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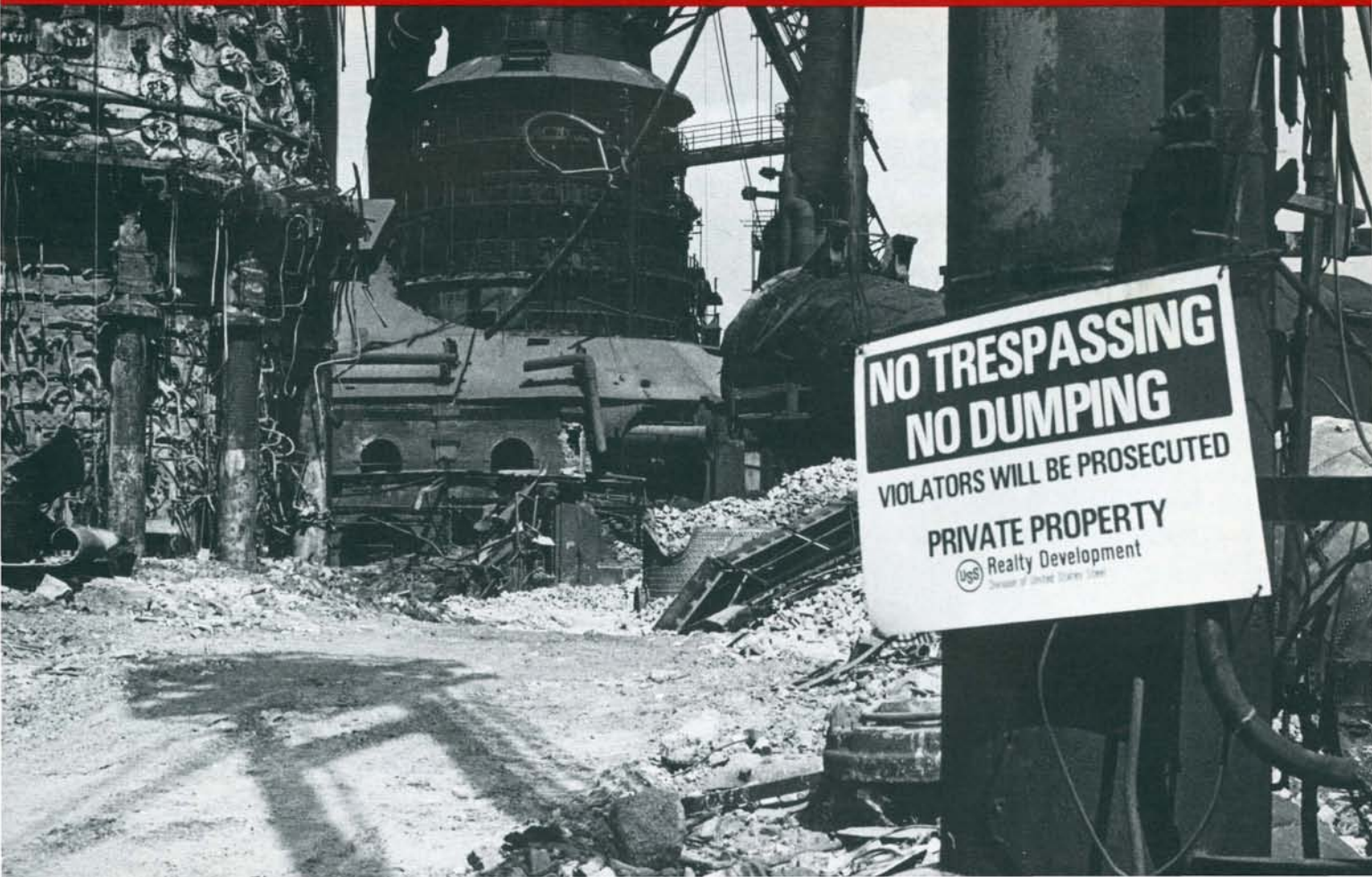
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KGB and the Palme murder: truth at last?  
Helga Zepp-LaRouche addresses Brazil lawmakers  
Energy Dept. caught sabotaging fusion power

**\$20 trillion debt fuels  
October crash potentials**





# **A TOTAL WAR STRATEGY AGAINST PEKING**

**by Gen. Teng Chieh**

**"All we need do is to understand how to make the most of our strengths to attack the enemy's weaknesses. Then we can snatch victory out of the jaws of defeat. The Chinese Communist Party is extremely weak, just like a paper tiger—one poke and you could pierce it through. All the masses on the mainland are opposed to communism."**

*—Gen. Teng Chieh*

This amazing little book by one of the top leaders of Taiwan's Kuomintang party, published by Chinese Flag Monthly in December 1988, charted the course for the Chinese students' revolution that erupted just a few months later. Preface by Lyndon H. LaRouche, Jr.

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## From the Editor

**M**ark Fairchild, who together with Janice Hart set off shock waves on March 18, 1986 by winning nomination to statewide office in the Democratic primary in Illinois, held a press conference on Aug. 29 in Springfield, Illinois. The young LaRouche associate, now running for governor (he was the Democratic Party nominee for lieutenant governor in 1986) described how Moscow's soldiers and sympathizers had reacted to the Illinois victory in 1986 by spreading the outrageous lie that the assassination of Swedish leader Olof Palme, was connected to LaRouche's political movement. Fairchild pointed out that *EIR*, already in 1986, had thoroughly documented the hypothesis that the Soviets themselves were involved in that political crime—and he challenged the press to “set the record straight.”

Our *International* lead article reports on Swedish revelations that the Soviets *at least* knew in advance of the plot to murder Palme—the crime for which, after three years of police and prosecutorial fumbling, the usual “lone assassin” was recently convicted.

Helga Zepp-LaRouche as of this writing is in Brazil, discussing the case of Lyndon LaRouche's frameup with Brazilian parliamentarians, who are also most interested in how the Soviets spread disinformation worldwide on the Palme murder, to discredit LaRouche (see p. 39).

These singularities should be seen within the following overview:

In the economic domain, the *Feature* is an exclusive study of the real state of the U.S. debt, by Chris White, Richard Freeman, John Hoefle, and Steve Parsons, which dispels prevailing illusions that the markets are headed upward forever without any “corrections” in sight.

The strategic picture is summarized in the map in the centerfold, provided to remind people, as Mr. LaRouche has recently stressed, that under current circumstances, it would be a mistake to fixate on any particular crisis area. We must recognize that we “are not in a period of peace with Moscow. We're in a period of crisis in which it's going to be extremely difficult to do what we must do to rebuild the shattered economies of the world, or at least to undertake that process, and in the meantime to try to avoid the war which tends to be imposed upon us by this insanity of Mr. Gorbachov's Central Committee friends in Moscow,” LaRouche said on Aug. 31.

*Nora Hamerman*

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### 24 \$20 trillion debt fuels October crash potentials

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## Time is short for West to help Poland's economy

by Susan Welsh

As Poland's first non-Communist government in 45 years struggles to steer its way to survival between the twin threats of economic catastrophe and Soviet invasion, Western countries have been strangely reluctant to provide any significant assistance. Instead, they have deployed "experts" in free-market economics to Poland, to offer "advice" on how Poland should be placed under the control of multinational corporations.

Polish leaders, underlining the urgent need for economic investment, point out that the new government, headed by Prime Minister Tadeusz Mazowiecki of the Solidarnosc movement, has six months to a year to reach a solution. Some experts are less optimistic.

Prime Minister Mazowiecki, upon accepting his new post on Aug. 24, warned that "Poland's friends should not stand by while Poland is sinking. Assistance to Poland will serve all of Europe. Europe is one, from east to west." Speaking of Poland's debt—which has reached nearly \$40 billion—he said, "Debts have to be paid back, but debts contain an element of injustice in international affairs. . . . Efforts should be made in international relations, so that debts do not become something strangling the economic development of debtor countries." He said he would seek a postponement of Poland's debt repayments.

Mazowiecki's views are undoubtedly shaped in part by those of Pope John Paul II. The new prime minister is a Catholic, and the Pope is well known for his outspoken attacks on the usury which is choking the international financial system, condemning nations to backwardness.

Solidarnosc leader Lech Walesa, in an interview with the West German daily *Süddeutsche Zeitung* published on Aug. 31, took the Western countries to task for dragging their feet in providing help, and warned them of the consequences if the new government fails. Walesa is scheduled to visit West Germany during the first week of September.

Poland "cannot overcome the crisis without foreign support," he said. "If Poland fails now, then that means that not only has Poland failed, but you too have failed. . . . If you don't help Poland and do business with it, then not only are we the losers, but you too will be the losers." Walesa appealed for a \$10 billion aid package, stressing that Poland neither wants nor needs cash handouts, but rather for Western firms to invest in industrial and infrastructure projects.

He attacked Western arguments against investing in Poland on the basis of Poland not having enough infrastructure, saying: "Precisely because we don't have this, is why you should invest." The goal of the investment-based aid program, of mutual benefit to the Polish economy and the Western firms participating, would be for "Poland to join Europe," he said.

Walesa emphasized that Poland must tread a very careful path in its relations with the Soviet Union. "Today Poland cannot simply leave the Warsaw Pact. We can't even entertain the thought. . . . Let us develop step by step. We really have other gigantic problems. Leave the Pact? Nice words! What would happen if Mazowiecki declared that, that we leave the Pact! What would that bring? Nothing!"

### LaRouche's recommendations

Lyndon LaRouche, the economist, political prisoner, and current congressional candidate, issued a statement on Aug. 31 which scored the do-nothing attitude of Western governments, pointing to the superpower deals which appear to be sacrificing Poland to the wolves.

"The West has so far shown no sign of sanity on the subject of Poland," he charged. "We have a new government in Poland which is the greatest opportunity which we've had in a long time to do something positive in the East bloc. But it's an opportunity which will run out fast, in two weeks to a month, unless we stop doing what we seem to be doing—or

not doing—during the present period. . . .

“We must take seriously the warnings of Lech Walesa and others, that unless the West acts immediately to get some lines of credit into Poland, under which infrastructural, manufacturing, and agricultural development programs combined go to work to increase the physical output of Poles per acre and per capita, Poland hasn’t got much of a chance. Nor, in the long run, have we.

“Last October, speaking in West Berlin at the Bristol Hotel, I proposed that the United States and West Germany, among others, take an initiative which is aimed in the long run at the reunification of Germany, under which the United States, with leading on-the-ground help from West Germany, would undertake the economic reconstruction of Poland. This would not be, as Walesa emphasized, a handout for Poland, but would simply provide Poland with the material which it needs in the form of infrastructural, agricultural, and manufacturing work, to get the Polish economy on an even keel. That would be a real step toward peace and long-term stability.

“But what seems to be the case is, the United States is sacrificing Poland in order to give subsidies to the Soviet Union under this understanding which is supposed to be reached between Secretary of State Baker and the Soviet Foreign Minister Shevardnadze in an upcoming Wyoming meeting.” (See article, page 60.)

### Third World economic conditions

The fall of Poland’s Communist government was precipitated by the disastrous economic situation, and the government’s utter inability to provide even the most basic consumer goods to an increasingly enraged population. On Aug. 1, in a desperate bid to carry out the austerity demands of the International Monetary Fund (IMF), the government ended meat rationing after seven years, and raised food prices by as much as 500%. Bread prices doubled, and milk prices increased fourfold. Boneless beef, which cost the equivalent of \$.33 a pound the day before, was raised to \$1.68 a pound—and the average monthly wage for a Polish worker is \$128. But at these or any prices, the food was generally not available.

Official figures for inflation reached a 236% annual rate, and were expected to hit 315% by year’s end.

Predictably, the result was a new wave of strikes and political unrest, threatening coal exports—the country’s main source of foreign exchange to pay the debt.

On Aug. 16, the Solidarnosc-dominated Polish parliament voted down the government’s proposed budget, triggering the crisis that led to Mazowiecki’s election on Aug. 24, by an overwhelming vote of parliament.

The following figures will give an idea of the situation the new government has inherited:

- Radio Warsaw reported on Aug. 14 that in the industrial city of Lodz, with a population of 850,000, meat had

long since disappeared, and there is now no rice available, no kasha—the main cereal staple for the population—no sugar, and no flour.

- The London *Financial Times* on Aug. 17 reported that the mood among Polish consumers was “approaching panic” because of the food shortages. A directive went out from the Communist authorities for citizens to supply themselves by driving into the countryside for produce.

- The *Financial Times* further reported rumors circulating in Warsaw that elderly food shoppers have died on food queues, and that others have stepped over their dead bodies, because they are fearful of otherwise losing their places on line. In Katowice, one small grocery was serving 120,000 people.

### West offers ‘free market’ advice

Instead of the kind of assistance Mazowiecki and Walesa are requesting, the West is offering the typical IMF “solutions” that have ruined countless other economies worldwide. Since Poland joined the IMF in 1985, its situation has grown steadily worse, as it faithfully sought to follow the IMF’s recipe: raising export levels (without increasing production) and cutting living standards. (The Soviets, naturally, continued to demand their own tribute, forcing a five-year trade agreement down Poland’s throat in 1985 which mandated a 50% increase in trade—but with Soviet exports rising only 3%.)

Now, the house organ of the City of London, the *Economist* magazine, has issued an editorial call in its Aug. 26 issue for Poland to agree to a “debt-for-equity” plan: “Some of the Western holders of this debt could sell it, cheap, to Western companies. These companies could then offer to swap their chunk of the debt for the share in the equity of a Polish state firm. At the right price, this could start a revitalizing privatization of Poland’s rusting state industries.” This type of scheme, propagandized by Henry Kissinger, is intended to strip developing countries of their national sovereignty, putting them under the thumb of the multinational corporations.

Also full of “helpful solutions” for Poland is Jeffrey Sachs, the Harvard-trained economist whose radical shock therapy threw two-thirds of the Bolivian industrial workforce out of work. Sachs is currently on his fourth visit to Poland since May. The *Financial Times* reports that “he is now treated as Solidarity’s main economic guide,” and has submitted proposals to the government which include: “the sweeping away of all barriers to free trade, the creation of a capital market . . . elimination of exchange controls, and unification of the exchange rate.” “The new government should take the shock now: it can deal with the political realities later,” he says. “It must show it has the will to act.” Sachs is telling Solidarnosc that in return for implementing his savage austerity program, the IMF will cough up \$100 million for Poland over the next three years.

# How Ibero-America should respond to the coming financial crash

by Lyndon H. LaRouche, Jr.

*The following commentary was edited from oral remarks made by Mr. LaRouche on Aug. 21, 1989.*

Under the present trends, all the nations of Ibero-America will go into, at an accelerating rate, a worse catastrophe than that which Mexico has suffered since 1982, when Mexico capitulated to Henry Kissinger's conditionalities, the International Monetary Fund conditionalities, which have brought Mexico to the point of dissolution and the virtual beginning of genocide in that nation, genocide caused principally by economic breakdown. In the case of those nations which have not yet undergone this, it would not take that long. It would be a very rapid collapse.

The thing to remember in this case, is that the world monetary system is collapsing. We can expect somewhere between October and sometime into 1990, depending on how programs are adjusted, the greatest worldwide financial collapse in history. It's on the way. So any nation which is clinging to trying to work within the terms of the existing monetary and financial system is actually committing an act of suicide. That system is going to collapse.

The question is, how do we or any part of the world economy, under those conditions of financial collapse. We're talking about \$17-\$20 trillion in nominal values worth of paper instruments exposed in international markets, dropping to a few trillion dollars of nominal value—that sort of collapse is what we're expecting.

Under those conditions, and under conditions of galloping inflation and galloping deflation, what do we expect we could do with the monetary system? Precisely nothing. We have to build a new monetary system.

## **New national currencies**

The new monetary system will have to be based upon principles which were understood by Gottfried Leibniz, the founder of the science of economy, and such spokesmen in the late 18th and early 19th centuries as U.S. Treasury Sec-

retary Alexander Hamilton, the two Careys—Mathew Carey, and his son Henry C. Carey, the economic educator of President Abraham Lincoln—and of course, the great German-American, Friedrich List. These principles would be the standpoint from which we can understand historically how to rebuild a monetary system out of the shambles which we must expect to hit during 1989-90.

This means the emphasis must be laid on two things.

*First*, physical economy. Forget everything which is associated with Adam Smith, forget everything which is taught by these idiots and babblers in economics departments in universities, and by the idiots and babblers of the economic profession generally. Forget this fascist John Maynard Keynes and similar kinds of people. Get back to basic principles, as understood by people like Hamilton, List, and the Careys.

*Secondly*, an emphasis upon the unique power of sovereign governments, of sovereign nation-states, to create currency, to enjoy a monopoly over the creation and issuance of a national currency. In short, we are going to have to scrap, call in, discontinue virtually all of those currencies which are part of today's international monetary system. We are going to have to issue, in place of present currencies, new currencies. These currencies will be issued on the authority of those governments of sovereign nation-states which have the sanity to do this. Those currencies will be issued through national banking methods akin to those proposed by Secretary Hamilton, in the establishment of the First National Bank of the United States, and used again in the case of the Second National Bank of the United States during the period of Presidents James Monroe and John Quincy Adams.

What we shall have to do is lay the emphasis on physical economy in the following terms. The kinds of actions I am now describing should be taken within, hypothetically, the initial 72 hours of crisis-response by a leading government.

The task is to get existing resources—this means agriculture, manufacturing, and basic economic infrastructure—into motion at all costs. Every viable section of physical



production and development, and maintenance of economic infrastructure, must be put back into motion as rapidly as possible. What must be done is that the new issue of national currency must be loaned through national banking at a modest discount for medium-term and long-term loans to agriculture, manufacturing, to investments in maintenance and improvement of basic economic infrastructure, and to some degree, for financing of foreign trade, in order to get the economy moving again.

No significant loans, except for special governmental uses, such as national defense, should be made directly to any other sector of the economy, such as the finance sector. But rather, the other sectors of the economy, apart from agriculture, manufacturing, and infrastructure, should rely on secondary credit generated through banks on the basis of deposits by agriculture, manufacturing, and infrastructural activities.

That's the basic recovery program: physical economy.

The government must operate on the basis of strict protectionist measures, both domestically and foreign. It must prevent, under these conditions, money issued for agriculture, manufacturing, and infrastructure, from falling wildly into other sectors. It must ensure stable prices domestically. It must ensure stable prices, at a level above the cost of production, of exports. It must protect domestic production against dumping by foreigners.

These protectionist measures, as emphasized particularly by traditionalists in the system of national economy, must be employed. Otherwise, a potentially successful program could be sabotaged by failure to do that.

It must be understood that the political authority for going for this form of protectionism—not the Adam Smith form of protectionism, not the free enterprise form of protectionism—the authority for this, the moral authority, is twofold. First, this is scientifically sound, whereas the anti-protectionist philosophy of today is unscientific and anti-scientific. Secondly, the greatest financial collapse in history, now in progress, at least the greatest financial collapse since Europe in the 14th century, will have demonstrated to people that the policies of the United States and other nations under the International Monetary Fund during the preceding 40 years or so have been clinically insane.

The fact that these policies, which are now still somewhat popular among governments, will become recognized generally as having been insane, will provide a moral and political authority for ignoring the anti-protectionist and related, pro-Adam Smith nonsense, which rules the international system today.

What must be done at the same time—as I have laid this out, or my friends have laid it out, in various publications such as the *Operation Juárez* book and the book on integration of Ibero-America, the book on the question of the industrialization of Argentina—we must have at the same time cooperation among nations which are engaging in these pro-

grams, to promote trade. For example, in South and Central America, we have a region which has in large degree a common language, the various Iberian dialects, predominantly. These nations are well situated to trade with one another, and to strengthen their own internal economies respectively through that trade. That is, a division of physical labor among these economies is to the advantage of all. Since the economies are more or less proximate, in the same region, the greatest benefit and the lowest relative physical cost is ensured. This ensures the relatively highest rate of growth in each of the participating nations.

In summation, emphasis must be on physical economy: agriculture, manufacturing, and basic economic infrastructure. Number one, credit must flow at low rates of interest to get this moving, to match labor, land, and other physical capacity in such a way as to get production, development, and full employment in these areas at the most rapid rate. This is done by the issuance of a new national currency replacing the old national currency. The issuance of this new national currency through national banking methods must be at modest discount rates in the form of medium- to long-term loans for agriculture, industry, infrastructure investment, maintenance and operations. As well, financing is necessary in medium- to long-term rollover credit for exports, and to some degree covering the domestic side of imports of physical capital for improvement of these sectors.

Those are the essential measures which must be taken.

## **Water, energy, transportation**

Now, what must be emphasized, contrary to the idiocy of the psychotic World Bank and IMF today, is infrastructure. That means water management; in many parts of the world that is crucial, and in many regions it is crucial. Secondly, the generation and distribution of sources of power. This means in some degree hydroelectric power, though hydroelectric should be used mainly for water management, rather than power. Power generation must be subordinated to water management requirements. Therefore, hydroelectric is not necessarily a good source of power, because you cannot always use that potential power at the time you need the power and also fulfill water management requirements.

The alternative to hydroelectric power is nuclear power at present, and in the future, fusion power. But this means nuclear power development at a rapid rate. You have two economies in South America which are crucial for the development of nuclear power; one is Argentina, the other is Brazil. Cooperation between Argentina and Brazil as the vehicle for nuclear power in the region is crucial. But other power sources, of course, must be developed, while the emphasis is on nuclear power, at least for the present time.

This means the development of general transportation, especially rail. We have at present methods of magnetic levitation, which are being developed into a finished form by MBB in West Germany. This technology should be gener-

alized. South America is a vast region, we need transportation over a vast region. This is one of the greatest opportunities for the development of high-speed rail systems, including passenger rail systems with potential speeds of 400-500 km per hour. This is a real solution to some of our problems.

We require an improved communications grid, though that is less of a priority than transportation, power, and water management systems.

The point to be emphasized is that the degree to which clean water is available per square kilometer, the degree to which power is available for consumption per capita and per square kilometer, the degree to which efficient general transportation, especially of goods, is available per square kilometer and per capita—is the degree to which the preconditions for successful economic development, the preconditions for the development of productivity, are met. Therefore, long-term investment in the maintenance and improvement of basic economic infrastructure, these categories, plus education and medical facilities, these are the preconditions for successful agricultural and manufacturing development. We have to have a balanced program of this type.

The point is also that the state is the agency which is responsible for basic economic development. That is the principle upon which the federal Constitution of the United States was premised. One of the key weaknesses of the American Confederation prior to 1787 and 1789, was that as long as you had privatization and only local and state development of basic economic infrastructure, you had chaos in those United States, to the point that the nation as a whole was about to disintegrate. Washington and others recognized that national public works under the direction of the federal government, were necessary to the security as well as the economic development of the nation. This meant, as I've indicated, the development of water management systems, the generation and distribution of power, the development of general transportation, then roads and canals, later railroads, and of course, communications, as was understood by Alexander Spotswood, Benjamin Franklin, and others in developing the postal service. These are the essentials of commerce.

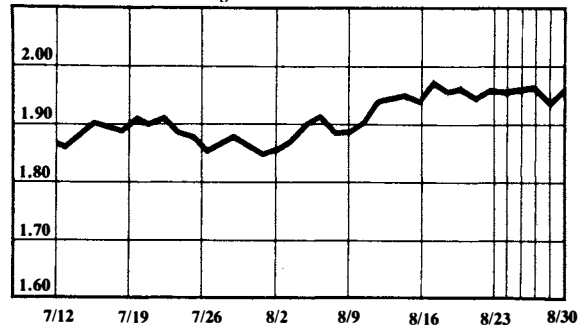
The national government, together with state and local governments, is responsible for economic infrastructure either as government public works or as government-regulated private utilities.

Those kinds of measures, and steps to implement them, taken within the first 72 hours of an emergency, by a national government, would mean a successful process of transition was under way, out of the cannibalistic chaos into which the crumbling IMF system is pushing the world, and into a sane world of economic recovery, based on sound principles of physical economy. It would mean a junking, once and forever, of the so-called dogmas of socialism and free enterprise, and a return to the American System of political-economy.

## Currency Rates

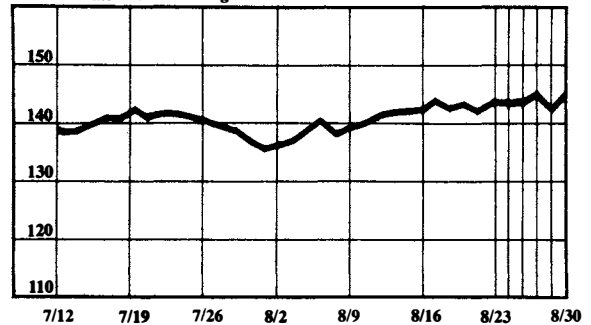
### The dollar in deutschemarks

New York late afternoon fixing



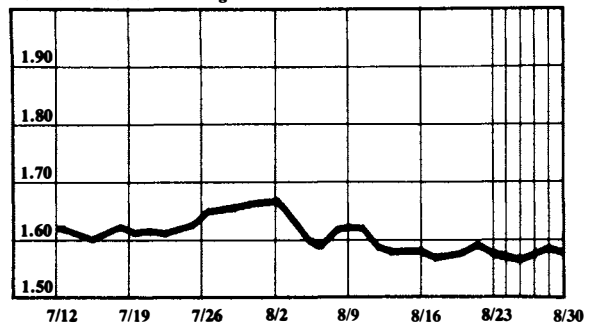
### The dollar in yen

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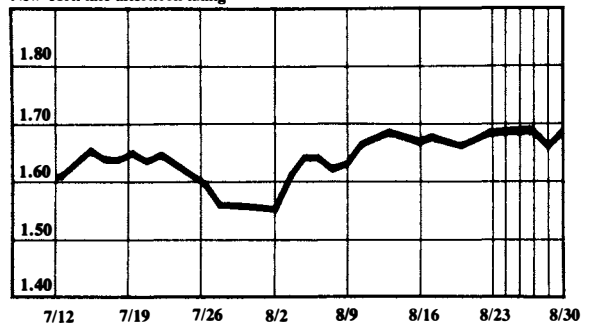
### The British pound in dollars

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### The dollar in Swiss francs

New York late afternoon fixing



## The 'ozone depletion' hoax

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*Rogelio Maduro investigates the windfall profits Edgar Bronfman will reap because Du Pont controls the patented substitutes for chlorofluorocarbons.*

One of the biggest financial swindles in history is now being perpetrated right before the eyes of millions of unsuspecting victims. The swindle is named "ozone depletion," and its immediate mechanism is the banning of chlorofluorocarbons (CFCs), one of the most versatile and useful chemicals known to man, and their replacement with much more expensive (and patented) chemicals. The swindle will make tens of billions of dollars in profits for the major participants involved in it.

As readers of this magazine know, the danger of "ozone depletion" is a hoax. There is no solid evidence that the ozone layer above the Earth which filters out harmful ultraviolet radiation, has been depleted; and the famous "ozone hole" in Antarctica, actually a "thinning" of the ozone layer, was discovered by ozone research pioneer Gordon Dobson in 1956, years before CFCs were in wide use.

Alex Cristoforo,

Agency's office of Atmospheric and Economic Analysis, estimates that under the present guidelines of the 1987 Montreal Protocol for reducing CFC use, chemical corporations holding stocks of CFCs are going to make \$6 billion extra in profits, just as a result of the increase in prices. Under the protocol, U.S. production of CFCs is capped at 1986 levels, while the demand for CFCs, in refrigeration and other uses, has already increased 20%, creating shortages and a concomitant price increase. This \$6 billion in clear profits, however, is just the tip of the iceberg. There are hundreds of billions of dollars to be made over the next decade.

Sources have pointed *EIR* to one specific individual as being the most responsible for the signing of the Montreal Protocol and the present drive to phase out and ban CFCs: Edgar Bronfman. Although Bronfman started out most closely associated with the Seagram's whiskey interests, he now has a far-reaching financial empire, and during the 1980-85 period, Bronfman conducted a systematic raid on E. I. du Pont de Nemours & Co., effectively taking over control of the

corporation by 1985 from the du Pont family.

Family members say Bronfman's takeover was an "inside job" carried out with the help of Irving Shapiro, former chairman and still member of the board of Du Pont. Shapiro's meteoric rise in the Du Pont corporation remains one of the enigmas of modern corporate history. The family members, most of whom have chosen to remain anonymous, told *EIR* that Bronfman's family company, Seagram's Whiskey Distillers, now controls approximately 35% of the stock of Du Pont and that the du Pont family is kept out of any management decisions, which are now carried out by Bronfman's henchmen.

The two token du Ponts left on the board of directors of Du Pont, Irene du Pont, Jr., and Edward B. du Pont, are "Bronfman's towel boys," according to Lewis du Pont Smith, one of the heirs of the du Pont family fortune. According to Smith, "Bronfman's influence over management decisions of the Du Pont corporation is enormous. He is the chairman of the finance committee of the board of directors, which wields the most power inside the company. Bronfman has imposed the Seagram's management advertising and other corporate management strategies on the Du Pont corporation."

Irving Shapiro now refers to the Bronfmans as the new du Ponts of Delaware, according to the *Wall Street Journal*.

Lewis du Pont Smith has been the target for the last four years of a vicious legal vendetta by his family, in which Bronfman is said to have played a certain influential role behind the scenes. Smith's control over his own du Pont stocks has been legally removed, effectively silencing his opposition to Bronfman's policies inside the corporation. Other du Pont family members opposed to Bronfman's takeover have remained publicly silent, but many have privately supported Lewis du Pont Smith's fight.

One authoritative source who has been following the issue carefully, told *EIR* that he estimates that Edgar Bronf-

## CFCs are not depleting the Earth's ozone layer

*EIR* has thoroughly documented the scientific evidence that CFCs are not depleting the ozone layer. Here are some of the facts.

Environmentalists allege that it is the chlorine in CFCs that destroys the ozone layer when it reaches the stratosphere. However:

- The Antarctic scientific station at McMurdo Sound, where all the "alarming" and "catastrophic" high levels of chlorine are being recorded, is barely 10 km downwind from Mt. Erebus, an active volcano. In 1983, measurements at Erebus showed that more than 1,000 tons of chlorine were being spewed out by the volcano every day, an amount nearly equivalent to the production of chlorine in CFCs worldwide;

- About 36 million tons of chlorine per year are released by passively degassing volcanoes, when there are no great volcanic eruptions, compared to a mere 750,000 tons of chlorine in CFCs;

- The "ozone hole" in Antarctica (the supposed proof of the negative consequences of CFCs) was first discovered by Gordon Dobson in 1956—years before man-made CFCs were in widespread use;

- Soils capture and break up as much as 50% of some CFCs present in the atmosphere, while ocean water can break up another 5-10%, which means that very few CFC molecules ever reach the stratosphere;

- Ultraviolet radiation reaching the United States decreased 0.7% between 1978 and 1985, exactly the opposite of what the "ozone depletion" liars predicted.

man personally stands to make over \$10 billion over the next several years through the "ozone depletion" swindle.

### The Bronfman protocol

The role of Edgar Bronfman in the Du Pont corporation is critical in understanding the mechanics of the "ozone depletion" swindle. Up until 1986, Du Pont chemicals was the most ardent defender of CFCs in the world; then suddenly it did a "bootlegger's turn," coming down on the side of the environmentalists and calling for a phaseout and banning of CFCs.

Du Pont's betrayal took U.S. industry by surprise, and led to the negotiations which resulted in the signing of the Montreal Protocol under the auspices of the United Nations Environment Program in 1987. The Montreal Protocol mandates a 50% reduction in the use of CFCs by the year 2000. The critical element in the success of the conference, despite the lack of any scientific evidence, was the support that Du Pont corporation gave to the phaseout and eventual ban of CFCs. Shortly after the harsh terms of the Montreal Protocol were revealed, Du Pont announced that it had already patented chemicals that would replace the CFCs that were being banned.

In discussing the events leading to the company's sudden reversal, du Pont family members and former Du Pont employees singled out the role of Edgar Bronfman. They told *EIR* that in 1980, when his takeover of the Du Pont corporation began, Bronfman started to force radical changes inside the company. Was one of these changes a conspiracy to force the replacement of tried and true CFCs by a new technology that would allow Bronfman's Du Pont to acquire monstrous super-profits? The subsequent turn of events certainly lends credibility to this scenario.

### The 'corporate environmentalists'

Some of the charges made by former Du Pont employees were corroborated by the new chairman of the corporation, E.S. Woolard, on May 4, 1989. Woolard, who is said to have been Bronfman's hand-picked choice as the chairman, told the members of the U.S. Chamber of Commerce in London: "We in industry have to develop a stronger awareness of ourselves as environmentalists. I am personally aware that as Du Pont's chief executive, I'm also Du Pont's chief environmentalist. . . . We should seek out those opportunities to align ourselves with the environmental community and demonstrate where environmental and industrial goals are compatible. In other words, I am calling for corporate environmentalism. . . . Environmentalism is the mainstream."

Citing Du Pont's record on the environment, Woolard emphasized, "In 1986 we led industry support of international negotiations that resulted in the Montreal Protocol."

Du Pont's chairman stated later on: "The third obstacle that can get in the way of our becoming corporate environmentalists, is the technocracy of modern industrial corporations. . . . We sometimes position ourselves on an environmental issue on the basis of available technical or scientific data alone. We have been too inclined to act as though public wishes and concerns matter less than the technical opinions of scientists and engineers. *But in fact, public opinion must be dealt with regardless of the technical facts*" (emphasis added). In other words, scientific truth is irrelevant, and only public opinion, as shaped by the environmentalists, matters.

Woolard ended his speech: "Industry has a checkered past of successes and failures in environmental matters, and as a

result, manufacturers have been painted many colors in recent years. That will have to change. In the future we will have to be seen as all one color. And that color had better be green."

As we shall soon see, environmentalism, especially when it drives the competition out of business, can be very profitable for corporations. "Green" may be the color of trees, but it is also the color of the dollar bill.

### **Who finances the environmentalists?**

The critical element in the whole swindle, is to convince the consumer, who will ultimately pay the enormous costs of a CFC ban, that there is a danger to the ozone layer from the use of these chemicals. This is the role of the news media and the environmentalists, who are carrying out a well-financed and orchestrated campaign to brainwash the public into believing that Doomsday is near, without the slightest shred of scientific evidence. Leading scientists around the world have thoroughly refuted the "ozone depletion" hoax (see *EIR*, April 28, 1989 and June 9, 1989).

What is the total financial "take" of these environmental groups, and who finances them? The sources of a large portion of the contributions such groups receive are not revealed to the public; however, at the Foundation Library, one can find records of each grant given to environmental groups by a network of tax-exempt foundations controlled by America's blueblood families.

A review of 1988 contributions reveals that environmentalist groups received over \$400 million in grants last year, to carry out the "ozone depletion" and other assorted environmental hoaxes. The Ford Foundation is the biggest funder of the environmentalist movements worldwide, giving several hundred million dollars in just the past few years.

One of the trustees of the Rockefeller Brothers Fund, another major funder of the environmentalists, is former Secretary of State Henry A. Kissinger, a very close associate of Edgar Bronfman. Another trustee is Russell E. Train, chairman of the World Wildlife Fund and Conservation Foundation. Train, a member of the Trilateral Commission and Council on Foreign Relations, is probably the most important figure in the environmental movement worldwide, after Prince Philip of Great Britain. Train's protégé William K. Reilly, a former chairman of both the World Wildlife Fund and the Conservation Foundation, is now the head of the Environmental Protection Agency (EPA) and is in charge of enforcing the phaseout and eventual ban of CFCs.

Shortly after the signing of the Montreal Protocol, the World Resources Institute, one of the key environmental think-tanks pushing the "greenhouse effect" and "ozone depletion" hoaxes, received a \$25 million grant from the MacArthur Foundation. The chairman of the MacArthur Foundation at the time was Thornton F. Bradshaw, who was also a trustee of the Rockefeller Brothers Fund and the Con-

servation Foundation. Bradshaw's corporate affiliations are impressive: chairman of RCA Corp., director of Atlantic Richfield Co., First Boston Inc., and NBC. During his tenure directing NBC, Bradshaw turned the broadcasting conglomerate into a propaganda machine for the environmentalist movement.

Those who are bewildered by the amazing bias shown by the major television networks toward the environmentalists, had better start looking at who really owns the environmentalist movement and what it is being used for.

### **The CFCs swindle**

At present, the world production of CFCs is approximately 1.2 million tons a year. CFCs are one of the most benign and versatile chemicals ever invented, and have found a wide array of uses: refrigeration and cooling, blowing agents in foams and insulation, and industrial solvents. Halons, a related group of chemicals also controlled under the Montreal Protocol, are the most effective firefighting chemicals known to man, and play essential roles in the protection of electronic and computer equipment, and in the military.

CFCs and halons cost between 50¢ and \$6 per pound, and the world market amounts to about \$3 billion a year. CFCs are a very important business for Bronfman's Du Pont, which controls 25% of the market and has annual sales of approximately \$750 million.

