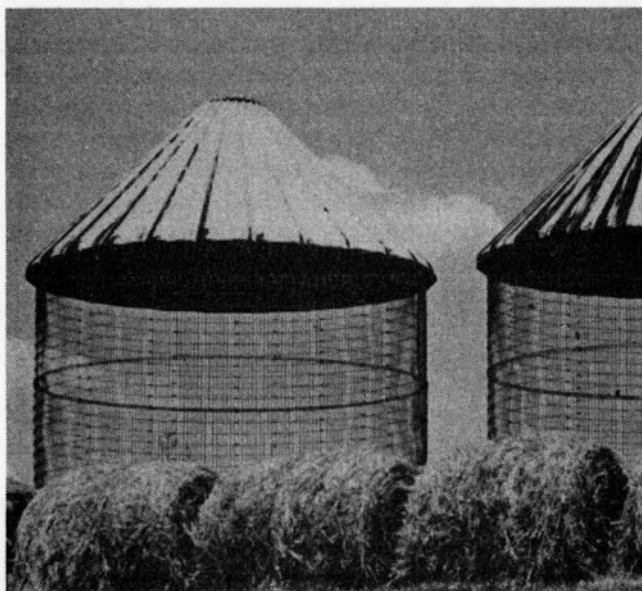
Year	Idled	Planted	Harvested for grain	Total corn base
1983	32.3	60.2	51.5	92.4
1984	4.0	80.5	71.9	84.5
1985	5.4	83.4	75.2	88.8
1986	13.6	76.7	69.2	90.3
1987	21.1	66.0	59.6	87.1
1988*	22.0	66.0	? Drought	88.0

*USDA estimate of planting intentions
 Source: U.S. Department of Agriculture.

wheat, and June for corn. These projections are a ludicrous overstatement.

In grudging recognition of how off-base their projections are, the USDA will release a special, updated prediction on July 12. Normally, the Agriculture Department does not update its harvest yield projections until August. However, as of early July, the administration was insisting on continuing its grain export promotion policy at the average annual level of exports shown in Table 1.

The reason for the vastly reduced stock levels predicted by *EIR* is the fall in yields that the drought ensures. A national average of 60 bushels per acre for corn—half of normal—and 27 bushels per acre for wheat (calculated by factoring in the drastic fall in spring wheat, 20% of all U.S. wheat, with



Iowa corn silos stand empty.

TABLE 3
U.S. stocks of wheat and corn set to disappear

(ending stocks in millions of bushels)

Crop year	Wheat	Corn
1979-80	902	2,034
1980-81	989	1,392
1981-82	1,159	2,537
1982-83	1,515	3,523
1983-84	1,399	1,006
1984-85	1,425	1,648
1985-86	1,905	4,040
1986-87	1,821	4,882
1987-88	1,231	4,112
1988 USDA projection	796	3,389
1988 EIR projections	132	545

Source: U.S. Department of Agriculture.

the relatively better-off national winter wheat harvest), give the reduced harvest levels shown. Should the drought worsen, even the *EIR* yield figures are an overstatement.

For comparison, the drought year of 1983 is shown for corn, a year in which the national corn harvest was cut in half, due to a combination of drought and reduced acreage planted. This was the year of introduction of the infamous "PIK" or payment-in-kind program. Farmers who agreed to cut their acreage of corn and other specified crops, were "paid" for doing so in the form of USDA scrip which could be redeemed from government Commodity Credit Corporation stocks for set amounts of the crop not grown, or sold to another party—commonly one of the grain cartel companies—to redeem at their convenience. Thus, corn acreage was reduced, and corn stocks were drawn down at the same time. In 1983, domestic use of corn exceeded production, and 1.9 billion bushels of corn were exported. Ending stocks after that season were vastly reduced—to 1 billion bushels.

This year, corn acreage is the lowest since 1983, thus repeating the conditions which, combined with drought, led to the plunge in corn and soybeans in 1983 (see Table 2).

Since 1983, the PIK operation has continued to the present day in the form of "generic certificates," which can be redeemed in any government-owned commodity.

All these factors together—reduced acreage planted, low yields because of the drought, continued exports, and PIK-drawdown of stocks—will combine to produce a crisis level of stocks for wheat, corn, and other commodities. Ending stocks after this harvest year will hit historic lows for modern times. Table 3 gives the last nine years of wheat and corn ending stocks, by contrast to the present disaster-in-the-making.

'Drought of 88' cuts crops, crop potential

by Robert L. Baker and George Elder

As of early July, 1,800 counties in 37 states had been officially designated by the U.S. federal government as drought areas. In contrast to the 1983 drought which set in during mid-summer, the current dry weather began in early spring in the worst hit areas, and otherwise struck by June.

All major crop types are severely affected. In the spring wheat belt of the northern tier of the United States and Canadian prairies, 60% of the grain crop (wheat and the other small grains) is lost—in some regions, it was never planted due to the extreme aridity. Thousands of acres of oats and barley are a dead loss; at best, some farmers have been able to seed the fields for sorghum or millet in hopes of some hay for livestock.

As of early to mid-July in Iowa—the center of the world's cornbelt—thousands of acres of corn were in the tassel and pollination stage, but the stalks had produced no ears. No kernels will form. In other places where the stress has been slightly less on the plants, some yield may be possible. Overall, if there is "miracle" rainfall no later than July 15, there could be a maximum of 50% of the corn crop saved. It is possible that in Iowa and much of Illinois, there will be no corn harvest at all. On July 8, Gov. Terry Branstad officially declared all 99 counties of Iowa a disaster area.

According to official state estimates, as of July 5, from Illinois—the second largest corn producer in the United States—half the crop is definitely lost, with more lost each day from heat and drought. Mike Williams, Assistant Director of Agriculture in Illinois, terms it the worst crop failure in the history of the state. The corn harvest could yield no more than 400 million bushels, only a third of last year's harvest. As of the first week of July, 70% of Ohio's 500 million bushel corn crop, the nation's sixth-largest, was under severe stress, with much of it slated to die if no rain comes.

The soybean harvest will also likely be cut in half nationwide. Soybeans in the Central States have been in a "holding pattern" in many areas, but prospects are grim because of the lack of rain in forecasts for high summer. The beans can bloom anytime between now and August, but the stress conditions may inhibit the blossoms, and diminish any beans that form.

The map of national "Drought Severity," taken from a special July 6 USDA/Commerce Department "Crop Bulletin," shows the vast extent of the drought. The drought will

likely continue and grow in intensity as the "normal" dry season of the year comes in the dog days of late July and August.

Hot dry wind passing over drier and drier ground will pick up less and less moisture. Healthy plants transpire moisture which becomes rain. Dry land does not.

The weather pattern in Montana and other northern states came six weeks early. Therefore, the normally dry weather during July and August will prove to be even worse than usual, unless unforeseen rainfall occurs. Currently, the ground is so dry that what little rain comes, evaporates almost as fast as it falls. Farmers believe that even irrigated crops will suffer a 25% reduction in production, because it is so hot and dry that water can't be pumped onto the crops fast enough.

In much of the drought area, 20-40 MPH winds with temperatures over 100 degrees are blowing, sometimes for days. These winds cause plants to transpire excessive moisture. The drought is so severe that a little rain is almost worse than no rain at all, unless there are frequent showers at least weekly. The reason is simple: The root system of the plant seeks out moisture. Therefore, a shower draws the roots of the plant back to the surface and sets the plant up to die that much more quickly when the rains stop and the weather turns hot again.

Some people may ask, "Why are there not clouds of dust blotting out the sky by now, like the "Black Clouds" of the Great Dust Bowl of 1934?" The reason is a difference in the technology in use: Farmers today have chisel plows, and powerful tractors to pull them. The chisel plows have long shanks that go deep into the ground. Farmers have used chisel plows as a last-ditch emergency tool to turn up moist clods of dirt to slow down the wind and catch blowing dirt; otherwise, many areas of the nation would have seen clouds of

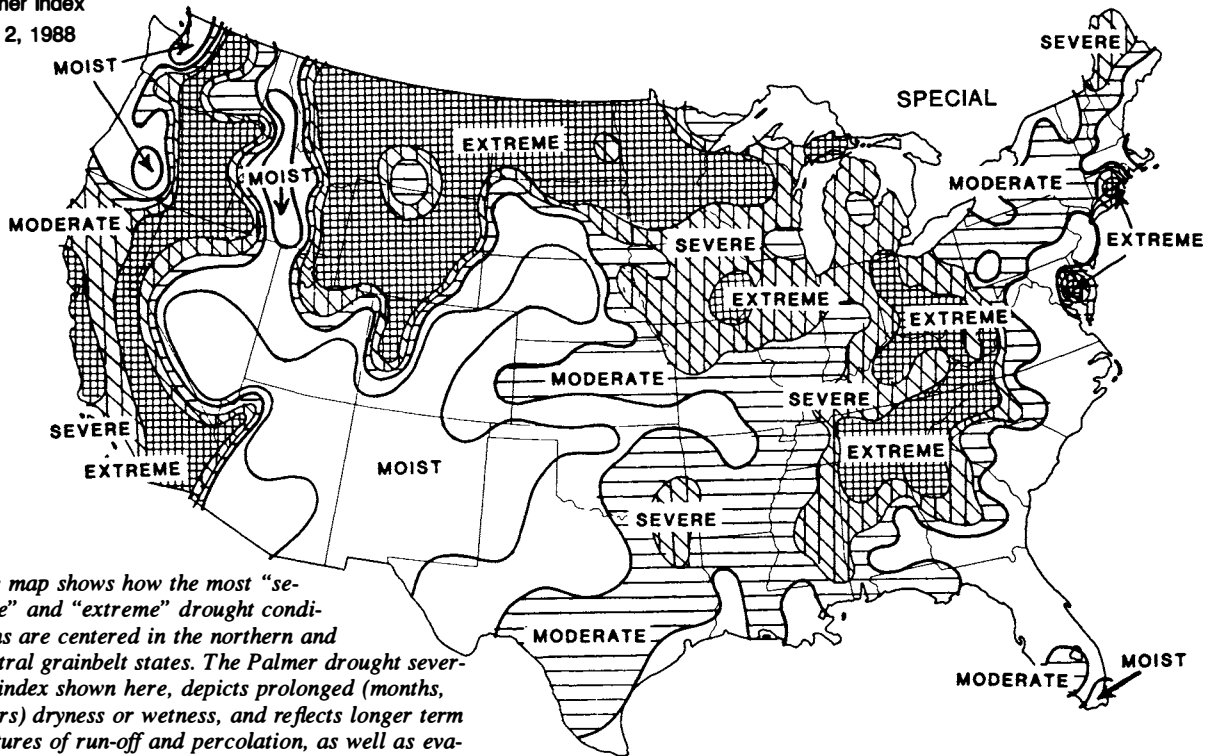


This year's stunted Iowa corn crop: far from "as high as elephant's eye."

Robert Baker

Drought Severity

Palmer Index
July 2, 1988



The map shows how the most "severe" and "extreme" drought conditions are centered in the northern and central grainbelt states. The Palmer drought severity index shown here, depicts prolonged (months, years) dryness or wetness, and reflects longer term features of run-off and percolation, as well as evapotranspiration.

Source: USDA, Dept. of Commerce

dust a mile high when there was a high wind.

Unfortunately, moist dirt that has been dug up dries out in the sun. Obviously, this is not a long-term answer. If the winds pick up again, expect the sky to turn the color of dirt, and think about how much less you will have to eat because the wind blew away the dirt to grow it in.

Forage situation critical

The forage situation is the major concern for the beef herds right now. The drought has so thoroughly destroyed vast areas, that the only place to obtain hay is from outside the drought zone. The large numbers of cattle being moved to market because they can't be fed have become a flood.

Feedlot capacities cannot handle these numbers. The overflow will be butchered and yield very poor quality beef. Both the number of cattle sold and the poor quality of cattle coming off the range will drive prices down for the farmer, to the point that we may very well see farmers shooting and burying cattle, as they did during the last Great Depression.

The USDA has stopped publishing a monthly report on the number of new cattle placed on feed. That's typical for the USDA; it covers up what is happening.

When the glut is over, there will be far fewer cattle. Prices will soar. Poor people won't eat meat, only the well-to-do will. Only the rich will eat steak.

But for now, it's glut and low prices. Cattle auctions that normally end in the afternoon are running to midnight and 5 o'clock in the morning from Indiana to Montana. Dairy calves that sold for \$200-250 last spring in the East are bringing \$8 in South Dakota.

Grain prices, increasing from speculation, are putting hog farmers out of business, because they can't afford to feed their pigs high-priced grain. Therefore, the price of feeder pigs has started to fall. In Iowa, the leading hog state, feeder pigs (40 to 45 pounds each) today are bringing only \$20-25 a head, fully \$30-40 less per head than only eight weeks ago. Sows are also starting to move to market due to the price of feeder pigs, the high cost of feed, and the searing heat. The impact of the increased beef supply from the drought will add to the price problem as well.

Next year

For the longer term, we must face the likelihood that 1989 will also yield a poor harvest due to the lack of decent subsoil moisture. In addition, where the ground is very loose, heavy rains, when they do come, will cause major damage from water erosion. This will only make a bad problem worse.

If we use the 1930s Dust Bowl as a marker, we must expect the situation to get worse, until we can force the government to act.

Western grain bins emptied into Russia

by Robert L. Baker and Marcia Merry

On July 7 and 8, U.S. and Soviet officials met in Vienna to confer on renewing the current five-year Long Term Grain Agreement (LTA) on U.S. grain exports to the Soviet Union, which expires Sept. 30. Under the agreement, concluded in summer 1983 by then-Undersecretary of Agriculture Daniel Amstutz (a top grain cartel operative from Cargill, Inc.), the Soviets were to buy 9 million tons a year of grain—wheat and corn, with an understanding for soybeans. The ostensible mutual benefit of the pact was to secure grain supplies for the Soviets and give the United States a guaranteed market.

In fact, in three out of the five years the agreement has been in effect, the Soviets ignored their part of the deal, refusing to buy the minimum amount of grain specified—another case of a treaty not being worth the paper it's printed on.

However, in the last two years, the Soviet Union began a

“glasnost” buying spree, in which, as of May this year—only half-way through the fifth trade year of the LTA (November-October)—the U.S.S.R. had already contracted for 9 million tons of wheat alone, in addition to corn and soy products. Then, in late June, word came from London that the Soviets had concluded a rush order for another 1 million tons of corn—to be delivered in August.

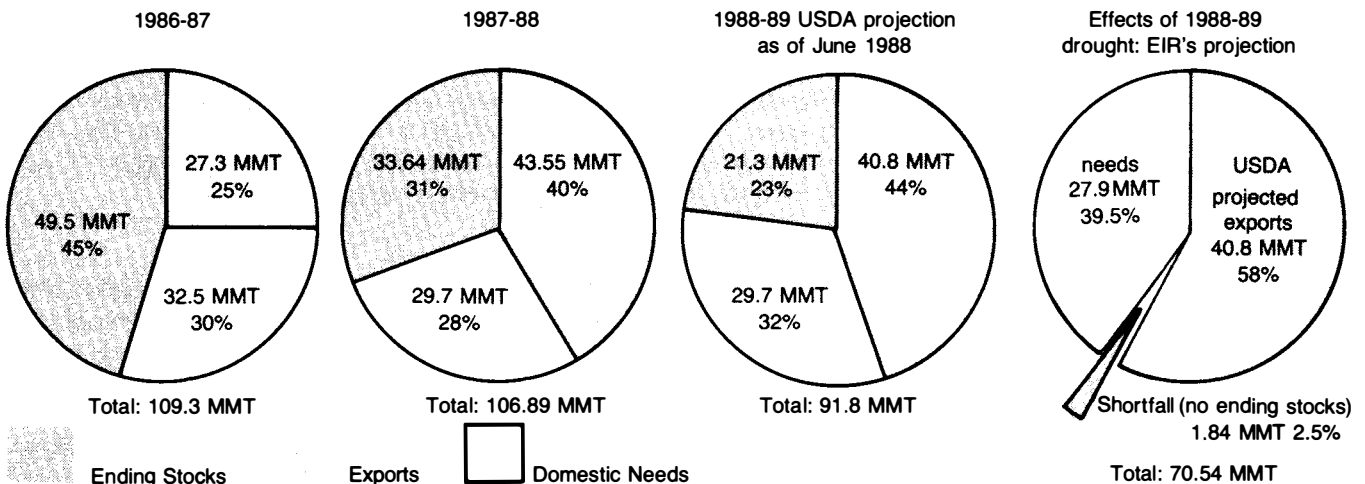
In view of the extent of the drought in the West, what the Vienna talks amount to is the fox meeting with the farmer to order more chickens.

The accompanying charts show the simple facts of the matter in terms of wheat: There have been rising grain sales to the Soviets in the face of calculable, impending shortfalls of U.S. stocks. Now add the impact of the current drought, and you have disaster.

In **Figure 1**, the annual disposition of U.S. wheat is shown for three years—the last year shown (the present) is presented twice, one based on U.S. Department of Agriculture projections, and one based on *EIR* projections. Follow through the three categories of grain, and the danger appears obvious. First, the level of domestic utilization of wheat stays relatively the same, with some drop shown between 1986-87 and 1987-88 due to less use for livestock feed, and other temporary factors.

Second, over the time period shown, the levels of exports of wheat increase, to the point that, if they proceed in the current year the way the USDA projects (40.8 million metric tons), then there will be total depletion of U.S. stocks and shortfalls for domestic use. This latter prospect is based on the possibility of a 40% reduction in wheat yields in the harvest just being completed, because of the devastation

FIGURE 1
Total U.S. wheat—usage and distribution
 MMT = million metric tons



wrought by the drought in the spring wheat belt in the northern tier states (Montana, the Dakotas, northern Minnesota), combined with reduced wheat acreage planted due to a 27.5% cropland set-aside requirement. Spring wheat is only about 20% of total annual U.S. wheat output, but at least 60% of this year's spring wheat crop is lost.

Figure 2 shows that in the last two trade years, the Soviets have more than doubled wheat purchases from the United States, without taking into account Soviet imports of U.S. corn and soy products.

Even European grain trade "experts"—the "vultures" of the export world—are astonished at how brazenly the U.S.S.R. is scooping up Western grain in view of the drought, and astonished at how obeisant are U.S. Agriculture and State Department officials in obliging the Soviets' food demands. According to a July 7 Reuter wire on the U.S.-U.S.S.R. food trade talks in Vienna, U.S. Agriculture Secretary Richard Lyng said that the drought will not affect grain sales to the Soviet Union since, with a "cushion of large U.S. corn and wheat stocks," one smaller crop should not change the U.S. bargaining position. U.S. Trade Representative Clayton Yeutter has taken the most extreme 'What, me worry?' stance. He remarked on the Vienna talks that, the United States will benefit from the Soviet Union's worries over access to grain supplies.

In addition to the million-ton corn purchase from the United States, the Soviets and other East bloc points of destination are lining up grain from various other Western sources. The National Farmers' Organization of Denmark reported July 6 that 150,000 tons of feedgrains from the Danish portion of the European Community's official reserves were brokered by the multinational grain companies for sale to the East bloc. Reportedly, the Soviets also bought 1.2 million tons of Argentine soymeal in the last two months alone.

Central to the Soviet acquisition of U.S. grain has been the function of the unprecedented Export Enhancement Program (EEP). Established in 1985, this plan has literally given millions of tons of U.S. government-held grain (stocks of the Commodity Credit Corp., CCC) to the cartel export companies (Cargill, Bunge, Garnac/André, Continental, Louis Dreyfus, Archer Daniels Midland) in order to guarantee them profits while they sell grain at sweetheart prices to Moscow or other purchasers-of-preference. The excuse for the gullible, that the EEP program will help the American farmer by increasing exports, is simply a cover-up.

To date, 41.5 million metric tons of wheat (1.52 billion bushels) has passed through this program. The biggest beneficiaries have been the Soviet Union and China. Fully 45% (18.7 million metric tons) of the total wheat tonnage marketed through the program has gone to these two nations (12.8 million tons to the U.S.S.R., and 5.9 million tons to China). Subsidies ranging from \$35 to \$46 a ton, or \$822 million, have benefited the U.S.S.R. and China. Fully \$2.1 billion worth of grain has been channeled to the grain cartel companies to meet sales that suit their strategic objectives.

FIGURE 2

Origin of Soviet wheat imports

Trade year: November to October

MMT = million metric tons

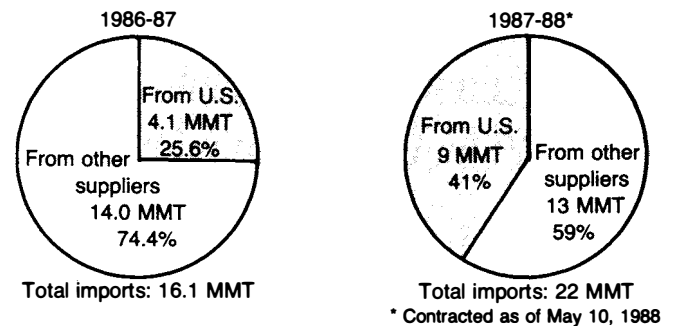


FIGURE 3

U.S. wheat exports to U.S.S.R.

million metric tons

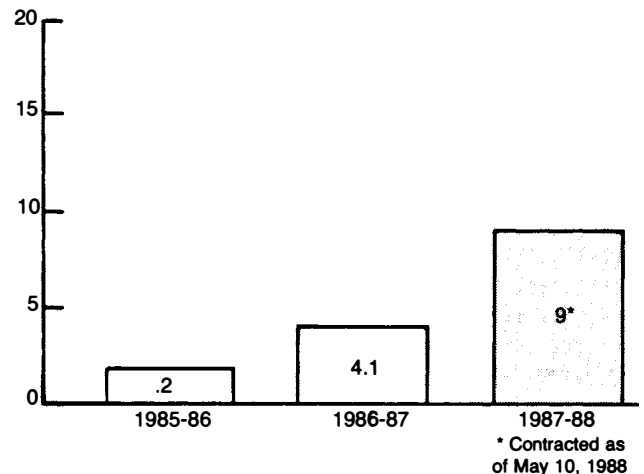
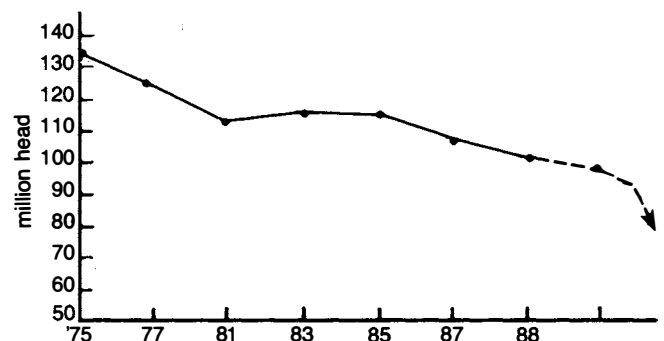


FIGURE 4

Decline of U.S. cattle

All cattle and calves, 1975-88



It's time to revive NAWAPA water plan

by Nicholas F. Benton

Lawmakers from states at the low end of the Mississippi River are now fixated on getting extra water from the Great Lakes to relieve the drought-inflicted record low levels on their waterway. This has caught up official Washington in a completely fruitless debate.

Even if the Supreme Court were to lift its decree limiting the amount of water flowing out of Lake Michigan through the Chicago and Illinois Rivers into the Mississippi—the present ceiling is 3,200 cubic feet per second (CFS)—the capacity of the connecting canal is only 10,000 CFS, meaning that the maximum in additional water would be only 6,800 CFS.

While experts estimate that this would lower the level of Lake Michigan three-quarters of an inch, it would raise the level of the Mississippi by only one foot at St. Louis, Missouri—just below the outlet of the Illinois River—and less than five inches downriver at Vicksburg, Mississippi.

The move would unleash a hornet's nest in relations between the United States and Canada. While U.S.-Canada treaties do not give Canada any say over lake water diversion, the political impact would be large nonetheless. And the fact is, any proposal anywhere that suggests diverting water from one region that uses it to another region that needs it is doomed to fail. Given the unreliable behavior of the Great Lakes, which were themselves at record low levels barely a decade ago, there is good reason for inhabitants there, on both sides of the border, to resist the idea that their water should go somewhere else.

Remember NAWAPA?

If anything, the publicity over the unlikely prospect of diverting Great Lakes water into the Mississippi is only one more illustration that the continent's water needs have been neglected for the last 20 years. In fact, a genuinely sound proposal to divert unused surplus water from the northern-flowing rivers of northwest Canada and Alaska was abandoned by Congress.

The "water from Alaska and Canada" proposal, labeled the North American Water and Power Alliance (NAWAPA) by visionary engineers at the Ralph Parsons Company in

California, who prepared an in-depth feasibility study of the concept in the early 1960s, demonstrates how 180 million acre feet of surplus water—neither being used now or in the foreseeable future by anyone—could be diverted to provide for the water needs of most of the continent.

An enormous amount of the fresh water that hits the land mass of the Earth in the form of rainfall and snow lands in the northwestern corner of the continent, and flows untouched in giant rivers northward into the Arctic Ocean and westward into the northern Pacific. By tapping a mere 15% of this water, and diverting it southward by gravity flow from high elevations in the Canadian Rockies, virtually every serious water shortage on the continent would be alleviated, and almost limitless potentials for new development created.

According to the NAWAPA plan, almost 500 million acre feet of water would be stored in a giant reservoir in the so-called "Rocky Mountain trench," 500 miles long and 50 miles wide, along the British Columbia-Alberta border. From there, water would be delivered in a number of directions.

First, it would go eastward across the Canadian plains into the Great Lakes, providing irrigation throughout its route, as well as a navigable canal ultimately connecting the Great Lakes to the Pacific Ocean. This water flow would provide the ability to regulate the level of the Great Lakes and St. Lawrence Seaway for the first time.

Second, it would go southward over the Sawtooth Mountain range in Idaho, across Utah and down to southern California, Arizona, New Mexico, and northern Mexico. This would relieve the pressure on the now-overtaxed Colorado River, annually providing 10 million new acre feet of water to California alone, and 22 million acre feet to Mexico.

Third, it would cut diagonally across Montana to the Dakotas and southward, to recharge the depleted Ogallala Aquifer on the High Plains, and flow abundantly into the Mississippi by way of the Missouri.

The ambitious plan exploits the only source of fresh water on the continent that is truly surplus, at least until inexpensive large-scale desalination or weather modification methods are perfected.

In the early 1960s, when the plan was first studied, it was estimated it would cost \$100 billion and take 20 years to build. However, many advances in construction technology have occurred since then, including development of double-curvature, thin-arched dams, high-strength concretes and robots for use in grading and leveling, and smoothing over and troweling trapezoidal water-bearing canals. These, combined with a "crash program" approach, could be utilized to complete the project in less than a decade.

As far as cost is concerned, it was established in the original study that NAWAPA could pay for itself in 20 years through sale of water and abundant surplus hydroelectric power. A joint U.S.-Canadian-Mexican government-backed corporation, funded through long-term bonds, could pay for the entire project without costing taxpayers a dime.

Emergency measures for drought, food crisis

The following points summarize a resolution calling for emergency measures to lessen the damage from the current drought, and to restore the agriculture sector of the nation to a condition of expanding food output. This resolution was put in circulation in mid-June 1988, by the National Democratic Policy Committee, and variations of the program have been ratified in different forms by civic, political, and farm groups across the country.

