

# EIR

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LaRouche testifies on his patriots' movement  
Stop the holocaust in Lebanon!  
FBI's Mordechai Levy is finally behind bars

**How Moscow is restructuring  
its military for war**



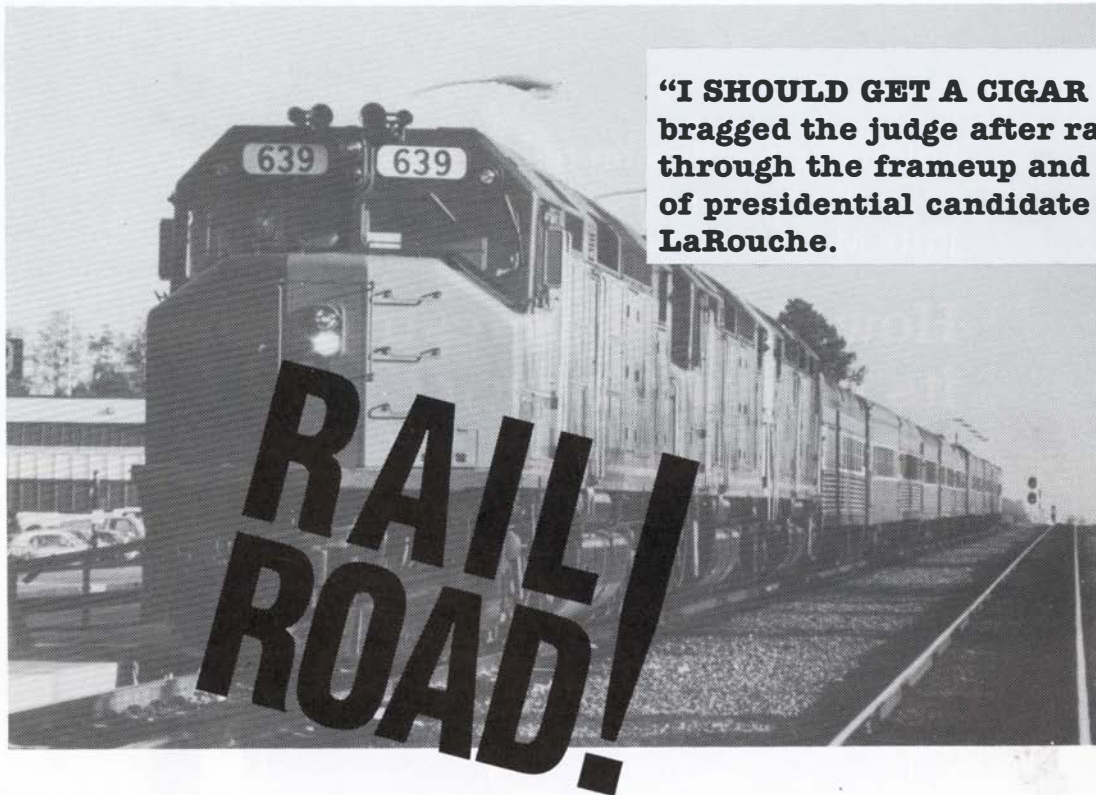
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Is America still the land of “liberty and justice for all”? Or, are we heading into a totalitarian police state, like Nazi Germany or Soviet Russia? Read this book, and learn the truth about what happened to justice in the United States.

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U.S.A. vs.  
Lyndon LaRouche, et al.

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**“I SHOULD GET A CIGAR . . . ”  
bragged the judge after railroading  
through the frameup and conviction  
of presidential candidate Lyndon  
LaRouche.**

Judge Albert V. Bryan was the judge who finally accomplished what a federal government “Get LaRouche” Strike Force had been attempting to do since 1983. That task force swung into motion using the resources of the FBI, CIA, IRS, and private agencies, at the instigation of Henry Kissinger, who bragged in the summer of 1984 that “we’ll take care of LaRouche after the elections.”

The first federal case against LaRouche and his associates, held in Boston before Federal Judge Robert Keeton, backfired on the government. A mistrial was declared, and the jury said they would have acquitted everyone on *all* charges.

But in Alexandria federal court, the “rocket docket” did the job. Judge Bryan hand-picked the jury in less than two hours, excluded all evidence of government harassment, and rushed the defense so rapidly that convictions were brought in on all counts in less than two months from the indictment.

LaRouche was sent to jail for 15 years, on January 27, 1989, a political prisoner. The conviction and imprisonment have provoked protests of outrage from around the world. In this book, you’ll see why.

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## From the Editor

Lyndon LaRouche finally got to take the witness stand in one of the trials against himself and his associates, and tell the truth about the political movement he has been working to build—making clear the reasons why he has powerful enemies. Starting on page 32, our *Feature* reprints the court transcript of the direct examination in that history-making testimony on Aug. 11 in New York. The entire transcript—including the several hours of cross-examination not published here, due to space constraints—is being rushed into print by the Human Rights Fund. A week later, on Aug. 18, FBI agent Richard Egan was compelled to testify and blew the lid off a whole pattern of government misconduct in the LaRouche cases, by revealing before the full jury that he had deliberately destroyed financial documents needed for the defense which were under his custody.

Other highlights of this issue:

- In *Strategic Studies*, *EIR* East bloc specialists Konstantin and Luba George and Rachel Douglas have assembled the stunning evidence on the reorganization of the Soviet military—and it's not as our liberal media would have you believe, for "peace" purposes. In fact, everything *EIR* projected in our authoritative report of 1985, *Global Showdown*, has been borne out.

- On page 8, an object lesson on why Lyndon LaRouche's leadership in economic policy is literally a matter of life and death for millions: the story of what has happened to Peru's economy.

- On page 60, the real nature of the "Get LaRouche" task force was exposed with the recent arrest of terrorist Mordechai Levy, whose danger to public safety and national security has been protected for years under the FBI's scheme to keep Levy available as an informant and a potential assassination threat against the LaRouche political movement.

- On pages 48-53, we present some of the evidence why liquor magnate Edgar Bronfman, president of the World Jewish Congress, represents neither the interests of Jews nor Israel, and is using his huge political clout for perfidious ends.

- In *Science & Technology*, we engage again in one of our favorite sports, subjecting the hysterical claims of the anti-industry lobby—in this case against high voltage transmission lines—to the scrutiny of reason.

*Nora Hamerman*

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## Financial house of cards is nothing to sneeze at

by Chris White

There's a story about Samurai-style executions in Japan. "When are you going to do it?" asks the brigand after the razor-sharp samurai sword has flashed past his ears. "Just don't sneeze," comes the reply from the executioner. The quarterly auction of Treasury debt, held in the second week of August, may well turn out to have been just such an execution, marking an irreversible turning point, according to top-level financial specialists in Europe, on the pathway toward the next ratchet-step of financial and economic collapse.

Contrary to their practice of the last years, Japanese investors did not snap up the lion's share of the financing. Instead, only between 10% and 15% of the approximately \$30 billion of debt marketed or redeemed was placed with the Japanese, and that was concentrated in relatively short-term 247-day notes, rather than the 10- or 30-year bonds which were also part of the package. The Wall Street investment houses, which brokered the sales for the U.S. government, have been left holding the debt for which buyers could not be found. The collapse of bond prices, since the ill-fated auction, leaves those houses now facing losses in excess of \$200 million, as a result of the hole which has suddenly appeared in financing the indebtedness of the United States.

On the Japanese side, it can be assumed that the old men who rule that country have finally had enough of the continued and escalating pressure against their country and its government, which has been proceeding in unrelenting fashion ever since Henry Kissinger's "second Lockheed Affair," the Recruit Cosmos so-called political pay-off scandal, broke last October on the eve of the U.S. elections. After the Recruit scandal, the debacle with the FSX project, the arrogance of the Super-301 retaliatory provisions of the Omnibus Trade Act of 1988, the Moonie-managed "Tail-gate" attacks on U.S.-Japanese defense co-operation, and the disgrace of Prime Ministers Takeshita and Uno—after all this, Japan, it can be

concluded, has decided to fight for its very life.

Were there not a growing military threat arising from developments in the Middle East and Eastern Europe, the Japanese decision to stay out of the Treasury debt auction would have already had a profound impact on the dollar. Even with these crises, Japan's decision is now becoming compounded with the emergence of the first signs of this fall's awaited payments crisis for the U.S. credit system.

Recent filings of corporate quarterly reports with the Securities Exchange Commission are bringing to light the impending collapse of Wall Street's leveraged buy-out/junk bond financial empire. Since the so-called income streams claimed from such financings have helped to leverage the growth of hyperinflationary credit in the banking system, the collapse of the so-called LBOs, like the Japanese withholding of funds, foreshadow what can be expected to develop this fall. And it is not only the LBOs. The limited partnership, publicly sold, to raise some of the finance for the takeovers funded through LBO junk paper are collapsing. And, now that the savings and loan bailout bill is law, we have the beginnings of a flight out of government-backed mortgage securities.

### LBO mania

In recent years, leveraged buy-outs have become the rage of the merger-acquisition mania gripping Wall Street. Corporate raiders like Carl Icahn, with the aid of junk bond specialists like Drexel Burnham's Michael Milken, have grabbed headlines, snatching up large companies willy-nilly and reporting investment returns of 50-100% and even higher. The deals have been financed through "junk bonds," in which huge amounts of debt issues have been floated to buy these companies—in most cases, far beyond the ability of these acquisitions to finance that debt.

The chickens are now coming home to roost. Several of

these companies have announced that they are unable to meet interest and principal payments on their high-yield junk bonds. These firms include SCI Television, Seaman Furniture, Integrated Resources, and Zapata Corp.—the Texas company founded by George Bush.

According to a Moody's financial report, the possibilities for large-scale junk bond defaults under conditions of a major U.S. economic downturn are far greater than in the last severe recession in 1982. Whereas in 1982 the corporate sector had some \$23 billion of junk bond debt, today, says Moody's, the current figure is at least \$210 billion, most of it held by companies acquired in leveraged buyouts.

### **The Kohlberg, Kravis story**

The financial press sounded the alarm during the third week of August. The lead in the business section of the *New York Times* was headlined "Cracks in House That Debt Built," and featured the growing insolvency of companies taken over through leveraged buyouts engineered by Wall Street's superstar buyout specialist, the firm Kohlberg, Kravis Roberts and Company. KKR has engineered some of the biggest LBO deals, including the huge RJR Nabisco takeover. Its founding partner, Henry Kravis, was finance chairman of George Bush's New York State campaign committee last year.

With the impending insolvency of SCI Television and Seaman Furniture, KKR investors are on the verge of absorbing big losses. Two other KKR takeover companies will likely follow suit, and other sensational deals are turning sour. Deals involving Owens-Illinois and Beatrice Foods are said to be among them. The *New York Times* mooted that these reversals could result in congressional legislation to curb junk bonds and LBOs, particularly to revoke interest deductions for junk bond debt. By then, of course, it will be too late. The mickeys who were suckered will be cleaned out. The banks, and others who extended the credit to finance the arrangements, will end up with the equity from the deals. Middlemen like Kohlberg and Kravis will go the way of the 18th-century architect of the South Sea Bubble, John Law.

KKR's unscrupulous machinations are also touched upon. In recent years, KKR has put a decreasing proportion of its own funds as risk capital into the buyouts, while tremendously expanding the use of investors' money and taking out huge fees and service charges. In the past, KKR would emphasize "restructuring" the takeover companies and management streamlining; now, with the debt mountain crushing companies, they engage in unabashed asset-stripping to raise the cash to frantically cover payments. This has resulted in an increasing number of companies on the brink of insolvency, with returns to investors tumbling down from the lofty levels of 60% or more to 20% and less.

### **Resorts International**

Resorts International, onetime superstar of the gambling casino business, is now verging on bankruptcy. Taken over

last year in a leveraged buyout/junk bond deal by entertainer Merv Griffin, Resorts is facing \$130 million in debt payments this year, with a cash flow of only \$60.2 million. Its losses have increased in almost every quarter for at least the last two years.

Resorts International attributes its bad fortune to "a declining market, higher operating costs, eroding market shares," and just plain bad luck at its own gambling tables. One brilliant "solution" being floated to its bondholders, who have already been taken to the cleaners, is an offer to exchange some or all of its \$930 million in junk bonds for equity in the losing company.

In each of the cases cited, the income available from the company's current cash flow is not sufficient to maintain payments against interest and principal of debt coming due. The absurd example of Resorts suffering from lowered gambling income is merely the reflection of what is otherwise seen in the construction and automobile industry. Sales and orders are down, because people cannot afford to buy. People cannot afford to buy because of the continued refusal to create productive jobs or pay decent wages. Meanwhile, debt service obligations have grown past the point at which current income, from current production of physical wealth, can continue to be supported.

Two years after the 1987 crash, one is reminded that two years after the stock market crash of 1929 came the banking collapse of 1931. The Herbert Hoovers of 60 years ago insisted that "the fundamentals are sound," that all that was needed was belt-tightening, budget-cutting, and austerity. Overlooked, now as then, is the reality that gutting wealth-production, while increasing outstanding paper obligations, leads to disaster.

A Brookings Institution report issued during the third week of August highlights an aspect of this. The report points out an ominous similarity between events leading to the S&L debacle, and the current situation with commercial banks. To indicate just some of the specifics:

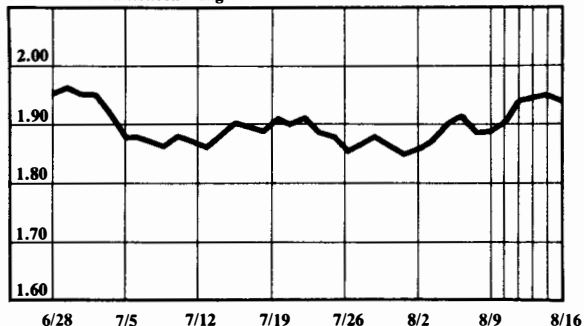
- Almost one-third of all bank assets are held by banks with less than the 6% capital considered the minimum for a properly run bank.
- Approximately 48 banks with \$43 billion in assets have capital ratios under 3%. The risk-adjusted capital ratios of three major banks—Bank of America, Chemical Bank, and Manufacturers Hanover—are below 2%. With its significant portfolio of troubled domestic loans, Bank of America is realistically at or near market value insolvency," says senior Brookings economist Robert Litan.
- Since accounting methods permit banks to overstate the market value of their assets, the magnitude of bank insolvency is much worse.

The combined effect of the Japanese withholding of funding, and the beginning collapse of the LBO house of cards, are just two of the detonators ticking away on that upcoming disaster.

# Currency Rates

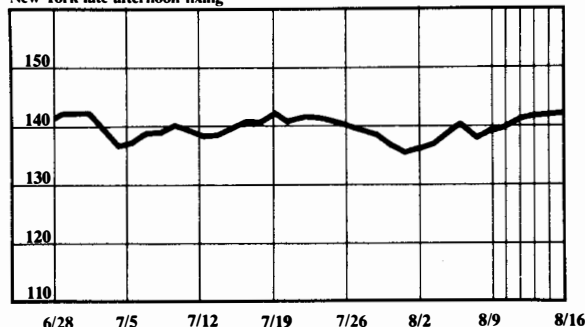
## The dollar in deutschmarks

New York late afternoon fixing



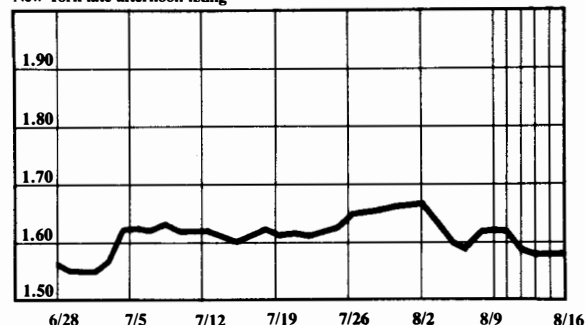
## The dollar in yen

New York late afternoon fixing



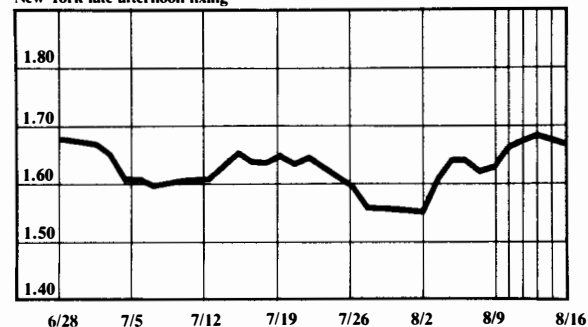
## The British pound in dollars

New York late afternoon fixing



## The dollar in Swiss francs

New York late afternoon fixing



# Brazil's 'day after' will be a lollapalooza

by Lorenzo Carrasco

Brazilian President José Sarney's administration decided on June 30 to suspend interest payments on the foreign debt to commercial bank creditors. The idea was to ensure that his successor would take office on March 15, 1990, with about \$8 billion in foreign reserves, enough to let him renegotiate the debt from a position of strength. The government's strategy also envisions increasing imports, especially those of capital goods, even though this would reduce the hefty trade surplus.

Although the measures are correct, they alone will not solve the country's economic and financial problems. Finance Minister Maílson da Nóbrega is deluding himself if he thinks he can hold inflation to around 30% monthly for the administration's remaining seven months. Current monetary policies, based on high interest rates, will turn into a hyperinflationary explosion like July's in Argentina. In Brazil, however, the extreme social inequalities and the discredited state of all the country's institutions will make the consequences much worse.

## Inflation

In recent years, Brazil's chronic inflation has been fed by two sources. First, the National Treasury has issued growing volumes of government debt in cruzados so that the central bank could buy over \$10 billion a year in dollars earned by the trade surplus. It sends those dollars abroad to service the foreign debt and make other transfers.

Second, refinancing this critical mass of internal debt has formed a speculative bubble which is inflating of its own accord. This monetary bubble is not in any way backed by the production of real goods and services. This cancer is the source of the Brazilian banks' absurd profit levels and the real driving force of Brazilian inflation.

By these means, the Treasury has totally lost control over the generation of credit and currency. The money it obtains by selling the notes and bills it issues is not channeled into the real productive process. Its only use is as collateral for the overnight money market. The same happens with the issuance of currency, which rises and falls only in order to



give liquidity to government notes when their bearers want to cash them.

Thus, the sovereign function of regulation of credit and currency was, de facto, given away to the country's biggest private financial institutions, the "market forces" behind the speculative merry-go-round.

The problem has gotten bigger, because the government has been keeping interest rates super-high all year, under the monetarist axiom that that would help lower inflation. But, as could be expected, it was a colossal failure. From January through July, the National Treasury paid 15 billion new cruzados (more than \$8 billion) on interest on the internal debt. That is 66.31% of all tax collections for the same period. The recessive effects of the high interest rates helped undermine the tax base.

Merely for refinancing federal debt in bonds and bills during the first seven months, the National Treasury sold 75 billion new cruzados (NCz) worth of new debt. Of this, NCz 65 billion (\$9 billion) was to roll over principal and NCz 9 billion (more than \$5 billion) was to pay interest and NCz 1 billion was to cover state-guaranteed foreign debt.

During the same seven months, the Treasury deficit was NCz 10.1 billion, virtually identical to what it had paid in interest on the government's internal debt. This means the infamous government deficit, the eternal source of bally-hoo in the Brazilian and foreign press, is merely financial.

The situation worsened in July, because the real monthly interest rate pegged by the Central Bank was 3.41% over inflation. This rate—compared with the 1.97% spread over inflation in June—means that, by this means alone, the real cost of paying interest on the internal public debt was jacked up by 46.6% in a single month. This exponential process could only end up with a horrible hyperinflation.

### The biggest bank robbery

This defective financial and monetary administration produced fat profits for the Brazilian private banks, which are, as we already said, the ones that dominate the entire national monetary process. According to auditors from the Arthur C. Andersen Company, the ten largest Brazilian banks piled up 2.7 billion new cruzados in profits in the first half of this year from their government debt portfolios. To have a correct idea of how big that is, 2.7 billion new cruzados is practically what the government paid in interest on that debt in July.

Just those same ten banking institutions hold in their portfolios half the total value of the federal debt in bonds and bills, which is currently calculated at 110 billion new cruzados. The government sells all these instruments to the banks, and pays high interest on them. The banks use 32 billion new cruzados of this paper as collateral for overnight deposits made by the general public on which the banks pay interest at low rates, generally less than the inflation rate.

Arthur C. Andersen's auditors concluded, "The numbers

show that financing the debt is a very lucrative business for the banking system and the risks are negligible."

The government's current tactic of delaying payments on the foreign debt will undoubtedly help "cool down" this vicious cycle of speculation. But it will not stop it from growing unless other urgent measures are taken to straighten out the national financial system.

Although it is difficult for President Sarney's government to attempt a systematic financial reform only seven months from the end of his administration, certain steps are imperative to make sure his successor will find the country in governable condition. They include:

- Immediately reduce the interest rate to below the inflation rate.
- Place high taxes on windfall bank profits caused by the way the public debt has been handled.
- Oblige the financial institutions which hold almost the entire internal debt to freeze the due dates on it so as to enable the new government to renegotiate the foreign and internal debts on an equitable basis.

If this is not carried out immediately, on the "day after," as some are calling the period right after the new President's inauguration, the situation he will face will be so bad that he would envy the flames of the inferno.

The old monetary system is dead. Put it in the closet, and open the closet to horrify children on Halloween. The question is, how do we build the new monetary system?

### *The Schiller Institute's* **DEVELOPMENT IS THE NAME FOR PEACE**

Leaders from around the world gathered twice in 1988 to debate that question; this book records the proceedings of the two historic conferences. Includes "The Tasks of Establishing an Equitable New World Economic Order," by the first economist to forecast the Bretton Woods system's demise and lay out the program for a new monetary system—Lyndon H. LaRouche, Jr.



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# Narco-dollars collapse Peru's economy

by Mark Sonnenblick

The Republic of Peru is being wiped off the face of the earth. Industrial production is more than 40% below last year's levels, with many sectors operating at less than one-fifth of installed capacity. Food production and consumption have also fallen drastically, bringing conditions in much of Peru down to African levels of human misery.

More and more of the country is falling into the hands of Soviet-backed narco-terrorists, who demonstrated their power July 27 by dynamiting 21 electric pylons, knocking out the entire nation's electrical grid. Hence, President Alan García's State of the Union message the next day could not be broadcast. The terrorists' impending domination of the Andean Spine poses a decisive security challenge to every country in South America—and to the United States.

"The Maoist Sendero Luminoso [the Shining Path terrorists] is already an important force," Citibank President John Reed noted in a May speech to the Business Council. "Mexico and Venezuela are moving along on economic restructuring and could rapidly negotiate a reduction of their foreign debt burden, while Peru has been transformed into the Lebanon of Latin America. The country is disintegrating and the government is incapable of functioning; it is a big tragedy." What has Citibank done to stop the tragedy? "We have eliminated almost all credits to Peru," Reed gloated.

What has the United States government done to stop the tragedy?

When Alan García became President on July 28, 1985, he courageously launched a two-front battle. He limited servicing on Peru's unpayable foreign debt to 10% of export earnings, and he ran the most aggressive war on cocaine traffickers in world history. His Operation Condor blasted to bits hundreds of cocaine labs and clandestine airports in the wilds of the Peruvian jungle. The traffickers fled into neighboring Brazil and Ecuador.

García's appeals for help were denied. The other Ibero-American countries refused to join his struggle to force new terms on foreign debts needed to ensure their nations' survival. The United States turned down his urgent requests for the equipment needed to preserve the gains of his military assault

on the narcotics traffickers. Agustín Mantilla, now Peru's interior minister, came to Washington in late 1985 to ask for the means to airlift his anti-drug police to make their raids, rather than having them bushwhack through dense jungle. The State Department told him that then-Treasury Secretary James Baker had vetoed any aid to Peru's war on drugs, on the grounds that García had to be punished for daring to confront the international banks.

George Bush, then serving as head of the administration's "war on drugs," must have instructed officials to "just say no" to Peru's pleas for help. It is now recognized, in the United States and in Peru, that the war on drugs in Peru has practically been lost. In this light, the Aug. 13 report by Los Angeles police chief Darryl Gates that President Bush favors a "friendly invasion" of Peru, Colombia, and Bolivia by U.S. troops, illustrates the cynicism with which the administration treats the drug scourge.

When García began defeating the traffickers, Washington launched economic warfare to make a horrible example of Peru, so that no other country would dare to challenge the usury of the Wall Street banks. The most devastating effect of this assault was to encourage oligarchic Peruvians to send all the dollars they could get out of the country.

García, undaunted, fulfilled his commitment to pay Peru's "immense social debt." Production rose more than 8% annually in 1986 and 1987. The average Peruvian's food intake rose from 220 pounds to 304 pounds per year. The government provided cheap credit and parity prices to stimulate food production, while importing what could not be produced domestically.

García's economic policies were inadequate to bring more than short-term alleviation. His Keynesian demand-pull bonanza invested nothing in solving infrastructure bottlenecks nor in replacing obsolete industrial equipment. When the oligarchy of drug money launderers went onto a full-scale offensive in August 1987, García—and the economy—crumbled.

After an initial, correct, effort to go for the kill against the money-launderers, he surrendered to them, and lost the

country to them and their terrorist allies. *EIR* signaled the political turning point in April 1988, when the García government accepted the out-in-the-open functioning of the Lima black market for dollars. Today, government-owned banks run ads in the newspapers inviting people to bring in their dollars to be bought at the black market rate, with “no questions asked.” Even the state wants in on money-laundering. Economy Minister César Vásquez Bazán says the central bank is buying \$1 billion a year off the street. The currency it is printing to do that, fuels the 7,000% hyperinflation.

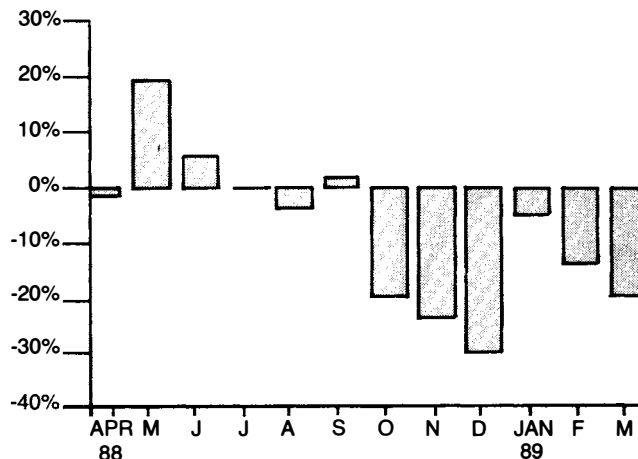
If García was induced to believe the myth that the cocaine trade was the key to Peru’s economic survival, he was dead wrong. That myth is propounded in most “insider” articles about Peru’s drug economy. For example, economist Guido Pennano wrote in Lima’s *La República* on May 26, “Peru cannot, in the short term, do without the income from the drug traffic. It is against our interest to eradicate narcotics traffic.”

The facts disprove this myth in pragmatic—as well as moral—terms. As *EIR* warned last year, opening up the economy for the free flow of dollars would increase capital drain from the country and would help destroy the value to the local currency. The facts prove 16th-century English economist Thomas Gresham’s dictum: “Bad money drives out good.”

### Toward African levels

Graphs prepared by the Peruvian National Society of

FIGURE 2  
Peru’s industrial consumption of electricity, 1988-89



The bar shows the percentage of increase or decrease from the same month of the previous year.

Industries show that Peru’s industrial output rose dramatically during the period of García’s intense confrontation with the international bankers, but went into free-fall shortly after he effectively allowed the “free market” to determine foreign exchange and foreign trade. **Figure 1** shows one of the world’s most extreme boom and bust cycles: Industry thrived during 1986 and 1987, but collapsed in the middle of 1988, after the President turned toward “free market” economics.

**Figure 2** also shows the dramatic turning point around July 1988, when industrial production turned from growth to collapse. If the absolute size of the decline on **Figure 2** is slightly less, it is because this graph includes fishmeal production, which is up 48%; a certain amount of fixed electrical use by industry; and some increase in “off-the-books” production.

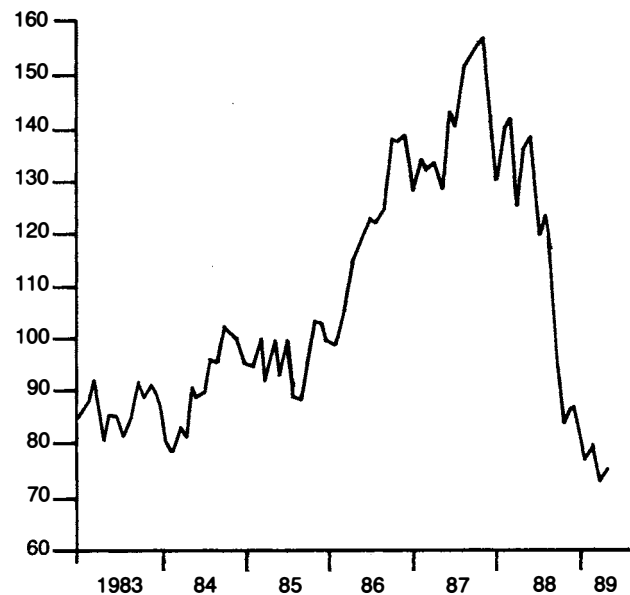
Did the legal banking system’s opening its doors to laundering drug dollars increase its ability to provide credit to the economy? **Figure 3** shows bank credit contracting in real terms, to only about one-sixth of what it was a year ago.

That is not the whole picture. “There is a huge informal banking sector,” a source close to the World Bank reports. These illegal money-laundering operations pay higher interest on deposits than the legal banks, and they charge higher interest. The National Industries Society reports the going rate for working capital is 35-40% monthly. With an estimated inflation of 29% in June, that means real interest rates of 6-11% monthly, or 100-250% annually. No legitimate business can operate long at such rates. Peru’s nascent industrial capitalism has been strangled by the drug mafia.

The World Bank-linked source notes that the biggest of these “informal banks” is run by the oligarchic former owners

FIGURE 1  
Peru’s industrial production 1983-89

1979 = 100



Source: The Peruvian Ministry of Industry, Commerce, Tourism and Integration Index. This is an index of physical volume, excluding fishmeal, petroleum, and derivatives.

FIGURE 3

**Bank credit to the private sector**

in constant December 1980 intis

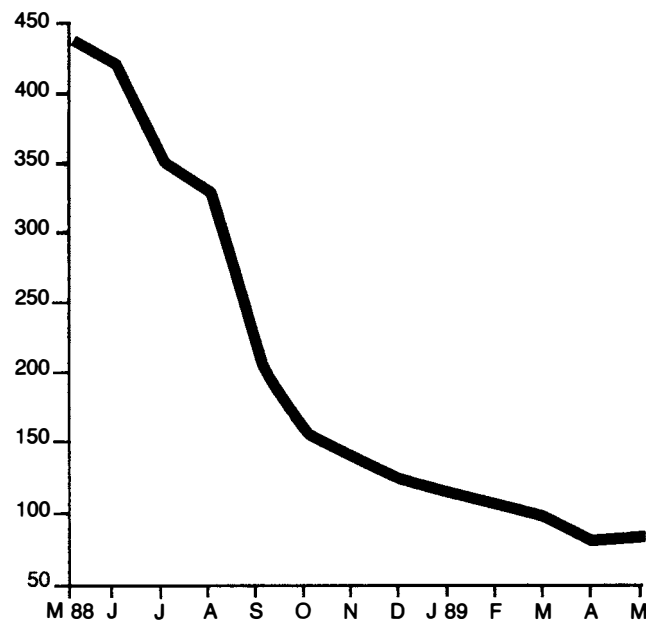
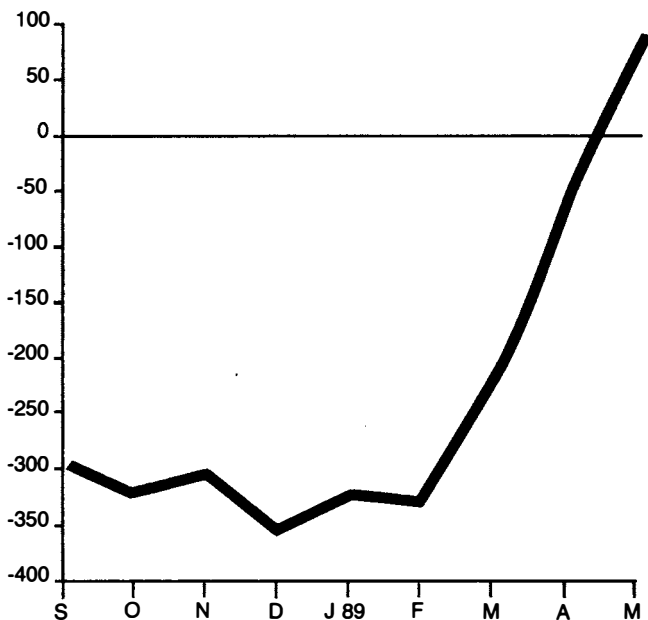


FIGURE 4

**Net foreign reserves of Peru**



The net cash position of the Peruvian Central Reserve Bank in millions of dollars. A negative figure means Peru foreign current liabilities are greater than its assets.

of Banco de Crédito, and is bigger than all but one of the legal banks. He says, "The government has no alternative" but to tolerate such totally unregulated money-laundering houses. This is "the vibrant Peruvian informal economy" which George Bush praised for its "heroism" last year.

The World Bank projects a 15-20% decline in Gross Domestic Product this year. The source close to the bank laughed at García's July 28 assertion that "the worst difficulties have been overcome" and that "a growing reactivation of the economy is under way." There is nothing García can do to halt the collapse, the source stressed. "The country needs a new team and that's it." The new team is to be headed by the front-runner in the April 8, 1990 presidential elections, Mario Vargas Llosa, who "is willing to rejoin the international financial community." The source indicated that Vargas Llosa's election would be rewarded by an end to its loan embargo against Peru, even before Peru cleared up its arrears with the bank.

**García fails to propitiate bankers**

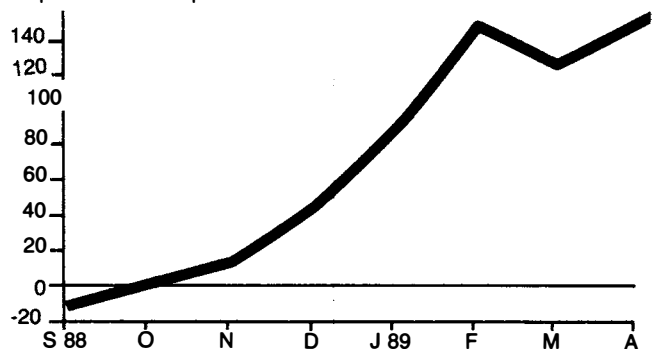
In the middle of last year, García foolishly decided to give priority to rebuilding his bridges to the international bankers. The size of Peru's dollar accounts abroad became the touchstone for economic policy. In those terms, he has been quite successful, as shown by Figure 4. Peru was roughly \$300 million overdrawn on its accounts at the International Monetary Fund and foreign banks until March of this year, when the balance sprung up, going into positive numbers in May. García now says he will bequeath to his successor next year more than the \$800 million gross reserves with which he entered office.

To build reserves, García sharply cut imports and increased exports. As shown in Figure 5, the trade balance turned from negative to increasingly positive. That was done through classic International Monetary Fund austerity polic-

FIGURE 5

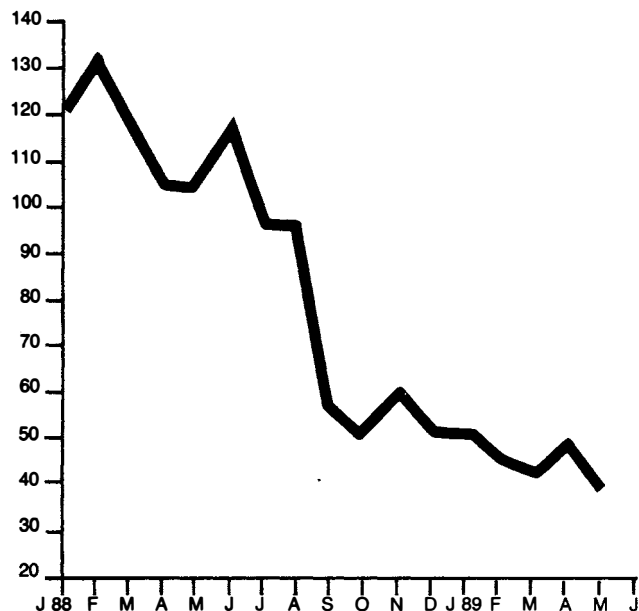
**Peru's monthly trade balance**

September 1988-April 1989



Monthly exports minus imports in millions of dollars.