There is very intense competition in the production and distribution of CFCs, so at present the profit margins are very slim. The patents for all major CFCs expired many years ago, and small chemical companies have challenged the chemical giants in their production. Most significantly, foreign nations have been building impressive capabilities for manufacturing CFCs that will challenge the chemical giants in a rapidly expanding Third World market.

Du Pont claims that the alternatives they have developed for CFCs will be only three to five times more expensive. Scientists involved in the research to create these compounds, however, dispute this public relations assertion, and maintain that we are looking at chemicals a minimum of 10 times more expensive than CFCs. The baseline is that under the best scenario, the market then jumps from \$3 billion a year for CFCs, to \$9 billion a year for the CFC replacements. The increase is effectively a tax on the consumer.

If prices increase 10 times or more for these replacements as compared to CFCs, we are then minimally dealing with a \$30 billion annual market. Unlike the present market in refrigerants and other CFCs, the profits to be made under these conditions will be phenomenal, since the chemicals will be patented, Bronfman's Du Pont could charge exorbitant prices.

Furthermore, the proposed replacements for CFCs are not only more expensive, but they are more corrosive, toxic, and inefficient. These alternates are not compatible with over 80% of the \$135 billion in installed equipment that requires

CFCs in the United States. Most of this equipment, which includes refrigerators and air conditioners, will have to be scrapped and replaced with equipment that is compatible with the CFC replacements, at an enormous cost to the consumer. The unsuspecting consumer may soon find himself paying \$200 to have his car air conditioner recharged instead of \$30—if it can be done at all.

According to Tony Mash, U.S. spokesman for Britain's Imperial Chemical Industries (ICI), a fierce race is on to

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*One authoritative source who has been following the issue carefully, estimates that Edgar Bronfman personally stands to make over \$10 billion over the next several years through the "ozone depletion" swindle.*

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discover and patent chemicals that can replace CFCs at 10-15 chemical-producing corporations.

Mash said that any corporation that "wants to play the game" must spend hundreds of millions of dollars to find alternates. Leading the race are Du Pont, ICI, and Allied Signal, all of which have already patented chemicals that are more inefficient than CFCs, but nevertheless can be used under a CFC ban.

Du Pont, which is in the lead by far, has revealed that it has already spent \$145 million in research and intends to invest over \$1 billion in the next few years in research and production. ICI has spent over £100 million (about \$160 million) for research and development. The rewards and potential profits in this race are enormous. Failure, if the public realizes that CFCs are *not* depleting the ozone layer, could be very costly.

### **Third World will be hit hard**

One of the immediate results of banning CFCs will be to drive Third World chemical producers out of business. Third World chemical industries do not possess the research capabilities to manufacture alternatives to CFCs. Furthermore, in March of this year, spokesmen for Du Pont and Penwalt corporations announced that construction of chemical factories for production of CFCs in the Third World had been halted, and existing contracts to build CFC factories will not be honored! The new company policies are to export CFCs to these nations for a few years until "phaseout," when Third World nations will have to buy the rather expensive substi-

tutes (which they can't even use in their existing equipment).

A CFC ban will halt the drive by underdeveloped nations, notably including Brazil, India, and China, to provide their people with refrigeration. Much of the food produced in the Third World spoils from lack of proper storage and refrigerating capacity.

It is estimated that millions, possibly upwards of hundreds of millions of people, will die as a result of a ban in CFCs. This is a fact that has been even acknowledged by ozone depletion "guru" Robert Watson. In a recent interview with syndicated columnist Alston Chase, Watson confessed that "probably more people would die from food poisoning as a consequence of inadequate refrigeration than would die from depleting ozone."

Preventing the Third World from building a refrigeration capacity is one of the stated purposes of the malthusian environmentalists now making policy in Washington. EPA chief Reilly made this very clear in July when he stated, "The prospect of seeing countries move forward with major development plans involving, as we heard in China, a proposal for 300 million new refrigerators possibly based on CFCs, makes very clear that we must engage them in this process and bring them to participate in the science."

Those nations that have refused to sign the Montreal Protocol are being threatened with economic warfare if they do not capitulate. The racism and ugliness of this campaign was clearly evident from a March 23 commentary in the *Christian Science Monitor* by Frederic A. Moritz, former Asia correspondent for the newspaper.

Moritz writes: "Third World countries could stonewall on the CFC issue. They could demand trade, credit, or direct financial assistance before they will agree to curb present or future emissions of harmful substances such as CFCs. . . . It's true that the poor need economic development even more than those who have already made it. . . . But these kinds of arguments can easily degenerate into a disguise for a kind of international blackmail. 'Subsidize us more or we will dirty up your environment,' is the implied threat.

"This kind of threat is extremely serious, since global pollution generated anywhere can move by water or air to threaten health and welfare worldwide. Governments and politicians who argue that dirty economic growth is necessary to help the poor in Third World countries blur the issues. . . . No one needs poison air or water—be they poor or rich, living in developed countries or in the Third World."

The "ozone depletion" scare is a scientific hoax which will only benefit professional environmentalists and those corporations that obtain sole rights for the chemicals that will replace the CFCs. The evidence warrants a full investigation by the U.S. government of the activities of Edgar Bronfman and his accomplices. Justice, and the lives and livelihood of millions, demands that the U.S. government take immediate action.

*Next installment: "The Cartel."*

## The 'bovine growth hormone' hoax

*Jeremy Rifkin is at it again—using scare tactics against farmers and consumers. This time the target is milk.*

In the week of Aug. 21, five U.S. supermarket chains (Kroger, Safeway, Supermarkets General, Stop and Shop, and Vons) and an ice cream maker announced that they would sell no dairy products made with milk from cows receiving a new synthetically produced growth hormone. The food companies cited no health threats, but rather claimed potential public disfavor.

The anti-technology fanatic Jeremy Rifkin appeared on national network TV Aug. 24 saying that unknown dangers lurked—such as potential allergic reactions in babies. The ice cream company, Ben and Jerry's, announced they would issue a new ice cream carton with an advertisement that the use of bovine growth hormone would drive family farms out of existence.

The Big Scare is on. But first, consider the scientific and economic facts. Some years ago, scientists succeeded in isolating the gene responsible for bovine growth hormone production. Researchers transferred the gene to ordinary bacteria, and then found that the altered bacteria can be reproduced on a large scale, allowing commercial production of the bovine growth hormone—called BGH (or BST, for bovine somatotropine, its technical name). Depending on what phase of lactation the cow is at when she receives the hormone, milk output can be increased by 10% to over 40% per cow.

The Food and Drug Administration has tested the drug, field tests have been under way for some time, and the hormone could be commercially

available in 1990. The results could be spectacular. According to the General Accounting Office's Report to Congress in 1985, "Cornell University's researchers believe the hormone's effects on dairy production would be immediate and major, similar to increased crop production caused by the widespread use of commercial fertilizer after World War II."

Vastly increased milk output could rapidly improve nutrition levels around the globe. Dairy products and additives are convenient sources of animal protein in the diet, and a convenient form of food relief. Right now there are severe regional shortages of fluid milk around the United States, the result of recent years of federal programs to deter milk output and pressure dairy farmers to quit. The infamous Dairy Herd Termination Program alone eliminated 1.3 million milk cows.

Moreover, dairymen on average are receiving about \$12 for every hundred pounds of milk produced, when their minimum costs average at least \$14, and their parity price (a fair price to cover costs and guarantee future productivity) is over \$22 per hundredweight.

This is a crisis situation for dairy farmers and consumers alike. Look at the milk problem for school children. House Agriculture Committee chairman Kika de la Garza (D-Tex.) issued a press release back in May, saying, "The Deputy Secretary of Agriculture, Jack Parnall, has confirmed that due to reduced surplus production of dairy goods there will be far less milk and other dairy products to distribute

to school districts for use in lunch programs across the nation."

So, right on cue, just before school opens, a national scare campaign starts over the danger of increasing milk output through BGH. Who would be against providing milk for kids? The "zero population growth" lobby, for whom Jeremy Rifkin is a spokesman, is constantly mobilizing to prevent the development of technologies that would produce more food and feed people. A special wing of this lobby focuses on propagating myths about food purity and the need for "organic," or primitive, small farms to produce "pure" food. Behind these romantic purity campaigns are hard-core food cartel and international financial circles who do not want high-technology, independent family farms to thrive.

Jeremy Rifkin has made a specialty of attacking genetic engineering, and many other forms of advanced technology used in agriculture, military R&D, and other areas. Rifkin lined up a report to release in August—two weeks before schools opened—claiming potential dangers in milk from BGH, which was prepared by a Chicago-based environmentalist professor Dr. Samuel Epstein. Even FDA officials, not known for expediting safety recommendations for new drugs, call the Epstein report full of distortions.

Rifkin wrote to the supermarket chains early in August forewarning them that "the public" would be alarmed about BGH. Meantime, Ben and Jerry's Ice Cream had cartons all printed up to say that family farms would disappear if BGH were used to produce too much milk. The real issue is: Ben and Jerry, along with Nestlé, Unilever, and the other big-time milk cartel companies, don't want to pay farmers their due for milk, and don't want millions of children to have any.

# Business Briefs

## Financing

### U.S. cities' revenue sources exhausted

American cities have exhausted their sources of revenue, according to a new report issued by the National League of Cities.

The report shows that local officials are canceling investments in basic economic infrastructure, such as building roads, as they scramble to keep basic social programs afloat, according to the *Baltimore Sun* Aug. 29.

In a rare acknowledgement of the social unrest that accompanies austerity, an official of the league said that "We've got a real serious internal threat to our stability and future."

Mayor James Moran of Alexandria, Virginia added that U.S. cities have already exhausted their ability to raise revenue. In 1979, the cities received \$55.5 billion from the federal government; in 1989 they will receive only \$15.8 billion. The 1990 amount is frozen at the 1989 level.

But instead of calling for changes in economic policies which could regenerate productive output, the League called for money to be taken away from the defense budget and redirected to the cities.

## Debt

### Africa warns debt bomb could explode

African officials meeting in Cairo, Egypt for a three-day seminar arranged by the Organization of African Unity beginning on Aug. 28, are warning creditors that Africa is unable to pay its debt and that the debt bomb could explode.

The officials are attempting to step up pressure for an international conference on the continent's \$240 billion foreign debt.

"By the year 2002 the total debt of Africa may explode to a value of \$1,500 billion," warned a briefing document prepared for delegates, according to Reuters Aug. 27.

"If the borrowing terms continued in the medium and long run, servicing this fast-increasing debt could be unsustainable."

The OAU, now headed by Egypt's President Hosni Mubarak, complained that the proposed conference has not received international acceptance, and that some of the measures it wants to discuss have not been understood. A seminar document described the series of creditor initiatives in recent years to ease Africa's debt burden as being of limited help. The document said foreign debt is the main obstacle to growth in Africa's economies, which have been hit by falling prices for the continent's primary exports of minerals and farm products, and by civil strife and drought.

The document said a slowdown in foreign aid and a jump in debt dues, which in some countries exceeded export earnings, have turned the world's poorest continent into a net exporter of resources.

## Ibero-America

### Wall Street worried about LaRouche ties

The rapidly growing influence of U.S. economist and statesman Lyndon LaRouche among nationalist circles throughout Ibero-America has drawn cries of protest from the U.S. financial establishment, in the form of a major commentary appearing in the Sept. 1 *Wall Street Journal*.

The commentary, entitled "Lyndon LaRouche's Latin American Connection" and authored by Sergio Sarmiento, Spanish-language editor of *Encyclopaedia Britannica* and a newspaper columnist based in Mexico, complains that:

1) the LaRouche-associated Mexican Labor Party has claimed that the National Action Party is a Nazi-Communist operation;

2) a spokesman for Panama's Gen. Manuel Noriega has stated that the latter has close links to LaRouche;

3) LaRouche-tied publications supported the "corrupt" Mexican oil workers union against the Mexican government's attempts to shut it down; and that

4) LaRouche activists have been supporting Peruvian President Alan García in his attempts to oppose the International Monetary Fund.

Sarmiento also references the April 28, 1989 advertisement appearing in the *Washington Post* and signed by more than 100 Ibero-American congressmen, demanding LaRouche's release from prison.

"Perhaps no one takes LaRouche's ideas seriously," Sarmiento lamely concludes. "But his kind of lunacy may not be as innocent as it seems. For political bigwigs enamored of conspiracy theories, and pressed with the need to find goons willing to do dirty jobs for them, his organization is too useful to turn down. Where else would one find someone willing to spread a rumor on the mental illness of a presidential candidate [Michael Dukakis], to claim that the critics of a certain President [Alan García] are drug traffickers, to argue that a conservative party [the PAN] is funded by the KGB. . . ?"

## Chemical Industry

### Du Ponts lost money on condom stocks

Lewis du Pont Smith, member of the Delaware-based Du Pont chemical dynasty, said that his family has lost millions of dollars by acting against his advice and investing in companies which produce condoms. He said the family was "trying to profit off the tragedy of AIDS," adding that millions more were lost because they refused to sell their shares of the Wang computer firm at a time when it was clear that it was having serious financial troubles.

Smith made these accusations at a press conference in Philadelphia on Aug. 28, which he had called to announce his filing of a court petition to remove the Wilmington Trust as the guardian of his trust fund. Two years ago, Smith's family had him declared mentally incompetent, solely on the basis of his political association with economist Lyndon LaRouche, thus depriving Smith of any control of how his trust fund is invested. The petition to regain control of the fund contains numerous demonstrations of the



# Briefly

● **ROBERT ABOUD**, head of the First National Bank of Chicago, announced in Tokyo that ICN Pharmaceuticals, Inc. and its financial adviser, ACB International, signed a letter of intent with the China National Medical Corporation for a joint venture operation in China, according to press reports Aug. 28.

● **DRUG LEGALIZATION** was advocated by the London *Financial Times*. Its lead editorial Aug. 25 states: "There may be no practical alternative to some form of legalization, however politically unpalatable and ethically repugnant that option appears."

● **SAVINGS AND LOAN** losses rose in the second quarter to \$3.7 billion, after a \$3.5 billion loss in the first three months of the year. In the last 12 months, S&L losses totaled nearly \$14 billion.

● **BOVINE** tuberculosis has been found in three Pennsylvania dairy herds so far, and cows from two other herds are considered "deviators," as officials scramble to head off the first outbreak of the disease in the state in 11 years.

● **THE WORLD BANK** has told Indonesia to curb the destruction of its tropical rainforests in a 200-page confidential report on the environment. The bank estimated current destruction at 2.5 million acres a year, or 1% of the country's forest cover.

● **MACHINE TOOL** orders plummeted in July, according to the National Machine Tool Builders Association Aug. 27, as orders collapsed 20.5% from the June level of \$195.90 million, to \$155.65 million—a 29.7% decline from July 1988.

● **MERV GRIFFIN**, who bought Resorts International, Inc. from Donald Trump in November 1988 for \$365 million, announced Aug. 28 that because of severe losses, the company is no longer paying interest to bondholders.

mental competence of the former schoolteacher, including his happy marriage, his candidacy in the Democratic primary for the U.S. Congress, where he won 8.5% of the vote, his work as a fundraiser, and the fact that he better analyzed market conditions than did the Wilmington Trust.

"This is simply a political vendetta against my political beliefs," Smith told the *New York Post*. "If anyone is incompetent to handle my money, it's the Wilmington Trust." Smith noted that his family's money managers lost at least \$3 million of his money because they refused to heed his advice to divest stocks before the October 1987 crash.

## Space

### Privately owned rocket boosts payload

For the first time, a privately owned rocket was utilized on Aug. 27 to place a payload into Earth orbit. The Delta launch vehicle, an old standby of the American space program owned by McDonnell Douglas, was used to loft a British television broadcasting satellite into orbit.

The move to use privately owned launches began following the Challenger disaster in January 1986, when President Ronald Reagan directed the National Aeronautics and Space Administration to remove most private payloads from the Space Shuttle launch manifest, giving priority to defense and other government payloads on the Shuttle, which had become the nation's only launch vehicle. Reagan's directive caused McDonnell Douglas, General Dynamics, and Martin Marietta to reopen their previously closed Delta, Atlas, and Titan assembly lines. All three vehicles were designed in the 1960s or earlier.

NASA was able to return the Shuttle to regular flight status long before private industry was able to bring online their two-generation-old rockets.

The only major competitor to these three American companies so far has been Arianespace, a consortium of West European

governments and companies. Arianespace has launched its Ariane launch vehicle 29 times, since its first launch in 1979. The Soviet Union and Communist China have also attempted to proffer their launch services, but with little success. Japan is expected to test a large launch vehicle sometime in the next few years.

## Population

### Gore Vidal says four billion should go

Gore Vidal, the degenerate malthusian author, has issued his latest musings over which four of the Earth's current five billion people should be done away with, in an article in Tiny Rowland's London *Observer* Aug. 27.

In an article entitled "Gods and Greens" appearing in the London *Observer* Aug. 27, Vidal writes, "There are five billion people on a very small planet. At least four of those billion are too many, but which four? That is when the enlightened start talking of planned parenthood, while the dark souls contemplate with ecstasy the Four Horsemen cantering into view. But if the four or whatever billions were to vanish or simply be unborn, what about the planet itself? Although the signs of disaster have been clearly visible for more than a generation, no one has thought to do much of anything to purify the water and the air, and to shut, if possible, those two great holes in the polar skies. Only a world crisis can focus our rulers' attention. This year's skewed harvests may do the trick."

Vidal compared human beings to deadly bacteria. "Think of Earth as a living organism that is being attacked by billions of bacteria whose numbers double every 40 years. Either the host dies, or the virus dies, or both die."

Vidal called for a vast media campaign to condone genocide. "David Hume once observed that all power is with the governed because they are many while the governors are few. How then do the few control the many? Through Opinion, as expressed from the pulpit and in the classroom. Today we can add that terrible word—media."

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## Fusion energy program under the gun, again

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*Fusion expert Stephen O. Dean exposes the attempt of a Department of Energy functionary to sabotage the technology that could solve the world's energy problems.*

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*Fusion power holds the promise of unlimited energy for the future, for all mankind. Using isotopes of hydrogen obtainable from water for fuel, fusion can produce high-quality energy for electricity, industrial processing, and even space propulsion.*

*For the past decade, however, there has been an unremitting campaign to derail the research and development of this crucial energy source. The argument is continuously made that we do not know enough about the science of fusion to proceed with the needed next-step experimental machines. Clearly, however, without those experiments we will never solve the problems of fusion. In the same vein, if we had waited until we knew all of the physics of the Saturn V rocket engine, we would never have gone to the Moon.*

*The most advanced fusion research has been with the tokamak machines, where a series of magnets confine a plasma of hydrogen to produce the conditions at high temperature, where they can fuse and produce energy. Inertial fusion, using primarily lasers for input energy, has also been under development, but in the United States it has been largely limited to physics studies of larger thermonuclear explosions in weapons systems.*

*Though the Congress passed, and President Carter signed into law, the Magnetic Fusion Energy Engineering Act of 1980 to accelerate the magnetic fusion energy program, there have been continuing efforts to sabotage the research. For the past year, the director of the Office of Energy Research, Dr. Robert Hunter, has been trying to find any number of ways to make sure this nation never develops fusion energy.*

*Stephen O. Dean is the president of Fusion Power Asso-*

*ciates, in Gaithersburg, Maryland. He was formerly the head of the magnetic confinement systems division at the Department of Energy's Office of Fusion Energy. This interview with Dr. Dean was conducted by 21st Century Science and Technology Associate Editor Marsha Freeman on Aug. 15.*

**EIR:** There has recently been a severe cut in the Fiscal Year 1990 magnetic fusion budget request. There has also apparently been a change in the policy for developing magnetic fusion on the part of the Department of Energy. I understand this has been promulgated by Dr. Robert Hunter, the director of the Office of Energy Research, and that he testified before Congress in June, asking that \$50 million be cut from the magnetic fusion energy budget. What is this change in policy?

**Dean:** Hunter is trying to create a competition between magnetic fusion and inertial fusion under guidelines that he says he has from [Energy Secretary Adm. James] Watkins, and the Office of Management and Budget. The total budget of those two programs [together] has to remain the same as the total is now. He believes that since magnetic fusion is at a \$350 million [budget level] and inertial fusion is \$150 million, that that's not a fair competition. He wants to boost the inertial fusion program by about \$100 million, and he doesn't know where to find that money. He proposes to take half of it out of magnetic fusion and find the other half somewhere else. That is how he comes up with the [proposed] \$50 million [cut in the magnetic fusion budget].

Hunter wants to put another \$100 million in inertial fusion so it can compete with the tokamak during the 1990s for an

ignition machine. Of course this means that magnetic fusion has to be slowed down, because he's cutting its budget. But he says, "That's okay," because he's going to slow down the Compact Ignition Tokamak [CIT]. He's pulling it from the FY 90 budget, and instead of having it operate in 1996 or 1997, he's going to try to have both programs have an ignition experiment by the year 2000. The motto of the new policy is "ignition 2000." He claims that Watkins endorses that policy and will commit the government to having two ignition experiments running by the year 2000, but Watkins won't give him any more money for it.

**EIR:** Who proposed the policy to have two ignition experiments?

**Dean:** That's not clear. Hunter says this is Watkins's policy, that Watkins has looked into it and wants a competition, didn't think that the magnetic fusion program was going to get to ignition anyway, with the presently proposed CIT machine. This is the other element in all of this. They did a review of CIT and decided that the machine, as proposed, had a low probability of ignition. This was presented to Watkins in April and the word was that Watkins said, "Then we won't do it."

**EIR:** Who did that study, and what was their basis for saying that the proposed CIT would not ignite the fusion fuel?

**Dean:** MFAC [Magnetic Fusion Advisory Committee] panel 22 under Kim Molvig did that study. It's a complicated story. Basically what happened was that there was a machine, CIT, that had a high probability of ignition. It had lots of extra, auxiliary power [planned in the design], but the cost of that machine was [about] \$750 million, and the OMB said, "You can't have \$750 million, you can only have \$500 million." So the Office of Fusion Energy [at the Department of Energy] last year created what they called the "two-phase plan" [for CIT] in which the first phase was only \$440 million and it might ignite, or it might need extra power. All the extra power would be in phase two, which was not in the budget. They were going to ask for the extra money, when and if they needed it.

Hunter said that that's misleading the Congress, because the Congress, no matter what you say, thinks that a phase-one machine for \$440 million will ignite, whereas, the panel points out, and everybody had admitted this earlier, that it might *not* ignite for \$440 million. You might have to add some extra power. The problem is that we don't know from the physics exactly how much extra power will be needed. The fusion program people thought they were being responsible by not asking for \$750 million, since they might not need that much. The CIT might ignite at \$440 million or might need an extra \$50 million of power. It might need an extra \$100 million of power. They didn't know.

**EIR:** So the panel 22 from MFAC evaluation that the CIT

might not reach ignition was based on this scaled-down version of the CIT, not the one that the fusion scientists had originally designed and planned to build?

**Dean:** Exactly.

**EIR:** Isn't that something of a setup then, to scale it down, and then say it may not work?

**Dean:** Hunter was not involved in the original decision to make it a two-phase program. He came in after this had already been done, and then acted as if he uncovered this scam. But it wasn't a scam. It was very openly described to the OMB and the Congress. People knew exactly what they were getting, but, of course, Watkins and Hunter weren't a part of that, so they can claim that they didn't know what they were getting. They came in and simply saw a machine called CIT costing \$440 million, and figured that that should definitely be the whole machine, and should ignite. When they found out that that wasn't the case, they used it against the program to create this new policy which would call into question the scaling laws of the physics on the CIT, and slow it down. As part of the package, they came up with this idea to give some money to inertial fusion to let it compete. The inertial fusion scientists have also been saying that they want to go ahead with an ignition experiment in the 1990s.

**EIR:** When Hunter came in a year ago, as I recall, he started to make trouble for the program pretty quickly. He proposed to redistribute amounts of money within the program. As I remember, he had resurrected the old saw of Reagan science adviser Jay Keyworth, that more money should go into the physics and less into the hardware.

**Dean:** Yes, but it's all related, because the argument as to why more had to go into the physics was based on the issue of why the physics weren't good enough to guarantee the ignition in CIT. What they discovered was that the reason we weren't sure what the probability of ignition would be in the CIT in the first phase was because the scaling laws were not that well pinned down. Why weren't the scaling laws pinned down? Why were there several different scaling laws that people were looking at? It's because we didn't understand the physics of the electron transport well enough to be sure whether these laws would be valid in that regime. All of these things are connected. All of this was very quickly uncovered by Hunter when he first came in, because we were saying it, ourselves. These things were being argued. We had a summer study that pointed all these things out in late August, so all of that information was available to Hunter when he came in. And he heard all of the comments going on within the fusion community. He'd bring physicists into his office and they'd all argue in front of him and he could see they didn't all agree.

**EIR:** So here was another setup. Because if you don't have the money to try new experiments and regimes even if you

don't understand all of the physics, you can't start to test out the differing ideas. If you scale down the experiments you certainly can't making any precise predictions about what will happen. Didn't he "reprogram" money from last year's budget?

**Dean:** The first thing Hunter said was, "In this circumstance I need money for physics experiments. Where am I going to get it? . . . There's \$25 million earmarked at Princeton for getting the equipment ready for putting tritium in the TFTR [Tokamak Fusion Test Reactor]. I'll stop that. I'll take that money, or as much of it as I can." And he started looking around at other parts of the program for places where he could collect money, and that was the motivation for all of that reprogramming, to collect money to put into the physics of the tokamak.

**EIR:** What is the effect of delaying all of the experiments that were supposed to have been done already, on the TFTR in terms of solving these physics problems?

**Dean:** The money that he took away from Princeton was not taken out of physics experiments. They fired 160 industry people on one day's notice. These were people who were designing and building the tritium-handling equipment for TFTR, getting ready for the day when we might put tritium in. So there no money taken out of Princeton that was earmarked for physics experiments on TFTR.

**EIR:** What is the effect on the program of continuously delaying the burning of tritium in the TFTR machine?

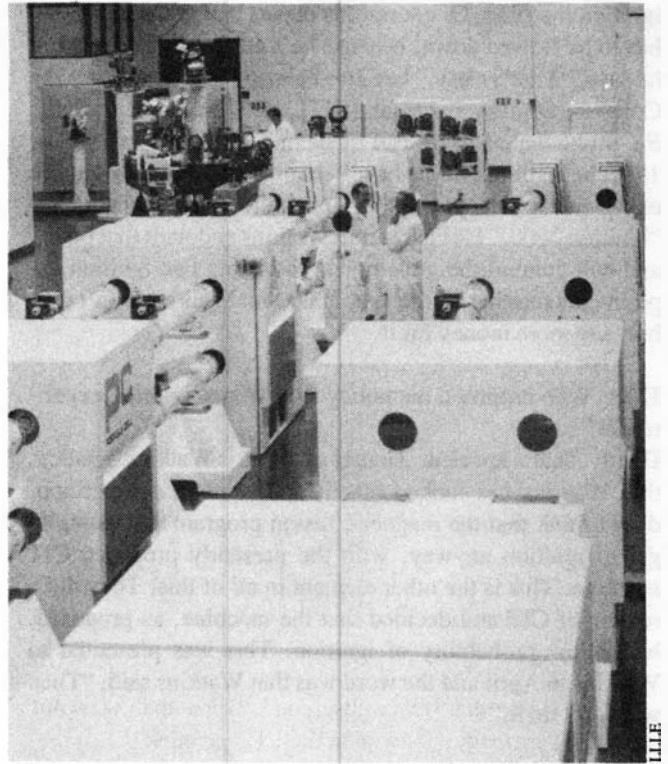
**Dean:** The fact is that we'll never put tritium in that machine now. All of the people and activity that were aimed at doing that are gone. Officially they've only delayed it for two or three years, but the reality is that that option is gone.

**EIR:** In what sense?

**Dean:** They'll never have the money to come back and do the work to be ready to do it.

**EIR:** What would we have learned from the tritium experiments?

**Dean:** The idea was to learn about what happens in a plasma when particle energy from the fusion reaction starts getting deposited internally in the plasma. In other words, when internal heat generation from the fusion reaction starts to heat the plasma internally, as opposed to putting in power from the outside. The idea was that something different might happen to the confinement of the plasma, so people want to see that in the laboratory. Is that a big tragedy or not? I guess it depends on the individual, because the fact is that JET [the Joint European Torus] will probably do that, and probably do it as well or better than we would have been able to do in TFTR. One of the reasons tritium got into trouble in TFTR was the fact that we did not reach breakeven, and the whole reason for putting tritium in TFTR was to actually do it at



*Left: The University of Rochester's Omega Laser fusion experiment (inertial confinement). Right: The Princeton Tokamak Fusion Test Reactor (an example of magnetic confinement). Robert Hunter of the Department of Energy is attempting to set up a phony competition between the two types of fusion, which would tragically delay development of commercial fusion.*

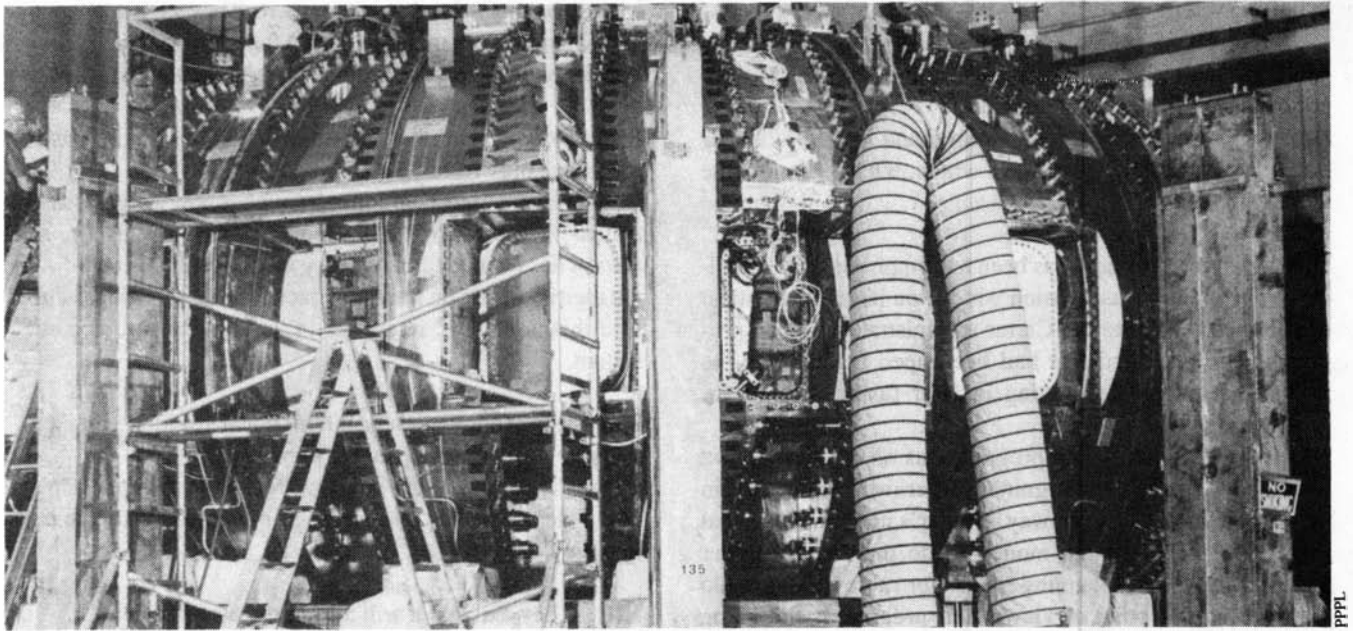
breakeven and see what would happen. If you're not at breakeven, the reasons for putting the tritium in are harder to justify. In other words, you're not going to get breakeven anyway and because you're not at breakeven, the effects you're looking for will be weaker. Therefore, the experiment is not as definitive as it would have been if we had breakeven, or better.

**EIR:** Why hasn't the TFTR produced net energy, or breakeven?

**Dean:** I think the fact is that the confinement is not as good as people had hoped when the machine was built.

**EIR:** Why do you think that is the case?

**Dean:** It's been a problem in the physics. The fact is that we never did know exactly how the scaling was going to go. We tried to over-design and we came up a little short. That has, in fact, led to all these other problems. The question was: "Why is the physics a little worse than you thought it might be? Do you understand it?" And the answer was, "No." And that is what has gotten the program in such a weakened position to argue with Hunter, because the reality is that the physics is not as well understood as we thought it would be,



and the scaling that we've observed is worse than we would like it to be in order to go on to the CIT machine.

So the tokamak program is in a somewhat unfortunate situation. It's not a disaster, but nature was not kind to us. It didn't break so that things came out a little better than we'd designed for, they came out a little worse. This allowed people like Hunter to come in and question the depth of understanding of the physics and call a halt to going forward until that situation is better in hand.

**EIR:** But the commitment to build the TFTR was made even before all the experiments had been done on the previous machine, the Princeton Large Torus. The idea was that you have to go ahead and plan and build the next machine, anyway, even if you cannot answer all the questions beforehand. What would you recommend doing, if there were no question about the money to do it? What should the focus for the program be?

**Dean:** It's a good question. If we had the kind of budgets we still think are reasonable, instead of budgets that have gone down 50% in the last 10 years, then I think you would simply over-design the next machine and take an aggressive step in the CIT. You'd build the kind of machine the scientists were originally looking for, and you'd put in all the extra power that you would like to have, or at least you'd plan to be ready to put it all in. I don't think the plan was all that bad.

It was a plan for a CIT that had enough size and field to get to ignition and the exact amount of power was the variable. But the exact amount of power could be determined later and added, so you would only add the amount that you would need. That allowed you to go ahead and start building, even though you had a certain amount of ignorance, and hopefully

during the next several years, as you're building it, your ignorance would decline and you'd be able to pin down the amount of power to buy. Then, even if it should turn out you got all the way to having the machine built, and you still weren't sure how much power you needed, you could start adding it in increments with full confidence that eventually you would either get to where you wanted to go or at least have definitive results on exactly what was happening so you could make corrections.

**EIR:** Do you have to reach energy breakeven before you try to reach ignition?

**Dean:** There's no reason to do breakeven except as a public relations milestone along the way. There was nothing magic that was supposed to happen at breakeven. It's just an obvious, understandable point you have to pass on your way to making net power. We've been ready to go beyond that for years. We've been trying for ten years to get a commitment to a machine that would out-perform the TFTR. Whether that was ignition, or a high-gain. . . .

**EIR:** In other words, *whatever* the TFTR could do, you need the next machine to do something better.

**Dean:** Exactly. We've known for years how to design such machines, and they've had various names. We've never been able to get them funded. People have been looking for a sales pitch and they latched on to this word "ignition" as something they thought people could understand and hang their hat on. There's nothing magic about ignition, either. Once you start making more power than you're putting in, things start happening in the plasma, and you learn from that. You need to have more energy out than in, but you don't necessarily have

to have ignition.

**EIR:** Is Hunter interested in pushing the laser fusion program because that is his background?

**Dean:** His background is in excimer and krypton-fluoride lasers, not necessarily fusion as a whole, but he's done some work in fusion.

**EIR:** It is true that there has been a deemphasis on the civilian applications of laser fusion which you have been critical of. This goes back to the Carter administration, when programs were classified that had been open before. Are the results that people are getting in laser fusion a cause for accelerating the program?

**Dean:** The inertial fusion program was on a schedule that would have them start an ignition experiment some time in the early to mid-1990s anyway. Hunter's judgment was that they didn't have enough money to do that in the proper fashion. They were planning to ask for more money to do that. From their point of view, their program is not being accelerated. It's just being given more to keep on the schedule that they thought they were on, anyway.

**EIR:** How were the laser fusion people going to get an ignition experiment without any civilian applications?

**Dean:** The inertial people were proposing to sell a machine to the defense people that would operate by the year 2000. They hadn't costed it out yet and they hadn't put it in the budget, and when they did they were going to ask for more money. They had a plan to ask for more money and build such a machine, long before Hunter came on the scene and said, "Let's take it seriously, and let's give you guys more money now." They were always planning to be on that schedule. They believe their results justified such a schedule. Some people in their program think, of course, that it's justified to start building such a machine right now.

I think that the fact is that their results do justify serious design and planning for an experiment that would be what they call "high gain." It would be 100 times more energy out of each shot than goes in and the pellets would be ignited. But the key thing for them is not the ignition of the center of the pellet. Producing 100 times more energy out than the laser puts in is their figure of merit, or their goal.

**EIR:** From the laser fusion side of the question, then, this is not a change in policy, regardless of what Hunter says?

**Dean:** Well, the change in policy from their point of view, is that they were doing all of this for, and by, the weapons people, who have a test facility for weapons effects, and weapons physics. What's new in this policy is that has now been identified as a competitor with a civilian purpose. If they work out, and they win this competition, or they are judged well in this competition, presumably they are positioned to be taken seriously as the fusion civilian energy

source. So that's the element for them. They were not playing in that game, even though many of them had that motivation. Officially, the department did not fund them for that purpose.

**EIR:** Do you think that Admiral Watkins is getting his information only from Hunter?

**Dean:** Hunter and Tom Johnson, who is now a special assistant to Watkins. He's a big inertial fusion enthusiast, and always has been, and this is very much part of his belief—to put inertial fusion on a civilian track. I think he's successfully sold this argument, internally in the department, as a consultant.