In June, the state convention of the Nebraska Democratic Party mandated sending a similar resolution to the state congressional delegation, after the statement was passed by the convention resolutions committee. In Pennsylvania, George Elder, Democratic Party congressional candidate in the Erie area, has called for emergency measures of this type. Without specifying every measure, the resolution implies the use of all-out war-logistics-type approaches to marshal and allocate food—for example, food irradiation, military-assisted food storage and shipping, and so forth.

WHEREAS drought conditions threaten to drastically reduce crop and livestock output in 1988-89. . . ;

WHEREAS world food reserves are at inadequate, low levels. . . ;

WHEREAS the food output potential of the U.S. farm-belt has drastically declined in the last 10 years of high interest rates, low farm prices and food cartel company maneuvers, so that thousands of farmers have been dispossessed, remaining farms are in poor condition, and farm supply lines and services discontinued—farm machinery, transportation, etc.;

WHEREAS the USDA has systematically overstated the amount and condition of U.S. foodstocks;

WHEREAS a select group of food companies has moved to dominate food supplies in the U.S. and abroad, under the current conditions of declining food output;

WHEREAS multimillions more tons of food are required to upgrade nutrition levels for millions of people, especially in the face of the AIDS threat, and the spread of other diseases;

WHEREAS farmers need parity-related price levels, in

order to withstand and make reparations for the effects of the drought;

WHEREAS the designs and engineering exist for large-scale water projects such as NAWAPA which could permanently eliminate damage from occasional adverse weather;

THEREFORE, BE IT RESOLVED THAT:

1) This body petitions the federal government to order the immediate suspension of all grain exports until the amount of stocks available in the United States can be ascertained.

2) This body petitions to urge the establishment of an Independent Commission of Inquiry to conduct an immediate national audit of U.S. grain stocks, to specify both the amount of grain stocks available and the location and condition of the stocks.

3) This body further petitions the federal government to assure that grain exports recommence, if at all, only after the findings of such an Independent Commission are reviewed.

4) This body petitions the federal government to negotiate with the government of Canada to begin construction of NAWAPA, the North American Water and Power Alliance, which would divert McKenzie and Yukon River waters from their present northward course, downstream to the south, through the Rocky Mountain trench, with waterways all the way to northern Mexico. NAWAPA provides a plan to construct vast new irrigation and barge canal routes in the western United States, reverse the depletion of the Ogallala Aquifer, alleviate dependence on the Colorado River system, and to regulate and replenish the Great Lakes, St. Lawrence, and Missouri-Mississippi systems. Canada would receive the bulk of the created hydroelectric capacity, 56 million acre feet of water, and a massively upgraded canal system. . . .

5) This body petitions the federal government to put a stay on all farm foreclosures, pending new credit arrangements. . . .

6) This body petitions the federal government that all means of drought relief be set forth and implemented, to include the use of federal set-aside and Conservation Reserve Program acreage for emergency grazing and forage purposes; a program of guaranteed funding for re-seeding; using grants, low-interest and no-interest loans; staying of farm loan obligations and federal commodity program obligations, until the emergency period is officially declared over. Grants and transportation and access-assistance for livestock feed, well drilling, and other measures shall be determined as required.

7) This body further petitions that a program for expanding food output be set forth and implemented, to include measures of "commissioning" increased crop and livestock output determined by committees of collaborating farmers, following the 1940s example of the War Mobilization Board.

8) This body further petitions that all relevant local, state, and federal agencies move to establish parity-related farm pricing, and move to initiate anti-trust action against food cartel companies now dominating pricing and food-trade flows.

Locusts threaten Africa with famine

by Marjorie Mazel Hecht

Just as certainly as the United Nations Food and Agriculture Organization has predicted the movements of the desert locusts through northern and Sahelian Africa, one can predict that the FAO's current control measures will fail to stop the plague. Right now, as the map indicates, swarms have moved south from northern Africa to the Sahel, where further breeding is going on and new generations of locusts are expected to swarm out of the area in the next two months.

The FAO reports, based on analyses from past plagues, show almost exactly where the breeding takes place and where the prevailing winds will carry new swarms. If the weather remains favorable to the locusts—adequate rainfall and temperature for the millions of eggs to hatch—there is no doubt that a plague of enormous magnitude threatens to devastate the food crops and the grazing lands of the Sahel and West Africa this fall, and probably threaten the food supplies of the Mideast, Pakistan, and India.

More than 500 million human beings are threatened with famine by the "desert locust" spread, reported France's *Le Monde* on March 28. To judge the potential impact, consider that a 1 kilometer square swarm can contain as many as 50 million insects, weighing 1,000 tons, and capable of eating its own weight in fresh vegetation every day.

Despite its dire warnings of the plague and consequent famine, however, the FAO's anti-locust efforts are bound to fail, because that organization and other international organizations like the World Bank have already written off the population of Africa. These agencies have determined that Africa is "overpopulated," and that the so-called carrying capacity of the continent has reached its limits. There is no other way to explain why a full-scale war mobilization was not mounted last year and is not planned this year to *eradicate*, not just slow the locust plague. Today, the technology exists to do the job; what is missing is the political will.

A crash program to stop the plague

The technologies to stop the locust plague are mostly state-of-the-art measures, many known for the past 30 years.

One of the first steps is to resuscitate the regional locust control groups that were functioning throughout Africa until the last decade, giving them adequate funding and equipment to monitor and prevent locust breeding. This means training new personnel and supplying the necessary small planes, helicopters, ground transportation, and good radio communications. These previously successful organizations have

been starved out of existence by budget cutting.

Satellite remote sensing, supplied through the U.S. National Oceanographic and Atmospheric Administration's meteorological polar-orbiting satellite, already provides bi-weekly "greenness" maps that show where the environmental conditions—rainfall—are favorable for locust breeding, egg survival and hatching, and swarm formation.

Once these broad-scale maps are in hand, they can be supplemented by color infrared photography from aircraft, which can produce a resolution of 6 inches, compared to the 200-foot resolution of satellites. This enables very targeted spraying of young hoppers.

Pesticides can be sprayed in a fine, ultra low-volume mist, killing the young locusts on contact without harming man or animals, and with a kill rate of 95% or more. In the vast breeding areas of the Sahel, the longer-lasting pesticide dieldrin could be sprayed in this manner, ensuring that newly hatched hoppers would be killed whenever they hatched, over as long as a three-month period.

To carry out the spraying, a mix of vehicles is necessary, depending on the terrain. Large planes—DC-7s or C-130s that are specially outfitted for pesticide work—can spray a vast area quickly: 1,000 miles per sortie, flying at 200 miles per hour and cutting a swath 660 feet wide. At an altitude of 200 feet, the big planes go in 60-mile runs up and down the infested area. For smaller areas, small planes and helicopters can be used, and in some cases, hand-held sprayers are necessary on the ground. For mature swarms, aerial spraying methods can be used. More effective, however, will be the use of new electromagnetic measures that have been laboratory-tested, but not field-tested. This involves helicopters equipped with low-cost electromagnetic generators that emit specially tuned microwave pulses that can zap an entire swarm in just two to three minutes.

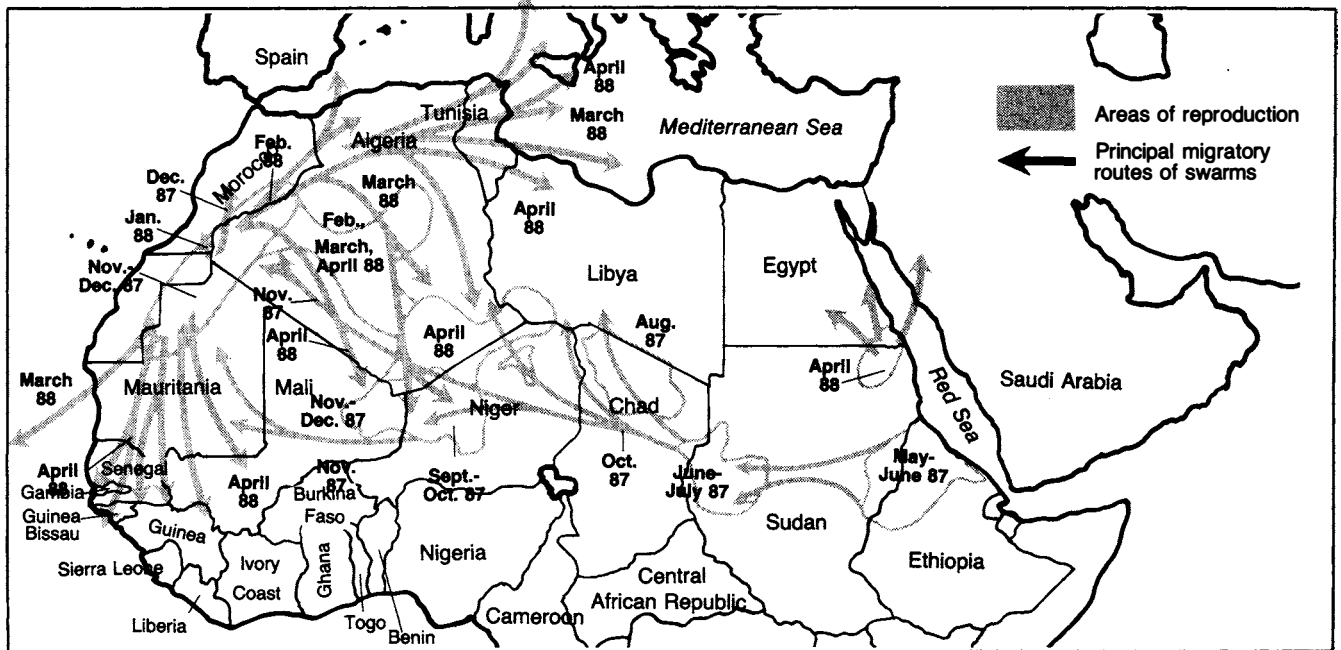
Finally, and most basic to a successful anti-locust campaign, is the question of development. The big infrastructure projects required to reduce the endemic locust-breeding areas in Africa have been discussed for years. For example, in the 1970s, there were proposals to control the flooding from the Niger River in Mali, thus eliminating the existing flood plains where the African migratory locust is able to breed for most of the year. Also, simply cultivating more land using higher-technology agriculture would contribute to the ability to control breeding.

Myth of 'protecting' the environment

To carry out a successful war mobilization against the locust, however, requires the decisive defeat of the Malthusians, who would be happy to have the continent of Africa as a wildlife preserve, devoid of people.

While the lives of 580 million people are at stake, the primary concern of the FAO as well as U.S. agencies involved is not to stop the locusts and save human lives, but to protect "the environment." For example, dieldrin, a very

The desert locust invasion, 1987-88



Uncontrolled swarms from the 1987 breeding areas in Ethiopia, Sudan, Chad, Niger, Mali, and Mauritania spread to northern Africa in early 1988. Despite control efforts in Morocco, Algeria, and Tunisia, significant numbers of locusts reproduced, damaged crops and vegetation, and swarmed out of the area, some heading north to southern Europe in March and April and others moving south to reinfest the Sahel. In addition, locust swarms from the Sudan spread into Egypt and across the Red Sea to Saudi Arabia. If there is no war mobilization to stop the plague now, and if the weather continues to favor the locust breeding, vast new swarms of locusts will be ready to wipe out the crops of the Sahel and West Africa in September-November 1988. And the devastation will continue, as swarms spread to East Africa, the Mideast, Pakistan, and India. This map is adapted from one produced by the French organization Prifas in April 1988, using data compiled by the United Nations Food and Agriculture Organization.

effective pesticide because it is long lasting, is not being used in Africa, because the United States banned its use here in 1974. In the current plague situation, even one or two sprayings of dieldrin on millions of acres at the level required—about one-tenth of an ounce per acre—would still not exceed the existing U.S. standards for dieldrin in drinking water.

The same type of environmentalist argument is given by the FAO officials at the Emergency Center for Locust Operations: Widescale spraying would damage the environment by killing off the natural predators of the locusts as well as other insects, they say. This is a crucial point, because it is for this reason that the FAO locust program refused to spray the vast grassland areas where the locusts were breeding in 1986 and 1987. Where did the 1988 desert locust swarms come from? They came from those areas (see map) where the FAO and other agencies involved refused to spray last year.

That such widescale spraying would damage the environment is a myth. In a plague situation, one does not worry about killing off the natural predators of the locusts; the minimal mortality they cause the locust is inconsequential. Within a year, these parasites and any other organisms killed

by the pesticide will repopulate anyway.

This year, the problem will be magnified 10-fold or more, as the current Sahelian breeding areas go unsprayed and new generations, 10 times the size of their parent generations, hatch, mature, and swarm out in search of vegetation.

In an interview July 8, the second-in-command at the FAO locust center, Jeremy Roffey, reiterated this no-spray policy. Roffey confirmed that there are breeding locusts, young hoppers, and even mature swarms now in Mali, Chad, Mauritania, and western Sudan. When asked whether the FAO planned to spray now on a wide scale, Roffey said, "No. The pesticides that are used are not just suitable for locusts; they also affect other organisms. . . . You don't spray broad-spectrum pesticides throughout the Sahel. You have to wait until the populations are grouped into reasonable-size targets. And, I should say that the cost of the pesticide in these applications is now running something up to \$20 a hectare, and we're talking about millions of hectares, so this becomes a very expensive operation. We have to be selective. I think we all agree that it's not going to be solved this year."

Economic warfare hits U.S. defense capability

Carol White analyzes the destruction of our military-industrial infrastructure by the budget-cutting fanatics.

In irregular warfare, one of the key flanks is the destruction of the enemy's logistical and industrial capabilities in depth. Such attacks can range from outright sabotage by special forces (such as the trial runs by assets of the Soviet KGB in West Germany—the Green terrorists—against the Wackersdorf nuclear reprocessing site and the electric power grid in general in May 1986), to subversion from within the government itself. Such is the present case in the United States, where a pro-Soviet faction is intent upon dismantling the defense capabilities of the Western Alliance.

The currently scaled-up attacks against the Pentagon and the defense industries, are a case in point. Occurring at a time when the economic position of defense is particularly shaky, they aim to immediately paralyze the procurement process, but they also threaten its continued viability. The weakness of the industry comes at a time of general economic contraction; however, the industry itself has been the target of systematic attack from within the same Reagan administration, which otherwise opted—at least in the President's first term in office—for a strong defense.

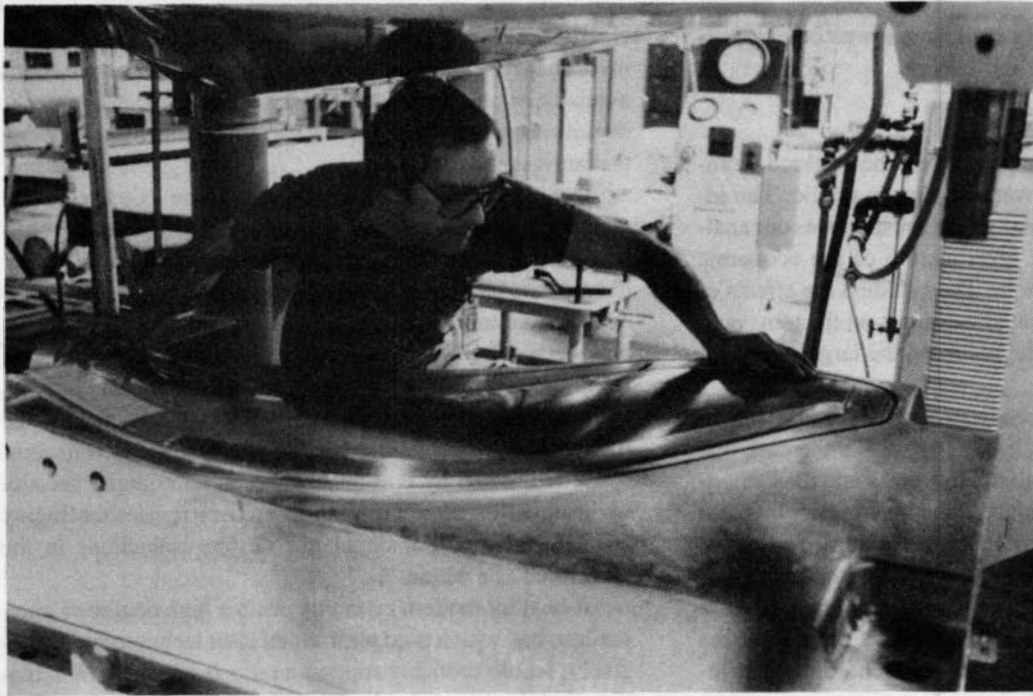
The present attack is by no means the first. The existence of allegedly fraudulent accounting practices by the major corporations, has been the occasion over the past several years for reorganizing procurement practices. That it was Pentagon accounting procedures themselves, which were responsible for how costs were assigned to different products, was considered beside the point. While the development costs associated with building a nuclear submarine might be defrayed in such a way as to increase the "price" paid for toilet seats, it was the submarine as a whole which was being

purchased, not a market basket of separate items.

In the current political climate, any excuse presented the opponents of a strong defense with an opportunity to whittle away at defense expenditures. Oversight provisions were increased to the point that a ludicrous situation now exists: For every five procurement agents of the 50,000 working in defense, there are two oversight officers supervising them and the contractors they deal with. Furthermore, a climate was created in which matters which would normally be litigated in civil proceedings were treated as criminal.

Corporate officers were deemed *criminally liable* for failure by any individuals whom they supervised, to interpret revised accounting procedures for any such offenses. General Dynamics was the test case. The frivolous prosecutions of the top management of the corporation for an alleged conspiracy to defraud the government by their accounting of overhead (despite the fact that no pecuniary benefit to the company accrued) was used to discipline the entire industry. The case was eventually dropped, but the point had been made—and in the process the career of James Beggs, by then head of the National Aeronautics and Space Administration (NASA), was destroyed.

The federal budget has been used as a more indirect, but equally effective device for directing policy. For example, the Strategic Defense Initiative (SDI) essentially has been reduced to a research program by Congress, which has used the budget crisis to mandate revectoring the program away from a multi-layered shield against ballistic missiles. Not only did the Congress finally vote a sharply reduced SDI budget—\$3.7 billion compared to the \$6.3 billion originally



United Technologies/Hamilton Standard

On the chopping block: America's aerospace and defense industry. Here, a technician from Hamilton Standard removes a propeller-fan blade from a resin injection system.

requested—but they have demanded that former Defense Secretary Caspar Weinberger's program to deploy a first stage of the system by the mid-'90s be scrapped.

In its place, a showcase deployment of 100 obsolete missiles is to occur around Washington, D.C. This system, named by its advocate, Sen. Sam Nunn (D-Ga.), the Accidental Launch Protection System (ALPS), will in all likelihood itself be scrapped. It is so fundamentally flawed, that it could not protect the nation's capital from even one missile launched from a submarine on a depressed trajectory. In a related action, money has been removed from the Directed Energy department's program to build a nuclear-pumped x-ray laser. This program would have incalculable benefits for the civilian economy, but its primary purpose was to destroy missiles in the boost phase, at the time they are both most vulnerable, and located over the enemy's own territory.

Thus, while in Moscow, President Reagan insisted to General Secretary Gorbachov that he would not sacrifice the SDI to an arms agreement, this vow has been reduced to mere rhetoric by the unchallenged abuse of the budget process by the Congress.

The budget as a political tool

As we reported in our last issue, this capability was put into place at the beginning of President Reagan's first term in office. The Office of Management and Budget spawned the President's Council on Integrity and Efficiency (PCIE) which was chaired by the deputy head of the OMB. Its purpose was only thinly disguised by its ostensible anti-corruption mandate. Former White House Chief of Staff Donald Regan describes how OMB interventions into government

were deliberately targeted for political purposes, rather than to further efficiency and better management in government.

In his book *For the Record*, (page 154), Regan writes about the then head of the OMB: "[David] Stockman was possessed of one simple idea. He believed that the federal budget should run the economy and thereby shape social policy. This was a philosophical position designed to be executed by bureaucratic means. His plan of action was correspondingly simple: By controlling the flow of money into the Cabinet Departments, the Director of the Office of Management and Budget would starve certain programs."

The President's Blue Ribbon Commission on Defense Management (Packard Commission) played a similar role, whatever the intentions of its authors. The measures which were implemented, ostensibly to improve auditing procedures in the Pentagon and control cost overruns, created a climate calculated to stifle the defense industry.

The recommendations of the Commission were submitted in final report form to the President in April 1986, but many of the reforms which they suggested were implemented well before then. These measures have already had a devastating effect upon the industry, particularly affecting smaller firms and subcontractors, which are being driven out of the market.

Recently a study of the impact of these and related measures, which had been commissioned by defense-related industries, has been released by the MAC group, which describes itself as a faculty-based international general management consulting firm. This report was widely circulated in the Congress, and stimulated a review of some of the pinpointed abuses; however, the latest round of alleged pro-

curement scandals may well derail such a welcome adjustment.

The MAC group report

EIR warned of the incompetence of the Packard Commission when its proposals were first made public. The information gathered by the MAC group substantiates our analysis. Unhappily, it paints a grim picture of the economic status of the industry as a whole. They studied the effects of procurement reforms and related measures on the most economically viable section of the industry, the largest contractors.

The authors of the MAC study are academics from places such as Harvard Business School. They make the case that from 1984 to the present, both the Congress and the Department of Defense have introduced changes in procurement regulations and management practice, ostensibly to eliminate the possibility that the government would improperly defray corporate expenses. In practice, the cumulative effect of these changes has been disastrous. Added to this have been the unhappy effects of the tax "reform," which eliminated investment credits for industry.

The group summarized their findings as follows:

"The return on investment on the programs analyzed would have been less than the return necessary to preserve shareholder value. Put simply, there would have been no financial reason to bid the programs.

"Profits will be substantially reduced—by an average 23% on the companies' defense business.

Companies will be forced to borrow heavily, but the additional financing required will, for some companies, likely exceed the amount that can be borrowed.

"The additional financing required to fill the gap caused by the changes—\$8.5 billion—is equivalent to 50% of the total 1985 equity of the companies in our study. For the industry as a whole amount will be many times larger.

"Almost half of the financing requirement is due to changes in the tax law that reduce tax deferrals using the completed contract method.

"New stock issues are an unlikely source of capital because defense industry stocks are depressed and the market is reluctant to invest in an industry with declining profitability and which is faced with decreasing defense budgets.

"The apparent increased use of fixed price-type development contracts and fixed price-type production commitments before development is a major risk factor contributing to capital market uncertainty concerning the industry."

Productivity and the viability of the economy

The latter two points in the MAC group's report completely refute the absurd claims that the defense industries are the beneficiaries of superprofits. As the authors of the report are at pains to point out, were this the case, then investment funds would be available to the industry; but

clearly the financial community does not believe that such investment is profitable, and therefore will not make funds available except at extremely high premiums. Defense stocks do not sell well on the open market either (and this was before the latest scandal).

Defense, and in particular the aerospace industry, is crucial to the viability of the economy as a whole, because of its role as a test bed for the most advanced technologies. For example, while the ratio of scientists and engineers to productive workers in the manufacturing industries as a whole was 4.1% in 1985, in aerospace the figure was 30%. In a healthy economy, which fostered increases in productivity, the former figure might reach as high as 10%. Ironically, the figure of 30% of scientists and engineers employed in aerospace is inflated by present depression conditions, because of the unwillingness of the industry to let irreplaceable highly trained technical personnel go, despite reductions in the workforce as a whole.

A healthy modern economy, with a high degree of automation, one which used plasma and laser technologies extensively, would probably support a ratio as high as 10% scientists and engineers in the labor force as a whole—with a sharp reduction in the numbers of those employed in overhead-service categories. Such an economy would also raise the number of goods-producing workers, from the present ratio of around 20% of the labor force to somewhere in the neighborhood of 55%.

In an appendix to *EIR's Quarterly Economic Report* published in the fourth quarter of 1986, Lyndon LaRouche discussed the essential role of increasing productivity in maintaining the viability of an economy. With stagnation, the equipotential of nature cannot be maintained, and this is reflected immediately in the higher cost of mining and refining key basic resources, and the failure to maintain the infrastructure necessary to agricultural and industrial production. Clearly, a failure to maintain a technological edge leads in short order to the kind of competition which the United States now faces from Japan.

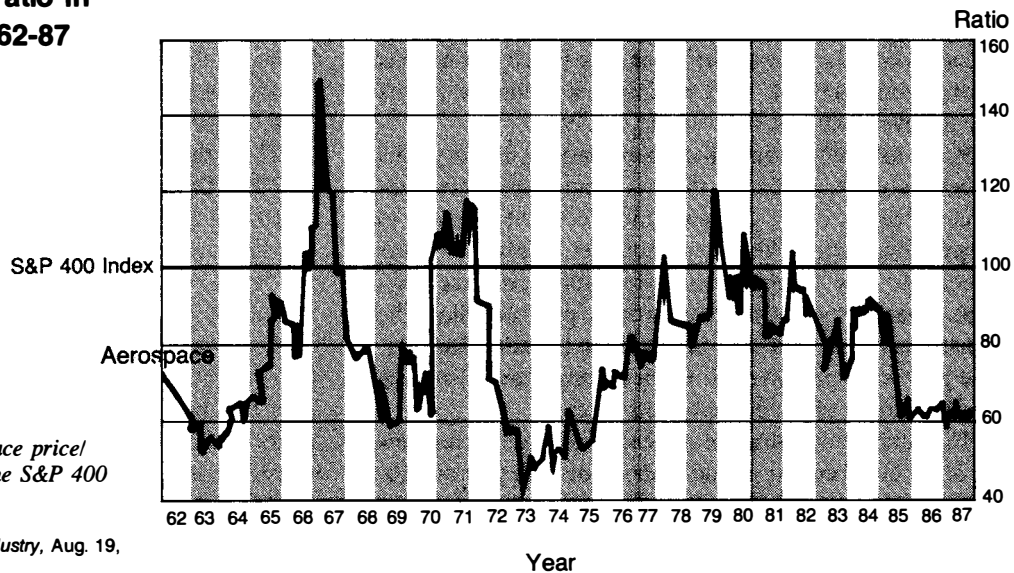
LaRouche wrote:

"In the last analysis, improved economic performance is always an increase in the productive powers of labor. This improvement is expressed as more of a better quality of product per capita. Competent analysis of cause and effect in an economic process, measures 'increase of the productive powers of labor,' in physical, rather than financial terms of reference. In fact, we measure increase of the productive powers of labor as a function of increase of productive powers of labor, a 'self-reflexive function.' "

In that same quarterly report, there was a detailed review of the effect of the Apollo program as a science driver for U.S. industry as a whole. The role of the defense industry as a science driver is similar. The following description is taken from *EIR's* report:

"When President John F. Kennedy launched the Apollo

FIGURE 1
**Falling price/earnings ratio in
 aerospace industry, 1962-87**



Standard & Poor (S&P) aerospace price/earnings composite relative to the S&P 400 Index.

Source: Paine Webber, *Aerospace Industry*, Aug. 19, 1987, updated January 1988.

program in 1961, the stagnant U.S. economy needed some driving economic process that would cheapen the cost of production throughout industry. Investment in the Apollo program and the post-Sputnik missile buildup, provided this driver for the economy so that, by the achievement of set national goals, it forced the economy as a whole forward, into capital investment to implement more advanced technology.

“The effects of the Apollo program on the U.S. economy show that goal-oriented programs in defense and aerospace drive economic recovery and subsequent growth in two distinct ways.