**FIGURE 6**  
**Peru's retail sales, 1988-89**  
 1980 = 100



*The Ministry of Industry, Commerce, Tourism, and Integration's index of retail sales at the largest Lima stores, seasonally adjusted.*

ies, although the IMF still will not give García the time of day, despite illusions he has nurtured since the beginning of 1989 that he could propitiate his way back into the "financial community."

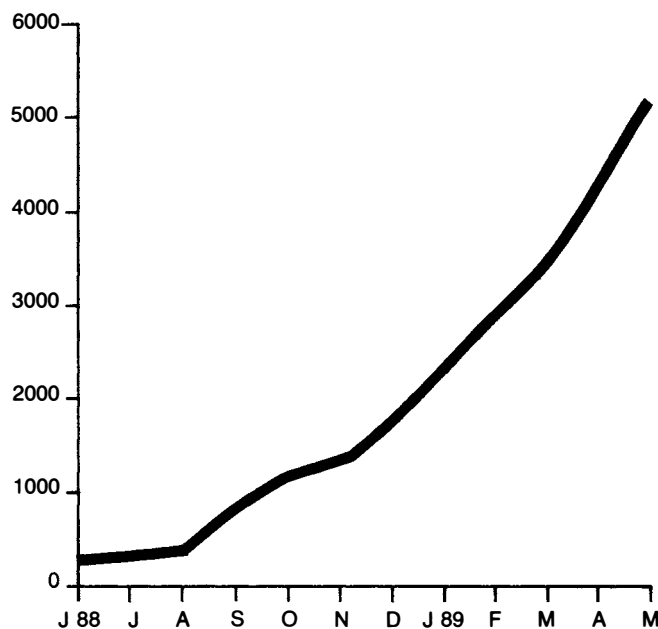
The trade surplus was achieved by attacking the population's living standards, as measured by a 61.6% drop in retail sales (Figure 6). This was achieved through a series of economic "shocks" starting in September and November 1988. Each shock included a massive devaluation, major price increases on government services, and the elimination of food subsidies. Such radical austerity is the standard monetarist recipe for "fighting inflation." But, Figure 7 shows how it was precisely such monetarism that sent Peru from inflation into economic implosion and hyperinflation. Prices can be expected to be 70 times higher on Dec. 31 than they were Jan. 1.

Anyone walking in the streets of Lima can see the anxiety written on the faces of workers whose wages remain frozen, while prices rise in tandem with the black market dollar.

### **Narco-economy ravages food supply**

A decade ago, *EIR* published an issue headlined "The World Bank Pushes Drugs," in which various bankers were quoted saying that Bolivia, Colombia, and Peru could pay their debts by following their "natural" vocations and becoming

**FIGURE 7**  
**Inflation in Peru for the last 12 months**  
 %



ing vast cocaine plantations. That idea is shared by New York bankers and Soviet commissars. Their dream is coming true. The area planted in coca bushes in Peru has expanded from 160,000 hectares in 1985 to more than 200,000 hectares.

Most of the new coca plantings are on lands which previously produced food. Farmers are being forced from food into drugs by government austerity policies, since the government has cut agricultural credit by 66% in real terms. Parity prices are now gone. Fertilizer usage is down 24.3% since the shocks began in September. In the jungle area of San Martín, the cost of growing corn or rice soared to triple the price paid for it; farmers simply planted coca.

Also, the narco-terrorists have forced hundreds of thousands of peasants to abandon their fields and flee to the cities. They are systematically exterminating agricultural extension experts and anybody in rural areas who represents or supports the republic. Early this year, the Shining Path guerrillas moved into Lima's Andean garden, the fertile Mantaro Valley, and ordered peasants not to plant any food for the cities. In the semi-tropical Chanchamayo Valley east of the Andes, fruit trees and rice fields have been abandoned and replanted in coca. The collapsing productive economy has made millions of Peruvians willing to survive as slaves to the drug traffickers and willing to tolerate the increasing power of the narco-terrorist hordes.

Agriculture ministry figures indicate a 20% drop in domestic production. Food imports have been cut and food exports increased. Observers in Lima report that families are eating at least 40% less than last August. Meat has almost disappeared from middle-class tables. At a basic wage of \$32 a month, workers can scarcely afford even rice and potatoes. The per capita food intake is far below the 2,500 calorie average which *EIR* calculated in 1985, and millions more have been thrown into concentration-camp nutrition levels. A study in March found 40-50% of children in the poor belt around Lima suffering chronic malnutrition. A few years ago, 90 out of each 1,000 children died in their first year. The death rate is probably over 120 now, worse than that recorded for Haiti.

This is the tragedy Citibank's John Reed enjoys, the horrible example Kissinger's friends are making of a debtor country which once tried to change their usury system.

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## Documentation

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### 'We are almost hitting bottom'

*The Economic and Social Studies Institute (IEES) of Peru's National Society of Industries produced a study for the monthly journal Industria Peruana, published in the July issue. The cold figures and graphs show the stark reality of economic collapse. Excerpts follow:*

**Production:** National economic activity is submerged in deep recession. During this year's first quarter, the Gross Domestic Product fell 22%. *Industrial activity contracted 41.3%*. In both cases, this is in respect to the same period of 1988. Industrial production refers to the physical volume index of the Ministry of Industry, Commerce, Tourism, and Integration, which excludes fishmeal and petroleum derivatives [emphasis added].

May's industrial activity level was below that of any month in 1983, a year of landslides in the center, floods in the north, and drought in the south. On the contrary, so far in 1988, we have not had these natural catastrophes.

The tendency for the next months, reflected in the moving average, the arithmetic average of the last 12 months' production index, is for a continued downward fall. However, although it is clear that production will decrease, the current rate of fall cannot be maintained much longer.

Current production levels are so low that we are almost hitting bottom, "dangerously close." So close, that many companies could be reaching the point of no return, which would be a generalized shutdown.

In many industrial sectors, capacity utilization levels

have fallen dramatically. Production of radios and televisions, leather shoes, metal products, fertilizer and pesticides, and of cars and other vehicles, is practically paralyzed. It is estimated that in May, these sectors used the following levels of installed capacity: 7.0%, 9.7%, 11.0%, 12.7%, 13.5%

**Unemployment:** From August 1988 to March 1989, the central bank's industrial employment index fell 11.1%. The August 1988 index was already 8.7% below the January 1980 level.

The crisis which affects the industrial sector has had repercussions on the quantity of labor power utilized; small companies are the most affected. Employment indices from official sources, as well as those calculated by the IEES based on a survey, come up with a sharp contraction in the level of manpower utilization in the sector.

Heavy unemployment is also being generated in the commercial sector; 9.0% fewer people were employed in commerce in May than in the same month of the previous year. Temporary workers suffered the most. There were 19.5% fewer of them occupied in commerce in May than in April 1988.

**Sales:** The reduction in production directly originated in the fall in sales. Contraction in demand—an effect of the current hyperinflation—has brought stocked inventories of factories and of stores to above normal levels.

Retail sales have been falling continuously. The vice-minister of commerce indicated that in May of this year, *sales were 61.6% lower* than in the same month of the previous year [emphasis added].

The sector most affected was home appliances, whose sales fell 82.5% in May; even more, these sales were 86.3% less than those of 1980.

The sales which are falling the least are those of home furnishings and food. In May, they fell "only" 31.0% and 36.4% compared to the same month of 1988.

Food sales in the first five months of this year were 0.2% greater than those of 1980, while the Peruvian population has grown 26.0% in these nine years. Even worse is the case of clothing sales, which were 55.2% below 1980 during the first five months of this year. This clearly depicts the reduction of the quality of life of the inhabitants of our country. We are a badly fed and worse clothed country.

Parallel to the fall in total sales, sales on credit, which are traditionally low in our country, have almost disappeared. In May, only 4.2% of total sales were on credit. . . .

**Inflation:** . . . Annualized inflation (for the past 12 months) went from 356% in August 1988 to 817% in September 1988, reaching 6,126% in June of this year. Inflation has averaged 41.6% monthly during the first five months of 1989, given a 29% estimate for June. That is carrying the country toward an inflation of approximately 6,000% in 1989. This hyperinflation has eroded workers' incomes, decapitalized companies, whether in industry, trade, or any other productive activity, which is bringing a stagnation never before known in our country.

## **Bush thrift bill reeks of fascism**

*The enforcement section of this bill would make even the Soviet KGB turn green with envy.*

**T**he new savings and loan "bailout" bill which passed the House and Senate on Aug. 4 takes the nation a step closer toward a police state, under the guise of "fighting fraud." The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 provides \$225 million over the next three years to fund Department of Justice operations against the S&Ls, plus an additional \$30 million for the federal courts. It mandates that the DoJ set up a regional fraud office in the Northern District of Texas, and compels the Comptroller General to study whether fraud offices need to be established in other parts of the country.

The fact that the bill is in reality an instrument for political targeting, is apparent by the vagueness with which it defines the "crimes" it establishes. To be guilty, one need merely be an "institution-affiliated party" who "causes or is likely to cause [!] more than a minimal loss" to said institution. Federal regulators also have the power to bar an individual from banking for life.

The regulators now have the power to decide who can be appointed directors or senior executives at any bank which 1) has been chartered less than two years; 2) has undergone a change of control within two years; or 3) is not in compliance with the minimum capital requirements, or is otherwise troubled.

The maximum civil fine that may be assessed by federal regulators has been raised to \$1 million per day per violation for an individual, or the lesser of \$1 million or 1% of total assets

per day for a bank, thrift, or credit union. Generally, the maximum amount of the civil penalty shall not exceed \$1 million, but in the case of continuing violations, the amount may not exceed the lesser of \$1 million per day or \$5 million. In the case where a "person derives pecuniary gain from the violation, or if the violation results in pecuniary loss to a person other than the violator, the amount of the civil penalty may exceed the amounts described . . . but may not exceed the amount of such gain or loss."

The maximum criminal penalty has been raised to a \$1 million fine and 20 years in prison, per violation.

The bill substantially exempts the Federal Reserve, the Resolution Trust Corp., the Federal Housing Finance Board, and the regional Federal Home Loan Banks, from the Privacy Act of 1978, giving them more power to poke around in the financial affairs of bank customers, while providing stiff penalties for any "institution-affiliated party" who informs the customer that his records are being probed.

The bill is effective immediately upon signing, but some of the civil fines may apply to previous conduct, if the one being penalized has not yet been officially notified, or if the act occurred after the last federal examination of the institution.

The bill includes protection for whistle-blowers who report alleged misdeeds by depository institutions or institution-affiliated parties, and sets up a reward for cases where the amount involved exceeds \$50,000. The reward is 25% of the amount of the fine,

penalty, restitution, or forfeiture involved, up to \$100,000.

The bill requires public disclosure of enforcement actions, except where the regulatory agency decides such disclosure "would seriously threaten the safety or soundness of an insured depository institution, such agency may delay the publication of such order for a reasonable time."

A procedure is established in which the deposit insurance at a particular institution can be terminated on the grounds of "unsafe or unsound" practices or conditions, or if the institution has violated any law, regulation, order, written condition, or written agreement with the regulators. The offending institution will be given a minimum of 30 days notice of a termination hearing; if terminated, the institution will be given from six months to two years, before the insurance is actually stopped. There is also a provision for temporary suspension of insurance. Temporary suspension of insurance can occur after the notice of intent to terminate insurance has been given, if the bank has no tangible capital under the regulatory guidelines. In such case, the FDIC "may issue a temporary order suspending deposit insurance on all deposits received by the institution."

The statute of limitations on financial institution offenses is set at 10 years. The new law will apply to offenses committed before the effective date of the law, if the statute of limitations previously applicable had not run out.

Finally, the bill makes "financial institution fraud" a violation of the notorious RICO Act, meaning that virtually anyone indicted under this outrageous law is subject to immediate seizure of personal assets, and everything else in RICO's police-state bag of tricks.

## World grain stocks down 30%

*The USDA's latest world food production forecast buries the department's own myth of "overproduction."*

After various grain accounting experts of the U.S. Department of Agriculture gathered for what is known as the "lock-up," the latest USDA crop production report was released on Aug. 10. According to the report, poor world agricultural production will once again drive grain stocks to even more dangerously low levels.

The USDA's "World Agricultural Supply and Demand Estimates" reports that global production of grains is projected to be 25 million metric tons lower than total world consumption for 1989-90. This is the fourth consecutive year that world production of grain will not meet total needs. World grain ending stocks are projected to decrease by 30%, going from 404 million metric tons (mmt) in 1987 to a projected 280 mmt in 1990.

Ending stocks for 1990 are forecast to be fewer than the 17% stocks-to-use ratio recommended by the United Nations Foreign Agricultural Service (part of the Food and Agriculture Organization) as the minimum necessary to guarantee a strategically secure food reserve.

Major grain crops such as wheat, corn, and other coarse grains are projected to show draw-downs in world reserve stocks from 1987 through 1990 of 31%, 47%, and 40%, respectively.

World oilseed production for 1989-90 is projected at a 214.7 million tons, up 7% from last year.

As for the United States, the forecast 1989-90 U.S. feed grain production is 46% above the drought-reduced 1988-89 crop. However, due to increased export demand and domestic use, U.S. ending stocks of all grains

will fall again for the third year in a row.

U.S. wheat stocks are expected to fall to 374 million bushels, the lowest point since 1973 and only 16% of annual usage. Just three years ago, the U.S. stock of wheat was 1,904 million bushels. This is a forecast drop of 80% in three years.

Ending corn stocks are expected to be 68% below 1986 ending stock levels at 1.681 billion bushels. Corn exports for 1989-90 were raised 50 million bushels.

The United States is now the world's largest importer of oats, and is projected to produce only 92% of total needs for 1990.

Higher U.S. soybean production is forecast, compared to last year's drought conditions; however, U.S. ending stocks will be one of the lowest in recent history. According to *EIR's* estimates, the U.S. could very well run completely out of soybeans before the new crop is harvested.

One major factor for tightened world supplies is the U.S.S.R., with a 10 million ton reduction in projected grain output for 1989-90, to 200 million tons, and a 3 million ton increase in forecast imports, to 36 million tons. Recently released Soviet grain area statistics were well below expectation, and hot, dry, conditions have dramatically reduced potential yields of spring grains in the U.S.S.R.

This latest analysis has many around the world nervous. U.S. farmers are getting more and more upset, as they are no longer fooled by the lie, promoted by the USDA and the international grain cartels, that it is sur-

pluses which have been driving down grain prices; with shortages beginning to appear, the prices are still going down.

Consumers are waking up to the fact that food prices are going up, partly because of short supplies, but mostly because of the unprecedented consolidation of the retail food industry. Russia and Communist China are facing mass strikes and riots because of shortages of food, at a time when their largest supplier, the United States, is watching its supplies rapidly decline. The food crisis in Africa, Ibero-America, and Eastern Europe is also worsening. And Secretary of Agriculture Clayton Yeutter and the other Bush administration food policymakers, know they are sitting on a bomb about to explode, as the shortage becomes so apparent, that even they cannot manipulate and hide it.

In the coming months, food and grain will become tools of battle in the international political arena. The charitable West German organization World Hunger Aid announced in Bonn, Aug. 16, that large-scale Soviet sugar and grain purchases are driving prices higher and threatening the viability of Third World food aid programs.

Meanwhile, the European sugar market has been "swept clean" by Soviet buying, and no sugar deliveries are available for the organization's Sudan refugee program until October "at the earliest," the organization said.

The organization expressed fears that grain and milk powder prices will also soon be driven up by demand from the U.S.S.R. and other Eastern European countries. "World grain stocks are now at minimum reserve levels, and even if world production is increased [in 1989-90], higher demand is likely to lead to increased prices," it said.



## The remarkable influence of Big Oil

*Thirty percent of the U.S. foreign trade deficit comes from oil imports—why, then, is Washington silent?*

Something caught my eye while I was reviewing the grim statistics on the collapse of the U.S. domestic oil drilling industry. Familiar with the industry in its “boom” years of the 1970s, I knew what it meant when reports of Hughes drilling rigs in operation showed lows of activity not seen since the Great Depression. But what really struck me, is who is benefiting from this situation—and who is silent on it.

This year, the United States will import a considerable amount of crude oil, still the nation’s largest source of primary energy. According to the semi-annual forecast of the Independent Petroleum Producers of America, the United States, the world’s largest consumer of oil, will increase net oil imports by a hefty 15% in 1989. In 1988 they increased by 8%, and daily imports of crude oil and refined products will now run an expected 8 million barrels per day of the nation’s daily consumption of 17.5 million. Total domestic production of oil and natural gas liquids will run about 9.4 million bpd. This means some 46% of total U.S. petroleum consumption is now from imports. As recently as 1985, oil imports were only 4.3 million bpd.

Isn’t it strange, when Washington is presumably preoccupied with the alarming \$140 billion U.S. foreign trade deficit, that no one touches the sacrosanct subject of oil imports? A whopping 30% of U.S. trade deficit now comes from oil imports. The U.S. paid multinationals \$38 billion in 1988 to import that oil.

Concern is conspicuously absent in Washington, despite a President who prides himself on being a former oilman, and a commerce secretary who

claims to have been an independent oil producer. Obviously, we see only the tip of a very oily iceberg.

U.S. government foreign policy has had an incestuous relation to “Big Oil” since well before the 1944 report to the government’s Petroleum Administration for War by Texas oil geologist Everette DeGolyer. DeGolyer, reporting on his technical mission to the Middle East, told Washington, “The center of gravity of world oil production is shifting from the Gulf-Caribbean area to the Middle East—to the Persian Gulf area.”

By 1950, Washington had made a secret deal with the oil multinationals to allow them to avoid paying taxes on their huge earnings from Mideast oil sales. Their manipulated “royalty” payments to Arab oil states were allowed as a substitute for U.S. taxes. Only during the 1956 Suez Crisis did details of this cozy arrangement even leak into the public.

Texaco, Gulf, Mobil, SoCal (Chevron), and Exxon became an unofficial arm of the State Department—even sometimes the other way around. Wall Street lawyer John McCloy, chairman of Chase Manhattan, was arbiter of U.S. policy in the Middle East during the Eisenhower years. It all seemed to work. So long as energy was cheap, no one paid much attention.

By 1973, when certain Anglo-American financial bigs meeting at the estate of Sweden’s Marcus Wallenberg, decided to trigger their “oil shock” and raise world prices by 400%, the United States had increased its import dependence to a considerable 36% of total demand. The fact that

today, following two such “oil shocks,” the U.S. has again increased imports, to almost 50% of consumption, is testament to the political power of Big Oil in the U.S. Establishment.

Also, notice that deliberate neglect has ensured the collapse of independent domestic oil production. EPA “clean air” regulations have sealed the doom of some 30,000 independent gasoline retailers across the country. Oil, as never before in U.S. history, is controlled by supranational companies which have little national concern. Now, with the hysteria following the Alaska *Exxon Valdez* oil spill forcing the most promising domestic new oil exploration off limits in Alaska, the prospect of even greater import dependence is growing by the hour.

Who will benefit in this situation? Could it be the Russians, who are manipulating Washington’s stupidity in the Middle East to gain control over Iran as well as maintain influence in Iraq? Could it be British Petroleum and its sister Royal Dutch Shell, widely regarded as the world’s shrewdest oil multitis? They are investing billions in the North Sea, and leading the return to Libya. Their light, low-sulfur crude is the oil most in demand in the United States, for environmental and efficiency reasons. Or could it be Saudi Arabia, which, according to one estimate, sits with 60 million barrels of oil in “floating storage” in the Caribbean, waiting to dump it on U.S. markets at any time?

Clearly, there is a need to treat national energy production with tax and other inducements to reduce the exposure to new “oil shocks.” But beyond this, the Bush administration has yet to make good on its promise of revitalizing nuclear energy, the most obvious candidate to reduce dependence on imported energy.

# Business Briefs

## **Soviet Economy**

### **East Germans pay for Soviet strikes**

East Germany is paying a high economic price for the dubious honor of remaining the favorite pet of Moscow, according to sources this news service talked to on Aug. 17. The Soviet Union is turning more and more to the East Germans to fill in for gaps left by the economic collapse in the Soviet and other East bloc economies. East Germans, one source reported, fear they'll have a shortage of coal this winter, because their coal mines have to compensate for the reduced coal production in the Ukraine and Siberia caused by the recent miners' strikes.

Increased demands for high-quality textiles, micro-computers, and other urgently required consumer and capital goods have put immense pressure on the East German economy. This has created a broad and growing sentiment against the Communist regime and the Soviet Union among workers in the factories, and many of the German refugees heading for the West these days are skilled young workers from such factories. The ruling SED party itself is in deep trouble, trying to balance out the unrest among workers and the need to meet Soviet requirements for supply.

There is even evidence of a broader trend of covert low-intensity obstruction of the production process in East German factories. Workers whose factories are deprived of spare parts or industrial components which are not delivered in time due to failures at some other place, often get reassigned to other make-work, such as painting and renovating production halls. Often, workers get reassigned to jobs outside their own plants. Doing this unpopular substitute work has increasingly turned into a form demonstration or protest: When the delayed supply of components and spare parts finally arrives, no one is there to unload them or to work on them. Workers stubbornly continue to do their substitute work, or are simply not available in time.

In response, the SED has been more frequently summoning plant directors to party meetings to testify on "problems" and receive ideological reminders on their "socialist duties."

## **Health**

### **AIDS costs overwhelm public hospitals**

The cost of caring for AIDS patients is overwhelming U.S. urban public hospitals, which have to treat a high percentage of AIDS victims, researchers from the National Public Health and Hospital Institute in Washington, D.C. announced on Aug. 10.

While the average cost for in-patient care of an AIDS victim is \$681 a day, the average revenue the hospital receives for such care has been just \$545 a day. Researcher Virginia Weslowski stated, "These hospitals are losing large amounts of money. It's eating into their bottom line. This will overwhelm the hospitals and hurt the quality of care for the other patients."

## **'The Recovery'**

### **Fed study shows U.S. output falling**

The Federal Reserve issued its "Beige" report on Aug. 9, released every six weeks before the Federal Open Market Committee meeting, which showed what the *Financial Times* of London termed the "most gloomy assessment of the U.S. economy for two years."

The report shows that the economy is indeed slowing down, with output falling in some sectors, most notably in the northern heavy manufacturing areas, and especially in auto, steel, electronics, and machine tools. Half of New England manufacturers reported flat sales, as did a third of those in Philadelphia. Sales were weak in home furnishings, electronics, and appliances. Most Federal Reserve districts report that retailers are reducing their orders for the remainder of the year, as inventories remained high or increased.

Even though mortgage rates are going down, housing construction is at best stagnant, and down sharply in the Northeast.

The report summary does not even men-

tion inflation, underscoring Fed chairman Alan Greenspan's recent report to Congress of his concern that the greatest danger is recession, not inflation.

## **Markets**

### **Computer trading underscores instability**

"The significance of the return of computer program trading on Wall Street underscores the instability of the markets," City of London banking sources told *EIR* on Aug. 15.

Program trading is a sophisticated method of computerized "arbitrage" between prices of, typically, the Chicago Major Market Index. Because margins for MMI futures are only 2.8%, it is possible for large Wall Street brokerages to shift huge volumes of stocks very quickly, exaggerating actual market prices with virtually no risk of loss.

"If you want to manipulate the market short term, and touch off program buying and selling, the easiest way to do it is with the Major Market Index," reports one New York trader. "At some time, this thing is going to explode in people's faces."

Wall Street voluntarily suspended the controversial practice after the stock market crash of October 1987, but traders report that it has increasingly come back into play, with the recent huge New York stock market rise since the early summer.

## **International Trade**

### **Colombia protests unfair practices**

Banacol, Colombia's banana company, charged that United Brands, formerly the United Fruit Company, was trying to drive Banacol out of business and take over Colombia's banana industry, at a recent meeting of representatives of 25 producing and consuming nations.

United Brands, said Banacol, was paying excessive prices for banana-growing

lands; paying producers excessive prices for bananas, thus denying Banacol its product; and using its international muscle to sabotage Banacol's efforts at independent marketing in Europe.

### **Black Economy**

## **India biggest drug transshipment center**

There are now 68,518 heroin addicts in the city of Calcutta, India, the Minister of State for Welfare, Mrs. Rajendra Kumari Bajpai, told the Indian Parliament the week of Aug. 1, the *Hindustan Times* reported. The *Times* said in its editorial that India is now the biggest drug transshipment center of the world, with 37% of world heroin routed through its territory.

In 1988, some 80% of that heroin came through the Indo-Pakistani border, but the last six months have also seen an unprecedented increase from the Golden Triangle region of Southeast Asia. The Narcotic Control Bureau, the *Times* wrote, has only 106 officials to deal with the drug menace, with only 10 officials to oversee the 11 regions in the northeast and east, where the new influx of heroin is coming from.

Heroin addiction is also a scourge in Bangladesh, the *Times* reported July 29. There are at least 100,000 addicts in the northern regions—not including Dhaka and other cities. Crime is becoming a very serious problem, with 80% of crimes now being committed by addicts desperate for drugs.

### **Free Trade**

## **Venezuela agriculture submits to IMF diktat**

The daily *Diario de Caracas* reported Aug. 4 that the World Bank was conditioning the disbursement of the second part of a \$353 million loan, approved June 13, on Venezuela reducing tariffs and restrictions on ag-

ricultural imports, as it has done on finished goods.

Venezuelan Senate Agriculture Committee chairman Pedro Pablo Aguilar responded Aug. 6, "It is hard to understand why [Venezuela] accepted, in its negotiations with the IMF, measures that are destroying our agricultural production capacity, unless we accept going back to being a mining country obliged to buy from abroad our food and the vegetable raw materials required by our industry. It is understandable that the IMF and the World Bank wanted to help the U.S. and Europe in their trade policies of selling agricultural surpluses, but there is no justification for our accepting."

### **Infrastructure**

## **Kra canal boosted at Thai Defense College**

The proposed construction of a canal across Thailand's Isthmus of Kra is a project capable of creating a revolution in Thailand and enhancing its role in maritime transportation, Dr. Boonrod Binson, president of the Administration Council of Chulalongkorn University, said on Aug. 14. He was addressing the Kra Canal subcommittee of the government's Strategic Committee, at the National Defense College of Thailand Aug. 14. The college is attempting to accelerate the canal project.

The Kra Canal concept has been vigorously promoted by Lyndon LaRouche, *EIR*, and the Fusion Energy Foundation for many years, and bitterly opposed by monetarist financial circles typified by Henry Kissinger, who personally intervened to block the project.

"I have stopped contemplating whether the project is financially profitable or not for a long time, because for me, I am convinced that it is. The Kra Canal is a very special one. It has the power to generate further wealth and therefore, considerations must go beyond normal cost-benefit analysis," Dr. Binson said.

The rest of the meeting was spent discussing how to take studies further and what organizing activities should take place in order to push the project ahead.

## **Briefly**

● **PRESIDENT BUSH** admitted, "We're in a period of hard times," during an Aug. 15 press conference, when asked whether reallocating resources for the war on drugs would mean hard times for the military or other social programs. "We don't have all the money that we would like to spend in several areas."

● **MALARIA** is resurfacing, the World Health Organization warned Aug. 11. There are now more than 100 million new cases each year. Cases are up 30% in sub-Saharan Africa since last year, and have tripled in Central and South America in the past decade.

● **THE MEDELLIN**, Colombia-based Banco de Occidente pleaded guilty to laundering up to \$400 million in cocaine money of the Medellín Cartel in a U.S. court Aug. 14, and agreed to pay a \$5 million fine. The laundering was alleged to have taken place through the branch of the bank located in Panama City.

● **NEW TIMES**, a Soviet weekly, endorsed euthanasia for the elderly and for AIDS victims in two August articles: "It is absurd to tell a lonely woman of 88 or so, suffering, suffering from open fractures [she cannot die]. The doctors would be only too glad to terminate her suffering. . . . But euthanasia is not provided for by law."

● **CHINTER**, is the name of a new Red Chinese state-owned company based in Brussels to encourage European companies to set up factories in China. The deal includes a ready-made factory, land, and a limitless supply of cheap and disciplined labor—provided by convicts.

● **WANG LABS** announced on Aug. 16 that it will default on nearly \$1 billion in debt, while continuing discussions with its bankers for better terms. The day of the announcement, Wang's stock fell 8% in value, with its bonds trading at only 50% of par.

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## Are high-voltage power lines a threat?

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*Janet G. West reviews the evidence on the latest target of hysteria from environmentalists, and concludes that the problems—if they exist—can easily be solved.*

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Today, we are increasingly besieged by strident warnings of destruction of the Earth and its environment—air pollution, chemical and other hazardous waste, the hoax of the “ozone layer depletion,” and others.

The greenies have insisted there are too many people, and that nuclear energy is dangerous, either because it causes cancer, or attracts terrorists. Now we are hearing similar warnings that high-voltage power transmission lines may pose a mortal threat to humans. These lines have become the subject of numerous studies, some suggesting an association between long-term exposure to the electromagnetic fields (60 Hz) produced by the lines, and the incidence of cancer. But other studies have suggested that no such correlation exists.

At the present time, high voltage alternating current (AC) lines are becoming the backbone of long distance power delivery systems in the United States: They are stable and reliable, they use less space than lower voltage lines, and their loss of power through heat is about 5% per 1,000 km.

One should bear in mind that were it not for the actions of the environmentalists whose persistent threats, legal actions, and outright terrorism have worked to halt construction of nuclear power or hydroelectric plants near population centers, it would not even be necessary to transport energy over great distances, because power plants would be already located near major cities.

### The Florida case

In the past year, Florida became the first state in the nation to adopt emission standards for electromagnetic fields generated by high-voltage electricity lines. This move by the

Florida Environmental Regulatory Commission came after four years of study by various state commissions and followed a public hearing in Tampa on Jan. 18.<sup>1</sup> The regulations became effective Feb. 17, and are applicable only to lines already under construction or in the planning stages.

It is the estimate of the Florida Department of Environmental Regulation that the new rules will “add \$100 million to \$5 billion to the cost of 500 kilovolt (kV) lines over the next 30 years.” In that time period, Florida will have 330 miles of 500 kV lines under construction, and another 4,000 miles of 230 kV lines are being considered for construction. One line alone, a 500 kV line spanning the 146 miles from northern Palm Beach County to North Dade County, is estimated to cost a total of about \$1 million a mile. Construction will not even begin until opposition groups complete all appeals.

Is there a real threat to human or animal life from these lines? The response of a spokeswoman for the state’s largest electric utility, Florida Power and Light, makes clear that the real issue is not potentially adverse biological effects:

The rule is a reasonable compromise. . . . Obviously, it has some costs involved, but in light of all the political pressure for the state to set some kind of standard, [it] attempted to balance—with no scientific evidence of the need of a standard—the economic impact with the emotional concerns.<sup>2</sup>

### Your toaster may be more dangerous

Numerous studies have investigated the biochemical changes that occur in a wide variety of species—both plant

## Lying with statistics

In an article entitled "Lies and Statistics" in the March 1969 issue of *Nuclear News* magazine, author Jon Payne presents the truth about how statistics about clusters of illness around nuclear power plants have been manipulated to fuel fears of radiation.

In the real world, he reports, studies exist that show a "moderate excess above the expected in the number of leukemia cases" near a particular nuclear plant. However, there are other geographical locations in the vicinity of other plants where there exists a "moderate deficiency" of such cases.

"The most reasonable conclusion should be that probably the nuclear facilities were not the cause of either the excess or the deficiency." If you conclude, he explains, that the findings of one are accurate, then you also have to explain the findings of the other case. "Unfortunately, reasonable conclusions are not always drawn in such situations," Payne observes. Most often, the clusters of disease are considered to be relevant, and the lack of clusters,

irrelevant. "Two forces are at work in these matters: emotionalism, and innumeracy," he explains. Clustering itself is not unusual, but should be expected. "Clusters of illness occur because of statistical variation, and in fact they occurred even before there was industrialized society," Payne states.

"Take the situation where two cases of leukemia are expected in a population in 10 years. If just one case occurs, the public yawns and turns its attention elsewhere; if there are three cases, the nearest industrial facility is blamed. In most instances, these are normal variations around the expected, but many people remain unaware of this. Consequently, this is fertile ground for planting claims that a nuclear plant is the source of the illness.

"In fact, you can guarantee variations from the expected by looking at smaller and smaller subsets of data," he points out. "In most of the instances we are talking about, the radiation releases are so small they are lost in the noise of variation in Mother Nature's background radiation."

Mr. Payne's article is clear proof that rigorous scientific study has clearly not been one of the methods used by those posing as the protectors of humanity who have a vested interest in stopping nuclear power, transmission line construction, or other industrial projects.

—*Marsha Freeman*

and animal—when subjected to electromagnetic fields of the sort produced by high-voltage transmission lines. Many experiments, however, have not been successfully repeated; even when effects are demonstrated—such as reduced honey production in apiaries—no one yet knows what health risks, if any, are posed to human beings. A study prepared for the Office of Technology Assessment<sup>3</sup> points out that electromagnetic field effects may exist in common home appliances: High-voltage transmission lines may be the least of your worries, and you may instead eye that toaster or electric blanket with a bit more caution. (See **Figures 1-3**.)

One of the first in-depth studies of the effects of extra-high voltage transmission lines was conducted under the New York State Power Lines Project in 1987. The study was undertaken to answer opposition to a line to facilitate importing cheap hydroelectric power from Canada. The line would have formed a ring tying all of the state's systems together, thereby allowing New York State to eliminate the use of oil for its power generation. (See **Figures 4-7**.) The New York State study was one of the first to specify whether they were measuring effects from electric or magnetic fields, and cautioned that

There are important general differences between the electric and magnetic fields produced by power

transmission lines which should be emphasized. The first of these differences concerns the sensitivity to the current flowing in the lines. Once a power transmission line is raised to its operating voltage, the amplitudes of the electric fields produced by the line are essentially independent of the currents flowing in the conductors comprising the line. On the other hand, the magnetic fields produced by the line depend primarily on the currents flowing in the conductors, and not on the line voltage.

Thus a specification of line voltage alone is inadequate to define the magnetic field levels that a particular line is likely to produce.

Another important difference concerns the directions of the fields. The electric fields on the ground beneath an overhead power transmission line are necessarily very nearly vertical at all times, whereas the magnetic fields on the ground are largely confined to planes perpendicular to the lines (although there can be a small component parallel to the lines), where, due to the phase differences of the currents flowing in the individual line conductors, the horizontal and vertical components combine to give a total magnetic field vector that rotates at the power line frequency. . . . in general the magnetic

FIGURE 1

**Magnetic fields of representative low-power electrical appliances**

Appliance	Distance (cm)	Magnetic field (μTesla)
Welders	50	1,000
Soldering gun	Contact	1,000
Arc furnace	200	300
Wall clock	5	300
Alarm clock #1	Contact	300
Massager	5	200
Fluorescent light	5	200
Teakettle	Contact	30
Heating pad	Contact	17
Razor	Contact	10
Alarm clock #2	2	10
Television	25	1

*Measurements were made with a meter manufactured by the Electric Field Measuring Company, West Stockbridge, Massachusetts. The diameter of the measuring coil was approximately 10 cm. With the exception of the electric razor, all of the measured magnetic fields were nearly pure 60 Hz. The razor had a rich spectrum of higher frequencies. The welder and furnace data are from Lövsund (1984).*

Source: *Biological Effects of Transmission Line Fields*, by Edwin L. Carstensen.

flux density vector near the ground rotates in an ellipse with highly variable characteristics. . . .

With respect to biological, genetic, and cancerous changes, the authors concluded:

No effects were found on reproduction, growth or development. Several studies showed no evidence of genetic or chromosomal damage that might lead to inherited effects or cause cancer. While most measurements of behavior and brain function did not demonstrate changes, some did show changes that were small but consistent. . . . Some of these appear to result from changes in body rhythms, and might interfere with normal sleep patterns. . . .

[S]tudies using soft agar cloning assays to assess the proliferative response of normal cells and human colon carcinoma cells to fields, reported that for the cancer cells, but not the normal cells, magnetic or combined magnetic and electric fields caused increased cell proliferation, increased numbers of surface transferrin receptors, increased resistance to natural-killer-cell activities and increased expression of

FIGURE 2

**Power frequency electric fields near electrical appliances**

Appliance	Electric field (V/m)
Electric blanket	250
Broiler	130
Stereo	90
Refrigerator	60
Toaster	40
Color television	30
Incandescent light bulb	2

*All measurements were made at a distance of 30 cm from the device. Data from Miller (1974).*

Source: *Biological Effects of Transmission Line Fields*, by Edwin L. Carstensen.

tumor cell surface antigens. The observation that normal cells did not grow in soft agar is consistent with the conclusion that exposure to the fields did not cause cells to become cancerous.