**EIR:** Has there been any international reaction to this attempt to delay the magnetic fusion program?

**Dean:** There's been a whole bunch of letters written to Watkins by leaders of the foreign programs protesting this change in policy.

**EIR:** They feel that it will also hurt their research?

**Dean:** They feel that they've been brought in by the U.S. to this international collaboration psychology for fusion and their future very much hinges on everybody continuing to have a strong program. If the U.S. starts to pull back on its funding, they see the U.S. not being able to hold up its share of the International Thermonuclear Experimental Reactor (ITER) or other international agreements. They feel that these agreements have all been fine, and they're meeting their commitments, and they're concerned to see the U.S. starting to say and do things which they see as copping out.

**EIR:** This must be shocking to them anyway, to refuse to build the next-step machine. They all have plans to do that. How could the U.S. contribute to international machines, if it would not build its own machines?

**Dean:** Exactly. Also, part of Hunter's policy plan that's been leaked, has a chart which shows that there wouldn't be an engineering test reactor until after the CIT was built and operated. So in his plan, it's clear, he doesn't see the U.S. getting involved in an engineering machine like ITER until after the year 2000, whereas the international team plan is to build it during the 1990s. The Europeans, Japanese, and Soviets never really did see a CIT as necessary. They thought it was great the U.S. was going to do it, it was going to be helpful, but they wanted it to be done quickly and gotten out of the way, because they didn't want it to be used as an excuse for not building ITER. They don't feel a necessity to build a machine like CIT just to do ignition physics. They want to build an engineering machine which would be designed to ignite as a by-the-way kind of thing.

**EIR:** Is there any motion from the Congress to try to intervene in this proposed policy change?

**Dean:** They've required Admiral Watkins to carry out a

policy review—what they call an “independent policy review,” of this proposed policy before it’s implemented. Watkins promised on June 15 he’d do it and he’d have it done in two months. It’s now two months, and he hasn’t even started. We don’t know when this policy review will get finished.

**EIR:** Have the people been selected for the review?

**Dean:** Nope. They have tried to start it but apparently the way they wanted to do it was illegal, or judged to be illegal. There are a lot of tricks to the trade of the government establishing an advisory panel, and Hunter, of course, didn’t want to be bothered with any of those procedures. He just wanted to have the review. He tried to set it up in a way that the lawyers said was not appropriate and now he’s being forced to set it up right, and that takes time. The process is going ahead to set it up, but it’s just not moving very fast.

**EIR:** But you said that the Congress wants the review before the policy is implemented, but the new policy is in the next budget, which is supposed to go into effect on Oct. 1?

**Dean:** The Congress is trying to put little words in the bill that says, “thou shalt not make any radical changes until you finish the policy review; thou shalt not cut anybody’s programs off or withhold any large amounts of money from anybody in anticipation of implementing your new policy, until it’s been reviewed.” There are various people in the Congress trying to tie the department’s hands and force the department to come back to them with the new plan whenever it’s finished.

Of course, the Office of Management and Budget is also worried because they’re about to start the review of *next* year’s budget [fiscal 1991] and they expect that this policy review will not be finished on a timely basis for them to use it in their deliberations in October or November.

**EIR:** Would this be the first time that anyone has stated publicly that beneath it all, the policy really is to slow the fusion program down.

**Dean:** [Former Reagan science adviser] Dr. George Keyworth said that if inertial fusion works out, we’ll also look at it as an energy source. But it’s never been the policy to carry the laser fusion program out on the motivation of trying to develop it as a civilian fusion energy source. It’s been carried out on the basis of its relevance to the military. The laser fusion program is reviewed by the Armed Services Committee. Frankly, on the Hill, there’s no interest in this [inertial versus magnetic fusion] competition. The civilian panels do not want to take over inertial fusion responsibility. The Armed Services committee people don’t want to give it up, and so there’s been no preparation of these people for the transition, and the danger is that in the transition, inertial fusion will actually *lose* money and support on the Hill, because the Armed Services people are advocates of inertial fusion and if it’s no longer in their committee, they will not protect it.



U.S. Department of Energy

*Robert Hunter, director of the Office of Energy Research at the Department of Energy. He may be the first Washington bureaucrat ever to demand that his own budget be slashed.*

They will not find the money for it, and the new Committee that gets it doesn’t have a history of paying for it, so it will be amongst all the other things they’ve got. You’d have to start reestablishing the constituency for it in the committee.

**EIR:** Watkins has taken a very strong stand on keeping the Shoreham nuclear power plant from being torn down in New York, and managed to get the Seabrook nuclear plant up and running in New Hampshire. But he seems to be taking no leadership on the national energy policy question. Is there any input on fusion to this energy plan?

**Dean:** Not yet. As usual, fusion is not quite in their mind when they talk about an energy strategy. . . . We’ve tried to get them to invite some fusion people to some of these other hearings elsewhere. We haven’t found any resistance on their part in putting fusion into the plan, it’s just that these people don’t have the foggiest idea at the moment, how to prepare the plan.

**EIR:** The same philosophy was evident a number of years ago *within* the magnetic fusion program, when people said that there should be a competition between the mirror machines and the tokamaks. They would say that it was an unfair competition if the tokamak devices were ahead, so it was proposed that the tokamaks be slowed down to allow, for example, the mirror technology to catch up. Isn’t that the same kind of approach?

**Dean:** Exactly. In fact, this whole plan is a warmed-over version of the Deutch 1978 plan, because Tom Johnson wrote that one, too. He was an aide to [Office of Energy Research

director Deutch. Johnny Foster was brought in to chair a review for [Energy Secretary James] Schlesinger at that time. Schlesinger wanted to cut the budget and Deutch brought them in to review the program. They came up with this competition between the mirror machines and the tokamaks. Schlesinger then decided not to cut the budget, but we had this big competition and we slowed the tokamaks down, and we accelerated the mirror. It was exactly the same plan, put together by exactly the same people, and now Johnson has just come back ten years later, and recreated this plan all over again. Although, as you say, instead of competing in the mirror, he's competing in inertial fusion.

**EIR:** I knew this plan sounded familiar!

**Dean:** And Hunter wants to put Johnny Foster on this policy panel, so people think he just wants to stack the panel, and it's a mess.

**EIR:** There have certainly been many reviews of both the magnetic and inertial fusion programs in the past few years. How will this be different?

**Dean:** This will be a limited-life advisory committee, if they ever get it set up and get all the people cleared to be on it, of people that have been picked ostensibly by Watkins, but in reality by Hunter. This is the other bone of contention. People do not want Hunter to have the authority to pick this panel. Yet he is picking the panel. People have tried to get this panel legislated to be a [National Academy of Sciences] advisory panel, so Hunter would not be able to pick the panel. So far, however, Admiral Watkins is letting Hunter run the show. Hunter is acting exactly like Deutch, and Deutch is one of Hunter's buddies. This is a very tight-knit group that is running all of this. They're all part of the same Air Force Weapons Lab/Defense Science Board clique.

**EIR:** Admiral Watkins is holding hearings all around the country listening to a gaggle of people's opinions about what the national energy policy should be—

**Dean:** We went to their first hearing in Washington and tried to speak, and were told that all the slots were filled. . . . Watkins is just piling all this stuff up for the record so that he can say he did it, and they'll pick and choose and listen to whom they want. They'll highlight the ones that agree with them and ignore the ones that don't agree with them, but it will be able to be said that they listened, even though they didn't agree. They're doing this simply to make a show and compile a record that, in fact, they had the hearings. They're trying to preempt the critics.

**EIR:** Watkins has taken a very strong stand on keeping the Shoreham nuclear power plant from being torn down in New York, and managed to get the Seabrook nuclear plant up and running in New Hampshire. But he seems to be taking no leadership on the national energy policy question. Is there

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## Documentation

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### Hunter: 'Value of fusion overstated'

*Testimony of Robert O. Hunter, Jr., director, Office of Energy Research, U.S. Department of Energy, before the Senate Subcommittee on Energy Research and Development of the Committee on Energy and Natural Resources, June 14, 1989.*

There now exists in the department's fusion program a considerable amount of controversy over the scope and design of future fusion programs.

The immediate focus of controversy within the magnetic fusion program is construction of the Compact Ignition Tokamak (CIT). . . .

The department is persuaded by the findings of MFAC [Magnetic Fusion Advisory Committee] subpanel 22 that the CIT has a very low probability of achieving its ignition objectives. The department is also convinced, both by MFAC 22 and by extensive discourse with members of the magnetic fusion community, that the fundamental physics of tokamak confinement is not understood.

Secretary [of Energy Adm. James] Watkins is considering deferring the CIT construction project until we understand enough of the fundamental phenomena controlling tokamak transport, to assure ourselves that it will succeed. The department does not believe that CIT is worth constructing if it will not ignite with high probability.

Secretary Watkins has taken a strong personal interest in the future of fusion R&D. He has outlined the essential principles of a comprehensive new policy for fusion energy that embraces both magnetic and inertial confinement fusion, and directed me to develop a detailed policy [based] upon these principles. The intent of the policy is to revitalize both fusion programs, focus them on key unknowns, and push both to achievement of ignition of fusion reactions in new experimental devices within about 10 years. This will permit us, early in the next century, to evaluate the practical potential



of both approaches based upon solid experimental evidence, and to choose the best integration of technologies to advance to commercialization of a fusion reactor.

In both magnetic and inertial fusion about three to four years of highly concentrated research efforts will be required to answer the remaining critical physics and scaling questions. Both could then be prepared for construction of the large experimental devices that will finally demonstrate convincingly that we can deliver on the promise of fusion energy.

It is worth restating just what that promise really is. From the department's viewpoint, some fusion supporters have in the past actually undermined their own case by overstating the potential advantages of fusion power. The department thinks that a properly qualified statement of those advantages remains very exciting. . . .

The policy that Secretary Watkins has directed us to develop is based on four principles. The first principle is the necessity to focus work within the existing programs on solving the critical problems that will allow us to proceed with

the next decisive phase of fusion research.

The second principle is competition. We want to get the full value of competitive research, and from the commercial power possibilities of all our fusion research. In summary, we would like to compete, over a realistic time scale, the magnetic fusion program and a program designed to evaluate the energy and production prospects of inertial fusion. Indeed, this was first offered as the department's official policy more than 10 years ago, but that policy was never actually followed.

The third principle is a commitment to specific major milestones—in this case, to both a workable version of the CIT and to a Laboratory Microfusion Facility (LMF) for inertial fusion. These are the devices that will achieve the major goal of ignited plasma by about the turn of the century.

The fourth principle is fiscal responsibility. The department will not propose to build either of these devices with major increases above the current funding levels of these programs. . . .

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## Watkins: 'We need competition in R&D'

*Letter from Secretary James D. Watkins to Rep. Robert Roe, (D-N.J.), chairman, House Committee on Science, Space, and Technology, June 14, 1989.*

I am writing to you to modify the Department of Energy's position on the construction project for the CIT. Due to lack of resolution of key scientific unknowns, the department is no longer proposing to begin actual construction of this device in FY 1990.

A review chartered under the auspices of our Magnetic Fusion Advisory Committee (MFAC) reported in March 1989 that the CIT as previously submitted for congressional approval has only a very low probability of achieving its primary research milestone of plasma ignition. After receiving the formal report of the review panel, I met with leaders of the magnetic fusion community in late April to discuss that finding. I am now convinced of the possibility that the CIT will be unlikely to meet the key ignition goal, and this raises questions which need to be answered. While numerous arguments have been proposed to continue with the project in spite of its low probability of success or the fact that we do not understand the fundamental physics mechanism controlling plasma confinement in tokamaks, I cannot condone such an approach under the circumstances. As a result, I propose that for the present the Congress defer without prejudice the funding of construction for this device, while at the same

time continuing funding for the rest of the magnetic fusion program.

Proceeding to the next major step in magnetic fusion research requires study of an ignited plasma. But we cannot construct the device to achieve that without solving the critical unknown physics of plasma confinement. As a consequence, I have determined that the strategy under which we conduct fusion research must be restructured to meet this requirement.

I had hoped to be able to present to you the full account of an innovative new policy that embraces all the fusion research in the department—both magnetic and inertial confinement approaches. This new policy would focus research on resolution of the key unknowns that now limit progress, and inspire strongly competitive research and development to achieve specific objectives over the mid and long terms. A draft of such a policy now exists, and meets the general tenets I have described. But because of the significance of such a decision, I am persuaded that the department should conduct an independent, high-level policy review of the draft to assure that its managerial and scientific logic are sufficiently solid to meet responsible critique by both advocates and detractors of fusion research.

I hope to have the policy review completed, and the final version of the new policy validated, within the next two months. I request that, to the maximum extent allowed by your own responsibilities and exigencies of schedule, you defer final decisions on the individual line items contained with the Fiscal Year 1990 budget for fusion until I can present that full policy to you. In any event, we would still require the same total amount of funding to permit the focused research effort toward an eventual research experiment.

## \$20 trillion debt fuels October crash potentials

by EIR Economics Staff

*The following report was prepared by Chris White, Richard Freeman, John Hoefle, and Steve Parsons.*

The U.S. economy and its financial system will experience a blowout sometime likely between now and the end of this year. The debt bubble in the United States is such, that no patching or adjustments within the framework of current economic policy could prevent that. The only question is, how high will the crash register on the Richter scale. Educated estimates of the timing for such a crash focus on the month of October, following end of September quarterly rollover and payment deadlines.

In what follows, we will examine the boundary conditions that have created the circumstances under which the upcoming crash potentials have matured, and will most likely shape its outcome.

Financial insiders, especially in Europe, have been warning since the middle of June that the question is no longer whether a crash will occur, but when. Ordinary people, in the same way, wonder, "When will it occur?" In framing the question this way, both the insider and the man on the street are really asking about the same phenomenon. What they generally are talking about, is some exceptionally catastrophic development, such as a run against the banking system, or a general liquidation of stock values, as happened in October 1987.

What they are talking about, is the end-result of the process of bankruptcy which has created the conditions for the crash. Since bankruptcy has been caused by the obsessive adherence to financial and economic policies that are, at their core, incompetent, it is as well to get the background out of the way first, before turning to the question of what may well turn out to be the triggers for the foreseeable crash.

The overall parameters are not at all obscure. In the middle of 1989, total U.S. indebtedness, of government at all levels, financial and non-financial corporations,



*Dollar collapse on Nov. 10, 1987, at the Frankfurt monetary exchange following the October crash. Since then, the refusal of Western nations and financial institutions to change their policies, guarantees that the next collapse will be far more devastating.*

and households, was running at \$12.3 trillion. Added to this has been a further pile of income-bearing paper, made up of various speculative categories, and itself totaling more than \$8 trillion. This amounts to in excess of \$20 trillion of combined debt and speculative activity to be rolled over or serviced during the course of this year. The quarterly debt service of rolling over the estimated \$4.5-5 trillion of annual claims riding on such indebtedness and speculation is \$1-1.5 trillion per quarter. That is a conservative estimate; the figure would be even larger if the full book value of offshore claims against the U.S. dollar were added in.

Secondly, since 1981-82, the physical economy of the United States has been functioning at around half the level required for breakeven. We can define breakeven as the level of investment in plant and equipment, and their maintenance, along with output of physical product for producers, households, and basic economic infrastructure, required to maintain functioning in a no-growth, steady-state mode. (In reality, such a mode is impossible, since without growth, any economy will collapse.) We can measure the shortfall from breakeven, as defined relative to the per capita and per hectare market basket standards of the late 1960s, in the collapse of the following: employment in operatives, the collapsing goods content of wage and salary income, the accumulated \$350 billion per annum deficit in spending on basic infrastructure, the collapse of educational and health services, and the goods content of the trade deficit.

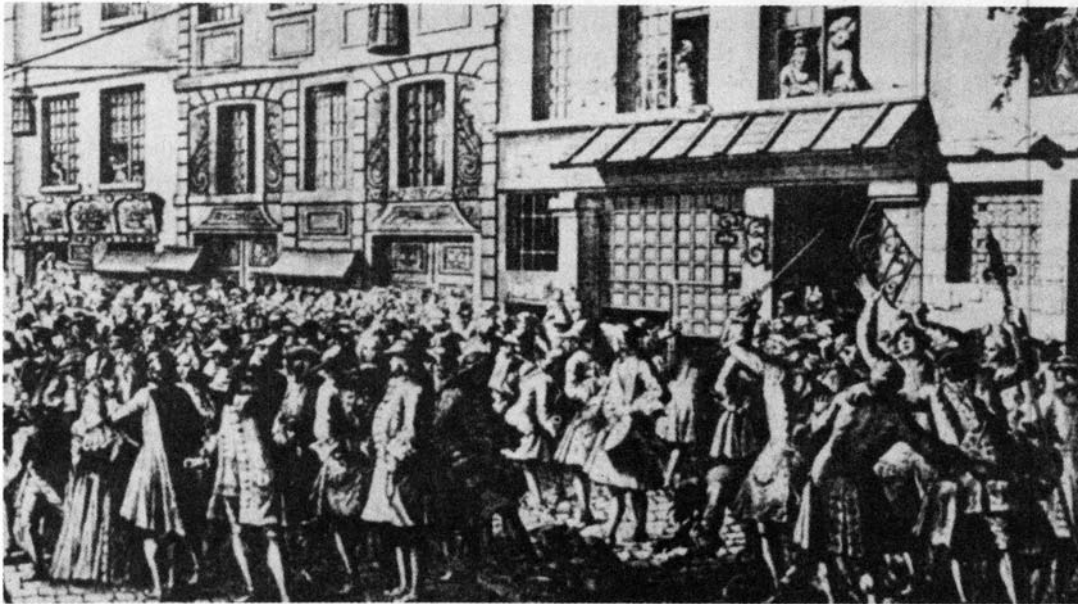
Since 1983, total debt of all kinds has been growing by around \$1 trillion each year, and speculative activity at about the same rate. Both these categories have pyramided with respect to the collapse of the productive capacity to service

that growing debt. Indeed, annual service charges and claims by debt and speculation nearly exceed the already highly inflated measure of economic activity known as the Gross National Product. (Contrary to popular mythology, GNP does not ever measure the actual performance of an economy in terms of the production of real physical wealth; rather, it merely sums the net of all sales and purchases transactions and interest transfers in various sectors of the economy, aggregating it into what is called "value added"). The GNP counters allocate just under \$2 trillion to the productive economy itself. Thus, even using the distorted GNP measure, total output of economic activity in a year is currently less than half of what is required for the \$4.5-5 trillion annual service of debt and speculation!

Moreover, the total GNP is currently running at about \$5 trillion, which would indicate that the cost of maintaining economic activity at bare breakeven would approximate the totality of GNP. And even if the money for that level of activity were available, it wouldn't help, because the machinery, the qualified labor, and the infrastructure to support the expanded activity are just not there. With all the money in the world, you still can't buy what isn't being produced.

### **The 25-year slide into depression**

The U.S. economy and financial system have been sliding into bankruptcy since the incompetent decisions made during the 1963-67 period. At that time, President Lyndon Johnson, succeeding the assassinated John F. Kennedy, initiated his so-called "Great Society" program, emphasizing the apparent satisfaction of so-called "needs of consumers," while undermining the productive economy which could have



*The "junk bond" market of the 18th century was run by the Dutch-Venetian agent John Law, in collusion with George I of Britain and Philippe d'Orléans, regent of France. In this contemporary engraving, investors flock to the Rue Quincampoix in Paris to get a piece of the "Mississippi bubble," which was growing in tandem with the even larger "South Sea bubble."*

met those needs over the long term. Then, between 1967 and 1971, U.S. high-technology capabilities, as embodied in the Apollo Moon program, were shut down, and the dollar was driven into international bankruptcy, which was acknowledged on Aug. 15, 1971, when President Richard Nixon and his Treasury Secretary John Connolly took the dollar off the gold standard.

U.S. economic capacity was further ravaged between 1972 and 1979 by the combined effects of floating exchange rate policies, and by the first and second oil shocks of 1973 and 1979 respectively. The effect of both was to accumulate an offshore bubble of holdings of stateless dollars, recycled into lending secured against especially developing country raw materials assets. Federal Reserve chairman Paul Volcker's high interest rate regime of 1979-81 then plunged the world economy as a whole into bankruptcy and genocidal austerity, laying the basis for the financial and economic obscenities that have developed in the interim.

The period since September 1982 has been acclaimed as the "Great Recovery." In reality, these years have seen the development of the biggest speculative bubble since John Law's South Sea Company of the early 18th century. In order to buy time against the coming of the day of reckoning, between 1967 and 1979 a speculative real estate bonanza was created inside the United States, a binge which is ultimately secured against the faith and credit of the U.S. government, and therefore by U.S. taxpayers. The speculative structures associated with that bonanza began to come apart over the summer of 1987, leading to Black Monday on Oct. 19 of that year.

The two years since then have seen remarkable parallels to the interval between the October 1929 stock market crash and the collapse of the entire world economy in 1931. This autumn may well see the dissolution of everything that has

been accumulated on the accounts of usurious debt and speculation. Each of the principal potential triggers for the extinction of the the mass of \$20 trillion of indebtedness and speculation, corresponds to the swindling financial means by which the phony "Great Recovery" been perpetuated.

### **Which market will blow first?**

The largest role in triggering a crash will probably be played by one or all of three markets which have been experiencing explosive growth:

1) The junk-bond/merger and acquisition/leveraged buy-out market. Its debt now averages more than \$200 billion outstanding, and through leverage it supports more than five times that level in other forms of financing. This bubble has the potential to wreck corporate America, in the same way that U.S. savings and loans institutions and Third World borrowers have already been "bubbled" and wrecked.

2) The international trade in securitized paper and dirty drug-contaminated funds known politely as the "off-balance sheet liabilities" of commercial banks. In this market, hedges against foreign exchange and interest rate movements are sold back and forth by banks, at a commission, in order to maintain earnings levels lost as their traditional lending markets increasingly dry up.

3) The debt secured off-budget by U.S. government sponsored agencies and mortgage pools, like the Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie Mae), and so forth, which burgeoned in support of the speculative residential real estate market. In this case, the financial charges associated with real estate speculation were assumed largely by the U.S. government, as an inducement to maintain the pace of such speculation.

Added to the volatilities associated with these three mar-

kets, especially under conditions of declining values for underlying real estate collateral for lending, is the overall corrosive influence of the deregulation of the financial markets and the double-digit prime interest rate policy, which has been only slightly modified since it was initiated 10 years ago.

Each of these markets is now beginning to unravel. In mid-June, a financial services company known as Integrated Resources, which had been bought out in one of Drexel Burnham's leveraged takeovers, defaulted on payments on \$1 billion of debt. No one stepped in at that time to cover Integrated Resources' losses. Since then other companies victimized by leveraged buy-outs have begun to go into default, or have begun to notify the Securities and Exchange Commission that they will be unable to meet upcoming debt service payments out of their current cash flow streams. Companies like RJR Nabisco, Beatrice Foods, Federated Department Stores, and Owens-Illinois—each of which was bought out under arrangements that required corporate assets to be sold off to meet debt service claims in excess of revenues—have been unable to find buyers for the assets that have to be sold.

Drexel Burnham and Kohlberg Kravis Roberts, the architects of many of the leveraged buy-outs, may well be among the first victims of the coming crash, when the leverage will work the other way. At least \$1 trillion in stock market and bond market paper can come unglued on this account.

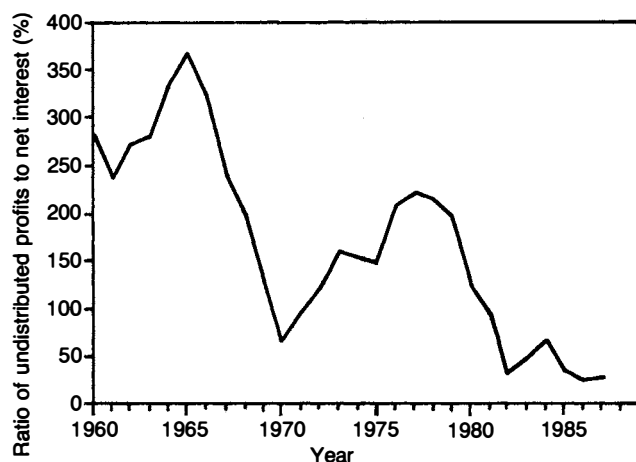
The recently passed so-called bailout of the savings and loan institutions calls into question the integrity of the government-secured mortgage market. S&Ls will now have to sell off secured mortgages to reduce their assets, such that new standards of capital adequacy can be met. How new buyers will be found for the assets that S&Ls have to dump, is another question.

As for the commercial banks, their combined on- and off-balance sheet liabilities run to between four and eight times their so-called assets; but their assets still include sufficient

Third World debt to bring down the entire system, and are increasingly shifting toward the speculative real estate holdings which brought down the S&Ls.

There surely will be those who, over the course of this autumn, will argue as they have before, that there is no need to worry, that the whole mass of paper coming due can be rolled over once again. And there will be those who try to do just that, lowering interest rates to throw paper at their \$1.5 trillion problem. It won't work. It would be much more sensible to accept the inevitable, that the whole usurious and speculative mess ought to be written off, and the credit system reorganized to make possible the necessary investment in productive capacity that will be required, if the United States and the world are to survive.

FIGURE 1  
**Undistributed profits\* of non-financial corporations as a percentage of net interest**



\* Undistributed profits are profits after taxes and dividends have been deducted. They are effectively retained earnings.

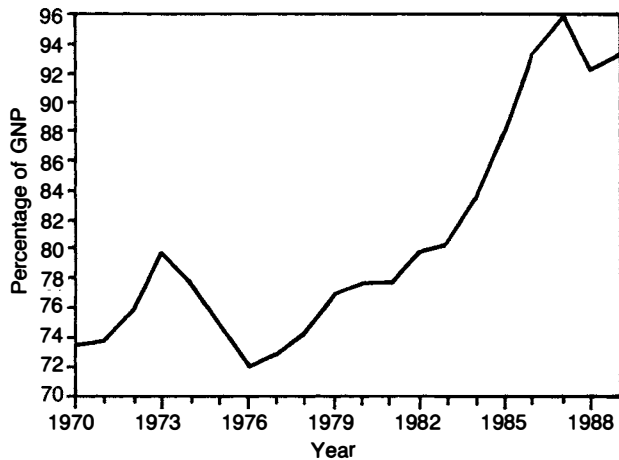
TABLE 1  
**Business debt**  
(billions \$)

| Year  | Financial business debt |          |       | Non-bank financial business debt | Total business debt |
|-------|-------------------------|----------|-------|----------------------------------|---------------------|
|       | Commercial banking      | Non-bank | Total |                                  |                     |
| 1973  | 23.1                    | 100.4    | 123.5 | 960.1                            | 1,083.6             |
| 1978  | 63.2                    | 160.7    | 223.9 | 1,447.9                          | 1,671.8             |
| 1982  | 130.8                   | 238.7    | 369.5 | 2,157.2                          | 2,526.7             |
| 1987  | 186.8                   | 631.2    | 818.0 | 3,517.6                          | 4,335.6             |
| 1988  | 169.5                   | 752.4    | 921.9 | 3,792.6                          | 4,714.5             |
| 1989* | 188.2                   | 799.6    | 987.8 | 3,859.8                          | 4,847.6             |

\* First quarter.

FIGURE 2

**U.S. business debt as a percentage of Gross National Product**



**A \$20.5 trillion bubble**

The growth of business debt is shown in **Table 1**. Column 3 of the table plots the growth of non-financial corporations' debt. This includes farms, corporations, and partnerships. This debt was \$670.3 billion in 1970, and rose to \$1,662.6 billion (\$1.6626 trillion) in 1979. Between 1979 and 1989 it increased 2.3 times to \$3.8598 trillion, with \$1.7 trillion of that increment coming between 1982 and the first quarter of 1989. Columns 2 and 5 show the levels of indebtedness of commercial banks and of non-bank financial companies, such as S&Ls, savings banks, and insurance companies. This number does not include the liabilities of the banks and S&Ls (i.e., the deposits of their depositors), but only the debt they contracted on the open market—and not even all the debt, because it doesn't include certain short-term IOUs, such as very short-term commercial paper.

Two-thirds of the debt of financial corporations was incurred since 1982.

The total debt of non-financial and financial U.S. businesses stood at a staggering \$4.8476 trillion by the end of the first quarter of 1989, which means that American business, which often has endorsed the bloodthirsty calls of the International Monetary Fund (IMF) for more austerity against the Third World, has at least double the combined total internal and external debt of all 100-plus developing sector nations.

The cash squeeze of paying interest is illustrated in **Figure 1**. This plots undistributed profits (what amounts to retained earnings) against *net* interest payments. Retained earnings are what are left of corporate profits after 1) taxes have been paid, and 2) dividends have been paid to stockholders. Note that the actual level of retained earnings shrank dramatically during the 1980s, starting in 1982. One of the major

TABLE 2

**Federal, state, and local government debt**

(billions \$)

| Year  | U.S. government | Federal agencies | State and local governments | Combined government debt |
|-------|-----------------|------------------|-----------------------------|--------------------------|
| 1973  | 478.3           | 77.9             | 193.3                       | 749.5                    |
| 1978  | 801.5           | 181.7            | 260.5                       | 1,243.7                  |
| 1982  | 1,229.3         | 383.9            | 323.7                       | 1,936.9                  |
| 1987  | 2,430.8         | 1,025.0          | 554.2                       | 4,010.0                  |
| 1988  | 2,690.0         | 1,161.1          | 589.1                       | 4,440.2                  |
| 1989* | 2,824.0         | 1,204.0          | 595.2                       | 4,623.2                  |

\*First quarter.

reasons was that corporations were paying out more of after-tax profits to dividends and retaining less as retained earnings, in order to attempt to keep up even a 3-4% yield to stockholders on stocks whose face value had greatly inflated during the artificial run-up of stock prices after 1982. For example, in 1980 corporations divided their after-tax profits thus: \$69.3 billion in retained earnings and \$45.5 billion in dividends to stockholders; in 1987, they had \$27.4 billion in retained earnings and gave out \$83.8 billion in dividends—a reversal of the proportion in 1980.

*Net interest payments* are the total amount of interest a corporation must pay out, minus the total amount of interest it took in. Figure 1 shows that retained earnings of non-financial corporations are now about 25% of interest payments. By comparison, in the 1970s retained earnings were 140% of net interest payments, and in the 1960s were 250%.

Likewise, **Figure 2** shows that total business debt now equals over 90% of GNP, whereas in 1980, such debt equaled only 75% of GNP.

**Table 2** examines government debt. Column 2 is the important column, since it shows the total U.S. government debt outstanding, both in public hands and held by the U.S. government or its dependents. One thing is for certain: The Reagan-Bush Revolution, which had vowed to lower the budget deficit and bring about a balanced budget in 1983 and then a surplus thereafter, achieved the precise opposite. By destroying the physical economy, the Reagan-Bush team threw the budget wildly out of whack, destroyed the physical economy, ravaging the tax base, increasing the expenditure for unemployment benefits, food stamps, etc., and swelling the interest on the public debt. By adding \$1.7698 trillion to the U.S. Treasury debt outstanding, between 1981 and the first quarter of 1989, this team nearly *tripled* the existing debt outstanding that it had taken the U.S. 200 years to build up between 1787 and 1981.

The growth of the debt of U.S. federally sponsored agencies and mortgage pools is shown in column 3 of Table 2. This increase represents almost entirely the growth of the issuance of debt paper by housing-related agencies such as the Ginnie Mae, Fannie Mae, and so forth. The government

TABLE 3

**U.S. public and private debt**

(billions \$)

| Year  | Household | Business | Government | Total    |
|-------|-----------|----------|------------|----------|
| 1973  | 666.8     | 1,083.6  | 749.5      | 2,499.9  |
| 1978  | 1,159.3   | 1,671.8  | 1,243.7    | 4,074.8  |
| 1982  | 1,655.8   | 2,526.7  | 1,936.9    | 6,119.4  |
| 1987  | 2,924.6   | 4,335.6  | 4,010.0    | 11,270.2 |
| 1988  | 3,177.1   | 4,714.5  | 4,440.2    | 12,331.8 |
| 1989* | 3,236.2   | 4,847.6  | 4,632.2    | 12,716.0 |

\* First quarter.

assumed a good part of the risk for the housing sector, in the form of loan guarantees, etc. for the housing sector. That is, the Reagan-Bush "get big government off our backs" team used the off-budget powers of the United States to prop up the foundering real estate sector, especially during the past four years. Quite apart from everything else, when the \$2 trillion-plus housing sector goes, that alone could pull down the U.S. government, which is understood to stand behind Ginnie Mae and Fannie Mae paper, whereas 10 years ago that would not have happened.

**Table 3** sums up this whole process, adding household debt (largely \$2.1 trillion for housing and \$680 billion for consumer installment debt in 1989) to business and government debt of all levels, including state and local government. The sobering picture that emerges, is that by the end of the first quarter of 1989, the United States had total debt of \$12.716 trillion.

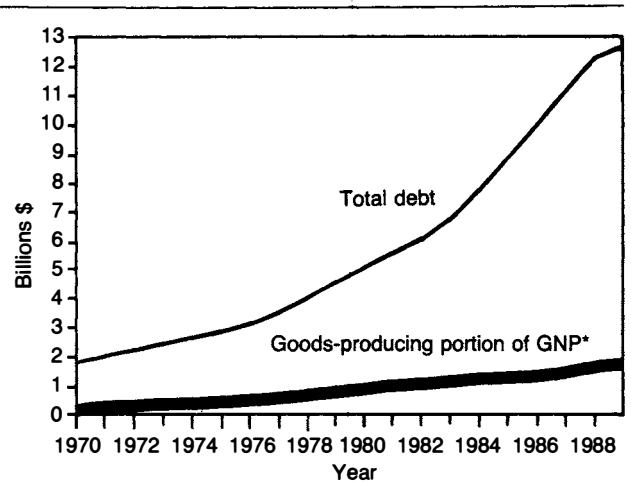
**How the debt grew**

Three phases of debt growth emerge. Between 1970 and 1976, debt growth averaged between \$100 and \$300 billion per year; between 1976 and 1982, it averaged about \$500 billion per year; between 1982 and the present, it has averaged approximately \$1 trillion increment per year.

This debt, which towers above that of any other nation, or any group of nations, cannot be assessed abstractly, but only in comparison to real processes. Two tests are valid. First, compare the debt service to the real physical goods output of the United States (**Figure 3**). The average maturity of the debt is seven years, which means that one-seventh of it, or \$1.714 trillion, must be amortized each year; the interest on the debt, at roughly 10%, is \$1.25 trillion. Total principal and interest debt service is \$2.954 trillion. That portion of Gross National Product that originates in real goods production is estimated at \$1.943 trillion. That is, *debt service exceeds the physical goods production portion of the U.S. GNP by \$1 trillion.*

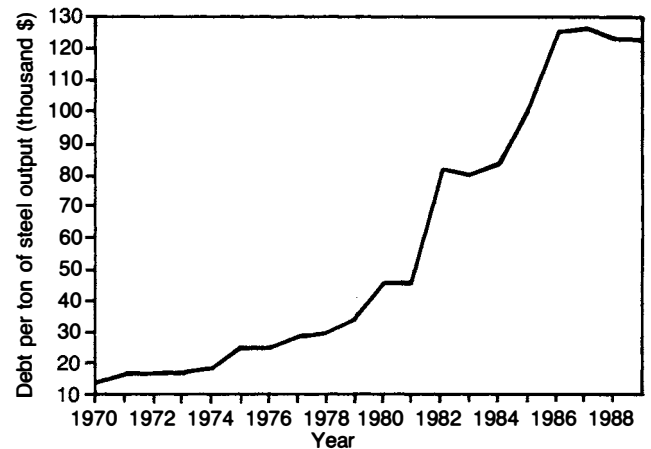
The second method is to compare debt per ton of steel and per household. The steel comparison appears in **Figure 4**; that for households appears in **Table 4**. Although 1989 data are not available, it is a rough estimate that each individ-

FIGURE 3

**Total U.S. debt compared with total goods produced**

\* EIR estimates.

FIGURE 4

**Total debt in U.S. per ton of steel output**

ual household is currently burdened with an average of above \$140,000 of debt; in other words, each individual—man, woman and child—in the United States is carrying about \$90,000 worth of debt, almost four times average annual earnings.

Any way one looks at it, the debt far exceeds any capacity to service it. The United States cannot carry this debt, or even half its level, and survive. All that the last 12 years represent—the Carter-Trilateral Commission policy and its continuation under Reagan-Bush—is a massive papering over of the financial system and a paper increase of GNP. In the

first quarter of 1989, real goods production, estimated at an annualized \$1.943 trillion, even considering the dubious nature of some of the output included in this category, represents only 38% of stated GNP of \$5.1131 trillion.

On top of this debt bubble, there is, however, a second level of bubble, as shown in **Table 5**. When the \$12.716 trillion of American indebtedness is added to this \$7.780

overhang, the total bubble of debt and speculative markets is valued at \$20.496 trillion.

