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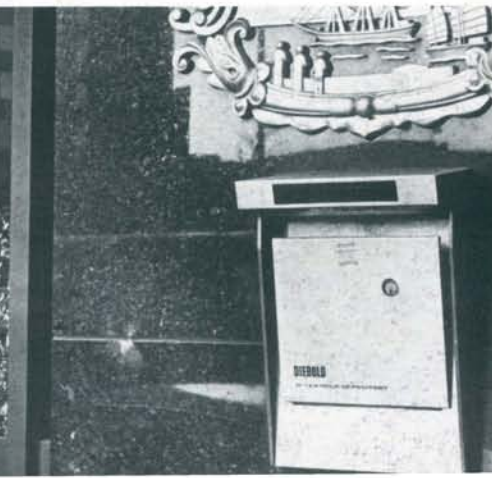
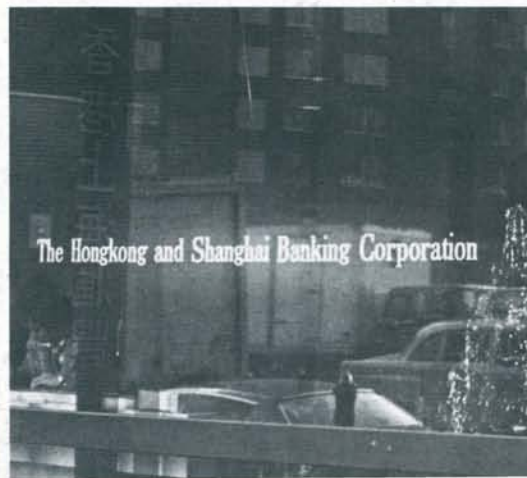
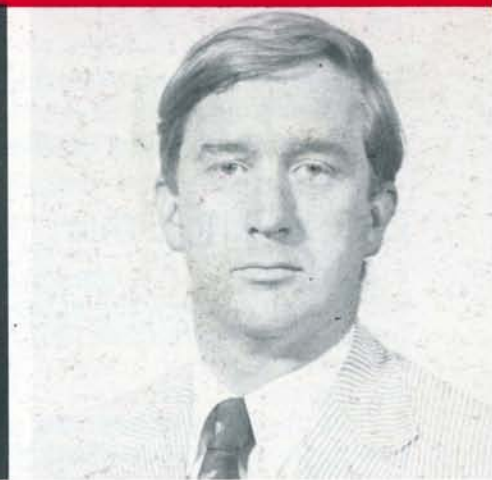
Executive Intelligence Review

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Homosexuals in Church move against Pope, Ratzinger
Britain hit by grave constitutional crisis
Moscow fears peace breakthrough in Middle East

**Will the war on drugs be
subverted by William Weld?**



EIR

Quarterly Economic Report

The deflationary collapse of the Western banking system

First Quarter 1986



The 60% collapse in the world oil price between January and March has destabilized the international financial system, and accelerated the impetus toward what has been called, "a new depression, on top of the present depression."

What should be done? The answer is simple. Impose an emergency oil import tariff now. The free-marketeers, and their Soviet friends, will scream about it, but the measure is the most readily available alternative to halt the unraveling of the bankrupt international and national financial system.

Did you know that . . .

- **\$250 billion of U.S. banks' domestic assets will go bad, in the wake of the collapse of oil prices since November 1985.** The crash will by no means be limited to banks' loans to energy companies.
- **Conditions have been set for a general panic among savings-bank depositors,** whose \$1.2 trillion in deposits lack federal insurance backing.

- **The U.S. is on the verge of a revolution in medical technology.** But the Gramm-Rudman budget-cutters and Washington cost-accountants threaten to keep these technologies from being introduced, and are "reforming" the Medicare and medicaid system into a means for wholesale euthanasia against America's sick and elderly.

Since the fall of 1979 Lyndon LaRouche's forecasts have established a record unparalleled in accuracy by any other economic forecasting service in the nation. Data Resources International and Chase Econometrics proved unable, in the fall of 1979, to correctly forecast the consequences of the credit policy then being initiated from the Federal Reserve by Paul Volcker. LaRouche did, in the EIR Quarterly Economic Report. Those agencies, and their co-thinkers, have been repeatedly exposed as incompetent bunglers, while the LaRouche record has been maintained.

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EIR

From the Editor

July 22, 1986, was the world's best day since the end of World War II. More excellent and major strategic developments occurred on this day, than during any single week of the entire postwar period.

1) "Palacegate" against the soft-on-the-Soviets British Royal Family escalated way beyond the already volcanic developments of the previous weekend (see *International*, page 32).

2) Israeli Prime Minister Shimon Peres's trip to meet with Morocco's King Hassan, is a promising new stage in ongoing efforts to bring Israel and Egypt into collaboration for a "New Marshall Plan" policy for the Middle East. Soviet TASS has already become rabid over this development, which threatens the entire Soviet game-plan for the Middle East (see page 38).

3) President Ronald Reagan delivered his address on the United States' policy toward South Africa: Point by point, the President did everything we could have hoped he might have done on this issue (see page 60).

4) Japan's Prime Minister Nakasone has consolidated his new government, appointing Miyazawa to occupy the hot seat, and placing trusted close collaborators in every other key position. Japan now moves to play a new role in world monetary and economic affairs, as we had hoped it would do. *EIR* will have an exclusive, in-depth report on Japan in an upcoming issue.

Regular readers of *EIR* will not have been surprised by these developments. The policy of the "Peres Marshall Plan" for the Middle East, and a regional economic development approach to southern Africa, are policies we have been promoting for years. We are also renowned, one might say, "notorious," for denouncing the British Royal Family for wielding power on behalf of the illegal-drug lobby and its Soviet partners.

The underlying fact is that the policy-structure which has ruled the Western world for most of the postwar period is falling apart, as the imminent new 1932-style financial blow-out draws nigh. The institutions associated with that policy-structure are now vulnerable, as they have not been so vulnerable at any earlier point of this postwar period.

It's a simple and undeniable fact, that no one who does not read this publication will be competent to deal with the remarkable changes which are about to occur.

Nora Hamerman

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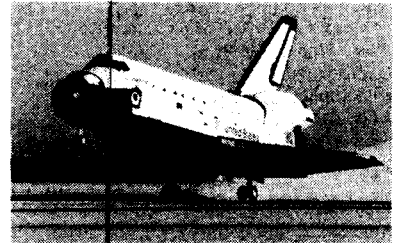
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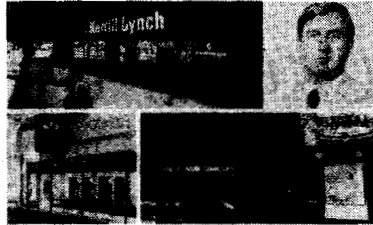
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Correction: Last week's *EIR* mistakenly reported that Robert F. Wagner, Jr. was among those challenging the petitions of LaRouche Democrats in New York State (page 71, "New York Dems to Demand 'Loyalty Oath'"). Former Mayor Robert F. Wagner, Sr., is the actual challenger.

Paul Volcker's tantrum and Japan's strategic leverage

by David Goldman

Federal Reserve Chairman Paul Volcker told Congress on July 23: "The substantial depreciation of the dollar has placed our industry in a decidedly better competitive position vis-à-vis other industrial countries . . . [but] history demonstrates all too clearly that a kind of self-reinforcing, cascading depreciation of a nation's currency, undermining confidence and carrying values below equilibrium levels, is not in that nation's interest or that of its trading partners."

The United States is heading toward the position of the Callaghan government in Britain during 1977-78, when Britain was compelled to raise interest rates to the 18% mark in order to persuade foreign depositors to keep funds in sterling. Volcker appended that remark, widely quoted in newspaper and wire-service accounts, to a straightforward announcement that the Federal Reserve would not better its 1/2-point reduction of the discount rate earlier in July. To reduce interest rates further, he warned, would bring on precisely such a "cascading depreciation" of the dollar, with the fatal consequences *EIR* reports elsewhere in this issue, and has elaborated in the past. In any event, Volcker added, it is beyond the Federal Reserve's power to boost economic activity by lowering interest rates, since the collapse of the nation's trade account has undermined the industrial sector.