The observations with the cancer cells, however, suggested to the investigators the possibility that magnetic fields stimulate the rate of cancer cell growth. Even if this observation were confirmed, however, extrapolation to the behavior of cancer cells in humans is not justified, because behavior of cells in soft agar is not predictive of their behavior in the whole organism. . . . [T]here is no basis to extrapolate between growth of cells which are already malignant and initiation or promotion of cancer in the whole organism.

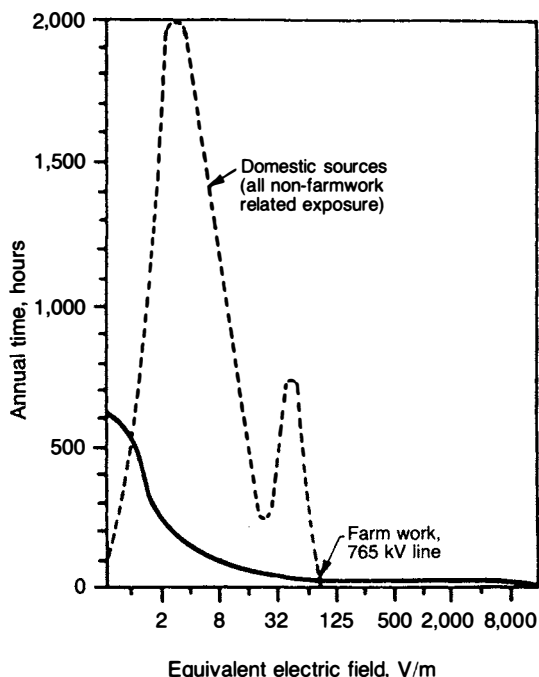
In the end, the New York Public Service Commission was unable to come to a conclusion about whether biological hazards did exist, but *the line was not built*. The cheap electricity that this line would have provided, would have prevented the death from exposure of elderly citizens who lacked adequate heat in winter or air conditioning in summer. The rise of such deaths is especially marked in the larger cities of North America that are already experiencing brownouts and blackouts for lack of adequate reserves of electrical power.

**Green 'science'**

The study that is considered the landmark for the environmentalists was done by Nancy Wertheimer and Ed Leeper in 1979. This was an epidemiological study to determine the effects of long-term exposure to extremely small magnetic fields in the home. They compared childhood mortality records in the greater Denver, Colorado area, and correlated the incidence of cancer with proximity to the network of extra-

FIGURE 3

**Time spent in equivalent electric fields; domestic vs. farms with 765 kV transmission lines**



Source: *Biological Effects of Transmission Line Fields*, by Edwin L. Carstensen; Electric Power Research Institute.

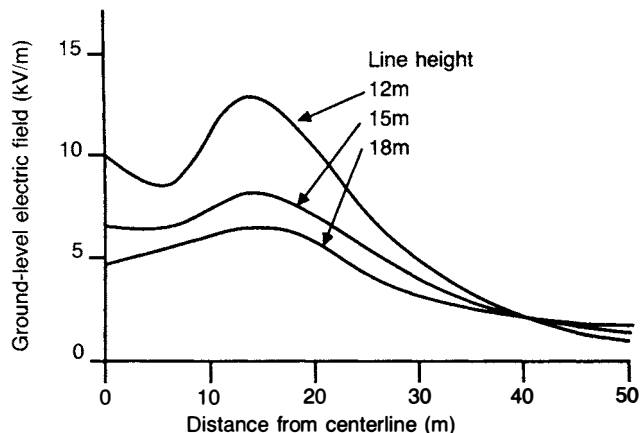
high voltage lines. Their study concluded that there was a statistically significant increase in childhood cancer in the Denver area, compared with a control group. A large fraction (37%) of the homes were near so-called "high-current configuration" power lines, than were found for the controls.

However, the study was not conducted blind—that is, the subjects knew whether they were part of the experimental group or of the control group; it assumed that the magnetic fields in the home were dominated by nearby power lines, as opposed to other sources, such as by domestic consumption of electric power or other invisible sources of fields; it assumed that the magnetic fields could be estimated by visual inspection of neighboring power line wiring configuration.

Additionally, the magnetic fields were not measured at the homes of the subjects, but instead were measured directly below several of the lines. The role of the use of everyday household appliances was not accounted for, which could affect or interfere with the fields generated from the extra-high voltage lines. Finally, Wertheimer and Leeper took no account of the fact that there is a higher rate of certain kinds of cancer in the Denver area, because of its extremely high elevation, which other studies have been able to show.

FIGURE 4

**Ground-level electric fields for a 765 kV transmission line**



*Flat configuration with a phase spacing of 14 m (45 ft.)*

Source: *Biological Effects of Transmission Line Fields*, by Edwin L. Carstensen.

A new study was conducted by David A. Savitz, correcting for the flaws in the Wertheimer and Leeper study. Savitz, an epidemiologist currently with the University of North Carolina, commented that although he and many other scientists express concern about the possibility of a cancer threat from electromagnetic fields, there exists no persuasive evidence that extremely low-frequency radiation causes cancer.

Several epidemiological studies over the last few years have suggested an association between an increased risk of cancer and industrial and domestic exposure to electromagnetic fields, especially at low frequency. A researcher who has done extensive work in these areas remarked in his study's findings:

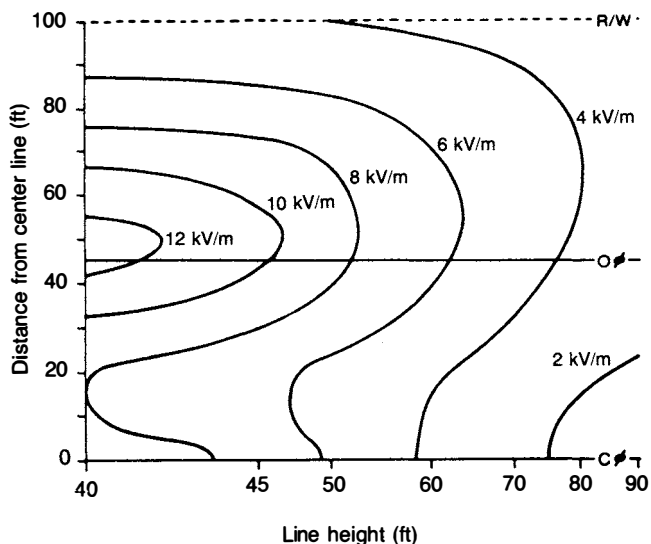
"Controversy still exists as to whether these epidemiological relationships to cancer could be attributed to the weak electromagnetic fields, or exposure to other agents, such as solvents, fluxes . . . [or] synthetic waxes . . . as are known to occur in electrical occupations, or as yet undefined factors." He continues that the current evidence indicates that "unlike ionizing radiation, low energy electromagnetic fields do not damage DNA and hence do not cause mutations or serve as initiators of the cancer process. . . . [I]ntermittent exposure to electromagnetic fields on a regular basis may serve as a tumor-promoting stimulus. However, this suggestion awaits experimental confirmation in an established animal model."<sup>4</sup>

In addition to epidemiological studies, laboratory studies have been conducted as well, and the bulk of them show no effect that could be attributed to exposure to fields with the power and frequency of the transmission lines.

These studies apparently do show some biological effects

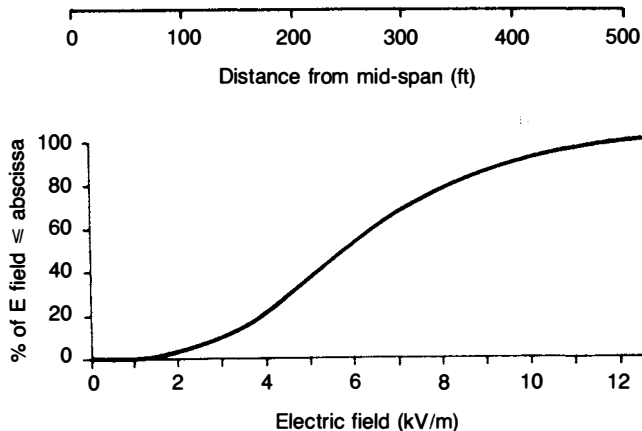
FIGURE 5  
Fields of a typical 765 kV transmission line

(a) 'Contour map' presentation of the distribution of fields within the right of way



$C\phi$  denotes the position of the center conductor and  $O\phi$  the location of the outer conductor.

(b) Cumulative distribution of the fields

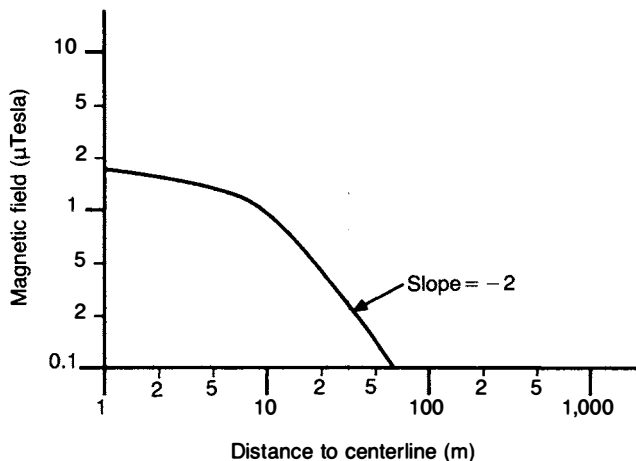


Source: *Biological Effects of Transmission Line Fields*, by Edwin L. Carstensen.

of extremely low-frequency and electromagnetic fields. The effects of these fields are used, for instance, in diagnostic medicine and to promote healing in broken bones.

One of the most extensive such studies was conducted by Dr. Richard Phillips, of Battelle Pacific Northwest Laboratory in Richland, Washington, and Professor Rudolf Hauf of the Forschungsstelle für Elektropathologie in Freiburg, West Germany. The experiment involved four generations

FIGURE 6  
The magnetic fields of a 230 kV, double circuit transmission line



Height approximately 12 m, currents 220 and 90 A for the two circuits

Source: *Biological Effects of Transmission Line Fields*, by Edwin L. Carstensen.

of mice, which were placed in an unperturbed 60 Hz electric field of 100 kV/m; a variety of tests were then made in behavior, hematology, neurochemistry, reproduction, bone growth, endocrinology, and other areas. The results were overwhelmingly negative.

With respect to the effects of magnetic fields, another laboratory study found:

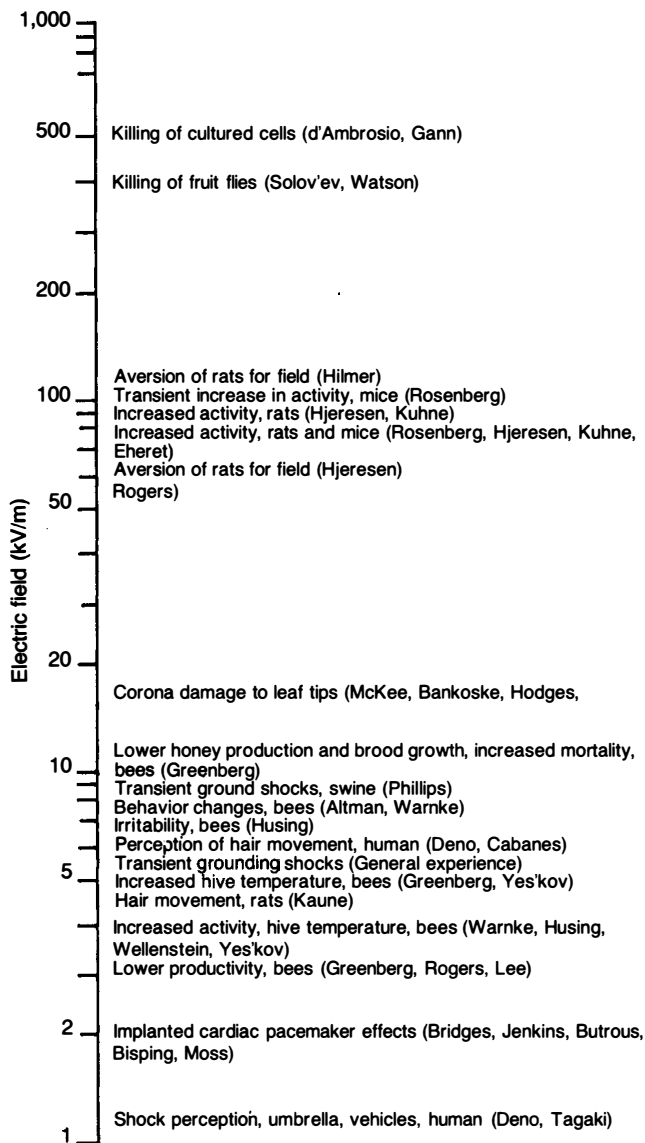
Since there is no magnetic equivalent of free charge and since concentration of magnetic dipoles in living things is extremely small, it is not surprising that there are few examples of clearly established biological effects of magnetic fields . . . the permeability of biological material are very similar to air. Thus, introduction of a biological subject into a magnetic field has a negligible effect on the field. . . . [T]here are no clearly established long-term health effects associated with exposure to electric or magnetic fields comparable in magnitude to those associated with transmission lines. Hence, there are no biologically relevant exposure parameters for extremely low-frequency fields that include the factor of time in the way it is possible for ionizing radiation.<sup>5</sup>

Despite the interest of the scientific community in conducting serious research into the effects of these fields, Congress has approved a measly \$3 million for research for the Department of Energy, for fiscal year 1989. Even most of the Environmental Protection Agency's projects dealing



FIGURE 7

**Confirmed biological effects of power frequency electric fields**



*The vertical scale on the chart gives the unperturbed electric field in air before the subject enters the region.*

Source: *Biological Effects of Transmission Line Fields*, by Edwin L. Carstensen.

with extremely low-frequency radiation were shut down in 1986, due to budget cuts. Many scientists express the hope of that increased research will give a definite answer, one way or the other, within the next five years. Until that answer is provided, the best approach seems to be to limiting the public's exposure to electromagnetic fields, such as routing new transmission lines to avoid populated areas, and design

new home wiring configurations that minimize the electromagnetic fields.

The real danger continues to lie with environmentalist-generated hysteria that drowns out the voice of scientific findings that certify the safety of high-voltage lines. Witness the destruction of the nuclear industry, against which environmentalists launched their assault, not despite the fact that nuclear is clean and safe, but *because* it is, in order to create a hoax that energy resources are "scarce." The nuclear industry refused to take up this political fight, to mobilize support behind a crash program to develop this cheap source of energy in the way U.S. citizens were moved to support the space program.

As in the case of nuclear energy, the environmentalists' "solution" to any perceived problem—chemical, nuclear, or otherwise—is simple: Shut it down or don't let it be built. It is a simplistic approach that appeals to those who fantasize about a "co-existence" or "guardianship" with nature. The underlying assumption is extremely insidious: Man is not even co-equal with nature, he is her slave. It is an outlook that believes that the order of the universe is such that man must obey what nature demands, regardless of the cost to human life. Such a hateful philosophy is contrary to one of God's first commandments: "Be fruitful, and multiply, and replenish the earth and subdue it: and have dominion over the fish of the sea and over the fowl of the air, and over every living thing that moveth upon the earth."

From the standpoint of reason, we can say that there is currently no proof of actual permanent harm from extra-high voltage or ultra-high-voltage transmission lines. We can, however, demonstrate scientifically that hundreds of millions of people are dying, and will die, especially in the Third World, for a lack of cheap, abundant energy which can be carried through the high-voltage transmission lines the greens would deny us.

**References**

1. Florida Electromagnetic Field Science Advisory Commission, 1984. In the Florida case, the rule for 500 kV lines has three provisions: a limit of 10 kV/m maximum electrical field within the right of way; a limit of 2 kV/m maximum electric field at the edge of the right of way; and no more than 200 milligauss (mG) maximum magnetic field at the edge of the right of way.
- For double-circuit 500 kV lines, the same standards are applied for electric field strengths as for single lines, but the limit on magnetic fields is a maximum 250 mG at the edge of the right of way. For 230 kV and lower voltages, the maximum electric field within the right of way is 8 kV/m, the maximum on the edge of the right of way is 2 kV/m, and the maximum magnetic field limit at the edge of the right of way is 150 mG.
2. *Electric Utility Week*, Jan. 30, 1989.
3. William K. Stevens, "Scientists Debate Health Hazards of Electromagnetic Fields," *New York Times*, July 11, 1989. The report was prepared by Indra Nair and M. Granger Morgan, physicists, Carnegie-Mellon University's Department of Engineering and Public Policy, and H. Keith Florig, a research fellow in the department.
4. C. Byus, K. Kartun, S. Pieper, and W.R. Adey, "Microwaves act at cell membranes alone or in synergy with cancer-promoting phorbol esters to enhance ornithine decarboxylase activity."
5. Edwin L. Carstensen, Ph.D., *Biological Effects of Transmission Line Fields*.

## Soviets reorganize military, not to prepare for 'peace'

by Konstantin George

As was widely reported in the U.S. media during the first week of August, some members of the House Armed Services Committee began to question the legitimacy of Soviet "unilateral withdrawals" from Eastern Europe, after their tour of Soviet military units in East Germany. The congressmen had come belatedly to the conclusion that Moscow's withdrawal numbers did not add up, since the equipment and personnel that remained, after tanks and their crews departed, were being reassigned to units still in place on East German soil.

Their suspicion was confirmed beforehand in: 1) a TASS interview July 21, given by General of the Army Boris Snetkov, commander-in-chief of the Western Group of Forces, as the Soviet forces in East Germany are now called, which reported the total number of troops and equipment that would be withdrawn, and 2) a statement to TASS July 31 by Gen. Col. Bronislav Omelichev, first deputy chief of the Soviet General Staff and head of its planning nerve center, the Operations Main Directorate. Omelichev listed total Soviet withdrawals by Aug. 15 for Eastern Europe as a whole, and for Mongolia, where, as part of the political pact with the Red Chinese, a real withdrawal is taking place.

We present these data in **Table 1**, which shows the enormous discrepancy in the ratio of troops to tanks and vehicles withdrawn, between East Germany and Eastern Europe on the one hand, and Mongolia on the other. As these figures prove, what is leaving East Germany and Eastern Europe are not integral Soviet *units*, but *equipment*, and those troops most directly linked to the equipment in

question. The other troops—motorized infantry, artillery, anti-tank, and anti-aircraft—who had belonged to the withdrawn and dissolved tank divisions, have not been withdrawn at all, but have been reassigned *within* the Soviet Groups of Forces in Eastern Europe, beefing up their regiments to de facto brigades.

Through this reorganization, the basic unit in the Groups of Forces has become a brigade, both in numerical strength and in the ensuing qualitative *combined arms* increase, effected by the additional artillery, anti-tank, and anti-aircraft units.

The emergence of the enhanced combined arms brigade as the basic unit of the Soviet Army is one component of a vast reorganization of the Armed Forces under way this year. The brigade restructuring at the lower rungs has been

TABLE 1  
Soviet 'unilateral withdrawals'

	East Germany	Eastern Europe	Mongolia
Troops	11,000	21,000	7,325
Tanks	2,100	3,100	404
Artillery systems	150	383	307
Vehicles	2,000	ca. 3,000	ca. 400
Approx. troop to tank and vehicle ratio	2.5:1	3:1	9:1

accompanied by a revolution at the top of the command and control structure. Some 1989 highlights:

- The early April appointment of Gen. Col. Yuri Yashin, 59, a Doctor of Technical Sciences and 30-year veteran of the Strategic Forces as a deputy defense minister without formal portfolio. The only precedent for such an extraordinary development was the 1974-77 tenure of Marshal Nikolai Ogarkov as deputy defense minister without portfolio. Ogarkov went on to become the father of the currently operational Soviet war plan. Yashin's new functions are to oversee the implementation of the Soviet military's top priority program of perfecting, within the next three years, a modern wartime command, control, and communications system, and to direct the introduction of new post-nuclear technologies for the Soviet military.

- The quiet April revolution in the Soviet Air Force command. Well before retirement age, the Air Force first deputy commander-in-chief, Gen. Col. of Aviation B.F. Korolkov, and Air Force chief of the Main Staff, Gen. Col. of Aviation V. Ye. Pankin, were removed, and replaced by, respectively, Gen. Lt. of Aviation Yevgeni I. Shaposhnikov and Gen. Lt. of Aviation P.I. Belonozhko, who had formerly served under Pankin as first deputy chief of the Air Force's Main Staff. This latter pair now de facto commands the Soviet Air Force, leaving the Air Force's commander-in-chief, the 66-year-old Marshal of Aviation A.N. Yefimov, a titular figure. The changes in the Air Force are more sweeping than those that occurred in the Air Defense Forces in the aftermath of the May 1987 penetration of Soviet air space—and landing in Red Square—by a West German teenager flying a Cessna plane.

- The January appointment of 43-year-old Gen. Lt. Vladislav Achalov, as commander of the Soviet Airborne Forces. Achalov epitomizes the phenomenon of striking promotions granted to young officers who have excelled in Afghanistan and in their post-Afghanistan assignments. More than that, it exemplifies a side to the promotion of Afghanistan veterans not generally cited in the West: dramatic promotions for those who excelled in leading *staff* functions during the war and in post-Afghanistan assignments. As chief of staff of the Leningrad Military District during 1988, when that district pioneered airborne/*spetsnaz* commando offensive exercises in accordance with the new Soviet offensive doctrine, Achalov played the key role in planning these exercises. His new post provides the most stunning confirmation that this new doctrine is moving into an advanced operational stage.

- Beginning in January, the creation of a new wartime command structure, centered on the General Staff and the Theater Commands. Starting last autumn, the old interim leaderships of the Theater Commands were replaced by a new generation of commanders, between 55 and 61 years of age. They now have total control over all forces—land, sea, air, and air defense—based in the military districts and Groups of Forces under their jurisdiction.

Until this year, the Theater Commands had existed as a transitional institution, alongside a peacetime structure of

U.S.S.R. military districts and Groups of Forces in Eastern Europe. The Groups of Forces are on their way toward merger into a single Western Group of Forces, and the military districts are being either abolished, merged, or relegated to mere training functions.

### Cutting the fat

The Soviet Union is experiencing in 1989-90 the most sweeping reduction of high-ranking officers since the wholesale cuts imposed by Nikita Khrushchov on the armed forces in 1960, and since Stalin slaughtered the officer corps in 1937. What is occurring now, however, is no purge in the traditional Soviet sense, where a mass action was conducted against the military. The current purge has been drafted and is being implemented *by* the military, *for* the military. It is a crucial component of a thorough reorganization program, worked out under the direction of the General Staff leadership, and based on detailed plans drafted by the General Staff.

The reason for this elimination of high-ranking officers? It is a necessity, if the Soviet military, in accordance with its war plan, is to achieve full war readiness within two years. The mass early retirement of older and, above all, less-qualified officers, is fully consistent with the following program:

The Soviet Union, under the cover of its military "unilateral cuts" program, is in the midst of transforming its military command structure from a peacetime territorial table of organization, based on cumbersome, top-heavy military districts, into a much "leaner and meaner" wartime command and control structure, streamlined around an upgraded General Staff, operating through the wartime Theater Commands—West, Southwest, South, and Far East. This reorganization, scheduled to be completed in the next 18-24 months, is coupled with accelerated efforts to achieve a breakout in developing and deploying a first generation of radio frequency and related new post-nuclear technology weapons of mass destruction.

This deadly combination of reorganization into wartime formations and striving for a military-technological breakout, is occurring in the midst of a systemic crisis in the Soviet Empire, as manifested in the strikes and ethnic explosions of the past year. That turmoil will increasingly tempt the Soviet leadership to exercise military options as the "solution."

The old inefficient, indeed absurd, command structure hung like an albatross on the Soviet Army, impeding the achievement of a war-ready command and control system. Inside the Soviet Union, the Army had been organized on the basis of 16 military districts, each containing its own redundant complement of dozens of officers of general rank and many more colonels. A similar top-heavy, unwieldy structure governed the four Soviet Groups of Forces, stationed in East Germany, Czechoslovakia, Poland, and Hungary. A leading British specialist on the Soviet military once told *EIR* that "once war breaks out, the whole structure of Groups of Forces and military districts goes out the window; once war starts, it all disappears." Moscow is not waiting for war to start, but, under a policy of fully preparing now

## The gathering storm

Hungarian Communist Party leader Rezso Nyers warned in an Aug. 14 interview with Austrian television, that because of "the considerable insecurity" the East bloc and Soviet internal crisis has caused in the Soviet leadership, "a major political turn in the Soviet Union" is probable.

**Baltic:** August is the anniversary month of the infamous 1939 Hitler-Stalin Pact which led to Russia's annexation of the Baltic republics in 1940. Expecting unrest, Moscow is exploiting the large Russian populations who were settled there after the war for provocations which can be used to bring the "liberalization" gambit there to a quick end. In Estonia, Russians and other Slavs comprise 40% of the population, and in neighboring Latvia they are the majority. Since last year's rise of Baltic nationalism and the formation of Estonian, Latvian, and Lithuanian Popular Fronts, the ethnic Russians of these republics were organized, with military and KGB support, into the mass Russian-chauvinist group, Interfront.

On Aug. 9, Interfront began a political strike in Estonia, which has shut down over 40 industrial plants and much of the region's rail freight traffic, to protest a new Estonian electoral law, labeled "discriminatory" by the

Russian minority. Soviet Justice Minister Venyamin Yakovlev and *Pravda* editorials called the Interfront strikes "justified," and labeled the Estonian law, which is not yet formally enacted, "against the Constitution" and a "violation of international law" on "human rights" for minorities.

**Transcaucasus:** Bloody armed clashes between Armenians and Azeris in the predominantly Armenian-inhabited region of Karabakh were admitted by TASS on Aug. 15, which disclosed that "the loss of life and the casualties among the population are steadily growing," and reported attempts in Karabakh to set up "alternative governments."

In Muslim Azerbaijan, on Aug. 13 over 100,000 Azeris, led by their Popular Front, demonstrated for economic and political autonomy. A one-day general strike for Aug. 15 in Baku, called by the Popular Front, was successful, and a demonstration that evening in Baku turned out over 150,000 people. On Sept. 1, a general strike begins in Azerbaijan, which, among other things, will shut down the vital oil producing, refining, and petrochemical industries.

**Moldavia:** The "autonomy" movement has scheduled a demonstration, with an expected turnout of about 500,000, for Aug. 27 in the capital of Kishinyov. Counter-demonstrations by the republic's large Russian minority are also planned.

for future military operations, the peacetime structure is already going out the window.

There was some logic to this structure before the 1987-89 overhaul of the Soviet Union's Interior Troops into an elite force to handle internal unrest (see article, page 28). The reorganization of the Interior Troops removed the last barrier to scrapping the military district structure.

The scope of the Soviet military's own purge to rid itself of excess baggage was revealed by Defense Minister Dmitri Yazov, in a July 22 speech before political section chiefs of Soviet divisions. Yazov disclosed that over the past two years, "many generals" and other officers had been retired, and "almost 1,400 posts of general and 11,000 posts of colonel have been abolished." What he did not say, was that this was only the beginning. Many more such posts will disappear, as the ongoing elimination and consolidation of military districts and Groups of Forces takes effect.

One military district has already been officially dissolved. On June 2, TASS quoted Gen. Lt. Yuri V. Petrov, a newly appointed deputy chief of the General Staff, that, effective June 1, the Central Asian Military District had been merged into the Turkestan MD. In one stroke, all Soviet troops in Central Asia were placed under one commander,

the Afghanistan veteran Gen. Lt. Ivan Fuzhenko, who in turn is directly subordinated to the Southern Theater Command in Baku.

Other military districts, including the Siberian MD and the Volga MD, exist now only on paper, having been merged into the Transbaikal and Ural Military Districts, respectively.

The end of June announcement by the Soviet Defense Ministry that the Group of Soviet Forces in Germany had been renamed the Western Group of Forces, marked the formal initiation of a process, whereby in the next 12-18 months, three Soviet Groups of Forces—the Western, the Central (in Czechoslovakia), and the Northern (in Poland)—will be merged into one, the Western Group of Forces. This means the pre-war creation of a functional wartime command and control system for military operations against Western Europe. With this reorganization, all Soviet forces in Central and Eastern Europe, opposite NATO's Central Front, will be under one unified command, which in turn is directly subordinated to the Western Theater Command. These are not the type of command and control reorganizations conducted by an empire looking ahead to "peace" and "détente." Quite the contrary.

# Polish government is under Soviet gun

by Konstantin George

Amid the hoopla around the imminent formation of a non-communist government in Poland, reported in the Western press as a "victory for freedom," some salient facts are being ignored.

First is that the Solidarnosc movement's decision to lead that government, was by no means a free choice, but the result of an ultimatum by Poland's President Wojciech Jaruzelski, backed by the Soviets with the implicit threat of a bloodbath.

Second is that the new Solidarnosc government is intended by those who forced its creation despite the great reluctance of Lech Walesa and other Solidarnosc leaders, to "take the rap" for new, bitter economic austerity measures which will worsen Poland's already catastrophic collapse.

On Friday, Aug. 12, Soviet Foreign Ministry spokesman Vadim Perfileyev announced that the Soviet Union is "deeply concerned" about "attempts to exploit the process of forming a government" with the aim of "destabilizing the situation" in Poland and harming Poland's "alliance obligations to the Warsaw Treaty Organization." Soviet ambassador to Poland Vladimir Brovnikov spent the day armtwisting the leaders of Poland's Peasant Party and Democratic Party, the two parties with which Solidarnosc were discussing forming a governing coalition without the Communists.

Polish Prime Minister-designate Czeslaw Kiszczak then resigned, paving the way for Solidarnosc to lead the government, which it had so far refused to do. On Aug. 15, with Soviet backing, President Jaruzelski had a statement read warning that unless talks began to form "an all-party government," Poland faced "dangerous instability."

It was not Jaruzelski's warning alone, but the tacit threat of a Soviet military move, that forced Solidarnosc leader Lech Walesa's hand. In an interview with Radio Warsaw, Aug. 15, speaking like a man with a gun to his head, he said, "We are not removing the [Communist] party from power. Those most important ministries, and here I'm speaking about the physical continuity [of the state], those should stay in the hands of the party. Because we don't want to take power. We only want to achieve a great reform which the party cannot achieve. We will not disrupt the European order, and not create threats for those allied to the Warsaw Pact."

The Soviets intend to have an invasion capability in place

should matters move out of their control. Soviet forces, ringing Poland from every side, will be on maneuvers in the three-week period between Sept. 15 and Oct. 7. On July 22, TASS reported that the official size of each maneuver had been scaled down, to 13,000 or fewer troops. This reduction has conveniently eliminated the need to allow mandatory Western observers at the maneuvers, under the Stockholm "Confidence-Building Measures" agreement. The exercises encompass:

- About 13,000 Soviet troops of the Western Group of Forces, based in East Germany, instead of the original plan for 25,000 troops, between Sept. 15 and Oct. 7.

- 13,000 Soviet troops of the Central Group of Forces, based in Czechoslovakia, instead of the original plan of 16,500 troops, in the late September-early October.

- Two sets of September maneuvers in the Baltic Military District, one of airborne troops, and one of combined army and airborne troops, each of 1,500 troops, instead of the original plan of 3,500 troops. These maneuvers will feature units of the 76th Guards Airborne Division, based at Kaunas, Lithuania, and will be held very close to the Polish border.

All these maneuvers are exclusively by Soviet forces, with no involvement by Warsaw Pact allies. Not reported by TASS, is the fact that annual Soviet maneuvers are held in late September and early October in the Belorussian and Carpathian Military Districts, also bordering Poland.

## Economy worsens

The underlying economic woes, above all the food supply breakdown, have become so severe that even with Solidarnosc joining the government to take the political heat off the Communists, no guarantees exist that Poland won't go out of control by autumn. Meat disappeared from the state-controlled shops soon after Aug. 1. As confirmed by Radio Warsaw on Aug. 14, by the weekend of Aug. 12-13, meat had also vanished for the first time from the free market in one northeastern region, Olystzyn. Radio Warsaw also reported that in Lodz, a city of 850,000, rice, buckwheat kasha (Poland's main cereal staple), sugar, and flour could not be found in stores.

Reports are circulating that elderly food shoppers have died on food queues, and that queuers have stepped over their dead bodies, because they are fearful of otherwise losing their places on line, the *Financial Times* reported from Warsaw Aug. 17. By official figures, inflation is at an annual 236% rate, and will hit 315% by December.

But the Western bankers who backed U.S. President George Bush's refusal to undertake a fundamental international economic reform, and his consequent rejection of Lech Walesa's pleas for a \$10 billion development program for Poland, agree with Moscow: for the sake of social control, Poland must continue to suffer and starve, but under a "free" government.

# 'Afgantsi'—Moscow's Praetorian Guard

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*Elite troops trained in Afghanistan will carry out the coming crackdown in the Soviet Union. Luba George reports.*

"[In the near future] the *Afgantsi* will take up leading positions in the economy, party, and ideological apparatus. . . . These forces will consolidate themselves based on the ideas of suffering, combat experience, and on the ideas of stoicism. The government should take advantage of these forces and put them to use in a positive way. . . . For God forbid should a new crisis break out! The leadership will then be in dire need of people who are experienced and ready to sacrifice themselves. I don't think that the pacifist-leaning youth—the rockers, breakers, punkers [Russian=*Panki*—will be those to sacrifice themselves for the sake of the salvation of the Fatherland. These are not the forces who would be prepared for it. It's the *Afgantsi* who would be prepared to make sacrifices should the time come requiring bloody sweat to be spilled. And that's why they should be given the right place in society."—Aleksandr Prokhanov, *Leningradskaya Rossiya*, May 6, 1988.

Since these words, uttered right after the first wave of national and inter-ethnic unrest had broken out, blood has indeed been spilled on the territory of the Soviet empire. All talk of *glasnost* and "democratization" aside, Soviet dictator Mikhail Gorbachov's April ordering of the massacre of Georgian civilian demonstrators was a massacre carried out by the *Afgantsi* who comprise the Interior Troops' special units. This, together with the repeated brutal handling of Ukrainian demonstrators since last summer by these same units, shows the fascist, Russian nationalist, "blood and soil" policy shift, echoing the brutality the world witnessed in Beijing's Tiananmen Square.

The coming policy shift was underscored on Aug. 4—in the wake of the empire's first mass strike wave—in Gorbachov's speech concluding the Supreme Soviet session, where he dropped his mask, to call for a vast internal crackdown. Gorbachov announced a "drastic upgrading of legislation" to combat national unrest and "organized crime," and the forthcoming expansion of the Interior Ministry's (MVD) dreaded *special units* of Interior Troops, to deal with cases of "violent unrest."

This had already been demanded by the MVD at a June 27 Moscow press conference by MVD Deputy Minister Yuri Zhurkin. Zhurkin called for beefing up the MVD's *Interior*

*Troops*, and for "special programs of action" to handle inter-ethnic conflicts and "organized crime."

Gorbachov's ugly shift was already noticeable in 1988. It has not made the impact on the Western public that China did, because of the Soviet media coverup of the scope of massacres and brutalities committed, and the Western media having simply retailed Moscow's vastly understated version of events.

The first massacre, committed by the *Afgantsi* of the MVD special units, on the orders of the Soviet leadership, including Gorbachov, occurred during July 1988 at Svartnots Airport outside of the Armenian capital Yerevan. The death toll there, as the Afghan veterans of the MVD and the Army paratroop unit sent in fired into the crowd of Armenian demonstrators, was much higher than the official toll of two persons killed. Throughout the summer and autumn of 1988, MVD special units broke up many demonstrations in Ukrainian cities, brutally beating many hundreds of people, with many of the victims requiring hospitalization. The same pattern of violently breaking up protest demonstrations has been often observed in Moscow itself, from October of last year through the spring.

The mood of revolt and protest in the Captive Nations throughout the empire is not stoppable. It is a function of the horrors experienced by the population, forced to live in countries whose economies are near the point of physical breakdown. To counter this, Moscow will employ its "Praetorian Guard" to save the collapsing empire.

## Perestroika in the MVD

According to an article in the Estonian Komsomol newspaper *Noorte Haal* on Jan. 14, 1989, written by Toomas Sildam, a correspondent in Kabul since 1979, *more than 1 million* Soviet soldiers passed through the Afghan experience, leaving 50,000 dead and 150,000 injured. Sildam's statistical data refuted the official figures given by General of the Army A.D. Lizichev, chief of the Main Political Administration, who said that over-one-half million Soviet soldiers were involved; 13,310 were killed in action; 35,478 wounded, and 311 missing in action.