### Trigger-point #1: off-balance sheet liabilities

Off-balance sheet liabilities include such items as standby letters of credit, forward commitments, futures and forwards, interest rate swaps, and foreign exchange contracts. They are mostly guarantees, or, in fact, unofficial insurance policies for forward commitments, which the bank never expects to have any problems with, but for which it earns a fee that goes right into its profits.

**Table 6** summarizes our findings. Citicorp of New York, America's biggest bank, has \$203.7 billion in assets. Since, in the bookkeeping of banking, assets must equal liabilities, Citicorp has \$203.7 billion in liabilities. But Citicorp also has \$659 billion in off-balance sheet liabilities, or "contingencies," as they are sometimes called. Thus, Citicorp has on- and off-balance sheet liabilities of \$862.7 billion, balanced against only \$203.7 billion in assets—i.e., the bank's liabilities are 4.2 times greater than its assets. If only a portion of these liabilities explodes, Citicorp is cooked.

According to its most recent annual report, Citicorp's total stockholders' equity is currently \$8.8 billion. Were a crisis to strike, Citicorp could cover only 1% of its total liabilities out of the resources of stockholders' equity. How safe could one feel with money in Citicorp?

As for the other giant U.S. banks listed in **Table 6**, the Morgan-founded and controlled Bankers Trust takes the cake, with on- and off-balance sheet liabilities nearly seven times assets. A sharp fall in a currency, sharp movements in interest rates, the demand of a company to exercise a credit line with a bank that may realize the borrowing company is not in

TABLE 4  
**Total U.S. public and private debt, per household**

| Year | Total debt (billion \$) | Number of households (millions) | Debt per household (\$) |
|------|-------------------------|---------------------------------|-------------------------|
| 1970 | 1,845.1                 | 63.4                            | 29,103                  |
| 1975 | 2,895.6                 | 71.1                            | 40,726                  |
| 1980 | 5,098.0                 | 80.8                            | 63,094                  |
| 1983 | 6,825.0                 | 83.9                            | 81,347                  |
| 1984 | 7,785.4                 | 85.4                            | 91,164                  |
| 1985 | 8,946.9                 | 86.8                            | 103,075                 |
| 1986 | 10,205.9                | 88.5                            | 115,321                 |
| 1987 | 11,270.2                | 89.5                            | 125,924                 |
| 1988 | 12,716.0                | 90.6                            | 140,353                 |

TABLE 5  
**Other liabilities of U.S. firms**  
(trillions \$)

|   |              |
|---|--------------|
| American Bank off-balance sheet liabilities | 2.812        |
| American bank portion of Euro-dollar market | 0.895        |
| Commodity, option and other markets         | 0.500        |
| American stock markets and mutual funds     | 3.573        |
| <b>Total</b>                                | <b>7.780</b> |

TABLE 6  
**Off-balance sheet liabilities of selected U.S. banks**

| Bank                  | Assets (billions \$) | Off-balance sheet "contingencies" liabilities (billions \$) | Ratio of on- and off-balance sheet liabilities to assets |
|-----------------------|----------------------|---|--|
| Citicorp              | 203.7                | 659.0   | 4.2  |
| Chase Manhattan       | 99.1                 | 308.4   | 4.1  |
| Bank of America       | 92.8                 | 209.4   | 3.3  |
| Chemical Bank         | 82.1                 | 365.8   | 5.5  |
| J.P. Morgan           | 75.4                 | 209.4   | 3.8  |
| Security Pacific      | 72.8                 | 133.9   | 2.8  |
| Manufacturers Hanover | 70.4                 | 219.1   | 4.1  |
| First Interstate      | 58.8                 | 73.4  | 2.2  |
| Bankers Trust         | 56.5                 | 334.5   | 6.9  |
| First Chicago         | 45.1                 | 158.0   | 4.5  |
| Wells Fargo           | 44.1                 | 29.4  | 1.7  |
| Bank of Boston        | 34.1                 | 41.1  | 2.2  |
| Mellon                | 30.7                 | 38.1  | 2.2  |

Source: Salomon Brothers report, "The Status of Global Risk-Based Bank Capital Adequacy Guidelines," June 1988.



TABLE 7

**Growth of junk bonds, mergers and acquisitions, and Dow Jones Industrial Average**

| Year | High-yield junk bonds               |                          | Mergers and acquisitions |                     | Dow Jones Industrial Average (30 stocks) |
|------|-------------------------------------|--------------------------|--------------------------|---------------------|--|
|      | Par value outstanding (millions \$) | New issues (billions \$) | Number of transactions   | Value (millions \$) |  |
| 1975 | 7,720                               |                          | 961                      | n.a.                | 802.8                                    |
| 1979 | 10,675                              |                          | 1,526                    | 34,177              | 844.4                                    |
| 1980 | 15,126                              |                          | 1,565                    | 33,057              | 891.4                                    |
| 1981 | 17,362                              |                          | 2,326                    | 66,957              | 932.9                                    |
| 1982 | 18,536                              | 2.8                      | 2,295                    | 60,382              | 884.4                                    |
| 1987 | 136,952                             | 31.5                     | 3,950                    | 177,900             | 2276                                     |
| 1988 |                                     |                          | 3,687                    | 231,600             | 2061                                     |
| 1989 |                                     |                          | 1,607*                   | 94,500*             | 2271 **                                  |

\* Through June 15, 1989.

\*\* Estimate.

sound shape, but must lend the money because it has already collected a fee for the promise of a line of credit—these are the possible scenarios which could puncture \$2.812 trillion of off-balance sheet liabilities on the books of America's 20 largest banks, which have not one cent of reserves behind them.

Since the banks have lent to many high-risk areas on the books—real estate and leveraged buy-outs—the possibility of the banks experiencing even a fraction of the volatility and risk off the books as they experience with on-the-books loans, would doom them, even were their capital base three times as large as it is now.

## Trigger-point #2: Junk bonds and acquisition market

This market is a "criminal enterprise"—not the individuals working in the market, not even individual firms, but the market itself is a criminal enterprise. Anyone entering the market who looks at the ground rules for a few minutes, will say to themselves, "I get it: You can do anything you want in this market!" What else can one say about a market where it is perfectly legal and within the rules to take over a company in which the interest cost on the debt incurred on the takeover will immediately exceed the revenue stream of the acquired company which must pay the interest cost?

The total size of the "junk bond" market is reportedly \$210 billion. In the average takeover, junk bonds comprise, usually, only one-fifth the financing package for the takeover as a whole. The other four-fifths of the takeover financing package are made up of either: 1) internally generated funds of the company making the takeover; 2) bank borrowings; 3) the funds of partnerships started up for the purpose of the takeover (in which banks also participate); 4) the floating of regular- or investment-grade bonds (as opposed to the below investment-grade junk bonds); or 5) drug money, conduited in various ways. If this is true—and to the best that can be determined, it is—then the \$210 billion junk bonds outstand-

ing represent but one-fifth of the total amount of takeovers that they generated and helped cement, valued at \$1 trillion. Thus, for every \$1 of junk bonds, \$4 has been spent on takeovers. If so, then the collapse of the junk bond market brings down \$1 trillion worth of deals.

The total value of all stocks and mutual funds in the United States is \$3.5 trillion; the \$1 trillion figure is thus about one-quarter of the total valuation of all stocks. Therefore, if the junk bond market becomes unglued, it pulls down larger deals, whose valuation represents one-quarter of all stock values in the United States. This would bring down the stock market for certain, and given the shape the commercial banks are in, the largest of those as well.

The signs that this is about to happen are ubiquitous. As mentioned above, on June 15, Integrated Resources, a "financial supermarket" company, headed by one Arthur Goldberg, defaulted on \$955 million in short-term bonds, most of them junk. But the press, probably following instructions, treated it as a minor occurrence. It wasn't. Drexel Burnham, the firm's sponsor, rushed in with \$30 million to keep Integrated Resources' doors open. The liquidity had dried up around the edges of the market; no one would heed Integrated's distress signals, and Drexel, which already had a bundle riding on the company, had to rush in with even more.

There are other distress warning signs about the imminent bust of the junk bond market, including the way the leading makers of the market have been trying to unload its stock on unsuspecting grandmas and grandpas.

But let us pass to the broader market for a second. A leveraged buy-out (LBO) is simply a merger or acquisition which is financed heavily, or wholly, with borrowed funds. The borrowed funds can be wholly or in part, mostly in part, "junk bonds." Junk bonds are below investment grade, high coupon rate bonds, rated BB or below on the Standard and Poor's rating system.

Below investment grade debt has existed for years, but mostly these were bonds which had been downgraded from

originally higher ratings. But it was in approximately 1977 that the idea of original-issue junk bonds, i.e., issuing the bond below investment grade at the start, mostly for the purpose of a takeover, was conceived. The idea did not really catch on until 1982, when it took off with a vengeance.

Table 7 shows the par value outstanding of high-yield, below investment grade bonds. While figures are not supplied for 1988 or 1989, one report states that the par value outstanding is now up to \$210 billion. Column 3 shows for selective years the amount of new below investment grade bonds issued. The new issued figure cannot be simply added to the outstanding figure, because there are constant redemptions, exchanges, and so forth going on. In 1982, there were \$18.536 billion of below investment grade junk bonds outstanding. The market has grown by one order of magnitude in less than seven years.

Column 5 of Table 7 is the value of mergers and acquisitions. Since 1984, up through June of this year, mergers and acquisitions have cumulatively totaled \$981 billion. This is a gigantic figure. One author who writes about this field reported that each year, one in five of all publicly traded companies is involved in a merger or acquisition, either as a bidder or as a target. Column 6 of Table 7 shows the value of the Dow Jones Industrial (30 stock) Average. This is the average for the year of the 12 monthly averages. Cause and effect is clearly demonstrated: In 1982, the market was in the doldrums. Reagan was suffering through an economic depression. The Dow index averaged 884 for the year, but at one point it was as low as 750.

Then the administration pushes through the deregulation of the markets; off-balance sheet liabilities are permitted; the off-budget U.S. government agency and mortgage pool lending is cranked up to revive a housing market that was at historical lows in 1982; and junk bond-driven mergers and acquisition are turned loose to bull the Dow Jones. Price earnings ratios go from twelve to one up to twenty or twenty-five to one on paper, and much higher in reality, when the thin source of corporate earnings is considered.

At the same time as Integrated Resources defaulted in June, other signs pointed to serious strains and possible dissolution of chunks of the market. Drexel Burnham snookered a number of people into investing in its "unit trusts." Unit trusts are like mutual funds; but whereas when one invests in mutual funds, one is investing in the competence of the fund manager to buy and sell stocks at the best price for the fund, a "unit trust" has a fixed number of stocks or bonds which never vary. Drexel decided to unload some of the junk bonds of its debt-strapped companies into a unit trust it calls High Income Trust Securities funds or HITS. The HITS unit trust owns junk bonds of: 1) Resorts International, 2) Meshulam Riklis's Rapid American Corp., 3) John Blair Co., controlled by Saul Steinberg, and 4) Scovill Corp., now controlled by the Vancouver-based Belzbergs. Now that Resorts has announced that it is bankrupt, while several of the other com-

panies are close to bankruptcy, the people who invested in the trust have taken heavy losses. The story made the *Wall Street Journal* in July.

A recent Harvard University study on original issue high-yield bonds rips to shreds the widely believed lie that high-yield bonds are safe. One such pack of lies was put out by the Alliance for Capital Access, the junk bond lobbying group. They hired the consulting firm Data Resources, Inc. to do a study on the relative stability of junk bonds even under depression scenarios. The DRI study, replete with page after page of econometric graphs, purports to show that only about 2-5% of junk bonds have defaulted, and that this is all that is ever likely to do so, or maybe only a few percentage points beyond this. The Harvard study shows that the methodology of DRI, Morgan Stanley, and the U.S. government is to say how many of the junk bonds issued in 1977 defaulted in 1977, how many of those issued in 1978 defaulted in 1978, and so on. But it does not ask how many of those bonds issued in 1977 defaulted later on, in 1978, 1979, or any subsequent year. That such a simple question was not asked, is beyond comprehension.

The Harvard study showed that for a buy-and-hold investor, who bought junk bonds issued in 1977 and 1978, 34% of those bonds would have now been in default. Another quarter of all such bonds would have been called in by now. And, driven by their own insanity, the issuers of junk are testing how much lower quality junk they can get away with: In 1977, 43% of all junk bonds issued had at least a BB rating, and only 1% had a CCC rating or lower. But now the proportion has shifted: Only 13% are grade BB, while 17.7% are CCC or below.

The crisis is nearing a *denouement*. Campeau Corp.,

TABLE 8  
New housing starts, new home prices, and off-budget U.S. government housing-related credit

| Year  | New housing starts (millions) | Median new home price (\$) | Off-budget housing agency and mortgage pool housing-related credit (billions \$) |
|-------|-------------------------------|----------------------------|--|
| 1980  | 1.31                          | 65,000                     | 226.6  |
| 1981  | 1.10                          | 69,000                     | 262.9  |
| 1982  | 1.07                          | 69,000                     | 323.6  |
| 1983  | 1.71                          | 75,000                     | 392.3  |
| 1984  | 1.76                          | 80,000                     | 464.5  |
| 1985  | 1.75                          | 84,000                     | 572.4  |
| 1986  | 1.81                          | 92,000                     | 785.8  |
| 1987  | 1.64                          | 105,000                    | 966.2  |
| 1988  | 1.48                          | 113,000                    | 1,085.8  |
| 1989* | 1.51                          | 119,000                    | 1,126.0  |

\* First quarter.



*First Texas, one of the hundreds of Texas savings and loan banks to go under this year, was sold and converted into a commercial bank.*

which made a multibillion-dollar bid to buy Federated Department stores a few years back, still can't come up with interest payments, nor sell off its divisions. Or take the RJ Reynolds buy-out of Nabisco, worth \$25 billion, the largest in history. The interest charges on the buy-out are \$2.5 to \$2.8 billion, which is larger than Nabisco's entire revenue flow. But the asset stripping which is part and parcel of a takeover, in order to have cash to pay down one's debt, has not worked out as well for RJR Nabisco. There have been many food company takeovers in recent years, including last year's takeover of Kraft. Many companies are desperately trying to sell food units into the market in order to raise cash, but they aren't finding buyers at the price they need.

### **Trigger-point #3: off-budget U.S. agencies and mortgage pools**

A fundamental shift in housing policy was carried out under the Reagan administration. The United States shifted from funding, through private and public sources, approximately 2 million new housing unit starts per year in the 1970s, at a price per home that bore at least some connection to reality, to instead funding only 1.3 to 1.5 million unit starts per year, but at a much higher price. Thus, the same or even a higher total volume of mortgages now supports far fewer units, but at much higher prices. The Department of Housing and Urban Development has virtually dropped out of the new home-building business. Whereas HUD helped construct about 150,000 units per year, mostly of multi-dwelling housing in inner cities, last year it helped finance only 25,000 units.

But as the savings and loan banks increasingly got into trouble on old loans, HUD and Wall Street didn't want to think about that, but only wanted to concentrate on the new \$250,000-and-up starting price homes that it was bringing

onto the market. So, it decided to funnel money at the problem.

These agencies are now experiencing difficulties. **Table 8** shows the number of new housing units, the median price of a home, and the explosive growth of off-budget U.S. government agency (Ginnie Mae) or quasi-agency (Fannie Mae) paper. This off-budget financing is not all housing related; some of it is connected to agriculture and rural electrification programs and student loans. But the lion's share of it is housing related. Only that portion of off-budget debt which is housing related appears in Table 8. Remember, these agencies compete directly with the U.S. Treasury, and are issuing almost the same amount of instruments of indebtedness as the Treasury does each year.

Now, at the point when the Japanese and other nations refuse to buy any more U.S. Treasury paper, they certainly won't be buying new, or rolling over old Ginnie Maes and Fannie Maes, either. What happens then to the housing structure? But the problem is also transmitted from the other end: If the prices of homes soften significantly—as they have been doing and will continue to do—then that will rock Ginnie Mae and Fannie Mae and attack the government from a quarter that it is least prepared to handle.

Any short-term liquidity squeeze, which puts pressure on over-leveraged corporate treasuries, or which causes even a 7-10% default on bank off-balance sheet liabilities, or which causes off-budget government-backed housing-related paper to not be able to go to market or to experience a shakeout; any further chain reaction collapse of LBOs, any sharp price drop in the dollar, and the Crash of 1989 thunders upon the shores of the United States and the world—the dollar is still the world's reserve currency. Such is the emerging profile of the crash that could erupt this October, as a result of the accumulated debt of the financial system.

## Moscow role in Palme hit may rock New Yalta deal

by Göeran Haglund

The Soviet Union under *glasnost* champion Mikhail Gorbachov had foreknowledge of, and probably itself instigated, the 1986 assassination of Sweden's Premier Olof Palme. This is the conclusion drawn by officers of the Swedish Security Police (SÄPO), on the basis of taped transcripts resulting from night-and-day bugging of the private apartment of a Soviet "diplomat" and intelligence officer stationed in Stockholm.

In a four-page exposé published Aug. 24, Sweden's largest-circulation daily, the liberal tabloid *Expressen*, under the front-page headline, "The Soviets Knew That Palme Would Be Murdered," blew crucial elements of the plot. Although the Swedish cabinet is doing its best to cover up the truth, the political implications of any Soviet authorship of the murder of a Western head of government can hardly be exaggerated.

Particularly at a moment when the first cracks are already visible in the carefully cultivated facade of a more "civilized" Russia under Gorbachov, mere complicity in a political murder of a Western statesman portends an early end to Gorbachov's credibility—and to that of Gorbachov's condominium partners in the West.

The revelation of Soviet involvement in the murder of Palme is the culmination of years of intelligence warfare, submarine incursions, and related incidents which have strained relations between Sweden and the Soviet Union. In Sweden, a dividing line has been drawn between those who are willing to appease Moscow at all cost, and those who maintain a sense of national integrity.

But the significance of this extraordinary story goes further. The Soviet-instigated assassination of Palme was itself transformed, through one of the most astonishing international disinformation campaigns ever launched, into a *character assassination* of Lyndon H. LaRouche, Jr. Within hours after Palme was shot, Soviet officials, Irwin Suall of the Anti-

Defamation League of B'nai B'rith, and a host of media scribblers around the world rushed to pin blame for the assassination on Swedish associates of LaRouche—despite the lack of any evidence whatsoever. The charge was used to manufacture the sobriquet that has since become almost universal in media coverage: "political extremist Lyndon LaRouche." It also provided the phony "national security" underpinning for the U.S. Justice Department to accelerate its political prosecution of LaRouche, which was getting seriously under way during the same month that Palme was killed. When two associates of LaRouche won the Illinois Democratic Party primary just weeks after Palme's death, the disinformation campaign escalated with renewed fury.

### SÄPO's evidence

In its efforts to pin down Soviet spying on Swedish military secrets, SÄPO has been carefully monitoring the activity of Soviet embassy officials. In particular, the private apartment of one Soviet diplomat, some say the first secretary of the embassy, others say a third secretary and vice consul, was electronically surveilled by SÄPO between 1985 and 1987, with technical assistance from the CIA. The diplomat proved to be a very security conscious agent, who used to turn up the volume of his radio or TV set to obstruct any eavesdropping. It was only sometimes when talking to his wife in the bedroom, that the diplomat's caution was dropped.

According to the SÄPO interpreter who translated the tapes from the bugging, the circumstances and the intonation of some of the diplomat's words to his wife, proved that the Soviets not only had foreknowledge of Palme's murder, but that they were also the authors of the murder. According to some of the interpreter's superiors, lacking knowledge of Russian, the translator was reading too much meaning into the transcript, which did prove, they argued, Soviet fore-

knowledge, but not necessarily authorship of the murder.

The evidence from the tape recordings, in the evaluation of SÄPO, was combined with corroborating evidence, such as the strong increase in radio communications of the Soviet embassy in Stockholm, both immediately before and after the murder, as monitored and reported by the Radio Institute of the Armed Forces (FRA).

It is not known precisely when the transcript was made available to exactly whom in the hierarchy of SÄPO, other police, and government officials. What is known is that the hunt for Palme's murderer, from the first hour on, under the overall direction of then Stockholm Chief of Police Hans Holmér, was so flawed by bungling, mishaps, and sheer incompetence so as to seriously cast in doubt whether the actual killer was ever wanted at all.

### A three-year coverup

Conventional wisdom dictates that whoever seeks to wipe out the tracks of a criminal, or is caught knowingly planting false tracks, is also complicit in the crime. Thus, any serious investigation would have had to look into the Soviet role. This was also the vantage point of a meticulously documented special report issued in October 1986 by *Executive Intelligence Review*, under the title, "A classical KGB disinformation campaign: Who killed Olof Palme?"

According to media accounts, the transcript from the bugging of the Soviet diplomat was not made available to the group allegedly looking for Palme's murderer until early 1988, after which then-Justice Minister Anna-Greta Leijon was briefed. A "scared" Leijon forwarded the information to the foreign minister and the defense minister, "as it involved Sweden's relations to a foreign power," but the cabinet decided to do everything to prevent the story from ever reaching the public. Leijon was briefed, not through normal channels available to a justice minister, but by the bizarre figure of Ebbe Carlsson, a Social Democratic intelligence insider and intimate of Holmér, who in effect, on a private basis, had continued the work of Holmér after Holmér was dismissed in the spring of 1987.

### The Ebbe Carlsson affair

Although without any official capacity or assignment, Ebbe Carlsson, a former press secretary of the Justice Ministry, had the full backing of the Social Democratic regime in working informally with some SÄPO officials, accessing classified information, in alleged pursuit of the so-called PKK track: the possible involvement of the terrorist Kurdish Workers Party in killing Palme. Ebbe Carlsson is an executive of the large publishing house of the Bonniers, the most prominent Jewish family in Sweden—and, incidentally, the owners of *Expressen*.

Ebbe Carlsson's private intelligence operation blew up in a scandal on June 1, 1988, in which connection one of Holmér's former bodyguards, now a bodyguard for Ebbe Carlsson, was caught in a customs check attempting to smuggle

very sophisticated illegal bugging technology into Sweden on Carlsson's behalf. Both Carlsson and several of his collaborators within SÄPO face trials for illegal bugging in the context of the Palme investigation, trials which are scheduled to begin within weeks.

On April 10, 1989, the government called the chairmen of the three non-socialist opposition parties to a meeting with the prosecutor in charge of investigating the illegal bugging. The prosecutor outlined how one part of the illegal bugging he was investigating had been conducted by the Russian Bureau within SÄPO's counterespionage division, targeting in particular the Soviet diplomat whose statements were of significance to the Palme murder. The line imposed by the government, and all too willingly accepted by its so-called political opposition, was that the SÄPO bugging of the Soviet diplomat, if ever made known, represented an acute threat to Sweden's relations to Moscow, and that therefore a conspiracy of silence had to be agreed upon.

In effect, the government and the opposition agreed that SÄPO's bugging of a Soviet diplomat, in violation of the Vienna Convention protecting the integrity of diplomats, was a greater embarrassment than the fact that the diplomat said things which revealed Soviet foreknowledge of the murder of Palme! So much for the concern to find Palme's killer.

Indeed, as the story was blown Aug. 24, the real scandal, if you believe the Swedish press, was not that the Soviets had a role in killing Palme, nor that the Swedish government has known this since at least March of 1988 without moving a finger, but—you guessed it—that SÄPO found out about it by "illegally" bugging a Soviet spy masquerading as a diplomat!

Of course, it is rather unfair to charge the Swedish government with "not moving a finger" regarding the murder of Palme; on the contrary, the determination with which a political conviction was pushed through during this summer against notorious criminal, alcoholic, and drug addict Christer Pettersson, bears testimony to the commitment of the government to try to close the Palme case once and for all with the proverbial hanging of a "lone assassin."

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## Documentation

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### KGB disinformation about the murder of Palme

The following are samples of the mass of evidence of KGB disinformation, with Western complicity, after Palme's murder:

**Feb. 28, 1986:** Palme gunned down in a street in Stockholm after leaving a cinema with his wife Lisbet.

**March 1, 1986:** Soviet Central Committee member

*Continued on page 38.*

# 50 years after WWII: a world in crisis

The non-aggression pact between Nazi Germany and the Soviet Union was signed on Aug. 23, 1939, and the Nazis invaded Poland on Sept. 1, 1939. Today, 50 years later, Moscow is preparing for war, as Marshal Ogarkov indicated in a June statement (see page 42). Yet some in the Bush administration seem to be contemplating a new kind of Hitler-Stalin Pact. The crisis spots are throughout the globe:

**1. Panama:** President Bush has refused to recognize the new provisional government announced on Sept. 1, and the country is bracing itself for a U.S. invasion which, if it occurs, will ring the death-knell of Colombia's war on drugs by equating it with "Yankee imperialism."

**2. Argentina:** The new President, Carlos Menem, is under U.S. pressure to break up the military as the precondition for economic aid, while Soviet assets are preparing to unleash terrorist war in the context of acute economic breakdown.

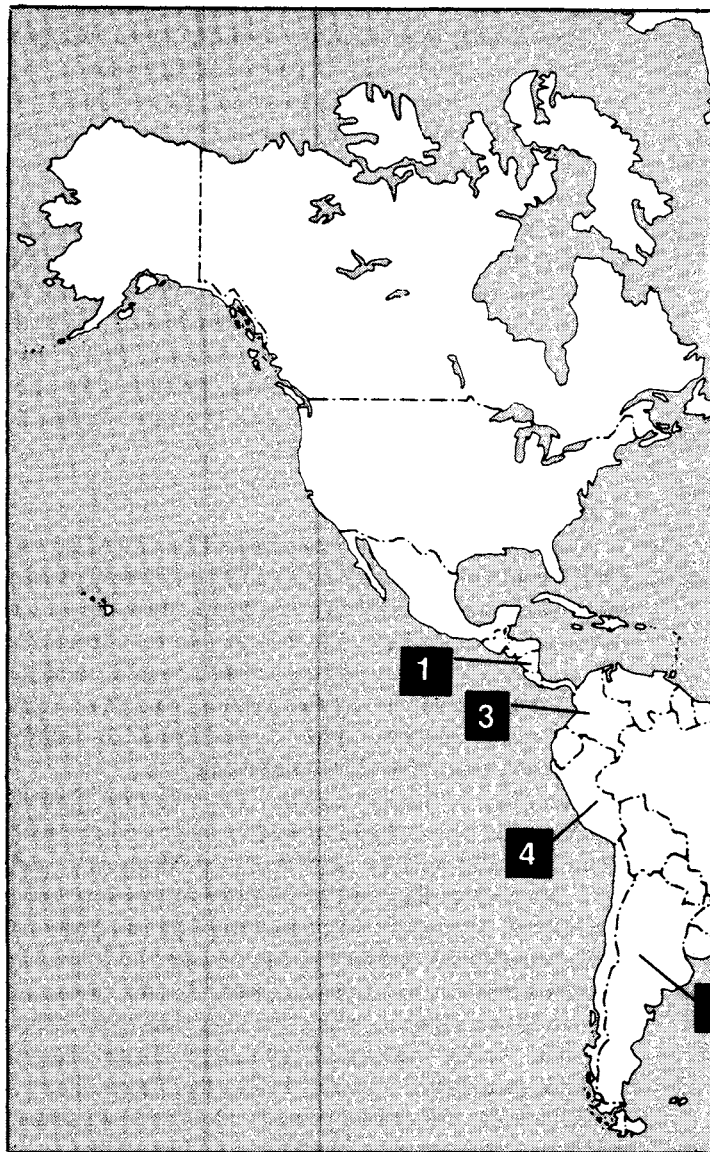
**3. Colombia:** President Virgilio Barco declared the country at war with the drug traffickers on Aug. 25. The first U.S. technical aid, promised by President Bush, has arrived, but the Communists and U.S. Establishment back "dialogue" with drug-trafficking enemies of the nation.

**4. Peru:** Major parts of the country are without authorities after Shining Path and other narco-terrorists have assassinated government and police officials, in a nine-year war which has left 15,000 dead and continues unabated at present.

**5. Sweden:** The Soviets are putting heavy pressure on the Swedish government to "clarify" (i.e., retract) press revelations that the Soviets knew in advance of the 1986 assassination of Prime Minister Olof Palme. As of Sept. 1, Prime Minister Ingvar Carlsson was standing up to the Soviet threats.

**6. Baltic Republics:** The Aug. 26 Moscow Central Committee statement, subsequently endorsed by Gorbachov, threatened the extermination of the peoples of Estonia, Latvia, and Lithuania, should they continue to demand the abrogation of the Hitler-Stalin Pact that let Stalin annex them to the Soviet Union.

**7. Poland:** The new Solidarnosc-led government inaugurated on Aug. 24 requires Western investment to undertake its economic reconstruction. But it appears that the United States is sacrificing Poland in order to subsidize the survival of Gorbachov.

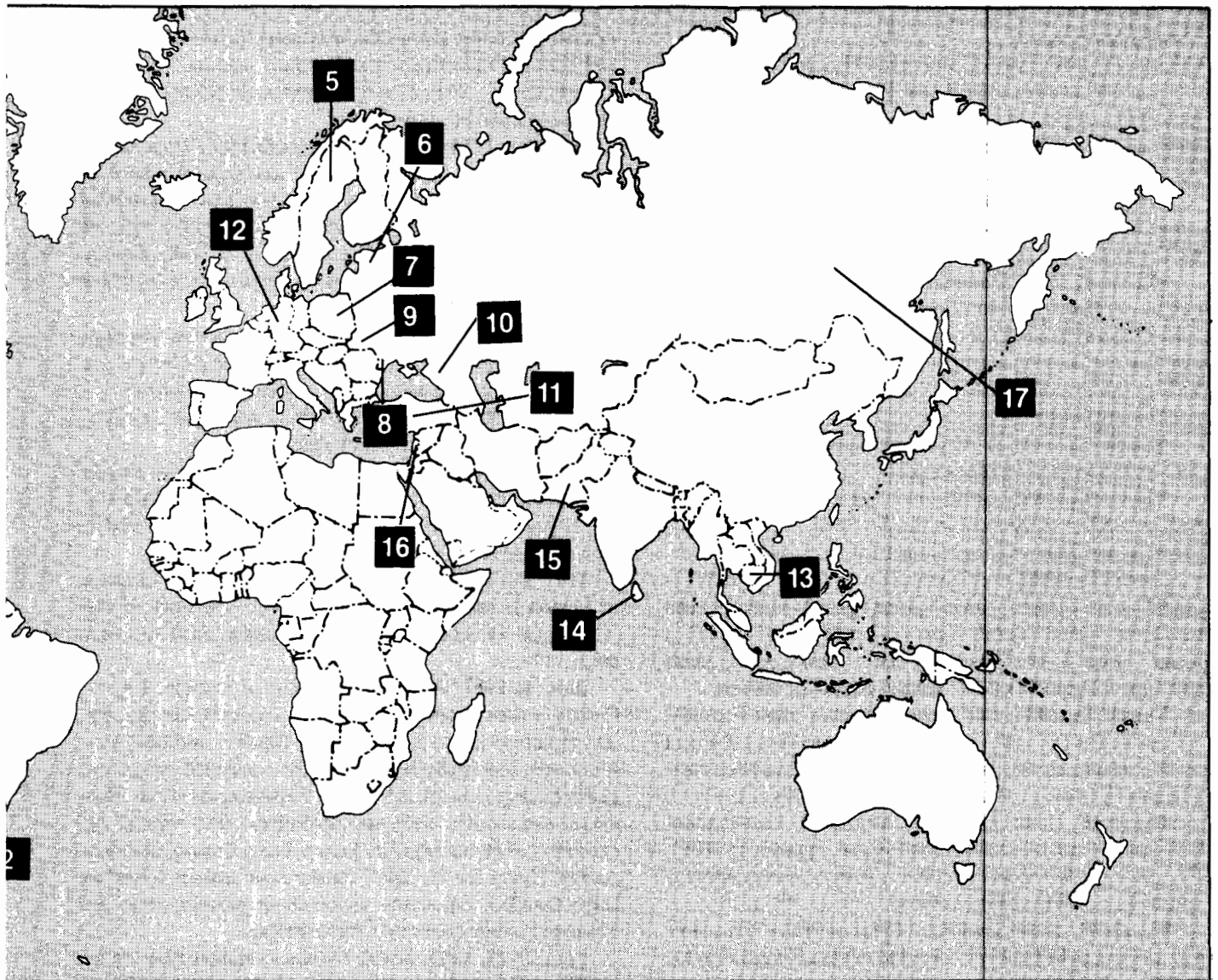


**8. Moldavia:** In this republic of the U.S.S.R. bordering Romania, ethnic Moldavians are pitted against Moscow-backed ethnic Russians in a struggle over a proposal to replace Russian with Moldavian as the official language. On Aug. 31, 100,000 Russians were on strike, rejecting even a potential compromise on the issue.

**9. Ukraine:** In the biggest of the captive nations, 40,000 people recently demonstrated in Lvov for freedom for the Roman Catholic-allied Uniate Church, and people were beaten in Kiev for demonstrating on Black Ribbon Day, Aug. 23.

**10. Transcaucasus:** Ethnic unrest continues between the republics of Azerbaijan and Armenia; in Baku, 600,000 people demonstrated in August.

**11. Turkey-Bulgaria:** Bulgaria has expelled



310,000 ethnic Turks over the border into Turkey, to punish their resistance to being “Bulgarianized” and to put pressure on NATO member Turkey. Turkey has been forced to close its borders, unable to handle the influx.

**12. Germany (East and West):** The number of fleeing refugees from the Communist-ruled German Democratic Republic this year has reached 150,000, with 20-30,000 seeking to leave through Hungary.

**13. Cambodia:** With the breakdown of the Paris talks Aug. 30, the region is now bracing for civil war between the P.R.C.-backed Khmer Rouge and the Vietnamese-backed Hun Sen regime in Phnom Penh.

**14. Sri Lanka:** The government of Sri Lanka, already under intense IMF pressure, is under terrorist blackmail from the North Korean-tied Sinhalese chauvinist JVP,

which is building for a coup against President Premadasa.

**15. Pakistan:** Pressure is building up for a potential coup against Prime Minister Benazir Bhutto, which could unleash war throughout the region.

**16. Lebanon:** The United States is supporting the fascist dictator of Syria, Hafez Assad, a Soviet puppet, who is planning a new “Warsaw Ghetto” extermination against the Christians of Beirut.

**17. People’s Republic of China:** Beijing continues to push drugs into the United States, making a profit of about \$70 billion a year. Exiled leaders of the democracy movement estimate 120,000 arrests since the Tiananmen Square massacre of June 4, and report systematic torture and numerous secret executions by the Deng regime, to which the Bush administration is still committed.

*Continued from page 35.*

Georgii Arbatov, chief of Moscow's U.S.A.-Canada Institute and co-founder of the Palme Commission on Disarmament, tells the press: "I do not know who killed Palme, but I know all too well who hated him. . . . I saw demonstrations against him by fascist hooligans."

**March 2, 1986:** *Pravda* and *Izvestia* claim that "right-wing circles" and "Western circles," respectively, are behind the Palme murder.

**March 3, 1986:** Danish *Ekstra Bladet* journalist Paul Gazan, writing from Stockholm's *Expressen* offices, is the first Western journalist to quote Swedish "police sources" that they are "looking intensely at right-wing extremist groups such as the Swedish neo-Nazis and the so-called European Labor Party (ELP)."

**March 12, 1986:** A 32-year-old man, Viktor Gunnarsson, is arrested as a murder suspect.

**March 14, 1986:** Danish tabloid *BT* writes that Gunnarsson, according to sources in the Swedish Security Police (SÄPO), has been working for the ELP.

**March 16, 1986:** London *Observer* writes, "Police hunting Palme's assassin are investigating a possible link between the killing and an extreme right-wing political group known as the European Workers Party" (sic). World media picks story up on alleged ELP-LaRouche links to the suspect.

**March 18, 1986:** LaRouche associates Mark Fairchild and Janice Hart win Illinois primary. Reuters runs statement by ELP chairman Michael Ericson, "There have been clear attempts by Moscow to lay the murder at our door."

**March 18, 1986:** Irwin Suall, head of the Fact-Finding Division of the Anti-Defamation League, appears on NBC-TV, saying it is conceivable that a person associated with LaRouche might have killed Palme.

**March 19, 1986:** Stockholm Chief of Police Hans Holmér announces he has been forced to release Gunnarsson for lack of evidence.

**March 19, 1986:** French senior journalist Jean Grandmougin writes syndicated column, picked up by regional *L'Est Eclair*, "But Who Killed Olof Palme?" Grandmougin writes of a 1985 incident where Swedish security police picked up Polish "art students" in Sweden mapping military targets. "The hypothesis has been raised that they were special commandos of the Soviet *spetsnaz* type. It is no longer a secret that submarines have regularly violated Swedish territorial waters. . . . Perhaps these are indications of the frame of the investigation into the murder of Olof Palme."