Volcker demanded that West Germany and Japan reflate instead; the West German Bundesbank issued a curt rebuke on July 25, to the effect that it had no intention whatever of changing its interest-rate policies. Yasuhiro Nakason's newly-strengthened government in Tokyo, for somewhat different reasons, has no intention of throwing bad money after good, i.e., adding printing-press money to the \$60 billion of its trade surplus it lends to the U.S. government each year.

Volcker's demand is, after all, not much better than Adolf Hitler complaining about air pollution from the smokestacks at Buchenwald. From the Columbus Day weekend of October 1979, when Volcker staged a dramatic early return from the International Monetary Fund's annual meeting then in progress in Yugoslavia, to announce a tight-credit program which quickly brought U.S. interest rates up to the 20% range, the destruction of the nation's trade account has been the underlying content of Federal Reserve policy. Volcker engineered a global dollar shortage, at a time when the dollar traded at less than DM 2.00, and threatened to disappear as a world reserve currency. The first fruit of the dollar shortage was the collapse of developing-sector finances in 1981-82.

The 1979-82 events destroyed the industrial sector, with a twofold consequence: First, the Federal government's tax base began to contract (after taking into account inflation; second, the U.S. became dependent on foreign sources for a rising margin of its physical consumption. The U.S. trade deficit of \$170 billion per annum represents goods that would cost \$300 million to produce at home, once currency differentials (including the enormous undervaluation of Third World currencies) are figured in. On only \$1.640 trillion of goods-producing Gross National Product, net imports now constitute about 18% of total physical consumption.

By no other means could the Federal Reserve bring off the perception of "post-industrial recovery," a term that should make the skin of any sane person crawl. The 10-million expansion of service-industry employment rolls since the Reagan administration took office in 1981, depended on the availability of "free goods," paid for by pushing the United States into the world's worst net-indebtedness position.

Political arrangements

The following political arrangements were required to maintain these arrangements:

1) Financial institutions had to generate hundreds of billions of dollars worth of unsecured paper each year, to generate apparent profits on speculative real estate, securities market,

industry, agriculture, transportation, mining, or other productive activity. To a growing extent, the banks and brokerage houses accomplished this by mediating dubious offshore funds, including flight capital, narcotics revenue, tax evasion, and so forth that had to be available to finance portions of the U.S. deficit;

2) The U.S. government had to underwrite these apparent profits of speculators, by granting substantial tax concessions to real-estate developers, insurance companies, and other financial institutions, as well as emitting over \$100 billion of government-sponsored securities annually to support the mortgage markets;

3) Japan and Western Europe had to be willing to absorb an additional margin of U.S. paper in return for their trade surpluses with the United States;

4) Ibero-America in particular, and other developing-sector exporters, had to accept prices for their manufactured goods at 70% below comparable U.S. cost of production, at the expense of 10-20% reductions in living standards each year.

All of these arrangements have since broken down. The financial establishment behind Volcker has panicked, in particular, over West Germany's and Japan's refusal to inflate on behalf of the Fed's efforts to bail out the U.S. banking system. Despite Volcker's encomium to Congress, the Federal Reserve is pumping whatever money into banks that banks require. With 1,200 U.S. banks on the Treasury's warning-list, numerous large banks, particularly patch, have serious funding troubles. The giveaway is that Wall Street analysts are now looking at discount window borrowings—the Fed's lender-of-last-resort funding of banks—as the principal indicator of Fed money creation.

Although overnight money-market rates are at the lowest level in 11 years, discount loans from the Fed are at an unusually high level of \$413 million. Banks are going to the Fed, because they cannot purchase overnight funds on the money market. "The Fed still is following a very accommodative policy," Discount Corp. analyst Edward Sawicz told UPI July 24. "You have to look at discount window borrowings over several weeks to see if a policy change has been made."

The banking crisis, barely out of the cage, has turned into an automatic money-printing mechanism for the Fed. If banks can't get funds from other banks who fear for the safety of their money, they will go to the Fed discount window, and the Fed will create money on the spot. That is why Volcker fears a currency collapse.

West Germany and Japan refuse to play this game in tandem with the Fed. Here is the *Wall Street Journal's* full-tilt on-the-floor tantrum, in its July 25 editorial:

"Now the Japanese, and especially the Germans, are refusing international coordination in bullheaded pursuit of the narrowest kind of domestic goals. They have slowed their economies in the face of mammoth trade surpluses—if not indeed *in order* to generate mercantilist surpluses at the expense of their own citizens' living standards. The lack of international demand from Germany and Japan is now slowing the U.S. economy; if we slip into an outright recession, it will come labeled Made in Japan and Germany. . . .

"The Great Depression, indeed, arose from a failure of international coordination; in the 1920s the Banque de France played much the same mercantilist role the Bundesbank plays today. To head off that danger in an even more interdependent world, we need to evolve a greater measure of coordination than has been evident since the Plaza meeting [of the Group of 5]."

That is all ridiculous. Japan has subsidized the decimated American physical economy, and accepted \$60 billion of our paper in return each year. To ask the Japanese to mortgage their currency to help bail out our bankrupt banks, is an act of tragicomic arrogance. Why should not the Japanese, instead, lend their trade surpluses to the developing sector, and shift their exports toward capital goods for Korean-style development of the Third World? A recent Japanese private-sector study writes:

"The other option open to Japan is to build on the strength of its international position, to take an initiative to coordinate economic policies for the mutual benefit of nations engaged in world trade, which other surplus countries, notably West Germany, could be encouraged to join. The purpose would be to maintain the export growth of the world economy, and adopt measures to allow Japan's current account surplus to finance the deficits of other growing economies. This could be done by evolving mechanisms for the intermediation of the Japanese surplus." (Report by the Study Group of the World Institute for Development Economics Research, quoted in *Far East Economic Review*, July 17, 1986.)

At the risk of oversimplifying, we may identify the two forces in contention for control of the present world financial crisis: the two principal sources of financing for America's \$150 billion annual payments deficit, Japan's \$60 billion, and the \$80 billion from sources unknown, most of which, Fed officials admit privately, derives from narcotics traffic. The Donald Regan-George Shultz faction in the administration (Merrill Lynch and Morgan Guaranty) represents precisely those financial interests which mediate dirty money into U.S. foreign debt. The collapse of these institutions now in progress will fundamentally weaken the latter's power; Japan emerges as the potential leader of world economic affairs. An international monetary reorganization to benefit world trade and development, as Japan has long proposed, represents the West's only hope.

Banks reshuffle Mexican debt cards

by Valerie Rush

A sigh of relief went up (for the nth time) in financial circles when the de la Madrid government in Mexico declined to play its "Alan García card," and signed a new letter of intent with the International Monetary Fund (IMF) instead. As the *Wall Street Journal* editorially noted on July 24, "The likely alternative to the IMF agreement would have been default," with the obvious implications for Mexico's debt-burdened neighbors.

However, despite all the press enthusiasm about "generous new terms" and "a turning point" in the world debt crisis, bankers are well aware that the deal with the IMF is little more than another holding action, at best, a 60-day reprieve. Some are not even willing to give it that long. One well-placed London broker told *EIR*, "The latest reports that Mexico will need some \$6 billion from the private banks above the IMF share mean we will soon be back to square one on Mexico. It was hard enough to get \$2.5 billion new money from the banks. They'll never agree to \$6 billion."

In fact, in a meeting with 500 creditor banks the evening of July 23, Mexican Finance Minister Gustavo Petricoli confirmed that Mexico would need no less than \$12 billion over the next two years to meet its financial requirements. He urged that the banks be "constructively innovative" in efforts to come up with their half, disbursable once the IMF, World Bank, and other multilateral financial institutions participating in the package came up with theirs.

Petricoli warned that the success of the whole package depended on the banks' cooperation, and that any realistic assessment of Mexico's situation had to conclude that Mexico simply cannot pay its debt without outside support. "The reasons are simple. . . . They are neither dogmatic nor ideological, but arithmetic. A debtor can't pay what he doesn't have," he declared.