“First, by requiring that capital goods industries develop and produce the most advanced possible equipment and systems to attain a goal within a specific period of time, such as a manned Moon landing, the very initiation of such a program sends the entire economy into a capital investment boom that increases the amount of capital equipment available per industrial operative—that is, increases the capital-intensity of the economy as a whole. This capital investment has the immediate effect of boosting productivity throughout the basic industrial sectors of mining, manufacturing, construction, and utilities, as technology developed by previous programs, but not yet implemented, is infused into the economy. To produce such a ‘tidal’ wave of economic impact, the Apollo program had to be accompanied by the enactment of Kennedy’s tax and other incentives for capital investment.

“The second type of ‘economic driver’ effect produced by goal-oriented defense and aerospace programs, flows from the propagation of the technology developed by the program

throughout the entire economy. This effect, which lags behind initiation of the program by as much as several years, will, if followed through, produce productivity advances of a qualitatively higher order than the first, and thus amplify the economic impact of the program.”

The squeeze is on

Today we see precisely the opposite effect. The cumulative effect of the attack on defense industries, in combination with the growing economic depression, has “leached” productivity out of the system. Worse is still to come, as the authors of the MAC group report predict. They describe, in the following stark terms, the effects upon productivity of the changes already implemented as a result of the Packard Commission recommendations: “The changes could slow the rate of technological growth and result in a loss of technological leadership, because of:

“Less independent research and development (the ‘seedbed’ of ideas that has historically permitted DoD to choose from among a variety of developmental weapons concepts). Low-risk technology alternatives, with competitions based on cost rather than technical excellence.

“An inability to attract the best people, as industry R&D budgets are reduced and the industry shifts to a low-cost, low-risk mentality. The changes will result in a less efficient industry. Cutting back on capital investment is mortgaging the future, slowing down the industry’s ability to improve production efficiency.”

We already see the consequences described above, in the case of SDI. The defense sector has lobbied for the introduc-

tion of systems such as ALPS, and similar earlier schemes proposed by Gen. Danny Graham (ret.), simply because use of such off-the-shelf technology demanded less initial outlay on development. The MAC group report also includes a section on how the industry has been squeezed by reductions in their profit margins. They estimated a decline in profits from defense contracts, on average, of 23%.

While lowered tax rates have benefited the industry, this has been more than offset by the loss of investment tax credits, and changes in the tax law which force the industry to declare profits before the end of a contract. Furthermore, the government has lowered what are called progress payments—payments in advance for work in progress. Since the industry has great difficulty in attracting outside financing, these payments are essential. Profit margins have also been directly reduced under the new procedures.

The study shows that the greatest pressure on contracts will occur in the middle period—about the 10th year of a 20-year contract—so that we have yet to see the full weight of the new policies on the economy. (Also of course, most contracts were negotiated before the “reforms.”) Should the industry be forced to accept outside financing—at high rates because of its high-risk status—then these costs will ultimately be passed on to the “customer,” i.e., the government, in higher prices; or, as is happening now, fewer and fewer contractors will be able or willing to bid on unprofitable government contracts.

The national defense budget for Fiscal Year 1986 increased by only \$3.4 billion. Not only was this the smallest increase since 1976, but it failed to meet the rate of inflation, which the DoD estimates at \$8.3 billion for purchases and \$4.1 billion for civilian and military pay. Furthermore, the recent tendency of the Congress to mandate specific project lines, has resulted in a mismatch of funds and required outlays. As a result there was a freeze instituted in May, which furloughed certain personnel.

There has also been a freeze on spending for RDT&E (research, development, testing, and engineering), which has recently been lifted to allow spending up to the amount of 75% of the average monthly amount spent over this fiscal year. This has adversely influenced various fledgling high-technology areas, such as the new high-temperature superconductors.

In November 1987, the U.S. Chamber of Commerce conducted a survey which corroborated the findings of the MAC group, but emphasized the conditions faced by smaller contractors.

On April 14, 1988, Jeffrey H. Joseph testified before the Subcommittee on Defense Industry and Technology of the Senate Armed Services Committee, reporting on the Chamber of Commerce’s conclusions. Excerpts from his testimony follow:

“Reductions in progress payments, requirements for up-front financing for special tooling and test equipment, revised

profit policy, cost sharing on major systems development, and the routine use of fixed-price type contracts for development work have led to a serious drain on industry resources. This has resulted in an economic environment that has had a disproportionate effect on subcontractors and small businesses that are the foundation of our defense industrial base. These resources otherwise could have been of greater benefit to the nation.

“The Chamber conducted a survey in November of 1987 of 10,000 federal government prime and subcontractors to measure the impact of these recent procurement policies at the “grass-roots” level. These contractors . . . were selected at random . . . and represent approximately 15% of all federal contractors in the Federal Procurement Data Center’s fiscal 1986 data base . . . 89% are from businesses with fewer than five hundred employees. Eighty-six percent are suppliers to DoD. Overall 22% from services, and 17% from construction. . . .”

More than 50% of the respondents who provided goods or services to DoD indicated that, in the future, their companies will curtail investment in capital equipment and research and development. This is particularly dramatic when compared to the finding that over the past three years, 74% of these companies had increased their investments.

They attributed their decision to the “combination of pressures on profit margins, lack of financing resources, program instability, excessive government oversight, and the availability of better opportunities in commercial markets. In fact, 42% indicated that they actually experienced a decrease in profitability on their government sales over the past five years. Other policies cited included government use of fixed-price type research and development contracts, required up-front capital investments, and potential loss of technical data rights.”

Another feature cited, which makes these contracts unattractive, is the government assertion of proprietary rights over research which the companies themselves had financed (at least in part) in the hope of winning long-term contracts.

A sidelight on the present situation is the fate of so-called black programs—highly secret defense contracts. They have helped to sustain the industry even under the present, aversive conditions; however, by their nature they are not open to general oversight—and therefore Wall Street has been unwilling to take them into account in judging the profitability of a company. As the situation worsens economically, will pressure mount to declassify certain information?

Aerospace a paradigm

In its March 14, 1988 issue, the magazine *Aviation Week* reviewed the status of the industry. While their long-term forecast was not pessimistic, they reported that sales of aircraft, engines, and parts are set to fall 5.1% this year, to \$40.2 billion, which is the first such fall in real dollar terms, in a decade. A further 3.2% drop is forecast for 1989, before

sales stabilize in 1990 at \$39.7 billion. These predictions, in our view, are far too sanguine—unless there are major political changes—because we are presently headed for a far worse depression than that of the 1930s.

The Aerospace Industries Association predicts a decline in employment in the industry in 1988. The figure which they suggest is a slight drop of only 1,000 workers; however, reports from people working in the industry suggest that considerably more than 10,000 workers in the major contractors alone are presently facing unemployment. According to the Association's estimate, employment in the military aircraft sector, which dropped from 454,000 in December 1986 to 445,000 last December, will continue to fall to 423,000 by the end of this year.

They offset this figure by rises in the numbers of scientists and engineers to be employed—they forecast an increase of 4,000, and steady employment in the space side of the industry, which rose by 3,000 last year. All of these figures do not reflect the chill from the latest round of scandals, nor possible effects should START negotiations be finalized.

Armed Forces Journal International, in its June 1988 issue, summarizes the views of top stock brokerage houses. These are completely coherent with the picture assembled by the MAC group. "We are no longer recommending defense stocks. The defense acquisitions process has gotten worse lately. . . . The business has been poisoned." That's the assessment of F. Randall Smith from the investment counseling firm of Train, Smith.

Last August, Solomon Brothers was recommending that investors buy Martin Marietta stock, but this was the first such aerospace buy recommendation which they had made in a year. Even with electronics stocks being a hot item in the market, Prudential-Bache concluded in a March industry update: "We believe it is still way too soon to buy defense electronics stocks."

One reason for their pessimism about the future of the industry, is that at the same time that contracts are being stretched out, the industry is being forced to invest a higher and higher proportion of its own money. For example, in 1987 engine and airframe contractors were forced to pour \$353 million of stockholder profits into developing the space plane, as compared to only \$232 million from NASA and the Air Force together.

The same picture is true in the case of the Army's new LHX helicopter, which has absorbed \$538 million of industry's development funds, compared to the Army's investment of only \$464 million. This contract has had its launch date postponed by six months on several occasions. In order to finance these contracts, the industry has gone to outside financing, but at very high cost—especially compared to the rates at which the government could have borrowed and then advanced the funds.

The former head of the Office of Federal Procurement Policy told the *Armed Forces Journal* that he figured this

shift in financing to industry will cost taxpayers more in the long run. He estimated that the \$600 million in V-22 production tooling charges which the Navy insisted that Bell Helicopter and Boeing fund, but which they will not recover for at least nine years until the plane is into production, will cost the government 50% more in the end.

The MAC group ended its report with the comment:

"A final, important, lesson of the 1984 to 1987 changes is that the Congress should not permit the introduction of extensive and significant adjustments to procurement policy of this type without substantive impact assessments. While DoD claims it wants a strong and healthy defense industrial base, it does not appear to have an internally consistent vision of the set of policies that would produce this result.

"In reassessing the policies we have discussed, DoD should explicitly consider what type of defense industry it believes the country will need in five or ten years. Armed with some idea of what this implies in terms of capacity, technology, and human resource skills, it will be better placed to make changes that have a positive impact on the industry."

The question might equally be raised, whether Congress and certain policymakers are far less naively incompetent than the authors of the report suppose. On the principle of *cui bono*, one may infer that the U.S. defense capability, and with it that of the Western Alliance, is being deliberately gutted, in favor of a global New Yalta deal with the Soviets.

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East bloc ethnic unrest flies out of control

by Luba George

A long hot summer of mass unrest in the Captive Nations of the Russian Empire has begun, while new outbreaks threaten to explode at any time in the East European satellites. The Transcaucasus crisis has boiled over with the announced secession of the Armenian-ethnic region of Nagorno-Karabakh from the Soviet republic of Azerbaijan. As this occurred, while Mikhail Gorbachov was away in Poland, mass eruptions and a general strike escalated in Armenia, triggered by the shooting by Soviet troops of Armenian civilians at Armenia's Yerevan Airport; mass protests have occurred in the Ukraine; and protests in the Baltic Republics of Estonia, Latvia, and Lithuania continue on a non-stop basis. In Eastern Europe, a new strike wave is brewing in Poland, and in Czechoslovakia a demonstration of 150,000 Catholics demanding religious freedom was held at the beginning of July.

Anything can happen now, after the Communist Party and government leadership of Armenian-inhabited Karabakh on July 13 declared Karabakh's secession from Azerbaijan, and its incorporation into neighboring Armenia. A Karabakh party spokesman was quoted saying: "They [Moscow and Azerbaijan] can decide what they want; we've already decided for ourselves." The declaration of secession, voted up unanimously by the Karabakh parliament, was read on local radio: "The Soviet of People's Deputies of the Nagorno-Karabakh Autonomous Region declares its secession from the Azerbaijan Soviet Socialist Republic."

Only a day earlier, the Soviet government newspaper *Izvestia* carried the strongest denunciation to date of the Karabakh protests and general strike (in effect since May 23), stating that the leaders of the Karabakh protests want to "provoke clashes with Azerbaijanis and with the troops who

have been sent there." That same day, Radio Moscow carried an ominous warning from Vezirov, the recently installed Azerbaijan party boss, that "the Communist Party will spare no effort to put a stop to the activities of those forces who are fanning inter-ethnic tensions. . . ."

The latest crisis in the Transcaucasus, far more severe than that of February-March, illustrates how the current rebellions sweeping the U.S.S.R. have gone out of Moscow's control. The crisis began in February as an operation contrived by Moscow, via a KGB-directed pogrom against Armenians in Azerbaijan, to create a "camp-fire level" crisis in the region, whereby Karabakh could be placed *de jure* under direct rule from Moscow, and the entire region militarized and *de facto* placed under military rule. The Soviet leadership played with fire, and got burnt. The "camp fire" has now become a "forest fire."

The sending of thousands of troops, including brigades of elite paratroopers, into Armenia, Karabakh, and Azerbaijan, marks the first phase of the Kremlin's establishing military rule over the region as a whole, while moving to bring Karabakh into the Russian Federation (RSFSR) as yet another "autonomous" region of the Russian Republic.

These moves will not end the crisis. More intense military preparations are under way, to deal not only with the Transcaucasus, but with expected outbreaks in the Baltic, the Ukraine, and Eastern Europe. It was noteworthy that soon after the conclusion of the recent Soviet Party Conference, an unusually long Warsaw Pact defense ministers meeting (July 5-8) was convened in Moscow to work out emergency preparations on East bloc security.

The gravity of the crisis in Armenia and Azerbaijan was

underscored by the announcement of Radio Moscow on July 13 that on July 18, after Gorbachov's return from Poland, the Presidium of the U.S.S.R. Supreme Soviet will meet in emergency session to discuss the Karabakh question. The background to this emergency session is as follows.

The massacre by Soviet Army troops at Yerevan Airport has created a turning point in the Armenian mass protests, pushing the situation out of control, both in scope and in content. As the consequence of the killing of at least five Armenians by Soviet troops, the unrest has now become directed against Moscow and "the Russians." The massacre also triggered a general strike throughout Armenia, no end in sight. Moscow is in a quandary. Heavy troop deployments can seize airports, patrol streets, prevent mass demonstrations, but cannot break the strike, as proven already in Karabakh, where despite a very large Soviet troop presence, a general strike called on May 23 is still in effect.

The Soviet troop build-up in the Transcaucasus, bordering on Turkey and Iran, accelerated by a secret airlift of crack paratroopers during the Party Conference, continues. It is confirmed that airborne units were flown into Armenia. Some reports identify them as one or two brigades from the Airborne Division based at Pskov, in the Leningrad Military District, south of Leningrad and east of Estonia. Other reports mention regiments of mechanized infantry flown into Baku during June, from Minsk in the Belorussian Military District.

Repeated appeals and limited "concessions" have failed to stop the Armenian general strike and daily waves of mass protests. To date, two dramatic televised appeals by Vazgen I, the head of the Armenian Church (July 7 and 9) and daily televised appeals by Armenian party head Suren Arutunyan to the population to end the general strike, have failed. On Sunday afternoon, July 10, Arutunyan announced that the Presidium of the U.S.S.R. Supreme Soviet had agreed to "debate the Karabakh question . . . very soon," and disclosed that he had met with Gorbachov and President Andrei Gromyko right after the Party Conference, to present Armenia's demand that Karabakh join Armenia. Coupled with his announcement, the Soviet Army again pulled its troops out of Yerevan.

These so-called concessions not only failed to stop the general strike, but led to a resumption of huge protests in Yerevan. On Sunday evening, over 200,000 gathered near the city center (the center, including the Opera Square, remains sealed off by militia and KGB), to demand the incorporation of Karabakh into Armenia. Moscow's other "concession," announced on July 11, was that the trial of the Sumgait rioters will be moved to "courts in the Russian Republic." One of the demands in Armenia has been that the trial be moved out of Azerbaijan and held by the U.S.S.R. Supreme Court in Moscow.

In reality, these "concessions," the new Supreme Soviet Presidium "discussion" on Karabakh, mark two big steps on the road to formalizing direct rule for Karabakh and de facto military rule for all of the Transcaucasus.

Unrest hits the Ukraine

On June 16, some 6,000-8,000 people marched in protest in the Soviet Ukraine, and on June 21, some 50,000 demonstrated at the University of Lvov, the large western Ukrainian city, located near the Polish border. Both incidents, despite overwhelming evidence and confirmation received, were for some strange reason not covered in the Western press. The June 16 meeting was initiated by the "Ridna Mova" (Native Language) Society, which reportedly had been denied access to the official local House of Culture. The main speakers, from an independent newspaper, *Ukainian Herald*, demanded autonomy and stated that Ukrainian delegates to the 19th Communist Party Conference in Moscow could not represent the Ukrainian population, because they were involved during the regime of Leonid Brezhnev in repression and Russification policies in the western Ukraine. Delegates attending tried to address the rally, but were heckled by the protesters.

The Ridna Mova Society announced that the meeting would continue every first Thursday of the month near the Ivan Franko (Ukrainian poet-writer) statue, in front of the Lvov State University. The following Thursday, June 21, an estimated 50,000 gathered at the university, despite the fact that the evening before, leaflets, presumably issued by state authorities, appeared in mailboxes in the city calling upon the population not to attend and "not to succumb to agitation." KGB police intervened into the demonstration to disperse the crowds.

The mass protests in the Ukraine are likely to reach Armenian proportions if the anti-Soviet pro-autonomy protests are linked with growing protests over the horrendous shortages in food and other basic necessities in the shops. The issue of food shortages is an especially sensitive issue with Ukrainians, as most families have still vivid memories of the 1932-33 famine. The famine, deliberately instigated by Stalin, resulted in over 7 million deaths among Ukrainians.

The outbreaks in Lvov are especially significant, because of its proximity to Poland, where the situation is again heating up. On July 1, without any prior warning, a new round of price increases occurred; the price of gasoline and alcohol skyrocketed; car prices went up by 40%, and car insurance by 70%.

Demonstrations and protests are now almost a daily phenomenon in the Baltic Republics. On the weekend following the Party Conference, a crowd of 100,000 gathered in Vilna, the capital of Lithuania, to demand "full autonomy" for Lithuania. In Estonia, from July 4-9, every single day, crowds demonstrated in front of the Estonian Supreme Court Building in Tallinn to demand the release of three Estonian nationalists, arrested in February. The demonstrations persisted despite repeated warnings to the crowd by Estonian Interior Minister Marko Tibar that they could be arrested. What is happening now in the Baltic is but a foretaste of what is certain for late August, the next anniversary of the 1939 Hitler-Stalin Pact, under which the Soviet Union annexed the Baltic Republics.

Party Conference did not help Gorbachov

by Konstantin George

Contrary to most Western media, the Soviet Party Conference which began in Moscow on June 28 marked a stinging defeat for Mikhail Gorbachov. The conference certified the removal of the general secretary from exercising any real power, by passing a resolution on establishing a "new" presidency, under which Gorbachov will be kicked upstairs into that new post. The conference also marked a resounding victory for the hardline, Russian chauvinist party majority, exemplified by, among others, the boss of the Central Committee Secretariat, Politburo member Yegor Ligachov.

Ligachov's speech on the concluding day of the conference, July 1, spelled out who really holds the power in the Soviet leadership. Gorbachov was selected for his post in March 1985, Ligachov said, "thanks to the firmly taken decision" by "myself," KGB boss Viktor Chebrikov, and Politburo members Mikhail Solomentsev and Andrei Gromyko. Ligachov and Chebrikov were not even Politburo members at the time. The implication: "We put you in, therefore we can knock you out."

Ligachov's speech was repeatedly interrupted with what *Pravda* termed "prolonged applause," whereas Gorbachov's closing speech on the same day received only "applause."

The conference revealed how little power Gorbachov actually has, by defeating his proposal for the new post of President. On July 5, the Soviet press, following a Politburo meeting of the day before, published the proposals adopted by the conference. The conference indeed had passed a proposal creating a third chamber of parliament, the Congress of People's Deputies, and agreed that this "standing chamber" would "elect a new President," roughly as Gorbachov had proposed in his opening speech to the conference. However, the *substance* of what Gorbachov had proposed, namely that the new President also be chairman of the National Defense Council and have broad powers concerning foreign policy and defense, was *rejected*.

The economic crisis

The real issues of the party conference, however, were not matters of personality, but rather, the economic crisis of the Soviet bloc and the U.S.S.R., and the urgent need to adopt measures now to deal with the crisis. *EIR* stressed this point in our coverage of the conference last issue. The over-

whelming majority of speeches at the conference were a catalogue of statements demanding that measures be taken to stop the worst food and consumer goods shortages in decades, to turn around the collapse in living and health standards, and to establish rigid autarchy (including "food self-sufficiency," i.e., to eliminate large-scale food imports from the West) as soon as possible.

The intersection of this crisis with the political faction fight was highlighted by the fact that Ligachov, in his capacity as head of the Central Committee Secretariat, was confirmed to be in overall charge of economic policy.

Three days after the conference, on July 4, the Politburo convened for an emergency discussion on the economic crisis. That meeting produced an announcement that a Central Committee Plenum to deal with the economic crisis would be held "at the end of July," with a bare three weeks' notice. Several commissions were announced, each consisting of leading members of the Politburo and Central Committee Secretariat, to draft measures to deal with the economic mess, for submission to the plenum.

The next day, July 5, a meeting of prime ministers of the Comecon countries was opened in Prague, Czechoslovakia. As Radio Moscow reported, the meeting was ordered to "discuss the urgent question of increasing socialist economic integration." "Increasing socialist economist integration" is Russian jargon for 1) increasing bloc autarchy, and 2) increasing the rate of looting of the satellites by Russia through such new "qualitative" means as "direct links between enterprises" in the satellite countries and the U.S.S.R., and increased "joint projects" on Soviet soil, where the Comecon "partners" contribute half the cost.

Soviet Prime Minister Nikolai Ryzhkov's speech to the gathering confirmed what *EIR* has repeatedly underscored: the drive for increased bloc autarchy. Ryzhkov angrily reported that trade within the Comecon has stagnated at "an intolerably low level," recording only a 4% increase since 1985, and that the heavy increase demanded by Moscow cannot occur without introducing increased "socialist economic integration," through such means as "direct links between enterprises."

For the Soviet goals to materialize, new policies sharply curtailing the Western creditors' looting of Eastern Europe are required, leading to a sharp reduction in East-West trade by the satellites. Such a shift can be expected in the coming months.

Russian chauvinism rides high

Another theme used by the Western media to portray a false picture of the Soviet Party Conference, was the nationality question. The Russian Empire is being hit with explosions of unrest from the populations of the Captive Nations; but the dynamic that emerged from the conference regarding the "nationalities question" was not what the TV commentators of the West portray. The conference, coming right on

the heels of the June celebrations of the Millennium of the Russian Church, marked a new high point in the rising tide of Russian nationalism.

Crucial passages of Ligachov's speech dealing with this matter were never reported in the West, even though they could be read in the pages of *Pravda*. Using the language of Stalin, Ligachov denounced the liberals, such as ousted Moscow party chief Boris Yeltsin, for giving aid "to the enemy abroad," denounced the *glasnost* campaign in the Soviet media for portraying only the negative features of the Stalin era, telling the delegates that in the 1930s and 1940s "what heroic things our people did, despite the cult of personality." Most significant of all, Ligachov announced his endorsement of the conference speech given by Yuri Bondarev, head of the Russian Republic Writers Union, and an ultra-chauvinist.

Bondarev's speech, reprinted in *Pravda*, was a harangue against the *glasnost* euphoria in the Soviet press, which is "demolishing, destroying, and tearing down into latrine holes everything that lived before, the past, our national things that are sacred; the country's sacrifices for the Fatherland War, our cultural traditions, effacing from consciousness the people's memory, faith, and hope. This press is erecting an ugly monument to our ignorance . . . which is going to be remembered in shame and damnation. . . . What had been called 'Fatherland' and 'Patriotism' now call forth invective, and today are called 'chauvinism' and 'the Black Hundreds.' " This was followed by a litany of examples of what one hears today from Soviet media representatives, whom, using the same term as the Russian chauvinist Pamyat Society, he denounced as "extremists."

"When I read in our press that the Russians never had any territory of their own, that veterans of labor and the war are emerging as 'potential enemies of *perestroika*.' . . . When I hear that such magazines as *Nash Sovremenik* and *Molodaya Gvardiya* [two Russian chauvinist and anti-Semitic monthlies] are promoting hatred . . . that stability is the 'worst thing that can exist (so, they mean that the healthy thing is to break down the economy and culture into chaos). . . . When I read that 'fascism appeared first in Russia at the beginning of this century' and not in Italy, and when I hear that [Nazi collaborator] General Vlasov 'fought against Stalin' and not against the Soviet people, [this signifies] emptying the souls of our youth with anarchy and empty sensations, foreign fashions, and cheap demagogical games." *Pravda* reported that these remarks were received with "thunderous applause."

Bondarev praised as shining examples for the youth the "village prose" Russian nationalist writers, naming Valentin Rasputin, and also *Molodaya Gvardiya's* chief editor, Anatoli Ivanov, and the Pamyat-member icon painter, Ilya Glazunov. This trend-setting speech, which stopped just short of endorsing Pamyat by name, never made it into the Western media's censorship of the Soviet media's censorship of the closed conference.

Eastern Mediterranean region on fire

by Thierry Lalevée

The July 11 terrorist bloodbath aboard the Greek *City of Poros* cruiser, which killed nine and left dozens badly wounded, is a very serious warning that not only Greece, but the entire Eastern Mediterranean region, has been targeted for immediate destabilization.

The atrocity followed a June 18 assassination attempt against Turkish Prime Minister Turgut Özal, and the June 28 assassination of the local representative of the U.S. Defense Intelligence Agency, Capt. William Nordeen, in Athens by the "November 17" organization.

Since the beginning of the year, Greece has witnessed dozens of violent terrorist actions, starting with a failed Jan. 21 attempt to assassinate the representative of the U.S. Drug Enforcement Agency, George Caros, also claimed by "November 17." This was followed on March 1 by the assassination of a leading industrialist, Alexandros Aphanassiatis, a series of bombings of U.S. servicemen's night clubs, and the sabotage of Turkish diplomatic cars, among others.

As of this writing, the terrorist spree has been claimed by a variety of organizations, from the ubiquitous "Islamic Jihad," which promised "more to come," to the shadowy "Organization of Palestinian Martyrs," which claimed to have hit U.S. servicemen and "Zionist spies." The situation became even more confused when Washington said it thought that "any Iranian connection was unlikely." Clearly, Washington doesn't want anything to spoil its negotiations with Teheran. Instead, the State Department suggested that the terrorists may have wanted to take some hostages to secure the release of one Muhammad Rashid, arrested in Athens on May 30, who went on trial on July 13. Then, it was said that Washington considered the Abu Nidal track plausible, or even blamed the shadowy "Colonel Hawary."

Hence, so far there is neither a clearly defined claim, nor any serious explanation of the aim of the atrocity. More mysterious still is the fact that two accomplices of the terrorists died a few hours before, when their car blew up. Was it an accident, or were they killed preemptively? By whom?

Pending further clarification, the Greek authorities should concentrate on the obvious, that the operation had no other aim than to provoke a bloodbath for its own sake. They can also concentrate on the networks that are known to be active within Greece as logistical support. This especially includes the Libyan's People's Bureau.

A few days before the attack, *EIR's Middle East Insider*

newsletter had published the names of Libyan intelligence officers known to have arrived in Athens on July 1 to link up with "November 17." *MEI*'s revelations made the front page of many Greek daily newspapers on July 13 and July 14, but drew a terse "no comment" from Greek authorities. The reason may be that to mention and investigate such links lies at the crux of Greece's current political quandary.

In exchange for the support given by the Libyans to Prime Minister Andreas Papandreou's PASOK party, then called PAK, against the ruling military junta in the 1970s, Libya was given *carte blanche* inside Greece as soon as PASOK came to power in 1981. Since then, the Libyans have been able to develop a large local infrastructure and have penetrated many government institutions. Though there is no evidence that Libyan agents participated in the terrorist action, they undoubtedly supplied the terrorists with money and explosives.

Though seemingly preponderant, the Middle Eastern connection to the *City of Poros* terror action, is actually secondary. If the action had no other purpose than to provoke a bloodbath, it thus served to send a political warning to the Greek leadership. From whom, and why?