**March 21, 1986:** Soviet TV news *Vremya* airs attack on the ELP, deploring that the suspect was released only because "police and judicial organs operate within the framework of Swedish laws."

**March 23, 1986:** *Izvestia* laments release of Gunnarsson because of a "police blunder."

**April 11, 1986:** Arbatov told the American Society of Newspaper Editors in Washington, D.C.: "LaRouche is a

fascist." He refers to the Illinois primary victory of Fairchild and Hart as "reflecting a certain trend," adding, "It is very disturbing. . . . This is an event which should not be overlooked, it could be very serious."

**May 16, 1986:** Swedish Foreign Ministry Undersecretary Pierre Schori tells an American journalist that he is in favor of the press attacks on the ELP for links with murder suspect Gunnarsson. Schori admitted raising the issue of LaRouche's role in the Palme murder in his talks directly with Soviet officials, as well as in discussions with Henry Kissinger.

**Sept. 15, 1986:** Soviet weekly *New Times* runs five-page attack on LaRouche entitled, "Nazis without Swastikas," a title taken from ADL stringer Dennis King's pamphlet.

**Oct. 6, 1986:** FBI sends 400 armed men to the Leesburg headquarters of LaRouche-affiliated publications.

**Dec. 12, 1986:** Soviet Red Army paper *Krasnaya Zvezda* reports that "documents in which all details are reported about the circumstances of Palme's murder," were found by FBI in the Leesburg raid.

**Dec. 16, 1986:** U.S. Attorney in Boston John Markham in Boston is reportedly behind the NBC-TV story on the "LaRouche connection" to the Palme murder, cited by Soviet press.

**Jan. 4, 1987:** A British journalist in Sweden, Roy S. Carson, writes an article implicating Anders Hjelm, Bulgarian organized crime figure Roman Goutev, and one Alex Balmages, reportedly head of a KGB-controlled emigré organized crime network in Sweden. Carson reported that "Balmages and Goutev were the 'executives' who ordered the execution of Prime Minister Palme, using Trotsky dissident Anders Hjelm for the kill." Carson soon after is forced to leave Sweden, reportedly under direct pressure from the Swedish Foreign Ministry's Pierre Schori.

**Jan. 27-28, 1987:** Soviet TV airs 55-minute film, "Why Did They Kill Olof Palme?" accusing LaRouche and the ELP of involvement in the murder.

**March 1, 1987:** Richard Reeves in the *New York Times Magazine* writes that Palme's murder is related to his role in the Iran-Iraq war negotiations and illegal arms shipments to Iran. "The truth about the murder?" writes Reeves: "'Most of the people in the government don't want it,' said a Swedish official familiar with cabinet discussions." Reeves mentions Palme's extramarital affair with SIPRI member and daughter of Lord Victor Rothschild Emma Rothschild.

**March 6, 1987:** Swedish TV airs Soviet film, "Why Did They Kill Olof Palme?"

**April 13, 1987:** Three Swedish police investigators go to the U.S. to "investigate ELP connections" to the Palme murder. They meet with U.S. Attorneys involved in the "Get LaRouche" task force in Washington, D.C. and Boston.

**April 23, 1987:** NBC-TV reports that of all documents seized in the Leesburg raid, 45 documents deal with the Palme murder, and had been turned over to Swedish police.



# Helga Zepp-LaRouche addresses Brazil lawmakers on her husband's case

Helga Zepp-LaRouche, the founder of the Schiller Institute and chairman of the West German political party "Patriots for Germany," on Aug. 30 addressed a group of Brazilian parliamentarians on the case of her husband, U.S. political prisoner Lyndon H. LaRouche, Jr.

Mrs. LaRouche was invited to speak in Brasilia before members of the Nationalist Parliamentary Front, a group of Brazilian senators and national representatives, many of whom signed a statement demanding freedom and justice for LaRouche last April. Since the statement, which appeared as an advertisement in the leading U.S. press, generated significant controversy, including calls from U.S. government representatives to certain parliamentarians, the parliamentarians asked Mrs. LaRouche to address them on the cause of the uproar.

The ad, which appeared in the *Washington Post* April 28 and the *New York Times* May 12, contained the signatures of more than 100 Ibero-American parliamentarians, including 72 from Brazil. The signers expressed "the hope that the Democratic politician, Lyndon H. LaRouche, known for his defense of national sovereignty of the nations of Latin America, for his fight against drug trafficking, and in favor of the creation of a new international economic order to eliminate the International Monetary Fund's unjust policies, may immediately regain his freedom, as an expression of the justice which must characterize the government of the United States, and in observance of the principles and human rights consecrated in that nation's Constitution."

## Fight against usury hailed

Mrs. LaRouche was welcomed by Deputy Irajá Rodrigues, who is the first secretary of the Nationalist Parliamentary Front. Deputy Rodrigues noted that "the Nationalist Parliamentary Front has 139 members, with the view of preserving the entirety of the Brazilian nation against any process of colonization, above all from the new one called the foreign debt. Therefore, we would like Mrs. Helga LaRouche to transmit to the deputies a real view of the problems suffered by LaRouche, in view of the political pressure to which he is being subjected, due to his political convictions, and, above all, because of his positions with regard to the foreign debt.

"We are grateful for the opportunity given us by your visit to Brazil," Rodrigues continued, "and we want you to feel at home, so that you can know you can count on

friends. . . . And we know that you and your movement are in the fight against the international system of usury."

## Danger of fascism in the U.S.

Mrs. LaRouche then addressed the deputies present on the psychological warfare operations, the financial warfare, and the political and judicial persecution carried out against LaRouche and his movement from 1986 onward. She began with the international KGB-CIA disinformation campaign, which declared that LaRouche was implicated in the assassination of Swedish Prime Minister Olof Palme in February 1986. Just three days ago, she stressed, it was finally confirmed that the Soviets themselves were implicated in the Palme murder.

Mrs. LaRouche then reviewed the massive military raid carried out in Leesburg, Virginia in October 1986, an event which occurred only days before the Reykjavik summit between Reagan and Gorbachov, at which LaRouche's opposition to the U.S.-Soviet condominium was discussed.

The next phase Mrs. LaRouche described was the Boston trial, and the difficulties that posed for the "Get LaRouche" task force, which led the trial to end in a mistrial on May 4, 1988. It was then followed, she said, by the super-quick trial in Alexandria, Virginia, that found LaRouche and six associates guilty in a matter of weeks. She then described the current conditions of LaRouche (who will turn 67 in September) in jail, where he is made to do kitchen labor seven hours a day.

When the parliamentarians asked why LaRouche had no recourse to get out on bail, or to appeal to a higher court, Mrs. LaRouche described the destruction of the U.S. judicial system. This destruction through corruption, has led more than 400 lawyers to sign a mass *amicus curiae* brief for LaRouche's appeal, she said. And whether this appeal is successful or not, will determine whether the United States goes fascist.

The discussion also included mention by the deputies of the pressures which the U.S. State Department had put on the Brazilian deputies who signed the ad in favor of LaRouche. This scandalous action demonstrated to them without a doubt that the persecution of LaRouche was political, not juridical. One deputy noted that it should be possible to unleash a worldwide scandal against this action in the United States, the "system that is trying to physically and morally break Mr. LaRouche."

# Gorbachov drops 'peace-loving' mask as the Baltic crisis explodes

by Konstantin George and Luba George

A series of rapid-fire events in and around Latvia, Lithuania, and Estonia in the Soviet-occupied Baltic region has forced the leadership of the Soviet Union to entirely drop its "peace-loving" mask and to mobilize all Russians to be prepared to crush the growing anti-Bolshevik movement in these Captive Nations—if not by threats, then by sheer military force.

"Every sign is that they are preparing for war," said congressional candidate Lyndon LaRouche in a statement issued Aug. 31. "They are still talking about exterminating entire peoples, such as the people of the Baltic nations. They haven't done it yet, but they're talking in those directions. . . . We're not in a period of peace with Moscow."

The immediate trigger for Moscow's dire warning, which came in the form of a statement from the Central Committee of the Soviet Communist Party issued Aug. 26, was the Aug. 23 commemoration of the 50th anniversary of the Hitler-Stalin Pact, when 2 million citizens of Estonia, Latvia, and Lithuania staged the largest anti-Soviet demonstration ever held against Bolshevik rule. The demonstration took the form of a "human chain" extending some 600 kilometers, from the far north of Estonia to the south of Lithuania, demanding the end of the illegal 1940 Soviet annexation of these republics, and the restoration of national independence, to be decided by referendums to be held in each nation this October.

Three days later the Central Committee issued its declaration, which was read in full over Soviet television to maximize its impact. In the most vitriolic language imaginable, the Central Committee condemned the Baltic demonstrations, the Baltic "Popular Fronts" and other groups which organized them, and the Baltic Communist Party leaderships. The tone was very similar to the warnings given to the protesters in Tiananmen Square just before the tanks were ordered to roll.

All wishful thinking and speculation in the Western media that it was not Soviet Communist Party General Secretary Mikhail Gorbachov, but the so-called "conservatives" such as Yegor Ligachov, who had drafted the warning, was punctured when on Aug. 29 Soviet Foreign Ministry spokesman Gennadi I. Gerasimov disclosed that the statement "was worked out with the participation of all members of the Politburo—and this includes the General Secretary of the Communist Party."

## Vitriolic language

The Central Committee declaration denounced the Aug. 23 mass demonstrations in the Baltic as having the goal "to incite the people of the Baltic republics to leave the Soviet Union," as part of a plot by Baltic groups who are "in contact with foreign-based organizations and centers." It attacked the Baltic party leaders for having failed "to contain the process," while "some party committees" had even begun "to play up nationalist sentiments."

"Attempts were made to fan emotions to a point of nationalist hysteria. Slogans foisted upon thousands of people were filled to the brim with animosity toward the Soviet system, the Russian people, the Communist Party, and the Soviet Army."

Other passages carried the thinly veiled threat of treason trials and death sentences for Baltic nationalists: "Organizations sprang up which resemble political formations of the bourgeois period and the time of the Nazi occupation. . . . Moral terror was used against all those who remained faithful to internationalism and to the ideas of the unity of the Soviet Union."

Furthermore, "The situation which has arisen . . . is giving rise to ever greater alarm. The turn events are taking there is harming the vital interests of the entire Soviet people, the whole of the socialist Fatherland. . . . A serious danger is threatening the fate of the Baltic peoples. The people must know the nature of the abyss into which they are being pushed by the nationalist leaders. The consequences for the [Baltic] peoples could be disastrous if the nationalists should succeed in reaching their goals. *Their very existence could end up in question.*"

This is not the language of a "peace-loving" nation; it is the language of genocide.

## Only the beginning

The new reality was perhaps best expressed by one Estonian Popular Front leader: "We thought Stalin was dead. We were wrong." But the Baltic nationalist leaders are certainly not naive about the dangers they now face. Mark Tamrak, chief editor of the Estonian Popular Front newspaper, told Western journalists on Aug. 27: "This criticism has been escalating since the beginning of August. It was all obviously

preparatory to this announcement. We are not going to react with any kind of demonstrations or mass meetings.” That would only give Moscow an opportunity to move in—as they have done in so many instances since the beginning of this year.

Mr. Landbergis, leader of the Lithuanian nationalist Sąjūdis movement, said straightforwardly that the resolution prepares the basis for intervention with troops into the Baltic. “Maybe they feel they must lie to people in Russia, so they will be prepared if powers in Moscow undertake the use of force. They want to make at least part of the Russians believe it is necessary.” There are currently over 300,000 Soviet troops in the Baltic region.

That threat became explicit on Aug. 28, when Estonian ideology chief and number-two man in the Estonian Communist Party, Mikk Titma, declared on Estonian television, “If needed, we can be forced to use violence against the extremists.” His warning was later aired on Finnish television.

Meanwhile, the Soviet leadership began to prepare its Russian population for war against the Balts. Beginning on Aug. 28, and continuing throughout the week, “factory meetings” were called throughout the U.S.S.R. to “discuss the Central Committee declaration,” and to “condemn separatism” in the Baltic republics and elsewhere. By Aug. 29, a deluge of “spontaneous letters” from “outraged workers” and Soviet citizens flooded the Soviet press and electronic media, “condemning separatism” and “anti-Soviet nationalism.” For instance, 320 Russian speakers, writing from Lithuania to the daily *Sovetskaya Rossiya*, called on Soviet authorities to “defend” them. “There are open calls for bloodshed. We ask the Soviet government to take measures against the provocative and destabilizing situation, and deliberate inflammation of discord between the nations,” the letter said.

### **Whipping up Great Russian frenzy**

Since early August, the Soviet leadership has put its propaganda organs on a pro-Great Russian binge, with daily denunciations of the “anti-Russian” goals of movements in the non-Russian republics. It began when the Soviet media openly supported the political strike wave launched in Estonia by the Russian chauvinist organization Interfront, as a justified answer to an Estonian electoral law that allegedly violated the civil rights of Estonia’s large Russian minority.

Further south, on Aug. 22, the Interfront in the Moldavian republic, which borders on Romania, began a similar political strike wave by the Russian workforce, to protest a language law, set for passage Aug. 29 by Moldavia’s parliament, that would make Romanian the official language. As in the Estonian case, the Soviet media praised the Russian strikes, waiting for a pretext to deliver an ultimatum to the Romanian Moldavians.

That opportunity came Aug. 27, when a huge crowd of

300,000 in Moldavia’s capital, Kishinev, protested the anniversary of Moldavia’s (i.e., Bessarabia’s) annexation by the U.S.S.R. in 1940, following the Hitler-Stalin Pact. The Soviet daily *Pravda* on Aug. 28 called the demonstrators victims of a “long-term, powerful brainwashing,” who, obsessed with “chauvinism and separatism,” were striving “to make their way to power.” Slogans such as “No to the Russian language!” and “Russians, go home!” showed that activists were able “to impose anti-Russian sentiments, separatist sentiments on the population.” The Moldavian party and government leadership were accused of failing to rebuff this, and of “allowing nationalism to flourish.”

Still more explicitly, Moscow gave the Moldavian parliament an ultimatum that if it voted for the new language law as scheduled, Moscow would view this as “a vote for separatism.”

### **Isolating Poland**

The Central Committee statement also reflected one prong of a Soviet strategy to isolate Poland’s new, non-Communist Solidarnosc government from all potential support within the East bloc. It was timed with the Aug. 26 arrival in Warsaw of Soviet KGB head Vladimir Kryuchkov, and the announcement that same day in Hungary, that the promised “free elections” there will be moved up from June 1990 to sometime earlier in the year—i.e., before the Hungarian opposition can effectively mount a campaign. The Hungarian regime and Moscow are evidently seeking to avoid the “errors” committed in Poland, by ensuring continued Communist control over the next “democratically” elected regime.

The coming crackdown in the Baltic is foreshadowed by the ongoing brutal suppression in the Ukraine, the largest of the 14 non-Russian Soviet republics, where on Aug. 23 support rallies for the Baltic peoples were broken up by heavy police intervention.

Taking a look at the map of Eastern Europe, it is obvious that the Baltic and the Ukraine are the two key regions of the Soviet Union bordering on Poland. The existence of a Solidarnosc regime in Poland therefore makes it imperative for Moscow to act now and smash resistance in the Baltic and the Ukraine, so as to complete a Warsaw Pact *cordon sanitaire* consisting of those countries along with the Quisling regimes of East Germany and Czechoslovakia.

The crackdown is also being extended to deal with new eruptions in the Transcaucasus, which will escalate in conjunction with the general strike in Azerbaijan, set to start Sept. 2. On Aug. 29 Soviet Interior Minister Vadim Bakatin announced that more “special troops” of the Interior Ministry had been dispatched “to keep order” in the two Transcaucasian republics of Armenia and Azerbaijan, after a new flare-up between Armenians and Azerbaijanis in Karabakh. Bakatin warned of “an unconstitutional alternative structure of power” in Nagorno-Karabakh.

# Ogarkov on how to fight the 'next war'

by Konstantin George

Marshal of the Soviet Union Nikolai Ogarkov, the foremost Soviet military figure of the past 12 years, confirmed in an interview published in early June that the Soviet military High Command is presently, as during 1939-41, engaged in planning how to fight and win the "next war."

Ogarkov, 71, retired to join the "Group of Inspectors" in April, after seven and a half years as chief of the General Staff and four years as Western Theater commander-in-chief. He is the author of the Soviet war plan of the 1980s, and developed the plan for a military-industrial reorganization of the economy which Mikhail Gorbachov later adopted and called *perestroika*.

The interview was published in issue No. 11 of the Soviet military bi-monthly journal *Kommunist Vooruzhennikh Sil* (*Communist of the Armed Forces*). Articles and interviews by Ogarkov are extremely rare, his last published writing having been in 1985.

Though never covered in the Western media, the extraordinary piece did not escape the attention of those experts who have no illusions concerning Moscow's policies. A senior U.K. source termed the interview "perhaps the most important Soviet development in the public domain this year," since it reveals plainly "that there is a crucial debate raging in the Soviet leadership, not on *whether*, but *how* to fight the next war . . . and regardless of other differences, the Soviet leadership does have a consensus that 1989 is comparable to 1939. . . . Ogarkov had one message to get out . . . that there is a debate underway on how to fight the next war, a debate that Ogarkov and his allies feel they cannot afford to lose."

## 'Mistakes of the past'

Ogarkov declared in the interview that the crucial mistake of the 1939-41 period, both pre-war and during the critical opening phase of what Moscow calls the Great Patriotic War, was the "mistake" of those commanders who prepared to fight the "next war" like past wars. This same problem, he said, "can be observed among us to a certain degree even now."

The short interview—about one page—centered on the theme of the Soviet military errors that were made during the 1939-41 pre-war period by the *political* leadership, which caused the catastrophic defeats in the opening phase of the war with Nazi Germany. These errors included Stalin's massive purge of the military command, as well as devastating

mistakes in strategy and tactics.

With these few words, Ogarkov disclosed that:

1) The Soviet military command, now, as during 1939-41, is in the midst of working out a concrete plan on how to fight the "next war."

2) There is, now, as during 1939-41, a debate raging in the Soviet political-military leadership on this question, and no agreement has yet been reached.

Ogarkov's statements confirm what *EIR* and its Special Report series, "Global Showdown Update," have been warning for many years, uniquely among Western media. At the same time, they expose the idiocy of the Bush administration appeasement of Gorbachov and global condominium arrangements with the Soviet Union.

Ogarkov praised the development by the Soviet High Command during the 1930s, of the theory of the "deep operation," and the formation of combined arms tank and mechanized corps, acting in conjunction with airborne forces to carry out the offensive military doctrine. He stressed that a "great mistake" was made when these tank and mechanized corps were dissolved in 1939.

He attributed the mistakes to "the mass repressions of military cadres" that had occurred in the late 1930s. This was the first time that Ogarkov had brought up this theme in writing. It was a clear reference to the 1939-41 disaster that developed because of the execution of strategist Marshal M.N. Tukhachevsky, author of the "theory of the offensive"; his demise led to the imposition of military insanities by an incompetent military coterie around Stalin, centered on Defense Minister Marshal K. Y. Voroshilov.

It was on order of Stalin, acting under Voroshilov's advice, that the tank and mechanized corps were abolished, and the Soviet General Staff's War Plan overruled. The General Staff had envisaged a dual-purpose, defensive-counteroffensive concentration of troops and fortified points along what were the Soviet western borders before the signing of the Hitler-Stalin Pact, with only thin covering forces along the new borders. This would have eliminated any vulnerability to encirclement and annihilation for the Soviet counteroffensive troop concentrations, should Nazi Germany strike first.

Another major blunder of 1939-41, relevant to any pre-war period, was the politically caused failure of Soviet industry to retool in time and produce in sufficient numbers the newest, most modern tanks and aircraft, and to integrate them into the armed forces before war began. While this theme as such did not appear in the Ogarkov interview, the theme of ridding the Soviet armed forces of obsolete equipment, and incorporating the latest technology at the fastest rate possible, has been a central focus of his past writings.

Ogarkov's direct comparison of the current situation to that of 1939-41, provides the West solid and alarming proof that Moscow has decided it is now in a pre-war operations countdown—a countdown to be counted in months, or a few years at the very most.

# Colombian war on drugs: Communists, U.S. liberal press take mafia's side

by Valerie Rush

Colombia's military war against the drug cartel, declared by President Virgilio Barco on Aug. 25, continues unabated, with new raids, new arrests, and new confiscations taking place in the cities of Barranquilla, Santa Marta, Cali, Pasto, and in the departments of Meta and Arauca. Houses, airplanes, yachts, motorcycles, cars, weapons and munitions caches, communications equipment, and drugs have been seized, and clandestine airstrips discovered and destroyed, as the multibillion-dollar infrastructure of Colombia's criminal world is slowly dismantled.

Government forces used documents seized in one raid to track down one of the Medellín Cartel's computerized financial centers, in the very heart of Bogotá. Located in a luxurious seventh-floor suite of the building of the Savings and Housing Corporation (Davivienda), the cartel's "Coordinadora Comercial Limitada" possessed seven computers and an auditing and accounting department to keep track of 65 business enterprises created by Gonzalo Rodríguez Gacha, one of the Medellín Cartel's five chieftains, for managing his properties, which range from apartment buildings to ranches to Colombia's leading soccer team, the Millionaires. Gacha's office is under military occupation, as accounting experts begin to follow the paper trail which could reveal many of the "citizens above suspicion" who protect Colombia's drug trade.

The cartel has escalated terrorism in retaliation. After a first bombing spree in the city of Medellín was countered with imposition of a strict 10 p.m.-6 a.m. curfew, the traffickers announced they would strike in broad daylight, and choose civilian targets. Dynamite attacks were carried out against banks, liquor stores, travel agencies, and factories, followed by a rocket attack on a government oil storage facility, a grenade assault on a prestigious social club, a 33-pound dynamite bombing of a downtown Medellín street, and so on. Death threats against judges, journalists, government officials, and others continue to pour in.

## Dialogue and legalization

Although the Colombian people are standing firm behind the government's anti-drug efforts, quite a few politicians have begun to display the cowardice and corruption which

enabled the cocaine cartel to get a stranglehold. The arguments being advanced against the military war against the drug mafia come in many stripes, but all center around 1) the need to "dialogue" with the traffickers and 2) the need to legalize drugs.

The dialogue option was first publicly raised by the Medellín Cartel itself, through Fabio Ochoa, father of three of the cartel leaders. The elder Ochoa, an obese horse breeder whose clients include heads of state, sent an open letter to President Barco urging an amnesty for his sons in exchange for "a clean slate." From his hiding place, Gacha Rodríguez reportedly offered to give up his properties (already seized!) and to stop trafficking drugs in exchange for calling off the war.

Cartel czar Pablo Escobar, however, showed the iron fist inside the velvet glove. In an interview with the French daily *Libération*, Escobar reportedly stated: "We will leave all the confiscated properties and airplanes with the State. Our only desire is to be integrated into society, into legal society, but it is the government that doesn't want this. . . . If war must be waged, we will wage it until the end. . . . There will be deaths and more deaths. I will give the orders. Journalists and judges will pay."

Prominent Colombians have openly called on the government to seek a negotiated solution with the mob. Medellín mayor Juan Gómez Martínez, a former newspaper editor who narrowly escaped a mafia assassination just before his election, sent the President an open letter insisting that the road to peace in Colombia was dialogue with both guerrillas and drug traffickers. Gómez stopped just short of advocating drug legalization.

Chamber of Deputies president Norberto Morales Ballesteros argued that one must dialogue with even one's worst enemies. "I never close the door because I believe the country belongs to all Colombians." Calling the cocaine kings "Colombians" really goes to the heart of the fight. It was the mafia murder of presidential candidate Luis Carlos Galán on Aug. 18 that finally provoked the Colombian government into action after years of retreat; Galán's son had stated at his father's burial the enemy was not Colombian, but a criminal multinational.

Ernesto Samper Pizano, a long-standing advocate of drug

legalization and himself a contender for the Liberal Party presidential nomination, called for a national referendum on whether to dialogue with the drug traffickers, arguing that “if the government doesn’t have sufficient means to pursue the fight, this shouldn’t continue.” Instead of declaring war on the drug mafia, Samper is more interested in targeting Galán’s successor, candidate César Gaviria Trujillo, with whom Samper claims to have “diverging ideologies.”

The daily *El Espectador*, mouthpiece for the country’s committed anti-drug forces, editorialized Aug. 30 in response: “Dialogue is between counterposed ideologies in search of practical affinities and political solutions. It cannot be extended, and such extension would be a capitulation of the State, to crime and criminals.” A second editorial commentary, by the son of *El Espectador*’s murdered director, Guillermo Cano, argued that the drug traffickers, like the guerrillas, are “common criminals” and that the government therefore “has the duty to capture, pursue, judge and sentence. . . .” Cano went further, to insist that just as dialogue is morally and legally impossible with the mafia, so too is any kind of “commercial, professional, or social relations” with them.

The legalization argument goes hand-in-glove with the dialogue proposal. Since a military war on drugs “is doomed to failure,” according to legalization advocates like journalists Jorge Child and Antonio Caballero, a political accommodation with the mafia is necessary. That arrangement would leave the drug trade in the hands of the state, which could then impose price controls and a “controlled and educational legalization of its consumption and derivatives,” writes Child.

### Project Democracy intervenes

Colombian opponents to an all-out military war against the drug mafia are playing out a scenario orchestrated by the “Project Democracy” forces in the U.S., the grouping sometimes called the secret or invisible government, which became notorious in the Iran-Contra scandal. Project Democracy’s assets and cothinkers have consistently argued that Ibero-American militaries are inherently corrupt and therefore cannot fight an anti-drug war. The solution, according to the 1986 annual report of the bankers’ club called the Inter-American Dialogue, is “selective legalization of drugs.” One of the Dialogue’s vice-chairmen is Rodrigo Botero Montoya, the finance minister under ex-President Alfonso López Michelsen, who helped legalize drug money laundering.

Such mouthpieces of Project Democracy as the *New York Times*, the *Washington Post*, and the *Washington Times*, have devoted most of their coverage of the Colombia crisis to the alleged “unwinnability” of a military war on drugs, while playing up Ochoa’s dialogue offer. Writes the *New York Times* on Aug. 27, “Some Colombian as well as American experts on Latin America have raised doubts about the potential effectiveness of an essentially military campaign against drug traffickers.”

These newspapers use the arguments of Colombian Communist Party leaders, without identifying them as such. For example, the *Washington Times* of Aug. 28 interviews Antonio Suárez, leader of Colombia’s national judges’ union, who attacks the government’s anti-drug decrees as “increasing the climate of insecurity.” The judges’ union in Colombia is controlled by the Communist Party there.

On Aug. 30, the *Times* cites Clara López Obregón, who counterposes to military repression of the drug cartels her demand that the government “purge its own ranks—both the government and the military—of those who have been corrupted by the drug barons.” López is identified by the *Times* as a former Bogotá city council member and political activist. They neglect to note that she is an active Communist and the niece of former President and mafia ally Alfonso López Michelsen. López’s dirty relations to the mob are also covered up by the *New York Times*, which reports that secret talks with the drug mafia had been attempted in Colombia back in 1984, but never mentions that it was López who had met with the mob and had tried to sell the Betancur government on an amnesty for the traffickers.

The *Washington Post* interviews “labor leader” Gustavo Osorio, who suggests the murder of Galán was carried out by the military-allied “extreme right,” and not the drug traffickers, in order to “impede the democratic changes the country so urgently needs.” Osorio happens to be an executive member of the Colombian Communist Party.

### What next?

Of immediate concern to those prosecuting the anti-drug war in Colombia is how to guarantee that the war will continue and expand. Although the extradition and expropriation measures, the raids, arrests, and confiscations were all decreed by the President as state of siege orders, the Supreme Court in Colombia has ultimate say-so over the constitutionality of the decrees. This is the same Supreme Court which, terrorized by the drug cartels in 1987, overturned the U.S.-Colombia extradition treaty. A public debate has begun on how to prevent a possible Supreme Court nullification of the decrees from halting the war. Suggestions have ranged from holding a nationwide referendum to submitting the measures to Congress as legislation.

The daily *El Espectador* of Aug. 31 argues against a plebiscite, pointing out that by the time it is held the drug traffickers will have won. “Unofficially . . . it is said that the Congress would not dare to give approval to such [anti-drug] laws. They would rule, it is said, out of fear or cowardice, or because of evident links and economic dependence on the owners of ill-gotten monies. . . . We Colombians are at such a point in the war unleashed by the drug trade that it is of utmost and indispensable importance to know which side everyone is on. And in this way the nation could learn who is with it in the fight and who has defected to the other side of the barricades. This is the hour of decision.”

### Pres. Virgilio Barco: 'Colombia is at war'

*What follows is the abridged text of a televised address delivered on Aug. 25 by President Virgilio Barco to the Colombian nation:*

Compatriots: One week after the vile assassination of Luis Carlos Galán, I want to share some words with you. . . . Galán was without doubt one of the most popular, youthful, and charismatic leaders of Colombia. He dedicated his life to public service and to political activity, understood in the best sense of the term. He dignified politics, honored his generation, and served his country with devotion. The truncating of his life has magnified the ideals which he represented.

A criminal act has certainly frustrated a hope. But it has renewed the strength and courage of all of Colombia to confront the enemies of the country. Galán spoke words at the burial of Rodrigo Lara Bonilla, his companion in battle against the drug trade and for the country's renewal, which now with his death take on renewed force. Galán said at that time: "True homage to Rodrigo Lara's memory should be the continuation of his efforts. The fight against the drug trade cannot be pursued as if it were the task of a handful of idealists who die, while the others remain silent out of cowardice, lack of feeling, or complicity."

I want to make Galán's warnings at that time my own: He saw that Colombia, hear me well, is at war. This is not a simple rhetorical expression. Without a doubt, the country is at war against the drug traffickers and the terrorists. It is not only the government's war, but that of every Colombian. As Juan Manuel Galán said before the grave of his father, "The drug traffickers are not Colombian."

This is a fight that we must wage within and beyond our borders, with the cooperation of other countries. The common enemy is an international criminal organization, without country and without law, dedicated to drug trafficking in different parts of the world. Colombia is not the cause of the problem, but its worst victim.

Every drug consumer, in Colombia or abroad, and all those who aid and abet at any of the multiple levels of this business, should remember that they are aiding the assassins of Luis Carlos Galán and of all the others who have refused to capitulate. Silence about crime, and tolerance of the drug traffickers, is complicity, is opening the door to this foreign enemy which seeks to invade society, weaken democracy, corrupt the youth, usurp territory, and impose its regime of

terror and barbarity.

Let it be very clear that every Colombian must be a combatant for morality and for the fatherland.

Colombia wants concrete results. And we have obtained concrete results. Thousands of persons have been arrested, property of the narco-terrorists has been seized, including airplanes, helicopters. . . . Several suspects in the assassination of Luis Carlos Galán were captured. We will find the top leaders and bring them to justice. We are dismantling the support networks of the drug traffickers. Today we have received an offer of \$65 million in U.S. aid. These resources will go for equipment and weapons, indispensable for this fight.

[This is] a crusade which doubtless will produce still more blood, pain, and suffering but from which, I am certain, we will emerge victorious. . . . I say this because I see that the associations, the unions, the universities and the majority of the political forces are also committed to this fight. That is why we are getting concrete results.

There is something that the enemies of Colombia must get clear. I am prepared to do whatever is necessary to finish off that plague and to defend the rights of the millions of Colombians of good will, who wish to live in peace in our democracy. I am planning to speak before the General Assembly of the United Nations, at the end of September, to carry our message to the world community. Because only through concerted international action, and only if the use of narcotics is reduced in the consuming nations, can we definitively win this war.

Every one of us has a role to play, and a responsibility to fulfill in this national crusade. No Colombian can sit it out to await results, nor delegate his responsibility to others. Every one of us has the moral duty to give the authorities information and provide the aid the authorities require. I am inspired by the support that the government's actions have received. This is not a moment for disputes or political maneuvers. It is the hour for national unity. . . .

Let those who have declared war on Colombia take note that the Colombian people has taken on the challenge. Let them know that we will not retreat before any danger. . . . However effective may be their actions, the reaction to them will be greater. But we are ready to suffer adverse situations in a prolonged battle that began many years ago, and that can only end in one way: with the definitive defeat of the drug traffickers, who, with their punishable conduct, seek to destroy Colombia. . . .

The millions of outraged compatriots . . . who accompanied Luis Carlos Galán to his final resting place; the thousands of youth and students who marched to protest drug trafficking. . . . That is a an insurmountable barrier for the enemies of Colombia. . . . For our children, for our families, for Colombia, let us go forward. Solidarity expressed in deeds and actions is unbeatable.

All of us, united for Colombia, shall go onward!

## Gaviria Trujillo: No dialogue with drug traffickers

On Aug. 24, the news director of Caracol television interviewed César Gaviria Trujillo, the presidential candidate of the Galán forces.

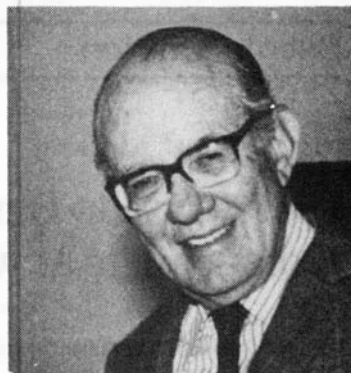
**Q:** What is your position on the issue of public order?

**A:** That violence cannot be tolerated. Regarding the guerrillas, we shouldn't even speak or negotiate with them without getting something in return, without their clear assumption of commitments to peace, to reconciliation, and to reintegration into civilian life. . . . I believe in political solutions and I believe that a society should preserve the possibility of finding political solutions. But an attitude of weakness with the guerrillas . . . is to give the guerrillas political breathing space. . . .

I think the worst error that could be committed in the country is to give the impression that political changes are undertaken here because they are demanded by violent means. I would say it is very important to stay within these principles, and if then the government, at any point, decides to speak with the guerrillas, it is because it has imposed conditions. Because talking with the guerrillas is a concession that civil society grants the guerrillas, and not vice versa. I, for example, have great reservations about those initiatives . . . to hold talks and think about negotiations which are not preceded by certain completely clear conditions on what is sought. The guerrillas should not be given political breathing space in exchange for nothing. That is an error that society is committing. If I were President, I would not commit such an error in any way.

**Q:** Is César Gaviria prepared to back the thesis of dialogue with the drug traffickers?

**A:** I will answer in a general way. In civilized society and in a democracy, there can be no dialogue except with respect to political crimes. Regarding organized crime, common crimes, there can be no dialogue. Because that would be to cheapen the concept of justice. We cannot continue to de-institutionalize justice. And the proposal that anyone who commits a crime, no matter how serious, has the right to evade application of the laws and the Constitution, and instead to establish a political dialogue with the government, is just a way of doing away with the institutions. That is the de-institutionalization of the country. It is to completely shatter the administration of justice along with any grounds for co-existence. . . . The path we must follow is to guarantee that the state has a monopoly on force. The path we must take is to achieve solidarity with the authorities. That the authorities recover respect, acceptance, so that they can fight against criminal activities.



Alfonso López Michelsen:  
He made sure that  
Colombia was "friendly  
terrain" for the drug  
traffickers.

## Cui bono? The case of López Michelsen

by Valerie Rush

The drug mafia's assassination of favored presidential candidate Luis Carlos Galán on Aug. 19 not only sent a bloody warning to Colombia's political classes to submit to the drug cartels "or else." It also boosted the political fortunes of its longstanding political asset and ally, former President Alfonso López Michelsen. Specifically, it helped to clear the decks for Lopez Michelsen's chosen presidential candidate, Liberal Party senator and drug legalization lobbyist Ernesto Samper Pizano.

López's 1974-78 presidency in Colombia oversaw the mushrooming of the drug trade, which quickly supplanted the traditional role of coffee as Colombia's principal export. These were the years of soaring drug consumption inside the United States, given impetus by the pro-drug policies of the Carter administration and by the successful government/army crackdown against drugs in Mexico which spurred traffickers to move their operations to friendlier terrain.

López made sure Colombia was that "friendly terrain" by:

- reforming the Colombian banking and financial system to allow for an orgy of drug-laundering and related speculative operations. By the early 1980s, the *financieras* set up by the López Michelsen reforms provided "a link between the classically conservative Colombian establishment and the subterranean parallel economy, drawing funds from contraband and drug smuggling. They flourish in an atmosphere of high interest rates, lax controls, and feverish speculation." This evaluation, according to the London-based *Latin America Weekly Reports*, July 9, 1982 issue.

- directing then Finance Minister Rodrigo Botero Montoya (currently, a vice chairman of the Inter-American Dia-



logue) to establish a *ventanilla siniestra* (black market window) at the Central Bank, to bring drug dollars into the aboveground money flows of the country, with “no questions asked.” This window continues in operation today; it was temporarily shut down under the presidency of Belisario Betancur (1982-86).

- following an avowedly Friedmanite “anti-inflation” policy which choked off legitimate business activity and investment in real production.