Much ado about nothing

The International Monetary Fund and its mouthpieces in the media have gone out of their way to portray the deal with Mexico as a significant "softening" and "dramatic departure" from the Fund's usually severe austerity dictates. In particular, they point to the IMF's decision to go easier in its demands for slashing the Mexican budget deficit, which now

stands at 13% of the national GNP, and to include an "increased lending" clause in the loan package should oil prices fall below the \$9/barrel level or economic growth not reach 3.5% in the first quarter of 1987.

In return, the Mexican government has apparently abandoned its threats to demand a dramatic lowering of interest rates, something which the Mexican labor movement specified had to be at the top of the negotiating agenda. Instead it has asked bankers for a \$500 million "interest rebate" for 1986. Also, Mexico is promising many of the "structural reforms" the Baker Plan prescribes: reducing state sector, cutting the budget deficit, encouraging foreign investment, shrinking state subsidies, etc.

"The idea is to have an IMF plan that is different enough for the Mexicans to be able to present at home as a political breakthrough, but not so different that the banks will begin to worry that Mexico isn't required to put its house in order," according to one banker on the 13-member creditor steering committee for Mexico cited by the July 21 *Washington Post*.

And yet, as President Miguel de la Madrid well knows, the enforcement of his promises to the banks is another question. With official unemployment standing at 16% and the economy showing a per capita growth rate in 1982-1986 of *minus* 12%, the Mexican population will not easily be mobilized to feel sympathy for the bankers' plight.

At the same time, it is becoming increasingly clear that the IMF's "soft touch" is a not-very-convincing propaganda ploy. The *Wall Street Journal* editorially complains that oil and banking in Mexico remain in state hands, exchange controls are still in force, and "the agricultural sector will still be burdened with archaic land tenure rules," an outcome of the Mexican Revolution, which broke up the feudal latifundist system. The *Journal* recommends that the de la Madrid government administer a strong dose of "blood-and-guts politics," identified by its editor David Asman as yielding up political control to the opposition PAN party, if it is to convince the banks that it is serious about economic reform.

In short, there has been a lot of theater surrounding the Mexican debt crisis, but little substance in the way of solutions, financial or political. While the International Monetary Fund was coyly "submitting" to Mexican demands for a saleable deal, the Venezuelan government was unilaterally imposing a moratorium on \$7 billion worth of the private sector's foreign debt (see article, page 43). And on Aug. 15, the García government in Peru may well default on a \$180 million payment due to the IMF, setting the stage for what the *Washington Post* described as "an unprecedented rupture in the international financial system."

Both Peru and Venezuela undoubtedly looked for a forceful assertion of Mexican sovereignty in its debt dealings to serve as support for their own desperate actions. Mexico's decision to go another round with the Fund instead was a blow to such debtor unity efforts, and will make the fight for economic recovery on the continent that much more difficult.

IMF 'integrates' Argentina, Brazil

by Cynthia Rush

On July 27-30, Argentine President Raul Alfonsín, Brazilian President João Sarney, and Uruguay President Julio María Sanguinetti, will meet in Buenos Aires to sign protocols for the integration of Ibero-America's Southern Cone. The meetings are described as a decision to end to decades of geopolitical rivalries, and unite Argentina and Brazil's substantial economic capabilities to stimulate growth. Thus, say the media, this is the first step in the creation of an "Ibero-American common market." "Together, to grow," is the slogan characterizing the deal.

It's a hoax. The protocols to be signed in Buenos Aires have very little to do with the creation of a real common market, or with the monetary and credit reform required to solve the continent's economic and debt crises. These have been outlined by *EIR* founder Lyndon H. LaRouche in his 1982 document, *Operation Juárez*, and will be available in elaborated form in a book to be published in August by the Schiller Institute.

An IMF scheme

The Argentine-Brazilian integration arrangement was cooked up by the International Monetary Fund (IMF), and the architects of Argentina's monetarist *Austral* plan, and Brazil's *Cruzado* plan, to channel anti-IMF sentiment into a bogus program whose sole purpose is to guarantee payment of the foreign debt.

Among other things, the plan is directed against Peruvian President Alan García, who has proven the feasibility of an anti-IMF economic model, and who is an outspoken advocate of the type of continent-wide programmatic unity discussed by LaRouche. In fact, representatives of the international financial community are scrambling right now to put together any number of "integration" schemes to stave off the continental debt crisis, and the nationalist sentiment associated with it.

Argentina's creditors are worried. The "anti-inflationary" *Austral* plan, introduced in June, 1985, has succeeded in gouging workers' wages by 30-40%, eliminating credit for productive investment through usuriously high interest rates. Now industry is demanding to know what happened to "phase

II" of the *Austral* plan, which was to have brought about an economic recovery, while the labor movement under the leadership of the Peronist-run CGT federation, is mobilized against what it correctly identifies as "international usury."

Rather than let this discontent link up with Alan García's initiatives, the banking community has opted for "integrating" the *Austral* and *Cruzado* plans. While the details have yet to be disclosed, the plan almost certainly means finishing the destruction of Argentina's heavy industry begun by Finance Minister Martínez de Hoz, (1976-81) by maintaining the current monetarist credit and wage-gouging policies, encouraging the development of only those industries whose exports can generate income for debt payment. Immediate emphasis is being given to the sale of 2 million tons of Argentine grains to Brazil, the expansion of Argentina's auto-parts industry for export to Brazil, and the creation of binational companies, especially in such "post-industrial" industries as information theory, and in weapons production and biotechnology.

Division of labor?

Argentine Finance Minister Juan V. Sourrouille first met with his Brazilian counterpart, Dilson Funaro, last March to discuss the proposal. But many of the subsequent planning sessions have been shrouded in secrecy.

The protocols that will be signed at the end of this month by Sarney and Alfonsín, will only be a general statement of intent. It will then be left to individual business sectors and government officials to work out the details on tariff reduction—the plan proposes establishing a "unity of tariffs" to facilitate trade—and use of technology for the various sectors mentioned.

But the program's conceptual framework has been provided by Rudiger Dornbusch, the resident economist at the Massachusetts Institute of Technology, who is also one of the key ideologues behind the *Austral* and *Cruzado* plans. Dornbusch visited Argentina in late June to analyze the results of the *Austral* plan. He told the Buenos Aires daily, *Ambito Financiero*, that even with the "success" of the *Austral* plan, Argentina "is sinking slowly, but it is sinking, and although the water is only at the chest, we can predict what the final outcome will be."

Lamenting the extraordinary of disinvestment in Argentina over recent years, Dornbusch commented that the only solution is "integration with Brazil." Raúl Alfonsín and João Sarney must use their enormous political prestige to promote this option, he argued. The program could be based on a real division of labor: "Argentina could develop industries that require highly skilled labor. Here your engineers come cheaply, and they're unemployed. In Brazil, there is an advantage in jobs which demand unskilled labor, which is very cheap there. The advantage to integration resides in a better allocation of available resources."

Nor does Dornbusch hide the fact that this is explicitly a

program to guarantee payment of Argentina's foreign debt. He enthusiastically explains to *Ambito Financiero* that if Argentina announces a plan of integration with Brazil, and simultaneously adopts a policy of paying its debt service at the rate set for U.S. Treasury bills (4 points below LIBOR plus spreads), then Argentina's debt would be quoted at above the 63% parity at which it is currently quoted in New York. "The price would go up (although less interest would be paid), because the probability of collecting would increase. This type of program would bring capital back into the country and would allow the country definitely to recover its ability to repay [emphasis added]."

Industry panicking

One of the pilot projects is in the area of capital goods. The Brazilians would have preferred to buy Argentine food products, especially since the Cruzado plan has produced dramatic shortages of products such as meat and milk. But on paper, Brazil has committed itself to purchasing \$600 million worth of Argentine capital goods in 1987, while Argentina will purchase \$400 million of Brazilian capital goods.