Part of the explanation is to be found in the recent reconciliation between Greece and Turkey, a reconciliation which is largely a result of the personalities of Papandreou and Özal

and their influence on each other. They have come a long way from the spring of 1987 when, after a few incidents in the Aegean sea, the two countries seemed set on a military confrontation. Several initiatives by Özal defused the situation. In January of this year came the first meeting between the two, under the auspices of the Davos Economic Forum in Switzerland. In May, the Turkish foreign minister visited Greece, and Özal himself visited on June 13, the first visit by a Turkish prime minister in 36 years.

From the beginning, many saw in this reconciliation a trend whereby Turkey would follow Greece toward greater strategic neutrality—that the Eastern Mediterranean would be sliding out of the NATO alliance. Moscow and the Warsaw Pact countries could not but encourage such a trend. But in the final event, Özal's loyalty to the West won the day. Turkey's commitment to regional defense has not been weakened, and Greece, too, is still within NATO.

Even the July 13 official notification to Washington that it has 17 months to evacuate its Greek bases after next January, cannot be considered a Greek break from NATO. The American-Greek Defense and Economic Cooperation Agreement (DECA) expires on Dec. 31, and both sides had agreed that if no new agreement were reached by July 31, 1988, the agreement should formally be declared null and void.

In fact, Athens' official notification to Washington also stipulated that a new agreement still may be negotiated by the end of July, and that even after Dec. 31, Athens will be willing to go on negotiating.

What this posture indicates, is the complex political position of Papandreou, who has to face parliamentary elections next year. In both 1981 and 1985, he was elected on a program which called for an American withdrawal. He has to keep that position. But at the same time, he has realized that to win next year's elections, he will have to adopt a more conservative profile. Özal's influence has been important in that context. Papandreou also considers an agreement with Turkey over Cyprus definitely more important than the U.S. bases.

Hence, while no fundamental change in the U.S. status in Greece will be occurring, formally, the negotiations will be suspended for now to satisfy the voting base of the PASOK. But new negotiations can be expected after the election.

This does not please either the the Soviet Union or the Soviets' friends in Greece, with whom Papandreou has been trying to break. Even long-standing opponents of Papandreou have recently stressed that the reconciliation with Turkey has had a positive effect on him, and that they consider his new anti-terrorism as "genuinely serious."

In the same way that Turgut Özal almost paid for his successes in Greece with his life on June 18, Papandreou has become a target of networks which, using the Middle East connection, and even closer to Greece, the Bulgarian connection, are clearly deployed by Moscow.

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Saudi-British deal: the end of an era

by Joseph Brewda

The signing of a \$29 billion arms deal between the Kingdom of Saudi Arabia and the United Kingdom on July 3 signals the end of U.S. military and political presence in the Middle East and North Africa. The arms deal, the largest in world history, was prepared at the recent Moscow summit, which was secretly devoted to redividing the world into new "spheres of influence." It is part of a scheme to supplant U.S. influence throughout the region by the old colonial powers, England, France, and Italy—or so some European oligarchical families believe.

The arms package was signed in Bermuda by British Defense Minister David Younger and Saudi Defense Minister Sultan bin Abdel Aziz. The specifics are staggering. Saudi Arabia, which has been almost exclusively dependent on the United States for arms since World War II, will now shift to Britain as its primary arms supplier. It will purchase an estimated 50 Tornado fighter bombers, 50 Hawk fighter aircraft, 90 helicopters, and 6 Sandown minesweepers over 10 years. The agreement by itself makes Britain the second-largest Western weapons dealer. It also provides for Britain to build two new Saudi airbases, at nearly \$2 billion apiece, and train Saudi Arabia's Air Force pilots. Saudi contracts mean at least \$5 billion for British Aerospace, \$850 million for the British Westland company, and \$800 million for Vospers Thornycroft. Plesey, GEC, and Racal will also make millions.

The Reagan administration has officially characterized the agreement as "damaging to U.S. national security." The package will cost the Pentagate-ravaged aerospace industry an estimated 30,000 industrial jobs over the next 10 years. Some insiders fear that the combination of the Pentagate attacks, and the Saudi fiasco, will provide Wall Street bankers and insurance executives the ability to stage a run on the troubled industry.

In a coordinated action, the Sheikdom of Kuwait announced on July 10 that it had signed an arms agreement with the Soviet Union to buy unspecified equipment, and is considering purchasing 60 Mirage jets from France. The Kuwaiti announcement comes on the heels of the U.S. Senate vote of July 7 to exclude Maverick air-to-ground missiles from a U.S. arms package proposed by the Reagan administration. A recent Saudi effort to purchase McDonnell-Douglas F-15 fighter jets and Maverick missiles was also killed by Congress. Decades of hostile actions by the Congress against

both the U.S. aerospace industry and the Arab states have now drawn blood.

Because Congress's irrational opposition to arms deals with Arab states has been coordinated by the American Israel Public Affairs Committee (AIPAC), many assume that Israel and the "Zionist lobby" are the source of the national security problem exhibited by the recent deal. The significance of the fact that such Israeli leaders as Jerusalem Mayor Teddy Kolleck, President Chaim Herzog, or Knesset leader Abba Eban, for example, worked for British intelligence during the war is ignored. That the U.S. Zionist lobby has the same British pedigree is shown by the case of the Canadian-based Bronfmans.

Well-placed U.S. intelligence sources stress that the particular British faction behind the recent Saudi package is intent on building a new British-run military bloc including Pakistan, Iraq, Iran, Syria, Turkey, and a southern state carved out of a divided Afghanistan. The United States would be excluded from this new CENTO. The British hope to standardize the Tornado as the fighter bomber of the Gulf Coordinating Council countries. To ensure economic dominance, the British also hope to drive the U.S. dollar out of the Middle East, substituting for it the European Currency Unit (ECU).

This Middle East gameplan is part of the so-called "Europe 1992" project of subordinating the sovereignty of the Western European states to an oligarchical-family-controlled European Parliament by 1992. Publicized by former West German chancellor Helmut Schmidt and former French President Giscard d'Estaing, the scheme is associated with the cartelization of Western European industry and banking.

One fantasy-ridden representative of a famous European noble family recently confirmed this assessment. The European powers will soon return to their respective areas of influence in the Middle East and Africa, the individual asserted. Already, Qaddafi is being tamed, and Libya is reorienting to Italy, while British resurgence in Mesopotamia and the Arabian peninsula has been significantly accomplished. The U.S. fleet must leave the Gulf. The postwar era of decolonization, and U.S. influence, is over.

Meanwhile, the source raved, Western Europe will begin to reassert its traditional role in Eastern Europe, especially in such states as Romania and Poland. Eastern Europe as a whole will be slowly, but surely, loosened from Moscow's grip, and made economically dependent on the West. The world will be divided into a Russian-Asian zone, a European-African zone, and a weakened Western Hemisphere.

Naturally, this particular oligarch is a fanatical supporter of Mikhail Gorbachov, whom he expects to deliver on such an arrangement. Why the Soviet military would have any interest in handing over Eastern Europe or the Middle East to desperate Western European bankers, he didn't say.

It seems that Washington is not the only capital now dominated by sheer lunacy.

Sovereignty fight for Canal comes to fore in Panama crisis

by Gretchen Small

The Reagan administration has now added the functioning of the Panama Canal to its arsenal of attack against Panama. The crudeness of the latest U.S. action indicates that the administration has decided it can safely give up even a pretense of adhering to the 1977 Canal Treaties, without suffering a serious diplomatic backlash.

That decision might prove the biggest mistake yet in the Reagan administration's Panama fiasco.

Under the treaties, Canal functioning until the year 2000 is to be overseen by a Canal Commission, made up of five Americans and four Panamanians appointed by their respective governments. The treaty stipulates that an American shall head the Commission until 1989; after that, a Panamanian assumes the post. In the last two months, however, the United States quietly began stripping the post of its powers, passing them over to U.S. citizens.

Then, in early July, U.S. officials announced that the next meeting of the Panama Canal Commission, scheduled for July 13-14, will be held in Savannah, Georgia, instead of Panama City. With a catch: The State Department refused to issue visas for either the Panamanian support staff which normally accompanies its commissioners at these meetings, or a new commissioner appointed March 15 by the government of Manuel Solís Palma!

The excuse given for denying a visa for Panama's new commissioner, was the same that the Reagan administration has used to withhold all payments from Canal operations due to the Panamanian government since March: The administration insists that Eric Delvalle, and not Solís Palma, is Panama's President.

The State Department's assertion that it has the right to name who can represent Panama on the Commission was the last straw. On July 5, Panama's Foreign Minister Jorge Ritter called a press conference to announce that, while Panama has tried to isolate the Canal from the political crisis, U.S. actions have now made that impossible. Panama withdrew from the Commission "until the U.S. recognizes its representatives," Ritter said.

He decried the U.S. insistence on clinging to "the farce of a non-existent government," which only the United States

recognizes. Ritter acknowledged the decision was "difficult," but called it necessary because "the U.S. attitude endangers the very integrity of the Treaties." Panama will not recognize any decision of the Canal Commission which is taken without its participation, he emphasized. Ritter cautioned the United States: Fulfillment of the Treaties is not only a binational matter, but affects all countries which make use of the Canal. Panama will take its case to the Organization of American States, and to all user countries, he said.

The foreign ministry then forwarded an explanation of Panama's actions, and U.S. treaty violations, to local and international press, and to all accredited diplomatic personnel in Panama. Panama's United Nations delegation did the same. That was on July 5. Sure enough, on July 13, unnamed U.S. State Department officials told the *New York Times* that it was Panama, "under General Noriega," which was failing to meet its commitments.

A hemispheric issue

Most Ibero-American governments have attempted to stay on the sidelines of this battle. Many which have sent economic assistance under the table, refuse to come out openly in Panama's defense. U.S. abrogation of the Canal Treaties, however, will make it difficult for those governments to continue to pay lip service to the lie that "democracy" is the issue in the Panama crisis.

Foreign Minister Ritter warned other Ibero-American governments on June 28 that, while Latin American unity behind Panama's sovereign rights had led the U.S. to accept the Canal Treaties in the first place, that success is now threatened. The U.S. is testing the capacity of Latin America as a whole to defend its rights, he stressed. If Panama is excluded from the Group of Eight (an informal diplomatic bloc formed by eight major area governments), "the unity and integration of Latin America will fracture, [and] one of the hardest blows will have been given to Latin American economic integration."

Nonetheless, the Group of Eight decided at the end of June to continue to exclude Panama (a founding member of the Group), on the grounds that some "confusion" exists as

to the legitimacy of the Solís Palma government—even though *all* of them recognize that government! Mexico argued for Panama's participation, but Venezuela and Argentina, ever fearful of displeasing the U.S. Establishment's bankers, championed the U.S. line.

Renewed integration push

It would be a mistake to write off Ibero-America as a factor in the U.S.-Panama equation, however.

The July 12 announcement from Panama City that a group of Ibero-American nationalists is organizing a conference on integration for August in Panama, with the task of preparing a "Second Amphictyonic Congress of Panama," demonstrates the backlash which U.S. aggression has already provoked. (In ancient Greece, the amphictyonic councils were associations of neighboring states.) The First Amphictyonic Congress, held in Panama in 1824, was the last time governments of Ibero-America met together to discuss the formation of a single Great Fatherland.

These nationalists argue that out of Panama's current crisis, can come the will to forge that unity, so that Ibero-America can "stand strong in the concert of nations, on equal footing, capable of making itself respected by other world powers" (see *Documentation*).

Within Panama, political debate has also moved far beyond discussions of the formalities of democracy, to take up the more fundamental question of what strategic role Panama should play in the world crisis today. Ironically, Panamanian leaders who believe Panama must chose between subservience to Washington or Moscow, have joined together to oppose those who argue that Panama must serve as the protagonist of Ibero-American unity. Those favoring a special relationship with the United States, argue that Panama must become a "free trade" colony modeled on Hong Kong. Moscow enthusiasts insist that Panama has no choice but to impose a Cuban-style economic dictatorship, allied with the socialist bloc. The economic program of the nationalists centers around Panama's potential role in an industrial-based Ibero-American Common Market—an option which Panama's communists and the Hong Kong advocates say cannot exist.

Discussion of the possibilities of constructing a second, sea-level Canal, as the focal point for continental integration, has entered the debate. On July 3 and 10, Panama's pro-government newspaper, *La Republica*, published sections of the Schiller Institute's pamphlet, "How to Stop the 'Financial Malvinas' Against Panama: Emergency Measures to Save Panama." Featured in its coverage was the preface to the pamphlet written by Lyndon LaRouche. "Panama's future importance is centered around the fact, that it is the logistical keystone of Ibero-America's participation in world trade," LaRouche proposed, explaining how, as world trade expands, and new technologies come on line, "the existence of a sea-level canal through the proper isthmus route will be essential to the prosperity of Ibero-America as a whole."

Documentation

On July 12, members of the Organizing Committee for a "Meeting Toward a Second Amphictyonic Congress of Panama," held a press conference in Panama City to announce plans to hold a conference on the integration of Latin America in Panama City on Aug. 8-12.

Excerpts from their release follow.

Goals: Our continent today is living through profound moments of crisis. The financial bodies of the international oligarchy are looting our peoples, and we are beset by the specter of famine, epidemics, illiteracy, and spiritual disintegration, for the sake of payment of a foreign debt, unpayable and eternal under current conditions. This aggression, which threatens our people with genocide, is exacerbated today by attempts to limit our sovereignty and subjugate us through economic sanctions and embargos, military interventions, and psychological warfare. The destiny of all our America is at stake in Panama. The fate of Panama will decide the future of our sister nations. Integration becomes necessary now, for reasons of life and death; either we unite, or we will cease to exist.

We believe the Bolivarian Patriotic Mandate to call a Second Amphictyonic Congress is the order of the day. The objective conditions exist; the subjective conditions are coming into being. But one thing cannot be doubted: Latin America, after the Malvinas, the aggression against Nicaragua, the savage attacks against Panama, is turning increasingly toward itself. The oft-heralded moment has come, in which Latin American Man is the protagonist of his own history. We are beginning a new chapter in the history of our America, where cooperation replaces foreign interference; where peace and friendship govern relations between our sister nations. That hour draws near, which was presaged by Bolívar, San Martín, Perón, Torrijos, and all those men who fought so that all America, as a single Great Fatherland, could stand strong in the concert of nations, on equal footing, capable of making itself respected by other world powers.

Bolívar said that the day would come in which Panama would become for Latin Americans, what Corinth was for the Greeks. It behooves the peoples of America to lay the bases for their governments to proceed toward the integration of the continent. It is the time; the hour of history has arrived. It is the place, and the right people are at hand, for the reunion of Latin America.

This meeting will be the inter-American forum in which the problems of the region will be analyzed, and where Latin American solutions for the problems of our America will be elaborated. The cry of our peoples announced in the process "Towards the Second Amphictyonic Congress of Panama," will also be where, finally, the integration of our continent will come to fruition.

The battle for Iran after Khomeini

by Thierry Lalevée

In a background briefing to the press on July 13, CIA chief William Webster cut through several weeks of ambiguities by underlining two basic truths to be considered when dealing with Iran. Cooling off the enthusiasm of those who have seen a sign of weakness in Iran's apparent inability to react to the shooting down of the Iranian Airbus, he stressed, "Iranians are very patient; that is often overlooked."

In addition, after weeks of false reports that Khomeini was dead or dying, Webster blandly pointed out, "We have been confused for a long time. But for a man of his age, there is some inevitability."

Some basic facts and figures tell more about the real state of Iran. The country, which was self-sufficient in food production at the start of the Gulf war, now has to import up to \$2 billion worth of foodstuffs. Over the last six months, Iran has fallen \$5 billion short in meeting foreign debt payments, the first shortfall in 10 years, with payment delays of between one and two years.

Most of the imported food has to be distributed free, as basic subsidies to the millions of Iranians who have been driven out of the countryside by the war. In the last two years, the number of Teheran's inhabitants has reached 10 million, one-fourth of the national population.

On July 14, Armed Forces commander Hashemi Rafsanjani declared that it would be "very good to find a miraculous way of ending the war quickly. . . . In any event, we have to prepare ourselves for a long lasting war."

As Rafsanjani was speaking, Iraq was scoring two more victories. On July 15, Baghdad claimed to have killed up to 20,000 Iranian soldiers in a battle for control of the Iranian city of Delhoran.

Iran's dilemma

In any other country, such a disastrous situation would have paved the way for another revolution. Yet, while skirmishes between an angry, and sometimes hungry, population and Revolutionary Guards do occur, a new revolution is nowhere in sight. Nine years of systematic internal repression, as well as the continued betrayal of the opposition movements in exile by most Western powers, have ensured that there is simply no present alternative to the mullahs' regime.

Even in the aftermath of Khomeini's death, any expected change will still be based on Islamic fundamentalist ideology. However, that knowledge is of little help to the present leadership, which would actually welcome a well-organized opposition abroad, if it could be branded as yet another external threat against which the entire nation has to be mobilized.

That principle is the underlying factor behind Iran's apparent lack of reaction to the Airbus crisis. As long as that crisis can be manipulated to rally the Iranian population around the leadership, there is simply no need to go into a further flight forward. However, watch for the expiration of the 40-day period of mourning for the victims of the airline tragedy, when another such operation will then be necessary.

Intertwined crises

That being said, the Iranian leadership is indeed confronted by a series of intertwined crises, the war front with Iraq, the internal social and economic collapse, and the ambiguities in its foreign relations. Should it capitalize on the Airbus crisis, to strengthen relations with the East bloc countries? Since early July, Czechoslovakia, East Germany, and Poland have received the green light from Moscow to resume large-scale weapons deliveries to Iran. An East German delegation went to London to meet Iranian representatives to negotiate the price.

No doubt, Iran will buy East bloc weapons, just as it will buy any weapons that it desperately needs. Doubtless, too, it will develop closer diplomatic relations with the East bloc, while it welcomes calls such as the one made by Henry Kissinger in the July 11 *Newsweek*, "It is time to dialogue with Iran." Washington's commitment to re-establish closer relations with Teheran is so obvious that Iranian diplomats can just wait and see, and bargain.

But the real battle is on the front with Iraq. There can be no diplomatic breakthroughs with Iran in a position of military weakness, and Teheran will not accept a ceasefire while losing the war. Despite the obvious faction fight inside the Iranian leadership for control in the post-Khomeini period, this is the consensus which has emerged in recent weeks.

It was because he understood that fact, that Khomeini decided to appoint Hashemi Rafsanjani commander in chief, in the knowledge that because of his personal ambitions, Rafsanjani would not allow himself to be the commander of a losing army. Information coming from Iran indicates that Rafsanjani is busy trying to reorganize the entirety of the armed forces. Since last July 8, there has been a general mobilization; all men able to carry weapons have been called on to join in the fight. Many battles lie ahead during the months of August. And no one will be surprised if the new commander in chief join hands with his radical opponents to unleash a few spectacular actions off the battlefield, in the Gulf, in Saudi Arabia, or elsewhere; the only aim being to galvanize his troops.

Britain's Chatham House pursues 'condominium' delusion with Soviets

by Mark Burdman

During a speech before the United Nations Organization on June 7, Soviet Foreign Minister Eduard Shevardnadze called for the creation of a U.N. naval force and for the expansion of U.N. peacekeeping forces for intervention into crisis spots around the world. This proposal was the latest in a flurry of Soviet proposals over the past year, for strengthening the U.N.O.

These statements have been made in public diplomatic formats; through private diplomatic communications; and in overtures made to or through such East-West organizations as former West German chancellor Helmut Schmidt's Inter-Action Council, the World Federation of United Nations Associations, the Institute for East-West Security Studies, the Pugwash Conference, and various environmentalist neo-malthusian organizations, like the Club of Rome. These are the think tanks and clubs of the East-West condominium known unofficially as the "Trust."

In one notable case, Yuri Ponomaryov, member of the Board of the State Bank of the U.S.S.R., told a group of bankers in Vienna in May of this year, that the Soviets supported "the convocation within the U.N.O. framework of an international monetary conference," and were seeking closer relations between the socialist countries and the International Monetary Fund.

The Soviets have upgraded their involvement in U.N.O. activities in many domains, including in UNESCO, the Brundtland Commission, and others. (See "Mayor Zaragoza caper at UNESCO tickles the Soviets . . . pink," *EIR*, Nov. 13, 1987.) They have also created several globalist organizations during the past months, such as an International Fund for the Survival and Development of Humanity, on whose founding board is top Soviet intelligence asset Armand Hammer.

As is customary on such occasions, Shevardnadze's June 7 statement was met with glee among Western "Trust" circles, even though it was little more than an expansion on an earlier Soviet proposal for the creation of a U.N. naval force for the Persian Gulf, and even though it is purely self-serving for the Russians. After the *USS Vincennes* shot down an

Iranian civilian airliner in the Gulf on July 3, a new wave of enthusiasm was expressed for Soviet U.N.O. proposals, typified by an interview conducted by the *New York Times'* Flora Lewis with Soviet Deputy Foreign Minister Petrovsky, which appeared in the *International Herald Tribune* on July 7. Petrovsky emphasized that such incidents could only be countered effectively by a strengthened U.N.O. system.

In practice, the replacement by a U.N.O. force of the U.S. naval task force would mean the unilateral removal of Western naval forces in geographical areas where the Soviets could more easily deploy their own naval forces in the event of future crises, while the United States and its allies would find themselves excluded by U.N.O. arrangements.

Both Shevardnadze and those in the West who welcomed him, aim to strengthen trends toward bipolar "global power-sharing arrangements" and a bipolar "global empire," which have come increasingly to the fore in the wake of the Reagan-Gorbachov summit in May-June. In both East and West, there are those who long for the recreation of the kinds of international oligarchical arrangements that came into being during the 1815 Congress of Vienna, which were themselves echoes of ancient arrangements between competing and co-operating imperial centers.

Today, the Western players of this bipolar game usually choose to ignore some basic facts, the first and foremost of which is that the Soviet Russian military, church, and intelligence services have no intention of foregoing their own ambitions to rule the next world empire, which they imagine to be Moscow as the "third and final Rome." The "globalist" proposals, seen through Soviet eyes, are efforts to undermine the West's will to assert its own values, and to create the administrative infrastructure for a future Soviet empire.

The Western players have also been caught off guard by the intensity and ferocity of the internal factional warfare inside the Soviet Union, which may lead at any point to the dumping of what Gorbachov's opponents deride as the "cosmopolitan" strategy of the U.S.S.R.—as well as to the dumping of Gorbachov himself. Neat bipolar arrangements could be torn apart by what one senior British expert on

Soviet affairs, in a discussion with *EIR*, called "a fight so brutal and savage inside the U.S.S.R. that it defies the Western imagination."

The Anglo-Soviet Round Table

Highly informed Britons report that one of the more important players of the game on the Western side is the Royal Institute of International Affairs (RIIA) in London, also known as Chatham House. In cooperation with the Soviets' Institute for World Economy and International Relations (IMEMO), Chatham House has, for much of the past two decades, been sponsoring an Anglo-Soviet Round Table, which has proven to be a key back-channel, for policy planning outside the framework of governments. As one senior British expert told *EIR* in June, "Chatham House has been completely *hoaxed* by the Russians, and that admiral who runs the place [RIIA director Sir James Eberle] has been taken for a fool."

The Anglo-Soviet Round Table really began to take shape in the mid-1970s, and many of its British partners were key individuals in the development of the Trilateral Commission of David Rockefeller et al. The Round Table met April 11-13 at Chatham House. A high-powered Soviet delegation was led by Yevgeni Primakov, a senior Soviet policy influential and intelligence operative, who now heads IMEMO and who was formerly chief of the Moscow Oriental Institute. On the British side, participants included RIIA Council head Christopher Tugendhat; RIIA director Eberle; RIIA deputy director William Wallace; former British Minister of Trade and Industry Leon Brittan; St. Antony's College, Oxford Soviet specialist Archie Brown; and others.

The meeting coincided with the release and circulation of a new report, jointly authored by IMEMO and RIIA, entitled, "International Economic Security: Soviet and British Approaches," which has become one of the conceptual frameworks for the proposed globalist-U.N.O. arrangements. According to one British participant, Primakov's main concern was to discuss ways to "strengthen international security through the U.N."

The Anglo-Soviet Round Table discussions provide some of the backdrop to the silly talk in some British circles linked to Whitehall, about some kind of "Anglo-Soviet condominium," or about a new role for Britain in "mediating" between the superpowers. The Chatham House perspective is not unrelated to Margaret Thatcher's odd enthusiasm for Gorbachov during the past months, and has something to do with the rumors in London that Queen Elizabeth II, or a lower-level but high-ranking member of the Royal Family, will make an unprecedented visit to the U.S.S.R. during 1989.

Historically, the roots of the Chatham House-IMEMO cooperation go deeper. The Royal Institute is one of the most important hubs of policymaking of the Western branch of the Trust during the 20th century. It was created in 1919, by the circles of the secretive British "Round Tables," in collaboration with an organization of liberal British and American

oligarchs called "The Pilgrims." High-level circles of the Fabian Society, the Socialist International, and the Cambridge Apostles were also involved in its creation.

The RIIA became the mother for a number of institutes around the world, the most notable being the New York Council on Foreign Relations. It was patronized by the Royal Family, and received funding from many leading multinational concerns, including banks involved in financing of the international drug trade. The core of the Round Table conception derived from the ideas of Cecil Rhodes and the Rhodes Trust: to see the British Empire as the seed-crystal of a *world government*, ruled by the Anglo-Saxon race, and with the "former colony," the U.S.A., fully partners in this imperial world-federalist system. These same circles helped the Bolsheviks into power, hoping to create a new form of society in Russia that could join with the Anglo-Saxons in a de facto international "Caucasian race" alliance.

The worldview of the Rhodes Round Tables group was very much that of the 1815 Congress of Vienna, which had sought to utilize Russian messianism as a means of destroying republican culture in the West. In the 20th century, the 1815 concept was mixed together with an Anglo-Saxon racialist desire to see the reduction of the nonwhite peoples of the world.

The most useful point of departure for understanding the development of the RIIA worldview is the writings of historian Arnold Toynbee, who served as RIIA director of research from the mid-1920s to the mid-1950s. During this period, Toynbee was also responsible for helping establish such gnostic world-federalist organizations as the World Council of Churches in Geneva.

Toynbee veered between desiring a single, one-world empire, based in one capital, and a multipolar world empire, with several centers. He was usually more comfortable with the first, and was wont to make the point that the population of the United States and the West would ultimately prefer a "Leninist one-world dictatorship" based in Moscow to a world war: the "better red than dead" thesis brought to its starkest conclusion. But in a series of lectures in the 1950s, Toynbee eulogized the second century A.D.'s multipolar "Roman-Parthian-Kushan peace" between three imperial centers, which brought peace "from the Ganges to the Tyne," as a positive alternative to the "nightmare" of the previous century's "revolutions, wars and rumors of war . . . tumult and violence."

This tripolar "peace," in Toynbee's view, brought "constructive statesmanship" and a "tolerable" world settlement, based on "the benevolent action of efficient authoritarian governments." The only problem with this wondrous world order, in Toynbee's view, was that it created a "spiritual vacuum" which had to be resolved by a "religious counter-offensive," a "new religious movement" led by "preachers of strange religions." He eulogized the cult gods Isis and Mithra, together with Christ, as the divinities of the "new

society, in which there shall be neither Scythian nor Jew nor Greek, neither bond nor free, neither male nor female. . . . Mithras will lead us as our captain. Isis will nurse us as our mother.”