- boosting the fortunes, through lucrative government concessions and privileges, of cousin Jaime Michelsen Uribe, the head of the Grancolombiano financial and business conglomerate (also known as “The Octopus”). Michelsen Uribe was forced to flee Colombia in early 1984 when President Betancur called him on the carpet for his extensive illegal financial operations. He returned to Colombia this year, and was immediately jailed.

### **López campaigns for the mob**

López Michelsen’s administration may have endeared him to the cocaine cartels, but not so to the Colombian people. His bid to retake the presidency in 1982 proved a dismal failure, despite—perhaps because of—generous funding by known drug traffickers. His campaign treasurer at the time was Santiago Londoño White who, along with his brother Diego, were publicly named as “investors” in the Medellín Cartel. Londoño was also the power-broker who, in May 1984, set up the now infamous meeting in Panama between López Michelsen and the heads of the Medellín Cartel.

López’s 1982 campaign manager was Ernesto Samper Pizano. Samper, spoiled and pampered son of the Colombian oligarchy, got his start as president of the National Association of Financial Institutes (ANIF), a financial think tank created and financed by López Michelsen cousin Jaime Michelsen Uribe. In 1980, ANIF issued a pamphlet authored by Samper and entitled “A Proposal to Legalize Marijuana.” That same year, Samper was brought onto the board of directors of the ruling Liberal Party by López Michelsen to help secure the Liberal presidential nomination for his mentor. Samper then took on the job of López’s campaign manager; one year later, he was forced to publicly confess to having accepted over 20 million pesos in campaign “contributions” from fugitive drug czar Carlos Lehder Rivas, now serving a life sentence in a U.S. prison.

Another major financier of the 1982 López campaign was Félix Correa Maya, whose vast banking and investment empire amassed during the López years was built—according to Drug Enforcement Administration records—on dealings with the dope mob. Correa’s financial house of cards collapsed during an investigation conducted during the Betancur era, and the would-be Meyer Lansky ended up in jail where he remains today.

López Michelsen’s electoral disaster in 1982 should have ended his usefulness to the drug cartels right then and there.

But the former President had more political capital to play. On April 30, 1984, dedicated anti-drug fighter and Justice Minister Rodrigo Lara Bonilla was gunned down by mafia hitmen on the streets of Bogotá. The nation was stunned and President Betancur called for “war against the drug traffickers to rescue the national dignity.” A state of siege was declared. One week later, on May 6, 1984, Alfonso López Michelsen met secretly in Panama with the men who had ordered Lara Bonilla’s assassination. López and the mafia chiefs discussed what kinds of terms they could offer that would succeed in buying the country out from under Betancur’s control. They pledged to pay off the national foreign debt in exchange for an amnesty from the government. President Betancur rejected the offer out of hand, and Colombians were outraged to learn of the meeting.

López’s next move was to give an interview to the daily *El Tiempo*, on July 29, 1984, in which he asserted that “people of ill will ask, while Rodrigo Lara’s corpse is still so warm, how could I talk to people who could be his murderers?” In self-defense, López explained that the traffickers had protested their innocence of the Lara killing, that he was merely serving as a “mailbox” for delivering a message to the President, and that anyway, one shouldn’t mix morality with the concept of law:

“I understand, as regards those who met with me, that at that time there were no arrest orders issued against them. There are people who, in justifying the talks, attempt to establish a parallel between talks with the guerrillas and this conversation with the drug traffickers. This is true in law, but not morally. It’s not even true by the law, because these people were neither indicted nor sentenced, whereas among the guerrillas there are people who have not only been indicted but also sentenced by the courts. . . . In reality, liberal thought’s greatest conquest, five centuries ago, was to establish positive law as a rule of coexistence for citizens, where each judge or each citizen cannot say, ‘This is so, but morally it is otherwise.’ ”

Asked if he found the discussions with the mobsters useful for Colombia, López Michelsen responded: “I think it has been useful. . . . If these gentlemen wanted to surrender their laboratories, landing strips, and plantations, and sell their planes, then I think the road to reducing the narcotics trade is probably easier through some form of arrangement than by the more difficult path to reach the same goal.”

On Aug. 27, 1989, Juan Guillermo Cano, son of murdered newspaper director and anti-drug activist Guillermo Cano, wrote a column in the daily *El Espectador* lauding the President’s decision to retake the helm of the nation, but warning that there are some—López Michelsen, for example—not happy with Barco’s declaration of war, because “he is reminded by the [mafia’s] message of death of his evil mediation in Panama. It is not clear if López is happy with Galán’s death, or with the message of death. One can expect anything from him. . . .”

# Mrs. Bhutto under pressure: Is the end-game in progress?

by Ramtanu Maitra

A series of recent domestic events led Pakistan's Prime Minister Benazir Bhutto to cancel her plans to visit the member states of the South Asian Association for Regional Cooperation (SAARC) in late August. The announcement canceling the travel plans of Bhutto, the present chairperson of the SAARC, was made at the same time that about 150,000 demonstrators, observing the first anniversary of the death of President Zia ul-Haq, chanted slogans in Islamabad accusing the Bhutto family of being "assassins." Subsequently, the Pakistan Foreign Office spokesman announced that Bhutto will also skip both the Non-Aligned Movement heads of State summit meeting in Belgrade in September and the United Nations General Assembly session in New York in November.

The show of strength by the pro-Zia opposition on Aug. 17 near the Faisal Mosque, where the late President lies buried, was followed by a press conference of Mian Nawaz Sharif, the Punjab chief minister and leader of the anti-Bhutto opposition. Nawaz Sharif, flanked by the late President's sons, Ijazul Haq and Anwarul Haq, told newsmen that Bhutto had "exhausted her mandate" after eight months in power. He also accused her of "accepting Indian hegemony"—an accusation often used to incite the mullahs in Pakistan—and said his party, the Islamic Democratic Alliance (IDA)—an alliance of the pro-Zia Muslim League and the orthodox Jamaat-e-Islami, "would charge-sheet the prime minister for not safeguarding the national interests."

## Not empty rhetoric

It is evident that the Punjab chief minister is not relying on empty rhetoric. A few days later, President Ghulam Ishaq Khan, a Zia associate who became President following the sudden death of President Zia, turned down the earlier request of Benazir Bhutto to remove Adm. Iftikhar Ahmad Sirohey, chairman of the Joint Chiefs of Staff Committee. Admiral Sirohey, another Zia associate, was scheduled to retire in August, but President Ishaq Khan wants him to continue for another two years in order to complete his three-year tenure. Prime Minister Bhutto, for obvious reasons, refrained from criticizing the President's move, but her mother, Begum Nusrat Bhutto, a senior minister in Bhutto's cabinet, was more outspoken. She was quoted by the Lahore daily *The*

*Nation* saying, "Zia had gone but Ishaq Khan has taken his place."

What Begum Bhutto was referring to is the discretionary power that the late President Mohammed Zia ul-Haq had amassed in his hands through the eighth amendment of the 1973 Constitution and which got passed on to President Ishaq Khan. The eighth amendment power had enabled President Zia to dismiss Prime Minister Junejo's cabinet on May 29, 1988 without consulting the cabinet or the electorate. Since the Pakistan People's Party (PPP) came to power in December 1988, Bhutto and her party campaigned vigorously to repeal the amendment but, lacking the required two-third's majority in the National Assembly, the amendment has remained intact.

## The hornets' nest

According to Pakistani media, Bhutto's latest series of problems have something to do with her recently activated campaign against the drug mafia. It is evident that Karachi, the most populous and largest port city in Pakistan, has become in essence a sprawling drug den and the drug-military-politician connections have made the city highly vulnerable to any shift in the political wind of the country. Since Mian Nawaz Sharif's strident speech on the anniversary of President Zia's death, another riot has broken out in Karachi pitting the Mohajirs—an ethnic group that migrated from India after the formation of Pakistan—against the Punjabi-Pakhtoon alliance. Prime Minister Bhutto, in a recent interview with Lahore newsmen, said the drug mafia had put up a lot of money against the government. Similar statements have also been issued by Begum Bhutto from her home at Larkhana, accusing the drug mafia and opposition parties of using trained terrorists in Karachi to weaken the PPP government. According to the Indian Hindi-language daily *Navbharat Times*, Bhutto's Afghan policy to shift arms and financial support away from the fundamentalist Afghan mujahideen leader Gulbuddin Hekmatyar—a big name in the Afghan drug trade, but definitely not the biggest—may have made her a prime target of the drug mafia. Meanwhile, it has been reported that the U.S. State Department rejected a request from Hekmatyar to make an official visit to the United States this summer.

With the dramatic arrest of Lt. Gen. (ret.) Fazle Haq last July, former governor of the North West Frontier Province (NWFP) and President Zia's right-hand man in that province, has erupted a crisis within the pro-Zia opposition, as it signaled that Bhutto is now ready to go for silencing the big guns. Fazle Haq, a member of the National Assembly representing the IDA, was accused by *EIR* in 1981 for his connections with the drug mafia, and it has been subsequently reported that during President Zia's rule, the Pakistan Narcotics Control Board (PNCB) personnel had seized heroin from his personal vehicle which, they suspect, may have been used for transshipment of heroin within Pakistan.

Fazle Haq, however, has not yet been charged with drug-peddling and instead, the charges against him indicate that Bhutto's government considers him the mastermind behind the killing of Imam Al-Husseini, the most powerful Shi'ite leader in Pakistan. Al-Husseini, who learned the Islamic theology from none other than the late Ayatollah Khomeini in Qom, had close contacts with the Iranian leaders, and his assassination, which his followers had attributed to President Zia, created an unruly and ugly scene in the troubled border areas of Pakistan and Afghanistan. Significantly, Al-Husseini's assassination came a few days before President Zia died when the C-130 Hercules that was carrying him and some of his top generals blew up in the air only seven minutes after takeoff, leaving no survivors and very few traces.

Fazle Haq's involvement in the murder of the Shia leader, which led to his arrest, has been attested to by the confession of one of the hitmen. According to available reports, Al-Husseini had close contacts with the Afghan mujahideen and was buying U.S.-made and -supplied stinger missiles from them and passing those missiles to the Iranians. The Iranians, it has been reported, were using the same stinger missiles against the U.S. Navy during their confrontation in the Gulf. Whether this is wholly or partially true, it is nonetheless widely known that Lt. Gen. Fazle Haq was as close to President Zia as he is now to Mian Nawaz Sharif. Hence, the arrest of Fazle Haq has definitely created a crisis within the IDA leadership.

### **The devil's advocate**

Although there is no evidence that Mian Nawaz Sharif, a wealthy Punjabi industrialist indoctrinated into power politics by President Zia, is in direct league with the drug barons, it is nonetheless clear that Nawaz Sharif is willing to join hands with anyone that wants to topple the PPP government. Interestingly, Mian Nawaz Sharif was in the United States in early June, preempting Bhutto's visit later that month, and has friends in Washington: It is also widely known that Nawaz Sharif has strong connections with a powerful faction within the Pakistani Army—not the least of whom is Maj. Gen. Imranullah, the Rawalpindi Corps Commander. Rawalpindi, a garrison town a few miles away from Islamabad, continues to be the stronghold of pro-Zia Army officers. It is

also the town from where the Afghan mujahideen were supplied arms till the major arms and ammunition dump, Ojheri, blew up in 1988. It is also Rawalpindi from where the Soviet-backed mullahs and Nawaz Sharif's men launched their demonstration—allegedly to protest against the American reprinting of the controversial Salman Rushdie novel, *The Satanic Verses*—which culminated with police firings, momentary siege of the American Center in Islamabad, and the death of at least six people. There was never any doubt in the role of the garrison town in making that demonstration a "success."

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*The end-game could be in progress, and if it goes either the military or the eighth amendment route, the region will be thrown into still more turmoil. In Pakistan, blood will flow as never before.*

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While it is evident that the Punjab Chief Minister and the pro-Zia Army brass have many friends in the United States, so long a key player in determining who rules Pakistan, Bhutto's strength within the Army lies with her Chief of Armed Service, Gen. Mirza Aslam Beg. General Beg, belonging to the province of Sindh where the Bhuttos hail from, has assured the nation on more than one occasion that the Army's role, under his leadership, is to strengthen the government. As late as Aug. 10, seven days before Mian Nawaz Sharif told newsmen that Bhutto had lost her electoral mandate and should not be allowed to govern for the scheduled five years, General Beg, addressing senior officers in Rawalpindi, said that the Armed Forces was to provide "an umbrella of external and internal security under which the political system could run its course for the realization of national goals of socio-economic progress." "National institutions like the Armed Forces have to play their assigned role of maintaining an environment of security in which the political system chosen by the people could function unhindered," he added.

Meanwhile, in the United States, intelligence sources report that there are some in the U.S. government exerting pressure on Bhutto to dump General Beg. It is evident that if General Beg is removed, Major General Imranullah and his ilk will have a clear road to power.

There are reasons to believe that the end-game is in progress, and if it goes either the military or the eighth amendment route, the region—which includes Pakistan, Iran, and Afghanistan—will be thrown into still more turmoil. In Pakistan, blood will flow as never before.

# Syria delayed in Lebanon aggression

by Thierry Lalevée

Diplomatic efforts spearheaded by France, and the deployment of a French naval task force off Lebanon's coast, have forced Syria to shelve its original plans for a fullscale onslaught against the Lebanese national resistance forces led by Prime Minister Gen. Michel Aoun. Even though the French task force was deployed on "purely humanitarian grounds," it is a mighty deterrent against any Syrian adventure.

Worse for Damascus, since Moscow entered the diplomatic arena for its own reasons, under the guise of joining French efforts, the Syrian leadership has been forced to decide not to try crossing the "Green Line" between East and West Beirut. Such a move is obviously a far cry from the necessary withdrawal of all foreign forces from Lebanon, and a political settlement to the 15-year civil war; yet it is a badly needed respite.

Intelligence sources report that the French deployment, in diplomatic and military terms, may not have been the only leverage over Damascus. It seems that Iraq was seriously contemplating a military intervention in support of Aoun's forces, had Syria advanced further. Originally proposed as a joint intervention of Egypt, Jordan, and Iraq as part of the Arab Cooperation Council, the military action fell on Iraqi shoulders after it was turned down by Cairo. Cautiously, Jordan advocated that the threat of an intervention should be conveyed to Damascus, to allow the Syrian leaders to think twice before committing their forces to a point of no return.

Syria did think twice. Unsure if this was a mere ploy by the Iraqis, or if such a move would have regional and international backing, Syria decided to freeze on its position. The ostentatious deployment of the Iraqi Air Force over Jordan—nominally as overflight of the Israeli-Jordanian borders, but close to Syria's own borders—played a role. Not underestimated in Damascus either, has been the ambiguity surrounding the relations between the two arch-enemies Israel and Iraq, which happen to be on the same side in Lebanon. It is no secret that many convoys of Iraqi supplies were delivered to Michel Aoun under Israel naval escorts.

Reportedly, Moscow also took seriously the threat of a Syrian-Iraqi conflict over Lebanon. It would upset its carefully laid diplomatic plans to be friends with everybody, from Israel to Damascus, Baghdad, and Teheran. Aside from their desire to better relations with the Vatican by wooing the Lebanese Christians, the threat of a new regional conflict

forced the Soviets to step diplomatically into the crisis to safeguard their regional assets.

These converging events dealt Syria's Hafez al-Assad a serious blow. Residents of East Beirut have been increasingly exposed to Assad's frustration, expressed in intensified artillery bombardments.

## Washington's double talk

Reports on the ongoing American-Syrian discussions on Lebanon show Washington as frustrated as Damascus. U.S. Ambassador Edward Djerejian assured Syria privately that Washington did "recognize its legitimate security interests" in Lebanon, and he even accused Aoun of "having his priorities wrong." This is not the time to speak about withdrawal of foreign forces, but to "talk about a political settlement. Only when there is a strong centralized political leadership, can there be a withdrawal." (Aoun and other Lebanese have refuted this argument by pointing out that as long as there are foreign forces, they will influence the various Lebanese political factions, and prevent national sovereignty and unity.)

American frustration over the Lebanese imbroglio stems from what it considers as *its* main foreign policy priority in the region—normalizing relations with Iran. Washington could welcome the fact that while there is so much focus on Beirut, few are paying attention to the ongoing secret American-Iranian negotiations under the pretext of freeing the hostages. However, the crisis also means that Iran cannot afford to make any spectacular gestures toward the West right now. Likewise, even though the temptation is strong in Washington to welcome the long-expected formation of a "moderate" government in Teheran by a good-will signal, a U.S. decision to unfreeze Iran's American assets is simply impossible now.

While backing the French initiative in public declarations, Washington is leaning heavily toward Syria. American diplomats in Paris and Rome have been heard saying that after the Syrian commitment not to attack East Beirut, the other side should make a gesture too; Aoun should withdraw from the political scene. An interim organization should be established to start political negotiations with Syria. While such proposals are backed by attempts by Washington, Damascus, and Moscow to split the Christian camp to provoke Aoun's removal from within, these are unlikely to succeed in the present period.

However, as long as the Syrian demand for the removal of Michel Aoun receives discreet support from the two superpowers, there will be no solution to the crisis. An alternative may be for Aoun to force *Assad's* political removal. The diplomatic mediation cannot go further, unless Syria is forced to pull out, at least from Beirut and its region in a first stage, and Lebanon as a whole in a second. Anything less, means that very soon, while being physically destroyed, Lebanon could become the launching pad of a new regional war which, officially and for the time being, no one wants.

## ‘The U.S. has decided that Lebanon is a non-country’

*Monsignor El-Hayek is Chor-Bishop of the Maronite Diocese of Canada in Montreal. He was interviewed on Aug. 24, 1989 in Washington, D.C. by Dana S. Scanlon. He was in Washington to speak before the International Club and other groups about the genocide being perpetrated by Syria against the people of Lebanon.*

*While we concur emphatically in the need to expose U.S. government treachery against Lebanon, perpetrated by Henry Kissinger and his cothinkers, and to stop the Syrian genocide (see Helga Zepp-LaRouche’s call to “Stop the holocaust in Lebanon!” in our Aug. 25 issue, page 42), EIR differs from some of the views expressed in the interview. In particular, the statement of the Palestinian problem is oversimplified. Lebanon’s civil war was not caused by “the Palestinians,” but by the manipulation by foreign intelligence services of a whole complex of religious and political rivalries and blood feuds, toward the end of partitioning Lebanon. The Palestinians, deprived of national sovereignty and a homeland of their own, reduced to abject poverty, forced to live for generations in squalid refugee camps on the fringes of society, naturally added an explosive element to the powder keg—which the Syrians stoked by carrying out massacres against Palestinian camps, and then taking over and running some Palestinian groups as a terrorist capability. Equally important was the manipulation of real and imagined grievances that had been long-simmering between the Christian and Muslim Lebanese themselves. This background makes the efforts by General Michel Aoun, leading a national army that includes Muslims as well as Christians, particularly crucial today.*

**EIR:** Would you first of all, give us an overview of the current situation inside Lebanon?

**El-Hayek:** In Lebanon today, we have a war of genocide, led by the Syrians against the Christian people of Lebanon. As the Pope has mentioned recently in his prayer, it is a real genocide [see *EIR*, Aug. 25, 1989, “World responses to genocide in Lebanon”]. The Christian enclave is surrounded from all sides, there is an embargo on food, on everything. The people have been shelled to death, in their homes, on the streets, everywhere they are. They have no electricity, no

water, no food. But they are willing to die, to resist until death, to stay free if they can, and they ask the world to look into this matter, to find out how a man could be allowed to destroy a people. So, we appeal to everyone who understands what life is about, and who understands what the cost of freedom and liberty is, to act on your own government and ask them to intervene in this situation.

**EIR:** How long has this situation been going on?

**El-Hayek:** The recent war in Lebanon started in March, but that is one chapter of a longer book. The war started in 1975; it was the Lebanese people trying to free themselves from the Palestinians, who wanted to take Lebanon over, with the benediction of some powers. But they did not succeed, the Lebanese people defended themselves.

Now, there is another attempt by the Syrians and their allies to destroy this country for a purpose. Some people say that Lebanon is needed to the solution of the Arab-Israeli conflict. This conflict is about land. And Lebanon, even if it is a small country, if we just destroy its people, or make them exiles, refugees in other countries, we could use the land. The land is to be given to Syria for the Golan they have lost, and maybe to the Israelis, South Lebanon for what they might lose on the West Bank.

So, this is the reason why they don’t want a stable government, and strong government in Lebanon. When Beshir Gemayel, the President who was assassinated in 1982, died, then we became again a country without a government. If that man had been allowed to live, naturally this would not be the situation now. There is a purpose behind destabilizing Lebanon. It is the purpose of dismembering this country, and dividing it among its neighbors.

**EIR:** Is this what is known as the Greater Syria plan for the region?

**El-Hayek:** It is, yes, the Greater Syria plan. As you know, Syria never fully recognized the independence of Lebanon. They always claimed that Lebanon is part of Syria, although historically speaking, Lebanon became independent before Syria became an independent country. Syria was under the Ottoman Empire occupation, Syria was a province, and the

head of this province was a Turk, not a Syrian. Lebanon was autonomous when the Ottoman Empire was in existence, and had a prince selected by the people. So the existence of the independence of Lebanon really is older than that of Syria, and Lebanon is not a part of Syria, historically speaking. And even if it were, we have two developments now, two countries which developed, each one on either side, and we cannot destroy that independence now.

The aim of the Syrians in this war against the Lebanese, naturally is to dominate Lebanon or make Lebanon a satellite of Syria. But it is part of a whole project for the Middle East, which has been worked out by certain politicians in the United States and elsewhere, to solve—at the expense of the Lebanese people—the Arab-Israeli conflict.

**EIR:** When we hear the word Syria today, many think of two things: international terrorism and drug running. Do you have any comments on that?

**El-Hayek:** It is no longer a secret that the Syrians have used state-sponsored terrorism to promote their foreign policy. They have done it so well, that they really scared, or intimidated the United States government. They are now doing it through the hostages; they did it with Pan Am Flight 103; they continue to do that, such that the American public and government cannot act to help the Lebanese under siege, for fear that the hostages would be mistreated. So that is something the Syrians have done.

We know that in London, a court has already cited Syria for state-sponsored terrorism in a couple of cases. We know also that the bombing of the Berlin discotheque, they were also instrumental in it. The *Achille Lauro* also. In the matter of drugs, they are using the Bekaa Valley, which is a known area for growing hashish [a stronger form of marijuana-ed.], and this valley is administered by the Syrian Army, and the nephew of [Syrian President Hafez] Assad, a captain of the Syrian Army, is in charge of growing the hashish, and transforming [opium] in these laboratories dotting Mount Lebanon's eastern slopes, into heroin, and smuggling the drugs through these illegal ports, whether on the Christian side or the Muslim side.

Recently Gen. Michel Aoun closed the ports on the Western side, that is the Christian side, and tried to close the ones on the other side, the Muslim side. And then the Syrians started the war against him, because this money, the proceeds of this money made by the trafficking of drugs, is used for terrorist activities.

**EIR:** So at the same time as President Bush and drug czar William Bennett are saying they are going to launch a war on drugs, they seem to be supporting Syria's role in the Middle East. What do you think about that?

**El-Hayek:** It is ironic that they speak about Noriega, and the Colombian connection, and all the rest, but they are silent about the major drug trafficking which is going on in Leba-

non, led by the Syrians. They are unwilling to expose this aspect of the Syrian occupation of Lebanon. They have decided, maybe, that Syria has the right to do this, which means dominate Lebanon, for political reasons. And for this reason, they do not want to speak about their drug activities.

**EIR:** Who in the United States, and what factions in our political Establishment, do you feel are responsible for the kind of policies we see the United States entertaining vis-à-vis the Middle East in general, and most particularly in Lebanon?

**El-Hayek:** When we speak about foreign policy and the United States, and the formulation of this policy, it is a complex situation. There are so many institutions which are part of this formulation. The State Department, the National Security Council, and many advisers to the President, the President, the Congress. It is a complex situation. But there is no doubt that a framework was established in the 1970s, and within this framework they decided that Lebanon should go. Lebanon is a non-country. They are a non-people. It is not a legitimate country. It is a conglomerate of factions, fighting each other—that is the propaganda they made. Then, on the basis of these inaccurate evaluations of Lebanese society, which is a highly sophisticated society, they made decisions, that this country should be dismembered.

The leader and architect in this was Mr. Kissinger, who in 1975-76, went to see the President of Lebanon, and proposed to him that the United States is ready to take some 450,000 Lebanese and install them in Canada, and the rest would be installed in the United States, if they leave Lebanon for the Palestinians and other factions. So naturally, the Lebanese are people who have been independent for 14 centuries, they are not about now to abandon their country. They have defended it against invaders like the Turks, and other dictators. So they preferred to stay in their country and fight for it.

**EIR:** Did I hear you correctly, that Dr. Kissinger proposed that 450,000 Lebanese be evacuated from their own country?

**El-Hayek:** Yes. And he was turned down. The leaders, the Lebanese Christian leaders in particular, were unwilling to abide by this decision.

**EIR:** This is an amazing revelation, and will be for most Americans hearing this, that an official of the United States government could make such an outrageous proposal.

What is the role now that the Soviet Union plays in this war and the genocide?

**El-Hayek:** The Soviet Union, as you know, is a supplier of arms to the Syrians, and the Syrians have been their agents—not so obedient, they have their own agenda. But they relied very much on the Soviet support. And there is a treaty of friendship between them. That treaty has been exposed, and maybe exaggerated in the United States. Many times, the

United States government was unwilling to speak strongly with Syria, under the pretext that they might bring the Soviet Union into the discussion. But in fact, they know very well that the Soviets were not about to come down and fight, whether in Syria or elsewhere in the Middle East. But they took it as a pretext, because they had their own agenda with the Syrians.

**EIR:** In France recently, an attorney by the name of Jean-Marc Vaurat has proposed, in an article published in *Le Quotidien de Paris*, that the Nuremberg Tribunals that we had in the postwar period to try the Nazis for crimes against humanity, should be resurrected and brought to bear in order to put the regime of Syria on trial from crimes against humanity being committed in Lebanon today [see *EIR*, Sept. 1, 1989, "For a new international Nuremberg Tribunal"]. What do you think of this proposal?

**El-Hayek:** This proposal is a good one and is timely. International public opinion should know exactly what's happening to the Lebanese people, what happened to the people of Hamma, for example, which is a Syrian city, destroyed by Hafez al-Assad, with 30,000 people dying under the rubble of their homes.

We have all the makings here of an international crime against humanity, where innocent people by the thousands are murdered in the streets, in their homes, everywhere, because a man wants to impose his will on them, and they refuse. This man does not abide by any law. The only law is his, whether we like it or not.

I think we have to stop this, either by establishing a tribunal, as it is suggested by this lawyer, or at least, by a conference of free nations about Lebanon, which Syria cannot really avoid attending, and where this could be stopped, if there is a good intention on the part of the free world to stop this genocide.

**EIR:** What would you like to say directly to the American people, what should they do to stop this genocide?

**El-Hayek:** What I would like to say to my compatriots is the following: that this country has been established on certain principles, basically principles of freedom and liberty. And human values. Now, it is not the time to abandon these principles and go and follow some of these politicians or experts on foreign policy, who are leading us down to other paths of dictatorship. We cannot defend liberty and freedom in this country and destroy it elsewhere. Liberty and freedom are indivisible. Either we stand for them here and elsewhere—or we do not stand for them.

So our role now, is to call upon our governments, and ask them to change their policies towards Lebanon, and other countries in the world, where dictatorships of this kind are destroying the lives of innocent people. Use the media, use the means at our disposal to make this known to your government. Thank you.

## Panama swears in a new President

by Carlos Wesley

Francisco Rodríguez and Carlos Ozores Typaldos were sworn in as, respectively, the new President and vice president of Panama on Sept. 1. They will head a provisional government selected by Panama's Council of State to replace President Manuel Solís Palma, whose constitutional term expired Aug. 31. In announcing the decision, the Council of State said it had to make the selection, because "the general elections of last May 7 were hopelessly tainted by the government of the United States of America and its local allies, who engaged in all sort of dishonest practices."

Those elections were annulled by Panama's Electoral Tribunal, after the Bush administration leaked to the media that it had funneled millions of dollars through the Central Intelligence Agency (CIA), to Panama's Democratic Opposition Civic Alliance (ADO-C). The funds, which belonged to Panama, were impounded by the United States as part of the sanctions to force the ouster of the commander of Panama's Defense Forces, Gen. Manuel Noriega, and were employed by ADO-C to buy votes, to suborn officials, and to finance a number of operations to disrupt the country. The Council of State said that the new provisional government will call new elections "as soon as adequate conditions exist." It added that among the "indispensable" conditions for new elections are "an end of United States aggression against Panama and the release of the funds belonging to the Panamanian state which have been arbitrarily withheld by the U.S. government."

President George Bush said that he would not recognize the new government. "Our ambassador will not return, and we will not have any diplomatic contact with the Noriega regime," he said. "The U.S. will continue to take other steps, including the tightening of measures to deprive the illegal regime of funds that belong to the Panamanian people," said Bush, claiming that the intent was "to counter the threat posed by General Noriega's support for drug trafficking and other forms of subversion."

The accusation that Noriega is a partner of drug traffickers and drug-money launderers was also the central feature of a speech delivered by Deputy Secretary of State Lawrence Eagleburger, former president of Kissinger Associates, at an "urgent meeting" of the Permanent Council of the Organi-

zation of American States (OAS) on Aug. 31. The meeting was called by the United States to lay the foundation "to purge [Noriega] from our midst," according to Eagleburger, who himself is no stranger to money laundering.

In an investigative report published Feb. 24, 1989 *EIR* showed that Eagleburger was on the board of directors of LBS bank of New York, a wholly owned subsidiary of Ljubljanska Banka of Yugoslavia, when the chairman of the board, Vinko Mir, was indicted for participating "in the illegal laundering of funds by persons whom Mir would have believed to be underworld figures." Eagleburger stayed on the board of LBS bank for more than a month after Mir's indictment, and only resigned after his nomination to the State Department was assured by Bush.

In his OAS speech, Eagleburger as much as admitted that Panama is right in saying that the real reason the U.S. wants to get rid of Noriega is to keep its military bases in Panama. It is true that according to the Canal Treaties, the U.S. needs Panama's agreement for the military bases to remain past the year 2000, he said. But, "The government of the United States has never raised this issue because we believe this is a decision that can be made only at a time much closer to the year 2000, and because any lasting arrangement could be made only with a Panamanian government that enjoyed the support of its people," which, the U.S. says, Noriega does not.

He also let the cat out of the bag by saying that the real reason for U.S. anger against Noriega, was that he broke an agreement endorsed by the United States, by which former PDF commander Rubén Paredes would become President of Panama, and Noriega would turn over command of the PDF to Col. Roberto Díaz Herrera in 1987. Eagleburger said Noriega's breaking of the agreement "abused his institution," the PDF, even though ties of Paredes to the Medellín Cartel are a matter of public record (his son was killed by the cocaine cartel in a drug deal gone sour), and Col. Díaz Herrera has publicly stated that one of the reasons he turned against Noriega, was that Noriega agreed to modify Panama's bank secrecy laws in an attempt to halt drug money laundering in Panama's offshore banking center.

### **No evidence presented**

As for the drug charges, Eagleburger claimed that he could not present hard evidence against Noriega, because of "grand jury secrecy provisions." Instead, he argued that that since Noriega is supposedly a very wealthy man, who owns yachts, paintings, apartment buildings, and private planes, that money must have come from selling protection to drug traffickers. He also relied heavily on allegations already made public, such as the charges made by Steven Kalish—a drug trafficker arrested and convicted with the help of Noriega—and by two of Noriega's political enemies, José Isabel Blandón, and Díaz Herrera, the former colonel cashiered from the PDF for reasons of mental health.

According to the advance publicity, Eagleburger's speech was supposed to finally deliver the goods on Noriega. But in the end, most observers had to agree with Panama's envoy, José María Cabrera, that there was "nothing new in this pack of lies that we are accustomed to hearing from the United States." The speech was "filled with fabrications, lies, and half-truths," he said.

Cabrera said that "there is a group of bureaucrats in Washington that have found in Panama the biggest threat to U.S. national security. How is it possible that the world's biggest power trembles before a country of 2 million people?" The U.S. efforts have failed miserably in the OAS, he said. "They have not managed to get our organization to do their dirty work."

He noted that Eagleburger left out the fact that the administration's "star witness," José Blandón, is a "pathological liar," so out of control that he is no longer paraded in front of congressional committees. Blandón has even accused U.S. allies, such as Costa Rican President Oscar Arias, of being involved in drug trafficking, said Cabrera. As for Díaz Herrera, said Cabrera, if Eagleburger wants his charges to be taken seriously, he should recall that at the same time that Díaz Herrera made the charges against Noriega, he also accused the former commander of the U.S. military Southern Command in Panama, Gen. Wallace Nutting, of being complicit in the murder of Panama's late leader, Gen. Omar Torrijos, in a plot hatched with George Bush. So if an investigation of his charges is warranted, it must extend to the current occupant of the White House, he said.

Cabrera demanded a complete accounting of the Panamanian funds embargoed by the United States. He referred to a GAO report presented on July 26 to a House Foreign Affairs subcommittee by Assistant Comptroller Frank Conahan, charging that former Assistant Secretary of State Elliott Abrams illegally diverted part of the monies to finance illegal operations against the Panamanian government, including a covert military operation in violation of the U.S. Neutrality Act.

Cabrera then called on Noriega's attorney, Frank Anthony Rabino, who told the OAS delegates that the charge against Noriega "is a fraud with political overtones." He said, "the U.S. government has ignored its own Constitution" in the case of Noriega. Addressing Eagleburger on the issue of Noriega's alleged wealth and its supposed links to drug trafficking, Rabino noted that Eagleburger was wearing a \$20,000 watch, but that did not give anyone the right to assume that just because the watch cost \$20,000, Eagleburger had stolen the money.

The United States, said Rabino, is engaging in "indictment diplomacy, using the U.S. court system to achieve political results." He said he was present at a meeting between Noriega and State Department officials, where "the U.S. offered to drop the indictment if Noriega would leave. How do you square that, Mr. Eagleburger?" asked Rabino.



# Japan's new premier: an easy U.S. partner?

by Lydia Cherry

In an Aug. 29 interview before leaving for the United States to meet with President Bush, Japan's new Prime Minister Toshiki Kaifu vowed to resist the growing protectionist pressures at home, and to lead Japan into a closer working relationship with the United States. According to wire service reports, Kaifu said that Japan will not renege on agreements to liberalize farm and other markets, even though voter anger over the concessions to U.S. trade bashing in these areas was largely responsible for the ruling party's electoral setbacks in recent months.

A Japanese Foreign Ministry official said about the two government heads: "I think they will establish a very good personal relationship. Prime Minister Kaifu's theses are in line with President Bush's gentler and kinder nation concept." Despite the announcement Aug. 10 by new Japanese Trade Minister Hikaru Mitsunaga, that Japan would not discuss any trade problems under the threat of U.S. retaliation, this is known to be part of the Bush-Kaifu agenda. Japan was named a violator under the U.S. Omnibus Trade Act's Super 301 clause, an amazing piece of legislation which gives U.S. government officials authority to take unilateral punitive economic actions against nations which the U.S. has decided need to make "structural changes" in their trade practices.

The U.S. government approved of the Japanese "Old Guard's" tagging of the relatively inexperienced Kaifu, who belongs to the smallest, Komoto, faction of the ruling Liberal Democratic Party and has no power base of his own. The U.S. embassy in Tokyo was much less pleased with Ryutaro Hashimoto, the ruling party leader who initially emerged as front-runner after Prime Minister Sosuke Uno's forced resignation just a month ago. (Hashimoto was then secretary general of the ruling party; and in the Kaifu cabinet he is finance minister.) Hashimoto, according to Japan experts, is part of a generation of new leaders unhindered by some of the Old Guard's feeling of "debt and obligation" to the United States. It is clear that the U.S. establishment doesn't want another Nakasone, a prime minister with a vision for Japan.

Kaifu has interesting connections of his own. Though not belonging to Noboru Takeshita's party faction, he was hand-picked by Takeshita when the Old Guard decided against Hashimoto. Takeshita was forced out of office because of the all-pervading Recruit stock share scandal. Like Takeshita, Kaifu is a graduate of Wasade University in Tokyo, and both

developed their rhetorical skills as members of the Wasade debating club.

Kaifu also is reported to have close ties with circles in Britain. The *Financial Times* noted Aug. 11 that Kaifu has been a longstanding member of the Japan-British Parliamentarians League and was a founding member of the "2000" group of Japanese and British political and business leaders formed five years ago to discuss issues of mutual long-term interest. Kaifu was awarded a Knighthood of the British Empire by Queen Elizabeth II when she visited Japan in 1975. The *Financial Times* added that, as Japanese television viewers could see during interviews with him at his Tokyo flat, Kaifu hangs a large British flag on the wall of his study.

## Waiting in the wings

Without leadership with a vision for Japan, there is speculation that the LDP could continue its losing streak in the more crucial lower house elections, expected for December or early 1990. The Japan Socialist Party, which made significant gains in the elections for the upper house of Japan's parliament in late July, is organizing an opposition strategy for the lower house elections.