This phenomenon, the "Club" of over 1 million young,

angry combat-hardened *Afgantsi*, has transformed the Soviet Union, first and foremost in the institutions which, in the present times of systemic crisis, become the empire's most important institutions—the military and the organs of internal security. It is outside the scope of this article to treat in detail the “revolution” this has engendered in the Soviet Military High Command. Suffice it to say that the *Afgantsi* now comprise the driving group in the Army's leadership, and fill nearly all command positions for forces, from district and groups of forces level down to unit commanders. This has occurred with a vengeance during 1987-89—one crucial component of the real, alarming, *perestroika*, or restructuring, that has occurred in the Army.

We shall focus, however, on a *perestroika*, namely in the ranks of the MVD's Interior Troops (*vnytrenniy voisk*), which has gone unnoticed, or has been deliberately ignored, by the Western media.

During 1987-89, a quiet revolution has occurred in the Soviet Union's 340,000 Interior Troops. They have been placed under the Ministry of Defense, and, since 1987, commanded by Army Gen. Col. Yuri Shatalin, making them a de facto extension of the Army. Personnel-wise, the Interior Troops are superior to the average Army unit. The Interior Troops now consist of hundreds of thousands of carefully selected *Afgantsi*, tough, combat-hardened veterans. As part of the 1987-89 reorganization, starting last year, the MVD “special units” were created, drawn from the cream of the Afghan War veteran crop: former members of elite airborne, air assault, and *spetsnaz* commando units. The racial composition of the Interior Troops has become almost 100% Slavic, mostly *Russian*. These are the forces who have been, and will be ever more often, in Prokhanov's words, “put to positive use.” They are, to the 500-year-old vision of Moscow as capital of the Third and Final Roman Empire which dominates leading circles in the Soviet Union today, what the Praetorian Guard was to the first Roman Empire—the select bodyguard of the emperor.

Gorbachov's concluding speech to the Supreme Soviet not only heralded a huge expansion of the Praetorian Guard, but was an admission after the fact that such an expansion is already under way.

Since spring, more and more efforts have been made to recruit men with Afghanistan combat experience into MVD's special units. *Afgantsi* now form the core of anti-riot special assault teams of the Moscow, Leningrad, Novosibirsk, Kiev, Minsk, and Riga police departments, to name only some. The call for more *Afgantsi* volunteers was made by U.S.S.R. Interior Minister Vadim Bakatin himself, when he appealed to Afghan veterans to join or work more closely with the Soviet law enforcement agencies: “It is vitally important that your enormous authority and untapped potential be used . . . against the insolence of bandits, racketeers, and other scoundrels” (*Komsomolskaya Pravda*, April 29, 1989).

These special assault teams for each major urban center

The *Moscow News* (No. 31) reported that a group of *Afgantsi*—Soviet veterans of the Afghan war—have presented a proposal to the Central Committee to form a “volunteer division” to resume the fight. The veterans said that “this division will compensate qualitatively for the reduction of our troops and, not in violation of the Geneva accords, it will help stabilize the situation in Afghanistan as well as the entire region of Central Asia.” Furthermore, they stressed the belief that “the situation of Islam and its propagation carried out by the Afghan opposition, and the situation developing in Uzbekistan . . . is creating a chain reaction, which in the near future threatens to spill over into the U.S.S.R.”

The report added, however, that an unofficial reply from the U.S.S.R. Ministry of Defense had dismissed the idea and mentioned among other things that Kabul had not asked for resumed Soviet intervention.

The core of this *Afgantsi* offer is not Afghanistan as such, but having placed on the policy agenda the idea of a Russian military volunteer force, acting in any one of a number of potential combat theaters, against an Islamic, or Turkic “threat” to the U.S.S.R. This would be a cover for pursuing expansion, much the same way it was done under the Pan-Slavic Doctrine, with Czarist Russian military “volunteers” who served in the Balkans during the 19th century.

are directly modeled on the dreaded Soviet-trained Polish ZOMO elite anti-riot units, which brutally enforced the Jaruzelski martial law regime there, after December 1981.

On July 5 the Soviet news agency TASS issued a report on the training and duties of a “riot squad” of the Moscow police, called the *Otryad moskovsky osobogo naznacheniya* (OMON), created in October 1988. According to the report, OMON has been in action more than 600 times since its creation and has detained some 2,000 people. Each member of the special unit, continued TASS, receives about 1,000 hours of training. Preference in the selection of personnel for the unit was given to former Soviet Army airborne paratroopers (i.e. *Afgantsi*) and the average age of members of the unit is 33. It was used in October 1988 for the first time to break up a demonstration of the Democratic Union in Moscow.

In addition, many of the “anti-riot” courses at the MVD Academy and in other educational institutions under the Ministry are being taught by Afghan war veterans, usually former members of airborne or commando units.

The growing need for these special forces to be used in controlling crowds and demonstrators more effectively was elaborated by the MVD head of Latvia S.S.R., Bruno Steinbriks, who said: “Such a special force, had it been created in Riga earlier, might have been available for deployment during the disturbances in Sumgait.” To the people of Latvia,

these units—dubbed the “Black Berets” or “Black Hundreds”—are a dreaded riot squad, intimidating and beating anti-regime demonstrators.

More information on the pattern of recruiting former Afghantsi airborne troops into the MVD’s special units was provided by Gen. Maj. Ivan Gladush, head of the Ukraine MVD, who said that the militia units in that republic are recruited mainly from among young manual workers and former airborne troops (*Takova militseiskaya zhizn Pravda Ukrainy*, April 2, 1989). In May the *Opvisnyk* (Reporter), an information bulletin published by the Ukrainian Helsinki Union, informed its readers that “A special assignment [spetsnaz] militia unit was organized in Kiev, numbering over 300, assigned to disperse unsanctioned meetings, demonstrations and rallies. The unit’s commander is Lt. Col Anatoly M. Kulyk. . . . It is a highly mobile unit and can be transported anywhere.”

The beefing up of these special units continues. At his confirmation hearing before the Supreme Soviet, the Minister of Internal Affairs, Vadim Bakatin, revealed new figures on the size of the MVD forces (TASS, July 10), saying that his ministry had responsibility for 700,000 “policemen” and 36,000 troops (averaging one policeman for every 588 people). Two days later, Bakatin in a *Pravda* interview said that the ministry had been having “difficulties” in dealing with a rising crime rate and an increase in ethnic disturbances. The MVD, he said, was in need of more troops for rapid deployment to areas of ethnic tension and that some 18,000 troops available were “poorly equipped.”

Bakatin was vastly understating the size of the MVD’s Interior Troops. According the London-based International Institute for Strategic Studies estimates, the MVD has a staff of 340,000, including 30 divisions of internal security troops equipped with tanks and other armored vehicles (IISS, the *Military Balance* 1988-89, London, 1988, p. 44).

### **Pamyat, neo-Nazis, and Prokhanov**

What the Soviet military says about Afghanistan and the fate of the *Afgantsi* returning from Afghanistan can be read in the articles and works of the *ex-derevneshchik* (“village writer”) Aleksandr Prokhanov (see above quotes). When the Soviets invaded Afghanistan in December 1979, Prokhanov became a war correspondent, working closely with the General Staff. His articles always sought to instill super-militaristic, almost cult-like feelings of self-sacrifice for the Motherland.

In early 1988 in line with the coming Soviet overt withdrawal from Afghanistan, Prokhanov’s tune changed. He started blaming the Afghan misadventure on Soviet “diplomats,” “pacifists,” and “liberals” as well as “specialists on Islam.” With the Soviet troop pullout, Prokhanov has now taken up the campaign to secure popular support for the *Afgantsi*, insisting that the “soldier-internationalists” who have returned from Afghanistan should be socially and economically reintegrated into society, because, as he stresses,

their “ideological strength” and feelings of “self-sacrifice” for the Motherland will have to be called on in times of crises.

For his services to the military, Prokhanov was decorated last year by Defense Minister Dmitri Yazov in person. Together with Pamyat-sympathizer Yuri Bondarev of the Russian Writers’ Union, he sits on the editorial board of the military’s “literary” journal *Sovetsky Voin*.

What is Pamyat’s relationship to the *Afgantsi*? Pamyat and like-minded extreme Russian chauvinist organizations have been on a recruiting rampage, enlisting the best and the brightest of Russia’s “Rambos.” Pamyat’s leader, Dimitri Vasiliyev, often boasts of his supermusclemen *Afgantsi* bodyguards.

The relationship between Soviet neo-Nazis and veterans of the war in Afghanistan deserves special attention. Artyom Borovik relative of KGB boss Vladimir Kryuchkov in his popular and controversial TV program “Vzglyad” (often focusing on Russia’s Pamyat and neo-Nazi groups) was one of the first to point out the “Afghantsi factor” among the young *fashiki* (Russian word for neo-fascists, neo-Nazis). According to *Leningradskaya Pravda* of March 18, 1989, of the more than 6,000 Afghan veterans living in Leningrad, several dozens—if not hundreds—are said to have been attracted to the Nazi ideology even before going to Afghanistan. When the Leningrad police shut down a neo-Nazi training center (*kachalka*), the youths, it was discovered later, found refuge in a nearby Afghan veterans’ club. “The Afghan veterans have a lot in common with us,” said one young Russian Nazi to a correspondent of *Nedelya*, the weekly supplement of *Izvestia*.

As in the case of aggressive acts committed by the anti-Semitic Pamyat organization, the KGB and police forces consistently look the other way when these “youngsters” beat up old Jewish men and women, commit rape, deface public property, and desecrate Jewish cemeteries.

Samizdat (unofficial) sources say these neo-Nazi youths, as they grow older, move on to join the more acceptable “informal” groups, e.g. the *Pamyat* (Memory) society or its associates, *Otechestvo* (Fatherland), and *Spaseniye* (Salvation).

### **The case of Aleksandr Rutskoi**

The growing symbiosis between military and extreme Russian chauvinist “informal” groups was strikingly evident when the *Otechestvo*, previously Sverdlovsk-based, was officially registered with the authorities in Moscow in April of this year. (On Pamyat’s military connections see *EIR’s Global Showdown Update*, September 1988.)

Reporting on *Otechestvo*’s founding conference in Moscow *Literaturnaya Rossiya* of June 23, 1989, wrote: “The newly-founded society decidedly condemns the scornful attitude of the mass media towards the question of military patriotic education of the young generation.” It “considers inadmissible the discrediting of the Soviet Army and the disregard for the services of the veterans of the Great Patriotic War and



the present situation of Soviet soldiers and officers and the soldier-internationalists [*Afgantsi*] bravely and unselfishly fulfilling their military and civilian duty." Speakers one by one denounced "Western colonization of Russia," saying, "True patriotism is when men would rather starve for three years than have Russia [(*Rossiya*)] handed over to foreigners. They called for "an ecological and demographic renaissance of the Russian people." Participants at the founding conference included Gen. B.P. Ivanov, a Hero of the Soviet Union and spokesman for the veterans of the Soviet Armed Forces.

Otechestvo's assistant chairman is Aleksandr Ruskoi, an Afghan war veteran and Hero of the Soviet Union. A little more than six months ago, on Jan. 8, 1989, Ruskoi's picture appeared on the front page of the Soviet Defense Ministry's daily, *Krasnaya Zvezda*. The caption to Ruskoi's picture, accompanying the article, lavishly praised Ruskoi, a pilot, for his "400 combat missions" and bravery in the Afghan war. He was twice wounded in combat, captured by the Afghan resistance forces, and eventually handed over to the Soviet representatives in Islamabad, Pakistan. A party member, Ruskoi is currently studying at the Voroshilov Military Academy of the U.S.S.R. Armed Forces' General Staff.

This past spring Ruskoi ran for the Congress of People's Deputies in Moscow's Kontsevsky electoral district. Although he didn't win, Ruskoi's notorious campaign—attacking "russophobes," the Democratic Union, and the cooperatives as "legalized speculation"—attracted much attention in the U.S.S.R. and abroad. Ruskoi's candidacy, reported the unofficial newsletter *Ezhedennaya glasnost*, was supported by the Soviet army, by Pamyat, and by the Russian

Orthodox Church. Dissident Orthodox priest Gleb Yakunin, in *Ruskaya Mysl* May 19, 1989, denounced Ruskoi's candidacy saying that his victory would mean "the path towards a military dictatorship."

Furthermore, the *Afgantsi* are not confined to the leading figures of such groups. They are well represented in the new parliament, the Congress of People's Deputies. One of these deputies is Gen. Col. Igor Rodionov, who as commander of the Transcaucasus Military District was co-responsible for the April 9 massacre of women and children in Georgia.

Rodionov delivered one impassioned speech during the May session of the People's Deputies. The speech, which was televised across the U.S.S.R., marked the state's granting of a mass audience for undiluted Russian chauvinism. Rodionov denounced the April Georgian demonstrations as "anti-Russian." His speech received a standing ovation from the assembled, mostly Russian, deputies. Similar, televised, standing ovations were to occur in later sessions as Afghan veterans stood up to denounce Andrei Sakharov for having "insulted" and "slandered" the Soviet Army's conduct in Afghanistan.

The *Afgantsi* have moved to center stage in the Soviet arena. The *Afgantsi* combination of the MVD elite troops, their Army counterparts, and the increasing *Afgantsi* acquisition of top military command posts, has created not only a Praetorian Guard, but the institutional framework for a coup option, should the systemic crisis get out of control. Whether or not matters go that far, what is certain is that the Praetorian Guard will be decisive in shaping the brutal Soviet policy shifts to come.

## The Soviet view of 'defensive' doctrine

In an Aug. 2 interview with the Communist Party daily *Pravda*, Gen. Lt. Vladislav Alekseyevich Achalov, 43, Commander of Airborne Troops since January of this year, was asked how airborne troops which "probably preach a defensive doctrine least of all" and, which "are mobile and are always primed for the order, 'Advance!'" reflect the "new defensive military doctrine" of the Soviet Union and the Warsaw Pact. General Achalov replied, "Yes, the airborne troops are mobile and, as you said, are always primed for the order, 'advance.' But why should defense be passive? No, it should be active."

General Achalov continued, "As long as there are no guarantees of the irreversibility of the present positive processes in the world, Soviet people demand that we consolidate the country's defenses. Proceeding from this assumption, we are upgrading airborne troops." He allowed that the so-called "new thinking" was making headway in the world, but added, "However, by all appearances, it will be a long time before we can run our bayonets into the ground. Our partners in disarmament talks continue to modernize their weapons. . . . Representatives of U.S. ruling circles again make statements about the possibility of winning a nuclear war. Along with actively pursuing a peaceful foreign policy . . . we servicemen should think about the country's defenses and the combat preparedness of those who protect it. This is our principal mission."

The Soviet news agency TASS put out a dispatch summarizing Achalov's remarks, but three hours later instructed its subscribers to kill the item.

## LaRouche gives testimony on patriots' movement

*At 12:30 p.m. on Aug. 11, 1989, leading economist and former U.S. presidential candidate Lyndon LaRouche took the witness stand in New York State court, in order to lay bare the exclusively political nature of the trial against four of his associates. EIR presents the official verbatim court transcript of Mr. LaRouche's direct testimony, in which he presents the content of the policies for which he and his co-thinkers are being persecuted by his political enemies and the intergovernmental "Get LaRouche" taskforce acting on their behalf.*

*Although most readers of EIR are familiar enough with Mr. LaRouche's presidential campaigns and the policies he has proposed, it should be pointed out that this was the first time that such matters have been brought before the jury in this trial. The very fact that LaRouche testified, represents a victory over all those who were intent on "keeping politics out of it." The Alexandria, Virginia trial of Mr. LaRouche, which led to his unjust conviction in January, was conducted in such a hasty "railroad" fashion, that it was impossible for Mr. LaRouche to testify there.*

*Since this is an official court transcript, we reproduce it here precisely as it appears, even though it contains many obvious typographic and orthographic errors. Wherever those errors alter the meaning of the text, we have inserted corrections in brackets.*

THE COURT [New York Supreme Court Justice Stephen G. Crane]: Who is going to be the next caller of the witness?

MR. [Jeffrey] HOFFMAN [attorney for defendant Robert Primack]: I am, your Honor.

THE COURT: Who do you wish to call?

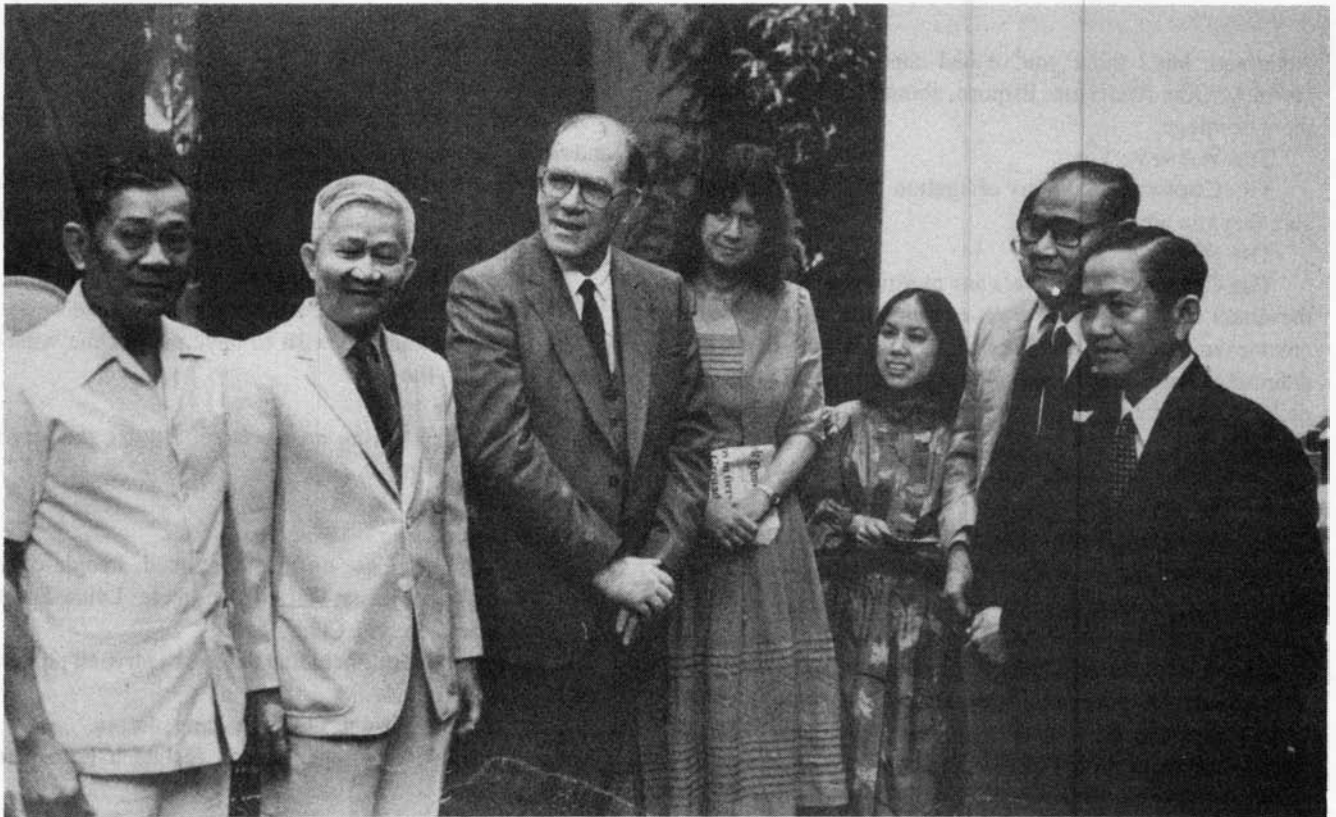
MR. HOFFMAN: Lyndon Larouche.

THE COURT: You have to go get him.

(Short pause in the proceedings.)

(The trial continued as follows:)

(Lyndon Larouche produced in the courtroom and seated on the witness stand.)



*Lyndon and Helga LaRouche (third and fourth from the left) pose with Thai military and political leaders, during an October 1983 visit to Bangkok. On the witness stand in New York City on Aug. 11, 1989, LaRouche told the jury that he traveled to many foreign countries in an effort to reform the world monetary system, which is perpetrating "grave injustice" against the developing nations.*

THE COURT: Mr. Larouche, I understand that you were previously represented by Mr. Morganroth [attorney for defendant Marielle Kronberg] in other proceedings elsewhere and that at one point, Mr. Morganroth was a witness, in which he gave some testimony that may have resulted in a waiver of the attorney-client privilege that existed between you at that time. Is that your understanding, sir?

THE WITNESS [Lyndon LaRouche]: I do know that he represented interests on my behalf implicitly, and I do know that in the recent proceedings in Federal Court, that he was a witness pertaining to tax reliance matters.

THE COURT: Are you willing to waive the attorney-client privilege with respect to those matters that are the subject of this testimony?

THE WITNESS: Yes.

THE COURT: That confirms?

THE WITNESS: Yes, exactly.

THE COURT: Would you want to consult with your attorney on that matter?

THE WITNESS: If your Honor and the other attorneys do not feel I need to, I probably do not need to.

THE COURT: It's not for me to say.

THE WITNESS: I mean.

THE COURT: If you're interested.

MR. [Odin] ANDERSON [LaRouche's attorney]: It's not

necessary, your Honor.

MR. [Lawrence] HOCHHEISER [attorney for defendant Lynne Speed]: Could I just have a word with Mr. Anderson? (Noting the presence of Odin Anderson, attorney for Lyndon Larouche, seated in the audience.)

MR. HOCHHEISER: Just I was reminded that I also represented Mr. Larouche, and my office represented Mr. Larouche previously, in a matter which is rather vague, to my recollection right now.

THE COURT: Is there to be a waiver on that matter as well?

MR. HOCHHEISER: You might as well ask him.

THE WITNESS: If it's in the common interest, I have no desire to cling to any attorney-client privilege in this matter.

MR. ANDERSON: It was a very peripheral matter, not directly involving Mr. Larouche, although indirectly of interest to him. I'm aware of it.

I was also one of the counsel in the case.

Mr. Hochheiser, in fact,—one of the New York judges barred me from the courtroom because I wasn't a New York attorney.

So, I think that—I recommend that Mr. Larouche exercise a waiver, if any is necessary, under the circumstances.

THE COURT: Thank you, Mr. Anderson.

Secondly, I understand that, in this matter, the possibility of an appeal, I don't remember if we discussed this, Mr.

Anderson, but I think you've had consultation with your attorney, Odin Anderson, Esquire, about your Fifth Amendment privilege.

THE WITNESS: Yes.

THE COURT: And it's my obligation, of course, to make sure that you are aware of it.

THE WITNESS: Yes.

THE COURT: And if there's any questions asked, either in the direct examination or cross-examination, whether it be cross-examination by the prosecutor in this case or by co-defense counsel, that might intend to incriminate you, you do have the right to assert the privilege against self-incrimination.

I prefer that it be done outside the jury, outside the presence of the jury, if it's to be done.

My understanding was that it's not going to be done.

I discussed this with Mr. Anderson Monday, was it, Mr. Anderson?

MR. ANDERSON: Correct.

THE COURT: And I mentioned potential for reversal in your case and a new trial, in which event, anything you say here, that might be relevant in a new trial, could be used against you by the prosecutor in Virginia.

THE WITNESS: Unless there was something extravagant, your Honor, I would prefer to take the risk.

THE COURT: But I just want you to know that you have that Constitutional Right, and it's a hallowed one.

THE WITNESS: Yes, your Honor.

THE COURT: And I also want you to know, if you wish, at any time, to consult with Mr. Anderson during your testimony, you feel quite at liberty to do so, he's here, I can have him seated right next to you, if you would like.

THE WITNESS: I would rather not burden the jury with that.

MR. ANDERSON: I prefer also to sit in the back.

THE COURT: But he is available if you need him.

MR. ANDERSON: I'll be here at all times.

THE COURT: Any time you want, or for the purpose of asserting privilege, simply turn to me and ask for a brief recess, and I'll be glad to.

THE WITNESS: Thank you, your Honor.

THE COURT: Thank you very much.

Is there anything else preliminarily that—

Ms. [Dawn] CARDI [New York Assistant Attorney General]: Yes.

I want the record to reflect that we have not received the direct testimony of Mr. Larouche in the NBC trial case,<sup>1</sup> and that is, of course, Damon material.<sup>2</sup>

We have also not received certain interrogatories that, it appears, and we've also not received an affidavit, which he refers to, in, I believe, the NBC depositions, in regard to certain expenses.

I understand that counsel has made efforts.

Mr. Anderson called Mr. Cavalla's [Thomas Kavalier,

attorney from NBC] office, and he was unavailable last evening.

I—I would ask him to continue to make those efforts, and obtain for me the remainder of the Damon material.

THE COURT: Will you consent to our engaging in direct examination, and, at such cross by the other counsel, before you're required to do so, until you get that material?

MS. CARDI: Yes, absolutely.

THE COURT: Thank you. Anything else?

Is there anything you wish to have me ask the witness before I bring in the jury?

(No response.)

THE COURT: Hearing no response, I'll ask the jury to enter the courtroom.

MR. HOFFMAN: No.

(Jury present.)

COURT CLERK: Case on trial continued, People of the State of New York against Marielle Kronberg, Lynne Speed, Robert Primack, George Canning.

All parties present, including the sworn jury, all properly seated.

THE COURT: All right. Good morning, Jurors.

I'm glad we're all together and feeling a little better anyway, I hear.

Saturday this week, we have insuperable obstacles.

I will keep my options open for Saturday next week, and ask you that you let us know, as you did this morning, whether you have any insuperable obstacles for Saturday the 19th of August.

MR. HOCHHEISER: So, what am I supposed to do?

THE COURT: Tomorrow is probably going to rain.

All right, call your next witness, Mr. Hoffman.

MR. HOFFMAN: Thank you, your Honor.

BY MR. HOFFMAN:

Q: State your name, please?

COURT CLERK: I have to swear the witness.

THE COURT: I've got to swear him.

MR. HOFFMAN: Good.

COURT OFFICER: Put your left hand on the Bible, raise your right hand.

COURT CLERK: Do you solemnly swear the testimony you're about to give in the case of the People of the State of New York against Lynne Speed, Marielle Kronberg, Robert Primack and George Canning shall be the truth, the whole truth, and nothing but the truth, so help you God?

THE WITNESS: I do.

COURT CLERK: Please be seated.

Give your full name to the Court, spelling your name, please.

THE WITNESS: My name is Lyndon Hermyle Larouche, Jr., first name, L-y-n-d-o-n, middle name, H-e-r-m-y-l-e, LaRouche, L-a, R-o-u-c-h-e and that's Junior.

THE COURT: You may inquire.

## DIRECT EXAMINATION

BY MR. HOFFMAN:

**Q:** Mr. LaRouche, please keep your voice up, so we can hear you.

If I hear you back here, then everybody can hear you.

Can you tell me where you were born, sir?

**A:** I was born in Rochester, New Hampshire.

**Q:** And what is your highest level of education.

**A:** Several years of college.

**Q:** And what—after college, what were your areas of work experience?

**A:** I was an economist, and worked, gainful employment was chiefly that from 1947 until I terminated employment in 1972 as a management consultant.

**Q:** You're married, I take it?

**A:** Yes, I am.

**Q:** Can you tell me when you terminated employment, to the best of your memory?

**A:** It attenuated. It was self-employment as a management consultant over the period 1963 to 1972.

In 1972, it simply withered away, other activities prevented my continuing that.

**Q:** From 1972 on, can you tell us, not what you did each day, but as an overview, what you were doing?

**A:** I became, I had become involved at that time in dealing with a phenomenon we call The New Left, which I thought, in some features, was the most dangerous threat to the United States internally that I could conceive of, and therefore, I have, because of my animosity to the U.S. policy in the war on Viet Nam,—

**Q:** You've got to speak up a little bit.

**A:** Animosity towards the policy of the war in Viet Nam, not war as such, thought it was a bad war, it was a wrong war.

Therefore, I was sympathetic to the opposition of the war, to the anti-war movement, and many people in it.

I was completely hostile to The New Left philosophy of SDS<sup>3</sup> leadership, for example, others of that sort.

Therefore, I felt it was my responsibility, being opposed to that war, to contend, to represent myself as one of the opposite poles, one of the opposite alternatives to the SDS leadership.

As a result of that, I attracted to my classes, I gave classes critical of Marxism as a way of doing this.

I attracted a great number of people, some of whom became associated with me, and continued to be associated after we had done our bit in dissolving SDS.

And so, in 1972, we had become a significant, if small, force, and it was felt that I had a moral obligation to continue to serve and assist these people who desired to continue their association with me.

**Q:** From 1972 on, did you do any writing, lecturing, things of that?

**A:** Yes. I lectured formally in one semester courses at

various university sites and other sites.

Over the period from 1966 through 1973, the last one I gave was at Columbia University in 1973, the spring.

And I also did increasing amounts of writing.

I, probably, as a result of that, have become one of the most publicized writers of the past 20 years.

**Q:** Well, let me ask you this.

Did there come a point in time when these activities of yours, the writing and the lecturing, culminated in something occurring in 1976?

**A:** Yes. I became—I ran for President of the United States on the Independent ticket.

**Q:** And between 1976 and 1984, did you continue the kind of activities you just described?

**A:** It was, it was the same general type of activities.

There were changes in circumstances, and thus, in the activities as such, but the general commitment, the general direction of my own activity was the same.

**Q:** In 1984, did something occur? Tell us what that was?

**A:** Well, in 1984, a number of things occurred that was—

**Q:** I'm sorry. I skipped 1980.

**A:** 1979, 1980, for 1980, I joined the Democratic Party, and became a candidate for the presidential nomination of the Democratic Party in 1980, beginning with the New Hampshire primary that year.

**Q:** And after that time period, between 1980 and '84, were you, once again, doing similar work that you had described earlier?

**A:** My activities had expanded qualitatively.

Perhaps I should say that I had entered into a sort of bi-partisan relationship with some circles in the Reagan administration, not necessarily because they were Reagan administration, but they were U.S. Government, on matters which I, as a private citizen, felt I had an obligation to assist our government in, and matters which I assisted, felt were of a bi-partisan, as opposed to a partisan nature.

**Q:** And did there come a time in 1984 where you were again involved in a presidential race?

**A:** Yes, I contended again in 1984, after some hesitation, I contended for the Democratic nomination again, beginning with the Pennsylvania primary that year.

**Q:** And did that occur again in 1988?

**A:** Yes.

**Q:** Now, did you—are you familiar with a company called Campaigner Publications, Inc.?

**A:** Yes, I'm familiar with it, yes.

**Q:** And are you familiar with a company called New Benjamin Franklin House?

**A:** I'm, with it, yes, in the general sense.

**Q:** From approximately 1978 through 1986, did you—describe to us what relationship you had, in terms of publications, et cetera, or being published, on behalf of those, or involved with those entities?

**A:** I had only one significant relationship with New Ben-

jamin Franklin House, that it was a book publishing firm, and a number of titles, which I had written, were published by New Benjamin Franklin House, particularly during that period, a dozen or more titles.

As a result of this, some friend of mine thought I ought to have an income, and they approached New Benjamin Franklin House with the idea that New Benjamin Franklin House would pay me some royalties or equivalent compensation, as an author, for books that had been published and sold by New Benjamin Franklin, and an agreement, proposal, was made to that effect, which I accepted.

However, New Benjamin Franklin House was unable to meet that requirement.

The point is, an agreement was made that, which I agreed to, that they would pay me royalties.

They found themselves unable to do so because of their financial situation and, therefore, they didn't.

And I said, fine, you can't pay it, don't, I don't ask you for it.

**Q:** Did you have any similar—

**Ms. CARDI:** Can we have a date?

**THE COURT:** A date, please?

**A:** Well, the date of which this transaction occurred would be approximately November of 1979.

Somewhere approximately February, March of 1980, and after, it became apparent to me they would never be able to issue a check, and therefore, I simply said, forget it.

**Q:** Did you have a similar relationship, I'm not talking about in terms of the economics, but in terms of work you did for CPI, Campaigner Publications, Inc.?

**A:** Campaigner Publications, I had a much more active relationship.

I am informed by legal counsel, who researched this matter thoroughly, that I was, for a number of years, a non-paid employee of Campaigner Employees.

It was largely a publishing enterprise, which maintained international news services, had editorial and publication control over a number of periodicals, literary items and over some other literary items which were published and circulated, pamphlets, that I was a resource.

**Q:** Speak up a little louder.

**A:** I was a resource for Campaigner Publications.

I wrote for them, I gave them technical advice on matters of intelligence, international intelligence, strategic intelligence, economic matters and so forth.

**Q:** Do you—can you tell us what the NCLC was during the years between 1976 and 1986?

**A:** Largely it was a—

**Q:** I'm sorry, 1978.

**A:** It had undergone a change.

**Q:** First of all, can you tell us what it was?

**A:** It was formed because of our opposition—let me scratch that and take it back, keep the answer simple.

At Columbia University, a group of people who were

## FBI man trashed documents

The Aug. 18 court session at the New York "Get LaRouche" trial was enlivened when FBI Special Agent Richard J. Egan of Boston appeared as a witness, subpoenaed by defense attorney Mayer Morganroth, and ordered to testify by a federal judge. Egan was called to testify to his destruction, on May 9, 1989, of financial documents belonging to Campaigner and CDI—two of the three LaRouche-related companies named in the New York indictment. The defense asserts that the documents destroyed included many, perhaps thousands, of loan repayment checks issued by regional offices of those companies.

Charged in this case are George Canning, Marielle Kronberg, Robert Primack, and Lynne Speed, on trial for one count each of conspiracy and one of scheme to defraud. The prosecution claims the four took loans for LaRouche-related companies with no intention to repay them. In fact, as the defense argues, circumstances be-

affiliated with me, in opposition to the National SDS, New Left Leadership, got into a fight with the SDA [SDS] Leadership over the issue of labor.

The left wing of SDS was anti-labor at that time.

The—our friends in SDA [SDS], and a number of them were pro-labor.

Therefore, a fight broke out at Columbia University, in which the pro-labor faction of SDS, called itself the Columbia SDA [SDS] Labor Committee. The—this spread around the country, where various other campuses and other groups formed SDS Labor Committees, echoing the same fight.

At the beginning of 1969, a meeting of various such groups was held in Philadelphia, with the idea, should we continue the existence of this relationship.

We had come into a fraternal relationship after the dissolution of SDS, which we determined should occur.

We decided that we should continue our relationship, as a kind of Federal Organization, Association, after the dissolution of SDS, which occurred soon after that.

That became known as the National Caucus of Labor

yond the control of the LaRouche movement, including a vast campaign of government harassment, made it impossible to repay all those loans.

And now, what Egan has destroyed is hard evidence of large numbers of loan repayments to lenders!

Not only that. As became clear to the jury while Egan was on the stand, he destroyed those documents about 20 hours after an on-record, in-court stipulation, made in his presence by Assistant U.S. Attorney John Markham before federal Judge Robert Keeton in Boston, that Egan would preserve these and other documents related to aspects of the LaRouche movement—documents which the government possessed—in order to return them to representatives of the LaRouche-related companies in question. Moreover, the destruction occurred a month after the start of the New York trial, and *after* the defense team in New York had requested the documents for the trial.

According to Egan, even though he had attended the May 8 hearing before Judge Keeton as part of his job (Egan was responsible for the disposition of the documents, which the government had retained for four years for use in the Boston “LaRouche” case, which was eventually dismissed), he didn’t hear, or couldn’t recall, or was out of the room during any statement concerning preservation of the documents.

Egan remembered defense attorney Odin Anderson making some remarks at that hearing to the effect that “Agent Egan has a very fertile imagination, and might play some games . . . something might go in the furnace”; but he somehow lost his hearing halfway through the sen-

tence in which Anderson asserted that Slade Dabney, an attorney representing the bankruptcy trustees for Campaigner and CDI, had agreed to take possession of the documents on behalf of the defendants. (The federal government forced Campaigner and CDI into involuntary bankruptcy in April 1987.)

Egan testified that he heard the sentence up through the words “Slade Dabney,” but didn’t know who or what (or where) that was, became confused, and could not recall the rest of the sentence—namely, that Dabney was the authorized recipient of documents from Campaigner and CDI. And apparently, Anderson’s representation to Judge Keeton that Egan might destroy the documents made so little impression on Egan that he didn’t pay attention to what he was *supposed* to do with the documents!

Next morning, Egan says, he arrived at the Boston Federal Courthouse, and informed AUSA Markham (in a way Egan called “plainly ambiguous”) that representatives of Independent Democrats for LaRouche, The LaRouche Campaign, and the National Democratic Policy Committee had arrived for records of those organizations, and “I’m going upstairs to get rid of them.” He said he wasn’t sure how Markham interpreted that, couldn’t recall Markham’s response, was not sure if he himself had said (or meant) he was going to “get rid of” the documents, or the representatives.

Sometime in the next two hours, after “protecting” those documents from “unauthorized pickup,” Egan testified that he put the boxes of Campaigner and CDI records into the trash bin.