Israel Mahler, a leader of the Argentine Association of Machine-Tool Producers, has warned: "In negotiations with Brazil, for integration of capital-goods sectors, we should proceed with great caution, so as not to damage the legitimate interests of our national industry. We cannot integrate with Brazil immediately," especially "under conditions of open competition."

Nor are Brazilian capital-goods producers thrilled at the idea of purchasing Argentine capital goods. According to *Istoé* magazine, Brazilian Finance Minister Funaro ordered the negotiations in this area to be carried out in strict secrecy, to reach a "great political understanding," and come up with arguments needed to placate Brazilian producers. "We must have a strong Argentine economy, so that cooperation will produce results, in the long term," Funaro says.

"We want to convince business that we will persist in the policy of economic expansion, so that they will start to invest," says Argentina's undersecretary of political economy, José Luis Machinea.

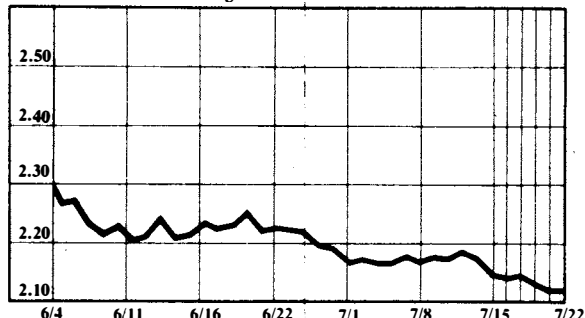
The fear among Argentine business sectors is that under the "unity of tariffs" envisioned by the program, Argentina will be flooded with cheaper Brazilian goods which will destroy national industry. This has already begun to occur in the area of durable goods, where Brazilian appliances sell in Argentina for prices well below those of domestically produced items. If this occurs on a larger scale, "it would mean devastation for us," according to one Argentine durable goods producer.

Oscar Camili6n, Argentina's former ambassador to Brazil and former foreign minister, also warns that any immediate and total tariff unity would result in an "explosion," which would place a good part of Argentina's market under the domination of Brazilian goods.

Currency Rates

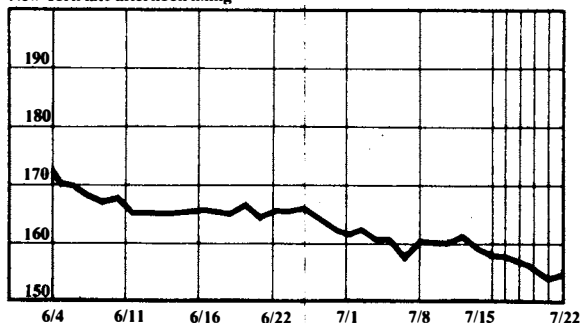
The dollar in deutschemarks

New York late afternoon fixing



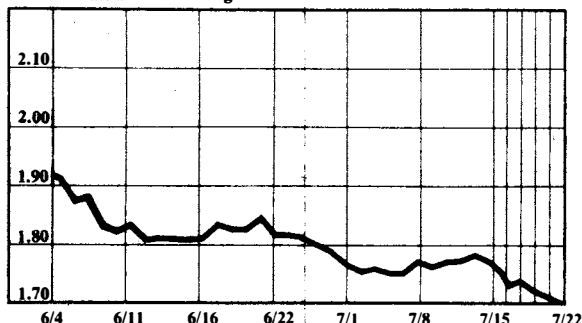
The dollar in yen

New York late afternoon fixing



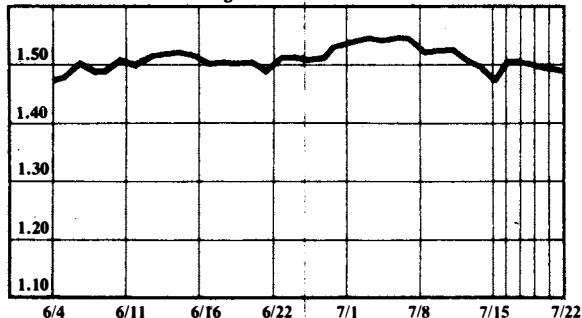
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Sanctions would destroy southern Africa's economy—but not apartheid

Dr. Peet Strydom, chief economist of Sankorp, the holding company of Sanlam, the large Afrikaaner-based financial conglomerate, was interviewed by EIR's correspondent Roger Moore on July 14, 1986.

EIR: Could you explain the measures your country would have to take if the West implemented sanctions against South Africa?

Strydom: There are two areas where we would take action. The one is on the export side, the other on the import side. If we elaborate on the export side first, the most important challenge for South Africa would be to develop alternative markets, to substitute for those well-established markets of our present trading partners, particularly in Western Europe, in other parts of the world. Second, to protect our interests in our existing markets through counter-trade measures. That means we still supply products to these markets, but in a round-about fashion. Of course, there are export products of South Africa which are unlikely to be affected by sanctions. For instance, gold. If we take measures such as those associated with the bannings of the Krugerrands, substituted by other coins to be produced in the United States, Canada, and other countries. It stands to reason that South Africa, being the most important gold producer in the world, will probably also supply gold for the production of those new coins.

Therefore, in this sense, the boycott of South African gold production has mere token value. It is virtually impossible to boycott the biggest producer in the world by limiting its access to the market, and to produce a commodity which competes with the one that has been excluded in terms of sanctions. Then, the mere importance of gold in the world system as a reserve asset, also indicates that it is very difficult to boycott this commodity as such.

Apart from gold there are some strategic raw materials supplied by South Africa which one would imagine would be very difficult for the world to boycott from one day to the other. Sanctions on crucial products, on strategic materials, would have to be phased in over a particular period, which would allow South African suppliers to develop new methods of supplying these markets without being able to identify these products. This means exporting to the rest of the world without being able to identify the product, which is actually something which is possible in terms of bulk materials such

as raw materials. These products do not carry trademarks, they are not identifiable and could be channeled through third parties to world markets. In terms of manufactured products, it is going to be far more difficult to channel products through third parties to the well-established markets, and this is where the development of new markets is very important.

As far as imports are concerned, South Africa will be forced into a process of growth through import substitution. This is not the best alternative. It has been indicated in terms of South African research and research on a global basis that the best growth alternative is through export growth and exploitation of competitive markets and not through protectionist import substitution. But under circumstances of total or extensive sanctions, South Africa wouldn't have a choice other than to exploit import substitution through protectionist measures and to develop these production procedures within the domestic economy.

This means that import substitution could, in the short term, benefit the South African economy, pushing up the growth rate, supplying employment opportunities. In the long term, this is unfortunately going to be a disadvantageous route, particularly if one comes to the end of the sanctions period. It is going to be very difficult to reswitch from protected import-substitution industries to open-market industries competing on a world basis.

EIR: What would be the impact on GATT if sanctions were implemented?

Strydom: If sanctions are imposed, the spirit and terms of GATT certainly do not satisfy the new conditions. One has to look very critically at those negotiations. Of course, I am not in a position to speak on behalf of the contracting parties. But as an outside observer, it is obvious that when sanctions are imposed, the basic philosophy underlying GATT no longer applies. The GATT contract assumes that it enables the different participating parties to compete with each other on a competitive basis. In other words, the most important measure to go by, and therefore, markets should be opened up so that international trade could take place in terms of competitive advantage in each country.

Now, the moment you introduce sanctions, this basic philosophy falls apart, because a particular subscriber to those principles is suddenly excluded from supplying his products



Disinvestment would impoverish South African blacks, and is opposed by South Africa's largest labor union, the United Workers Union, shown here at a rally of 80,000 on May 1 with its leader Chief Buthelezi.

NSIPS

in the market. Whether these products are the best competitively priced products in the world no longer matters. One of the signatories to this agreement is excluded from markets, which means the whole philosophy of this contract falls apart and should be looked at in a new way.

EIR: Could you explain the size of the South African economy as a trading partner and, therefore, the consequences for the world economy if sanctions were implemented?