Toynbee was portraying the second century A.D., as a model for the second half of the 20th century and the early parts of the next century. Keep such concepts in mind, when reading the more staid language of the “International Economic Security” report as we outline it.

‘Beyond the sovereign nation-state’

The guidelines for the “International Economic Security: Soviet and British Approaches” report were first enunciated at the 1986 Anglo-Soviet Round Table meeting, and completed in 1987. The “IES” report’s introduction begins with a direct attack on the nation-state, and a pitch for the strengthening of “international organizations”:

“In the last decade of the 20th century the option of economic security provided entirely by national action is no longer available. National policies pursued regardless of the international economic situation can be unsound or even dangerous. . . . Rapid economic and technological change has compromised the autonomy of nation-states, transformed the international economy, and posed new problems for the management of relations between the two blocs, NATO/OECD and Warsaw Pact/CMEA. . . .

“Interdependence brings enormous benefits, but forces painful adjustments in national policies. Sovereignty is compromised, and states are faced with hard choices in balancing national autonomy with international interdependence. . . . But the international economy is not self-stabilizing, and there is therefore a growing need for the development of existing means of international regulation as well as for the creation of some new mechanisms.

“Those who play a major part in international economic relations have therefore to share in its management. . . . Economic reforms in the Soviet Union will lead to its more active involvement in global economic relations and make its internal economic system and foreign trade regime more compatible with the rules of membership in the above organizations. Nevertheless, questions for the West of how to accommodate the largest socialist economy within the established organization structure persist.”

The body of the report is divided into two sections, a Soviet contribution and a British contribution. The Soviet section, authored by Igor Artemiev and others, is essentially the Gorbachovian “new thinking” line, but also containing strong evidence of the intense policy battle within the U.S.S.R. For example, part of the report is clearly a polemic against the anti-Gorbachov opposition. Artemiev et al. write: “The character of the dialectics of internationalization is such that on the one hand, it is incompatible with autarchy, because the country which dooms itself to that will inevitably ‘drag behind’ in scientific and technological progress; and at the

same time, to the extent of the involvement of that national economy in the world reproductive process, its liability to the influence of external factors is intensified. . . . The economic isolation path is almost universally recognized as untenable, *although autarchical ideas appear here and there as a reaction to external threats springing up every now and then.*” (Emphasis added.)

The Soviet authors then proceed toward “globalist” proposals, the core of which involves the strengthening of the U.N.O. world-federalist system: “In international economic organizations, work directed towards affirming principles and standards in world economic relations, which could become the elements of a future IES system, is already under way,” they write, and enumerate the contributions of the different U.N.O. bureaucracies. “In conditions when the systems of economic security of two socio-political systems function largely autonomously, while the process of their rapprochement and interpenetration has only just begun and is developing very unevenly, United Nations economic agencies possessing true universality acquire special significance. . . .”

‘One world is what we have’

The British contribution basically echoes the Soviet one. Near the beginning, a quote from British Foreign Secretary Geoffrey Howe that “one world is what we have for good or ill,” sets the tone. It acknowledges that the “globalist” trend in Soviet thinking, “lays special emphasis on International Economic Security.”

Then: “There are many in the U.S.S.R. and the West, who are skeptical about such an approach, but those stressing the common character of many global problems have been increasingly heard in recent years.”

Here, too, we see the nervousness about the “opponents of globalism,” this time from the Western side. In this context, it is worth recalling a recent event, that sheds light on the bitterness of the fight in the West over such questions. This involves the case of David Watt, former researcher director of the RIIA.

In the first days of 1987, British Prime Minister Thatcher was planning her trip to Moscow, to meet with Gorbachov. In the pages of the London *Times*, Watt shocked readers with a commentary, reminding Mrs. Thatcher that what rules in Soviet Russia today, and what will rule in that country for decades to come, is the aggressive, anti-Western matrix of *Russian* culture. Soon thereafter, Watt, in his early 40s, was found dead, supposedly in a freak accident when he electrocuted himself during a storm. Some Britons have never been satisfied with the explanation of Watt’s death, and wonder whether it reflected a war inside British policymaking circles on the Russian question.

In any case, the ghost of David Watt may hover over the proceedings and deliberations of the Anglo-Soviet Round Table for some time to come.

Toward a new Soviet military doctrine?

by Lt. Gen. Gerard C. Berkhof (ret.)

We excerpt here a June 24 presentation, "Toward a New Soviet Military Doctrine?" by General Berkhof of the Royal Netherlands Army, to a London EIR seminar on electromagnetic weapons. General Berkhof was the Chief of Staff of NATO'S Allied Forces Central Europe Command until October 1986. The excerpts chosen convey the general's broad analysis and conclusions; the full text, which contains much additional valuable historical and military analysis, is available on request from the editors.

Reading Western newspapers and magazines, one cannot avoid the impression that there is a steady wind of change blowing in the Soviet Union. Censorship is being relaxed, it seems, some posts are being filled by election rather than appointment by local "apparatchiks," emigration rules have become less restrictive, and many schemes to improve the economy are being announced. Even the Soviet armed forces have come under the aegis of *perestroika*. Commentators are talking about the need to hold forces to a level of "reasonable sufficiency." At the same time they are stressing the "defensiveness" of Soviet military doctrine. Secretary Gorbachov, moreover, is openly calling for the removal of nuclear arsenals by the year 2000 and acceleration of the arms control negotiations, making him probably a more popular figure in the West than in his own country.

That the Soviet Union is in a state of flux cannot be denied. Things are definitely changing there, though probably at a slower pace than the prime architects of *perestroika* would wish. There is resistance within the party's rank and file and a large segment of the population has adopted a "wait and see" attitude. Some Western politicians fear that this resistance will put an end to what they call the beginning of a "new era in East-West relations." What precisely they mean by this remains unclear in most cases. Pressed for an answer, some say that continued resistance to Gorbachov's plans could endanger the arms control "process," explaining away one vague term with another. Others see the reforms as an

attempt to "Westernize" Soviet society, as a first step toward democracy, forgetting that since Peter the Great embarked on his reforms in the late 17th century, Russian and Soviet rulers have striven to achieve "modernization" rather than "Westernization." They also ignore the fact that history shows that rulers who tried to modernize Russian society were not the least expansionist ones. Yet, guided by hope rather than by cool analysis, these optimists are flocking to Moscow to pledge support for Gorbachov's plans. They are extending loans to the Soviet Union (sometimes on more favorable conditions than allowed to Third World countries), offering trade deals (as much for political as for economic reasons), and proposing cultural and scientific exchange programs.

If enduring good relations with the Soviet Union could be "bought," this would probably be an excellent policy, but it is doubtful whether they can. Certainly, Gorbachov needs *peredyska*, a "breathing space" to implement his plans, just as Lenin did to pursue his New Economic Policy in the 1920s. Like Lenin, Gorbachov also needs Western capital, technology and know-how to boost the sluggish Soviet economy, and this undoubtedly affects the style of Soviet foreign policy. It is highly unlikely, however, that it will have any effect on the overall objective of this policy: gaining the upper hand in the ongoing "struggle between Socialism and Capitalism."

As Richard Staar notes: "The goal is a rebuilt, economically more powerful Soviet Union, which would again project an image of a modern sociopolitical system for the rest of the world; this, in turn, is expected ultimately to benefit all national communist parties. Moscow sees a period of global détente as a main prerequisite for this process. Interdependence and cooperation, thus, should replace East-West confrontation during this breathing spell (*peredyska*) ["Checklist of Communist Parties in 1987," *Problems of Communism*, Jan.-Feb. 1988, p. 2].

In the military sphere, the emphasis will also be on means rather than ends. Do more with less, will probably be the motto here. It will not be a simple choice between guns and butter, but rather a matter of guns and (some) butter now and advanced weaponry, a more effective military strategy, and more butter later. How this can be done will probably still require a lot of "new thinking" within the Soviet political and military leadership. However, some of the effects of this process are already discernible, such as the attempts to increase the overall effectiveness of the forces and tighten their discipline. Other changes are less clear. We are, for instance, still in the dark about the military strategy to be adopted and about the force structure required to implement that strategy. We can, however, get some idea of these aspects by taking into account the constants of Soviet strategy and by looking at the problems confronting the Soviet Defense Council and the General Staff, and at the solutions available to them.

Perestroika and the armed forces

Before the replacement on May 30, 1987 of the aging

Marshal Sergei Sokolov as minister of defense by Gen. Dmitri Yazov, there were few signs that the Soviet military paid more than lip service to Gorbachov's *perestroika*. Indeed, the appointment of Yazov, who was nominated over the head of more senior officers, was probably also meant as a strong signal to the military establishment to get on with the business of "restructuring." . . .

Although it is likely to take some time for the military bureaucracy to respond, *military perestroika* will eventually result in a meaner and leaner military machine. Incorporating the combat experience gained in Afghanistan—many officers with a good record there are being rapidly promoted—will further speed up this process.

The constants in Soviet strategy

Strategy is shaped by a number of factors, the most important of which is probably geography. The vastness of the Soviet Union—the country stretches through 11 time zones—and the lack of natural barriers in the likely avenues of approach in the East and West precluded the development of defensive strategies. Even with mass armies, the troops would be so thinly spread that the defensive line could be breached quite easily. The art of moving forces over great distances and concentrating them for offensive purposes or against the greatest enemy threat thus became a basic tenet of Russian and Soviet strategy. The vast distances also facilitated a strategy of operating in the enemy's rear. History shows that in every major conflict since the beginning of the 19th century, Russian troops have operated behind the enemy lines. The operations of these Cossacks, partisans, or special raiding parties were always closely coordinated with the campaigns of the regular formations. The vastness of the country also explains the need for conscript forces. Smaller regular forces would be of no avail in this huge country.

Another geographical feature of the Soviet Union is its extreme flatness. This strengthens the emphasis on maneuver warfare. . . .

Soviet officers know that technology exerts a profound influence on strategy. . . . Paradoxically, the emphasis on military technology has substantial drawbacks. One of the reasons is that military R&D and production in the Soviet Union are surrounded by secrecy, which virtually splits the technological base into a well-developed military segment and a rather backward civilian segment, preventing the dynamic and creative interaction between the civilian and military applications of technology that we know in the West. . . .

The Soviet General Staff looks far ahead. For instance, as early as 1962, Marshal Sokolovsky, in the first edition of his book *Military Strategy*, had this to say on weapons based on new physical principles:

"Possibilities are being studied for the use, against rockets, of a stream of high-speed neutrons as small detonators for the nuclear charge of the rocket, and the use of electromagnetic energy to destroy the rocket charge in the descent

phase of the trajectory or to deflect it from its target. Various radiation, anti-gravity, and anti-matter systems, plasma (ball lightning), etc. are also being studied as a means of destroying rockets. Special attention is devoted to lasers ('death rays'); it is considered that in the future, any missile and satellite can be destroyed with powerful lasers."

This text was omitted from later editions; no doubt a matter of *maskirovka* in view of the pending ABM and SALT negotiations. . . .

In addition to geography, history, and technology, Soviet strategy is also shaped by ideological and cultural factors. Of course, a junior commander of the Soviet Army taking part in a field exercise, does not do so with the ideals of Marxist-Leninist ideology constantly before him. Nevertheless, he has been influenced by those ideals since childhood. In school, youth organizations, and the schools and academies of the Army, world events, the environment, and the behavior of his classmates were all measured by this ideology, just as he himself was judged by it. . . . This militarization is facilitated by the almost innate distrust of strangers and the fact that most Russians traditionally regard a strong army as a sign that all is well in the country. Moreover, the Soviet people are told that the strength of the armed forces of the Soviet Union was instrumental in *forcing* the capitalist countries to adopt a policy of *peaceful coexistence*. . . .

Changes in Soviet military doctrine

After the Great Patriotic War, military doctrine still closely reflected the experiences of the victorious Red Army. The doctrine emphasized the operations of the land forces in which groups of Fronts played a dominant role. The effect of nuclear weapons was played down. . . .

This military doctrine was no longer tenable after the NATO decision in 1957 to drop the Lisbon force goals of more than 90 (!) divisions and concentrate instead on nuclear weapons to offset the superior Soviet conventional forces. NATO's decision had the effect of creating a "balance of imbalances": Large numbers of nuclear weapons of intercontinental and shorter range would compensate for the lack of conventional combat power, thus creating (at least) strategic parity at substantially lower costs. This *revolution in military affairs* created a profound dilemma for the Soviet military and political leaders. After an intense debate, Khrushchov issued a new military doctrine in 1960 that emphasized the role of nuclear forces and, in particular, of strategic nuclear forces. The *Strategic Rocket Forces* (SRF), established some months earlier as a separate Service, became the main branch of the Soviet armed forces. The role of the Army was deemphasized. . . .

The strong emphasis on nuclear weapons did not go uncontested, however. Some officers felt that in a nuclear war, due to the high attrition rates, more rather than fewer divisions would be needed, while others doubted whether the SRF could carry out their mission. . . .

These doubts grew when President Kennedy announced his plans for the modernization of the American strategic nuclear forces at the beginning of the 1960s. . . . This meant that the SRF was not only heavily outnumbered, but also inferior in the qualitative sense. It could, moreover, in no way carry out its primary mission: the destruction of the American nuclear forces. This could not be camouflaged by rhetoric, so in 1962, in a desperate attempt to redress the balance, Khrushchov tried to outflank the United States by deploying medium- and intermediate-range nuclear missiles

The Soviets will leave no stone unturned to confuse NATO and to weaken it, while pressing ahead with refinements to their military doctrine. They need a breathing space in which to boost their ailing economy; but they will not allow themselves any such breathing space in the military competition with the West.

in Cuba. When the attempt failed, criticism of this “one-sided military doctrine” grew, especially in Army circles. Attempts to silence these critics by relieving the Army of its Service status and placing the forces directly under the control of the General Staff—an unprecedented move in Soviet history—made matters even worse and was probably one of the reasons for his fall in October 1964.

After Khrushchov’s departure, the Soviet Union quickly moved away from its over-reliance on nuclear weapons. . . .

The buildup of both nuclear and conventional forces . . . convinced the Soviet leaders that a military doctrine emphasizing conventional operations, albeit under the threat of the use of nuclear weapons, was now the best option. . . .

Toward a new military doctrine?

The Soviet leaders are highly unlikely to meet these challenges to their military doctrine with a renewed emphasis on nuclear weapons. The costs of a victory in a nuclear war are considered so excessive that such a doctrine would not be viable. Moreover, as their recent efforts in arms control negotiations show, they prefer a “non-nuclear battlefield.” Their successes in these negotiations—an INF Treaty in which the West has traded strategy for numbers—can only have encouraged them to pursue this course more vigorously. We

can therefore expect an intensive *peace campaign*, with a plethora of proposals to eliminate or greatly reduce the number of shorter-range nuclear weapons in Western Europe and to establish Nordic nuclear-free zones and areas free of nuclear weapons along the “dividing line in Europe” (also encompassing Turkey and Greece), in addition to proposals on no first-use of nuclear weapons. Proposals of this kind have the added advantage of appealing to large segments of the population in the West, and could thus split the Alliance politically.

They could also strive for a ban on advanced conventional weapons on the grounds that such weapons have almost the same effect as nuclear weapons, and although they could not entertain much hope that the West would not deploy such weapons in the future, they at least hope to be able to delay their introduction. A prominent target for the call to slow down the “spiraling arms race” will also be the Strategic Defense Initiative. But here they have leverage in addition to rhetoric. The prospect of significantly reducing the number of strategic nuclear weapons appeals to many Americans, including the present administration, so some compromise on SDI could be in the offing, not least because Michael Dukakis, the Democratic presidential candidate, has expressed the view that the program should be terminated.

A proposal for a significant reduction of conventional forces in Eastern and Western Europe could also weaken NATO, even if Moscow consented to asymmetrical cuts. There are two reasons for this. First, large-scale reductions would mean that NATO would be unable to muster enough forces for either a coherent defense in the Central Sector or for in-place operational reserves. This would enhance the Soviet ability to conduct encirclement operations. Second, the Soviet Union is experimenting with new types of units, such as a Unified Army Corps and air assault brigades, that can be brought up to full war strength very quickly and that can be moved to the front much faster than British or American reserves.

Efforts to outflank NATO politically with a *peace offensive* would come in addition to measures taken unilaterally to ensure the viability of the main ingredients of the present military doctrine. For instance, *maskirovka* could be used to mask attempts to place greater emphasis on spetsnaz forces, or to outflank NATO in a technological sense. NATO’s lead in advanced weapons using modern electronics could be negated by introducing radio frequency or high-powered microwave weapons that can destroy electronic components in addition to disorienting and killing people.

In short, the Soviets will leave no stone unturned both to confuse NATO and to weaken it in a political and military sense, while at the same time pressing ahead with refinements to their present military doctrine. They need *peredyshka*, a breathing space in which to boost their ailing economy. They will not allow themselves any such breathing space in the military competition with the West.

Sabotage behind the air crashes?

What makes NATO aircraft keep falling from the skies over Western Europe?

There have always been accidents involving military aircraft, during difficult combat exercises, and also during routine flight maneuvers. Inadequate flight training of pilots, technical weak points in the machinery, or physical paralysis of F-16 pilots during a sharp curving maneuver at very high speed, are what NATO lists as "normal" causes.

It is not "normal," however, that Western air forces have so far lost some 50 aircraft in accidents since January 1988, and that the skies over Germany have grown very unsafe for the U.S. Air Force's F-16 in particular.

Many air force spokesmen, German and Allied alike, tend to say, "The pattern is abnormal, the causes are normal." But some experts are pointing to the possibility of Soviet sabotage. *EIR* agrees, bearing in mind that a massive propaganda campaign by the Warsaw Pact and its fellow-travelers in Western Europe has been under way since early 1988 against the F-16s and other modern NATO aircraft. The air accidents fit Soviet propaganda purposes.

It is very interesting to see all of Moscow's assets in Germany, including the opposition Social Democrats, fully mobilized for a "total ban on NATO air exercises." declaring the sky a "property of the people, not of NATO."

It is even more interesting to see Mikhail Gorbachov himself joining this propaganda campaign against NATO aircraft. Visiting Poland, he said in Warsaw July 13 that Moscow would be willing to withdraw "analogous numbers of aircraft from forward-based positions in Eastern Eu-

rope, if NATO agrees to drop plans for transferring its 72 F-16 fighter bombers from Spain to Italy."

In the eyes of the Red Army, the F-16 is an optional NATO long-range nuclear substitute for the Pershing IIs and cruise missiles which the INF agreement will remove from European territory. Refueled in the air, the F-16 has a range of 3,000 kilometers and can reach the western parts of the Soviet Union from Italy, England, or Spain. These are the aircraft now falling from the sky like flies.

But, can aircraft be sabotaged? Yes, they can. There have been many acts of technical sabotage against all Western armed forces over the past few years, carried out by networks working for Moscow. This is especially the case with the German armed forces, which are heavily penetrated by members of the German Communist Party and other Moscow-leaning currents.

In the French and British armed forces, there are Communist Party networks, and in the U.S. armed forces, there is the equivalent in the "Fight Back" grouping, which is responsible for numerous acts of sabotage "from inside." Agent networks can carry out technical sabotage, like cutting cables, destroying sensitive parts of military equipment, and disrupting the electronics of weapons systems.

Then, Moscow has its *spetsnaz* special forces units that can be deployed against special targets. Most experts believe that Moscow would never deploy its *spetsnaz* units in peacetime. But there is a secret report at the German defense ministry, dat-

ing from late 1986, that indicates that Soviet *spetsnaz* units have been deployed on peacetime missions in Germany repeatedly.

But the Soviets can also rely on other networks, to avoid exposure of their *spetsnaz* operations. With the formation of "irregulars" among the German environmentalist and "peace movement" extremist groups in the early 1970s, cells of "experts" in radio communications, electronics, and laser technology have emerged. Some of these cells are highly skilled and capable of constructing their own electronic warfare equipment.

Germany's police forces know the capabilities of these cells. Secret police wireless codes have been cracked and radio communications disrupted during incidents of mass rioting and street-fighting. Military computer nets have been infiltrated repeatedly by such "techno-cells."

These highly specialized "techno-commandos" may have developed, some anti-terror experts believe, the technological capability and logistics required for the disrupting of military aircraft and flight guidance systems by means of electronic or electromagnetic warfare. The depth of surveillance the political-extremist underground in Germany maintains over all key military bases, includes the precise monitoring of regular flight patterns at the air bases, and precise recognition of aircraft types taking off and landing at these bases.

Precise information of this type, compiled over a longer period and checked back with patterns of changes, is definitely required to eventually station an electronic sabotage unit along one of the seven main air corridors for low-altitude flights NATO has fixed in Germany. An in-depth surveillance of these corridors by anti-terror specialists and military experts should yield some interesting results.

Anybody but Carlos Andrés Pérez

Venezuela's opposition parties have united to make sure the social democrat does not win the presidency again.

A national alliance is being formed to guarantee that social democrat Carlos Andrés Pérez does not win reelection to the Venezuelan presidency. Pérez, who was president from 1974 to 1979, is the candidate of the ruling Democratic Action party in December's elections.

Although CAP, as he is called in Venezuela, is touted in the press as a shoo-in because the public remembers his oil-rich presidency as "the good old days," the austerity and looting by Democratic Action in recent years could provoke the kind of strong reaction evidenced in comparable situations in Mexico and Argentina.

The anti-CAP front's positive platform has yet to be seen. But, there is hope for "Little Venice" in the mere fact that such a movement is taking shape against a candidate with shady connections to families tied to institutions associated with narcotics trafficking.

In June, publisher and businessman Miguel Angel Capriles began to sound the alarm about CAP. In an interview in his own *Elite* weekly, Capriles warned that Pérez wanted to guarantee that his party would rule the country for several successive five-year terms. Capriles called that the "Mexicanization" of Venezuela. Capriles also said Pérez wants to obtain millions of dollars to fund his campaign from his buddies in the European social democracy.

At the beginning of July, Enrique Pérez Olivares, the general secretary of the leading opposition party, the Christian Democratic (COPEI) party, announced that he had spoken with

several other people and organizations in the opposition in order to form "an anti-CAP front." He said that the discussions included a group of supporters of ex-President Marcos Pérez Jiménez, who has haunted Venezuela's liberals since they overthrew him in 1958. According to the Caracas daily *El Nuevo País* July 5, COPEI leader Pedro Pablo was commissioned to go to Madrid to negotiate an alliance with the exiled General Pérez Jiménez, who is still quite popular in Venezuela. It is also said Pérez Jiménez flew to Aruba to meet with his Venezuelan supporters.

Journalist Rafael Poleo, a member of CAP's Democratic Action, compared the new anti-CAP front with the alliances that provoked the 1948 military coup. He wrote that COPEI presidential candidate Eduardo Fernández, ex-President Rafael Caldera, intellectual Uslar Pietri, and leftist José Vicente Rangel had been plotting such a front since 1986.

Most leaders of the ruling Democratic Action accused COPEI of being desperate to stop Carlos Andrés Pérez. COPEI candidate Fernández retorted, "I have not named that gentleman. What I propose is a great national accord to face the deterioration of the system and the danger of hegemony. We Venezuelans have long fought to have a pluralist democracy."

The real danger posed by Carlos Andrés Pérez comes from his connection to the Cisneros family, whose links with institutions tied to narcotics traffic were exposed in *EIR*'s 1985 bestseller, *Dope, Inc.* The Spanish-language edition, *Narcotráfico, S.A.*,

was banned in Venezuela.

The anti-CAP front is an unruly assortment of people from right to left. On June 27, the Venezuelan Communist Party presidential candidate, Edmundo Chirinos, reacted to Pérez's proposal for an international anti-drug conference. "It seems strange to me that a person who lives from drugs and is financed by narcotics traffic talks of convoking a world event against drugs. . . . During the coming period, narcotics traffic will be in power in Venezuela," the press quoted the former university president.

Venezuelans—80% of whom live in poverty conditions—think of CAP in terms of the rapid economic growth and social well-being experienced during his presidency. But, he is now repudiating the development policies he followed then. One of his top advisers, banker Pedro Tinoco, assured the Venezuelan Bankers' Association, in CAP's presence, that they would eliminate exchange controls, let the black market determine the value of Venezuela's currency, and let the "free market" determine domestic interest rates.

Pérez appears confident of victory, but things could change. For example, the armed forces are upset at the ruling party's political maneuvers around which officers should be promoted.

Another factor is that the Supreme Electoral Council revoked its earlier decision to deny national registration to the Venezuelan Labor Party (PLV), which has been persecuted by the cronies of CAP and Cisneros ever since its members began an anti-drug campaign. The PLV's daring to challenge the \$4 billion Cisneros empire and its call for debt moratorium have won it widespread favorable recognition in Venezuela. Its legalization shows that Pérez will find major obstacles on his road to the presidency.

The return of the Empire

The Bragança family is plotting to get back its throne, with the help of the schism in the Catholic Church—and parliamentary idiocy.

The excommunication on June 30 of French Archbishop Marcel Lefèbvre and of his principal representative in South America, Brazilian Bishop Antônio Castro Mayer will have profound repercussions in Brazil, due to the close links between Lefèbvre's "traditionalist" movement and the Bragança family, which ruled the Brazilian Empire from Independence in 1822 until Brazil became a republic in 1889. Pope John Paul II excommunicated them after they ordained four bishops, breaking an agreement they had made with the Vatican in May.

The Bragança family, part of Europe's black nobility, has sponsored the "traditionalist" religious movement as part of its medium-term strategy for reestablishing the monarchy in Brazil. They also created the Tradition, Family, and Property (TFP) gnostic sect, to broaden their base of political support. During the past few years, the Braganças erected, and today control, the most aggressive bastion of "traditionalism" on the continent and perhaps the world.

The paramilitary TFP movement became embarrassing for the Braganças in the early 1980s, when the Brazilian weekly *Manchete* ran photos which it said showed TFP members using a photograph of Pope John Paul II for target practice.

After the Brazilian Catholic Church hierarchy explicitly condemned TFP, the Bragança family, which portrays itself as devout Catholics, created, for public consumption, an apparent separation between

the Lefèbvrists and the TFP.

But, in reality, they never stopped giving full support to Tradition, Family, and Property. Thus, in 1984, Bishop Castro Mayer, a TFP founder, broke with the group. He left it under the control of his colleague Plínio Corrêa de Oliveira, another of its founders. During this time, TFP has kept Prince Luiz Orleans e Bragança as its most prominent member. He considers himself in line for the dynastic succession to the Brazilian throne, in the hypothetical future.

Now that Lefèbvre's excommunication has been consummated, the façade of supposed differences will fall and TFP and the Lefèbvrists will once again be seen in impudent embrace. One indication of this was the editorial in the daily *O Estado de São Paulo* July 2. It defended Lefèbvre and blamed Pope Paul VI and Pope John Paul II as representatives of the "modernist heresy." "Monsignor Lefèbvre, in the company of only Dom Antônio Castro Mayer, refused to join in the new theological festival . . . while all the members of the world bishopry came to point to him as the one responsible for the division of the Church, accusing him for the schism that they themselves caused."

That daily represents the rotten old São Paulo coffee baron oligarchy, and is the mouthpiece of TFP founder Plínio Corrêa de Oliveira.

Also joining in bashing the Pope for excommunicating Lefèbvre was *Veja* magazine. This may seem a little strange. Its owner, Roberto Civita,

also publishes the Brazilian edition of *Playboy*, hardly the public fare of Brazil's traditionalists. Civita has his own reasons for wanting to destroy the moral power of the Catholic Church. He is a member of the Inter-American Dialogue, whose latest annual conference called for selective legalization of narcotics and for destroying the Catholic Church.