Committees.

That was the history of the thing.

The Caucus did have some kind of membership function from about that time into say ’76, ’77.

The NCLC ceased to be, I’m not sure of the date because I was out of the country, but it ceased to be a formal membership organization at that time, ceased to have any dues, any economic attachment.

It became an informal association of light [like-] thinking philosophical people, and so, it continued. I—all right. Anything—

**Q:** Now, during the, and you were, and I guess still are, a member of the NCLC, is that correct?

**A:** The NCLC, the only formal organization in the NCLC, apart from people being members, who consider each other members, that’s that sort of thing, no formal membership, that sort, mutual consent.

But there is formed a National Committee.

National Committee people are people who are selected for this position at conventions, or conferences of the mem-

bership conference, from the ranks of the National Committee people, who are indicated to be spokesman, public spokesman for the National Committee, on matters of policy and so forth, a group is called, created, called The National Executive Committee, which is generally people who meet together more frequently than the National Committee members meet.

Of that National Executive Committee, I have been repeated[ly] elected, nominated, elected Chairman.

**Q:** Now, during the years 1970—1978 through 1986, can you tell us approximately how much time you spent in this country?

**A:** During that period, approximately half of each calendar year, on the average.

It might vary from year to year.

**Q:** And the time that you were out of this country, can you tell us what you were doing?

**A:** I was traveling primarily in Europe, South and Central America, Asia, various countries in areas, which would include in European countries in Belgium, Denmark, touch-

ing there, Sweden, United Kingdom, France, Spain, Italy, and then frequently into India over a number of times, Thailand, Tai Pei [Taipei, capital of the Republic of China], Japan, Mexico, so forth.

**Q:** In these travels, with you, can you tell us what it was you were doing? Again not in detail, but just—

**A:** The principal activity for which I am best known internationally, over the entire period, is a campaign for reform of the international monetary system. It was my persuasion and advocacy that the international monetary system, particularly as it existed since August 15, 1971, was doomed to an ultimate collapse, a serious financial collapse unless during some intervening periods a fundamental change was made.

I was also concerned with the fact that the existing form of the international monetary system represents a kind of grave injustice, a cruel injustice to what we called developing nations a virtually neo colonial rape of developing nations. An increase in the death rate [rate] of populations of developing nations which most Americans, if they knew the connection, would abhor. And therefore, I was concerned with the reform because it was wrong, economically, it was contrary to the interests of the nations, the world to continue in this financial spiral.

I was also concerned because the results of the present policies of it, I mean of an associated institution are immoral to the point of being Hitler like genocide in some countries in terms of the death rate caused by these economic policies.

**Q:** And so you traveled, I take it to these various countries including Third World countries to express and gain support for these changes?

**A:** More than that, I entered into collaboration with a number of governments, or representatives of a number of governments, during the period 1975 and so forth, as a matter of fact, my presidency in 1966 [1976], candidacy for presidency was premised on that. There were negotiations during 1974, '75 and '76 preceding a planned conference of what is called the non alliance [Non-Aligned] nations group which was convened in August of 1976 in Sri Lanka [Sri Lanka]. That's the nation of India. South of India. Sometimes called Sa Lang (phonetic) [Ceylon], but, known properly as Sri Lanka.

At this conference the non Alliance [Non-Aligned] nations I believe were about eighty odd nations adopted a proposal, as part of their proposal which was consistent with what I had been advocating in economic reform. This was partly the result of the work of numbers of people, private individuals and governments, who had campaigned for that kind of proposal of reform. It was a reform which was intended to be submitted to the United Nations for United Nations consideration and support from that body, which is a member of the United Nations. And my candidacy in 1976, my primary purpose, two fold purpose, the primary is to bring to the attention of as many Americans as possible, including

policy makers, the urgency to support these third world countries on this kind of reform proposal. And also to indicate that the things that were happening in the third world represented the greatest problem.

**MS. CARDI:** Objection.

**THE COURT:** Are you objecting?

**MS. CARDI:** I think I'm going to object. Can we get back to the topic?

**THE COURT:** I sustain the objection.

Mr. Hoffman would you tailor your question to get less narrative and less background, and let's get to the heart of the matter.

**MR. HOFFMAN:** Sure.

**THE COURT:** Because we've been here four months already.

**MR. HOFFMAN:** Was it that long?

**Q:** Did there come a time in 19—

Yeah, did there come a time in 1984 or thereabout when anything was brought to our attention concerning the particular entities that we earlier discussed, Campaigner Publications or knew [New] Benjamin Franklin House or Caucus Distributors Inc.?

**A:** For a combination of reasons they were suddenly plunged into unexpected financial difficulties, which I considered an assaultive situation.

**MS. CARDI:** Objection to the term unexpected financial difficulties.

**MR. HOFFMAN:** There is his observation.

**MS. CARDI:** I object to this is characterization, he can testify to the financial difficulties if he knows of them as result of personal knowledge.

**THE COURT:** Overruled.

This word unexpected is a subjective word that the witness himself did not expect. And that's how it's taken. If it's to be the subject of cross-examination, you can take it from there, Ms. Cardi.

Unexpected financial difficulties?

**THE WITNESS:** Yes.

**THE COURT:** All three corporations?

**THE WITNESS:** All of them. Other entities were effected [affected], but they were caught in the hailstorm of things that hit a number of entities.

**Q:** Tell us what occurred, what you saw, what you knew, what you did.

**A:** Well, it started in a manner which had nothing to do with these firms. These—

**MS. CARDI:** Could we have the entity, so it's clear?

**MR. HOFFMAN:** Caucus Distributors, Campaigner Inc., and New Benjamin Franklin House.

**MS. CARDI:** Thank you.

**A:** I was running the presidential campaign, there were difficulties because, when F.B.I. men went to a bank, made certain representations, caused the bank to shut down the campaign accounts, unfortunately a press account was re-



leased which caused a tornado of people demanding their money back from the bank accounts because [of] the remarks made by the news accounts. This, since many of the people who were contributing to my campaign were also involved as financial supporters of the efforts of these companies[,] other entities which were associated with my name. They suffered as of, because of this. When, in addition to other bank accounts which were non campaign bank accounts, but bank accounts of some of these entities. At Chemical Bank here in New York, and Chase Manhattan here in New York. When these bank accounts were also disrupted as result of pressure by the F.B.I., this caused a chaotic situation in terms of the financial accounts of some of these entities. And since they did business with each other in significant amounts, bought things from each other, services, printing facilities, this effected [affected] all of them so suddenly, they were caught in a period of two months approximately, in my estimate, of discontinuity an disruption of orderly financial dealings. And also in getting back to their supporters, and explaining to them what had happened and trying to get things back to normal keel.

**Q:** At that point in time did you do anything as it involved that situation?

**A:** Well, not directly in respect to the matters of these firms, but in respect to the National Caucus of Labor Committees, since the firms involved people who were associated with us, and since these firms actually used the, participated in spreading the good words of the National Caucus of Labor Committees, so to speak, through the country, we were naturally concerned with their well-being, they're friends of ours, members are or ours, half of their business is done in a sense, with us, in terms of our activities.

**Ms. CARDI:** Your Honor would you direct the witness to answer the question.

**THE COURT:** Would you repeat the question, Mr. Hoffman.

**Q:** Can you tell us what if anything you did concerning this situation that we was brought to you attention.

**A:** I express[ed] this as a matter of concern, within the body of the National Executive Committee of the National Caucus of Labor Committee.

**Q:** Did you make any proposal to or suggestions to try and remedy the situation?

**A:** I made, I asked for and received a certain amount of information about the situation from the firms. On the basis of reviewing this information, I emphasized that there were certain remedies I thought they ought to make in the way they did business in order not to be caught by this sort of thing. Not to about unprepared for this sort of thing. The way obviously they had been unprepared for this kind of thing when it hit them.

**Q:** And what was the suggestion that you personally made?

**A:** I had made some suggestions back—

**Q:** Just—

**A:** I renewed certain suggestions I had made earlier on business matters, and suggested that this experience demonstrated the urgency of reconsidering adoption of a proposal I had made to them earlier.

**Q:** Can you tell us what, in essence the business proposals were?

**Ms. [Rebecca] MULLANE [New York Assistant Attorney General]:** Time frame, please.

**Q:** In 1984, again, just generally so we can understand.

**A:** What I had done then and repeated was, I believe they were required to upgrade their management accounting situation. A [—the] state of financial accounting system, improve their financial accounts. but I was emphasizing the management. That I thought they had inadequate fingertip control over the way things were coming down the pipeline. And thought that they would have an improved method of management accounts, making more use of computerized accounting procedures. That they could have a better indication of, first of all, of possible problems coming down the pipe. They might not see on a day-to-day basis, and also they might find easier and better ways to remedy situations when they had realized them.

For instance, I thought they did not have a way of precisely determining their actual cost, cost, one activity against another, and thought improved cost controls, improved cost reduction methods, and so forth would enable them to deal with this kind of problem in a much better way.

**Q:** In 1985 were you again in or about 1985, consulted concerning the ongoing financial situation of these companies?

**A:** Yes. I, I felt—

**Q:** Tell us what you did at that point in time.

**A:** I felt at that point that their loans, loan levels were much too high for them. They were not necessarily in excess of loan ranges I'd seen in corporations at that time—

**Ms. CARDI:** I object to what he's seen.

**Q:** What you told them.

**A:** I thought it was—

**THE COURT:** Sustained.

**A:** I thought it would not be prudent for them to risk maintaining this kind of growth with this kind of loan level. So, I recommended they put a ceiling on the percentage, on the volume of loans they would take in each case and proceed to roll down the level off [of] loans, retiring loan balances, getting them down to a much lower level and hopefully eliminating them all together.

**Q:** As part of that discussion in telling them your thoughts on these things, did you tell them to cut out loans altogether?

**A:** No.

**Ms. CARDI:** Objection.

**THE COURT:** Sustained.

**Q:** Can you tell us what if anything else you told them concerning what you just described, the roll down of loans

and what that means.

**A:** It's had to watch the loan, not—The total loan balance is what you had to watch. Not the individual loan. Of course you had to pay the individual loan when it comes due, but in the process of rolling this thing down, you've got to reduce. For example, if you have a loan balance, total loan balance which you could retire on the basis of current levels of income over 24 months, you have a lot of loans which say, are eight months maturity or twelve months maturity, you obviously can not wait 28, 24 months to pay a loan that is due in eight. Therefore, you may have to take an additional loan to replace the eight month loan, but you must do it in such a way that you are always taking in fewer loans than you had before. In other words, you have a smaller loan balance than you had the month before. And bring the level of total loan balance down until you can start to wipe the thing out entirely.

**Q:** Now, at the time that you made these suggestions, can you tell us what if anything you observed in terms of their implementation and any effects from outside or how that was effected?

**A:** I was not too much on top of these things, there were a couple of times that I dissipated, partly, my own suggestion. For example there was some memoranda which were called to my attention. I thought the memoranda was incompetent but I thought that none the less—

**MS. CARDI:** Excuse me I didn't hear what he said.

**THE COURT:** Incompetent.

**THE WITNESS:** Incompetent.

**A:** Incompetently constructed, but I thought the importance in them, though not accurate, none the less was such you couldn't ignorane [ignore] it. And you had to, rather than just simply throw them in the waste basket because of their inaccuracies, to recognize there was something, maybe not what the memorandum represented, but something, and you should look into it, find out what the truth is.

**Q:** Now, in terms of these loans that you were referring to, had you any participation in discussions with any of the people who were getting loans from, on behalf officer [of] C.P.I. or C.D.I., New Benjamin Franklin House, and if so, tell us what that was in terms of if you had any discussions in terms of the nature of lenders, et cetera?

**A:** Well, in terms of C.D.I., some people associated with C.D.I. had been involved as volunteers in my presidential campaign in 1984. And some facilities of C.D.I. were used, it's a, it was a public relations. And they were used to assist the campaign on a commercial basis—

**MS. CARDI:** Would you ask him to answer the question.

**MR. HOFFMAN:** Let me rephrase the question.

**MS. MULLANE:** Thank you.

**Q:** In terms of the nature of the kind of people one would be asking for loans from, did you have discussions about that kind of persons and what your suggestions were as to who that kind of person should be—

**A:** The prior, prior to—

**MS. CARDI:** I don't understand the question, your Honor.

**THE COURT:** Do you understand the question, Mr. LaRouche?

**THE WITNESS:** I would have maybe, I would say I'd break it down.

**THE COURT:** He'll have to break it down for you.

**THE WITNESS:** Thank you.

**THE COURT:** Sustained.

**Q:** Did you have any discussions with the people who were obtaining loans on behalf of these entities?

**THE COURT:** Do you want to call them fund raisers or persons?

**MR. HOFFMAN:** Fund raisers.

**Q:** As to the nature of their work?

**A:** Well, not directly. Some indirect things said and also particularly in terms of the 1984 campaign. Where of course we campaigned—

**Q:** We have to stay away from the campaign.

**A:** I'm saying it was the same population of persons involved.

**Q:** All right. What did you tell them, if anything, should be the type of loan they were getting, vis-a-vis to try to narrow it in more as vis-a-vis commercial loan, political loan, personal loan, et cetera?

**A:** Well, I didn't express this until the end of '84 and during '85. During that time I did say some things on a number of occasions. First of all, I said an organization which is political, which all these essentially were, is that you're building support, you're building political support in effect on a political movement. And therefore, what your financial dealings have to be subordinated morally to the fact of what, the kind of political movement you're trying to build, despite you're doing it through a commercial medium. That a sale of a publication is therefore a very good kind of income, if dollars being equal. Because, you're now providing a service, in contrast to the person who has paid for it. They are walking away with something which is a value to them. Their contribution, that's a nice thing, but apart from the fact that you're trying to honor the contribution by doing the kind of thing you think the contributor expects you to do. The contributor has nothing in hand in terms of service as they do with a publication report.

That a loan is politically bad, because you are, whenever you get into lending, when you borrow from a friends, and virtually all the people who we were doing business with were friends, supporters, they're virtually members. The best way to have a family quarrel is to have borrowing from one member of a family to another. And therefore, keep away from it. Friends should not borrow from each other, member, family members should not borrow from each other. Generally keep away from it.

**Q:** Did there come a point in time in 1984 and '85, when you observed that there was a problem with the loans?

**A:** It particularly—There was a minor problem with the loans. It was a matter of these were political loans, it was a matter of how you handle them. For example—

**Q:** When you say these were political loans, can you tell us what those words mean?

**A:** That people, as I looked at the list of lenders and, and actually supporters, at the same time, looked at these lists, they were essentially the same. So, people were giving amounts of money which they would not have given normally as loans, or presented as loans or gifts. With this level of income. There were exceptions to that. But, on the average, people were giving, shall we say, generously, whether they were lending, they were lending generously in many cases, not all cases, but in many cases. People will not make those kinds of contributions and loans unless they are highly committed. These are not ordinary loans, these are loans in this case, loans given out of a high degree of political support, a sense that is very important in a sense to sacrifice personally to support an effort which they think is very important.

**Q:** Now, I think we've come up to around 1985, '86 area. In, in 1988, were you convicted of a crime.

**A:** Yes.

**Q:** And were you convicted of a number of counts of mail fraud and conspiracy to commit mail fraud?

**A:** Twelve counts of that and conspiracy is a 13th count.

**Q:** And I take its those matters are being appealed?

**A:** Yes.

**Q:** Now, would it be accurate to say that over all this time period the various campaigns you've been in that you've described to us, presidential and political, that you have been in fact in an ongoing day to day fight with various elements of the government?

**A:** Factions which intersect government. They're no longer elements of the government, therefore.

**Q:** By the way, during the years between 1978 and 1986 and for your edification, those are the years this case is about, that's why I keep mentioning it. Can you tell us whether or not you ever had any conversations with Bob Primack directly that you remember during that time?

**A:** Probably directly, none, I was aware of him, of course, more or less constantly, but we didn't have the opportunity for direct conversation.

**Q:** And was your opportunity for direct conversation with people as a general rule during that time period, can you just describe why you didn't have an opportunity?

**A:** Well—

Ms. CARDI: It sound leading, Judge.

THE COURT: Sustained.

**Q:** Can you tell us—

MR. HOFFMAN: Withdrawn.

**Q:** Did you have, can you tell us whether or not you ever had any conversations with either Bob Primack, Lynne Speed or Marielle Kronberg or George Canning or any of the other people who you knew as supporters or fund raisers or sales-

people concerning the taking of loans from the public with an intent not to repay?

Ms. CARDI: Objection.

THE COURT: Sustained.

**Q:** Can you tell us whether or not you ever participated in conversations where you said or were told or heard with your own ears from any of these people that there was any intention to take loans from members of the public and not to repay them?

Ms. CARDI: Objection.

THE COURT: Sustained.

Ms. CARDI: Assumes a fact not in evidence, conversations.

THE COURT: Sustained.

**Q:** Did you ever agree or conspire with any of the defendants in this case or anyone else in the, any one else in this fund raising, in the, as supporters for the National Caucus of Labor Committes or for the various entities I mentioned before, C.D.I., C.P.I., New Benjamin Franklin House, to take any money from members of the public as unsecured loans with an intention not to repay.

Ms. CARDI: Objection.

THE COURT: Sustained.

MR. HOFFMAN: May I have a moment, your Honor?

THE COURT: Yes.

MR. HOFFMAN: I have no further questions.

THE COURT: I think this is a timely break for lunch.

Jurors, please do not discuss anything about this is case among yourselves or with anyone else.

Keep an open mind on every issue connected with the case.

Don't read, watch or listen if it's reported in the media.

And promptly report to the Court any incident involving an attempt by any person improperly to influence any members of the jury. Please, I urge you, I direct you to be back promptly at 2:15.

(The jurors leave the courtroom.)

MR. HOFFMAN: While we wait, can I speak a moment with the witness, your Honor?

THE COURT: I don't see why not.

Ms. CARDI: Only to discuss arrangements.

## Notes

1. *LaRouche v. NBC*, the October 1984 civil suit brought by LaRouche in Alexandria, Virginia, after the network aired a program accusing LaRouche, among other things, of plotting the assassination of President Jimmy Carter.

2. *People of the State of New York vs. Damon* set a precedent in that state which entitles the prosecution to see any testimony which defense witnesses have given in previous trials in any jurisdiction.

3. Students for a Democratic Society was created in the early 1960s by the League for Industrial Democracy, as a means of steering the student ferment around the Vietnam War into the neo-malthusian, New Age agenda which had been defined earlier by Bertrand Russell and the Pugwash circles. By 1971, SDS had effectively ceased to exist, having been split between the Labor Committees on the one side, and the Weathermen terrorist and drug counterculture elements on the other.

## Stop the holocaust in Lebanon!

by Helga Zepp-LaRouche

*The following call was issued on Aug. 15 by Helga Zepp-LaRouche, chairman of the Patriots for Germany party in the Federal Republic of Germany.*

For the genocide of Christians in Lebanon being played out before the eyes of world opinion, there exists only one adequate comparison: What the Syrian troops of Hafez Assad are perpetrating is exactly the same as the Nazi SS storming of the Warsaw Ghetto; and the Christians who are putting up resistance, are comparable to the Jews threatened with genocide.

The fact that no Western government has put a halt to this holocaust, is the greatest declaration of moral bankruptcy of this so-called free West, which, at least until recently, pretended to found its identity on the values of Christian civilization. But now a holocaust in the Nazi tradition is being carried out and reported in careful detail by the media; but the politicians, with very few exceptions, do not even find it necessary to allow their vacations to be disturbed, in a situation in which it is very obviously the aim of the Syrians to eliminate the Christians from the Mideast and to take over the region for fanatical Islamic fundamentalism.

When Lebanese Prime Minister Gen. Michel Aoun expresses his longing for an American President like Dwight Eisenhower, a President who would give the Syrians a 24-hour ultimatum to withdraw its forces, then we can only support him wholeheartedly. What a glaring light is cast on the United States, when Aoun demands an American policy corresponding to the dignity of the American people, instead of unworthy, impotent appeals to Syria—a regime which only understands the language of power. The generous promises that President Bush made to the Pope regarding Lebanon, during his Rome trip, were apparently worthless.

But even Western Europe could stop the holocaust, if it wanted to. It would have to pose the ultimatum suggested by Aoun. Or, do the Europeans trust so little in the “Common European House” that Gorbachov is hawking, that they fear Moscow might respond with a war against Western Europe, in defense of its satellite Syria?

### **Time has run out**

Taking quick action is a question of life or death, because if the bombardments of Christians in Beirut continue two days more, the situation will become catastrophic; they have no place where they may seek refuge. There is also the immediate danger that the Syrians will move to air strikes, because the Lebanese resistance of Aoun's ground forces is as yet unbroken. But the Christians will not be able to withstand this assault, because relief aid deliveries of Christian organizations have not reached Lebanon for weeks.

The ongoing Syrian military onslaught against East Beirut and the Lebanese national forces, Christians and Muslim, led by General Aoun, is the logical outcome of the last 13 years of Syrian military occupation of some 70% of Lebanese territory. Since Syrian forces entered Beirut in 1976, they have never concealed the fact that their ultimate aim was to establish a “Greater Syria” of which Lebanon was to become the first annexed province. The present battle aims at annihilating physically the last bastion of Lebanese resistance to the Syrian occupying forces, even if—as Druze leader Walid Jumblatt put it—“Beirut has to be leveled to the ground, like Stalingrad.”

This is the latest in a series of massacres that the regime of Hafez Assad has perpetrated in Lebanon and in the region. Everyone remembers the massacres of Palestinians in Tel al Zaatar in 1976 directly sponsored by the Syrian army, and

subsequent sieges and massacres of Palestinian camps throughout Lebanon in recent years. Everyone remembers the tens of thousands of Syrian citizens massacred in the city of Homs in the early 1980s. The massacres of Lebanese Christians, the last phase of which is unfolding in the ongoing battle, will not be forgotten.

In addition, the following must be kept in mind:

1) It is under the direct sponsorship of the Syrian regime, in agreement with the ayatollahs in Iran, that Lebanon has become the hotbed of Islamic fundamentalism in recent years. The establishment of such groups as the Islamic Jihad, responsible for the deaths of hundreds of American and French soldiers, and the creation of the Lebanese Hezbollah, responsible for the kidnaping of all hostages—European, American, Israeli, and Arab—were only made possible because of their cooperation with Syrian intelligence.

2) It is under the direct sponsorship of the Syrian regime, especially Syrian Vice President Rifaat Assad, that the Lebanese Bekaa Valley has, in less than a decade, become a major opium-producing area and international center for narco-terrorism.

3) It is under the direct sponsorship of the Syrian regime and of its intelligence services, led by General Ali Duba and Gen. Mohammed al Khouli, that hundreds of innocent victims have died over the last decade during blind terror actions, be they perpetrated under the flag of the Abu Nidal organization, or more recently, in the case of the December 1988 Pan Am 103 explosion in Lockerbie, Great Britain, under the flag of Syrian intelligence captain, Ahmed Jibril.

Yet, the Syrian regime has enjoyed the benevolence of international powers, especially the Soviet Union and the United States. While the Soviet Union and Syria have been associated in a common defense pact for close to a decade, there is officially no such treaty between Washington and Damascus. However, American policy toward Syria, ever since Henry Kissinger was national security adviser, and then secretary of state, has remained unchanged to the present day. It has been U.S. policy under Nixon and Ford, Jimmy Carter, Reagan, and now the Bush administration, to give tacit support to all of Hafez Assad's initiatives.

### **Kissinger backs the Syrian dictator**

On March 20, the U.S. State Department's Lawrence Eagleburger warned that, "If the Syrian troops were to withdraw from Lebanon, the situation would worsen." Such was his response to Michel Aoun's call for a "war of national liberation."

In April 1989 at the Paris conference of the Trilateral Commission, Henry Kissinger, the man known in the country as the author of the plan for the "dismemberment of Lebanon," boasted: "God may punish me, but I rather like Hafez Assad. He has a cold analysis of the national interest and views Syria's interests as making sure that no one becomes dominant in Lebanon. Moral indignation will

not persuade Assad."

Why such support for a bloody dictator? Can it be that Hafez Assad has the power to blackmail a succession of American administrations? In the present situation, is the Syrian regime using its inside knowledge of the last ten years of secret negotiations between Washington and Teheran, starting in the summer of 1980, to bring Washington over to its side? And yet, there are no indications that Washington is being coerced. Supporting Hafez Assad meets the policy goals of those, in the East as well as in the West, who want to keep the Mideast situation hot permanently, never allowing peace.

### **What must be done**

Right now, the stakes are very high. The destruction of East Beirut and of the Lebanese national resistance forces, if allowed to occur, would represent a victory for the forces of darkness who brought the ayatollahs to power in Iran. A Syrian victory in Lebanon would mean a new Middle East war in the short term, with all parties deploying all available weapons, and long-term consequences both for the region and internationally.

Hence, several urgent steps must be taken:

1) The Lebanese national resistance forces, Christian and Muslim alike, should receive full diplomatic, political, economic, and military support to repel the Syrian onslaught.

2) Diplomatic, political, and economic boycott measures against the Syrian regime, including the boycott of Damascus airport, should be immediately considered and implemented, unless it halts its offensive.

3) The European Community in particular, together with the Vatican and the Arab League, should immediately pave the way for an interim political agreement in Lebanon, and:

a) establish a timetable for the withdrawal of all foreign forces from Lebanon;

b) create the necessary means for the rapid dismantling of all military training camps in Lebanon, especially the Bekaa Valley, belonging to Islamic fundamentalist or Palestinian terrorist organizations;

c) extend the necessary financial and economic support to rebuild the National Lebanese Army to reassert its role and control over Lebanese territory, even if this may include dispatching multinational peacekeeping military units to Lebanon; and,

d) establish an economic program for the systematic destruction of all hashish and opium fields, and provide necessary financial compensation to local farmers to restart Lebanese agriculture.

Today, on the Feast of the Assumption of the Virgin, the Pope dedicated his speech exclusively to the unspeakable suffering of the Lebanese people. I call upon all Christians not to stand idly by and watch this holocaust, but to support the Pope in his efforts, and to force all politicians who call themselves Christian to save the Christians in Lebanon.

## World responses to genocide in Lebanon

**Pope John Paul II:** "Do not assume the behavior of Cain, who made himself responsible for the death of his brother," said the Pope, speaking to pilgrims and tourists at his summer residence of Castel Gandolfo on Aug. 14.

"In the name of God, I appeal to Syrian authorities, asking them to cease the bombings, which aim to destroy the capital of Lebanon and the entire country."

The world is witnessing "a process, I would say, of genocide, which involves the responsibility of international society. It is a process which is bringing about the destruction of Lebanon. In reality, we are faced with a threat to the entire order of international life. It is a threat of a moral nature, so much more so because it is a weaker state which is feeling the violence and indifference of the stronger."

The Pope stressed that those who hurt the weak will be judged guilty by God and history.

**Lebanese Prime Minister Gen. Michel Aoun:** "There will be no ceasefire unless it is linked to a timetable for a Syrian pullout from Lebanon," said Aoun on Aug. 14. "We are coming to the point of the withdrawal of the last Syrian soldier from Lebanon. On international advice, we will not hand over Lebanon to anyone. We are not fond of war and it's not our hobby. We are fighting for freedom, sovereignty and peace."

Aoun called on the United States to take action, and declared that "it is time to give the American people back their dignity." He called for the U.S. administration to behave like President Eisenhower did during the Suez Crisis of 1956, when he gave a 24-hour ultimatum to France and Britain, and a 24-hour ultimatum to Israel to leave Egyptian territory. Aoun also warned that there should be "fewer declarations of support and more concrete moves."

**German Catholic Bishops' Conference:** The bishops issued a statement on Aug. 15 supporting the ongoing intensive French diplomatic efforts to find a solution to the crisis. The statement attacks the "aim of certain groups to expel the Christians from Lebanon," and calls on all politically responsible figures to "resist vigorously the attempt to . . . even extinguish a whole ethnic group."

The Bishops urge the government in Bonn to "exert all possible influence and compel Syria to stop the horrifying bombardment." "Political efforts like those launched most recently by the government of France, but also on a European Community level, have to be intensified."

**The Times of London:** The Syrian occupation of Lebanon "matches anything I have read about the Nazi occupation of France or the Soviet occupation of Afghanistan. . . . We have a duty to support General Aoun against the Syrians," wrote commentator Roger Scruton in the Aug. 18 issue. Scruton, who has just returned from Lebanon, claims that the West has been victimized by "disinformation" about Lebanon, especially by the mythology that Syrian forces are in Lebanon as a "peacekeeping force." In fact, "Syria does not recognize Lebanon as a sovereign state," but rather is irrevocably committed to creating a "Greater Syria" that would ultimately include not only Lebanon but also Palestine and Cyprus.

"Nobody should doubt the ferocity of the Syrian occupation. Anyone remotely suspected of opposing the Syrians is imprisoned, tortured, and usually killed. . . . Families of dissidents are taken hostage and killed at the slightest sign of rebellion." All of this is done under "Syrian secret police protection." Meanwhile, "the drug trade, run by Syria, dominates every other sector."

**White House spokesman Marlin Fitzwater:** On Aug. 14, Fitzwater cynically suggested that U.S. opportunities in the Middle East "may even be better now," as a result of the crisis. situation. Asked by *EIR*'s Nicholas Benton whether whether all the attention that is now focused on the hostages has "skewed or colored" U.S. policy goals toward the region as whole, Fitzwater replied that it had not, but "If anything, it may be better now . . . because of new opportunities for better relations with Iran that have arisen, and the amount of communications we've had with countries in the Middle East."

**The New York Times:** An Aug. 16 editorial denounced General Aoun, under the headline, "Suicidally Stubborn in Beirut." "The new carnage has been unleashed by the deliberate, suicidally stubborn strategy of one man, Gen. Michel Aoun, the Maronite Catholic army leader," the editors wrote. "He deliberately provoked a ruthless enemy, Syria, to murderous violence in the hope of compelling the West to come to his rescue. Western leaders would serve the interests of all Lebanese by making clear that they will not be drawn in."

The editorial stated that Syria should not be asked to withdraw "outside the context of an overall Middle East settlement—at the moment a remote prospect. It is equally unrealistic to expect the West to champion the Maronite cause at the very moment it is seeking Syrian help on the hostage issue." The West can do no more than a diplomatic initiative, as France has done, which will produce no immediate result: "If General Aoun's Maronite followers persist in believing his promises of miraculous rescue, all they will achieve is to turn the unimaginably worse into the utterly catastrophic."

# Beijing turns on Zbigniew Brzezinski

by Linda de Hoyos

Aside from Henry Kissinger, the next most notorious promoter of the U.S. "China card" policy has been Zbigniew Brzezinski, who as Jimmy Carter's national security adviser was instrumental in preparing the way for the full normalization of relations between the People's Republic of China and the United States. In motivating this policy, Brzezinski consistently stressed the "strategic advantages" to the United States of such a relationship, according to *New York Times* reports at the time.

Since early 1979, when relations were finally achieved, Brzezinski, operating out of the Washington, D.C. Center for Strategic and International Studies, traveled frequently to Beijing, consorting with its foreign policy think tankers and pushing his formulas for a "multi-polar" world and a condominium of interests among Washington, Deng Xiaoping's Beijing, and Gorbachov's Moscow.

Now, in the post-Tiananmen world, Brzezinski's labors appear to have been in vain. Despite his advocacy of a strategic relation with Beijing, Brzezinski has become the prime target of Beijing's revival of xenophobic repression.

The attack comes in the context of Beijing's strident ideological defense of "socialism." In an article appearing in the *Beijing Jiefangjun Bao*, called "He Who Laughs Last, Laughs Best," commentator Wei Guoyan attacks Brzezinski by name for his new book *Gigantic Failure—The Rise and Fall of Communism in the 20th Century*. Wei describes the "China card" policy as an attempt to penetrate communism: "They [Washington] have forcefully carried out a policy of 'peaceful evolution' and 'taking away the firewood from under the cauldron' toward the socialist countries. They support and encourage all kinds of anti-socialist activities in the socialist countries and have launched an offensive against them, which is 'greater than containment and cold war.'"

Other articles have attacked Western "convergence theory" by name, and outlined a history of the strategy of "peaceful evolution." One such article was published in the *People's Daily* Aug. 5, entitled "Confessions [sic] of Western Countries on Implementing the Strategy of Peaceful Evolution." The article reviews a compendium of statements by Westerners on "peaceful evolution." The article notes that the peaceful evolution strategy began with John Foster Dulles, and

was endorsed by President John Kennedy.

And although not mentioned by name, Jimmy Carter himself comes under attack for stating that "since changes have taken place in Communism, 'the West can speed up such changes.' He expressed the belief that 'peaceful evolution' is a method for 'winning victory without battle' and that people of several generations must spend their time on it."

"Peaceful evolution" measures to defeat socialism, according to the review, include taking freedom and human rights as a pretext for interfering in other countries' internal affairs; and "carrying out ideological infiltration through the Voice of America and others."

## Entrapping Zhao Ziyang

Aside from serving as stern warnings to the West not to take advantage of Beijing's internal weakness, the Li Peng-Yang Shangkun-Deng Xiaoping clique is looking to tar its factional enemies with the "peaceful evolution" brush. The primary target is ousted general secretary of the Communist Party Zhao Ziyang. If Zhao Ziyang can be proven to have been in cahoots with foreigners carrying out a "peaceful evolution" strategy of penetration and war against the P.R.C., then Zhao can be brought to trial for treason and other such crimes.

A July 22 article in *Guangming Daily* attacked Zhao for his alleged statement at the January 1987 Central Secretariat meeting that " 'no one can clearly define what the socialist road is.' In recent years, his think tank and elitists have written many articles to attack the socialist system of public ownership and preach the system of private ownership, thereby creating a violent trend."

On Aug. 8, this scheme went into action when the Public Security Ministry arrested and interrogated Chinese representatives of the Fund for the Reform and Opening of China, a private organization funded by Hungarian-American philanthropist George Soros. Beijing charged that the Fund was a CIA operation. The Fund did its "opening up" work in conjunction with the Chinese Institute for Economic and Structural Reform, a think tank associated with Zhao.

## No to the 'U.S. card'

However, the attacks on Brzezinski also signal Beijing's determination that the United States is not a reliable ally on any count, politically or economically. The same article that singled out Brzezinski's latest work for attack ended with a diatribe against U.S. weakness. The United States continues to act as an imperialist power, says Wei Guoyan, noting that "even on the small matters like the medium-range missiles and FSX fighters, the U.S. still has the final say."

But, warns Wei, "although it is still prosperous in economic affairs, it has been turned from the world's biggest creditor nation into the biggest debtor nation. It looks powerful in appearance, but *weak in reality*. All these are *indisputable facts*" [emphasis added].

# IMF readies 'Pol Pot option' for Sri Lanka

by Susan Maitra

Mass killings by the Sinhala terrorists and a pall of terror that has settled in over the island lately, indicate that Sri Lanka's President Ranasinghe Premadasa is getting more and more isolated. The economic crisis, which is becoming more serious every day, is now causing food shortages. In the midst of rampant coup rumors in the streets of the capital city of Colombo, it has been announced that the International Monetary Fund (IMF), which is withholding an \$87 million loan until Sri Lanka kowtows fully to its demands, will send a delegation to Colombo on Aug. 20.

As the crisis deepens, the stormtroopers of the JVP party are waiting in the wings, modeling their "program" on the genocide of Cambodia's former dictator Pol Pot, who murdered one-third of his own population.

The IMF, which has a strong grip over the Sri Lankan economy, had unsuccessful discussions in Colombo in late July, and is hoping for better this round. The Fund has reasons to be optimistic: Sri Lanka, devastated by the six-year-old ethnic insurrection, is short of food, and the authorities are trying desperately to import it. But suppliers consider the government's 180-day letter of credit a worthless sheet of paper. The suppliers are demanding that offshore foreign banks independently guarantee that payment will be made.

The money to import food would have been available to Sri Lanka if the IMF had released the \$87 million drawing on its Structural Adjustment Facility, which would have also unlocked \$60 million already committed by the World Bank to ease Sri Lanka's balance of payments situation. But, in return for \$87 million, the IMF has asked the Sri Lankan government to make some "structural changes" in the economy. The changes, the IMF says, are necessary to contain Sri Lanka's budget deficit within 12% of the Gross Domestic Product and to slow down monetary expansion.

In particular, the IMF is demanding removal of subsidies on wheat and flour. According to some reports, such a cut will jack the price of a loaf of bread up by 40%. Already the Sri Lankan President has agreed to abandon the poverty alleviation program—the center of his presidential election campaign—and the program for midday meals for underpriv-

ileged schoolchildren. The poverty alleviation program called for making available about \$75 each to poor families.