Strydom: South Africa ranks among the top 20 traders of the world measured in terms of export trade, if we go by the 1984 statistics published by the International Monetary Fund. Then, if we take cognizance of the fact that one imposes sanctions on one of the top traders of the world, one cannot overlook the devastating effect of this on world trade. If we merely look in terms of the effect on the volume of world trade, by excluding such a major trading partner from world trade, then the disruptive effect could be quite substantial. What I have in mind is that we are looking at something that could have similar effects as were evident during the oil crisis of the 1970s. If we elaborate somewhat on this and we take cognizance of the fact that South Africa is also a major supplier of strategic products like gold and platinum and other products, a boycott of South Africa implies that the world will have to develop substitutes for these products, which means alternative production procedures which are going to be more expensive. Or, alternatively, the world will have to buy these products from third parties, as we have indicated already, and pay a higher price for the same products. This means that world inflation is likely to be affected adversely.

I think it is because of this international inflation fear that the gold price has been relatively stable over the past year. If these actions are taken in terms of the ideals propagated by the neo-Marxists, I can definitely see an upward pressure on world inflation which will be reflected by a higher gold price. That will benefit South Africa in the short term.

EIR: The South African ambassador to London, Dennis Worrall, has linked the effect of sanctions on export earnings to the stopping of debt payments. Given the worldwide debt crisis, the vulnerability of the "house of cards," those pro-

moting sanctions must take South Africa into account also as a financial factor.

Strydom: I'm not in a position to comment on behalf of the signatories to the debt rescheduling agreement, but as an outside observer, I would claim that once sanctions are imposed and South Africa no longer has the same capacity to earn foreign exchange, then the contract is no longer addressing the same variables and the same magnitudes which were addressed at the time when it was signed. In this sense, it means that the contract is no longer in line with factual developments, particularly in view of the fact that South Africa will no longer be in a position to have the same export earnings as in the past. This means that the whole repayment procedure is to be viewed within these new parameters.

The new parameters, as we see it at this point in time, unequivocally point toward restrictions in terms of repayments, because there will be less foreign exchange available to meet these commitments, which means, should these effects evolve in terms of less availability of foreign exchange, South Africa will be forced into the position where it cannot meet its commitments, because the contract is no longer addressing the same set of parameters. This will no doubt have an adverse impact on the world financial system.

EIR: The people who are proposing sanctions are putting South Africa in the same boat with many Third World countries like Mexico or Peru, countries that are saying, to one degree or another, we limit our debt repayment to some percentage of our export earnings, as in the case of Peru. Do you think it's a proper analogy, that South Africa would be thrown into the same conditions as Mexico or Peru?

Strydom: I think that is a very interesting option, which actually is in line with what I said earlier on, in the sense that the original contract is no longer valid, in the sense that the parameters, the whole environment, has changed so substantially that it has to be renegotiated. This could be an attractive alternative for any negotiation. The point is, if one starts negotiating in terms of the limited sources available to a country, then it means that the debtor is actually in a very advantageous position, because he has very little incentives to encourage his export earnings in order to meet his obliga-

tions, if such a clause is added to the contract. This is a completely different situation from what we have at this point in time. South Africa is actually pushing exports on a very aggressive basis and the surplus on the current account of the balance of payments bears evidence to that.

EIR: Many Third World countries feel that the 1979 climb of world interest rates launched by Paul Volcker at the U.S. Federal Reserve, plus the collapse of many raw-materials export prices, led to a crisis of expanding debt repayment but collapsing earnings per unit of export, leading to a depletion of financial reserves, of financial freedom for their own domestic development.

Strydom: This is exactly the position. At that point in time, we saw rising interest rates and falling commodity prices. Therefore, these diverging tendencies put these Third World countries in a very vulnerable situation as far as their export earnings were concerned.

EIR: Nigeria is a country that is looking at this linkage of export earnings and debt repayments. Do you think that if South Africa, with its strong economy and industrial base, takes the lead on this issue of linking export earnings and debt repayment, it might find support from Nigeria and other Third World countries suffering under debt repayment?

Strydom: I am not in a position to speak on behalf of the parties who will negotiate this, but as an outside observer, my conclusion is that the inclusion of such stipulations in the agreement is very disadvantageous to the creditor or the creditor nation. It is very much to the advantage of the debtor nation. I think this is going to put substantial strain on the international financial system if contracts regarding the repayment of foreign debt are linked to the availability of foreign exchange. Whether South Africa takes that lead or whoever takes that lead, I think that is going to introduce instability in the world financial order.

EIR: Could you address the question of apartheid and industrial development?

Strydom: I would like to point out that the major campaign in terms of sanctions, is that the supporters of sanctions believe that by introducing sanctions versus South Africa, they will actually dismantle apartheid. There is an important misconception in this belief, because in South Africa, over a fairly long period, there has always been tension between the economy and apartheid, particularly in the manufacturing industry. Apartheid actually limited the supply of labor to the manufacturing industry because of all the rigidities regarding influx controls into the cities, and the limitations imposed by apartheid on manufacturing industry by preventing it to employ black labor on a larger scale.

Furthermore, the demand for skilled labor in manufacturing industry exploded with an extension of the South African economy. The lack of supply of skilled labor across the color bar was actually a problem to manufacturing industry

over a very long period. Because of this tension between the economy, particularly manufacturing industry, and apartheid, businessmen and intellectuals have opposed the system and exploited all the opportunities at their disposal to employ people, and this is why, in the end, the influx-control measures imposed by government were inefficient and the apartheid system in the end showed a number of cracks. These cracks actually evolved to a large extent because of the tensions between the economy and the apartheid system.

Those who propagate sanctions will actually damage the South African economy, and in doing that, they will damage one of the major levers we have developed and exploited over the past 40 years to dismantle apartheid and to improve human quality, because that is what apartheid disclaims. It disclaims the fact that human quality can improve across the color bar, and this is what the economy, and manufacturing industry in particular, have proven all along.

If you allow people to exploit opportunities in the market place and if you provide opportunities for education and training, human quality improves and people can exploit any job opportunity in the market place. The point is that if you damage this important leverage that has developed over many years, you don't dismantle apartheid, you dismantle the economy. By dismantling the economy, which has always been opposed to apartheid, it implies that in the end, sanctions will favor apartheid. So, in the end, sanctions are actually heading for a substantial contradiction.

There is another area of contradiction I should mention at this juncture, and that is that our society is very much concerned with a new political dispensation in the sense that blacks, whites, and other minorities in our society have, as priority number-one, the extension of the democratic system in our society. If sanctions come our way, it means that survival becomes the daily call. It means the domestic priorities will have to be rearranged and survival will become the top priority. The commitment of society at this point in time to change in the political decision-making process, will have to be downgraded because survival will call the tune of the day. That means that in this respect, sanctions are heading for a substantial contradictory development in our society, therefore—not attaining what they have in mind, the total destruction of the apartheid system.

EIR: This emphasis on the role of manufacturing development creating the demand for black skilled labor: Is it not a tradition of your country, of those whites who consider themselves Africans for many centuries, to do whatever necessary to foster the development of the country, like the founding of the steel company ISCOR or the role of the electrical concern ESCOM in providing power, etc?

Strydom: I think the commitment of the white South Africans to this country is evident in several respects. In a material sense, it is evident in terms of the fact that we utilize our resources. We have prevented the returns on these resources from being taken outside of South Africa. We have actually

encouraged the reinvestment of those returns in South Africa. This is how we have actually developed a modern industrial state on this continent. This is a completely different cultural or philosophical approach from what we have seen elsewhere on this continent, and maybe also to some extent in Latin America, where outside interests and domestic interests as well, exploited the resources, and the returns were actually transferred to foreign bank accounts. The South African tradition in this respect is completely different and I think this is a very important indication of the commitment of South Africans in general, white and non-white, to this country.

The growth of the manufacturing economy represents important leverage against apartheid, with its restrictions on urban influx, and so forth. If you use sanctions to damage this important leverage, developed over many years, you don't dismantle apartheid, you dismantle the economy. By dismantling the economy, which has always been opposed to apartheid, it implies that in the end, sanctions will favor apartheid.