The JSP is trying to tone down its left-wing rhetoric to make its party line more palatable, in particular to the smaller opposition parties which together with the JSP have the majority in the less powerful house. Thus, it was announced Aug. 21 that the JSP has reversed its decades-old stance and has decided to uphold the U.S.-Japan Security Treaty, if it comes to power in the next election. Socialist Party Secretary General Tsuruo Yamaguchi also promised at least temporary Socialist support for the Armed Forces—again a turnaround. The JSP's gains were made in the earlier elections by submerging these issues altogether and focusing on how the LDP leadership was corrupt and had caved in to U.S. trade war demands to the point of destroying the country.

In its move to the right, at least for public consumption, the JSP is not abandoning its old friends. JSP chairwoman Takeko Doi on Aug. 16 attended a peace forum with members of West Germany's Socialist Democratic Party (SPD), where she called for SPD support in promoting confidence-building measures in the Pacific. Kyodo news service noted that Hans Schierer, an SPD district leader in Schwandorf district of Bavaria near the German-Czech border, proposed, and Doi agreed, that if the SPD takes power in the general election a year from now and the JSP does likewise, the two governments should form a bloc in facing similar problems. Doi pledged to arrange a meeting with Canada, Communist China, the Soviet Union, the United States, and both Koreas for "confidence-building talks." In a speech Aug. 14, on the anniversary of Japan's World War II surrender, Doi elaborated: "Our party intends to hold an international forum with the U.S., Canada, the Soviet Union, China and both Koreas to bring about the nuclear weapons-free area in Asia, after realizing Japan's arms reduction."

# Beijing anxiously awaits Kissinger trip

by Linda de Hoyos and Mary Burdman

Unconfirmed rumors have been flying around the globe that Henry A. Kissinger might have canceled his trip to the People's Republic of China, originally planned for October. Word of the possible cancellation was leaked by the Japanese News Agency Aug. 24. The Hong Kong press reaffirmed the news Aug. 28, adding that Kissinger was afraid that in the current nervous climate between Washington and Beijing, he might not achieve a "breakthrough."

Another factor in Kissinger's getting cold feet might have been the fact that his Chinese friends have all come under scrutiny, in the aftermath of the Tiananmen Square massacre of June 4. The State Council, under the direction of Prime Minister Li Peng, has demanded a full audit of China Everbright Holdings Company Ltd. of Hong Kong. This firm, with attachments directly to Kissinger Associates, Inc., sported on its board the son of Liu Shaoqi, the Chinese leader who was purged by Mao Zedong on charges of being a "capitalist roader." Another close Kissinger friend, Rong Yiren, has also come under attack, along with his Chinese International Trade and Industrial Corp.

However, by the first week in September, the "word" was that Kissinger might end up in Beijing after all. Sources at the American Chamber of Commerce reaffirmed that the former secretary of state has relations with many "high-level people."

There is no question that he will get a warm welcome from the leaders of the People's Liberation Army, which has increasingly asserted its role in the nation's political life since June. On July 15, the *Jiefangjun Bao*, the PLA's newspaper, hailed Kissinger's planned visit, noting that it contrasted with the "anti-China uproar" in the rest of the United States. What makes Henry so different from the rest of America? The newspaper answered itself thusly: "Whether it be the academe, government, or private sector, he has handled them all with extraordinary competence and has attained all his objectives. The reasons lie in that he is not myopic in terms of politics and in fact, is quite far-sighted."

The Army daily then quoted from Kissinger's writings in defense of the Beijing butchers, and added: "As the Chinese people are confronted with a life or death situation, the extraordinary insight exhibited by Kissinger no doubt makes one realize again: Kissinger, after all, is Kissinger!"

The article begs the question: Will Kissinger be helping the PLA and its company Norinco in arms sales? The PLA-related companies, which carried out the arms deliveries to Iran, are exempted from the "crackdown" against other trading companies dealing with the West.

If Kissinger is poised to mediate for the PLA—while taking a hefty cut for himself—he will have little trouble making the right contacts. Sitting in the office of Kissinger Associates in New York City is one Mei Shan, the son-in-law of Yu Qiuli, one of the former heads of the State Planning Commission and the former Political Commissar for the People's Liberation Army. Mei was in Beijing at the end of August. The position that Mei Shan's father-in-law's retired from is an extremely powerful one. His successor is Yang Baibing, the younger brother of China's bloody-handed President Yang Shangkun. In the last weeks, Yang Baibing has been strutting around Beijing and environs like a Roman proconsul, as he and his brother attempt to gain the succession to aging Communist Party chief Deng Xiaoping.

## Bush's emissary

But Kissinger is not the only high-level emissary from Washington to Beijing. On Aug. 18, Chinese-American Anna Lao Chennault arrived in Beijing, where she met with Red Chinese Vice-President Wang Zhen. Chennault is the chairman of the National Republican Heritage Groups Council and ran the Ethnic Heritage Committee for George Bush's 1988 presidential campaign. She reportedly met with Bush before leaving the United States.

Wang Zhen told Chennault that although political leaders of some countries "claimed to have imposed sanctions" on China, "this can only serve to arouse the national indignation of the Chinese people." Chennault's response was everything Deng Xiaoping could have wished. She said that the June 4 "event" is "China's internal affair and no foreign country should intervene," the Chinese news agency Xinhua reported.

Chennault is the widow of U.S. Gen. Claire Chennault, the leader of the World War II Flying Tigers. Her uncle, of the Lao family, was for years the head of the Chinese Communist Party's section on Overseas Chinese affairs. His son now occupies the same post.

Since the "opening up" to China, in which Bush played a key role as the *chargé d'affaires* in Beijing in 1974, Chennault has made the Flying Tigers—which once worked for nationalist leader Chiang Kai-shek—into one of the regular cargo carriers for the P.R.C. Chennault has also heavily invested in clubs and hotels in China, including the International Hotel in Beijing. She was last in China about six months ago, promoting the development of Hainan Island off south China. Hainan Island is slated to be a huge "free-market zone," featuring hotels and casinos. Last month, Taiwan police seized over three kilos of heroin that were being smuggled into the Republic of China from Hainan.

## **Cananea dispute splits government**

*The closing and denationalization of the big copper pit is creating havoc inside the regime.*

**P**resident Carlos Salinas de Gortari's Aug. 20 order to close down Mexico's biggest copper mine has sped up the political crisis he began Jan. 10 by jailing Joaquín Hernández Galicia, the nationalist leader of the oil workers union. The Cananea open pit is the source of 3% of the world's copper. But, for Mexicans, it is the birthplace of their labor movement in a 1906 strike, repressed with the help of police brought in from Arizona, 25 miles to the north. That strike movement inspired worker participation in the 1910 Mexican Revolution, which overthrew the dictatorship of Porfirio Díaz.

Salinas's impudent deployment of army troops to intimidate the Cananea miners and his plans to sell off ownership of the mine to foreign mineral speculators aroused historical memories here. Mexicans are inevitably brought to sense a parallelism between the "Porfiriato" and the Salinas regime.

Thus, the mobilization of miners and nationalist leaders to save the mine is provoking fissures inside the hitherto disciplined Institutional Revolutionary Party (PRI). The weekly *7 Cambio*, which reflects the thinking of government circles, concluded in its Aug. 28 editorial, "The closing of Cananea could become the detonator not only of a social revolution like the one at the turn of the century, but the first split inside Salinas's cabinet."

Why did Salinas go into a flight forward for something which quite predictably polarized the Mexican polity against him? On Aug. 31, the Cananea miners' union local president

charged, "the bankruptcy [of the Cananea Mining Company] is part of the commitments made by the federal government to the International Monetary Fund and the World Bank to reprivatize some public enterprises and to offer our labor force to foreign capital. In our case, its intent is to destroy our labor contract and our union, in order to sell the company to Mexican or foreign private capital."

Cuahtémoc Cárdenas, the man who really won the 1988 presidential elections but was defrauded, went to Cananea Aug. 26. There he called for a "Front for the Defense of Sovereignty" to defend national interests "which have been damaged by the Cananea conflict." Amid cheers from the miners, Cárdenas stressed that "only two Presidents of the republic have dared to send the army to Cananea: Porfirio Díaz in 1906 and Carlos Salinas de Gortari in 1989." He added: "Porfirio Díaz was at the service of foreigners, just like the current government, which has improperly used the armed forces in frank and open violation of Article 129 of the Constitution."

Cárdenas said the Front for the Defense of Sovereignty would be formalized Sept. 4 to "reverse the regime's mistaken economic measures." He judged that the government's declaring the mining company bankrupt "unmasks its basic plan to give away the country's material goods, strategic resources, and its politics to foreigners, with the use of force and the most brazen disregard for the rights of workers and citizens. A dependent totalitarianism is closing in

on the country."

The new nationalist movement is expected to split off chunks of the ruling PRI party. PRI president Luis Donaldo Colosio was sent by Salinas to Cananea to try to cool out the political crisis. Using a chartered jet, he beat Cárdenas there. He promised the miners they would get their severance pay if they would only accept the bankruptcy and denationalization of the mine. The miners hooted at him and almost kidnaped him, until he promised to end army occupation of the mine.

President Salinas dropped his mask and baldly told the Confederation of Workers of Mexico annual conference Aug. 25 that the Cananea closing was part of the "agreement in principle" his regime signed with its creditor banks. He insisted "there would be no reversal" of the denationalization program. He warned, "We know the value of what we have done and we will not allow what we have achieved with the renegotiation of the debt to disappear."

Salinas showed who his prime constituency is by contracting the Fleishman-Hillard investment consultants to coordinate events around his Oct. 5-6 visit to New York, including a special session of the Council of the Americas, chaired by David Rockefeller.

The daily *El Dia*, run by a PRI senator, warned that "the social tension is reaching limits which, for the health of the republic, should not be crossed." The Cananea miners threw into the trash can the photo of the President of the Republic which traditionally adorns the offices of official unions. And 6,000 workers at the steel complex named for President Lázaro Cárdenas—who nationalized Rockefeller's oil companies in 1938—went on a short but total strike against the denationalization of the Cananea mine.

# International Intelligence

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## ***Pope attacks Nazi-Communism***

Pope John Paul II attacked Nazism and Communism as morally equivalent, in an apostolic letter addressed to Catholic and world leaders on Aug. 26.

"Nazi paganism and Marxist dogma are both basically totalitarian ideologies, and tend to become substitute religions," the Pope said. The Nazi Holocaust "will forever remain a shame for humanity."

The Pope reiterated that anti-Semitism was in complete contradiction to the Christian vision of life, and reminded readers that Catholics and others had also suffered from Nazi evil. "One must also remember that this murderous madness was directed against many other groups whose crime was to be 'different' or to have rebelled against the tyranny of the occupiers," he said.

In another letter to Polish bishops, the Pope said the 1939 Hitler-Stalin Pact had been a death sentence for the Baltic countries.

Further, "it is hard to fight the conviction that the postwar period failed to provide the growth and progress which the Polish nation so greatly desired and needed, given the devastation," the Pope said. The era had instead provoked "a great socio-economic crisis," and that Poland must now "make up for the slackening pace—not merely confined to the economy—which is the bitter fruit of the system which has exercised power."

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## ***Moscow: Iron hand dictatorship needed***

The Soviet weekly *Literaturnaya Gazeta* on Aug. 16 called for the use of an iron hand to deal with the crises in the Soviet empire.

The paper printed a discussion with two professors from the Institute of the Economy of the World Socialist System, whose ideas are summed up in the subheads, "The path to democracy is through dictatorship," "A Committee of National Salvation is re-

quired," and "Democracy is needed only for strengthening the power of the leader." Their conclusion is that *perestroika* is fine, but it can only be achieved by Gorbachov becoming a dictator, or by conservative forces that would replace him. "Is an iron hand needed?"

Prof. Andranik Migranyan says, "The entire path of world civilization shows, that the modernization of regimes like ours," which he describes as "totalitarian" politically and primitive in its economy, cannot take place via democratization. Prof. Igor Klyamkin adds that economic transformation "never, nowhere, not for a single people, was carried out parallel with democratization," but required a "more or less prolonged rule of authoritarian regimes." Such reforms caused "centrifugal forces," and "if the regime was not able to cope with them, it was replaced by a new authoritarian regime of the bonapartist type, which attacked the same tasks. But more harshly."

According to Migranyan, the only useful function of the Congress of People's Deputies would be to admit that "the country is in a crisis, the economy is in ruins, the social situation is catastrophic, inter-ethnic relations are at a dead end," and to have "given the president a mandate for special, extraordinary powers. And given him the possibility to form a Committee of National Salvation, stopping, of course, for a time, the activity of all other institutions of power. Here it is easy to accuse me of a leaning to dictatorship. But at the present moment, I am for a dictator, for dictatorship."

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## ***Israel probes mercenaries' training of narcos***

Stung by charges that ex-Israeli Defense Forces personnel trained hit squads for the Colombian narco-terrorist drug cartels, Israel has opened an investigation into reserve Col. Yair Klein and his security firm, Hod Hahanit, which has been accused of providing unlicensed weapons training.

The investigation is being carried out at the request of the Defense Ministry. Ye-

hoshua Caspi, head of the Israeli police criminal investigations division, will lead the probe. Indicating the nest of vipers Caspi will be dealing with, Colonel Klein said, "It appears Major Caspi will have to investigate many senior officers, including some who are now in the Knesset, on their own involvement. If they are looking for a scapegoat, please, let's find all of the rest."

A spokesman for the Israeli peace movement told *EIR* on Aug. 28 that Colonel Klein, who had worked closely with General Zevi—notorious for his call for the mass transfer of Palestinians from the occupied territories—may have been a figure in U.S. "third party contracting" of Israel for arms and weapons training for the Contras and other forces in Central and South America.

Meanwhile, British Labour Party parliamentarian George Foulkes on Aug. 24 demanded a full inquiry into allegations that British mercenaries have been training the Colombian drug barons' private jungle armies.

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## ***Genocidalists being forced upon Cambodia***

"The world is trying to impose a formula to foist the authors of genocide upon Cambodia," said former Prime Minister In Tam, in an interview with the *New York Times* published Aug. 27. He was referring to ongoing international negotiations to forge a coalition government for the country, which would include the Khmer Rouge—the party that, under dictator Pol Pot, killed off some 3 million Cambodians during the period 1976-79, with backing from Communist China.

"It's the Cambodian people who bore the consequences of Pol Pot, and the outside world has no authority, and no moral authority, to impose such conditions on the Cambodian people," said In Tam, who describes himself as a non-Communist. "In this I have the same idea as the government" of Prime Minister Hun Sen, the current Vietnamese-backed government.

The *Times* notes that in 1981, as Prince Sihanouk vainly maneuvered to stay out of

a Chinese-inspired coalition with the Khmer Rouge, he asked In Tam to request help from the Reagan administration. But the Americans supported Beijing, and the plea was rejected.

In Tam, who lives in the United States but returns to Cambodia periodically, said he is concerned that so long as Sihanouk remains in alliance with the Khmer Rouge, Khmer Rouge forces will hide behind the prince to confuse the peasantry. "They use the name of Sihanouk to tell the people that Khmer Rouge troops are really Sihanouk troops," he explained. He said he wanted the American government to be a mediator and "not consider our government here to be the enemy."

Sihanouk resigned Aug. 27 as head of his Cambodian resistance faction, in a move which some diplomats cited by the Reuters news agency suggest may be an attempt to distance himself from the Khmer Rouge. The resignation would seem to imply that he has also resigned as president of the resistance coalition that includes the Khmer Rouge.

## **Israeli MP condemns Auschwitz demos**

Israeli Parliamentarian Yossi Sarid, who returned to Israel from Poland on Aug. 24, condemned those U.S. Jewish fanatics, led by Rabbi Avraham Weiss, who demonstrated against a convent at Auschwitz. The protestors called it a "desecration" for nuns to pray for the Jewish martyrs who died at Hitler's concentration camp.

The demonstrations are "provocative and aimed at making political capital in Israel and the United States," Sarid said.

Sarid's trip was simultaneous with that of Religious Affairs Minister Zevulun Hammer, the first Israeli cabinet member to visit Poland in 22 years. Hammer's trip was originally intended to lead to a dramatic upgrading in Israeli-Polish relations, but was overshadowed by the demonstrations. Every significant meeting Hammer had arranged with senior government officials was can-

celed. Hammer's effort to strong-arm Church leaders on the issue of the convent also failed miserably.

## **Taiwan to revise defense strategy**

Lee Huan, the prime minister of the Republic of China on Taiwan, told the country's Defense Ministry on Aug. 15 to revise its defense strategy to cope with possible changes in mainland China's military deployments after the visit of Mikhail Gorbachov to Beijing in May, the *China Post* reported Aug. 24.

Relations between the People's Republic of China and the U.S.S.R. have normalized, Lee said, and could lead to Beijing's readjusting its strategic deployments in northern China. Since the June 4 massacre of students at Tiananmen Square, Lee said, Beijing has been under tremendous pressure and could attempt to divert attention by attacking Taiwan.

Lee instructed the Foreign Ministry to increase interaction with socialist countries through trade and economic activities.

## **Bulgarian human rights violations worsen**

U.S. Ambassador to Bulgaria Saul Polansky has been recalled for consultation, according to an announcement by State Department spokesman Richard Boucher at the daily press briefing Aug. 29.

Boucher cited the "abuse of the Turkish community," which is a serious concern to the U.S. government, and the 310,000 ethnic Turks who have been expelled. As far as he knew, the border between the two countries was still open, and he noted that the problem of human rights violations "continued to get worse."

Refugee support aid to Turkey is now being considered by the United States. The ambassador will return to Bulgaria after consultations.

● **A RUSSIAN ORTHODOX** Church delegation headed by the Metropolitans of Kiev and of Minsk, met the Pope on Aug. 25 and discussed the Ukrainian Uniate Church. On Aug. 24, Yuri Karlov of the Soviet Foreign Ministry delivered to the Pope a personal letter from Gorbachov, who will visit the Vatican in November.

● **INTERNAL WARFARE** has escalated between Afghan rebel groups in northern Afghanistan, and between groups belonging to the Pes-hawar coalition and the Afghan Interim Government, in southern Afghanistan. The disputes are over drug trafficking.

● **LEBANON'S** Gen. Michel Aoun denounced U.S. backing for Syria in an interview Sept. 1. "If I understand their reasoning," he said, "it would be enough for me to take some 20 Americans as hostages, for the United States to immediately cease the pressures against my friends."

● **THE KUOMINTANG** party on Taiwan nominated 222 candidates for the December elections, in its first primary in the party's 94-year history on Aug. 14. The *China Post* called the reduction a "thinly veiled" move to force the aging, anti-Communist KMT deputies who were elected on the mainland in 1949, to retire.

● **THE VATICAN** and Poland resumed diplomatic relations with the naming of ambassadors on Aug. 26. The Vatican also announced that the Pope will visit South Korea, Indonesia, and Mauritius Oct. 6-16.

● **SYRIA** and the Soviet Union share almost identical views on how to bring peace to Lebanon, declared Syrian Foreign Minister Farouq al-Shara in Amman, Jordan Aug. 27.

## Bush ready to justify Russian crackdown for economic pact

by Kathleen Klenetsky

The Bush administration is gearing up for the implementation of a far-reaching economic agreement with the Soviet Union, which could involve billions or even trillions of dollars in trade, credit, and joint ventures in the next 10-15 years. Financial interests with ties to the Bush regime are salivating at the prospects of vast new markets—promising huge profits—in the East, as a result of the so-called Wyoming Accords, the sobriquet given to the deal which Secretary of State James Baker and his Soviet counterpart, Eduard Shevardnadze, are expected to strike at their meeting in Jackson Hole, Wyoming, Sept. 22-23.

The administration and its supporters are fully prepared to follow through with these deals despite their expectation that Moscow is about to bring its fist smashing down upon the dissent which is sweeping its empire.

### Multibillion-dollar deals

As *EIR* reported last week, the currently secret negotiations around the Wyoming Accords are expected to produce a dramatic, multibillion-dollar initiative, under which the U.S. will eliminate all major political impediments to expanding economic relations with the Soviet bloc—such as the Jackson-Vanik amendment, which prohibits granting Most Favored Nation status to the Soviets—while encouraging a gargantuan increase in money flows to the East, primarily from private sector sources.

Part of the deal calls for the U.S. to reopen the Eximbank spigot to American firms doing business with the Soviets—a move which is expected to encourage other countries, including Japan, to rapidly increase the tempo of their economic dealings with the East. In turn, Moscow reportedly will agree to certain cosmetic changes in its military force structure and in the “humanitarian” realm.

The Wyoming Accords represent President Bush’s re-

sponse to the extraordinary missive which Mikhail Gorbachov sent to the Group of Seven meeting in Paris in June, in which he urged the integration of the Soviet bloc into the West’s economic structure.

Bush’s principal motives for pursuing this policy are reportedly two-fold: First, despite the occasional utterances by administration “hard cops” like Robert Gates and Dick Cheney, about the dangers inherent in bailing out Gorbachov, Bush has fallen for the fiction that the Soviet leader truly is a reformer, and is prepared to go to ridiculous lengths to assist him. Second, Bush labors under the delusion that the Soviet bloc holds tremendous economic opportunities for the U.S.

“Bush thinks the U.S. can get raw materials, including energy products, from the Soviets at relatively inexpensive prices,” explained one source. “And he also believes that the U.S. will be able to get rid of some of its external debt through an explosive increase in exports of high-tech goods and equipment to the East.”

Though supposedly a well-guarded secret, news of the Wyoming Accords is circulating throughout the U.S. business and banking community—at least those sections plugged into the Bush network.

According to informed sources, the 10-day trip which Marshal Sergei Akhromeyev, the former head of the Soviet general staff, made to the United States in July, was crucial to finalizing plans for the Wyoming deal. Akhromeyev spent several days in Chicago meeting with top representatives of Midwest economic interests, and also met with officials of Merrill Lynch in New York.

One individual involved in the Chicago end of the marshal’s tour stressed that it had been “very, very, important” in the context of the evolving U.S.-Soviet “economic accommodation.” A series of intensive discussions with Robert Galvin of Motorola and Bill McDonough of First National

Bank of Chicago “convinced Akhromeyev that American capitalists are ready to be very flexible” in further dealings with the Soviets.

The line circulated in support of the Wyoming Accords is that it is in the “strategic interests of both countries that some kind of economic accommodation be reached,” as one source put it. “From the U.S. strategic standpoint, although there are a lot of troublesome areas, we should support Gorbachov’s reforms. The Soviet view of this, is that they need to get a lot of bars of soap and blue jeans on their shelves very quickly. They know they must get consumer goods in the shops ASAP. They need hard currency; we have the goods they need. So there obviously is the basis for the U.S. and Soviet Union to become major trading partners. Once we knock down the political barriers, such as Jackson-Vanik, then we can quickly establish the U.S. and Soviet Union as major trading partners.”

One component of the arrangement will reportedly center on a spectacular increase in Soviet raw material exports, especially oil and natural gas, to Western Europe, and possibly to the United States. “I foresee that the United States will soon be importing massive amounts of raw materials from the Soviet Union, not just oil and gas, but things like cotton, I’d say at least 10-12 other strategic goods,” said one businessmen familiar with the negotiations.

That view was seconded by the head of the international banking division of a major U.S. bank which has been in the forefront of U.S.-Soviet financial arrangements. The Soviet Union could become a major exporter of raw materials to the United States “beginning tomorrow morning,” he said. “All it would take is for Bush to give the word that it is legal for U.S. commodity brokers to buy things like chrome from the Soviet Union, and you will see a tremendous movement of goods begin immediately.”

U.S. purchasers will pay with dollars, he explained, which will be deposited in Russian accounts in U.S. banks, “giving the Soviets the hard currency they need. . . . Hopefully, the Soviets will use those dollars to buy our exports. We are a major debtor country, and the only way we can get out of that situation is by increasing exports. The Soviet Union is a natural market for them.”

If this transpires, the Soviet Union will supplant South Africa as the most important supplier of strategic materials to the United States—meaning that the U.S. defense industry, as well as such key sectors of the civilian economy as the auto industry, will become inextricably dependent on the United States’ worst enemy for vital materials.

This will accomplish a major Soviet strategic objective, according to a highly informed London source, commenting on the raw materials component of the Wyoming Accords. “This has been the purpose of the whole exercise of destabilizing southern Africa,” he told *EIR*. “They’re ready to sell vanadium, and a lot of other things. Probably, that’s the importance of their newest announcement of a giant natural

gas capability”—a reference to Moscow’s announcement Aug. 29 that the largest natural gas field in the world has just been discovered in the Kara Sea.

## A Russian ‘Tiananmen Square’

Through an unwritten feature of the Wyoming Accords, the Bush administration will promise to take no action—beyond some cheap, rhetoric—when the Soviet authorities begin their anticipated crackdown against the Balts and other nationalists in Russia’s captive house of nations. Bush will react to a Russian Tiananmen Square, in the same way he responded to the June 4 massacre in the People’s Republic of China: with a few slaps on the wrist, at most. In fact, the Bush administration responded to the Tiananmen events in that way, in part because they wanted to set a precedent for how they will handle what is expected to be an even more brutal wave of repression in the Soviet bloc.

“Sure, the Soviets are going to have to take action,” a banker privy to the Wyoming Accords process confided. “The integrity of the state is at stake. . . . It would be unreasonable to expect a continuous stream of positive developments, without some kind of steps backwards. It would be contrary to human nature. Any momentous change, such as the Soviet Union has been going through, is of necessity a process of trial and error. . . .

Another individual with extensive involvement in setting up joint ventures between the U.S. and Soviet economies concurred with this reading. “The Soviet military is going to have to crack down on the strikers and other dissenters. I wouldn’t be surprised if it happens within the near future, depending on how violent and complicated the situation gets. We might see heavy military action. But they’ve got to do this. They’ve got to maintain order. If chaos erupts, forget it. . . . It’s horrible that people have to be killed, but that’s the only reasonable approach under the circumstances.”

Certain sections of the American business and banking community—namely, the stupid and the treasonous—have already begun to position themselves to cash in on the Wyoming agreement. Chicago-based interests are a case in point. Illinois Gov. Jim Thompson—a Bush Republican—is heading to Vienna in mid-September, for the express purpose of “meeting with people who can help us get around the problem which the non-convertibility of the ruble” poses for expanding economic deals with the Soviet empire. “Vienna is the place where these kinds of deals get worked out,” a Thompson spokesman disclosed. “We’ll be meeting with people who can help us get around some of the problems, like the ruble’s non-convertibility.” Expanding trade with the Soviet bloc “is the subject that’s nearest and dearest to our hearts right now,” he said.

Thompson was in the Soviet Union this past spring, where he signed an accord making Illinois the first state to open a trade mission in Moscow. “We’ve long been in the vanguard of East-West trade,” said a spokesman.

# Jury delivers split verdict in New York 'LaRouche' Trial

After three days of deliberation, the jury in the New York trial of four political organizers associated with Lyndon LaRouche delivered a split verdict. George Canning, a resident of Virginia, was acquitted on both counts charged against him, conspiracy in the fifth degree and scheme to defraud in the first degree; Marielle Kronberg, also from Virginia, and New Jersey resident Lynne Speed were both acquitted on the conspiracy count and convicted on the scheme to defraud count; and New Jersey resident Robert Primack was convicted on both counts.

All the defendants were immediately released on their own recognizance.

The partial exoneration of the defendants was in keeping with fact that over the course of the trial, the defendants were only permitted to present fragments of the full picture of years-long political persecution against them by powerful circles in the U.S. Establishment and parts of the U.S. government.

Virginia congressional candidate Lyndon LaRouche, who was railroaded into prison by the same political forces in January, immediately made the following remarks:

"It is appropriate that I make a preliminary comment on a split verdict which just occurred in a New York trial, that had been in progress during the last five months. As many know, four friends of mine were indicted and charged by the same federal, state and private task force, which is responsible for several attempts to convict me, and the successful one in the Alexandria, Virginia frame-up in federal Judge Albert Bryan's court.

"In this case, the split verdict reflected a split decision by the jury. One person accused was let off on every charge, and only one was convicted on two charges. The problem in the case—the problem that resulted in not all being fully exonerated—reflected the fact that Judge Crane, the presiding Supreme Court judge in that case in New York, followed Judge Bryan to the extent of not allowing the defendants to present the full evidence, and the major evidence showing why there were certain financial difficulties in three firms, three indebted firms, which some of the defendants had represented during 1986 and into 1987.

"So the judge—by excluding the evidence of who was responsible for the late performance in payment and then the

non-performance in payment ultimately, because of the bankruptcy caused by the federal government and only the federal government—misled the jurors, or allowed the jurors to be misled as to the nature of the case.

"Obviously the decision will have to be overturned. You cannot have people convicted simply because jurors are willfully misled on the most crucial evidence of an affirmative defense. I won't say more at this time, but I will comment as may be suitable at a later date."

## Subpoenas quashed

What LaRouche referred to was the fact that New York State Supreme Court Justice Stephen G. Crane prevented the defense from calling witnesses who could have demonstrated that there was, and is, a top-down conspiracy involving federal, state, and local officials, and reaching into the Democratic Party on the state and national levels, to try to shut down the LaRouche political movement, and publications associated with it, through financial warfare and other means.

Nowhere did this become clearer than when Crane quashed subpoenas issued by the defense to New York Democratic Party chairman Larry Kirwan and to former U.S. Secretary of State Henry Kissinger.

In the case of Kirwan, the defense demonstrated that he was directly involved in soliciting action against the LaRouche faction of the Democratic Party—action which likely led directly to the New York indictment, which came down in March 1987. Yet Crane ruled that, since the defense couldn't prove—prior to his testimony—that he was involved in any of the particular transactions cited in the case, his animus was not "relevant."

Crane then also quashed a defense subpoena to Henry Kissinger, whom the defense showed was instrumental in activating federal agencies and others against LaRouche, with the express aim of "taking care of him" after the election of 1984. Kissinger's letters to the Federal Bureau of Investigation in 1982 have been traced as the initiation of the "Get LaRouche" strike force which has been responsible for all the indictments which have hit the LaRouche movement since 1986.

A bail hearing is set for Sept. 22, and sentencing is scheduled for Oct. 27. At that time, as well, Kronberg's post-trial



“Kastigar hearing” will commence, which hearing will determine whether or not evidence derived from her previous immunized testimony in Alexandria, was illegally used against her at trial.

Decisions will also be made around that time, as to whether New York State will proceed with trial of the remaining defendants in its original case. Five additional individuals are charged with the conspiracy misdemeanor count alone: Mark Calney, Paul Gallagher, Phil Rubinstein, Nancy Spannaus, and Kathy Wolfe.

Almost every courtroom observer, lawyers included, believed the jury verdict reflected a fundamental confusion about a number of issues. For example, their decision to acquit Kronberg and Speed on the conspiracy count (which is a misdemeanor), while convicting them on the scheme count (a felony), seemed quite odd. Judge Crane looked surprised at the verdict, ordered the jury to return to the jury room and remain sequestered, and asked both sides if they considered the verdict to be repugnant, or to require further deliberation, citing the jury’s obvious confusion over the conspiracy/scheme split.

## Defense by truth

The trial was notable in its closing phases for breaking several “rules of the judicial game.” First, in response to the 20 “lender witnesses” called by the prosecution to supposedly demonstrate a deliberate conspiracy not to pay them back, the defense mounted five weeks of testimony by 30 financial and political supporters of LaRouche, many of whom had given political loans, all in full knowledge that attacks by political enemies of LaRouche might endanger repayment.

Second, Lyndon H. LaRouche himself took the stand on behalf of the defense (see *EIR*, Aug. 25, 1989, “LaRouche gives testimony on patriots’ movement”). This was the first time LaRouche had testified in any of the multiple trials that have been conducted against him and his associates.

Third, three of the four defendants took the stand on their own behalf to assert their innocence—something which, according to standard legal “wisdom,” is never done, because this might “further incriminate” the defendants. Fourth, the “Get LaRouche” task force was placed on the stand, in the gelatinous form Richard Egan, the Boston-based FBI agent who has been assigned much of the task force’s dirty work.

During the course of the New York trial, Egan testified that he had deliberately destroyed documents belonging to Caucus Distributors, Inc. and Campaigner Publications, contrary to an order issued by Boston federal Judge Robert Keeton that the documents be preserved. According to the defense, the documents would have shown that thousands of checks were issued in repayment of loans.

Defendant Lynne Speed took the stand Aug. 17, following the Aug. 11 testimony of Lyndon LaRouche. She detailed her political organizing activities as a context for the fundraising efforts of the LaRouche movement. Such efforts in-

cluded, for example, the 1982 publication *Fifty Years a Democrat*, the autobiography of the late Hulan E. Jack, former Manhattan Borough President. This flew in the face of the prosecution’s contention that the fundraising activities were “a scheme to defraud the unsuspecting investing public.” Even Prosecutor Dawn Cardi herself commented in her closing, that she had found it difficult to cross-examine Speed, because “I felt like one of the lenders.”

Defendant Marielle Kronberg took the stand on Aug. 22. She detailed the story of the mid-1970s harassment of LaRouche organizers by the FBI in the Midwest, as well as the story of the creation and initial funding of the LaRouche-related book publisher New Benjamin Franklin House in the late 1970s. Over 15 titles produced by New Benjamin Franklin House were read into the record by Judge Crane during her testimony.

## Summations

During his summation, Speed’s attorney Lawrence Hochheiser showed the jury photographs in evidence of one of the prosecution’s witnesses participating a Washington, D.C. mass demonstration in 1984, carrying a banner supporting LaRouche’s policies. “Does this look like a member of the unsuspecting investing public?” he asked.

Hochheiser also taunted prosecutor Dawn Cardi for having abandoned her original claim that this was only a trial about “criminals” and not politics, by comparing Ms. Cardi to a cat who accidentally slips across a newly waxed kitchen floor, picks itself up, and saunters away, as if to say, “This is where I intended to be all along.”

Defendant Primack’s attorney, Jeffrey Hoffman, ripped apart the prosecution’s case. He demonstrated, using the prosecution’s own witnesses, that in *none* of the 20 cases did any witness claim misrepresentation of their loan by a LaRouche-associated company or individual.

Hoffman stated, “If these defendants wanted, they could have walked away from the whole situation by declaring bankruptcy.”

In fact, Hoffman pointed out, all the prosecution witnesses, all the defense witnesses, and all the defendants were united in a single cause—publication, propagation, and implementation of the ideas and policies associated with former presidential candidate Lyndon LaRouche.

It was Attorney Hoffman who called LaRouche to the stand, “because he founded this movement. He can tell you what it’s about better than anyone else: That’s what this case is all about: the persecution of a political movement.”

Hoffman compared the plight—and potential triumph—of the LaRouche movement to that of Lech Walesa. “Two years ago Walesa was in jail for espousing an unpopular cause. Today, a close associate of his has become the prime minister of Poland.” Hoffman stressed that the U.S. Constitution and judicial system were designed to protect precisely those who espouse such unpopular causes.

# LaRouche main appeal to be heard Oct. 6

The appeal of Lyndon LaRouche and six associates convicted in Alexandria federal court last December, has been set for oral argument on Oct. 6 in Richmond, Virginia. Former U.S. Attorney General Ramsey Clark will be arguing the case for LaRouche and his six associates: William Wertz, Ed Spannaus, Dennis Small, Mike Billington, Paul Greenberg, and Joyce Rubinstein.

Previously, Mr. Clark issued a statement identifying the fundamental constitutional issues at stake in the *U.S.A. v. LaRouche* appeal, especially the rush to force the case to trial in 34 days from indictment.

Clark and the other attorneys filing the appeal have asked the court for an extra 30 minutes—for a total of one hour—to argue the case. Their request states: “Given the magnitude of the case and the complexity of the underlying issues,” as well as “the merit of the appeal and the fact that the liberty of seven persons is at stake, it is critical that appellants have a full opportunity to present their . . . arguments to this court.” This motion for expanded time has been pending since mid-July.

The Fourth Circuit Court, which is hearing the appeal, still has not decided whether to accept a table of misstatements, filed *pro se* (by the defendants themselves, not by their attorneys). In this document, the defendants exposed the prosecution’s use of lies in its response to the appeal brief, as a classic prosecutorial tactic designed to take the court’s eye off the essential constitutional issues. Like the motion for expanded time to argue, this motion to file the table should be decided within the first two weeks of September.

In addition, 233 *amicus curiae* signators have been officially added to the *amicus* brief of attorney David Pembroke of Baltimore. This brings the total number of attorneys who have registered their outrage at the railroad of LaRouche and his associates, to 377. The Fourth Circuit Court of Appeals accepted the supplemental filing in mid-August.

## LaRouche’s health at risk

The Oct. 6 appeal date, ironically coming exactly three years after the incredible show of force in which over 400 FBI and state police officers descended on the small town of Leesburg, Virginia to raid the offices of various publications and companies of LaRouche’s associates on Oct. 6, 1986, is

seen around the world as a watershed for saving the life and contributions of an individual who has done more than any other to preserve the United States and its allies around the world, in these critical times.