## Coup threat from the JVP

Compliance with the IMF's subsidy-cutting plans would most likely produce an outbreak of food riots all over the island. President Premadasa has privately expressed such fears already. But more than that, the Sri Lankan President is afraid that cutting subsidies, which will hurt the poor the most, will provide the Janatha Vimukthi Peramuna (JVP)—the Maoist organization which recruits followers using vitriolic anti-India rhetoric, rabid Sinhala chauvinism, and a Pol Pot-like ideology—the dreaded momentum to push the island toward a new holocaust.

In recent months, the JVP has grown in leaps and bounds. Those Buddhist monks who protested against the JVP's campaign of mindless killing, are now being eliminated. During the last two years, the JVP has killed more than 2,000 people, a large number of whom belong to the ruling United National Party. Recently, the chief news editor of Sri Lanka's state-owned television station was assassinated for his "biased" reporting.

The threat of a coup in Colombo is a real one. The JVP has already made deep inroads into the Sri Lankan Army. President Premadasa, in one of his recent speeches, said that "an atmosphere of sorrow, fear, and terror has overtaken the country." The IMF pressure in the midst of this crisis could result in the overthrow of the government.

Sri Lanka fell into the IMF lap in the late 1970s, when former President Junius Jayewardene opened up the country's economy, allowing liberal importation which pushed many local industrialists into bankruptcy. Subsidies to state enterprises were cut drastically. A large free-trade zone was set up in 1978, as a replica of the Shannon free-trade zone in Ireland. Tax holidays, along with other fiscal incentives, were implemented to encourage foreign investment, and offshore banks where Sri Lankan nationals could hide their ill-gotten wealth were established. Some on the island and elsewhere hoped that Sri Lanka would become the Switzerland of Asia.

The decade that followed included all-out ethnic riots and the devastation of the economy. Being a commodity-exporting nation, of tea in particular, Sri Lanka went into the red when international tea prices fell sharply in 1985, and trade imbalances began to grow. The 1986 drought, ethnic riots, and a free-market policy pushed the Sri Lankan economy into the abyss, and at the end of 1987, the nation had accrued a \$3.1 billion debt. The country's \$300 million foreign reserves could pay for no more than two months of imports. More than 26% of Sri Lanka's foreign exchange earnings go to pay the foreign debt.

With the balance of payments deficit exceeding \$600 million in 1988, both the IMF and the World Bank, which were pushing further trade liberalization, moved in to assure Sri Lanka that the Structural Adjustment Facility would be available—provided certain austerity conditions were met.



# Bush moves against Argentine military

by Peter Rush

Six weeks after taking office, Argentine President Saúl Carlos Menem faces a political brawl over how to resolve the nation's five-year-old military crisis—at a moment when leftist insurgents are taking advantage of severe economic troubles to threaten social chaos.

The military crisis deepened with the resignation on Aug. 16 of Humberto Romero, the number-two man in the Defense Ministry, and persistent reports that President Menem has decided to retire around 30 nationalist officers, including Col. Mohamed Alfí Seineldín, for whom Romero was considered a spokesman.

Seineldín is backed by the majority of officers and enlisted ranks, ever since he led a military action last December that won pay increases for the army, and promises of eventual amnesty for about 20 officers now in jail or under indictment for crimes allegedly committed during an anti-subversive campaign in the late 1970s. Seineldín, a strong anti-Communist, has been a hero in Argentina since the 1982 Malvinas War, and internationally admired by anti-Bolshevik resistance fighters ever since his courageous December action. But he is hated by a liberal clique of generals, and by social democratic and some Peronist politicians in the country—not to mention the Bush administration, which has brazenly demanded that Seineldín be cashiered.

The State Department, acting on behalf of President Bush, sent Menem a message saying that Seineldín would have to be eliminated from the army if Argentina was to receive political support from the United States. Seineldín's presence in the army would destabilize democracy and lead to instability which would impede good U.S.-Argentine relations, U.S. Ambassador Terrence Todman informed Menem. Menem was warned that if Seineldín stayed in the army, he would become the "Noriega of Argentina," and that Menem himself would "become a puppet like [Panamanian President] Manuel Solís Palma."

This crude message is rather dramatic confirmation that U.S. efforts to overthrow Panamanian Defense Forces commander Gen. Manuel Noriega, are just a warmup for eliminating *all* of South America's nationalist military leaders; apparently they disrupt the power-sharing deals being made with Gorbachov's Soviet Union.

The fear that the U.S. would treat Argentina like Panama—which has been hit hard by economic sanctions and military threats—may account for the apparent reversal of

Menem's decision, announced by Defense Minister Italo Luder in a July 30 radio interview, to dismiss all charges of insubordination against Seineldín and his colleagues and restore them to their army commands.

Also opposing Seineldín are the Bunge and Born grain cartel and former Bunge executive Nestor Rapanelli, now finance minister. They are insisting to Menem that the presence of "fundamentalists" in the army (a slur on Seineldín's Christian faith) would destroy Argentina's credibility abroad, and that there would consequently be no support for Menem's economic program. Without that, they say, the program—and the government—will founder.

But as of this writing, Menem has not made public his decision on Seineldín. When Menem's defeated Peronist party rival for the presidency and leader of the so-called "Renewal" faction of Peronism, Buenos Aires Gov. Antonio Cafiero, visited Menem around Aug. 15, reportedly to pressure him to dump Seineldín, Menem angrily threw Cafiero out of his office. In the army itself, one colonel and three majors who had backed Seineldín ally Lt. Col. Aldo Rico in earlier military actions, were ordered reinstated, the *Financial Times* of London reported Aug. 18.

## Left subversive danger grows

Inflation has fallen from 197% in July to 30% in August, but Argentina's economic depression continues to worsen. Labor groups report that unemployment is at 21% and rising, wages are still well below even minimal subsistence levels for millions of people, and hunger and malnutrition are severe. The government has begun a number of programs to provide food, and in some case medicines, to the poorest people, but the government treasury is empty, and the measures so far are not nearly adequate. A social explosion is only a matter of time, and leftist subversive groups that intend to exploit that explosion are proliferating.

Intelligence-linked sources in Buenos Aires have reported to *EIR* that the subversives have set up an impressive infrastructure of cells and propaganda dissemination. Some of these groups are linked to foreign terrorists, like Peru's unspeakably savage Shining Path. These groups are putting into place the basis for provoking and leading the most desperate Argentines in lootings and uprisings, such as occurred in the city of Rosario in late May. This time, it will be far worse.

The two largest groups, All for the Fatherland Movement (MTP) and People's Revolutionary Army (ERP), staged a simulated "mass insurrection" in the town of Morena at the end of July. Four hundred slum dwellers joined with about 1,100 leftists in a looting spree. The insurgents organized themselves into "combat units," and used sophisticated equipment. Representatives of leftist groups held a series of regional meetings in July to practice urban guerrilla tactics. If the Argentine military faces this crisis disarmed and demoralized, Moscow can thank George Bush.

# The strategic dimension behind Europe's current 'religious wars'

by Muriel Mirak

At the highpoint of the summer vacation in Europe, marked in Catholic countries by the feast of the Assumption of the Virgin on Aug. 15, what looked like a religious controversy took on an uncanny form and rapidly escalating proportions. An American Jewish rabbi leads a group of followers to penetrate the silent confines of a Carmelite convent located at the site of the Auschwitz concentration camp. A group of Polish construction workers, who happen to be on the scene, do the obvious, and repel the invaders by force. The archbishop launches fiery attacks against "certain Jewish circles" for their lack of respect for the nuns; spokesmen, self-styled as well as official, for the world Jewish community, respond with anger and dark insinuations. Pope John Paul II makes references to the "infidelity of Hebrews" in the Old Testament, and in response, accusations of anti-Semitism are hurled at him.

One would have thought that new wars of religion had broken out in Europe.

Although a number of important theological and philosophical issues worthy of deep consideration (like the concept of martyrdom and the function of prayer, as viewed by the Judaic and Christian traditions) are embedded in the affair, the very unusual form of the mid-summer escalation, viewed within the broader context, would indicate rather that the fundamental religious conflict were of an eminently political nature.

First, the facts.

Since August 1984, a group of 14 Polish nuns has established a Carmelite convent along the walls enclosing the Auschwitz concentration camp. They are revered by the Poles, who view their presence there as bearing constant witness, through prayer, for the victims of Nazism. Opposition to their presence came from parts of the Jewish community who urged that the site remain a museum-camp, a reminder of the *Shoah*, the Holocaust against the Jews. In 1987, an agreement was reached in Geneva between delegations of Jews and of Catholics, that within two years, the convent would be transferred 600 meters away, where an ecumenical center would be constructed, for "information, education, meetings, and prayer." Signators to the agreement included Cardinal Franciszek Marcharski, successor to Karol Wojtyla in Krakow, and Cardinal Decourtray, president of the French Bishops Conference.

Due to delays in readying the new center, the deadline

established for the move—Feb. 22 of this year—was postponed for five months. On July 14, when the Carmelites still had not moved out, Rabbi Avraham Weiss of New York climbed a fence to enter the convent grounds, protesting that the nuns' presence was a desecration of the memory of the Jews killed there. Rabbi Weiss's group, the Coalition of Concern, continued the protest against the alleged "occupation" for days. Rabbi Weiss was accompanied by Glenn Richter, an activist in the Student Struggle for Soviet Jewry and a close friend of Mordechai Levy, an American terrorist (see article, page 60).

On July 19, Israel voiced its concern regarding how the protesters were being treated. By July 23, an estimated 100 Jews from Western Europe were reportedly demonstrating, and Israel's Holocaust Remembrance Authority issued a protest.

On the Polish side, the episcopate's Commission for Dialogue with Judaism responded to the protests on July 20, with a statement that "any violation of law cannot contribute to the solution of the conflict." Then, on Aug. 10, Cardinal Marcharski issued a statement announcing that the center would be impossible to realize, due to the "violent campaign of accusations and defamation, and offensive aggression" launched by "some Western Jewish circles," in an evident reference to Rabbi Weiss.

At this point, the press campaign began, fueling the flames of controversy. Milan's daily *Corriere della Sera* asserted that the Pope was behind Cardinal Marcharski's statement, when in fact, as the newspaper of the Italian bishops conference, *Avvenire*, specified, "the cardinal's declaration cannot be attributed to the Holy See." Cardinal Decourtray of Lyons, France, who had led the delegation to Geneva for the accord in 1987, entered the debate calling for comprehension and the maintenance of the Jewish-Christian dialogue at all costs. Emphasizing the "need for mutual respect, in order not to harm the memory of Auschwitz," he called for the original agreement on building the ecumenical center to be respected. Immediately, spokesmen for the Jewish delegation that had been present in Geneva, officially endorsed his stand, calling for "reciprocal respect for the victims of Auschwitz, both Jewish and non-Jewish." (In July, Cardinal Decourtray had apologized for the delays in constructing the center, pointing to real obstacles, of an administrative as well as psychological nature, rendering the transfer of the convent difficult.)

From the United States, Rabbi David Rosen, a Jerusalem-based representative of the Anti-Defamation League, took issue with the Pope's references to the "infidelity of the Hebrews." Prof. Yirmiyahu Yovel of Jerusalem charged the Pope with having launched a "political attack" against the Jews. He further warned of the "danger of racism," insinuating that Poles and Catholics were racists who had endorsed the Holocaust.

### The broader context

While it is easy to see how an issue so emotionally charged could unleash a violent debate, it is difficult to grasp how John Paul II, the Pope who has developed the dialogue with Judaism to unprecedented heights, could be so accused. Was it not, after all, this pontiff who, entering the Rome synagogue, officially exculpated the Jews from charges of "deicide," and redefined the political nature of the persecution of Christ at the hands of the Romans? Is not he also the Pope who paid homage to the victims of Nazi oppression, by canonizing Father Kolbe and beatifying Edith Stein, both Auschwitz victims?

In the Italian press, precisely these acts have been cited, to allege that "the Jews fear" that the Vatican wants to "Christianize the Holocaust" and thus "let the *Shoah*, with the passing of time, lose meaning" (*Corriere della Sera*, Aug. 11). Such appears to be the view of Rabbi Weiss, who is quoted as having said, while charging the Carmelite monastery, "You don't pray for Jewish martyrs, they weren't Christians." Such is indeed the view of the Edgar Bronfman wing of the World Jewish Congress, whose spokesman Elon Steinberg charged the Pope with trying to "de-Judaize the Holocaust."

But that is not the whole story.

The enemies of John Paul II who are members of the Jewish community are identified with Edgar Bronfman's faction, Henry Kissinger, Rabbi Weiss, and others. Their opposition to the Pope certainly is grounded philosophically on their rejection of his "New Covenant" doctrine, which they have attacked as "prejudicial" and "anti-Semitic." But their animosity also has a distinctly political aspect, relating directly to great strategic concerns. John Paul's enemies dislike him for his policies in the Mideast and, above all, vis-à-vis the East bloc.

In the turbulent Middle East, the Pope has pledged his undying support for the national resistance forces of Lebanon around the Christian community, and against all those projects, promoted by the likes of Kissinger and Bronfman, aimed at dismembering the nation of Lebanon. There are in Israel, as well, certain groupings allied to Bronfman who are engaged in diplomatic efforts with the Soviets, aimed at obtaining the release of hundreds of thousands of Soviet Jews, in exchange for Israel's acquiescence to a newly drawn Middle East map. This, the Vatican seems concerned to prevent; thus, the Pope is standing up to the Soviets' global agreement with the United States.

But there is more. This Pope, as Elon Steinberg and others will readily acknowledge, is challenging the condominium arrangement between Moscow and Washington where it hurts: in the heart of the East bloc. For it is also this Pope who has overseen and encouraged the most ambitious, and successful drive to restore the rights of Catholics behind the Iron Curtain—not only in Czechoslovakia, where he has nominated four archbishops, and Hungary, where restrictions on believers are to be relaxed, but above all in Poland, the nation whose role within the captive nations is absolutely key.

As if by coincidence, on the very day that Rabbi Weiss and his followers were staging a sit-in at the Carmelite convent, Poland and the Vatican officially announced the restoration of diplomatic relations. This step had been prepared carefully over years; in 1987 during his trip to Poland, John Paul II had stressed to the Polish bishops that such a step could occur only when it were credible to the Polish nation, whose rights the Church has defended in its history. The Pope emphasized that diplomatic relations would help lend real sovereignty to Poland, by helping establish sovereign rights for its people. When, in May 1989, the state granted legal status to the Church in Poland, it became clear that the Pope's demands for such steps were being heeded by the government, which was fully aware of the political weight represented by the Polish Catholic Church. With the diplomatic ties reestablished, the Polish Church has consolidated institutional ties with the universal Church, thus gaining certain international guarantees for its freedom of activity which it did not enjoy before.

Such developments are to be welcomed by all those who treasure freedom of religion and share the hopes of not only the people of Poland, but also those of Czechoslovakia, Hungary, the Ukraine, other captive nations. Yet, as the protagonists of the carefully constructed *Ostpolitik* of the Vatican are well aware, such developments are fraught with dangers, for they implicitly challenge the status quo now reigning within the East bloc and between "new Yalta" circles in Washington and Moscow. As a Ukrainian expert of religious and ethnic problems in the Soviet Union recently stated in an interview with the Italian newspaper *Nuova Solidarietà*, "The Russians fear the Ukrainian Catholics for three reasons: 1) they fear a mass conversion to Catholicism of the people in that region; 2) they fear a Ukrainian Catholic Church because it expresses the desires and aspirations of citizens for national independence; 3) they are afraid because a Catholic Ukraine would be closer to the West."

What is true for the Ukraine, is also true for Poland. And it is this policy, being implemented through the pontificate of John Paul II, which constitutes a threat to the "New Yalta" agreements sealed by Gorbachov and Bush—and supported by a clearly defined faction within the Jewish community—according to which the birth of sovereignty for the nations behind the Iron Curtain would only disturb the existing spheres of influence.

# A crime family turned respectable

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*Carol White recounts the criminal history and political-intelligence links of the family of the man some call Armand Hammer's political heir.*

Recent years have seen Edgar Bronfman, of the Bronfman liquor dynasty, propelled into a position of greater and greater political power as part of the "invisible government" which has never been elected, and yet decides the key questions of foreign and economic policy for the West. The rise to power of the Bronfman family has been paralleled by the decline of the United States. From overtly criminal beginnings, they have engineered for themselves an accepted position among the elite. Their power reflects the criminalization of American justice, which has substituted police-state abuses against honest republican tendencies, for the prosecution of crime.

The Bronfmans represent a less well-known facet of the phenomenon associated with Henry Kissinger and Armand Hammer. While the Anglo-American elite is run by families who cherish their pedigrees, it is quick to assimilate useful agents such as Kissinger, Hammer, and Bronfman—men whose zeal to line their own pockets is only thinly masked by their political facade. Such Soviet agents of influence are working to draw the United States into accepting a new "Yalta" agreement with the Soviets which would transform the world into a malthusian, police-state nightmare.

There is a section of the Anglo-American *elite* which agrees to this because they wish to repeat the Hitler experiment in the West—with the new twist, of first destroying nations as such, and introducing universal fascism instead of national versions. To carry these policies out, these traitors need to assimilate criminal elements into their ranks.

## Who are the Bronfmans?

The aggregate assets held by the various branches of the Bronfman family were estimated to be \$7 billion in 1978, by Peter C. Newman in his book *King of the Castle*. Today, with their stock in the DuPont Corporation, the Bronfmans are ready to reap windfall profits from the environmental hoax that chlorofluorocarbons must be banned in order to protect the ozone layer. DuPont has cornered the patents on the only replacement refrigerants in sight.

The family got its economic start during Prohibition when they were given the franchise on British liquor entering the United States through Canada. They were also involved in drug trafficking, but this aspect of their operation is less easily

documented. The major public assets of the Bronfmans are still located in the liquor business which they dominate under 61 whiskey labels, such as Calvert, Seagram's, Chivas, and popular brands of gin, vodka, rum, and over 250 different wines and champagnes.

One way that drug and other hot money is typically laundered is through real estate speculation, gambling casinos, and sports events. The Bronfmans have major speculative real estate holdings throughout the United States, in stadiums, shopping centers, and other developments. They own Cadillac Fairview and Trizec, both major holding companies, and they own the fifth-largest U.S. oil independent, Texas Pacific Oil Company, which has holdings in Dubai, Thailand, Spain, Kenya, the Philippines, the North Sea, and Mexico. The Bronfmans are the largest private landowners in Canada and have the largest Canadian interest in British American Oil Company and major holdings in Bell Telephone of Canada.

They are part of the British Eagle Star insurance conglomerate, which functions with Kissinger Associates in international operations to control offshore banking, either directly or through the agency of the many banks with which they are associated, such as the Bank of Nova Scotia and the Bank of Montreal—and through their connections by marriage to the financial empires of the powerful Rothschild and Gunzberg families.

They are also an important factor in the entertainment world. They own stock in Curtis Publishing Company and Paramount Pictures and Metro-Goldwyn-Mayer.

Because they are a Jewish family, they have cynically bought their way into control of North American Zionism by their generous contributions to Israel. This has given them a significant measure of political clout as a lobbying force in the United States, Israel, and Canada, which they have deployed to support economic measures to their own benefit, not least a liberal policy toward drug enforcement. Politically they have thrown their weight behind "Red billionaire" Armand Hammer, and the pro-Soviet lobby.

The Bronfman family emigrated to western Canada from the Russian empire in the late 1880s. At first they farmed and worked in construction, but as the children grew up they

moved into the hotel-prostitution business, after the construction of the Canadian Northern Railway line.

With Prohibition in the United States, they were able to connect with U.S. criminal networks. One device they used was to establish a pharmaceutical wholesale house, the Canada Pure Drug Company at Yorkton, as a cover for the sale of liquor and narcotics—in the guise of tonics. They received the patronage of the Hudson's Bay Company and they were given the contract to sell Dewar's whiskey.

Their practice was to buy British brands and then dilute these, selling them to a U.S. market under similar sounding names. They ultimately entered an arrangement with the Distillers Company of Edinburgh and London—an 1877 amalgam of British distilleries which controlled over half of the world's Scotch market—giving the Distillers a 50% share of their bootlegging business in return for the steady flow of British supplies. In 1922 a Bronfman brother-in-law, Paul Matoff, was executed gangland-style by the Chicago mob. Although frequently threatened with prosecution, the family escaped jail due to the tacit complicity of the Canadian government in the illicit but profitable trade across the border.

When Prohibition ended, the Bronfmans wished to enter the U.S. market as legitimate distributors, but the Distillers gave their franchise to Joseph Kennedy instead. Nonetheless the Bronfmans prospered, due to support from the Lansky-Rothstein mob in the United States, and they were able to establish their own brands of liquor.

Not coincidentally, other political influentials, namely Armand Hammer and the Kennedy family, also got their start through illegal trafficking in drugs and liquor. According to John H. Davis, in his book *The Kennedys*, Joseph Kennedy was described by several major underworld figures as one of the most ruthless competitors in the bootlegging business throughout the 1920s and early 1930s. Armand Hammer and his father also entered the liquor business during Prohibition, forming the Allied Drug and Chemical Company, which like the Bronfman operation, supplied narcotics as well as liquor to customers.

Historically, the opium trade was run through the British East India Company, and was central to imperial policy. This tradition continued when U.S. Prohibition became the pretext for the criminalization of society in the United States, Canada, and Great Britain. Not only was cafe society the meeting ground for criminals, the Hollywood crowd, and degenerate socialites—what became the jet set—but it gave the occasion for integrating the mob into Hollywood on a grand scale.

It is well known that sections of the mafia were used by the U.S. intelligence services during World War II. The links between organized crime, misadventures in Cuba in the Kennedy era, and the plot to assassinate the President are too well-worked over to bear repeating here. They should be borne in mind in connection with the more recent Iran-Contra scandal, which has revealed that U.S. intelligence services



*Edgar Bronfman,  
liquor magnate and  
Soviet agent of  
influence*

engage in narcotics trafficking as a means of off-budget financing for their enterprises as well as for the purpose of recruiting criminal elements, willing to carry out dangerous intelligence missions.

When Minda Bronfman married the Baron Alain de Gunzberg in 1953, the family became a part of the most aristocratic circles of Jewish families. The Odessa Gunzburg family had been bankers to the Tsar, although their family title was granted by the Hapsburgs of the Austrian empire. Alain de Gunzberg is managing director of the Banque Louis-Dreyfus, France's third-largest merchant bank, and is closely tied to the Rothschilds in the Club Méditerranée. The Gunzburgs have opened European liquor and wine markets to the Bronfmans. And more important, they have consolidated a pro-Soviet political faction within world Jewry.

### **The British major**

For a small-time immigrant family to achieve the prominence of the Bronfmans, they must have been acting as frontmen for other forces. The obvious hypothesis is that they were set up in business by the Hudson's Bay Company, which has historically been connected into the opium trade. As the family prospered, they were given a limited franchise by the Distillers Corporation, only to be cut down to size when Prohibition ended.

The Bronfmans were sufficiently well-connected, however, to maintain and extend their position despite the British. Thus they carved out a certain independent role. They were helped along by the law firm of Phillips, Bloomfield, Vineberg, and Goodman, which organized financing for the expansion of Seagrams into the United States. The firm was founded by Maj. Louis Bloomfield, a lawyer for the Bronfmans until the late 1960s and an adviser to them from the 1930s, until his death in the mid-1980s.

Bloomfield was the successor to Sir William Stephenson as head of the British Special Operations Executive (SOE) in North America. He has also been implicated in the assassination of President Kennedy. He was recruited into the (SOE) in 1938, the year that British intelligence was allowed to set up shop in the United States. Under this agreement, Bloomfield was given an officer's rank in the U.S. Army and sec-

ended to the wartime intelligence service, the OSS. He also worked with J. Edgar Hoover on counterespionage.

After the war, Bloomfield returned to Montreal to resume his relationship with the Bronfmans; however, he continued his intelligence activities, and in 1958 formed a private intelligence operation known as Permindex (Permanent Industrial Expositions), which was incorporated in Switzerland and housed in Montreal. Permindex is rumored to have operated as a high-level Murder, Inc. and this is substantiated by the action of French President Charles de Gaulle, who exposed their role as a conduit for secret funds into the Secret Army Organization (OAS), which was implicated in the 1962 attempt on his life. As a result of this, Major Bloomfield's name was removed from the letterhead of his law firm in 1968, although he was in an active role as a consultant to the Bronfmans.

Documentation exists that the Bronfmans themselves have been directly involved with intelligence operations. A firm called Space Research was formed in 1968 as a partnership between the Allan Bronfman wing of the family—now represented by Allan's sons Edward and Peter, and A.D. Little, Inc. That firm was ostensibly formed to build howitzers capable of firing warheads into space. It operated, however, as a cover for the smuggling of arms under the sanction of U.S. and British intelligence. Prominent members of Space Research's board included Lt. Gen. Arthur Trudeau, the former

head of U.S. Army R&D; Richard Bissell, the former director of operations for the CIA; and various other retired U.S. army officers.

During the pre-1979 period, Space Research sold to Iran howitzers capable of firing shortrange tactical nuclear warheads. When the Iranian revolution began, the Bronfmans sold their shares in Space Research to Saad Gabr.

### Israel, a pawn in the Bronfman game

Peter Bronfman has recently bought a share of the *Jerusalem Post*, along with Henry Kissinger and former NATO secretary general Peter Carrington, through the Hollinger Corporation. But it is Edgar, as head of the World Jewish Congress, who wields the most clout in Israel.

The Bronfmans have huge political leverage in Israel, because they have the flow of Jewish philanthropy. Newman describes how this works. In 1978, the family on average would contribute about \$2 million annually to the state of Israel through the various Jewish charities. In 1962 they contributed an additional \$1 million directly for construction of a new wing for the Israeli Museum in Jerusalem. In Canada alone, Sam Bronfman would typically pledge 10% of whatever fundraising goal he was setting for the Jewish community as a whole.

The role being played today by Edgar Bronfman parallels that recounted by author Ben Hecht in his tragic book *Perfidy*,

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the story of how the eastern European Jews were betrayed by Jewish traitors during World War II. The majority of Jews were held hostage to what was perceived as higher questions of policy by certain factions of world Jewry who were willing to cover up the true extent of Nazi atrocities. Bronfman has attempted to achieve a bargain with the Soviets which would only allow emigration by Soviet Jews directly to the state of Israel, preventing them from seeking asylum in the United States or Western Europe, which many would otherwise choose.

A feature of this deal has been Israeli intelligence complicity in passing on U.S. secrets to the Soviets. This was revealed in the famous Jonathan Pollard spy case and is probably also the reality behind the current Felix Bloch espionage affair. Edgar Bronfman is a member of the U.S./U.S.S.R. Trade and Economic Council, which is not only a pro-Soviet lobby, but a conduit for passing technology to the Soviets.

The now aged Armand Hammer, upon whom Edgar models himself, has been the most important single agent representing Soviet interests in the West. Although born in the United States, he was the child of socialist Russian immigrants, and from the time of the Bolshevik Revolution on, he worked as a part of the Soviet foreign-intelligence capability known as "The Trust." The Trust was an interface between the Soviets and those in the West who were willing to give them financial and other assistance. While the Bronfmans are also Russian emigrés, their Soviet interests would seem to be a subsumed feature of their efforts to place themselves in a position of economic and political power, and they maintain close ties with British intelligence.

### **Landscam and fundamentalism**

The idea behind the modern-day Trust—since the 1950s, when the Soviets got the bomb and could attempt to dictate a partnership with the West—was the kind of New Yalta condominium arrangement which is now increasingly dictating world politics.

To create such a political shift, massive cultural engineering was necessary. One way was to spark small local wars which could be contained, and which would provide the pretext for renegotiating national boundaries, creating the conditions for supranational agencies to seize control of regional blocs. To further this end, the Soviets and their Western allies in The Trust have fomented fundamentalist movements, with terrorism, including the seizure of hostages, as a by-product.

In Israel, extremists sponsored by Ariel Sharon have been in the forefront of the settlement of the occupied West Bank by Jews. At the same time, Muslim fundamentalism is being sponsored by the Soviets and by left-wingers and the social democracy. Intelligence services on both sides of the Iron Curtain have played a large part in spawning these fanatical movements. While the Bronfmans, as representatives of the European and North American Jewish communities, are os-

tensibly "liberal" opponents of the kind of fundamentalist politics presented by Sharon, nonetheless they are secretly involved in economic deals on the West Bank which are only made possible because of the fundamentalist movement Sharon has encouraged.

While liberal Western Jewry is opposed to such extremist factions in Israel, the role of Edgar and his brother Charles Bronfman, has been duplicitous. They were willing to collaborate with the crazies in order to turn Israel into a major center for organized crime, including gun and dope running and money laundering. Max Fisher and Meyer Lansky (both collaborators of the Bronfman family during their earlier openly criminal days) were key in these plans.

Indeed, the mutual interest in this nefarious scheme was shown in the spring of 1982, when a meeting was held at the ranch of Ariel Sharon, at which Kissinger and the Bronfman lawyer, Maj. Louis Bloomfield, were present to hammer out policy issues which included the Israeli invasion of the Lebanon. A later meeting, on Nov. 15, 1982, included Lord Harlech, Prince Johannes von Thurn und Taxis, former Secretary of State Alexander Haig, Lord Carrington and other notables. Plans for massive investment in the West Bank were discussed, but were postponed due to opposition from Israel's Begin government.

Israel's future could well be sacrificed to these greedy schemes. The present bloodbath in the Lebanon is a harbinger of the destruction which will befall the whole region, unless the present insanity is curbed. Religious fundamentalism is only the detonator; peace in the Middle East depends upon economic solutions for the area. Shimon Peres's call for a Marshall Plan for the Middle East, which has been ignored, is the only path to peace. It would require assistance from the United States to create the kind of economic infrastructure which could transform the Middle East, and allow Israel with its advanced technology, to play a key role in developing the region.

The Bronfmans, Henry Kissinger, and Lord Harlech (Kissinger's collaborator in the West Bank land-grab) think otherwise. They were willing to cynically betray the national aspirations of Israel, and hand over the Lebanon to the Soviet client state, Syria. They chose to play a geopolitical game in service of The Trust with obvious implications, as well, for the supply and price of oil in a declining world economy.

While stabbing Israel in the back, Edgar Bronfman has cynically waved the bloody shirt of the Holocaust to justify abuses against German and Eastern European naturalized Americans who were accused of having Nazi pasts. KGB files were used by the Justice Department Office of Special Investigations, without corroboration and in some instances in contradiction to other evidence, and these citizens have been summarily deported—in the case of Karl Linnas, to his death on arrival in the Soviet Union. Bronfman's World Jewish Congress officially supports the OSI's actions in denying these naturalized Americans their constitutional right to a fair hearing for their alleged war crimes in a court of law.

### Gorbachov backs East Berlin regime

*Moscow has given explicit approval to East Germany's crackdown on those trying to emigrate.*

**R**ecent developments in Red China, the Soviet Union, Poland, and Hungary were but a distant peal of thunder for most West Germans. But now, with refugees flooding into West Germany by the thousands, the crisis of the Communist system which many, in their "Gorbymania," had forgotten, is right on their doorstep.

The dramatic occupation and siege by desperate East Germans of West Germany's diplomatic missions in East Berlin and Budapest, Hungary, and the setting up of soup lines and tent camps by the Hungarian Red Cross for the refugees outside the closed West German embassy in Budapest, caught the government in Bonn in a state of deep stupor.

In the midst of the traditional summer recess, with its illusion that the world's problems have faded away, the government's lack of a sound policy for relations between the "two Germanies" became more and more obvious, as the massive influx of refugees and emigrants from East Germany required a rapid official response from Bonn. A public opinion poll by the Wickert Institute indicated that 87% of all West Germans wanted Chancellor Helmut Kohl to cancel his vacation right away and personally take care of the crisis.

But the chancellor, his cabinet, and most parliament members decided to remain inactive, with one exception: Christian Democrat Eduard Lintner called for economic and credit sanctions against East Germany's ruling communist party, the Socialist Unity Party (SED). His call received a hostile official response.

On Aug. 11, Kohl, clinging to his illusion that joint crisis management with the East German regime is still possible, sent a personal message to SED party leader Erich Honecker. Receiving no official response, Kohl sent a second message on Aug. 15. Honecker's response was: There is no need for a change.

One line of wishful thinking in Bonn has it that the SED regime is somehow going out of control, and that since the Kremlin has no way of intervening, the SED is operating "against Gorbachov."

But that illusion was shattered by news that the SED regime's hard line was worked out in close contact with the Soviets, at a special emergency session of the so-called "SED security troika." This innermost body consists of Erich Mielke, the minister of state security (the infamous Stasi); Joachim Herrmann, party Politburo member in charge of state security matters; and Erich Honecker himself. Honecker, who for the past four weeks has been in a hospital for emergency gall bladder treatment, may have delegated his function on the "troika" to Egon Krenz, one of the chosen candidates for the party leadership succession (expected in the early 1990s), and himself an old hand in state security matters.

Herrmann and Krenz were among the SED party leaders who were most outspoken in support of the Red Chinese regime in the days following the cruel massacre on Tiananmen Square this past June. Both Herrmann and Krenz hailed the "crushing of the counter-revolutionary upsurge" by the Beijing regime.

These remarks did not draw much attention in Bonn, but the message was not lost on many East Germans, who drew the conclusion that legal emigration to the West and "illegal" escape will only be possible until Oct. 7—the date of the 40th anniversary celebrations of East Germany as a (Moscow-controlled) state. After Oct. 7, they surmised, the borders would be closed and the SED regime would crush its own opposition, possibly by the same methods used by the regime in Red China.

Then, on Aug. 13, Gorbachov, through a spokesman, dropped his liberal mask, and stated support for the SED. Speaking on the occasion of the 28th anniversary of the erection of the Berlin Wall, the deputy speaker of the Soviet foreign ministry, Vadim Perfiljev, declared full solidarity with the SED regime and the Berlin Wall. Perfiljev—who had threatened Poland only two days before—said that the "building of the wall only reaffirmed the status quo as that which existed then." He expressed "confidence that the government of the G.D.R. [East Germany] will continue its policy of creating a socialist society on German territory."

Two days later, the East German foreign ministry summoned the head of the West German mission in East Berlin, Franz Bertele, and accused his government of "severe violation of international law," by having the West German embassy in Budapest provide passports to G.D.R. citizens.

Meanwhile, the East German regime was telegraphing the coming crackdown in media commentaries, such as the one on Aug. 15 in the party-controlled ADN news agency: "Stability at this highly sensitive border between imperialism and socialism is essential also for the success of the reform process in the Soviet Union."



## U.S. maneuvers simulate invasion

*President Bush talks of "friendly invasions," but the provocations against Panama are not exactly friendly.*

The U.S. forces in Panama staged "command-wide" exercises on Aug. 17, involving the Army, Navy, and Air Force, with a massive array of military hardware. The troops secured the 10 military bases the United States maintains in Panama, and rumbled through Panama City in armored personnel carriers and tanks during the exercises, described by the Pentagon as the largest conducted by the U.S. Southern Command since the Bush administration stepped up its war of nerves last July against the Panamanian government and Gen. Manuel Noriega.

The exercises were the latest in a series of provocations by the Bush administration in the last few weeks, which have heightened concern in Ibero-America that the United States is on the brink of becoming mired in a new Vietnam-style war in Panama that could involve other nations on the continent. On Aug. 11, a shooting war almost broke out between Southcom and the Panamanian Defense Forces, after Panamanian traffic police detained several private vehicles carrying heavily armed American soldiers in civilian clothing.

Several Ibero-American sources fear the Bush administration may see the possibility of an easy military victory in Panama as a cheap way of restoring the U.S. image as a great power, after its appeasement of the hostage-takers in the Middle East. The Reagan-Bush administration's 1983 invasion of the tiny Caribbean island of Grenada, say these sources, also followed the U.S. do-nothing response to the terrorist bombing-mas-

sacre of 250 Marines in Lebanon.

The attacks against Panamanian sovereignty were carried out under the cover of administration's so-called war on drugs. At a news conference Aug. 15, President Bush maintained that he had "an obligation" to kidnap General Noriega. "We have an indictment out against General Noriega for drug trafficking," said Bush. "I am not saying what I would do or wouldn't do, but there was a case where a man named Younis was apprehended and brought to justice," he said, referring to the 1987 capture of Lebanese airliner hijacker Fawaz Younis by U.S. authorities.

Bush also announced that the U.S. military will carry out "friendly invasions" of other nations to fight drugs. This confirmed repeated warnings made by the Panamanian government that the American attacks against it were a test case to be applied to all the nations of the hemisphere.

As to how "friendly" the invasion would be, Los Angeles Police Chief Darryl Gates, who helped the Bush administration develop the plans, said that the Ibero-Americans are doing "a lousy job" fighting drugs. "They need help . . . but once again, the bottom line has to be that they do something about it, and if they don't, we will."