Then, in non-material things, in terms of cultural dimensions, despite the existence of apartheid, the different population groups have always cooperated on the job floor. The relations between the different population groups on the job floor has always been a collegial one in general. In present circumstances of political uncertainty and protests through the trade-union movement, it might be very difficult to ascertain this good will among the different population groups, but this, in general, as it has evolved over the years, is actually evident in terms of the support which the private sector and business in particular gave to the trade-union movement. The evolution and development of the trade-union movement has had the support of the private sector all along.

This shows that the different population groups have actually worked together irrespective or in spite of the limitations imposed upon society by the apartheid system. In fact, South Africa is not a divided country along racial lines as apartheid would have it.

In a similar vein, I would say that it is very important to see the close relation on a cultural basis between the different

population groups, if we take cognizance of the fact that black and white authors publish in the same volumes; that they work together in the theater, the arts, and professional societies. Last but not least, the language of the Afrikaaner is an African language, and it is an indication of his commitment to this part of the world. I think Afrikaans could play an important part in communicating the soul of Africa to the Western mind.

EIR: To put that another way, isn't it the case that your country, as the only successful industrial economy on the African continent, has much to offer to the rest of black Africa.

Strydom: Yes, we have very much to offer in terms of our technologically superior position. We have also a very important role to play in terms of suppliers of infrastructure to our neighbors. I would like to point out that many of our neighbors are completely dependent on the export of their products through our infrastructure, by using our ports and railways. I think the world is not aware of the fact that the moment they start imposing sanctions, the degree of instability in the southern African continent is likely to increase very rapidly, because these avenues will be closed in terms of what the proponents of sanctions are now arguing about.

Sanctions imply a violent approach; they are not peaceful. It means these countries will no longer be in a position to export their raw materials through our ports and using our infrastructure.

Now, of course, many people argue that they could support these countries by introducing an air bridge. That might be helpful in terms of small non-voluminous products, but this is not what these countries are exporting. They are primarily exporters of raw materials, bulk materials, which can only be handled in terms of ports and rail. I know of no method in terms of which we could export these vast raw-material bulk products in terms of an air bridge. Therefore, the instability in the southern Africa continent is likely to increase substantially if sanctions come our way.

The contribution which South Africa makes in improving living standards, in providing opportunities to these countries to exploit their economic possibilities through South African knowledge, know-how, and capital, will be limited. It means the living standards in these countries will go down quite substantially.

The proponents of sanctions argue that this is a temporary development; after a short while, apartheid will be dismantled and they can start building up everything. Well, no one propagating sanctions has got a firm plan of how to rebuild these countries. The experience of the past indicates that it is very difficult to rebuild after a period of destruction. We know that in terms of our experience after the destructive effects of the Second World War, it took many years to rebuild what had been destroyed. That also applies to Africa. We only have to look at the destructive effects of what happened in Zimbabwe.

Anti-drug campaign: talk, but no action

by Allen Douglas

On April 6, for the first time in Australian history, the chief executives of Australia's federal, state, and territorial governments went on national television to make a Joint Report to the Nation. Led by Prime Minister Robert Hawke, and preceded by investigative commissions, cabinet studies, and a press campaign, the appearance was supposed to initiate a \$100 million, three-year federal-state campaign against drugs.

Yet, less than three months later, when Malaysia, with which Hawke's government claims to be collaborating in the war on drugs, hanged two Australian heroin couriers connected with organized crime, Hawke was the first to protest "this barbaric act," a protest echoed by the world's liberal media. Given that the heroin seized in Malaysia was destined for the major *Australian* cities of Melbourne, Sydney, and Perth, that his statements were an attempted sabotage of Malaysia's war on drugs, and that his own "anti-drug program" is based almost entirely on "education," *not* on enforcement, one wonders why the Hawke government is doing virtually nothing about drugs.

As a leading transshipment point for heroin from the opium-growing Golden Triangle of Thailand, Burma, Laos, (and China), Australia has seen its own narcotics syndicates expand dramatically over the past decade, poisoning not only Australian citizens, but spreading far afield, to the Philippines, India, and elsewhere in Asia. They are fully integrated into the international narcotics cartel: The executed heroin smugglers, Brian Geoffrey Chambers and Kevin John Barlow, were couriers for the Australian-Italian "Honored Society," a branch of the Calabrian Mafia centered in Plati, Italy.

As Australian trafficking has expanded, so has its financing, run through the dirty, "offshore" banking facilities of Hong Kong, Singapore, Vanuatu, and increasingly, New Zealand. Vanuatu, an island 1,000 miles northeast of Australia, is an important offshore banking center, hosting dozens of international banks operating under the same secrecy that exists in other British dirty-money centers. Though it is forbidden to export Australian dollars to Vanuatu, the money can easily be laundered through other offshore centers, to wind up in Vanuatu "as clean as a whistle," ready for redeployment into Australian political and commercial life.

The Vanuatu and New Zealand cases have other ramifications as well, curiously ignored by the Socialist International's Hawke. New Zealand, which Socialist International Prime Minister David Lange plans to make the "Hong Kong of the Pacific," has been the cutting edge of the Soviet-designed "nuclear-free zone" schemes in the South Pacific, while Vanuatu, often called the "Cuba of the Pacific" for its support for terrorism, opened full diplomatic relations with the Soviets on June 30.

The burgeoning Australian narcotics trade, taken together with a very high rate of drug addiction among Australia's youth—the prime minister's own daughter and son-in-law were heroin addicts—led certain Australian circles to realize that something had to be done. In 1983, the Costigan Royal Commission was established and began investigating the drug trade. Led by attorney Francis Costigan, the commission produced several volumes of evidence by early 1985, and, in certain cases, "named the names" of the drug trade's high-level political and financial protection, including the alleged involvement of one of Australia's major national press syndicates.

Mysteriously, some of the names in the sealed, confidential reports to parliament were "leaked," resulting in court censure of Costigan. Disbanded in 1985, the upshot of the commission was Hawke's announcement of a National Campaign Against Drug Abuse, launched at a special Premier's Conference on April 2, 1985, involving federal, state, and territorial officials, and producing the decision to launch the new campaign.

Though the international media would never admit it, the majority of Australia's population supported the Malaysian action. Shortly before the execution of the heroin couriers, an Australian Opinion Poll study showed 76% support for the execution. Other newspaper polls showed a solid majority for the re-introduction of the death penalty for drug trafficking. When Australian television tried to deluge the population with shots of the weeping family members of Barlow and Chambers, the volume of hostile popular response forced the stations to run anti-drug films the following days.

Clearly there is a demand in Australia for a serious war on drugs. Enter Hawke. Though the anti-drug campaign will to some extent upgrade the Australian Bureau of Criminal Intelligence and Australian Federal Police, the focus of the campaign is outlined in the prime minister's official communiqué of April 2, 1985: "The Campaign will place a major emphasis on reducing the demand for drugs through education, treatment and rehabilitation programs, particularly for young people and particularly relating to hard drugs." As part of this, Hawke himself has set up a "drug hot-line" so that drugged youth from all over the country can call the prime minister personally. This "touchy-feely" approach is a growing scandal in Australia. The newspaper *The Australian* asked in its lead editorial, on April 8, six days after the campaign's launching, "But what about the drug syndicates?" Yes indeed, Mr. Hawke, what about them?

The dollar plunges

Bankers' Eurodollar paper is in real trouble as the dollar falls to new lows, threatening to shut down the "globalized" financial market.

From UPI, July 22: "The U.S. dollar was lower again on most major European money markets and fell to a second consecutive post-World War II low in Tokyo Tuesday [July 22]. The price of gold turned slightly lower. The Central Bank of Japan said the dollar closed at 155.30 yen, falling 0.20 from 155.50 at the close on Monday. . . . A major commercial bank predicted that the dollar would decline below the 150 level because there is little possibility that the U.S. current account deficit will shrink in the near future. The dollar opened in Frankfurt at 2.1245 German marks, down from Monday's close of 2.1299."