Although the excommunication of Lefèbvre and Castro Mayer seems to be a sharp blow to the Braganças' hopes for the restoration of the monarchy, they are far from being defeated. Castro Mayer has 23 loyal priests and 40,000 faithful. The TFP continues to increase its influence in the Brazilian countryside.

The imperial family's aspirations were given their biggest boost on June 2 by the Constitutional Convention. It approved holding a plebiscite in 1993 on whether Brazil should remain a republic or become a monarchy. The free radio and television time preceding the vote would permit the monarchists to campaign for "a parliamentary monarchy as the most viable alternative for all the country's crises," as Prince Luiz Orleans e Bragança put it to the daily *O Globo* June 7. "The crisis will help our victory," declared Aldo Campagnola, the general secretary of the Brazilian Institute of Monarchical Studies, who claims to have 2 million sympathizers in the far south of Brazil alone.

Never before have the rotten European oligarchy and their despicable Bragança brethren gotten so far in their attempts to reverse the republican triumph of 1889 and put themselves back on the throne of the Brazilian Empire. That empire, it may be recalled, was created in 1822 by the Holy Alliance, under the personal supervision of Prince Metternich, Henry Kissinger's intellectual model.

International Intelligence

LaRouche addresses French military seminar

U.S. presidential candidate Lyndon LaRouche addressed a seminar in Lyons, France on July 6, sponsored by the Schiller Institute and the French Fusion Energy Foundation, on the topic of "Radio Frequency Weapons: technical feasibility and strategic importance." Among those attending the conference were strategic specialists and industrialists interested in new technologies in weapons systems.

LaRouche denounced current "New Yalta" deals between East and West, citing as historical precedent the 4th century B.C., when the Persian Empire tried to impose its hegemony on Greece, by proposing to Philip of Macedon the creation of an "Empire with Two Heads," according to the plan of Isocrates. Plato's Academy, by pushing Alexander the Great to the fore, was able to put an end to the Persian efforts.

LaRouche then turned to the great crises affecting today—the financial crisis and the spread of AIDS. "The biggest problem is that there will not be, in the American presidency, as it now stands, someone capable of taking the kinds of decisions required. We are being offered a George Bush, who is a zero, and a Michael Dukakis, who doesn't even reach the level of a zero."

LaRouche also discussed at length the economic crisis shaking the East bloc countries, while warning against the notion that this might mean some kind of collapse of the Soviet dictatorship. "The East bloc economic crisis is the result of the frenetic looting to which those countries have been subjected, in order to permit a tremendous military expansion of the Soviet Empire. This creates an extremely dangerous situation. Faced with a West that they consider weaker than they are, the Russian empire will be tempted to resolve its problems by an Anschluss, using the same strategy Hitler did.

"What strategy must we adopt in the face of this?" LaRouche outlined the measures he would implement if he were President, especially stressing his space colonization program. "This would give the West a grand

design, and help relaunch science, organize the technological spin-offs into the civilian economy, and pull the economy forward with these advanced technologies."

Soviets want treaty with Australia

The Soviet Union is seeking a treaty that will permit Soviet ships to use Australian ports. Deputy Soviet Minister President Vladimir Kamentsev, visiting Australia, proposed during a stay in Sydney that the Australians grant harboring rights to Soviet vessels for a fair payment.

The Australian government posed the condition that long-term contracts on imports of Australian grain to the Soviet Union be signed, which Moscow is considering.

Military people in Australia are protesting the prospective deals, because the treaty, while officially restricted to civilian vessels, would allow the Soviet Navy to spread its operations into the far south of the Pacific Ocean.

The deal might be signed later this year, when Soviet Premier Nikolai Ryzhkov is expected to visit Australia.

Terrorist's arrest sheds light on IRA

The arrest in Brussels, Belgium of a former Catholic priest, Patrick Ryan, who is considered the "banker" of the terrorist Irish Republican Army (IRA), is bringing to light the IRA's international intelligence connections. Arrested on June 30 for possessing a false passport, Ryan, based in Spain, is believed to be the main liaison between the IRA and Libya. He is personally under investigation for the 1982 Hyde Park bombing in Britain.

His arrest came as British police had launched an all-out search to find some 100 tons of weapons known to have been delivered to the IRA by Libya over the last two years. These include sophisticated weapons: For example, the IRA in early July used

a Soviet-made 12.7 heavy machine gun to shoot down a British army helicopter.

Similarly, British intelligence sources report that though there is much noise on the IRA-Libyan connection, the government is aware that since 1968, the IRA has been entirely deployed by the Soviet Union, and that Libya is only a cut-out and transit point.

However, for primarily diplomatic reasons, no one in Britain is ready to publicize the Soviet connection.

French minister wants to silence generals

The new French defense minister, Jean Pierre Chevenement, has written an unprecedented official warning to some 45 retired generals, not to "interfere" into politics.

The generals had signed an electoral letter in favor of Jacques Chirac during the June presidential elections, which were won by incumbent François Mitterrand, forcing Chirac's resignation as Premier.

Chevenement warned that even if retired, generals have the duty to remain politically silent and not to interfere in politics in violation of the "spirit of discipline and loyalty" of the army.

"The French army belongs to the nation, it is neither owned by a group of officers nor by a party, it is neither right nor left."

Chevenement's threat to retaliate legally against the generals if they maintain their political commitments in public, could mean that the new government intends a large-scale purge of the army.

Israeli generals back West Bank pull-out

There will be no return to the pre-November 1987 situation in the Occupied Territories, warned an unnamed high level Israeli military officer in a background briefing to the press on July 7. Some say this was General Mizne, the commander at the West Bank.

He then stated that he agreed with a statement by General Shahak, head of mili-

tary intelligence, that there "is no alternative to the PLO leadership" in the territories. The further the army moves in, the "more terrorism there will be."

The anonymous statement comes as the Military Council for Peace led by Gene Ya'ariv and retired military officers has begun a tour of Israel to convince the population of the need to give up the Territories.

France's *Le Monde* reports that their view is now shared by most Israeli officers up to the level of the chief of staff.

Savimbi in Germany, warns on talks

Dr. Jonas Savimbi, head of Angola's UNITA resistance fighters, visited Bonn, West Germany on July 12. The main purpose of his European tour was to remind everyone that UNITA is a force to be reckoned with, and that without it, any settlement of the Angolan conflict would be meaningless.

Rumors have been widespread that the United States and Soviet Union have reached a deal over Angola and southern Africa generally, and that Savimbi's assassination could be in the offing to clear the way for the deal.

Savimbi timed his European visit to make his presence felt before talks on Angola between the pro-Soviet government, the South Africans, the Cubans, and the Americans resume in the United States in July.

Savimbi insisted that it was not his aim to take part in the talks at this stage. "Dr. Savimbi was careful to say nothing that would offend his sponsors, the United States and South Africa, but he implied that none of the four powers should assume that UNITA will accept any agreement reached." reported the London *Times*.

On July 12, Savimbi presented to the Bonn media samples of toxic substances used by Cuban forces against UNITA and the civilian population in Angola and northern Namibia, during their recent intensified air raids. The substances included mustard gas and another new toxic gas that was first found in Afghanistan, produced in the Soviet Union.

As in Afghanistan, the substances are

sprayed from helicopters and used with artillery shells over a broad area, either preemptively to prepare an area for Cuban invasion, or in scorched-earth operations.

A team of experts led by Prof. Heyndricks of Ghent University in Belgium went to Angola at Savimbi's invitation three months ago, and secured samples of the toxic gas with the original Soviet inscription on them, which had repeatedly been found on Cuban dead and POWs.

Colombian government negotiates with M-19

On July 6, the Colombian government acknowledged that Interior Minister César Gaviria Trujillo had traveled to Havana to meet with M-19 chieftain Antonio Navarro Wolf, a protected resident of Castro's Cuba. Navarro has been named by the M-19 narco-terrorists as their negotiator with the Virgilio Barco government over ransom demands for the release of Social Conservative Party leader and twice-presidential candidate Alvaro Gómez Hurtado, kidnaped May 29.

Following his July 4 return from Cuba, Minister Gaviria declared, "We are making important and necessary advances [in negotiations] with persons who can eventually help us in the freeing of Dr. Gómez." Speculation that those "persons" may include Fidel Castro led Fabio Echeverri Correa, president of the Colombian National Industrialists Association (ANDI), to denounce Cuban intervention in Colombia's internal affairs, and to attack the Barco regime for authorizing the visit to Cuba.

The M-19's key condition for Gómez's release is its demand that the Barco government convoke a "summit" meeting, attended by representatives of the government, armed forces, Church, labor unions, business associations, peasant organizations, etc., to hear a presentation by the M-19 leadership on its "peace" proposals. Those proposals include withdrawal of the military from Colombia's terrorist-infested countryside, incorporation of all narco-terrorist gangs into Colombian political life, and an end to extradition of drug traffickers.

Briefly

● **THE VATICAN** has named Hong Kong Bishop John Baptist Wu a cardinal. The Chinese-born Wu will now take over responsibility for negotiations between the Vatican and Beijing. The raising of Wu is being widely interpreted as a slap in the face to Cardinal Jaime Sin of the Philippines, who heretofore represented the Vatican to China.

● **PLO CHAIRMAN** Yasser Arafat has made a proposal for direct negotiations with Israel, according to a message given to the Israeli government on July 9 by a special Romanian envoy. According to the July 10 *Jerusalem Post*, Arafat suggested that the PLO and Israel alone work out an interim solution for the Occupied Territories, and that once negotiations have started, broader negotiations could be held under the auspices of the U.N.

● **THE PENTAGON** has asked the Shamir government of Israel to open an investigation into Shaul Eisenberg's activities inside the Peoples Republic of China. The request is based on reports of Chinese acquisition of sophisticated radar components that the United States had provided to Israel as part of the Lavi jet program. Reportedly, a full prototype of the Lavi is now at a PRC military base. Eisenberg is Israel's largest arms dealer.

● **LEE HSIEN LOONG**, son of Singapore's Prime Minister Lee Kwan Yue, said in early July that there was a "long-term loss to relations and confidence" between the U.S. and Singapore after the recent expulsion of an American diplomat for meddling in the country's internal affairs. Singapore would now have a "certain reserve" in dealings with Washington. The Soviets seem ready to fill the void: "Singapore is a city where everybody is making money. Why not us?" wrote the special correspondent of the Soviet weekly *New Times* June 24.

Pentagate exposed as Weld and Hudson's dirtiest sting

by Our Special Correspondent

Just as this magazine charged in a widely circulated supplement in late June, the Pentagate scandal has now been publicly exposed as one of the sleaziest unconstitutional "sting" operations ever attempted by the "permanent government" apparatus housed in the Justice Department and FBI.

On July 9, 1988, the *Washington Post* revealed the identity and background of the government's original "source" on Pentagon contract abuses that triggered a two-year secret spy-and-entrapment effort against the nation's military command and major defense industries. That probe, launched in September 1986 within days of William F. Weld's confirmation as head of the Justice Department's Criminal Division, culminated on June 14, 1988, when hundreds of FBI and Naval Investigative Services agents raided offices at the Pentagon and scores of major defense companies and their consultants around the country.

According to the *Post*, the government's original Pentagate "confidential informant" was John P. Marlowe, a retired career military officer who set up a small defense consulting firm, Tri-Tech, in the mid-1980s following his retirement from the U.S. Marine Corps. In March 1985, Marlowe was convicted in Arlington, Virginia Circuit Court of two counts of child molesting. Reported the *Post*, "Marlowe, 45, is serving a six year sentence at a Virginia state prison for indecent exposure and aggravated sexual battery. He was convicted . . . of twice luring a 9-year-old girl and a 10-year-old girl to a basement where he exposed himself to each separately and asked them to touch his genitals."

Though sentenced to six years in state prison, Marlowe never began serving that sentence until July 29, 1987—nearly a year after he was set up by the Justice Department to run a series of sting operations against defense industry consultants and Pentagon employees. Apparently, federal prosecutors promised Marlowe that if he would secretly tape-record

conversations with a number of Pentagon consultants, they would intercede to minimize his jail time. On July 14, 1988, less than 12 months after Marlowe entered jail to begin serving his six-year sentence, a parole board was scheduled to approve his release from jail.

According to an affidavit filed on June 10, 1988 in the U.S. District Court in Dallas, Texas seeking court authorization for search warrants against a string of Texas-based defense companies, it was the confidential informant's "consensually recorded conversations with several individuals" that enabled the Justice Department to obtain wiretap orders and additional electronic surveillance authorization against William Parkin, Melvyn Paisley, Thomas Muldoon, Mark Saunders, Donald Illeman, Fred Lackner, Jim Rapinac, and Charles Gardner.

And so began Pentagate—apparently.

Henry Hudson's pederast brigade?

What the *Washington Post* glaringly failed to mention in its Pentagate informant "scoop" was the fact that at the time of Marlowe's arrest and conviction, the county prosecutor in Arlington, Virginia was Henry Hudson—the same Hudson who became the U.S. Attorney for the Eastern District of Virginia in April 1986, and who has been running the Pentagate probe from its inception. Long known as a "smut buster," who threw significant prosecutorial resources into pornography and prostitution cases, Hudson became the chairman in the mid-1980s of the Reagan administration's National Commission on Pornography.

The commission issued its 2,000-page final report on July 8, 1986. A defensive Hudson, aware of the furor that the report's findings provoked among the nation's civil libertarian community, told *Legal Times* in a July 7, 1986 interview that "contrary to popular belief, this wasn't a bunch of people

sitting around giggling and looking at dirty books. It was strictly a scientific study primarily focused on the relationship between certain types of obscenity and certain types of anti-social behavior.”

Among the commissioners who collaborated with Hudson on the study was Dr. Park Elliot Dietz, a forensic psychiatrist and senior adviser to the FBI training academy at Quantico, Virginia.

Hudson's co-chairman and apparent political sponsor was Tex Lezar, a former aide to *National Review* publisher William F. Buckley, Jr. who held a top post in the Reagan Justice Department until he left government in 1984 to return to private law practice in Dallas, Texas. Lezar's wife, Merrie Spaeth, was a Carter-era special assistant to FBI director William Webster. She went on to be a special assistant to President Reagan, in charge of White House media relations.

While Hudson, Dietz, Lezar, and the other commissioners were fending off criticisms of their study, apparently, in at least one case, Hudson's "scientific method" led him to sponsor an undercover FBI "sting" agent who was subsequently indicted on 14 separate counts of sodomy—all carried out while he was working "undercover" for Hudson and the FBI. That "sting" operative, John A. Vitullo, was nabbed by Fairfax, Virginia police on Nov. 5, 1987 when he approached an undercover officer and offered to pay for sex with young boys. Vitullo reportedly boasted to the undercover policeman that he maintained a large collection of child pornography and that he had two computers at home that he used to maintain contact with a network of people who engaged in sex with juveniles.

Were Vitullo and Marlowe both part of a stable of pederasts maintained by the government as informants and blackmail operators?

In the late 1970s, another pederast, James Brewer, helped the FBI to launch Abscam, the original "sting" operation that sought to catch members of the U.S. Congress in bribes and insider favors. Brewer, while working for the FBI under the Federal Witness Protection Program, was allegedly a member of the North American Man/Boy Love Association, NAMBLA, a crime syndicate believed to be responsible for a nationwide kidnaping ring targeting young boys. According to several sources, when William Weld became U.S. Attorney in Boston in the early 1980s, he had Brewer relocated to his jurisdiction to draw upon his services in targeting local New England political machines.

It stretches the imagination to believe that the Justice Department's most prominent "sting" operations, Abscam and Pentagate, were just *coincidentally* launched by pederasts, both desperate to avoid pending prison terms.

Trial by leak?

While Henry Hudson was highly critical of Federal District Court Judge John B. Tolle of Dallas for his unsealing of the affidavit in support of the Texas search warrants (every other federal judge kept the affidavits under seal and out of

the reach of defense attorneys and the press), Hudson has become embroiled in a major controversy over the continuing pattern of grand jury leaks to the media. The effect of these leaks has been to keep the Pentagate scandal on the front pages of the national press.

On June 28, attorney Robert Plotkin from the lawfirm of Laxalt, Washington, Perito and DuBuc, representing one of the major targets of the Pentagate probe, former Assistant Secretary of the Navy Melvyn Paisley, filed a harshly worded protest with Henry Hudson, charging that the government investigators themselves violated a string of federal laws prohibiting grand jury leaks and other illegal forms of disclosure.

"We are writing to protest the almost daily disclosure of secret investigative information that subjects our clients to trial by innuendo and rumor before this situation has even been presented to or considered for final action by the Grand Jury," charged Plotkin.

"These improper disclosures have gone beyond detailed descriptions of documents sought in search warrants. They include the *ex parte* allegations of investigators made to support applications for search warrants, statements purportedly made to law enforcement officials by persons who are 'cooperating' with the investigation, and descriptions of conversations that allegedly were overheard and transactions allegedly videotaped in the course of electronic surveillance. These are only several examples of the rampant release of confidential data. . . .

"It is outrageous that, in an investigation described by anonymous law enforcement sources as relating to the improper disclosure of confidential information, the investigators themselves have leaked legally protected information in pursuit of their own self-interests."

On July 8, sixteen attorneys representing a number of the Pentagate grand jury targets, filed a joint letter with Michael Shaheen, head of the Justice Department's inhouse watchdog agency, the Office of Professional Responsibility, demanding an investigation into the continuing pattern of government trial-by-leaks.

Clearly feeling the heat, Henry Hudson himself sought out Shaheen's office to probe the source of an especially embarrassing leak, in which NBC Nightly News reporter James Polk obtained a tape of one of the government's authorized wiretaps and played it on nationwide TV.

The incident may spark a subplot, a conflict between Hudson and FBI Associate Director Oliver Revell, recently of Irangate fame. Revell told the *Washington Times* in late June that Hudson was behaving like a Hollywood movie star and potentially mishandling the public relations dimension of the Pentagon scandal. Hudson's call for a Shaheen probe of the NBC leak may be a countermove by the Alexandria prosecutor. Since the time of the original Abscam "stings," Revell has been notorious as "Mr. NBC," personally providing that network's investigative reporters with exclusive coverage of every major FBI-DoJ criminal case.

A. Wohlstetter and the Trotskyites in the national security woodwork

by Scott Thompson

In December 1980, British Fabian Society executive Stuart Butler, then operating out of the ostensibly conservative Washington, D.C. Heritage Foundation, boasted to an interviewer that the just-elected President, Ronald Reagan, “the most conservative American President to be elected in decades, will oversee the implementation of a left-wing socialist agenda.”

Perhaps nowhere was that “left-wing socialist” agenda more clearly spelled out by the Reagan administration than in the January 1988 interim report of the Commission on Integrated Long-Term Strategy, entitled *Discriminate Deterrence*. Also known as the Wohlstetter Report, after its chairman and principal author, Albert Wohlstetter, the document proclaimed the end of America’s postwar nuclear umbrella over Western Europe, called for the phased withdrawal of American troops from Europe, and proposed that over the coming decades, America’s strategic attention would shift away from a Soviet-centered security policy to an emphasis on debt-collecting “brushfire wars” in the Third World.

When the report was released, every sane political figure in Western Europe recoiled in horror. Moscow rejoiced. The immediate response was so intense that the Reagan White House was forced to issue a hasty disclaimer of the fundamental conclusions drawn by the study commission appointed by the secretary of defense.

Considering the disastrous implications of the long-term strategy report, it was no surprise to *EIR* when Pentagon sources reported in the spring of this year that Wohlstetter was a leading suspect in a “Mr. X” committee believed to be spying on the United States on behalf of Israel and the Soviet Union.

In the course of several months’ exhaustive study of Wohlstetter’s long career inside the U.S. national security establishment (he is currently a member in good standing of the President’s Foreign Intelligence Advisory Board, PFIAB, the prestigious and powerful agency overseeing the entire

U.S. intelligence community), *EIR* investigators have learned that the former RAND Corporation nuclear strategist has a secret past that he has gone to great lengths to conceal: a leading position within the Trotskyite wing of the international communist movement.

Wohlstetter’s apparently obsessive effort to conceal that communist past drew the interest of an *EIR* investigative team. After archive reviews and an extensive series of interviews we publish here the fruits of that probe to date.

From Trotskyism to systems analysis

Early in 1951, friends of Wohlstetter’s from his radical period in the 1930s, landed him a job in the economics division of the RAND Corporation in Santa Monica, California. This not only provided Wohlstetter with a means to bury his Trotskyite past, but also the means by which to submerge himself in a radical transformation of U.S. strategic policy, away from a traditional military emphasis upon maintaining a war-winning posture.

Among those with whom Wohlstetter would work on this transformation of U.S. military strategy at RAND were Andrew Marshall, Henry Rowen, Herman Kahn, and Fred Iklé. In former days, Wohlstetter, Rowen, and Kahn were known as “the Father, the Son, and the Holy Ghost of RAND.” Others in Washington added RAND founder Bernard Brodie to the group, and condemned them as the “Four Pursemen of the Apocalypse.”

By 1952, Albert Wohlstetter had plunged himself into strategic policy at RAND. Starting with the assumption that the Soviet Union might launch a surprise attack upon the United States, Wohlstetter, Rowen, and others employed pioneering “systems analysis” methods—presaging Defense Secretary Robert McNamara’s “biggest bang for the buck” techniques—to attempt to win the Strategic Air Command away from a strategy based upon early warning for a preemptive, war-winning strike against the Soviet Union. This back-

step (found in RAND Report R-244-S) from classical war-winning military theory to a concept of “deterrence” based upon survivability of forces after a Soviet first strike, eroded military opposition to such later refinements as the MAD doctrine, at a time of overwhelming U.S. strategic superiority. The way was prepared for the insane theory propounded by Henry Kissinger and others in a Council on Foreign Relations study which picked up on the theorizing of Bertrand Russell’s “Trust” back-channel to the Soviet Union, the Pugwash Conference.

The decade-long campaign by Wohlstetter and his RAND “bases group” against traditional military posture, culminated in 1957, the year of the revival of the “Anglo-Soviet Trust” through Russell’s Pugwash Conference. A special study group was created by H. Rowan Gaither, known as the Gaither Committee. Gaither was a member of the Council on Foreign Relations and chairman of the board of the Ford Foundation, who brought in Jerome B. Wiesner, a founding member of Russell’s Pugwash Conference from MIT, to act as his chief assistant. Working alongside Wiesner was Wohlstetter’s colleague in the RAND study, Andrew Marshall. Marshall is currently situated to implement *Discriminate Deterrence* as the director of the Defense Department’s Office of Net Assessments, a post that he originally was appointed to fill in 1973 by then-Secretary of Defense James Schlesinger.

The purpose of the Gaither Committee was to conduct a full-scale assault upon the doctrine of “massive retaliation,” upon which the NATO alliance had been built. The Gaither Committee argued that the Soviet Union would soon develop 50,000 deliverable megatons, which would pose “a threat which may become critical in 1959 or early 1960.” The final report of the Gaither Committee was kept secret from those with a “need to know” in the U.S. military, but it sent shockwaves through the CFR and Pugwash “Anglo-Soviet Trust” circles of the Establishment, spreading defeatism and winning many to a position against traditional military thinking.

In 1959, Rowen, Wohlstetter, and Marshall became active in John F. Kennedy’s presidential campaign. Rowen was later rewarded with an appointment as deputy assistant defense secretary under McNamara, where he advocated the Pugwash Conference’s and Kissinger’s insane doctrines of “Mutually Assured Destruction” and “Flexible Response,” in opposition to the doctrine of “war winning.” Rowen successfully imposed his views during the 1961 Berlin Wall crisis. (Rowen’s most recent government post was as chairman of the National Intelligence Estimates Board at CIA from 1980 to 1983.) Returning to RAND, Rowen joined with Wohlstetter, Kahn, and Marshall in advocating Jimmy Carter’s disastrous Presidential Directive 59 (a replay of Schlesinger’s NSDM-242), which enshrined “Flexible Response” as U.S. military policy. PD-59, however, still maintained the possibility of a NATO nuclear response to an overwhelming Soviet conventional assault, a provision that *Discriminate Deterrence* seeks to finally eliminate.

A hidden Trotskyite background

Unlike Iklé and other RAND associates, Albert Wohlstetter has carefully avoided any post that would require close Senate scrutiny of his past. Still, serious questions are posed as to how Wohlstetter won clearance by the FBI and other government security agencies for his work on such concerns as the Commission on Integrated Long-Term Strategy and PFIAB. Assuming the best, it can now be demonstrated that there was a concerted campaign by Wohlstetter to cover up a Trotskyite background, which links Wohlstetter to a radical network spanning three generations in both the United States and England. *EIR* investigators had to talk to many, many of Wohlstetter’s associates from the 1930s, before anyone would spill the beans. Wohlstetter had more than a “vaguely radical past.”

Two published sources exist that corroborate these interviews, showing that Wohlstetter was a 1930s member of a Trotskyite sect known as the League for a Revolutionary Workers Party (LRWP): *The New York Intellectuals* by Alan Wald, and *Unrepentant Radical: An American Activist Account of Five Turbulent Decades* by Sidney Lens. The LRWP was founded in May 1934 by a former Wall Street petroleum analyst Max Gould (a.k.a. B.J. Fields), who had worked directly with Leon Trotsky in Istanbul for four months, when he won Trotsky’s support for his factional positions in the Communist League of America.

Founding the LRWP with Gould/Fields was Benjamin Gitlow, who had been a leading member of the Ruthenberg-Gitlow faction of the Communist Party, U.S.A., which had the support of Nikolai Bukharin in the Comintern. When Stalin cracked down upon Bukharin and Jay Lovestone at the 1928 Comintern Congress—thereby beginning to end the “Anglo-Soviet Trust” arrangements until Russell and Khrushchov’s 1957 revival—Gitlow became the first secretary general of Lovestone’s Communist Party (Opposition), which remained in contact with a faction of the GPU and GRU Soviet intelligence agencies until the final 1938 purge of Bukharin by Stalin. Gitlow left Lovestone to join with Gould/Fields in an attempt to merge the Left and Right Opposition in the United States through the LRWP: the same organizations whose members form the lower level of the Trust. After losing Gitlow, then Gould/Fields, the LRWP stumbled on until 1940 as a small sect.

Sidney Hook and the radical philosophers

Wohlstetter avoided interviews with *EIR*, which was anxious to inquire how he became a Marxist radical tied to the circles of the Trust, but one of the chief influences that *EIR* was able to uncover was a string of radical philosophers linked to Bertrand Russell of the Pugwash Conference and the Cambridge Apostles, whose careers span the 20th century.

At City College of New York, Wohlstetter was influenced by Morris Raphael Cohen (1880-1947), a professor of

philosophy and mathematics, who was a Russian Jewish emigré to the United States. While attending cheder and later a yeshiva in Russia, Cohen became sympathetic to the nihilist movement, whose groups conducted terrorist assaults against the czarist “oppressor.” Upon his arrival in the United States in 1892, Cohen joined Daniel de Leon’s Socialist Labor Party (SLP), and he was closely affiliated with its Russian Jewish emigré faction, grouped around such organs as *Arbeiter Zeitung*.

Gaining entrance to the City College of New York (CCNY) in 1895, Cohen continued his SLP activities, forming a “Marx Circle” with other Russian Jewish emigrés during de Leon’s campaign for assemblyman. This Marx Circle met regularly at the Henry Street Settlement House, which had been established by followers of the British Fabian Society.

