

Congressional Closeup by Ronald Kokinda and Susan Kokinda

House sets hearings on Castro-Kissinger proposals

The House Banking and Foreign Affairs committees have convened a series of hearings whose purpose is to give a public forum to Henry Kissinger's and Fidel Castro's proposals for international debt reorganization, greater International Monetary Fund surveillance, and cutting the U.S. budget—especially defense.

On July 23, Kissinger made an appearance before the House Banking Subcommittee on International Development Institutions and the House Foreign Affairs Subcommittee on the Western Hemisphere. Kissinger testified on his proposed "Western Hemisphere Development Institution," a scheme for intensifying the looting of developing countries, under the auspices of the IMF and other supranational institutions. Fidel Castro, who is currently sounding the alarm about the danger of a debt blow-out, is on record hailing the role of the IMF, since its disastrous austerity policies help him to gain power and influence in the Third World.

On July 18, that same subcommittee heard from economist C. Fred Bergsten on "The U.S. Role in Development Banks." Bergsten sounded themes similar to those of Kissinger and Castro, arguing that IMF austerity had to be maintained, but that enough capital had to be channeled into developing-sector countries "to permit them to maintain adjustment-cum-development policies that are sustainable in terms of their domestic societies and that avoid disrupting the world economy as a whole." The advanced sector must facilitate this by cutting its own budgets, he declared.

On July 25, the hearings continue with the Brookings Institute, followed on July 30 by Federal Reserve Board chairman Paul Volcker, speaking on "International Debt and Development."

Prior to that, during the week of July 15, the House Banking Committee held hearings organized around the concept, promulgated by Castro and others, that the United States must cut its own budget to prevent international and domestic economic catastrophe. Shearson Lehman economist Allen Sinai and Volcker, who testified on monetary policy July 17, argued that large federal deficits have been the cause of a "lopsided" recovery. Suddenly, the economic community has discovered that there is no recovery in the productive sector, just as *EIR's Quarterly Economic Report* (April 1985) documented months ago.

House Banking Subcommittee chairman Walter Fauntroy (D-D.C.), Volcker, Sinai, and others all documented the decline of employment and investment in heavy industry. The solution each demanded was further cuts in the U.S. budget deficit.

Defense conferees reach 'compromise'

During the week of July 15, the Senate and House members of the Defense Authorization Conference Committee reached a series of compromise decisions on next year's defense bill, according to Capitol Hill sources. Given a House bill which was a disaster for the national defense, and a Senate bill which was only marginally better, the mean struck between the two leaves

the United States extremely vulnerable in the face of the Soviet war mobilization.

Funding for the Strategic Defense Initiative (SDI) was reportedly settled at the figure of \$2.75 billion for FY1986. The President had requested \$3.8 billion, the Senate had voted for \$2.97 billion, and the House had approved \$2.5 billion. Efforts to officially restrict the program to the level of research were rejected. However, the low level of funding, and the resulting timetable, effectively preclude an aggressive campaign of testing and deployment.

The conferees accepted the Senate figure of 50 MX missiles, rather than the House proposal of 40 missiles. House language was accepted, however, which makes the 50-missile cap permanent. President Jimmy Carter had originally requested 200 MX missiles, and President Reagan had received initial approval for 100 missiles, before this year's defense debate. The Soviet Union has an equivalent force of over 600 missiles.

House efforts to prohibit testing of anti-satellite (ASAT) weapons, unless the Soviets resume testing, were rejected. The compromise bill allows for three tests in 1985 and 1986. The Soviets have tested and have operational an ASAT capability. The United States has not carried out a test against an object in space.

Broomfield scores State Dept. capitulation

The ranking Republican on the House Foreign Affairs Committee, William Broomfield (Mich.), took to the floor

of the House of Representatives on July 17 to attack the State Department's policy of appeasement toward Soviet aggression. Pointing to the July 15 incident in East Germany, during which a U.S. military vehicle was rammed by a Soviet truck and U.S. personnel were injured, Broomfield charged, "The Department of State insists that we must hold our tongue. They say we should turn the other cheek and try to influence Soviet behavior by persuasion."

Broomfield also declared, "Recent information leads me to believe that the Department was even reluctant to fly the flag at half mast in East Germany to show our anger over the murder of Major Nicholson."

The U.S. ambassador to East Germany at the time was Rozanne Ridgeway, who has just become Assistant Secretary of State for European Affairs, replacing Richard Burt, who has been named ambassador to West Germany. Both appointments had been attacked by conservatives because of the appeasement policies pushed by the nominees.

Democrats push trade war measures

Democratic senators and congressmen holding key positions on relevant trade committees, introduced the "Trade Emergency and Export Promotion Act" on July 17. The bill will slap a 25% import tax on items from Japan, Brazil, South Korea, and Taiwan, if those countries fail to buy more American goods.

Introduced as S. 1449 in the Senate by Lloyd Bentsen (Tex.), Lawton

Chiles (Fla.), Don Riegle (Mich.), Ernest Hollings (S.C.), Carl Levin (Mich.), Paul Simon (Ill.), and others, the legislation carries strong reminders of the infamous Smoot-Hawley tariff which precipitated trade war in the 1930s and aggravated the first Great Depression of this century.

House sponsors include Ways and Means Committee Chairman Dan Rostenkowski (Ill.) and Richard Gephardt (Mo.), leader of the Gary Hart-style Democrats in the House. The legislation blames the economic policies of U.S. allies, rather than the IMF and the Federal Reserve Board, for the economic woes of the United States.

Japan, Taiwan, Brazil, and South Korea were particular targets of the legislation, which would require them to cut their trade surpluses with the United States by 5% or face a 25% additional tariff on all exports to the United States starting on Oct. 15, 1985. The legislation also requires that the United States begin actions on the General Agreement on Trade and Tariffs (GATT), charging Japan and the European Community with unfair trade practices. The EC would be a target of GATT proceedings because of its continued policies of supporting agricultural production.

Besides the effort to undermine the economies of U.S. allies, simply because they have adopted American System economic policies and the United States has abandoned them, the legislation contains dangerous provisions concerning the dollar. In his floor statement introducing the bill, Bentsen said, "The bill requires the Department of the Treasury to come up with a global plan to prevent fluctuations in our currency values."

The International Monetary Fund, and its allies in Washington such as Treasury Secretary James Baker, have been seeking to bring the U.S. economy under greater supranational control, using the dollar crisis as a weapon, and the Democrats' trade bill goes one step further in that direction.

Budget negotiations reach a deadlock

The House-Senate budget negotiations collapsed on July 18, just like Senate Majority Leader Robert Dole threatened they might. The week before, Dole had threatened to deadlock the FY1986 budget in retaliation for President Reagan's agreement to rescind the freeze on Social Security Cost-of-Living Adjustments, which the Senate was demanding, but the House voted against.

President Reagan stated that his top priority was to resolve the budget issue, and Dole's action is a slap in the face to Mr. Reagan.

Senate Budget Committee chairman Pete Domenici (R-N.M.), ended the joint conference on the budget by saying, "We'll call you back as soon as we have something to talk about." He reportedly told Rep. William H. Gray III (D-Pa.), his House counterpart, "We'll see you at the end of the year."

Earlier in the day, the Senate had rejected a House proposal to cut an additional \$24 billion in domestic spending over three years, while moving closer to the Senate and White House demands for a defense budget that would allow the Pentagon to at least cover the full impact of inflation.