The dollar registered all-time lows against the Japanese yen virtually every trading day since June 15, and also fell to a 5½ year low against the German mark. Superficially, the trigger for the dollar collapse came with Salomon Brothers economist Henry Kaufman's warning that day, that the U.S. currency would fall below DM 2.00.

In fact, the dollar's fate was sealed June 12, when the Federal Reserve unilaterally lowered U.S. interest rates, after failing to secure an agreement from the Germans and Japanese to lower interest rates simultaneously.

The Germans and Japanese agreed to one round of interest-rate reductions in March, but balked at the second. The American delegation to the Tokyo Summit in May came back to them with an astonishing scheme: to authorize the International Monetary

Fund to fix a set of indicators which would compel national monetary authorities to alter their policies.

Drawn from the most egregious of the Trilateral Commission's "world central banking" plans of the early 1970s, the Treasury scheme met with restrained outrage in Tokyo: Certainly, replied the Germans, we would like to see such a set of indicators, but it will take years to determine what they might be.

The real debate is not over whether economic policies will be "coordinated" to manage exchange-rates, but, rather, who will kick in how much to bail out the American banks? As *EIR* reported last issue, Federal Reserve chairman Paul Volcker cut the discount rate under pressure of a financial storm that has already brought down 75 American banks this year, including the second-largest failure in U.S. banking history, the \$1.5 billion First National Bank of Oklahoma.

European banking spokesmen, as we have reported, have debated whether to pledge their own currency systems to the bailout of the U.S. banking system, and decided firmly against it.

There is a double danger in the dollar's plunge. An American economy dependent upon net imports for one-sixth of its total physical consumption cannot continue to function, even at present depressed levels of physical output, when the price of net imports exceeds a certain threshold. In all probability, that threshold was

reached in April of this year, which explains the across-the-board decline of industrial output during May and June.

But the more immediate danger is that the dollar's collapse will shut down the "globalized" financial market. According to a senior analyst at the London financial journal *Euromoney*, beginning May-June of this year, a "real bear market in Eurobonds started. The reason is that Japanese investors stopped buying U.S. corporate paper. Now they are just buying paper for sovereign governments like Kingdom of Sweden bonds. Investors in these markets no longer want U.S. corporate paper, even so-called blue-chips." Total outstanding obligations on Eurobond markets are estimated far in excess of \$1 trillion.

American banking issues on the Euromarket have been in trouble for some time. According to a Salomon Brothers commentary June 27, "The dramatic oil price drop this year complicated the situation further, influencing the market perception of those U.S. multinational banks with exposure to oil-producing countries such as Mexico. Issues by these banks . . . are currently trading at their cheapest level in over two years. . . . In the past two weeks, discussions concerning the possibility of Mexico defaulting on a large volume of interest payments due to banks has taken center stage. . . . This situation would impact the trading performance of the Floating Rate Notes issued by banks with significant lending exposure to Mexico."

The dollar fall is the immediate product of the banking crisis, mediated by Volcker's printing-press bailout. But the dollar's fall also hurts the banks' and others' capacity to sell dollar notes to European funders. A vicious cycle has emerged, leading to general financial crisis.

Global brokers in big trouble

Why many observers think that the October deregulation of the London market could bring it all down.

Although the bank regulators are shaking with fear about commercial banks' "off-balance-sheet liabilities," they rarely mention the expanding, quasi-bank functions of the major brokerage houses, e.g., Merrill Lynch, First Boston-Crédit Suisse, Salomon Brothers, and Shearson Amex. As underwriters of options, swaps, and similar forms of foreign-exchange or interest-rate guarantees, they have taken on a credit-creating function, and their activities are in many respects indistinguishable from those of the banks.

The difference is that their market capitalization is much thinner, even when the banks' full liabilities (including off-balance-sheet liabilities) are taken into account.

Brokerage house stocks traded on American exchanges reached a 52-week high point in mid-April 1986. It became known that they suffered a collective loss of between \$300 and \$400 million in their portfolios of U.S. government-sponsored mortgage securities, and the news forced their share prices down by 10% to 25%. Brokerage-house profits for the second quarter are likely to be roughly one-third of their year-earlier levels. Perversely, the drop in U.S. interest rates engineered by the Federal Reserve brought down the relative price of government-sponsored agency bonds, which pass through the income of home mortgages packaged by the Government National Mortgage Agency and similar entities.

Unlike most corporate bonds, most mortgages are renegotiable at lower

interest rates, and the eight-year low for home mortgages left the agency issues open to substantial renegotiation. The threat of renegotiation of the underlying mortgages lowered the price of agency bonds. Normally, they bear a yield about 1% more than Treasury securities. By late May, they were trading at about 2.3% more than Treasury securities, reflecting their lower price.

What is remarkable about the episode is that a misadventure in only one of the dozens of major sectors in which the large brokerage houses are active, was sufficient to wipe out two-thirds of their profits.

Although numerous factors have an impact on the risk of a brokerage firm's failure, the above numbers indicate that the market conditions which cause brokerage houses to sustain major losses on those operations which they conduct for their own account, could have a devastating impact on the industry. The major brokers are operating on the scale of the big international banks, with a fraction of the banks' miserably inadequate capitalization. Precisely what the real risk attached to the global brokerage firms may be, is difficult to discover from available data. Salomon Brothers wrote in an April 11 report on the investment industry:

"When viewing the broker/dealer balance sheet, riskiness is a blend of perceptions. To perform the market-making function of executing large transactions, capital is placed at risk by the assumption of substantial po-

sitions for the broker/dealer's own accounts. But the structure of a transaction in terms of financing and hedging can have a variable impact on the balance sheet. Meanwhile, futures, forwards, and other contractual obligations [what banks call off-balance-sheet liabilities—ed.] are not even encompassed on the balance sheet. . . .

"We do not want investors to throw up their hands after trying to glean information on the financial status of the broker/dealers. . . . We reaffirm our tenet that the most efficient method in estimating longer-term earnings for institutional broker/dealers . . . may very well operate like in a return on equity approach."

Salomon's evaluation amounts to a restatement of the old gag about the man who hurls himself from the top of a skyscraper; as he passes each floor, he is heard saying, "So far, so good." If the broker/dealers have done well puffing up a market bubble, one should expect they will do well when the bubble collapses, the argument goes.

On the contrary, some of the most sophisticated financial observers look toward the deregulation of the London market as the possible trigger for a global financial crash. On Oct. 27, brokers will no longer charge a fixed commission for stock trades, eliminating the bread-and-butter of London Stock Exchange business. Many firms may either have to merge or fail, as the survivors compete for profits deriving from "off-balance-sheet" activities. However, the failure of a major writer of options or futures contracts would destroy the hedges of many other firms, endangering their capitalization. Since the brokerage firms have taken on a bank-like function, the failure of one or many would destroy a volume of other firms' assets many times in excess of their own capitalization.

Business Briefs

Nuclear Power

Japan to launch ambitious program

The Japanese Ministry of International Trade and Industry (MITI) recommended in late July a trillion dollar program for Japan to build 122 nuclear power plants that would supply nearly 60% of national electricity by the year 2030. Hisamitsu Arai, director of MITI, said the cost of the recommendations was estimated at \$1.1 billion. MITI officials said work had already begun on the proposals.

Japanese power companies now operate 32 nuclear plants that provide 26% of the nation's energy needs. Only France, the United States, and the U.S.S.R. are ahead in nuclear energy generating capacity.

The recommendations suggest "additional efforts" to maintain safety and prevent human error at the 122 plants by improving training and introducing new technology. Arai, also said that the Japanese people would "understand" and "accept" the plans for nuclear supplying nearly 60% of the nation's electricity.

The report also said it was a matter of importance for Japan to establish its own nuclear fuel cycle and urged the government to promote the construction of enrichment and reprocessing facilities.

Strategic Defense

British gov't opens office for contracts

A British government office aimed at helping local businesses bid for U.S. SDI contracts was officially opened in London on July 16.

A Defense Ministry spokesman said the SDI participation office in the ministry would provide a direct link between British companies and the U.S. SDIO. The office's director general, Stanley Orman, said Britain could expect to win up to \$195 million a year in contracts at the height of U.S. spending on the program, though next year the

figure was likely to be about \$75 million.