Now incarcerated in a federal penitentiary in Rochester, Minnesota, LaRouche—whose 67th birthday falls on Sept. 8—is being subject to debilitating labor in the prison kitchen for seven hours a day, despite the fact that his case is under appeal and that Mr. LaRouche is well past retirement age.

Among the international jurists who have expressed outrage at this situation, is Miguel Angel Pinero Murguia, a lawyer from San Sebastian (Basque Provinces), Spain. He is a specialist in criminal law, and in particular, the fight against ETA terrorism.

His statement reads: “I am informed about the conditions under which Mr. Lyndon LaRouche is being detained. The way Mr. LaRouche is being treated could not happen in this country. First, it is highly unlikely, to say the least, that a man of that age would be imprisoned, assuming he is even guilty. Elderly persons are almost always given a suspended sentence, unless they are violent and dangerous, in which case they might be hospitalized. Second, in Spain, persons are not obliged to work in jails at all, though they might be put on work for one day as a punishment. Furthermore, I believe that the age of retirement is 65 years, also in the United States. From what I have heard, Mr. LaRouche is being held under a prison regime more severe than the prisoners belonging to the Basque guerrilla group called ETA.”

Maitre Jacques Stul of the Paris Bar has 30 years’ experience in the Paris Appeals Court, in particular in some of the most sensitive political and civil liberties cases of the time. His statement of Aug. 30 reads:

“I am apprised of the fact, that Mr. LaRouche has been obliged to do exhausting work in the new jail to which he was sent last month. I am told, that he is working seven hours a day in the kitchens of that jail. Such a decision, to put a man of 67 years to work, is all the more regrettable and even scandalous, in terms of the violation of human rights, when one takes into account these further facts:

“1) The decision to have Mr. LaRouche work, was taken after Mr. LaRouche spoke in favor of certain of his associates, who are defendants in a New York trial. It would thus appear, that Mr. LaRouche has been punished, simply for having accepted to be a witness, i.e., for having placed himself at the service of the American justice system.

“2) It is extremely rare, that a 67-year-old man be forced to do hard physical labor in an American prison. Indeed, it would appear, that the treatment presently meted out to Mr. LaRouche may in fact be the first such instance, or at least, the first which has become publicly known, in the United States.

“I believe that it is also often the case, that persons who have been convicted but who are elderly, are not sent to jail at all,” Stul concluded.

# FBI admits investigating LaRouche under Executive Order 12333

by Edward Spannaus

In sworn affidavits recently submitted in federal court, the Federal Bureau of Investigation (FBI) has admitted that it conducted an investigation of political leader Lyndon H. LaRouche and his associates under the provisions of the notorious Executive Order 12333. This Executive Order, promulgated Dec. 4, 1981, ostensibly governing foreign intelligence and counterintelligence activities, laid the basis for the "secret government" which was partially uncovered during the Iran-Contra hearings.

The FBI's admission came in court papers filed in a lawsuit brought under the Freedom of Information Act (FOIA) by Paul Goldstein, a LaRouche associate and Counterintelligence Editor of *Executive Intelligence Review*. Goldstein's request sought records compiled by the FBI since Dec. 4, 1981, concerning LaRouche and 10 organizations identified with him. The request covered files created under the categories of domestic security, foreign counterintelligence, and the provisions of Executive Order 12333.

The FBI claims to have located almost 5,000 pages of files it deems "responsive" to the Goldstein request, but it has released only about 600 pages. Even many of those 600 pages are heavily redacted.

An FBI affidavit filed in the case asserts that the FBI located 11 "main" files and 83 "cross-references" pertaining to the subjects of the Goldstein FOIA request: LaRouche and the 10 named organizations, including *EIR* and the Schiller Institute. Much of the material in the *EIR* and Schiller Institute files is under the category of "foreign police cooperation," which involves exchanges of information about LaRouche and these organizations with foreign government agencies. Review of the portions of these files that have been disclosed, shows that the FBI disseminated false and derogatory characterizations of LaRouche, *EIR*, Schiller Institute, etc. to Western European governments, including the suggestion that LaRouche and associates are agents of "Soviet disinformation."

One of the "main file" investigations is apparently so sensitive that even the file number and file name are classified. FOIA experts note that it is highly unusual for the FBI to go so far as to classify and withhold the file number, which would merely show the category of investigation.

The FBI's description of this file is as follows:

## *File Number and Caption Classified*

This information was compiled pursuant to the Attorney General Guidelines for FBI Foreign Intelligence Collection and Foreign Counterintelligence Investigations. These guidelines were established by the Attorney General to govern all foreign intelligence, foreign counterintelligence, foreign intelligence support activities, and intelligence investigations of international terrorism conducted by the FBI pursuant to Executive Order 12333. They also govern all FBI investigations of violations of the espionage statutes and certain investigations requested, or FBI assistance to investigations conducted, by foreign governments.

In recent years, the FBI and Justice Department have repeatedly denied conducting any kind of "national security" investigation of LaRouche and his associates in the National Caucus of Labor Committees (NCLC); the philosophical association founded by LaRouche in the late 1960s. LaRouche and the NCLC are still engaged in a major civil rights suit against FBI officials which has been pending in federal court in New York since 1975.

In that case, known as *LaRouche et al. v. Webster (Sessions)*, the FBI has denied conducting any kind of "national security" investigation of LaRouche and his associates since closing its "domestic security" investigation of the NCLC in 1977. In a motion seeking dismissal of the LaRouche suit during 1985, the Justice Department . . . ended eight years ago, has not been reopened under any guise or pretext whatsoever, and it is not likely to be reopened."

An FBI agent's affidavit submitted to the court at the same time asserted: "The FBI's domestic security investigation of the NCLC was closed in September of 1977, and the FBI never reopened the investigation of the NCLC under that title or any other pretext title, nor does it have any plans to do so." The FBI has maintained that its only investigation of LaRouche and associates has been the strictly "criminal" investigations around the Boston and Alexandria indictments, and that this was unrelated to any type of national security or counterintelligence investigation. Yet in the Goldstein FOIA action, many hundreds of pages are being withheld under the FOIA's "national security" exemption.

In FBI files obtained through the *Webster* case and through FOIA, it is documented that Henry Kissinger and members of the President's Foreign Intelligence Advisory Board (PFIAB), which is headed by Leo Cherne, demanded in 1982-83 that the FBI investigate and go after the sources of funding of NCLC activities, under the pretext that LaRouche and the NCLC were probably agents of some foreign intelligence service. Many knowledgeable observers are convinced that the FBI's "criminal" investigations of LaRouche and associated individuals and organizations were merely pretexts for running sophisticated financial warfare and counter-intelligence operations (Cointelpro) against them.

### Catch-22

Observers also note that the FBI has now created a real Catch-22 for itself. On the one hand, it has tried to cut off

discovery of evidence in the *Webster* civil rights suit by claiming that there has not been any FBI investigation of LaRouche and the NCLC for many years. But on the other hand, to cut off release of documents under the FOIA, the FBI is compelled to argue that its current investigative files are so sensitive that to release them would jeopardize the national security! In other words, in the civil rights suit the government justified withholding information on the grounds that there is *no* investigation, and in the FOIA suit the government justifies withholding information on the grounds of these (non-existent) investigations.

The plaintiffs in the *LaRouche v. Webster* case have recently cited a number of documents obtained under FOIA to attempt to reopen discovery in that case. Meanwhile, it is expected that Goldstein's attorneys will also emphasize this paradox as they file opposition papers in the FOIA suit over the coming weeks.

## LaRouche warned of Executive Order 12333

On July 2, 1987, two days after he had been indicted on the bogus charge of "conspiracy to obstruct justice" by Boston federal prosecutors, then presidential candidate Lyndon H. LaRouche, Jr. issued a series of documents identifying the intelligence apparatus which was being used to persecute him, and his associates. The root of the apparatus, he noted, was Executive Order 12333 issued Dec. 4, 1981.

What E.O. 12333, and its accompanying order 12334, did, LaRouche said, was to establish the bureaucratic basis for arm's-length intelligence operations, which would be run through private channels, for objectives for which the official government did not want to take responsibility.

In a July 2 statement entitled "President Reagan Is in Very Deep Trouble," LaRouche said the following:

"What these two Executive Orders did, was to create what Senator Boren has accurately described as a 'secret government' operating both inside and outside the Reagan administration. This is the crew that is guilty of every sordid thing done in cooperation with that crew of drug-runners called the Contras, and that is only the beginning. Every dirty operation run against me and my friends through the Reagan administration's Department of Justice, was planned and directed by the 'secret government' operating under the cover of Executive Order 12333.

"Worse, Executive Order 12333 is the channel through

which the Soviet KGB directly penetrates deep inside the U.S. intelligence community. The key to this Soviet spying is a branch of the U.S. Department of Justice called the Office of Special Investigation (OSI), operating under the direction of Mark Richard and Neal Sher."

In addition to operations against him and his associates, LaRouche identified E.O. 12333 as the authorizing cover for public-private intelligence operations targeted to overthrowing the Panamanian government, and to removing from the U.S. individuals which the Soviet government wished to have punished.

LaRouche issued his statement during the time when the congressional Irangate hearings were ongoing, with an eye to the fact that "secret government" operations authorized by E.O. 12333 would boomerang on the Reagan administration as well. While Reagan got out of office unscathed, so far, the very same Sword of Damocles hangs over the head of President Bush, who was intimately involved in the implementation of the secret government operations.

LaRouche's legal defense went a good distance toward identifying the nexus of private and public agencies which had targeted him, during the course of the Boston trial. Indeed, so much exculpatory material, including material on the groups working with Oliver North, was uncovered that hearings on government misconduct were held, and the trial eventually fizzled on May 4, 1987. Since then, the federal government has had the aid of the courts in covering up for the "secret government" apparatus and its "Get LaRouche" strike force. This FOIA release, however, indicates that by no means, is the pursuit of this unlawful grouping finished.

# Illinois prosecutor persists in rampage

by Patricia Salisbury

Ogle County, Illinois, prosecutor Dennis Schumacher is continuing an outrageous series of extralegal and harassing courtroom actions in an attempt to use terror to manufacture a case against political organizers associated with Lyndon H. LaRouche, Jr. To date, Schumacher has rammed indictments of three political associates of LaRouche through a grand jury in Oregon, Illinois, charging that the three were guilty of "burglary, theft, robbery, and intimidation." (See *EIR*, Sept. 1, 1989, p. 58.)

The case is being closely watched internationally, as an escalation in the use of police-state actions to shut down all political voices irritating to the Establishment.

Schumacher, unable to bring any proof of his absurd charges to bear, is engaging in tactics of intimidation, threats, and harassment against both witnesses and their lawyers. On Aug. 24, Schumacher attempted to subpoena the records and files of all employees, volunteers, related companies, organizations, and supporters of Midwest Circulation Company. Judge Alan Cargerman at that time found this constituted a threat to the First Amendment right of freedom of association and quashed the subpoenas.

However, in court proceedings before the same judge from Aug. 27-31, Schumacher demonstrated that he had not a shred of respect for these rights. According to witnesses, the prosecutor appeared enraged by several days of failed attempts to convince Judge Cargerman that the keeper of the records for Midwest Circulation Company, Thomas Szymecko, should be jailed on contempt for allegedly failing to produce records ordered by Judge Cargerman.

## Threatens perjury indictment

After a short hearing on this issue again on Aug. 30, Judge Cargerman quashed the production of MCC subscription lists on First Amendment grounds, as he had the week before. Schumacher then proceeded to try and badger testimony out of Szymecko by serving yet another subpoena on him. When this did not produce the answers he wanted, Schumacher threatened to indict Szymecko for perjury, informing Szymecko's lawyer Michael Null that he would seek an indictment from the grand jury.

Schumacher then requested a hearing before Judge Cargerman, and much to everyone's amazement once again, began his arguments for a contempt citation for failure to

produce what he now said he could prove were missing records. However, he offered no proof of these charges. Judge Cargerman pointed out to Schumacher at several points that he was unable to identify with any specificity any "missing" documents. It became clear that Schumacher not only did not know what records had been produced, but did not care.

The high point of this exchange occurred over a list of subscribers to various political publications, which Judge Cargerman had ruled should be produced with, however, the names and addresses of the supporters blacked out. While Judge Cargerman sat on the bench holding the list in question for all in the courtroom to see, Schumacher launched into a raving tirade about how this very list had never been produced. After five minutes of this nonsense, the judge cut Schumacher off, pointedly noting that the documents had been the center of argument for a good half-hour.

Throughout, attorney Null had been attempting to raise the important question of Schumacher's perjury threat, which he argued was nothing less than an attempt to threaten and harass the witness. Judge Cargerman instructed the witness, Mr. Szymecko, to return to the grand jury room and invoke his Fifth Amendment privilege, after which he would consider the issue of intimidation. Before this could occur, however, prosecutor Schumacher sent the grand jury home for the day, and he himself left the courthouse.

Judge Cargerman, then, in an highly unusual move, granted a hearing on Schumacher's conduct at the request of the defense attorneys, during which he appeared to assure them that Schumacher's fishing expedition with these witnesses was, at least for the moment, at an end.

Schumacher cannot, however, be dismissed as simply as a boorish fool with delusions that he is a prosecutor in Nazi Germany of the late 1930s. While the courage of the defendants, the witnesses, and the defense attorneys has to this point stood up to his terrorism, Schumacher is clearly fronting for the state and national "Get LaRouche" task force which set out to obtain a conviction of Lyndon LaRouche after the March 1986 victories of his supporters in the Illinois Democratic Party state primary, and which is now on a rampage without even the semblance of adherence to law. It is no accident that two of the indicted LaRouche associates, Patricia Noble-Schenk and Ron Fredman, are running for statewide office with gubernatorial candidate Mark Fairchild, who won the Democratic Party nomination for lieutenant governor in 1986. This political activity, which is building a national constituency for alternative policies to the New Yalta appeasement plans of the current Establishment, is the target of the "Get LaRouche" task force. Fairchild and his running mates have responded to this political vendetta by stepping up their campaigns.

In a press conference immediately following the indictments, Mark Fairchild declared that the only thing he and his associates were guilty of, was winning elections, and that they intended to do lot more of that.

# Kissinger Watch

by M.T. Upharsin

## Beware of Metternissinger!

The latest in Henry Kissinger's long and boring essays was published in the *Los Angeles Times* Aug. 26. Boiled down to its essence, the article was an appeal for restoring a "balance of power" system modeled on what the Congress of Vienna had created in 1815.

"To have stability, an international system must have two components: a balance of power and a generally accepted principle of legitimacy," Kissinger intoned. He attacked moralistic fixations on such ideas as "the principle of self-determination," for undermining "the requirements of security."

To readers familiar with Kissinger's "intellectual career," this would be a re-hash of the thesis that he wrote in the 1950s, under the overall direction of McGeorge Bundy at Harvard, and published under the title *The World Restored*. That book promoted Austrian Prince Metternich's hostility to the ideas of republicanism associated with the early United States of America.

Since Bundy and Kissinger were national security advisers through most of the 1961-76 period, and since their ideas have continued to dominate the National Security Council since, anti-American Metternichean *realpolitik* has held U.S. foreign policy hostage for almost three decades. Bush's NSC chief Brent Scowcroft used to be on the board of directors of Kissinger Associates.

Now, Kissinger's Metternichean philosophizing has come under attack from a leading West European publication. The *Frankfurter Allgemeine Zeitung*, which speaks for the moderate-conservative branch of the Ger-

man establishment, ran a front-page editorial Aug. 28, contrasting the Kissinger world-view unfavorably with that philosophical-legal-theological tradition embodied in the American Declaration of Independence.

The *Frankfurter Allgemeine Zeitung* editorial reflects a mood of disgust with Kissinger in a faction of the transatlantic policy establishment. Stateside, Kissinger's policies were attacked by *New York Times* columnist Anthony Lewis (who charged that Kissinger rejected the power of the philosophical ideas associated with the United States) and A.M. Rosenthal; by Rep. Stephen Solarz (D-N.Y.), and by *Washington Post* columnist Richard Cohen. The same *Los Angeles Times* that syndicates Kissinger's columns, has run a flood of letters to the editor hostile to him.

Most to the point, *Frankfurter Allgemeine Zeitung* commentator Günter Nonnenmacher contrasted the Western historical and philosophical notion of "human rights" to the views of Nixon and Kissinger, who "looked at international relations from the view point of power—and *realpolitik*." He noted: "The historian Gordon Craig has called the former U.S. foreign minister 'Metternissinger,' as he used the travel and communication facilities of his time for a 19th-century cabinet diplomacy."

This Metternissingerian approach has characterized the détente policy of the past years, the *Frankfurter Allgemeine Zeitung* writer said, but added: "Peace and stability will not last without freedom and self-determination for the individual and peoples."

It is vain to think that the Gorbachov, with whom the West seeks to make a deal, really believes in the "conception of freedom based on the individual," which is "considered at best secondary in the socialist system," Nonnenmacher stressed. The

leading values of the Western world, he wrote, are based on "Greek philosophy, Roman law and Christian-Jewish theology, which culminated in the American Declaration of Independence and resulted one and a half centuries later in the United Nations Organization declaration on human rights of 1948." These conceptions, Nonnenmacher wrote, are foreign to Moscow's interpretation of human rights.

## Metternich's ghost and Chinese Communists

Much of the anger against Kissinger is surely in reaction to his cold-blooded defense of the Deng Xiaoping regime in China. That brings us back to Metternich.

One person from whom Kissinger has taken important advice on China is John K. Fairbanks of Harvard University. Fairbanks, now in his 80s, is the leading academic apologist for Chinese Communism. He claims that Communism is the positive culmination and expression of Chinese civilization and history. Fairbanks takes pride in having advised Kissinger on the latter's first diplomatic trip to China, under Nixon, that the only effective way to deal with the Chinese leadership would be to be aware of their imperial self-conception of being at the center of the world. An able diplomat who seeks success in China, must kowtow to the rulers in Beijing, Fairbanks advised.

Fairbanks regards the late Sir Charles Webster, a British historian, as his mentor. Webster, among other things, was the semi-official British Foreign Office historian of the Congress of Vienna, and admired the "Concert of Europe" policies of British Foreign Minister Castlereagh, Metternich's partner in diplomatic crime.

## Medicare opts for death

*The new guidelines refuse to cover routine mammograms, pap smears, and AIDS testing.*

Consistent funding cutbacks in the nation's Medicare and Medicaid programs have insured that the rate of avoidable deaths in America will increase dramatically, according to the latest guidelines of what kinds of treatment Medicare will and will not cover.

Major breakthroughs in medicine which have contributed to startling improvements in the survival rate of cancer and AIDS patients have almost all come as a result of technologies for early detection of the illness.

However, routine early testing for such conditions is almost never covered by Medicare, according to the "Medicare Coverage Issues Manual," whose latest revised version was published in the Federal Register Aug. 21.

According to the manual, "Use of mammograms in routine screening of 1) asymptomatic women aged 50 and over, and 2) asymptomatic women aged 40 or over whose mothers or sisters have had the disease, is considered medically appropriate, but would not be covered for Medicare purposes."

Why not? The guidelines clearly state that a radiological mammogram is covered by Medicare only if "a patient has distinct signs and symptoms for which a mammogram is indicated"—i.e., only if a woman already has manifest symptoms of breast cancer.

However, any medical expert will tell you that the chances for survival of a woman who has failed to detect

breast cancer until it has become visible are infinitely less than for a woman who has caught the cancer, through a mammogram, in its earliest stages.

Indeed, early mammographic screening frequently saves victims from certain death from the disease. It is for just this reason, that public service television spots are regularly aired, urging women to submit to routine examinations.

For Medicare policymakers to brazenly ignore this reality, knowing that if routine screening is not covered by Medicare then none of those served by Medicare can afford the testing themselves, is a witting decision to encourage a preventable fatal illness to take all the lives it can.

The same has to be said about the decision to exclude routine pap smears for women from Medicare coverage.

Again, the appearance of symptoms of cervical cancer must precede the use of a pap smear in order for it to be covered by Medicare—even though doctors urge routine testing as an often life-saving preventive measure to catch a problem before it has manifested outward symptoms.

A third scandal involves the refusal by Medicare to cover routine testing for exposure to the Acquired Immune Deficiency Syndrome (AIDS) virus. Tests for exposure to the AIDS virus "may be covered when performed to help determine a diagnosis for symptomatic patients. They are not covered when furnished as part of a screening program for asymptomatic persons."

This not only discourages individuals from knowing whether or not they are a risk to others, but it also discourages them from taking early action to ward off effects of the deadly virus in case they are infected.

The Medicare report was published after National Institutes of Health reports that early use of the drug, AZT, which is approved for treatment of AIDS victims, helps to prevent the onset of full-blown AIDS.

This discovery has led to a change in attitude toward testing for the virus among many high-risk groups, who now realize that early detection of exposure to the virus can be vital to extending life.

But not if you are forced to rely on Medicare. Medicare won't cover the cost of a test until you are almost ready to die from the disease.

What makes this especially cruel, is the new evidence that the average carrier of the AIDS virus lives eight years or longer before he or she manifests any symptoms. To be discouraged from receiving a test for so long a period makes an enormous difference in both the number of other persons placed at risk of exposure, and the impact that early treatment by AZT can have in delaying or preventing the eventual onset of full-blown AIDS.

While these life-saving routine early treatments are denied to Medicare recipients, by contrast, policymakers have determined that Medicare will cover such things as the sterilization of mentally retarded patients, and such "New Age" medical hocus-pocus as "biofeedback" treatments.

The policy is already famous for refusing to cover life-saving liver transplant procedures, on grounds that they are "experimental."

These are just a few layman's observations of outrages in the guidelines. Medical professionals, I'm sure, will be able to find dozens more.

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# National News

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## Quayle: U.S. should be number one in space

Vice President Dan Quayle, asked whether the National Space Council which he heads, is considering international cooperation in future space missions, stressed that "America should be number one in space," at a press conference at the Jet Propulsion Laboratory in Pasadena, California on Aug. 25.

Quayle stated that he will be making a visit to Japan in mid-September, during which space policy will be discussed.

"It will take the full range of manned and unmanned capabilities to open the space frontier," Quayle told scientists. He stressed that the National Space Council is trying to produce cooperation, not competition, between the manned and unmanned programs, the defense and civilian programs, and the various other government space programs.

Speaking at the same laboratory the following day, NASA Associate Administrator for Space Science and Applications Leonard Fisk gave an optimistic report on the prospects for space science.

Though we will never look at the planets again for the first time, the follow-on missions will look at them in much more detail as they will orbit the planets and not merely fly by, he said.

Over the next five years, he reported, NASA will launch 35 scientific payloads on the Space Shuttle and expendable rockets, including missions to Jupiter, Saturn, and Mars. The great observatory program will commence with the launch next spring of the Hubble Space Telescope, to be followed by observatories in the gamma-ray, x-ray, and infrared wave lengths.

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## Will Texas tax cocaine, marijuana?

Texas state officials are sponsoring a law that would tax sales of illegal drugs, thereby legitimizing them and bringing them into the "mainstream" of the economy. Similar laws have been passed in 12 other states.

The scheme mandates that all cocaine and marijuana sold must be accompanied by a stamp indicating that a tax has been paid on the transaction. The fee for cocaine is \$100,000 for 500 grams, and for marijuana, \$3,500 per kilogram.

"If you deal untaxed drugs in Texas," said State Comptroller Bob Bullock, "Bullock's raiders are coming after your property, your bank account, your car, or anything else that can be seized to collect the tax."

Billy Clemons, the measure's sponsor, calls it the "Al Capone" law, in reference to the tax evasion charge which jailed Capone. Officials can immediately confiscate assets against the taxes that are owed, in cases of suspected drug dealing, and if drug charges do not stick for any reason, prosecutors can pursue the tax evasion charges, according to the convoluted logic of the bill's sponsors.

Of the other states that have passed similar measures, Florida, Minnesota, and Arizona actively enforce their statutes. Minnesota, which enacted the tax nearly four years ago, has collected \$730,000 in taxes and penalties. In addition, \$26 million in delinquent assessments are on the books. Florida has collected \$300,000 and Arizona has collected \$200,000.

Buying the stamp, according to the bill's backers, does not make selling the drug legal, but only protects the dealer from the penalties attached to tax evasion. The law requires that the names of purchasers be kept confidential. It bars the authorities from using the names to initiate criminal proceedings.

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## Kissinger attacked as butcher of China

A cartoon by Doug Marlette in the Aug. 24 New York *Newsday* portrays Henry Kissinger as a butcher of China, and *Washington Post* columnist Richard Cohen on Aug. 29 asks if Kissinger has a conflict of interest which explains his softness on the Beijing regime.

Marlette's cartoon pictures a "Deng and Co. Butchers" shop, with Deng Xiaoping depicted chopping up people in the back-

ground. In the foreground sits Kissinger behind a desk marked "Public Relations," with a "Be Happy" button on his lapel and a leer on his face.

"Does Henry Kissinger have a conflict of interest?" asks Cohen, referring to the enormous business deals with China on the part of the Kissinger Associates consulting firm. "Rather than being amoral (okay, pragmatic), is he, instead, defending the *status quo*—the people and government he knows?"

Kissinger has appeared on ABC News's "Nightline" broadcast more often than anyone else, Cohen points out. So why has Kissinger never been asked if he had business dealings with any of the governments being discussed?

"Kissinger makes enormous amounts of money as a consultant. . . . For the past several months, Washington has been in an ethics frenzy. . . . Why Kissinger, the newspaper columnist, or Kissinger, the talk-show guest, should be exempted from such scrutiny is beyond me. So let's ask the 'C' question about China: Is Kissinger's position on U.S.-China policy a disinterested analysis of the facts, or the result of a financial interest in the outcome? We await the rumbling reply."

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## CBS records sued over Satanism-linked death

The British heavy-metal rock group Judas Priest and its distributor CBS Records are being sued in Reno, Nevada, for their role in the suicides of Raymond Belknap, 18, and James Vance, 20, on Dec. 23, 1985, according to press accounts Aug. 24.

The two men, after spending six hours listening to Judas Priest's album "Stained Glass," went to a churchyard to commit suicide. The album contains the repetitive subliminal message, "Do it. Do it." Belknap died shortly after shooting himself, while a badly disfigured Vance lingered for three years.

The defendants argued that the suit should be dismissed on First Amendment, freedom of speech grounds, but District Judge Jerry Whitehead refused, ruling that



"subliminal communication does not advance any of the purposes of free speech."

This case represents the first time that Satanic rock groups and their recording companies have had to answer in a court of law for the consequences of their product.

## EIR reporter confronts Soviet parliamentarians

EIR's Washington Bureau Chief William Jones put six members of the Soviet Congress of People's Deputies on the spot, at a press conference at the Washington, D.C. headquarters of the American Civil Liberties Union (ACLU) on Aug. 31.

Jones confronted them with copies of an article in the Swedish newspaper *Expressen* which charged that the Soviet KGB knew about the planned assassination of Swedish Prime Minister Olof Palme ahead of time, and probably instigated the murder (see article, page 34). Soviet authorities at the time blamed the February 28, 1986 assassination on associates of Lyndon LaRouche—a disinformation campaign which was picked up by Western media outlets.

While the Washington press corps looked on, Jones asked the Soviet parliamentarians if it did not behoove them to set up an intelligence oversight committee to begin investigating evidence of KGB involvement in the assassination.

After initial confusion, the spokesman for the group then somewhat nervously explained that they were in the process of setting up just such an oversight committee to keep tabs on the KGB, saying that it was necessary to get "democratic control" over the security organs. Jones gave copies of the *Expressen* story to each of the delegates for the purpose of facilitating their investigation.

## Male prostitution run from Rep. Frank's home

A male prostitute lover of Congressman Barney Frank (D-Mass.) used the congressman's apartment for his other male and fe-

male clients, the congressman confirmed in an interview published in the *Washington Times* on Aug. 25.

Frank admitted, "I had reason to believe that he might be trying to do that . . . and when I found out about it, I kicked him out," in August 1987.

Frank reported that he knew that his lover, Steve Goby, "was doing some [sex-for-hire] stuff, but had no idea" that Goby was continuing to advertise his wares in the *Washington Blade*, a Washington, D.C. newspaper catering to homosexuals. Frank first met Goby after responding to one such ad in 1985 which read, "Hot bottom plus large endowment equals a good time."

As Frank's authorized chauffeur, Goby accompanied the congressman on various political trips overseas, and on at least one trip to the White House to immigration legislation. Frank lived with the prostitute for two years.

## RICO author condemns its use

G. Robert Blakey, the author of the RICO or racketeering law, criticized the application of the law in an interview with the Seattle *Post-Intelligencer* published Aug. 27.

Blakey, who wrote the RICO statute in 1970 when he was chief counsel to the Senate subcommittee on criminal law, said the law may be a good one, but that it is being abused to scare off anti-abortion demonstrators and stifle dissent.

The issue, he said, is protecting First Amendment guarantees. Blakey said the problem is that federal judges are using the Racketeer Influenced and Corrupt Organizations Act of 1970 to abuse the freedoms of speech, assembly, and association.

The civil rights movement, he pointed out, often was confronted by an intransigent Southern court system that tried to stifle First Amendment freedoms, but the movement won through appeal. "Unfortunately, what we now seem to be seeing is a reprise of all those litigation abuses, and that's dispiriting to me," he said, referring to the anti-abortion movement.

Blakey is currently a professor at the University of Notre Dame.

## Briefly

● **C. EVERETT KOOP**, the former Surgeon General, will play a role in a sequel to the motion picture *"The Exorcist."* He explained: "I think the occult is playing a larger and larger role in American Society. . . . Shakespeare was right when he said that we don't know everything in earth and heaven. I'd say we only have a very small smattering of what's really yet to be known."

● **OPERATION RESCUE** anti-abortion demonstrators won a legal victory, when a Missouri judge acquitted 21 people of trespassing charges. The judge ruled that "violations of trespassing laws were necessary as emergency measures" to avoid the death of unborn children.

● **THE WORLD RESOURCES** Institute, one of the key environmental think tanks pushing the "greenhouse effect" and "ozone depletion" hoaxes, received over \$40 million in contributions from foundations last year.

● **NEIL HARTIGAN**, the Illinois Attorney General, is responsible for legal initiatives which criminalize many environmental violations, impose fines of up to \$500,000 per day, and allow the state to seize vehicles, equipment, and profits from enterprises before conviction.

● **WILLIAM RUCKELSHAUS** and Maurice Strong are alleged to have been involved in a scam to steal over 38% of the water of the San Luis Valley aquifer and sell it at enormous profits to the city of Denver. Strong was formerly executive director of the U.N. Environment Program and Ruckelshaus was administrator of the U.S. Environmental Protection Agency.

● **A CHILDREN'S** advocacy group in Nebraska, Believe the Children, is demanding that Sen. Bob Kerry (D) initiate a federal investigation of child sex abuse and Satanism allegations against Lawrence W. King, a Republican Party big-wig.

## Editorial

### *A real war on drugs*

When Lyndon LaRouche called for a "war on drugs," in the late 1970s, that was an expression and a concept which he himself coined. At that time, LaRouche was in the forefront of a campaign to prevent legalization of marijuana and other drug use (and also the subterfuge known as "decriminalization"). He warned that a generation of young people was being destroyed in order to prop up a bankrupt monetary system, whose margin of survival was the hundreds of billions of offshore dollars generated by the drug traffic. Some of his associates founded a magazine, *War on Drugs*, which was at one time published in six other languages besides English, dedicated to naming the names of the culprits "above suspicion."

The expression "war on drugs" has become common currency, but only now, as there is an ongoing civil war taking place between the government of Colombia and the narco-terrorists there, is that *war* being taken with any seriousness in the United States.

In 1985 LaRouche, speaking before a Mexico City conference, made a proposal which was the basis of a model project for how the drug traffic could be stopped. This was a demonstration project which LaRouche and some collaborators in military/intelligence circles that year ran in cooperation with the government of Guatemala. It culminated in a famous cleanup operation called Guatusa.

Of first importance for Guatusa was the recognition that it is impossible to separate narcotics traffic from terrorism. To defeat the narco-terrorists, the principles of irregular warfare must be applied; however, the role of the United States government cannot be one of a direct combatant, for reasons of national sovereignty in the countries involved. Indeed the \$65 million which President Bush has made available to the Colombian government has been a step in precisely the correct direction, according to the program laid out by LaRouche in Mexico and elsewhere.

As LaRouche spelled it out, the role which the United States must play is to provide logistical and technical support, including satellite intelligence, and, if necessary, special weapons.

If LaRouche's proposal had been taken up beyond

the Guatemala experiment, the brutal wave of assassinations of Colombian patriots could have been averted, nor would the capital of the United States be a war zone as it is today. Many powerful enemies of LaRouche were unwilling to accept the consequences of a serious war on drugs, which would have meant an end to offshore banking and a reorganization of the World Bank and the International Monetary Fund. They were unwilling to embark on the kind of massive infrastructural development projects which LaRouche proposed as the alternative to the black economy and the unregulated speculation which even then dominated financial markets.

In 1985 the U.S. government denied that a category "narco-terrorism" existed. This coincided with the Kissinger-Eagleburger policy of building up the man who is one of the world's leading coordinators of narco-terrorism—boss of the Middle East, Syria's Hafez Assad.

In Ibero-America the key agency which operated to sabotage a serious war on drugs, was the American Institute for Free Labor Development (AIFLD). The AFL-CIO is a member of AIFLD, and AFL-CIO President Lane Kirkland can be directly charged with using the American labor movement to carry out the dirty policies of those sections of the U.S. intelligence establishment who have been in bed, politically, with narco-terrorist linked butchers such as Víctor Acosta, in Colombia.

There has yet to be a serious war on drugs conducted by the U.S. government. At least now we can hope that with the Colombian developments, the United States will finally begin to conduct a war on drugs. So far, any actions taken by the U.S. government have been only minor skirmishes, which have not affected the policies of the pro-drug lobby.

Along with specific policies connected to the war on drugs, the broader economic policies long advocated by LaRouche are necessary to stabilize the region. Without a program for development, nothing can stop the ultimate disintegration of the nations of Ibero-America, as the world as a whole descends to a new dark age.

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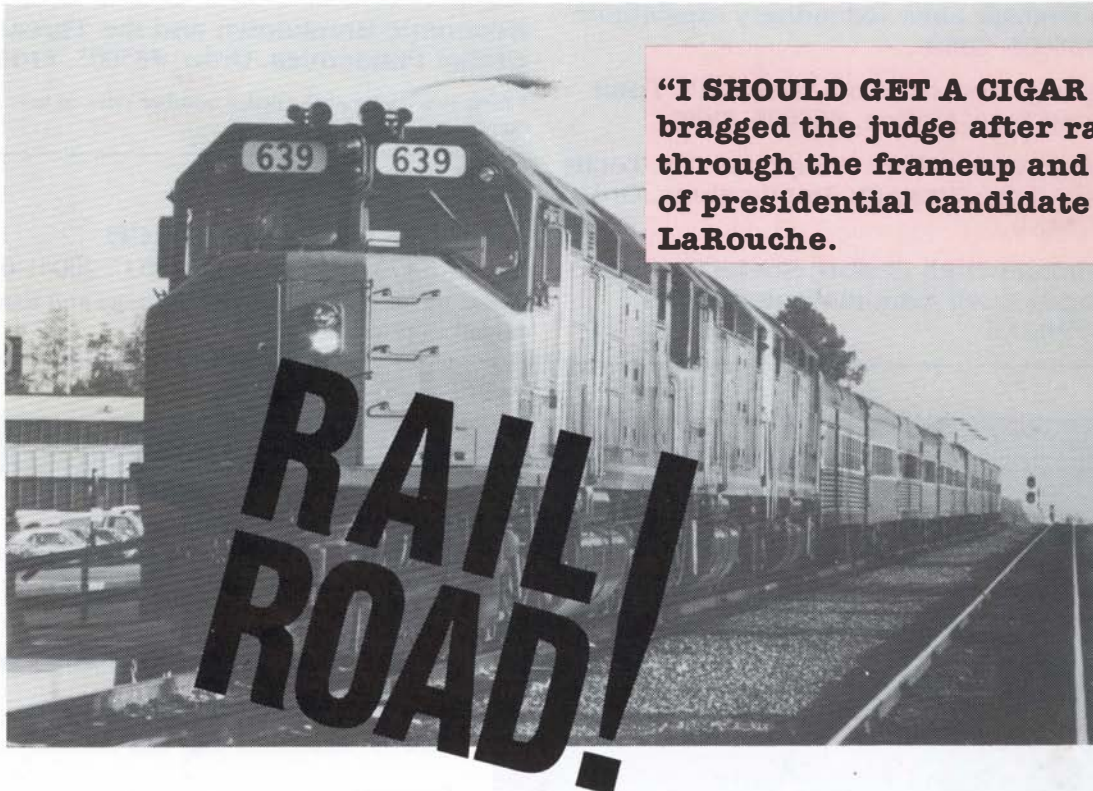
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## U.S.A. vs. Lyndon LaRouche, et al.



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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