While at CCNY, Cohen came under the influence of a Scottish philosopher named Thomas Davidson (1840-1901), who had earlier been the chief influence behind the founding of the “ethical socialist” movement in late-19th-century England. Between 1881-83, Thomas Davidson founded the Fellowship of the New Life, from which the British Fabian Society arose in 1884. Traveling between Italy (where he was studying the work of Antonio Rosmini-Serbati, founder of the lay order of the Brethren of Charity) and England, Davidson worked through Percival Chubb to bring together the utopian socialist Fellowship group, which included such later founders of the Fabian Society as: Havelock Ellis, Frank Podmore, Hubert Bland, Edward Pease, and Frederick Ked-dell.

Davidson was among those sharing membership between the Fellowship and the Fabian Society. He traveled to the United States, and gathered around him a group of Jewish Russian emigrés, including Morris Raphael Cohen, whom Davidson offered to adopt shortly before his death. In the United States, Davidson, who had also been a founder of the Aristotelian Society in England, brought together a string of radical philosophical associations, including a summer school at Glenmore Farm in the Adirondacks, where he introduced Cohen to Aristotelian philosophy; and, a school for Jewish Russian emigrés called Breadwinners College, which Cohen ran after Davidson’s death. Through Davidson’s association with Felix Adler of the Ethical Culture Society, Cohen won a scholarship for graduate study at Harvard University, where he befriended William James, before returning to teach at CCNY. Cohen’s “Marx Circle” continued within Davidson’s enterprise.

Morris Raphael Cohen was strongly influenced by Bertrand Russell, who held Cohen in high regard among American philosophers. “It was the study of Russell’s *Principia Mathematica* which I began soon after I was appointed to teach mathematics at City College in 1902, that finally liberated me. . . . Russell came closer to being my philosophical god than any one before or since,” wrote Cohen in his autobiography. Cohen was a staunch defender of Russell when the

mayor of New York refused to let Russell teach at CCNY.

Cohen broke from the Socialist Labor Party in 1907, and became an early writer for *New Republic*, when it was founded in 1914. Michael Straight of the family that launched the *New Republic* was later revealed to be a member of the Philby, Burgess, Maclean KGB espionage network, recruited while he was a Cambridge Apostle by Sir Anthony Blunt.

Toward the end of his life, Cohen became a liberal, but he launched many leading Jewish organizations that shaded into Zionism. Apart from Wohlstetter, among those CCNY students trained by Cohen were:

- Ernest Nagel, the Aristotelian-Russellite symbolic logician, who later became Wohlstetter’s mentor at Columbia University.
- the philosopher Morton White, with whom Wohlstetter wrote an article for the Trotskyite *Partisan Review* magazine, which appeared in its fall 1939 issue (Vol. 1, No. 5), titled, “Who Are the Friends of Semantics.” It was a radical defense of Aristotelian symbolic logic.
- Jay Lovestone, the future Bukharin-appointed general secretary of the CPUSA, who worked with Soviet intelligence until 1938.
- Bertram Wolfe, a Lovestonite-Communist.

Another important individual in the Wohlstetter story who was trained by Morris Raphael Cohen was Sidney Hook, who told *EIR* that he has been a lifelong friend of Albert Wohlstetter, as has his friend, Ernest Nagel. According to Hook, Wohlstetter and Morton White used to attend classes given by Hook at New York University, when they were graduate students around the Trotskyite LRWP. Hook was a leader of the Marxist faction at CCNY, before he, like Wohlstetter, went on to do graduate work at Columbia University. Hook became a leading protégé of the then-pro-Bolshevik John Dewey. It was at Columbia that Hook began the project that was to occupy him throughout the 1930s, of seeking a synthesis between Karl Marx’s “dialectical materialism” and Dewey’s pragmatism.

Graduating from Columbia University, Hook received a Guggenheim Fellowship in 1928 to study post-Hegelian philosophers in Germany, where he met Karl Korsch, the founder of the Frankfurt School. Of relevance to this study of Albert Wohlstetter—as the godfather of the “Mr. X” Committee for Soviet “false flag” spy Jonathan Pollard—is just whom Korsch was associated with in founding the Frankfurt School, which Korsch modeled upon “the Fabian research office.” At a small 1921 gathering of Marxist students in Thuringen, financed by the Argentine-German grain trading family of Felix Weil, among those present with Korsch were Hede Massing, Paul Massing, and Richard Sorge. All three friends of Korsch would become fixtures in Soviet intelligence, especially Richard Sorge, the grandson of Karl Marx’s secretary.

It is notable that while he was in Germany, Hook took up once again with two friends from the William Z. Foster

faction of the CPUSA, who had become agents of Soviet intelligence. Hook later brought Karl Korsch to the United States, and attempted to introduce him to radical American philosophical circles. Considering Hook's close friendship, this may have included Albert Wohlstetter.

A year later, Hook received the singular right to study at David Ryazanov's Marx-Engels Institute. Sorge also followed this path, from the Frankfurt School to this institute. Ryazanov was a leading Soviet member of the Anglo-Soviet Trust. Although Hook, today at the Hoover Institute, is known to be anti-Soviet, he was so pro-Soviet in the 1930s, when he became the teacher of Albert Wohlstetter, that he was asked by Earl Browder, the general secretary of the CPUSA, to found a "spy apparatus" for the Soviet Union in the "centers of scientific and industrial research." Browder motivated Hook to set up this Soviet espionage network, based upon the fact that Hitler's rise to power meant Germany would attack the Soviet Union.

Passing the mantle

Just as Albert Wohlstetter was steeped in Marxist doctrine by a network of socialist philosophers that spans three generations, so he, too, has been the godfather of a wide-ranging network that has burrowed into the U.S. defense establishment and other policymaking circles of government. Apart from Fred Iklé and his RAND colleagues, this network includes Richard Perle, the former assistant secretary of defense for international economic, trade, and security policy. Perle is another suspected member of the Pollard "Mr. X" committee, who narrowly escaped arrest in 1970 for espionage on behalf of Israel when wiretaps on the Israeli embassy showed Perle leaking highly classified information from his position on the staff of the late Sen. Henry "Scoop" Jackson, probably in association with Helmut Sonnenfeldt, whose appointment as undersecretary of the Treasury was held up in 1973 for this reason.

Perle met Wohlstetter as a teenager in California. He dated Wohlstetter's daughter, Joan. Perle described himself at the time of this meeting as a "socialist." In an article on Richard Perle appearing in the Nov. 24, 1987 issue of the *Washington Post*, this lifelong relationship between Perle and Wohlstetter is described as follows:

"Wohlstetter's ideas became Perle's ideas; his network Perle's; and, as Perle traveled through the bureaucratic catacombs of Washington, his first mentor remained his intellectual Virgil—always 'enormously helpful,' says Perle. He himself was never an original strategist. His views were mostly elaborations of Wohlstetter's."

It is therefore doubly significant that Richard Perle is the architect of the "zero option" policy, sold to the Reagan administration for the 1986 Reykjavik summit, which underlies the INF Treaty's step toward the decoupling of the United States from NATO. The next step is to be found in the the Iklé-Wohlstetter *Discriminate Deterrence* report.

Bush seizes the reins of government

by Nicholas F. Benton

Vice-President George Bush was publicly handed control of the White House on July 7, in a widely overlooked but extraordinary move which effects the closest thing to a direct transfer of power, short of the death of the President or invocation of the 25th Amendment against the chief executive.

Characterized by White House spokesmen as merely an effort to gear up for the Bush presidential campaign, a two-hour meeting was held over lunch July 7 in which the initiative for presidential policymaking was shifted from the aging President Reagan to Bush.

The following institutional changes were made which effectively implemented the transfer:

1) The creation of a "small group of staff members" from the top echelons of the White House staff, chaired by the President's Chief of Staff Ken Duberstein, and the Bush campaign, led by Bush's Chief of Staff Craig Fuller, to meet regularly and "ensure close coordination." This group will essentially set White House policy, filling the role vacated by the departure in June of Howard Baker.

2) The formation of a "shadow staff" of Bush personnel to monitor the daily activities of the President's staff. This means that Fuller now attends the daily staff meetings with Duberstein; a member of Bush's press staff attends all the staff meetings of White House press spokesman Marlin Fitzwater; and Bush staff people "work closely on a continuous basis" with White House Political Director Frank Donatelli.

3) President Reagan's role will be reduced to that of a public spokesman for the election of Bush between now and the election. White House spokesman Fitzwater said during a July 7 briefing announcing these changes, that Reagan's schedule includes, effectively, only three weeks of even apparent governing of the nation between the time of the Republican National Convention in mid-August and the November election. The rest of the time will be taken up by vacations and, from Oct. 1 onward, spending "at least two days a week" (half or more of his work schedule time) campaigning for the vice president.

Within a week of this development, Bush's enhanced role was clearly evident in the choice of former Pennsylvania Gov. Richard Thornburgh to become the new attorney general. Bush announced ahead of time that if the choice was to his liking, he would consider keeping the man on in the next administration if he were elected.

As a result, any impulse, as discussed around Washington, that Reagan might choose a conservative like Robert Bork to fill the post, was immediately ruled out, and the "moderate" Thornburgh chosen. Fitzwater was quick to point out, on the day that the Thornburgh announcement was made, that "of course, the vice president was consulted prior to the decision."

Thornburgh is cut from the Bush mold of the consummate Eastern Establishment liberal, and said his priority as attorney general will be to "go after organized crime," which, in today's Justice Department, is code language for using the RICO ("racketeering") statutes to go after political enemies, whether they be labor unions or defense industry contractors.

In another move demonstrating the upper hand Bush has attained in the administration, he was handed the limelight to debate Iran in the United Nations Security Council on July 14, while Reagan was trotted off to Iowa for a nostalgic visit to the radio station where he did his first sports broadcast.

Lame duck period

Judging from the White House's schedule, President Reagan will give a whole new meaning to the term, "lame duck." The remainder of his time as titular head of state will be composed of the following:

July 17-24: Vacation in Santa Barbara, one week.

Aug. 13-Sept. 5: Vacation in Santa Barbara, following a stopover at the Republican National Convention in New Orleans, three and a half weeks.

Oct. 1-Nov. 8: Campaigning "at least two full days a week" for Bush, five and a half weeks.

Nov. 8-Jan. 20: Official "lame duck" period begins, with the President engaged in the transition to the new administration, 11 weeks.

Out of this entire period, there will be only three weeks between July 25 and Aug. 13, and another three-and-a-half week period from Sept. 6-Oct. 1, when Reagan will be fully occupied, at least ostensibly, with the function of President. That totals six and a half weeks out of the remaining 27 weeks of the administration!

During this period, the key policymaking institution within the White House will be the Duberstein-Fuller committee, just as, from the beginning of the Reagan presidency, the President has relied on his key advisers to run the show.

In the first Reagan term, White House policy was set by the "troika" of Chief of Staff James Baker, Michael Deaver, and Edwin Meese, with both Deaver and Nancy Reagan usually siding with Baker to tilt the balance decisively. In the second term, the job fell to Chief of Staff Donald Regan, who clashed with Nancy, and then to Regan's replacement, Howard Baker, who functioned as effective President until his resignation in June. Now, with lightweight Duberstein in the key White House job, the burden for policymaking has shifted to the new committee, whose mandate is to do only those things which will help Bush's chances in November.

Teamsters' takeover judge refuses DoJ

by Edward Spannaus

The U.S. Justice Department's effort to impose a government dictatorship over the International Brotherhood of Teamsters was stalled on July 7, when a federal judge in New York denied the government's motion for a preliminary injunction against the union.

United States District Judge David N. Edelstein, in refusing to grant the injunction, noted that the case is "unique . . . in scope" and that it "requires determination of important issues of fact and law." He consolidated the request for the preliminary injunction with the trial of the entire case, which was set for Feb. 27, 1989. The suit was filed by the Justice Department on June 28 under the sweeping provisions of the Racketeer Influenced and Corrupt Organizations (RICO) Act.

Two days after the injunction was denied, IBT General President Jackie Presser died. Presser's role as an FBI informant will still be a major issue in the RICO case, since many of the acts of "racketeering" of which he was accused took place while he was, in the words of his lawyer, "a cooperative citizen of the FBI."

Setback for Justice Department

The denial of the preliminary injunction is clearly a major setback for the Justice Department and Rudolph Giuliani, the U.S. Attorney in Manhattan. The injunction would have allowed the appointment of one or more "court liaison officers" to oversee all activity of Teamster officers with respect to expenditures of union funds and appointments. These "liaison officers" would have the power to take over any local of the IBT and appoint trustees to run the locals.

If and when the full trial of the RICO case actually takes place, the issues of the preliminary injunction will be consolidated with those of the permanent injunction sought by the Justice Department. Additionally, the preliminary injunction would have enjoined the 26 alleged Mafia defendants from any participation in the affairs of the Teamsters or any other union, and from having any dealings with any union officers or employees whatsoever. It also would have barred any of the members of the IBT general executive board from acts of "racketeering."

The permanent relief which the Justice Department is seeking from the RICO suit at trial also includes:

stalled as injunction

- throwing out all the current officers and members of the general executive board, and appointing a trustee to hold new elections;
- the trustee (or trustees) would carry out all duties of the general executive board—except supposedly collective bargaining and political action committee activity;
- any defendant found to have engaged in racketeering (by a civil standard, not a criminal standard) would forfeit all proceeds and assets gained from the “racketeering” activity;
- the court would “issue a judgment declaring that the Teamsters International Union has been controlled and exploited by La Cosa Nostra figures. . . .”

While the Justice Department has obtained the appointment of trustees for some smaller local unions, this is the first time that it has sought to take over an entire national union—with 1.7 million members.

RICO ‘liberally construed’

RICO was passed in 1974, allegedly to give the government new weapons in its battle against organized crime’s infiltration of legitimate businesses. It is one of the broadest statutes ever passed by Congress, and it is unique among criminal statutes in that the text of the RICO statutes says that it is to be “liberally construed.” (Criminal statutes are normally to be given narrow and strict construction.)

RICO has both civil and criminal aspects—which is what makes it very powerful and very dangerous at the same time. RICO makes it a crime to control a business through a “pattern of racketeering activity.” (“Pattern” is defined as being convicted of two offenses on a list of specified crimes over a 10-year period.)

While an individual can be prosecuted criminally under RICO, he can also be sued civilly—either by a private party or by the government. RICO gives a court sweeping civil powers, including barring an individual from engaging in “racketeering activities,” and it can order divestiture of proceeds of racketeering and confiscation of property. It is one of the few laws that provides for an injunction against one person associating with another.

Not surprisingly, prosecutors tend to get carried away with RICO and its “liberal construction.” In this case, while

listing page after page of convictions of alleged mobsters and Teamster officials for racketeering offenses, the RICO complaint also contains some incredibly ridiculous allegations.

- To prove improper use of union funds, two banquets at the 1986 IBT convention are cited, and that “at union expense, Jackie Presser entered one of the two banquets in a sedan chair pulled by four men dressed like Roman soldiers to chants of ‘Hail, Caesar.’ ”

- Jackie Presser was elected IBT president—with alleged mob backing—over objections of local Teamster officials who protested that Presser was an FBI informant. (Was the IBT actually a “captive labor organization” of the FBI?)

- Weldon Mathis, now acting general president of the IBT, has a criminal conviction for. . . vagrancy.

- Mere association with, or even being related to, someone who has been identified as a member of La Cosa Nostra is taken as evidence of criminality.

- Publishing and mailing the monthly magazine is evidence of racketeering activity.

- Putting out a press release, lauding a verdict by a jury in a criminal case, is part of the RICO conspiracy!

To show “La Cosa Nostra’s Infiltration and Control of the IBT,” the government cites the testimony of a former “underboss” of the Cleveland Family, who said that the Kansas City and Cleveland Families had gotten Jackie Presser elected as IBT president, even though the Chicago Family objected, because they believed that Presser was an FBI informant.

The testimony was that Milton Rockman, described as an associate of the Genovese Family and the Cleveland Family, told the Chicago boys “not to worry about him [Presser] being an informant. . . . I could control him.”

Wiretapped conversations are also cited, in which Anthony Salerno told his confederates that he had Presser made president over the objections of “them guys in Chicago.” “Salerno then recounted how he once got his personal attorney, Roy Cohn, to convince a Cleveland newspaper to run a retraction of a story describing Presser as a government informant.”

So, who got Presser elected—the “Families,” or the FBI? Presser and the FBI in fact may have set Roy Williams up to pave the way for Presser’s election. According to the April 26, 1986 *Washington Post*, “Several sources say they are convinced that Jackie Presser told the FBI of a crucial episode in the bribery conspiracy case that led to the December 1982 conviction of his longtime Teamsters rival, Roy Williams. Found guilty . . . Williams was forced to step down as Teamsters president a few months later and Presser was elected to succeed him.”

There is not a word in the 290 pages of government briefs about Presser being an FBI informant—only that his election is supposed to prove mob control of the Teamsters. In the July 5 hearing on the preliminary injunction, Presser’s attorney (who is also the general counsel to the IBT) argued that

Presser had been cooperating with the FBI when he committed the acts of racketeering cited in the RICO suit. In Presser's own criminal case, still pending at the time of his death, he had used his status as an informant as a defense against the charges against him.

Will there be a trial?

The government strategy in the RICO suit is based heavily on the assumption that the Teamsters won't—or can't—fight.

Simply reading through the government's pleadings makes this clear, with their amalgam of hearsay and allegations spanning 20-30 years. Add that to the fact that the government has named 42 individual defendants, and you have the potential for a real circus trial.

But, in the other half-dozen or so cases where the Justice Department has brought suit to appoint a trustee or receiver under RICO, most have been settled without a trial, by a consent order.

Why? First, legal sources familiar with such matters say that the Teamsters involved don't want a "bloodbath" in court—where all the dirty laundry is aired in public.

Second, the government's case will probably rely heavily on the "negative inference" drawn from the assertion of the Fifth Amendment privilege against self-incriminating testimony. When someone who is the target of a criminal case or investigation is sued in a civil action, defense lawyers usually will advise the person not to testify, but to assert the Fifth Amendment privilege. Otherwise, testimony elicited in the civil case can be used by the government in the criminal case. It has nothing to do with guilt or innocence: Even the most innocent of remarks can be twisted and misinterpreted by an overzealous prosecutor.

As one of the prosecutors in the IBT case recently acknowledged to this writer, in a criminal case the failure to testify cannot be used against you, but in a civil case, a "negative inference" can be drawn. That is, your failure to answer questions in a civil deposition, or on the witness stand in a civil case, can give rise to the inference that you have something to hide, and that you actually did the wrong that you are accused of doing.

Government prosecutors know that if they bring a civil action against someone whom they have also targeted for criminal prosecution, that person probably cannot defend themselves in the civil case, and the government can win by default. Indeed, the government's briefs in the Teamster case show they are well aware of this tactic.

This will add to the powerful pressures on the Teamsters to enter into some kind of settlement, with the appointment of a mutually agreed-upon trustee (perhaps someone chosen by the AFL-CIO). On the other hand, the widespread political support which the Teamsters have received, and the denial of the preliminary injunction, put the Teamsters in a much better situation to fight than anyone else has had so far.

Interview: Donovan McClure

'A threat to all free institutions'

by Nicholas F. Benton

This interview with Donovan McClure, spokesman for Americans Against Government Control of Unions, on the subject of the Justice Department's action against the International Brotherhood of Teamsters, was conducted July 7, shortly after U.S. District Judge David Edelstein had denied the government's motion for immediate trusteeship of the union. McClure noted that the Justice Department began the operation against the Teamsters a year earlier, when news of a pending action was leaked to the Los Angeles Times.

McClure: When you leak something, your purpose in leaking it is like floating a balloon. You are sending up something for public reaction, to see how the public is going to respond to it before you do it. If people salute it, then it is full speed ahead. If they don't salute it, then you go back to the drawing board to see how you can make the thing palatable. But the incredible thing about this is that since this was leaked in June 1987, there has been nothing but brick-bats. No one has saluted it. You have had letters signed by 264 members of Congress, including all the political spectrum.

EIR: In response to the leak?

McClure: Yes. Once that story came out, a lot of the congressmen—I think it was Bill Clay of Missouri who instigated it—were outraged. People like Orrin Hatch, Jack Kemp. It went all across the spectrum. There have been newspaper editorials, there have been civil rights activists speaking out. Not one word was in favor, even in the Reagan administration outside of the Justice Department.

So, when they leaked that story, obviously they wanted to see what the reaction would be. It was totally negative. But rather than saying, "We've really hit a nerve here in which the American people are concerned about what this means to constitutional rights for workers and all the rest," they just plunged ahead. When [U.S. Attorney Rudolph] Giuliani filed a civil suit, this came shortly after he took the same case to a jury trial, the Salerno trial, and lost that before a jury. The evidence was not compelling. Now, he's taken the same case into a civil suit. So, they keep plunging ahead on this case in which the American people are saying, not only is this a dumb idea, but it's unconstitutional.

EIR: What do you think is the motivation?

McClure: Well, whether the Meese resignation is going to take some of the steam out of it, we don't know. There is no way anyone can prove this, but some of the feeling has to be that it was to take some of the heat off Meese. Whether that's the case or not, we don't know.

EIR: Do you think there was a more ulterior motive, in terms of union busting, using the "new law" which goes after institutions that the government doesn't like?

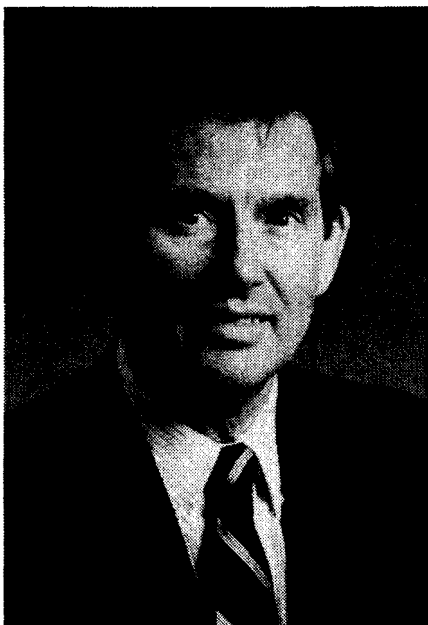
McClure: Right. First of all, one of the things you find here is that this the most hostile administration toward labor in our history. There's never been an administration as hostile toward labor as the Reagan administration. They destroyed one labor union, [the air traffic controllers' union] PATCO, and want to put others in trusteeship. If the government actually took over a labor union, they would have to represent workers in bargaining, which is absurd. There is absolutely no way the government has a clue of how these things should take place. Whatever the motives are, this is a great way to break a union.

But the fact is that this is unconstitutional. No administration before would ever dream of doing something like this. The precedent is very dangerous. Labor does get involved in politics, labor does have very active political action committees, they support generally Democratic candidates, although it is interesting that PATCO and the Teamsters both supported the Reagan administration. If you have this kind of a precedent, then if labor is going to be active in political campaigns, as is their right and their duty to their members, and they lose that election, well, the new administration comes in with this kind of a precedent, and says, "Let's take this union that worked really hard for our opposition, and let's put it into trusteeship." The kind of a precedent there is really scary, and that is what we are all concerned about.

EIR: What is your view of the use by the Justice Department of the law under the RICO statutes—the new strategy of filing both criminal and civil suits, so that they use testimony given under immunity in one case as evidence in another case, and use that to attack institutions more than individuals?

McClure: We have circulated all of the briefing materials of everything that has taken place to a number of lawyers, academics, and so forth. We think it is something which law professors should be taking a look at, and we think there will be more comments coming from that area than has happened so far. Everything about it is such a perversion of justice.

The ad we ran, for example, in the reporter publication, is aimed primarily at the idea that this is not a labor story. Most of them tend to see it as simply a labor story, an attack on the Teamsters. It is an attack on free institutions. For instance, when I saw that Giuliani filed a suit against GAF yesterday, I asked myself, "Why doesn't he put it under a trusteeship? You know, he's talking about a number of in-



Donovan McClure

dictments in this one corporation, that it's a pattern, which would mean RICO." Look at this administration. If you want to find a pattern of corruption, then obviously this government should be under a trusteeship.

The whole thing is so crazy. To us, the remarkable thing is from the standpoint of a political phenomenon of leaking something to see what the public reaction is. The public reaction is totally negative. Everyone said, "It's a dumb idea. Forget it." And that came from all across the spectrum of politics in this country.

EIR: Do you think these factors entered into Judge Edelman's decision?

McClure: I would guess they would. The judge was saying that so much is at stake here we're simply not going to make this kind of decision. I'm sure what the judge is reacting to, is the fact that this is something that goes far beyond what the Justice Department would tell us it is. Any time the Justice Department starts talking about protecting our freedom by taking it away from us, it is a repeat of the old Vietnam syndrome, really, of saying, "We're going to have to save this village; we're going to have to destroy it." Anytime people start talking about how they're going to protect our freedom by taking it away, you've got to be concerned about that. . . .

What we're saying here is that they are taking a cheap shot at one union. But if they succeed in that, they really hurt all unions very, very badly. The case we're making is that it is not just unions. We're talking about whether it is a church, a corporation, a newspaper, or any free institution; it could be treated the same way. I think the public is not aware of that.

Democratic convention could be 1968 replay

by H. Quinde

Bush for President campaign strategists reportedly are laughing with anticipation as the Democratic Party prepares for what law enforcement officials are predicting could be the most controversy-ridden and possibly violent Democratic Convention since 1968.

Regardless of whether such scenarios materialize, these officials report that the Convention is serving as the opportunity for extreme groups to forge the apparatus for future disruptions of the presidential campaign. There are estimates that upwards of 10,000 demonstrators, spanning the political spectrum from extreme right to extreme left and representing numerous special interest groups, will descend on Atlanta. Law enforcement sources are operating on the belief that there is a 60% probability of organized violence breaking out on the streets of the city outside the Omni Convention Center.

Federal law enforcement officials have announced a terrorist alert as a precautionary measure in light of expected attacks against U.S. targets by Iranian-linked networks retaliating for the shoot-down of an Iranian airliner by the *U.S.S. Vincennes*. On July 4, fifty pounds of dynamite were stolen from a construction site in Atlanta, which seems not to have been recovered.

The unceremonious denial of the vice presidency to an expectant Jesse Jackson has added fuel to the fire. Electronic media producers are preparing to highlight fist-fights on the convention floor for the TV viewing public, as Jackson delegates vent their anger at the snubbing they have received from Governor Dukakis and his campaign staff. Jackson has enlisted President Jimmy Carter to mediate with the Dukakis campaign.

Bush backs Jackson?

Meanwhile, Republican political strategists giggle as they refer to Jackson as "the best candidate Bush money can buy." Rumors have been widespread that the Bush campaign has covertly contributed to Jackson's campaign in hopes of weakening the Democratic Party ticket.

Jackson is leading a Rainbow Coalition car caravan of his constituents from Chicago to Atlanta, making stops in several cities to hold support rallies and pick up people who will attend the demonstrations at the convention center. Political analysts have characterized one-third of the Jackson delegation as "hot-heads" who are contemplating multiple

strategies to disrupt the convention. American Civil Liberties Union (ACLU) lawyers working with Jackson's campaign staff are preparing to enter federal court in Washington, D.C. to challenge the credentials of the Dukakis delegates. The ploy could tie up enough delegates that Dukakis would not get the nomination on the first ballot. An attempt to challenge Sen. Lloyd Bentsen for the number-two spot on the ticket is also under consideration. Should the tactics fail, a walk-out from the convention is expected.