But few in Ibero-America were buying the administration's cynical ploy of destroying national sovereignty in the name of a war on drugs. "The Green Berets should invade Los Angeles and New York and other American cities where drugs are sold on street corners and openly consumed," said Colombian Foreign Minister Julio Londoño. "Colombia, more than

any other country, has paid and continues to pay a high cost in the war against drug trafficking." Even as he spoke, the drug traffickers assassinated yet another Colombian judge and a policeman.

In fact, the United States is the world's number-one producer of marijuana.

Panamanian sources noted that the U.S. drug indictment against Noriega was fabricated long after the U.S. government determined to get rid of him in a shameless bid to keep the Panama Canal and the American military bases in Panama past the year 2000, when they must revert to Panama according to the 1977 Carter-Torrijos Canal Treaties.

In fact, they said, the Bush administration's war against Panama has served to protect drug money-laundering, drug trafficking, and "to promote the growth of a narco-oligarchy in Latin America." The Bush administration came to the defense of the Panamanian Broadcasting Company (RPC) after the government attempted to crack down against it on Aug. 16 for failing to pay \$5 million in taxes. RPC is owned by the Eleta brothers, Carlos and Fernando, Panama's wealthiest family. In April of this year, Carlos Eleta, who at the time was working with the U.S. government to bring down Noriega, was arrested in Macon, Georgia for conspiring to bring 600 kilos a month of cocaine, valued at \$300 million, into the United States.

Panamanian President Manuel Solís Palma noted, in an article published by the Mexican daily *Unomásuno* on July 28, that while the United States has tried to shut down Panama's banking center, arguing that it launders drug money, "the more than \$20 billion that left Panama in the last two years ended up in banks in Miami, where they changed the laws to take deposits without too many questions."

## On political defeatism

*The Colombian military is warning that the country's politicians don't want to win the war against subversion.*

**T**here is a serious risk that, because of the psychological effect of the guerrillas on the clergy, politics, the unions, and other sectors of national life, the state is assuming a political defeat" by terrorism, warned the Defense Ministry in its "Memorandum to the National Congress (1988-1989)," written by former Defense Minister Gen. Manuel Jaime Guerrero Paz.

The report, published Aug. 1 by the Bogotá daily *El Siglo*, also charges that some members of the Armed Forces are abstaining from combat "out of fear of followup action by the judiciary which, at times, due to failure to understand the nature of military operations, allows itself to become entangled in subversion's snares and strategies."

Gen. Jesús Armando Arias Cabrales, the new Army commander, asserted that one cannot enter combat with a defeatist attitude, such as the government's negotiating with narco-terrorists instead of winning the war against them. "If we are filled with pessimism, if we take the path of defeat, we are not going to achieve anything. There are organizations which have declared war on the country. Not on the government. And under those conditions, our purpose, as in sports, is to win. . . . It would be foolhardy to enter a war without the intention of winning," said Arias Cabrales.

The general warned that the country is not merely facing a problem of "a group of lawless individuals, resorting to brutality, to ambush, and to criminality. Subversion has much

broader manifestations, and we can see how they are played out in the political, economic, social, and labor arenas. Therefore, the Army and police, taking unified and forthright action against these organizations, are not going to win the war. The war must be won through action, by applying the capacities of the state on all fronts."

However, President Virgilio Barco is not listening to his own military's warnings: He is listening to the siren songs of the narco-terrorist groups controlled by Moscow and Havana. On Aug. 3, in a national broadcast, Barco announced that his government is committed to holding a referendum as the guerrillas demanded, so that, *without need for congressional debate*, their reform proposals could be approved. The referendum would be whether to create a "National Electoral Jurisdiction" for amnestied guerrillas and those who are in dialogue with the government, so that these "former" terrorists can be elected to Congress, despite having few votes. In effect, the referendum would create a non-geographical election district to service Colombia's pro-terrorist "constituency."

Such a decision would not only constitute an open reward for narco-terrorism, but would thoroughly discredit the electoral institution and trample the electoral will of the citizenry, which has already been terrorized by means of death threats and executions from the narco-terrorists into allowing the candidates of the Patriotic Union—the electoral arm of the

drug-linked FARC guerrillas—to be elected to Congress.

The referendum would also seek approval for a so-called "right to peace," which would turn the Barco government's permanent "peace dialogue" with the guerrillas into a "national mandate" binding upon future governments as well.

As if this weren't sufficient cause for despair, the Council of State has just established a new interpretation of the law according to which every time the Armed Forces' use of arms results in a death, that action would be considered *a priori* an "undue use" of force. In effect, the Army is now obliged to seek the Council of State's permission to use its weapons each time it encounters terrorists in battle. The only problem is that by the time the Council of State determines that weapons may be used, Colombian soldiers will already be dead.

That the narco-terrorists' professed willingness for dialogue with the government is, as the military memorandum states, "a strategy for opening up new political space and creating the conditions for generalized armed warfare," readily evident. On July 17, government delegates and leaders of the narco-terrorist M-19 signed a document celebrating the "success" of the first stage of the M-19's alleged reintegration into civilian life. Almost immediately, M-19 leader Carlos Pizarro León Gómez sent a letter to President Barco, conditioning the just-signed agreement upon modification of Article 87 of the Constitution, to permit the national referendum so that "the people" can vote up the terrorists' proposed reforms.

Pizarro was explicit in his letter: "Until now we have taken the [peace] process to heart, *but the M-19 always reserves the right to define what it is going to do. . . .*"

## Buying a country with drug money

*The Salinas government is cordially inviting the flight capitalists, "come home, all is forgiven."*

On August 8, Assistant Attorney General Luis Octavio Porte Petit warned that Mexico would not be a "financial paradise" for laundering of drug money. He announced that any foreign capital that would be invested in Mexico must first be investigated, and if discovered to be linked to such illicit activities as the drug trade, it would be confiscated.

The official also declared that "unfortunately, the problem of drug addiction among Mexican youth has already overwhelmed us," and therefore "legislative reforms must be proposed and institutions created to prevent the problem from growing." Porte Petit acknowledged that the activities of the drug trade can infiltrate public institutions, something which has already occurred in other countries, and admitted that there have been cases of money laundering in Mexico.

Porte Petit's statements, if implemented as policy, could pose a serious threat to the next phase of the economic strategy of President Carlos Salinas de Gortari, which is premised almost entirely on promoting massive private investment, both "national" and foreign, and especially upon the return of billions in flight capital from previous years. It is no accident, therefore, that the Attorney General's office rushed to deny Porte Petit's statements in a curt official communiqué stating that no investigations of capital flows would be conducted.

What happened? Why such haste?

As part of the deal formalized Aug. 2 between the government and the chieftains of Mexico's oligarchic

forces, the official government gazette published a decree granting a pardon to all "flight capitalists"—the same ones who, headed by Manuel Espinoza Yglesias, took more than \$50 billion out of the country during the 1976-82 administration of José López Portillo; and who, during the Miguel de la Madrid regime (1982-88), again looted the country through the stock exchanges. These pin-striped plunderers have not only been pardoned, but they have also been given a reward, as the decree establishes that all capital which "crossed the border between 1985 and the present will not pay a single cent" in taxes. The capital that fled the country before the end of 1984 will pay a 5% profit tax, while capital "invested" abroad in 1985 will pay a 3.7% tax. All the flight capitalists have to do to "earn" their reward is declare to the banks or exchange houses that they took out "their wealth" as a hedge.

Although the official figure for Mexican flight capital is \$50 billion, Assistant Finance Secretary Gil Díaz revealed Aug. 3 that an investigation conducted with the aid of the Bank for International Settlements (BIS) of Basel, Switzerland has determined the existence of \$12 billion in Mexican capital banked abroad. In fact, it is public knowledge that the real figure for flight capital surpasses \$100 billion. One must therefore conclude that the intention of releasing the BIS-Mexico "findings" is to advertise the Salinas government's intention of selling off the country's assets for a mere \$12 billion—a bargain-base-

ment price.

The problem is that by granting amnesty to the flight capitalists, the government is also opening the door wide to drug money laundering. After all, what drug trafficker could resist an opportunity to bring his dirty dollars into Mexico disguised as "returning capital"?

The provisions for facilitating the laundering of drug dollars were celebrated by the infamous Manuel Espinoza Yglesias, at the conclusion of a private dinner given Aug. 9 by President Salinas for 54 businessmen, part of the famous "300 Legorreta notables" who dictated the Economic Solidarity Pact at the end of Miguel de la Madrid's term. Espinoza Yglesias told journalists there that "the capital left out of fear, but now that they are confident, they are going to return." Then he added, without even being asked, that "investigation of money laundering is difficult to achieve, for it is not an easy matter to deal with."

It is widely known that Espinoza Yglesias amassed his immense fortune through illicit activities at the service of gangster William Jenkins, and under the protection of the Avila Camacho brothers.

*El Universal* journalist Juan Bustillo wrote Aug. 13, "Today the government is smoothing the way . . . for those who helped aggravate the crisis by running in panic to place their money in foreign banks." At one time, wrote Bustillo, "they were considered traitors fleeing a sinking ship." In conclusion, Bustillo notes, "Perhaps now one can understand why Attorney General Enrique Alvarez del Castillo immediately contradicted his Assistant Attorney General Luis Octavio Porte Petit, who said that all money coming from abroad would be investigated and, if discovered to be illegal, it would be seized."

# International Intelligence

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## ***Interpol demands funds for war on drugs***

"It is the start of any strategy, of war strategy, to match resources with resources. If the other side has 'X' billions of dollars, then our side should have the same," commented Interpol Secretary General Raymond Kendall in an interview with the Aug. 12 issue of *Middle East Insider* on how to wage the war on drugs.

Kendall made his comments while reflecting on the last Vienna international conference, which reported that monies from the drug trade were at least \$500 billion.

Kendall underlined that on the issue of drug money-laundering, "There is still a long way to go. . . . The banking community still needs to be educated. . . . With the banks, there is no problem if you talk about fraud, counterfeit currencies, etc. When you start getting into the way they open accounts, it becomes a more tricky issue."

Regarding narco-terrorism, Kendall announced that Interpol is just now opening an intelligence and monitoring unit to watch the drug trafficking which is coming out of the Syrian-controlled Bekaa Valley in Lebanon, and the new drug routes which have been created, such as the direct Brazil-Syrian cocaine connection. Brazil is also an important outpost for the Spanish ETA terrorists, and he expects that the Irish Republican Army will soon establish a similar presence.

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## ***Cambodians take hard line against Khmer Rouge***

The delegation from the Cambodian capital Phnom Penh to the international conference on the Cambodian conflict in Paris has called for total eradication of the Khmer Rouge from every aspect of Cambodian life, according to Aug. 14 press accounts. The demand apparently surprised all the other participants at the conference.

The head of the delegation, Nor Nam Hong, said, "The future Constitution of

Cambodia should include a clause opposing the return of the genocidal regime and preventing its influence in the political, economic, cultural and social life of the country. Not only should the military organization of the Pol Potists be dismantled, but even the political organization of Khmer Rouge should be considered illegal and must be dissolved."

He demanded that the Khmer Rouge's arms and ammunition be confiscated, that the people responsible for the genocide be brought to trial and punished, and that an end should be put to their control of civilian refugee camps.

In response, the Khmer Rouge has attempted to enmire the conference in a war of semantics over its genocidal policies, by demanding that all references to "genocide" be struck from all conference texts, and by insisting that Vietnamese civilians in Cambodia be viewed as "colonizers." "Around these two themes, they have launched an absurd and indecent semantic battle," Sok An, Cambodian Vice Minister for Foreign Affairs, said in a telephone interview. "They are blocking the work of the commissions."

Cambodian Prime Minister Hun Sen and the resistance, headed by Prince Norodom Sihanouk, remain deadlocked on all major points. Their clash centers on whether the real enemy comes from the ranks of Sihanouk resistance—namely the Chinese-backed Khmer Rouge—or from Hun Sen's backer, the Vietnamese. Sihanouk maintains that the Khmer Rouge are less dangerous as allies than as enemies.

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## ***West Germans study 20% troop cut***

West German Defense Minister Gerhard Stoltenberg commissioned a study for a 20% cut in the troop strength of the national army, to be completed by 1995, according to Aug. 13 press accounts.

The study will be overseen by Adm. Dieter Wellershoff, the inspector-general of the armed forces. Stoltenberg recently said that in the context of East-West talks on conventional troop cuts in Europe, the Bun-

deswehr, West Germany's army, could be reduced by 10%, eventually 20%. The newly commissioned study indicates he decided for the 20% cut, which would cut Bundeswehr's troop strength from its current 495,000 level to only 400,000 men. It was furthermore decided not to increase the length of military service for draftees from the current 15 months, to 18 months by 1992 to make up for the effects of zero population growth.

The opposition Social Democrats presented their scenarios for defense cuts as part of their "Progress 90" platform for the December 1990 national elections.

In one scenario, assuming a one-third cut in troop strength over the next eight to ten years for budget austerity reasons, the new Bundeswehr of 360,000-370,000 men will no longer be equipped with heavy armor, and most of the manpower will be professionals and semi-professional cadre, the rest filled up by reservists.

Under the second scenario, in the context of East-West troop cuts in Europe, the Bundeswehr could be reduced to 50% of its current strength.

The Social Democrats' third scenario is that of Adm. Elmar Schmähling, the head of the Bundeswehr Operational Research Center, who proposed an army of largely professionals, with a total strength of only 200,000.

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## ***Ramstein mayor rejects attack on American base***

The Mayor of Ramstein, West Germany, Julius Divivier, a conservative Christian Democrat, banned a tribunal set up by leftists, Greens, and Communist groups from the municipality, on grounds that "we don't want tribunals of a fascistoid character here at which Greenies and Commies usurp the role of prosecutors against the U.S. troops."

The annual Ramstein Air Base air show, traditionally the biggest of all in West Germany, usually draws an audience of between 300,000 and 500,000 people. As the anniversary of the Aug. 28, 1988 air incident at Ramstein Air Base that killed 70

civilians and three Italian pilots nears, a heated controversy has emerged over the future of air shows, the air base, and U.S. forces.

A "pro"-rally of several thousand Germans, organized by the Young Christian Democrats together with pro-Air Base groups, was scheduled for Aug. 19.

Divivier said that although he saw a point in discussing the scope of U.S. Air Force presence, he objected to diatribes against the "American allies which have been in a close and friendly relationship with the population here for several decades."

On Aug. 18, NATO yielded to the low-level flight hysteria by pledging that in next month's seven-nation flying exercise over West Germany, it will keep low-level and night flying to a minimum. The exercise, termed "Cold Fire 89," will also be conducted in such a way as to keep noise levels at a minimum.

### ***Kremlin moves to tighten centralized control***

The Politburo of the Soviet Communist Party issued a document on "nationalities policy" on Aug. 17, which represents a tightening of Moscow's central control over most important sectors of Soviet life, even if it is portrayed, both in the U.S.S.R. and in much of the Western press, as a concession to regional "autonomy."

The document is the official platform for the long-postponed Central Committee plenum on the nationalities problem.

Even in terms of Soviet constitutional law itself, the document is a regression from formally recognized rights of the republics. Article 72 of the Soviet Constitution recognizes the right of the 15 republics to secede from the U.S.S.R. But the Politburo document never even mentions Article 72. It accuses "nationalist elements" of exploiting economic and social difficulties to heighten tensions. Republics may have the right to make autonomous laws, but these can be abolished, if found to be detrimental to the union.

The document upholds the right of the

national government to "protect minorities," and insists on "strengthening federal control over defense, foreign affairs, and internal security."

While it recognizes the right of ownership of land and resources by the republics, it insists that "the union of the U.S.S.R. must *strengthen its right to define the use of these resources*, taking into account general inter-republican interests and the interests of the defense and security of the country."

### ***Tribes are pawns in Afghan talks***

The United States and the Soviet Union are both playing to the utmost the tribal-ethnic card in Afghanistan to find a settlement of the civil war which has ravaged the country since the Soviet Union withdrew its occupation forces early this year. According to the Aug. 12 London *Independent*, it has been made known now that members of the Islamic radical leader Hekmatyar held a series of negotiations in Kabul in July with members of the hardliner Khalq faction of the government. However, as the paper points out, 80% or more of the Khalqis are from the Ghilzai Pathan tribe, to which Hekmatyar and his group belongs.

Negotiations involved talks about a potential Khalq-sponsored military coup against Afghanistan's Soviet-sponsored Prime Minister Najibullah. At the same time, Najibullah, who is of the Parsham faction of the government, held talks with the group of Gaylani, of the Hezbi Islami. Both primarily belong to the Durrani Pathan tribe. Yet, a common denominator between both is their desire to keep the Tajiks and Hazaras out of any coalition in Kabul.

The Soviets have an obvious interest in preventing any Tajiks from reaching a position of power in Kabul, as their influence could spill over into Soviet Tajikistan. The Hekmatyar-Khalq negotiations are important, because Hekmatyar has been the recipient of up to 80% of U.S. military aid to the anti-Soviet resistance Mujahideen groups, even though now it is said that Washington has become lukewarm toward him.

## *Briefly*

● **BEIJING'S** massacre was good for trade, said Jerome Cohen, a partner in the firm of Paul, Weiss, Rifkind, Wharton and Garrison, the legal firm that represents Henry A. Kissinger, in a *Journal of Commerce* interview Aug. 12.

● **AN AL FATAH** congress in Tunis endorsed PLO chairman Yasser Arafat's recent peace moves, including his statements recognizing Israel's right to exist, on Aug. 11. In response, a spokesman for Israeli Prime Minister Yitzhak Shamir said the statement was "meaningless" and mere "damage control."

● **MUJAHEDDIN** Fisabilillah, a secretive fundamentalist group, has threatened to assassinate the Pope on his October Indonesia tour, authorities reported Aug. 11. Letters sent to Indonesian and Church authorities promised a "bloodbath" if the scheduled October visit occurs.

● **NATO'S** Autumn Reforger maneuvers have been canceled this year for environmental reasons, according to NATO sources quoted by Reuter Aug. 11. The annual "Return of Forces to Germany" (ReForGer) maneuver was canceled in 1988 for the first time ever, for budgetary reasons.

● **SOVIET FOREIGN** Minister Eduard Shevardnadze and Secretary of State James Baker will meet in Wyoming Sept. 19-20. The meeting place was ostensibly chosen because it is the home state of Defense Secretary Richard Cheney.

● **HENRY KISSINGER**, Elizabeth Taylor, three Rockefellers, Donald Trump, Baron Heinrich von Thyssen-Bornemisza, Rupert Murdoch, Gianni Agnelli, leading Republican Party luminaries, Mark Thatcher, and Katharine Graham were among the 900-1,000 guests who were in Tangier, Morocco on Aug. 19, for the 70th birthday celebration of Malcolm Forbes. The event reportedly cost at least \$3 million.

## Terrorist Mordechai Levy is finally apprehended

by EIR's Counterintelligence Editors

On Aug. 10, Mordechai Levy, the leader of a small gang called the Jewish Defense Organization, was apprehended by members of the New York Police Department, after he had mounted to the roof of his 6 Bleecker Street apartment building in Greenwich Village and wounded an innocent passerby in wild sniper fire.

The arrest of the 29-year-old terrorist for attempted murder brings into the open a sordid story about the Federal Bureau of Investigation, which every American should know. For the past seven years, *operating as an approved agent of the FBI*, Mordechai Levy has been able to participate in bombing murders, intimidation threats, and incitement to murder, and has assisted the FBI in the railroading of imprisoned statesman Lyndon H. LaRouche. Levy has been acting with special impunity from justice, which was granted him by the FBI as part of a new domestic terrorism, reminiscent in every way of the Bureau's infamous Cointelpro program which resulted in the 1960s in race wars, and ultimately the assassination of civil rights leader Martin Luther King.

To expose the corruption of the Bureau's "Get LaRouche" task force, which employed Levy for his various terrorist missions, on Aug. 16 in New York City Warren J. Hamerman, chairman of the National Democratic Policy Committee, and Paul Goldstein, Counterintelligence Editor of *EIR*, held a press conference at Federal Plaza, right outside of New York FBI headquarters. Hamerman announced that the NDPC—the national political action committee of the LaRouche wing of the Democratic Party—is calling for "a full-scale investigation of the FBI role in controlling and then

covering up the illegal operations and activities of Mordechai Levy." Hamerman specifically identified FBI Deputy Director Oliver "Buck" Revell as the man at the center of FBI control over Levy, along with former Boston U.S. Attorney William Weld and FBI Special Agent Richard Egan. Hamerman said that, had the federal authorities heeded the repeated requests of Lyndon LaRouche and his associates to investigate Levy's terrorist actions then at the very least, an innocent bystander would not have been shot on Bleecker Street on Aug. 10.

Hamerman reported that associates of Lyndon LaRouche had previously approached a number of government authorities to request action on Levy as a terrorist threat, but that in every single case, they refused to act. Those authorities and agencies included: the Attorney General of the United States, the House and Senate Judiciary Committees, the FBI, the New York U.S. Attorney, the Secret Service, New York District Attorney Robert Morgenthau, and New York Police Department Detective John Finnegan. Hamerman said that one of the principal reasons why Levy has been protected, is that he has been an "FBI sting informant who was part of the stable used by the 'Get LaRouche' task force to illegally railroad LaRouche," starting with Henry Kissinger's 1982 demand to his friend, FBI Director William Webster. "Had this governmental and private federal-state-local task force acted according to normal rules of law and justice, rather than by using assassins and sting-informants like Levy," Hamerman said, "then Lyndon LaRouche would not be sitting in federal prison today," and several individuals whom the Bu-

reau apparently gave Levy immunity to participate in murdering, would be alive. Hamerman called for "rooting out the FBI corruption in the Levy case."

Over the years, *EIR*'s counterintelligence staff has gathered an exhaustive dossier on Mordechai Levy (see below). At the press conference, *EIR*'s Paul Goldstein presented parts of that dossier, focusing on his terrorist activities—from the murder of Tscherim Soobzokov and Alex Odeh, to assassination threats against Goldstein himself, LaRouche, and other LaRouche associates.

Goldstein also detailed the nature of Levy's curious relationship to an organization founded by Lyndon LaRouche. That relationship began in 1978-79, when, in response to a book by associates of LaRouche entitled *Dope, Inc.*, the Anti-Defamation League of B'nai B'rith decided to defend certain minor figures cited in that book—such as mobster Meyer Lansky, who was later kicked out of Israel as an undesirable criminal element—by charging that LaRouche and his associates were "anti-Semites." Levy, who at the time was linked to ADL left-wing Socialist International "dirty tricks" specialist Irwin Suall, began to deliver a series of threats against LaRouche and his associates, culminating in an armed attempt to break into an apartment recently vacated by LaRouche, presumably in order to assassinate him.

Following that incident, Goldstein reported, he and other members of LaRouche's security staff temporarily convinced Levy that Levy had been entirely misled by Suall's ADL-inspired "anti-Semitic" slanders; Levy relented on his attacks somewhat, and agreed to provide information to Goldstein and others about those who were promulgating this libel. But in 1983-84, Levy was threatened by his controllers in the FBI, and he again turned wildly against LaRouche. It was following these FBI threats against Levy, that he went on a domestic terrorist rampage operating with an apparent "license to kill."

Goldstein, as a former defendant in the first federal trial against LaRouche in Boston in the first half of 1988, also detailed how Levy had been prepared by FBI agent Richard Egan as a key witness in that case. In early 1989, Levy bragged that it had been his testimony that helped railroad LaRouche in the second federal trial in Alexandria, Virginia, which had been started up after the Boston case collapsed on May 4, 1988, because of government misconduct.

At the New York press conference, Goldstein called upon "honest elements in the FBI" to step forward and participate in uncovering the sordid role of the Bureau's leadership in running Levy.

He also reported that Lyndon LaRouche, speaking from federal prison in Rochester, Minnesota, had had the following to say about the affair: "The wrong Ollie was tried and convicted first. It should have been Ollie 'Buck' Revell."

Following the press conference, additional information about the circumstances of Levy's arrest was offered by Robert I. Friedman of the *Village Voice*. Writing in Aug. 22 issue

in an article entitled "Oy Vey, Make My Day," Friedman partially corroborated charges made by *EIR* sources in the Israeli peace movement, that Levy's arrest may have come as a result of an international effort to expose his terrorist networks, since it came at the same time as a crackdown in Israel against Jewish Defense League founder Rabbi Meir Kahane, who was recently arrested in Israel for creating the equivalent of a "secret government" in the occupied territories, with weapons caches and the equivalent of "death squads" to kill Israeli leaders genuinely seeking peace with their Palestinian neighbors.

Yet another international dimension to Levy's recent activities was provided by Rabbi Avraham Weiss and Glenn Richter, both of whom are friends of Mordechai Levy and have continued to praise him even after his arrest. Rabbi Weiss's Coalition of Concern—founded to protest President Ronald Reagan's May 1985 trip to the Bitburg military cemetery in West Germany—has recently been involved in the attacks on the Carmelite convent at the Auschwitz concentration camp in Poland (see article, page 48).

## The Levy dossier

On Aug. 10, following a two and a half-hour siege, New York City Police Department SWAT Squad and Hostage Negotiation Team officers arrested self-proclaimed Jewish militant Mordechai Levy, on charges of attempted murder, first degree assault, and reckless endangerment. The founder of the tiny Jewish Defense Organization and a former member of the Jewish Defense League (JDL), Levy had opened fire with a Ruger Mini-14 assault rifle from the roof of his apartment at 6 Bleecker Street in the Greenwich Village section of Manhattan, after two members of the JDL attempted to serve him with a subpoena to appear in court in Los Angeles. The subpoena concerned a libel case brought by the JDL against Levy for a June 2, 1989 appearance on Los Angeles radio station KFI, during which the JDL claimed Levy made slanderous allegations against the West Coast JDL leader Irv Rubin. When, on Aug. 10, JDL leader Irv Rubin and Steve Rombom arrived at Levy's apartment to serve him with papers, Levy ran to the roof and opened fire, hitting a bystander in the leg.

According to initial press accounts of the siege, in which police units had an armed personnel carrier on the scene, it was a "friend" of Levy's from the Federal Bureau of Investigation who finally convinced Levy to surrender to the police. Subsequent accounts denied that the FBI played any role in the resolution of the standoff, naming Det. Sgt. Wally Zeins and Lt. Hugh McGowan of the New York Police Department as the two individuals who talked Levy down. But New York FBI spokesman Joseph Valiquette, whom Levy had earlier named as a Bureau contact, has confirmed that an FBI unit was on the scene.

The issue of the FBI's purported involvement in the Aug. 10 events is significant because of Levy's longstanding status

as an informant and *agent provocateur* employed and protected by the Bureau. In a March 1986 *Executive Intelligence Review Special Report* titled "Moscow's Secret Weapon: Ariel Sharon and the Israeli Mafia," FBI Special Agents Joseph Valiquette and Paul Locke, both of the New York Field Office, are identified as two of Levy's Bureau controllers.

For the past seven years, Levy was an asset of the FBI's "Get LaRouche" task force, a special Department of Justice-led interagency strike force constituted in August 1982 following correspondence between former Secretary of State Henry A. Kissinger and FBI Director William Webster, in which Kissinger, in effect, demanded that the FBI jail LaRouche and shut down all of his political operations.

Because of the priority placed on the "Get LaRouche" operation, the FBI and Justice Department protected Levy for at least a five-year period, during which time he was implicated in a string of criminal actions, including jury tampering and a number of 1985 murders. During that same period, while operating under what has been described as an FBI "license to kill," Levy appeared before numerous state and federal grand juries constituted as part of the "Get LaRouche" effort, delivering perjured testimony. On March 4, 1984, Levy appeared on NBC-TV's "First Camera" broadcast which was devoted to slandering LaRouche, and falsely represented himself as a "former member" of an organization associated with the then-Democratic Party presidential candidate. Levy's phony remarks on that broadcast were aimed at providing a public pretext for an already ongoing escalated FBI "probe" into LaRouche and his associates.

In October 1984, when LaRouche's civil libel suit against NBC and the Anti-Defamation League of B'nai B'rith for that broadcast came to trial in U.S. District Court in Alexandria, Virginia, Levy attempted to tamper with the jury at the behest of the Anti-Defamation League of B'nai B'rith, according to affidavits submitted in the case. According to Levy's own account of the incident, officials of the Los Angeles office of the ADL provided Levy with names, addresses, and telephone numbers of jurors in the trial, and instructed him to place threatening phone calls in LaRouche's name to the jurors. FBI Special Agent Richard Wade of the Alexandria Field Office was ordered by federal Judge James Cacheris to investigate the Levy jury-tampering evidence, but the investigation was quashed.

In January 1986, a security officer for Lyndon LaRouche met with the Special Agent in Charge of the Alexandria FBI office along with Special Agent Wade. The security officer was told that the FBI's files contained no records of any LaRouche complaints against Levy. That meeting had come about as a response to a string of murders that occurred during the second half of 1985, in which members of a terrorist "Jewish underground" were implicated. In a December 1985 speech at the National Press Club in Washington, D.C., FBI Director Webster had identified the Jewish underground as

the most dangerous terrorist groups operating in the United States during the previous year. Webster concluded his remarks by warning that individuals falling within the "target zone" of the Jewish underground should expect further attacks. In virtually every instance of Jewish underground bombings, Mordechai Levy was at or near the scene of the attacks just days prior to the explosions. Let us follow the train of events:

- On Aug. 13, 1985, Mordechai Levy made a series of death threat phone calls to the New Jersey offices of Caucous Distributors, Inc.—at the time, the distributors of *Executive Intelligence Review* in the Northeast United States. As in earlier such threats by Levy, responsible law enforcement officials refused to investigate.

- On Aug. 15, 1985, Tscherrim Soobzokov, a leader of the Circassian (Russian Caucasian) Muslim community in the United States and an activist in Middle East peace efforts, was blown up by a booby trap bomb which had been placed on the front porch of his home in Paterson, New Jersey, as he rushed to respond to a neighbor's alert that his car was on fire. Soobzokov had earlier been the victim of an unsuccessful attempt by the U.S. Justice Department's Office of Special Investigations (OSI) to frame him up, while he was serving the cause of a negotiated peace in the Middle East, as a "Nazi war criminal." Soobzokov died on Sept. 7 from injuries sustained in the bombing. Just days before the explosion, Mordechai Levy had been in Soobzokov's home town, publicly attacking Soobzokov at a local synagogue with the OSI's discredited label of "Nazi war criminal." Days after the bombing, Levy held a press conference in Paterson "applauding" the attack, while denying direct responsibility for the bomb. One week prior to the Soobzokov murder, Levy had phoned a death threat to Soobzokov's attorney Michael Dennis Esq., in which Levi vowed to kill Soobzokov.

- On Aug. 16, 1985, a Boston police officer was seriously injured while attempting to defuse a pipe bomb placed at the door of the Massachusetts headquarters of the Arab American Anti-Discrimination Committee (AADC). An anonymous caller had claimed responsibility for the bomb in the name of the JDL.

- On Sept. 7, 1985, Elmars Sprogis, a Brentwood, Long Island man was awakened to shouts from a young man on his front porch that his car was on fire. When Sprogis opened his door, a powerful bomb exploded, seriously wounding the young passerby Robert Siegfild.

- On Oct. 11, 1985, Alex Odeh, the director of the California AADC offices, was killed when a bomb went off at the Santa Ana, California offices of the group. Odeh had been named in threats made by the JDL, the JDO, and Levy personally. The Odeh murder occurred in the midst of the *Achille Lauro*, hijacking in which Palestinian terrorists took over a ship and killed one of the passengers.

- On Nov. 29, 1985, the Washington, D.C. headquarters of the AADC was bombed, causing tens of thousands of



dollars in damage.

In the midst of this explosion of targeted terrorist attacks, on Nov. 14, Levy gave a press conference in Washington, D.C. where he released a hit list of "enemies of the Jews" who were to be targeted for attack. Levy told the press that "to not kill" such "enemies of the Jewish people" would be "immoral." High on the typed list distributed by Levy were Lyndon LaRouche, diplomats of Arab countries, and the AADC.

In addition to a string of petty assault and illegal weapons

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*Lyndon LaRouche had the following to say about the Federal Bureau of Investigation's sponsorship of Levy's terrorism: "The wrong Ollie was tried and convicted first. It should have been Ollie 'Buck' Revell."*

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charges that have been pressed against Levy, the JDO leader has also been suspected in a number of car bombings directed at Soviet bloc and Arab diplomatic vehicles in New York and Los Angeles. In every one of these prior instances, Levy has avoided conviction and jail time.

Levy also remains a prime suspect in a series of incidents around Yeshiva University in New York City in the mid-1980s, in which Jewish students were shot, followed by retaliatory attacks against Hispanics and alleged neo-Nazis.

### **A 'bird dog' for hit squads**

Professional security experts familiar with the Levy profile believe that his role in most of these recent instances of Jewish underground terrorism has been that of a "bird dog" who both identifies the target for hit squads and then draws the attention of law enforcement agencies elsewhere while the actual professional, often Israeli-based bombers, escape. This places Levy in the category of witting accomplice before and after the fact in some of the most dramatic acts of political terrorism carried out in the United States in the 1980s.

Despite this criminal track record—well known to the FBI and clearly reflected in Judge Webster's December 1985 National Press Club warning—Assistant U.S. Attorney John Markham, in filing a motion *in limine* in the 1988 Alexandria, Virginia federal prosecution of Lyndon LaRouche and six co-defendants, openly admitted that Levy had been used as a government informant attempting to entrap LaRouche associates into solicited obstruction of justice.

On Oct. 9, 1986, following their arrest during the 400-person paramilitary raid on the headquarters of several LaRouche-linked companies, two LaRouche associates, Michele and Jeffrey Steinberg, went before an Alexandria federal magistrate to seek bail. On the strength of perjured testimony by Boston FBI Special Agent Richard Egan, both Steinbergs were held without bail for 100 days. In that testimony, Egan cited Mordechai Levy as a "reliable informant" and one of the FBI's sources of information against LaRouche.

In late 1985, after the murder of Tscherim Soobzokov, Jeffrey Steinberg, acting in his capacity of Counterintelligence Editor of *EIR*, filed a formal request to U.S. Attorney General Edwin Meese to appoint an independent counsel to probe the murder. The reason cited in the application, filed by the Arlington, Virginia law firm of Fensterwald and Alcorn, was that a chief suspect in the bombing of Soobzokov, Mordechai Levy, was a protected intelligence asset of the FBI, and that the FBI had a conflict of interest in the case. Affidavits by Michele Steinberg had been appended to the application. Also cited was Levy's suspected authorship of the shooting of a .45 caliber bullet through the window of the home of a LaRouche associate, while his teenage son was at home. And, there was a listing of 23 other incidents of harassment and intimidation directed by Levy at LaRouche and his associates, including Levy's own admission that in 1979 he had gone to an apartment recently vacated by Lyndon LaRouche armed with the intent to kill him. The Attorney General refused to appoint the independent counsel.

In August 1986, after Levy had been used as an informant seeking to entrap and frame LaRouche and his associates, the *Jerusalem Post* reported that Levy told a press conference in Israel that "assassination may be the only answer" for "anti-Semites" like LaRouche. Levy also appeared on the Mort Downey television broadcast in 1988, when LaRouche was a guest, to issue new threats against LaRouche. During that show, over Downey's degenerate ravings, LaRouche pointed out the seriousness of such threats, given Levy's ties to Soobzokov's murder.

To this day, the Soobzokov case remains unsolved. Repeated warnings by *EIR* investigators to the FBI and his links to Jewish underground terrorism were ignored—right up to Aug. 10 when Levy mounted the roof of his Bleeker Street apartment building. The FBI and Department of Justice's harboring of a known terrorist only appears to have come to an end as the result of Levy's own "flight forward." According to eyewitness accounts of the Bleeker Street siege, Levy was in an agitated, paranoid state, convinced that his rivals in the Jewish underground, Irv Rubin and Steven Rombom, were out to kill him. Rombom had been convicted in the early 1980s of transporting explosives interstate. Perhaps Levy assumed that Rubin and Rombom now had been issued the "license to kill" that he himself had enjoyed for a decade while he served on Oliver Revell and Henry Kissinger's "Get LaRouche" strike force.

# Ritual abuse case shakes Nebraska

by Patricia Salisbury

The President of the Nebraska Committee for the Prevention of Child Abuse has sent a letter to the entire Nebraska U.S. congressional delegation, asking that the reporting procedures for monitoring children in foster homes in the state be investigated.