Waiting for them outside of the convention center, in the parking lot, will be a continuous stream of demonstrations. The Democratic National Committee authorized a stage to be built in the parking lot from which protesting leaders can exhort their disaffected followers. A schedule has even been established so that each protest group is given 90 minutes of time in control of the microphone.

The traveling Jackson contingent will be joined outside the Omni center by a coalition led by the National Alliance Party and the Black Muslims, which are making a play to attract angry and radicalized Jackson delegates. The NAP is a left-wing radical splinter party whose presidential candidate, Dr. Lenora Fulani, has qualified for federal matching funds. The NAP expects to be on the ballot in all 50 states, something which requires substantial funds. In a recent radio interview, Dr. Fulani said that her candidacy was a spoiler campaign to deny the Democrats the presidency by coopting the disaffected Jackson activists. Since Bush is the beneficiary, several political analysts have suggested that the NAP and Muslims are just an extension of the Khomeiniac Islamic "moderates" who have financially benefited from the Irangate affair.

Louis Farrakhan, the black segregationist leader of the Nation of Islam (Muslims) has publicly endorsed Dr. Fulani's campaign for President. A spokesman for the NAP announced that they and the Black Muslims plan to bus 10,000 people to Atlanta. The NAP and Muslims maintain close relations with pro-Khomeini radical Islamic groupings in the United States, who will have contingents at the demonstrations. The NAP's national newspaper advertises Libyan madman Qaddafi's *Green Book* of political drivel.

The week will start with a speech by Farrakhan on Sunday, July 17, at at Morris Brown College in the downtown area. Several blocks away, on the same day, the Ku Klux Klan and other white supremacist groups will march down Marietta Street to the State Capitol. Six blocks from the Omni Center at the Metroplex Center, there will be a several-thousand-person conference under the auspices of "Alternative 88" lasting the week. The "Alternative 88" coalition includes numerous groupings on the watch list of law enforcement agencies, such as the proto-terrorist Yippies, the pro-terrorist Revolutionary Communist Party, and the American Indian Movement. Burned-out 1960s radical Abbie Hoffman and his sidekick, Amy Carter, are speakers at the sideshow conference.

Meese hints Weld under investigation

At a Justice Department press conference to announce "Operation Stop Crop," an ambitious interagency domestic marijuana eradication mobilization, Attorney General Edwin Meese intimated that his former deputy William Weld is, or soon will be, under investigation on charges of perjury.

The morning of the July 13 press conference, the *Washington Times* reported that the DoJ had conducted an investigation of Weld, prior to Weld's resignation last March. Weld, who resigned, he said at the time, in protest of Meese's refusal to leave office, was being probed on charges of marijuana use, the *Times* reported. The story quoted U.S. Attorney for Massachusetts Frank McNamara saying that he would not deny that he saw Weld smoke marijuana during a party at a Virginia farmhouse in 1982.

Our reporter asked Meese about this. Meese, who made no bones about his "disappointment" with Weld in a television interview only the weekend before, said, "I won't comment."

"Don't you trust the word of your U.S. Attorney Frank McNamara? And do you think that Weld should be prosecuted for perjury if the allegations of his marijuana use turn out to be true?"

It is difficult to say if the strained expression on Meese's face represented an effort to suppress a grin. But he reflected, and said, "It would not be proper for me to comment on matters involving investigations either under way or pending."

EIR focuses media on Iranian airliner

A total of five questions from *EIR* journalists—this writer and colleague Leo Scanlon—were put to Adm. William Crowe, chairman of the Joint Chiefs of Staff, during his press conference at the Pentagon on Sunday, July 3, to announce the downing of an Iranian commercial airliner by U.S. forces in the Persian Gulf.

The questions were the only ones to properly focus attention at the internationally televised briefing on the abnormal behavior of the Iranian airliner, drawing out from Admiral Crowe critical information about the fact that the airliner was descending in altitude and gaining speed as it moved on a path directly toward the *U.S.S. Vincennes*.

Benton: How common is it for civilian aircraft to be outside of normal air corridors in that part of the world?

Crowe: I don't know that I can answer that question. It seems to me that two things are pretty clear. First of all, flying in that kind of constrained environment, that you would be very careful, particularly given the warnings and the NOTAMs [Notices to Airmen] we had issued. And secondly, I don't understand the responsibility of a country that, while it is attacking other ships, making a war zone out of a certain area of the ocean, and then goes ahead and flies a commercial airliner over that part of the ocean at the time that attacks and hostilities are under way.

Benton: Was there anything else unusual in terms of speed or altitude of this aircraft, other than that it did not respond and that they were out of their normal flight corridors?

Crowe: As I said at the conclusion of my statement, not all the data is in, but we do have indications that the

people on the ship were led to believe, from the flow of information—and we are reconstructing this now—that the aircraft was not only on steady bearing and closing, but that it had gone up in altitude and was increasing—or decreasing in altitude as it neared the ship. . . .

Benton: You may be implying by the abnormal behavior of this aircraft that it's not inconceivable that the pilot was trying to draw the fire of these missiles.

Crowe: I did not mean to imply that.

Scanlon: Has there been any pattern of Iranian F-14s using airliners in the area as shadow to conduct patrols or anything like that?

Crowe: We have not detected that as a pattern. . . .

Benton: Admiral, would you imply that not only was this out of the air corridor, and not responding to your signals, but that you detected that it was losing altitude and gaining speed, and flying over an area where combat activity was occurring? In addition to all those irregularities concerning this aircraft, have you been able to determine whether it took off on schedule as a normal commercial flight, or are there any other irregularities?

Crowe: We're trying to determine that right now. I would like to emphasize your point for a moment, the F-14s, on corridors, out of corridors. The important points here are the commanding officer has a responsibility to protect his people, his unit. He is engaged already in a surface action. He has a minimum amount of time. It is logical to conclude that while he is firing, and they are approaching him, and an aircraft lifts off from Iran, goes toward him, steady course, high speed, decreasing altitude, will not vary, will not contact him, it's a more than logical conclusion that he may very well be in jeopardy.

Gonzalez wants Wright for vice president

In a press conference held one week before Democratic presidential candidate Michael Dukakis named Sen. Lloyd Bentsen as his running mate, Rep. Henry Gonzalez (D-Texas) proposed House Speaker Jim Wright as a better alternative in forming a Boston-Austin axis, the winning Democratic combination of the 1960 JFK-LBJ campaign.

"The accusations raised against Jim Wright earlier were politically motivated, because the Republicans know that Wright would be a winner on a Democratic ticket," said Gonzalez. "It has been a very languishing, lackluster campaign so far. We have got to arouse the voters. Jim Wright could do that, and as a legislator he is magnificent."

When questioned as to why Lloyd Bentsen wouldn't be appropriate for consolidating such a Boston-Austin axis, Gonzalez responded, "Many of us in Texas feel that Lloyd Bentsen is not as strongly identified as a Democrat as Jim Wright." Gonzalez commented that Bentsen's voting record has been even more supportive of Ronald Reagan's policies than Sen. Phil Gramm, the Republican from Texas.

House votes to close military bases

Final House passage on a bill which could lead to the closing of about 20 domestic military bases by the beginning of next year, came by voice vote on July 12. The key vote to accept tough language that would keep congressional participation in base-closing to a minimum had been passed earlier 223-186.

Similar legislation was adopted by the Senate earlier this year, and negotiators from the two houses will now have to work out the differences in the two proposals.

One of the built-in safeguards that had earlier assured that the professional Pentagon-bashers would not simply shut down domestic military bases right and left in an attempt to save money was the procedure by which the local congressional representatives would fight to maintain important military and naval bases in their districts, which were, of course, economically beneficial to the local communities.

This present legislative measure submitted by Rep. Dick Arme y (R-Texas) would strictly limit the role of the Congress in the base-closing process. The legislation requires that a special Pentagon commission submit to the secretary of defense a list of proposed base closings by Dec. 31. The secretary will then have 15 days to decide to close all or none of the bases, an approach which is intended to remove political bargaining by both the administration and Congress. Congress could vote to disapprove, although the President, in turn, could veto the disapproval, thereby requiring Congress to mobilize a two-thirds majority in both houses in order to override the veto.

Arme y's original proposal would have eliminated the role of Congress entirely in the process, but this met with stiff House opposition and had to be changed to give it a chance of passing.

Proxmire pushes Rohatyn's fascist budget gouging

Sen. William Proxmire (D-Wis.) has made the first public bid to foist the

austerity program of the bipartisan National Economic Commission on unsuspecting legislators. In floor comments on June 28, Proxmire had read into the *Congressional Record* an article by Felix Rohatyn on the financial crisis.

Rohatyn is a notorious New York investment banker and prominent member of the bipartisan National Economic Commission, the chief behind-the-scenes organization which has been delegated the task of preparing an overall plan of massive austerity and budget cutting for the "first 100 days" of the next administration.

Proxmire and Rohatyn, in contrast to some of our academic economic pundits, are aware that we are heading for a second crash of the markets. Thus, Rohatyn: "We should be ready to take action after the next shock to the system. Such a shock could well be more far-reaching than the last one as a result of the delay and a possibly less benign economic climate." He calls for "strong action by the administration, Congress, and the regulators."

The National Economic Commission, although trying to maintain a low profile until the elections are over because of the politically explosive nature of the measures they are recommending, will come out with all barrels blasting immediately after the elections—with hearings, press conferences, and perhaps even paid advertising for their murderous austerity proposals. Rohatyn is even being mooted as Treasury secretary in a Dukakis administration.

Proxmire is giving him the red carpet treatment, commending him as a "wise and highly respected observer of the American economy." Proxmire has no illusions. He admits that his solution to the economic crisis calls for "pain and lots of it." And if there's anyone who knows how to dish out

pain, it's Felix Rohatyn—the butcher of New York City.

Dakota senator warns of locusts and grasshoppers

In floor statements at the end of June, after visiting the drought area in South Dakota, Republican Sen. Larry Pressler warned that grasshoppers and locusts would follow in the wake of the drought. "If the drought continues," said Pressler, "we could have a real problem with grasshoppers and locusts; counties and states may have to expand programs to assist farmers and ranchers control grasshoppers."

Pressler reminded his fellow legislators that this was not the first time that they had had to deal with such problems. The Mormons during the last century were hit by a plague of grasshoppers and were saved by seagulls who came and ate the grasshoppers. Today, in Salt Lake City, there is a huge statue of a seagull commemorating the event.

"In the Old Testament," continued Pressler, "the Pharaoh had no defense against the grasshoppers and locusts. Locusts are mentioned throughout the Bible. Indeed, in Nahum 3:17: 'Thy crowned are as the locusts, and thy captains as the great grasshoppers, which came in the hedges in the cold day, but when the Sun ariseth they flee away, and their place is not known where they are.' This is exactly the case in parts of South Dakota.

"Grasshoppers normally feed on grass in conservation reserve acres, rangeland, or other areas," Pressler explained. "With the drought, they are forced to move into nearby small grain or corn fields. . . . It will be a bigger problem next year if we do not take preventative action this year."

Pressler emphasized that the cost of spraying would also have to be tak-

en into account in any type of drought relief package worked out by the Congress and the Agriculture Department.

Plant-closing and trade bills passed

Both the House and the Senate overwhelmingly approved legislation that would require employers to give workers advance notice of layoffs and plant closings, in an attempt to salvage the trade bill vetoed by President Reagan this year. The measure passed the Senate by a 72-23 vote and the House by 286-136.

The bill requires companies with more than 100 workers to give 60 days' written notice of closing an operation involving at least one-third of a plant's workforce or a layoff of 50 or more workers.

Since the bill passed both houses with a more than two-thirds majority—enough to override a presidential veto—it is assumed that President Reagan could be persuaded to sign the bill into law or let it become law without his signature. If President Reagan rejects the legislation and Congress fails to override the veto, Democrats believe that it would make a very popular election issue. Nineteen Republicans, including 7 of the 12 who are seeking reelection this fall, voted for the bill.

The revised trade bill then passed the House 376-45. Congressional Democrats have been pushing the legislation, although, now that the main presidential obstacles have been removed, 133 Republicans voted for the measure. The measure still has to pass the Senate, although as Senate Democrats view this particular piece of legislation as a feather in the cap of Sen. Lloyd Bentsen, chairman of the Finance Committee and Democratic vice presidential hopeful, they would

be eager to get it passed as quickly as possible.

The trade bill, a real bone of contention for the Japanese and other U.S. trading partners, would launch trade war against U.S. allies.

Call for long-range national water policy

Sen. Mark Hatfield (R-Ore.) called for a "far more comprehensive national water policy if we are to assure adequate water supplies for the future." More far-reaching than the appeal of the Mississippi River state senators who have recently called on President Reagan to release water from Lake Michigan into the Mississippi River system in order to raise water levels, Senator Hatfield refers to the numerous water projects and irrigation systems set up by the Bureau of Reclamation—projects which were a dim reflection of the more ambitious NA-WAPA water project proposed some 20 years ago by former Sen. Frank Moss from Utah.

Many of these water projects were opposed by the environmentalist movement. Hatfield pointed out how they actually enhanced the habitat for fish and wildlife. "My colleagues will recall," said Hatfield, "the bitter opposition to the Garrison and Oahe projects in North and South Dakota. Projects which, if they had been built, would be in the heart of the 1988 drought. I cannot help but wonder what benefits there would be for farmers and for wildlife had the projects been built. . . . The current drought may serve to focus attention, but when the drought is over, we must not lose sight of the simple fact that there will be more droughts, more shortages, more conflicts over the use of this most precious resource. Our nation needs a long-range national water policy."

National News

Justice Department protects JDL assassins

The U.S. Justice Department has protected Jewish Defense League assassins in the United States, according to an article published in the *Village Voice* the first week of July, titled "Did this man kill Alex Odeh?" by Robert Friedman. Friedman identifies three JDL members, Keith Fuchs, Andy Green, and Robert Manning, all now resident in Israel, whose known role in the murder of Arab-American activist Alex Odeh is more than sufficient to justify an indictment for murder.

Federal agents followed Fuchs and Manning to Los Angeles one day prior to the Oct. 11, 1985 Odeh assassination, "lost track of them," and then followed them out of town one day after the murder.

"The names of Fuchs, Green, and Manning were mentioned as bombers while we were still in front of the burned out building," one unnamed police source reported. "The information that Manning and Fuchs had flown out on Green's credit card was available the first day."

An associate of JDL and FBI operative Mordechai Levy, Green's residence had been subject to an FBI search earlier that year. A detailed log of Jesse Jackson's movements was found. Intelligence sources report the JDL was maintaining a similar log on Lyndon LaRouche during the same period. Levy, who was also implicated in the murder of Tschirim Soobzokov, later became a star Justice Department witness against LaRouche in front of a Boston grand jury.

Rep. John Conyers has announced that he will hold hearings on the *Voice* revelations.

New LaRouche trial to be 'three-ring circus'?

If the "LaRouche case" goes back to trial a second time, there may be not just one trial, but two, and possibly three trials taking place simultaneously in separate courtrooms. This

was the suggestion made by Boston Federal Judge Robert Keeton July 7 during a hearing in which motions for severance of various defendants and counts were being discussed.

The original, 93-day trial of LaRouche et al. on charges of credit card fraud and conspiracy to obstruct justice ended in a mistrial in May, after lengthy hearings on government misconduct made it impossible for some jurors to continue. Jurors later said they would have voted for the acquittal of all defendants, leading many to question whether the government would even seek a new trial.

So far, the government has agreed to defense motions to sever the credit card case from the obstruction of justice case and hold two separate trials. The government has also agreed to motions made by individual defendants to separate the individuals from the organizational defendants.

The government's proposal was therefore to try the seven individual defendants first, only on the conspiracy to obstruct justice charge, and then, depending on the outcome, to hold a second trial of the organizations.

However, Judge Keeton said that he might want to have a different judge conduct the organizations' trial at the same time he was conducting the individuals' trial. But, if he thought the trial of the individuals on the obstruction charge would last longer than one year, "I will do more than you've asked," Keeton stated, he would try only three individuals in one trial, then the other four, or even conduct three simultaneous trials with three judges.

This prompted one defense attorney to remind Keeton of earlier warnings that the case could turn into a "three-ring circus." The Judge seemed to be conceding that the whole case is inherently untriable in the form the indictments were brought.

However, no defendant can be retried until the issue of double jeopardy is resolved. Defense attorneys have filed a motion to bar a second trial on grounds of the Constitution's prohibition against being twice put in jeopardy of life or limb. If Judge Keeton denies the motion, defense attorneys are expected to seek a postponement of the re-trial while they pursue the issue in the Appeals Court.

George Bush plagued by a 'gender gap'

George Bush "reminds women of their first husband," in the view of Stewart Fleming writing in an editorial column in London's *Financial Times* July 9. Fleming says that Bush is plagued by a "gender gap."

Dukakis would be more amenable to a corporatist solution to the economic crisis, "stressing that he wants to work in partnership with Congress, business, and the states, and is presenting himself as a man who wants to unite the country to meet the economic challenges that the voters fear."

Although Bush has benefited from his association with the "achievements" of the Reagan administration, "he will have to work hard to establish in the minds of the electorate the view that by selecting him they are, for example, opting for more of the same." The selection of the vice presidential candidates, continues Fleming, "could have a significant impact on the outcome in November."

Bush's biggest problem, the paper continues, is his "unfavourability rating." The lead in the popularity polls that Dukakis has held over Bush has narrowed somewhat, but "while few voters have an unfavourable view of the Governor, an astonishingly high percentage of voters do not like Mr. Bush." His rating, Fleming continues, is "higher than those of such dramatically eclipsed candidates as Senator Barry Goldwater, Senator George McGovern, President Jimmy Carter and Vice President Walter Mondale."

Moreover, "voters' views of him have been getting more and more unfavourable over the past year, particularly among swing voters and the professed Democrats who voted for Mr. Reagan in 1980 and 1984."

North trial set to begin Sept. 20

U.S. District Court Judge Gerhard Gesell ordered Oliver North to stand trial Sept. 20. Gesell also ordered the prosecution to turn

over to North any classified documents that showed his actions were approved by his superiors.

"It presently appears that, at a minimum, substantive charges of cover-up, falsification, and North's alleged receipt of personal benefit derived from his conduct as a government employee can proceed to trial," said Gesell in his order.

"This trial date is six months after indictment," he added. "It must be met."

California rules AIDS a handicap

The AIDS virus won a major victory in its battle for all civil rights normally accorded only to human beings, when a ruling handed down by a federal court in California July 8 extended the definition of handicapped to include "those who are perceived to be contagious because they carry the AIDS virus."

Lambda Defense Fund Lawyer Mickey Wheatley, who helped represent the virus in the California case, said the decision set a precedent for those who are seropositive for AIDS. "It really does give them significant new protection," said Wheatley, "and sends out a clear signal—that fear of contagion cannot be used to discriminate."

The case involved a "John Doe" who was excluded from an alcohol rehabilitation program when an AIDS test showed him seropositive. In a similar development in New York, the State Department of Health found that Westchester County Medical Center had violated the confidentiality of an AIDS-antibody carrier who was turned down for the job of pharmacist at the center because he had tested positive.

Reagan urged to charge ABM Treaty violations

At a meeting of the National Security Planning Group on July 6, three of five presidential advisers present, Defense Secretary Frank Carlucci, CIA director William Webster, and arms control chief Gen. Wil-

liam Burns, urged President Reagan to accuse the Soviet Union of committing a "material breach" of the 1972 ABM Treaty when it constructed the huge phased-array radar station at Krasnoyarsk in Siberia, the *Baltimore Sun* reported July 11.

"If he accepts the recommendation without qualification," said the *Sun* article, "the stage would be set for the United States to abrogate the treaty, which is the cornerstone of the strategic arms-control relationship between the superpowers."

A second alternative would be for the United States to make a comparable, although not necessarily similar, breach of the treaty.

Although the report does not indicate who the two members of the panel who opposed the move were, only three men in addition to the President comprise the panel: Vice President George Bush, Secretary of State George Shultz, and National Security Adviser Colin Powell.

Is Bush concealing his CIA past?

George Bush was working as a CIA agent as early as 1960, according to reports appearing in the *Washington Times* and the *New York Daily News* July 11, based on a story published in *The Nation* magazine.

According to Joseph McBride, who authored the article in *The Nation*, an unidentified source "with close connections to the intelligence community" said that Bush "started working for the agency in 1960 or 1961, using his oil business as a cover for clandestine activities."

The source also claimed, "I know he was involved in the Caribbean. I know he was involved in the suppression of things after the Kennedy assassination." An FBI memo from J. Edgar Hoover to the State Department, dated Nov. 29, 1963, contained the statement that Hoover had briefed "Mr. George Bush of the Central Intelligence Agency" on the reaction of Cuban exiles in Miami to the assassination of President John F. Kennedy.

Bush spokesman Stephen Hart denied the report.

Briefly

● **THE PENTAGON** has lifted a freeze on payments involving nine Navy contracts after a Navy review indicated that none of nine programs were tainted by the scandal. Among the contracts reinstated were those with Litton Industries for the Digital Communications Terminal; with Unisys Corp. and TRW, Inc. for the Anti-Submarine Warfare Operations Center; with Loral, Terracom, and Canadian Commercial Corp for a Digital Wide-Band Transmission System; and with Hughes Aircraft Co. and Raytheon Co.

● **THE SPACE PROGRAM**, "despite the Pentagon's self-proclaimed recovery from a series of disasters in 1986," wrote the July 12 *Wall Street Journal*, "remains anemic next to that of the Soviet Union. The military lacks the rocket launchers and satellites needed to collect intelligence and defend the nation in the next decade."

● **'THE DISTINCTION** between licit and illicit addictive drugs is not arbitrary, as we might be led to believe," wrote pharmacologist Dr. Gabriel Nahas in a *Wall Street Journal* commentary July 11. Only 8% of daily consumers of alcohol consume amounts "damaging to their health and to society," while the comparable figure for marijuana, cocaine, and opiates is "about 50%, 90%, and 95%, respectively."

● **GARY HART** has signed on with the Soviet press agency Novosti as a columnist for its Moscow News syndicate, which distributes material to 800 news outlets including *Pravda*. Hart, the *Washington Times* noted, is the first non-communist Westerner to write for Moscow News, and has already had two columns printed.

● **FORMER DUKAKIS** aide Gerard Indelicato, once a top education adviser to the governor, was sentenced to 2½ years in federal prison for defrauding Massachusetts of \$80,000. Indelicato pleaded guilty April 21 to charges of conspiracy, mail fraud, perjury, and tax evasion.

Editorial

A world in crisis

The Mexican and U.S. electoral crises are being played out against the onset of the worst international crisis of the twentieth century. Obviously, in the case of the United States, the international stakes are considerably higher, but the principle of honest republican elections (republican with a small "r") has been violated in both countries.

In Mexico, the ruling PRI party is committed to a blatant vote fraud. In the United States, the lack of qualifications of the two leading contenders is only a more subtle example of the same fraud. Both are intended to usher in a period of vicious austerity, which will put an end to representative constitutional government.

If the U.S. election results in the kind of fiasco now threatened, the world as a whole will most probably slip into the kind of hideous crisis which Europe experienced during the time of the Thirty Years War, or even worse, in the mid-fourteenth century dark age. If such occurs, AIDS will by no means be the only, or worst, plague to afflict a famine-ridden, war-torn world.

Were appropriate investments made in major infrastructure—particularly with regard to water projects—over the past two decades, then cyclical crises, such as the present drought, would be easily manageable. At present, we appear to be threatened with the reemergence of famine in sections of the world, because we have violated elementary principles of physics by willfully lowering the productive powers of labor.

The economic crisis which is now afflicting the West is the result of the stupidity of the postwar drift since the assassination of President Kennedy, into policies supposedly intended to lead to a post-industrial utopia, but calculated instead to destroy the prosperity of the United States as a world power, thus leading to the destabilization of her Western allies as well. Similar economic problems afflict the Soviet bloc, but these would be manageable were it not for the precipitous decline of the United States.

The same stupidity which has led us into the present

crisis, leads policymakers to applaud the wave of unrest throughout the East bloc. "Ah hah!" these fools reason. "The Soviets are afflicted with the same problems as we in the West. Therefore, we needn't worry about our own increasing military and industrial weakness."

These self-deluded blunderers have failed to understand that Mikhail Gorbachov's policies of *glasnost* and *perestroika* are intended solely to enhance Russia's war-winning capabilities. Just as the Soviet government is now responding to unrest in Armenia by imposing military rule, so they will never tolerate any significant degree of destabilization in the East bloc, but will be provoked into military moves against the West, in order to ensure that we are not able to take advantages at their expense.

The very dependence of the Soviets and the East bloc as a whole on U.S. grain supplies, in a period in which grain reserves have been deliberately reduced and in which several years of drought may be before us, means that the otherwise tolerable austerity which they have imposed upon their own populations in order to support a massive military build-up, have now become insupportable. In the face of food riots at home, and the growing weakness of the Western alliance, what will prevent the Soviets from seeking to alleviate their own economic crisis by military measures?

We are not the victims of some ineluctable fate. It is possible that the vote fraud in Mexico be reversed, and the legally elected Cárdenas government be certified. It is still possible that a candidate for President in the United States such as LaRouche be elected. But human nature being as it still unfortunately is, our best hope for averting the impending disaster probably is the awakening of more and more people to its awful magnitude.

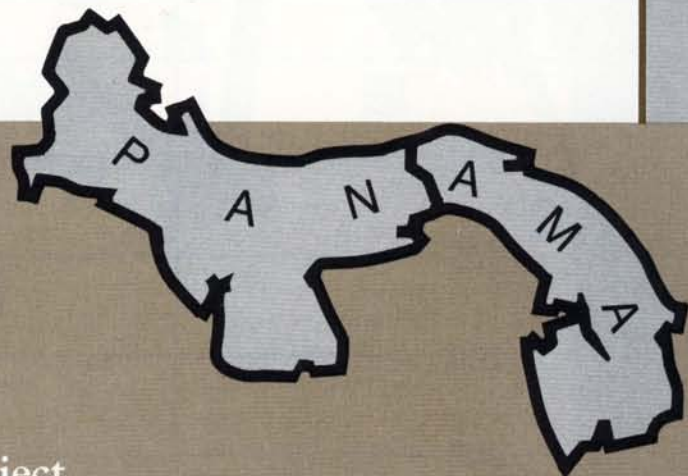
In the meantime, the Atlanta Democratic Party Convention appears slated to be an ugly replay of the Chicago Democratic Party Convention of 1968, where dirty tricks and "clever" politicking substitute for serious policy.

EIR has commissioned this White Paper to bring the truth of the developing Panama crisis to American citizens and lawmakers, so that decisive action can be taken to stop this campaign before the United States faces a new strategic crisis on its Southern Flank.

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DECEMBER 1987

White Paper on the Panama Crisis

18 months later: the Project
Democracy assault on Panama



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Is this true? The answer is no. On this, the Reagan administration is wrong, dead wrong.

Did you know, that the so-called "democratic" opposition movement which the State Department seeks to install in power is led by Nazis, drug-traffickers, drug-money launderers, advocates of narcotics legalization, and arms-traffickers?

Did you know that the liberal Establishment's "secret government" created the crisis in Panama, lock, stock and barrel, as an excuse to bring those drug-runners to power?

That the campaign against General Noriega is being run by the same team which was caught trading arms-for-hostages in the Iran-Contra scandal?

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