This formal request comes after months of investigation of charges of child abuse, possible ritual murder, and Satanic activity involving at least one high-level figure in the Nebraska and national Republican Party, the flamboyant fundraiser Larry King. The charges have been the subject of investigation by a special committee of the state legislature, which has also heard testimony indicating that various police and social service agencies, including the Federal Bureau of Investigation, the Omaha Police Department, the state Attorney General's office, are involved in a coverup.

Indeed, the scandal erupting in Nebraska is apparently considered so potentially explosive, that none other than former CIA director William Colby was proposed as special counsel to a state legislative investigation. But Colby was rejected for the post, when members of the legislative committee learned that he could hardly be an impartial investigator, since he is connected through CIA networks to Max Hugel, an associate of Larry King in Washington, D.C. This was one of the first hints that the case would reach far beyond Nebraska. There were to be many others.

## Child sex abuse and murder

The issue is such a hot potato, because its central figure Larry King is known to be very well connected in both Nebraska and national power structures. King promotes his image as a poor black who has made good as a member of the Republican jet set. The scandal erupted when King was indicted for having allegedly embezzled \$38 million from a small credit union set up to serve Omaha's black community.

State legislators investigating the affair were approached by members of the state's Foster Care Review Board who told them that a dossier linking King to child abuse had been ignored by state and federal law enforcement officials. The dossier contained charges by minors in foster homes that they had been forced to go to parties sponsored by King and to perform sexual acts. Most damning was the statement of one 15-year-old girl that she had been sexually abused by

King and had witnessed the Satanic ritual murder of a boy who was planning to complain of abuse. Astonished legislators had to consider the possibility that tens of millions of dollars deposited in good faith by religious orders, among others, to help the minority community, had actually been used to fund orgies and Satanic rituals involving minors and high public officials.

King, who was vice president for finance of the National Black Republican Council, was known to play host to the cream of the Republican Party both in Nebraska and in Washington, D.C. He maintained a \$5,000 a month residence in Washington, and had hosted a \$100,000 gala at the Republican National Convention attended by 1,000 top Republican Party members. Locally, a number of prominent figures, including Harold Andersen of the *Omaha World Herald*, sat on the advisory board of Franklin Credit, the plundered institution. Andersen, who chaired a fundraising drive for a building expansion of Franklin, stated that he was not aware that the additions to the building included a bedroom in the basement.

While King was indicted on embezzlement charges, none of the law enforcement agencies involved in the matter saw fit to conduct a thorough investigation of the allegations of child abuse and Satanism. Both the FBI and the Nebraska state Attorney General indicated that they did not find the child witnesses credible. However, the police officer who did the initial investigation into the murder charges disagreed, and informed the state legislature that he had found the girl a credible witness, but that the investigation was stymied because of what he perceived to be an association between King and Omaha Police Chief Wadman. The state legislature investigation halted when the *Omaha World Herald* leaked confidential information in an editorial and undermined the credibility of State Rep. Ernie Chambers, a Democrat, who had initiated the child abuse investigation.

No one can predict where or whom the investigation will touch if it resumes at the behest of the U.S. Congress. Rumors have circulated in Omaha that King was part of the apparatus running money to the Contras. King had family ties and made frequent trips to Jamaica, which is believed to be the location of bank accounts which have been a major source of illicit Contra funding. Sources indicate that King carried briefcases full of money on these and other trips.

## Is Henry Kissinger involved?

Strangely, as ferment around the King case reached a peak in late July, former Secretary of State Henry Kissinger made a trip to Nebraska whose ostensible purpose was to attend a July 27 meeting of the board of directors of Union Pacific Railroad. During his trip Kissinger had lunch with the above-mentioned Harold Andersen. Does Kissinger have something at stake in this matter? The answer may only be known if the Congress finds the will to renew the investigation.

# Congress moves to withdraw from Asia

by Leo F. Scanlon

Congressional budget moves to kill funding for construction at key Asian air bases, are confirming the worst fears of analysts who are predicting a ratchet reduction of American military presence in the Pacific. Both houses of Congress have killed a \$13 million request for construction at Clark Air Force Base in the Philippines, and a site, rumored to be Kunsan AFB, in South Korea—thereby ending Air Force plans to station F-15 E strike aircraft at both bases.

The strategy behind the budget decision did not originate with Congress alone. Although Sen. Sam Nunn (D-Ga.) and Rep. Patricia Schroeder (D-Colo.) remain firm advocates of a collapse of U.S. military presence in those areas where Kissinger-type “regional agreements” are being reached with the Communist powers, the major patron of the policy is National Security Adviser Gen. Brent Scowcroft—the man from Kissinger Associates.

The present cuts are outlined in a report prepared by Scowcroft and former top Navy official (now a Kissinger Associate) R. James Woolsey, containing recommendations to implement the administration’s plans for 0% growth in defense spending. The so-called “American Agenda” report proposes to reduce the Navy to a continental defense force with minimal expeditionary capabilities. Long-range, flexible aircraft carrier battle groups would be replaced by smaller ships, and remaining carrier groups would operate closer to base at significant “savings,” but at the cost of being unable to respond rapidly in a crisis region. “The increasing difficulty of maintaining bases overseas for land-based tactical aircraft suggests the importance of keeping naval tactical air in the force structure, even if it is not deployed forward,” is the language the report uses to describe these cuts.

## Strategic umbrella being folded in Korea

The F-15 E wing which will be removed from Korea is particularly significant, as it is a nuclear-capable wing, charged with crucial strike missions against the Asian mainland. The loss of this deterrent in the face of the unrest in China and the abiding insanity of the North Korean regime is only one of several follies being planned in the Pentagon. According to *Defense Daily*, the Joint Chiefs of Staff has prepared a memo

outlining three scenarios for the complete withdrawal of U.S. combat forces from Korea by 1995. Option One would bring back all military units headquarters staff, command, control, and communications capabilities, and intelligence units. Option Two would keep all American air assets intact, but remove the 2nd Infantry Division from the Demilitarized Zone, rebasing them in central Korea. Option Three would keep the air bases intact, but remove all American ground units to other areas in the Pacific.

Gen. Louis C. Menetery, commander of U.S. forces in South Korea, told the Aug. 13 *New York Times* that he sees an end to the need for U.S. troops in Korea in the mid-1990s. Menetery cited “trends” in Korea which would make this possible, including completion of Korean modernization plans, continued economic growth in the Republic of Korea, and restraint of North Korea by the Soviets and China. Menetery told the *Times*, “If those trends continue, there should be stability on the peninsula without the United States being part of the equation in the mid-1990s.”

## Philippines on the block also

The decision to cut the F-15 E wing from Clark AFB will send a signal which will be read loud and clear by the anti-American activists which dominate the Aquino government. The decision to withdraw naval forces from Subic Bay, which has been masquerading as a budget matter for several years, has fueled the hopes among pro-Soviet networks for a complete retreat by the U.S. fleet. The reorganization of the Air Force tactical deployment, coupled with an impending shortage of naval tactical fighters, will likely lead to a situation where U.S. tactical fighter forces are de facto out of the Eastern Pacific basin.

The fighter wing which is scheduled to be removed from the two bases was originally based in Europe. Congressional cuts in the U.S. contribution to the restationing costs for an F-15 E wing, forced to move from Spain to Italy, have threatened to bring that unit stateside, further reducing the nuclear umbrella in Europe. From the standpoint of normal strategic considerations, the Navy would be expected to replace the tactical strike wing with an aircraft carrier stationed in the area. The Bush budget has cut the Navy to 14 carrier groups, putting an enormous strain on any plans to operate at high tempo in the Pacific. The current budget will produce a “tremendous shortfall” in all-weather attack aircraft by the mid-1990s, say Navy officials, and the advanced replacements for the current generation strike fighters are likely to be delayed until early in the next century.

A senior naval source told *EIR* that the situation is reflected in the bizarre logic of U.S. naval arms control and regional matters agreements being reached with the Soviets—“we’re only offering proposals we intend to impose on ourselves.” The strategist warned that the real effect will be to secure a major goal of Soviet postwar strategists—the end of U.S. naval presence in the Indian Ocean area.

# How Henry Clay's patriotic nationalists dumped the appeasers

by Anton Chaitkin

Lyndon LaRouche has announced an extraordinary campaign for the U.S. Congress from Virginia's 10th District, to be carried out if necessary from the federal detention center where he is being held a political prisoner.

The political precedent LaRouche has identified for his effort, is the 1811 debut of Kentuckian Henry Clay in the House of Representatives. Clay, aged 34, led a political revolution that ended the appeasement of the nation's aggressive enemy, and began the industrialization to turn America from backwardness to world power status.

Unrelieved national humiliation had lit a fire of rage in the population. The government offered no defense against the hijacking of U.S. ships; against the kidnaping of thousands of sailors and their forced induction into the enemy navy; against the murder of men, women, and children by Indian terrorists, who were armed and instigated by British garrisons across the Canadian border.

Patriots today can clearly read, the parallels between that crisis of national existence and the developing crisis of 1989.

A weak President, James Madison, was convinced that a tight budget, and an anti-defense Congress, dictated inaction in the face of grave danger. The constricting budget was the brainchild of Treasury Secretary Albert Gallatin, a Swiss banker. And the Congress was dominated by an alliance of radical, anti-American aristocrats from Boston and Virginia. Henry Clay and his patriotic allies knew that by overturning the treasonous faction—which was in fact a tiny, unpopular minority—they could force a change in national policy.

## Prelude to the revolt

Henry Clay had perhaps been primed, since his early childhood, for the responsibility of moving the nation to save itself. At age four, in his native Virginia during the Revolution, he and his mother watched invading British soldiers thrust swords through his father's fresh grave, seeking hidden family treasures. In his young manhood he worked

for five years as personal secretary to judge George Wythe, the Greek, Latin, and Hebrew scholar who wrote the rules for the U.S. Constitutional Convention. Clay emigrated to Kentucky, Virginia's frontier land, as a practicing lawyer. He maintained the contacts he had made with George Wythe's students and friends—who now were the leadership of the republican movement in Kentucky, Virginia, and Pennsylvania. Young Clay was personal attorney in Kentucky for the Virginia statesman and former Revolutionary colonel, James Monroe.

Kentucky's legislature appointed Clay to the U.S. Senate in December 1806, to serve out the last fraction of an unexpired term. (Until the 20th century, the Senate was appointed by the state legislatures, while the House has always been popularly elected.) Senator Clay moved and passed a resolution in February 1807, directing the Treasury Secretary to prepare a construction plan for a national network of canals and highways, a backbone for industrial and military strength. Though Gallatin did nothing with the report he was forced to publish, the question had been ably put before the public; its implementation was left for Clay and his allies, when the power would be in their hands.

Clay was again appointed to the Senate in 1809, to serve the last two years of a term. As the outrageous British attacks increased, Clay rebuked and picked fights with the British agents in U.S. politics. Massachusetts Senator James Lloyd tried to block a proposed preference for American manufactures in the procurement of naval supplies—little America should simply leave the dirty business of manufacturing to mighty Britain. This argument for weakness has a melancholy resonance in the present, Harvard-prescribed "post-industrial era." A paraphrase of Henry Clay's rejoinder has been recorded:

"The fallacious course of reasoning urged by many against domestic manufactures, namely, the distress and servitude produced by those of England," he said "would

equally indicate the propriety of abandoning agriculture itself. Were we to cast our eyes upon the miserable peasantry of Poland, and revert to the days of feudal vassalage, we might thus draw numerous arguments against the pursuits of the husbandman. In short, take the black side of the picture, and every human occupation will be found pregnant with fatal objections."

American troop movements, in southern territory whose possession was disputed with Spain, brought the warning that Britain would be displeased. Clay answered, "Sir, is the time never to arrive, when we may manage our own affairs, without the fear of insulting his Britannic majesty? Is the rod of British power to be for ever suspended over our heads? . . . We are . . . warned of the indignation of England. . . . The whole navy of the haughty mistress of the seas is made to thunder in our ears. . . . We are . . . menaced with the chastisement which English pride will not fail to inflict. Whether we assert our rights by sea, or attempt their maintenance by land, this phantom incessantly pursues us. Already has it had too much influence on the councils of the nation."

### **Clay and the 'candidates movement'**

Clay decided early in 1810, after strategy consultations with "friends to the East," to declare his candidacy for the U.S. House of Representatives for the 12th Congress, which would convene in 1811. He continued to focus on the need for U.S. industrial development, as the essential program of a popular movement that could both elect him, and accomplish his nationalist aims. A "Memorial of the Mechanics and Manufacturers of Lexington, Kentucky, to Congress," published on Christmas day, 1810 in the *Kentucky Gazette*, was almost certainly written for the petitioning workers and businessmen by their newly elected congressman. They ask the Congress, which had already done a great deal to promote the business of merchants and importers, to now support new industrial construction with tariffs and other legislation. Their plea could be that of a Third World country today, or of the U.S.A., whose industry is collapsing:

"The manufacturer works up our raw materials, and consumes our provisions. What he earns, is kept at home, and is almost immediately circulated again by various channels through society. The merchant is by no means so useful a character—part of his gains are sent abroad, and paid away to foreigners. The mechanic and manufacturer, likewise contribute to make the country really independent by furnishing those supplies, which we should otherwise be dependent for, on foreign nations. . . .

"The nation which produces but a small part of what she can consume, or grows but few articles, we have already seen, must always be a dependent one. . . . Let her pursuit be exclusively agriculture; and the depression of markets (which has been the case with respect to our provisions, tobacco and cotton) will penalize the industry and enterprise of the nation. Whereas the multiplication and diversity of

pursuits would give a country resources which others could not deprive her of. . . . [The] increase of manufactures would tend to keep at home the precious metals . . . the most useful representative of wealth and labor.

" . . . [S]hould our disputes with foreign nations end in war . . . when old states are daily overturned, and new kingdoms are as often erected; we cannot calculate upon preserving peace for a moment—would not a congressional act for the permanent support of the mechanics and manufacturers of the country much encourage those citizens who are disposed to devote their capital to those pursuits, and as much assist our government in the vigorous prosecution of war?"

The first session of the 12th Congress was delayed from March until November of 1811, a full year after the congressional elections had taken place in the various states. While negotiations with the British dragged on interminably, the nationalists' political machine was being assembled for decisive action. Clay's friend and client, James Monroe, was appointed Secretary of State in April 1811.

Just as the 12th Congress convened in November, British-supplied Indians launched a major attack on U.S. troops under Gen. William Henry Harrison in the Indiana Territory. This particular Congress, however, was not one to be intimidated.

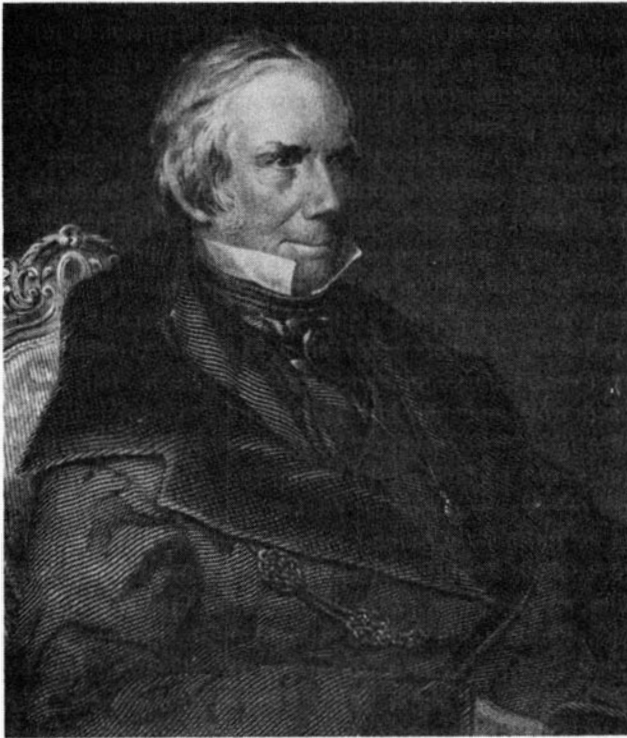
Fifty-nine newly elected members took their seats on Nov. 4; only 82 had been reelected from the 11th Congress.

In previous sessions, the House had knuckled under to the assumed authority of the pro-appeasement leaders, Federalist Bostonian Josiah Quincy and Republican Virginian John Randolph. But the 12th Congress, largely "amateurs" in national politics, had not come to Washington to take orders from bluebloods. A sample of the new membership will demonstrate the character of the candidates movement which was to crack the old order of things.

The Massachusetts House delegation included three new members known as War Democrats: Leonard White, a town clerk, who served only one term—in the 12th Congress; William Widgery, a shipbuilder who had been a lieutenant on a privateer in the Revolution—one term only; Peleg Tallman, a Maine merchant who had lost an arm in a naval engagement and had been imprisoned in Britain until the end of the Revolution—one term only.

The New Hampshire delegation from the 11th Congress was entirely replaced by five new members, four of them War Democrats, all for one term only: Obed Hall, innkeeper; Samuel Dinsmoor, attorney; Josiah Bartlett, Jr., country physician, son of a doctor, revolutionary leader and Signer of the Declaration of Independence; John A. Harper, postmaster, local politician, militiaman.

The New York delegation included ten new members and only seven holdovers. Among the new members were Pierre Van Cortlandt, Jr., who had studied law under Alexander Hamilton—War Democrat, one term; Samuel L. Mitchell, professor of chemistry and agriculture, who would supervise



*Statesman Henry Clay. Guests at his home in Lexington, Kentucky included the Marquis de Lafayette, Virginians James Monroe and William Henry Harrison, Abraham Lincoln, and Lincoln's wife Mary Todd, a close family friend of the Clays.*

construction of a steam warship in 1812—he had moved with Clay and the nationalists from the Senate to the House; William Paulding, Jr., lawyer, War Democrat, served as brigadier general of militia during his one term; Thomas B. Cooke, Catskill town banker and justice of the peace, War Democrat, one term.

Pennsylvania had seven new members: Roger Davis, small town physician, War Democrat, elected to the 12th and 13th Congresses; John M. Hyneman, court clerk, two terms, during which he served as a general of militia; Abner Lacock, local Beaver County politician, War Democrat, later supervised construction of the canal system in western Pennsylvania; Joseph Lefever, 51-year-old farmer from Paradise, Pa., War Democrat, one term; William Piper, War Democrat, commanded a regiment during the 12th Congress; Jonathan Roberts, Norristown politician, a leader of Clay's movement from 1811 until the 1840s; William Rodman, Revolutionary War veteran, local politician, War Democrat, one term.

South Carolina was Clay's secret weapon, the Southern flank that he turned against the British party in Virginia. John C. Calhoun was a new member in the 12th Congress, who worked loyally with the patriots for a decade thereafter, until Tory secessionism took over the Palmetto State in the 1820s; Elias Earle and David R. Williams, War Democrats, both returned to Congress after earlier terms—Earle was one of the first ironmasters in the South, Williams was a hat and shoe

manufacturer and progressive agriculturalist who served as a general on the Northern frontier during the 12th Congress; William Lowndes, a real spark of Clay's "War Hawks," considered one of the most brilliant young political leaders of his era, a pro-technology nationalist.

Two of Tennessee's delegation of three were new in the 12th Congress: Felix Grundy, a populist transplanted Kentucky lawyer and War Hawk; and John Sevier, 66-year-old former Revolutionary commander, Indian fighter, governor of the shortlived state of Franklin, first governor of Tennessee, War Hawk, 12th and 13th Congresses.

Kentucky's six-man House delegation was solidly behind Clay, including three who were to be army officers during the term.

### **How appeasement was canceled**

The 12th Congress convened Nov. 4, 1811. Henry Clay, who had never been in the House of Representatives, was immediately elected Speaker of the House, by a vote of 75-44. He proceeded to appoint his War Hawk allies as members and chairmen of the various committees. On Nov. 29, 1811, the new chairman of the Committee on Foreign Relations, Peter B. Porter (War Dem.—N.Y.), recommended "that the United States be immediately put into an armor and attitude demanded by the crisis, and corresponding with the national spirit and expectations." Porter's resolutions to increase U.S. military forces, to repair and refit navy vessels, and to allow merchant vessels to arm themselves, were adopted Dec. 19.

In debates on this and related bills, the opposition was led by John Randolph of Roanoke, the former terror of the House. Randolph, the sadistic, opium-eating owner of a mass of slaves, was accustomed to swagger into the Capitol in his long boots, brandishing a whip. He met his match in Henry Clay, who reined him in. Later when they fought a duel, Clay put a bullet through Randolph's coat and quieted him down considerably.

A new day had dawned in Washington. Congressman Josiah Quincy, part of the Massachusetts Essex Junto that schemed for New England to leave the American Union, called Clay's patriots "toad eaters"—commoners who had usurped the places of their betters in the government. Henry Clay, moving ruthlessly to political victory, said he was not disturbed "by the howlings of the whole British pack let loose from the Essex kennel."

On Dec. 31, 1811, Speaker Clay left the chair to speak on a bill to increase the U.S. army by 25,000 troops. Clay warned against the balance of power strategy, the playing of a "British card" against the French, while the two rival European powers were fighting a protracted war:

"But England, it seems, is fighting the battles of mankind, and we are asked, shall we weaken her magnanimous efforts? . . . [Say that] the French Emperor is aiming at universal empire; can Great Britain challenge our sympathies, when, instead of putting forth her arms to protect the world, she has converted the war into a means of self-aggran-

dizement; when, under the pretense of defending them, she has destroyed the commerce and trampled on the rights of every nation. . . . Are we called upon to bow to the mandates of royal insolence, as a preparation to contend against Gallic usurpation? Who ever learned in the school of base submission, the lessons of noble freedom, and courage, and independence?

" . . . [Great Britain] sees in our numberless ships . . . she perceives in our 120,000 gallant tars, the seeds of a naval force, which in 30 years, will rival hers on her own element. . . .

"Unless the object [of the bill] is obtained by peaceful means, I hope that war will be waged before the close of the session."

At length a delegation headed by Speaker Clay went to meet with President James Madison. They told Madison that further negotiations with Britain were futile, that Congress was insistent upon action. The President responded that an important segment of the population, particularly in Massachusetts, felt strongly that war must be avoided. Clay told the President, that if he did not proceed to war with Britain, that they would nominate and elect a different President in the 1812 elections. This was very convincing logic.

President Madison began issuing pro-war messages; the Democratic caucus renominated Madison. For insurance, the War Hawks in New York brought about the nomination of pro-war nationalist DeWitt Clinton for U.S. President, on the Federalist ticket!

On March 9, 1812, Madison sent to Congress the letters of British spy John Henry, whom Canadian Governor General James Craig had sent into Boston to foment secession. Three years before, the spy had written to his employer "that a declaration of war is not to be expected; but, *contrary to all reasonable calculation, should the Congress possess the spirit and independence enough to place their popularity in jeopardy by so strong a measure*, the Legislature of Massachusetts will declare itself permanent."

But this extraordinary Congress had defied "reasonable calculation." The issue was indeed decided—all except the question of the budget. Clay asked the administration for a tax package to support a rapid arming of the country. Treasury Secretary Gallatin used his only remaining means of sabotage—he reported back a system of taxes, all of which had been previously imposed and were known to be the most offensive and unpopular taxes available. Clay determined to go ahead with Gallatin's ploy whatever the political result, so as to avoid national bankruptcy. South Carolina Representative Langdon Cheves, Clay's chairman of the Ways and Means Committee, prepared bills for the new taxes.

Now Gallatin, through his personal lieutenant, Pennsylvania Congressman John Smilie, took back his bluff, and opposed the taxes: "In the same session as we vote for war, people won't support both war and taxes."

Without administration backing, no financing could realistically be obtained. Though Clay knew the national econo-

my would suffer vicious distortions without simultaneous mobilization of credit and production, he determined to go ahead, nevertheless.

Madison submitted the question of war to the Congress in a secret memorandum on June 1. John C. Calhoun presented a resolution supporting war. On June 12, by a 19-13 vote in the Senate, 79-49 in the House, Congress declared America's Second War of Independence—the "War of 1812."

It was entirely a defensive war, wherein the lightly armed and ill-prepared republic held its own against the greatest power in the world. We defeated their navy on the Great Lakes, cut off their Canadian-route terrorism, stopped an invasion of New York, and smashed them utterly in New Orleans.

When it was over, the old political parties were finished. The new nationalist movement supervised an astonishing technology development program, which gave America muscle enough to survive a Civil War.

From his prison cell, Lyndon LaRouche now calls for an end to the appeasement of the Communist and terrorist enemies of our republic. He asks for a crash program of space and military science, and an agro-industrial mobilization of production.

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# National News

## Appeal to Pope to attack euthanasia

Some 100 leading pro-life Catholics called on Pope John Paul II and Cardinal Joseph Ratzinger to come out with a major statement condemning euthanasia practices in the hospitals. The appeal was published in a full-page advertisement in the Catholic periodical the *Wanderer* early in August.

The signers of the ad are asking for a papal statement publicly condemning "the starvation and dehydration of the gravely ill and disabled," a policy in many U.S. hospitals, and which is especially widespread at Catholic hospitals in the United States. "Regrettably, even some Catholics have argued that the teachings of the Popes and the Catholic Church allow the starvation and dehydration of persons who cannot feed themselves. Such arguments must be refuted by the Papacy and the Catholic Church. The true teaching of the Popes and the Church, that all persons must be provided with basic care—food, water, proper room temperature, and bed rest—must be restated publicly and dramatically. We respectfully urge that you state the true position of the Church in this matter."

## Hotline announced for environmental terrorism

A telephone hotline for reporting acts of environmental terrorism has been established by the Mountain States Legal Foundation in Denver, Colorado. The opening of the hotline, which may be reached by dialing 1-303-TESTIFY, follows the foundation's establishment on July 1 of a national clearinghouse for information regarding the activities of environmental terrorists.

Speaking before a gathering of public land users in Safford, Arizona, William Perry Pendley, president and chief legal officer of the foundation, stated, "Men and women who work on and enjoy the public lands of

the West are increasingly at risk from the activities of a small band of radical environmental terrorists. From the 'spiking' of trees, to the cutting of ski lift cables, to the issuing of death threats, these environmental racketeers are placing fellow Americans in grave physical danger."

"We are studying these episodes with an eye to bringing a lawsuit against this band of environmental zealots," Pendley said. "But, we need more facts to establish participants, patterns, and to determine the existence of a conspiracy on the part of those who would kill fathers in the name of Mother Earth. We ask those who have such information to call us.

"The people of the West cannot and will not be held hostage to environmental terrorists . . . while our Constitution guarantees that there is room in America for expression of every view, there is no room in America for those who . . . seek to deprive their fellow Americans of their property, their liberty, and even their lives."

## Los Angeles Times: Rescind RICO statute!

In an editorial on Aug. 16, the *Los Angeles Times* called for the Congress to repeal the notorious Racketeer Influenced and Corrupt Organizations Act (RICO), which is one of the principal means by which police-state rule is being instituted in the United States.

Entitled "It's Time to Rescind RICO," the editorial states: "From the moment of its passage, civil libertarians and legal scholars have warned that the . . . so-called RICO statute is an open invitation to prosecutorial abuse." The widening application of RICO "makes it imperative that Congress erase this law from the books."

The editors state that RICO has failed to meet the goals for which it was created, and instead is being used as a "convenience of the state."

"Any law whose language can be construed, as RICO's has, to cover the conduct of Mafia loan sharks, Wall Street financiers, Chicago commodity traders, and Los Angeles slumlords is vague and overly broad.

Equally important, its harsh forfeiture penalties and lengthy prison sentences are, in most cases, disproportionately severe and cruelly coercive. . . . The law is so loosely worded that any two instances of illegal conduct within a 10-year period—even if relatively trivial—can, if they involve use of the mail or telephone, be prosecuted as a 'pattern of racketeering activity.' "

The *Times* also attacks RICO's provision which allows the government to freeze the assets of the accused *before* trial. It concludes, "The way to deal with stock manipulators is to prosecute them for violating the securities regulations; the way to deal with hoodlums is prosecute them for committing crimes, not talking about them."

## Kissinger under fire for China policy

The Aug. 14 issue of the *Los Angeles Times* published several angry letters to the editor responding to a syndicated column by Henry Kissinger, published July 29, in which he praised Red Chinese leader Deng Xiaoping. The letters included:

● Zhenguyan Fu, of the University of California at Irvine, wrote, "It is perhaps not surprising that a few voices calling for sympathy for the perpetrators of the human carnage would appear in the American media. What is surprising, however, is that such attempts at whitewash should come from people who consider themselves experts on Chinese affairs."

● Martin Colman, of the Washington, D.C.-based American Foundation for Resistance International, wrote, "Perhaps Kissinger has been in the company of totalitarian dictators so long that he has forgotten the basic principles of democratic society."

● Eugene J. Carroll, Jr., of the Center for Defense Information, wrote, "Kissinger's spirited defense of Deng Xiaoping and condemnation of Congress for enacting sanctions against China raises serious questions concerning his motives and priorities. . . . It is not known whether he represents clients with a financial interest in U.S. policy toward China."



## Briefly

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### Rhode Island gives tax break to witches

The Rhode Island State Division of Taxation has ruled that witchcraft is a legitimate religion, and its covens are entitled to the same tax breaks as those of established religions, the U.S. Army newspaper *Stars and Stripes* reported Aug. 10.

Under the title, "Witches Resting Easy For a Spell," the paper quotes Joyce Siegrist, "high priestess" of the Rosegate Coven, "With this ruling, we witches will definitely be able to come out of the closet and take our place in society."

Under the ruling made by tax administrator R. Gary Clark, the coven, known as Our Lady of the Roses Wiccan Church, will no longer have to pay state sales tax for supplies.

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### LaRouche honors Congressman Leland

Lyndon LaRouche, candidate for Congress in the 10th District of Virginia, released a statement Aug. 14 calling for a memorial for the late Rep. Mickey Leland (D-Tex.). Leland, chairman of the House Select Committee on Hunger, had been missing during a relief mission to Ethiopia. His plane was discovered on the morning of Aug. 13 to have crashed; Leland and 15 others were on their way to a refugee camp.

"I knew Mickey, briefly. I'd met with him for about an hour in his office in Washington, D.C. in 1981," LaRouche said. "In a quite relevant meeting, we discussed precisely this matter of famine and related conditions in Black Africa, and, despite our disagreements on many other questions, this seemed to be a consistent theme of agreement over the years.

"I think that we should say that Mickey, while serving as a congressman, died in the line of duty, in the interests of the United States, and in the interests of the honor of the United States, on his way to further a

humanitarian policy, with which we should all be in sympathy.

"I would hope that someone comes up with an appropriate memorial to Mickey, something which is dedicated to the purpose for which he gave his life and which is a memorial to the fact that he did sacrifice his life, as a servant of morality in the pursuit of that cause."

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### Soviets hold political prisoners, Rep. says

Congressman Chris Smith (R-N.J.) reported back Aug. 15 from his trip to Perm 35, a Soviet camp for political prisoners in the Ural mountains, which he took in his capacity as a member of the Helsinki Commission, together with Rep. Frank Wolf (R-Va.). The visit was arranged through the office of the Soviet Procurator General.

Smith confirmed that in spite of Gorbachov's claims, the Soviets do have political prisoners, Perm 35 being one of a reported 200 such camps in the U.S.S.R. Most of the prisoners at this camp were charged with violations of Article 64 ("Treason Against the Motherland") or Article 70 ("Anti-Soviet Agitation and Propaganda") of the Soviet legal code. Many of them had in fact simply tried to escape from the Soviet Union.

Smith visited the isolation cells used as punishment for infraction of rules or for harassment, where prisoners are subject to the extremely cold conditions of the Siberian climate. Prisoners had told him that many had fallen ill and died while in the isolation cell.

Smith believes that increased pressure on the Soviets by the Helsinki Commission will convince the Soviets to shut down their political concentration camps. The Perm 35 camp had 200 prisoners previously, but now there were only 35 people there.

When asked by *EIR* if he didn't think the Soviets had many more such camps, possibly with worse conditions, and that the Perm 35 visit was window-dressing for the benefit of the Western observers, Smith commented, "They might very well have. I have no way of determining that."

● **GEORGE BUSH** signed a pardon Aug. 14 for Soviet agent Armand Hammer, who had pleaded guilty to making illegal contributions totaling \$45,000 to Richard Nixon's 1972 presidential campaign. He had been sentenced to a year probation and a \$3,000 fine.

● **A SOVIET MISSILE** flew over Hawaiian air space Aug. 11, the State Department acknowledged. The Soviets ignored U.S. statements of concern and requests that Soviet test plans be modified.

● **THE ABDUCTION** of two young children from a Harlem playground is part of a conspiracy to sell children, New York Police believe. The police made the announcement after 19-month-old Shane Walder disappeared on Aug. 10.

● **RICHARD THORNBURGH**, U.S. Attorney General, appointed William Lucas to be his "personal representative" to law enforcement and civil rights groups on Aug. 12, following the Senate Judiciary Committee's rejection of Lucas's nomination to be the head of the department's civil rights division.

● **NELLIE HESTER**, wife of slain New York City tenant activist Bruce Bailey, accused the press of a smear campaign depicting her husband as a sinister, corrupt individual, and an informant for Lyndon LaRouche, as a means of covering up for his murder. "There has been zero coverage on the connection of the real estate industry as possible suspects in his brutal death," she said.

● **THE VOYAGER 2** spacecraft will encounter the planet Neptune on Aug. 24, when it will pass within 3,000 miles of Neptune's north pole. Launched 12 years ago, it will return what are expected to be spectacular pictures of a planet never before seen close up. Voyager has already discovered four unknown moons of Neptune.

# *Assad, no different than Hitler*

Fascist and Communist regimes are best characterized by their brutal disregard for human life. How different is Syria's aggression toward Lebanon from Hitler's treatment of Czechoslovakia? Hitler's policy was to exterminate the Jews; Hafez Assad has targeted Lebanese Christians. In both cases these are pretexts for a foreign policy of brute aggression—in the words of the Pope, of genocide.

Indeed, thirty percent of the troops in Lebanese Prime Minister Michel Aoun's ostensibly Christian army are actually Muslims, who are willing to die to resist the Syrian aggressor.

Besides the Pope, more and more people are raising their voices to protest this outrage. Yet governments, and the United Nations, remain strangely silent. The eminent French jurist Jean Marc Varaut has supported the Pope, and he is appealing for international support for his call for a new Nuremberg Tribunal which will bring Syrian dictator Hafez Assad before the same bar of justice which tried Nazi criminals in the past.

In a similar attack on the failure of any government to *act* in defense of the sovereign people of Lebanon, Lothar Ruehl, a former deputy defense minister of Germany, and a leading member of the Christian Democratic Union, has said that until the United States, France, and Great Britain name Syria as responsible for genocide in Lebanon, any call for a cease-fire there is no better than empty rhetoric.

While President Bush has given support to the United Nations call for a cease-fire, so far this appears to be mere lip-service, or worse, a negotiating posture. It is rumored that the United States might be willing to trade Lebanon for the release of one or more American hostages. Such cynicism, if true, is little better than the aggression which it claims to oppose.

One reason for the continued paralysis of American foreign policy before repeated insult to international law, is the evil influence of Henry Kissinger, who aspires to again assume his former position as foreign policy Tsar. By not stopping Syria, the United States is

following Kissinger's policy toward Lebanon which has allowed the Syrians a free hand in this once flourishing nation, which has been devastated since 1974-75. Of the 1.6 million people who formerly lived in Beirut, now only several hundred thousand still do.

Kissinger is wedded to Syria as an American ally, despite the fact that every intelligence source—as this magazine has documented—knows full well that Assad is a Soviet puppet. Nonetheless, Washington is now putting maximum pressure on Lebanon's duly elected prime minister, Michel Aoun, to resign—thereby implicitly justifying Syria's plans to assimilate the Lebanon into a "Greater Syria."

While international attention has been focused upon Iran in the case of the hostages, or on the demented character of its fundamentalist government, in fact it is Hafez Assad who has been the coordinator of international narco-terrorism out of the Middle East for the Soviet KGB. The KGB footprints are clear in Bulgaria's documented involvement in the dope trade of the Middle East, as well as terrorism in general.

It is the case that the Iranians are partly responsible for the hostages, but the controller in the situation, the man who is calling the tune is Hafez Assad, and he is working according to Henry Kissinger's game plan for how to exert maximum control in the area by creating maximum chaos. Many people believe that Henry Kissinger is also a Soviet agent of influence—but whether we label him and his policies as Communist-oriented or fascist, it is all the same: genocide.

While in the Middle East, U.S. policy is one of appeasement toward sworn enemies, in Central America just the reverse is the case. Here the United States is threatening to use armed force against the nation of Panama. The administration believes that it can act with impunity to bully the nations of Latin America.

Unless Kissinger is rapidly removed from any policy influence, what is now a present tendency of the United States in the direction of becoming a fascist police state will become dismal reality.

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—Friedrich Schiller,  
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