The office will send regular bulletins informing firms of opportunities coming up. "U.S. companies are more used to bidding here than British companies are there. But I believe we have a better chance now of bidding on SDI than we had on any previous U.S. program," he said.

The Invisible Hand

Free-enterprise vs. the war on drugs

In an attack on President Ronald Reagan's loan of troops to assist Bolivia in eradicating drug production, the *Chicago Tribune's* Stephen Chapman on July 19 gave an unusually explicit statement of the "free enterprise" ideology behind the movement to legalize drugs.

"The Reagan administration's dispatch of American troops to Bolivia . . . is an admission of failure that betrays the futility of the war on illicit drugs. . . . Bolivia's drug traffickers are only doing the same thing as Japanese automakers, Saudi oil producers, and Taiwanese textile manufacturers—supplying Americans with a product they want. . . ."

Chapman's article followed by one day an editorial in the *Tribune* that also attacked the war on drugs, again on free-enterprise grounds.

Chapman continued: "As long as Americans are willing to pay foreigners for cocaine and other drugs, some foreigners will be willing to take whatever risks are necessary to provide them. . . . That is what makes the use of American military forces such a bad idea. . . . If it substantially reduces the available supply of cocaine in the world, prices will rise, attracting more suppliers elsewhere. The more vigorous the government efforts to eradicate drug traffickers, the more financially lucrative it becomes for those traffickers who can elude the authorities."

Chapman continued, parroting the free-enterprise line of another Chicago "economist," Milton Friedman: "Only through grotesquely excessive penalties and draconian

invasions of citizens' liberties could Washington hope to dry up the demand that calls forth the supply. . . . Cocaine and other drugs may be dangerous, but the risk lies with those who choose to use them. It is not the proper role of the government to protect adults from the consequences of hazardous choices. . . . The Reagan administration may be willing to pay any price, but the price is already too high."

Luddites

German Socialists attack nuclear power

The West German state of North Rhine-Westphalia has renounced the planned construction of four nuclear power plants and deleted them from the state development plan, Environmental Minister Matthiesen announced in Dusseldorf July 14, as reported by Hamburg Television.

Matthiesen said the state government now considered the development of nuclear power unjustifiable after the disaster at Chernobyl. Kurt Biedenkopf, the head of Chancellor Helmut Kohl's Christian Democratic Party in the state, is also a foe of nuclear power.

In a related development, the national executives of the DGB, the German Labor Federation, voted at their meeting in Frankfurt on July 20 for a "withdrawal from nuclear technology as soon as possible." This goes for "all new power projects," they stated, as well as "for those power projects under construction, or facing completion."

The DGB leaders want the state to fund "alternate energy research" and "energy-saving as a main source of energy."

Chernobyl Disaster

Cleanup continues as heads roll

Soviet officials announced in mid-July that they will start two of the units at the Chernobyl nuclear plant site in October, but not

the third reactor, which shares ventilation and cooling pipes with the damaged fourth unit. Eric Pozdyshev, the new director, made the announcement through *Pravda*.

The Soviets announced in June that they planned to double their nuclear energy output in the next five years. Nuclear now accounts for 11% of Soviet electrical power, 14% of which was supplied by the four 1,000-megawatt plants at Chernobyl.

The Soviets have begun to purge those alleged responsible for the disaster, firing the plant director and four key nuclear officials who would be tried on criminal charges for "gross errors" leading to the April 26 accident. A special meeting of the Politburo, TASS said, had determined that the accident was caused by "a series of gross breaches of the reactor operational regulations by workers of the atomic power station."

The only indication of the nature of this negligence was TASS's report that "experiments with turbogenerator operation regimes were conducted at the fourth generating unit when it was sidelined for planned repairs at night."

TASS said that the accident had caused 28 deaths, many injuries, and direct losses amounting to \$2.9 billion.

U.S. 'Recovery'

Two more banks, one realty firm fail

Two more banks were declared insolvent by bank regulators on July 18, bringing the total number of failed banks nationwide to 75 during 1986.

In Trimble, Tennessee, the Farmers Bank of Trimble was declared insolvent and put into receivership under the Federal Deposit Insurance Corp.

State regulators closed Permian Bank of Odessa, Texas, saying the bank had been driven into insolvency by large loans to energy-related industries. By mid-afternoon, the FDIC was unable to find a buyer for the bank, the fourth to fail in the Midland-Odessa area since 1983. The failure was the 12th in Texas this year.

In San Diego, the Federal Home Loan

Bank Board said on July 21 that it closed Sun Savings and Loan Association of San Diego and transferred its insured accounts to a new federally insured mutual association. The new Flagship Savings and Loan Association opened in San Diego on July 21. Sun is the 12th savings association to be closed by the Bank Board this year. The Bank Board said Sun became insolvent because of construction loans.

A large California real-estate firm, Ves-teq Financial, filed for Chapter 11 Protection on July 18. The San Mateo-based syndicator for real-estate partnerships, owns more than \$400 million worth of property, 90% of it in energy states such as Texas and Colorado.

Austerity

Hospitals close in Italy despite AIDS

As a result of the budget cuts imposed by the International Monetary Fund (IMF) on the Italian government, hospitals are shutting down in Italy, beginning with the two main hospitals in Naples. The two are the only hospitals in Naples equipped to treat AIDS and other infectious diseases.

Naples has a San Francisco-like incidence of AIDS cases.

They were forced to shut down on July 7, because their budget was cut from \$150 million to \$50 million, as a result of the *Finanziaria*, the Italian "Gramm-Rudman bill," introduced at the prompting of the IMF.

"Unless the government decides to withdraw these cuts, and to grant a moratorium on the \$80 million debts, we will not be able to open hospitals again," Professor Farnisano of the Naples Polyclinic said. "Out of 2,900 beds, only 300 are occupied now," because of the hospital cutbacks. "And we are normally full." Thousands of patients are being diverted to city hospitals, already overcrowded and more poorly equipped than the Polyclinic.

Also affected are Rome and Palermo, Sicily, with university polyclinics dependent on the Health and Education ministries' funding.

Briefly

● **COCAINE SMUGGLERS** of the Medellín, Colombia area were indicted by a U.S. federal grand jury on July 22 in the slaying of drug-informant Adler "Barry" Seal. Fabio Ochoa, Pablo Escobar, and Rafael Cardona were charged *in absentia* in Baton Rouge, Louisiana.

● **FA ME S** numbering in the hundreds were on hand to greet two Air Force transport jets loaded with hay donated by Illinois farmers to South Carolina to help keep livestock alive in that drought-stricken state. About 300 farmers each received 65 bales of hay on a first-come, first-serve basis. Two trainloads of hay were also delivered. The operation was organized by Illinois Gov. James Thompson, the Organization of Governors of Southern States, and the U.S. Air Force.

● **THE AMERICAN** Petroleum Institute (API) warned of the dismantling of U.S. oil production in a mid-July report which notes that the number of active drilling rigs has dropped from its 1981 peak of 4,500 to 700, and that approximately 250,000 jobs will be lost because of the \$13 billion reduction in oil capital expenditures.

● **SEVERAL JAPANESE** cabinet members have been reported near agreement that Japan should participate in the U.S. Strategic Defense Initiative (SDI). A final decision on participation will be made shortly, since a new cabinet has been named. Defense Agency director Koichi Kato said that the group also discussed the extent of government involvement and classification policy.

● **"WE WILL NOT** implement the IMF conditionalities" declared Egyptian President Hosni Mubarak in a mid-July interview with the *Al Musaawar* weekly magazine in Cairo. "The IMF has the right to say whatever it wants" continued Mubarak, "but we will not negotiate with the Club of Paris. . . We will negotiate only on a bilateral level with our creditors, countries with which we have good relations."

Is sabotage grounding the West's space program?

Carol White reports on the evidence of Soviet involvement in the recent space disasters in Europe and the U.S.

On July 14, the head of NASA, Dr. James Fletcher, confirmed that the earliest date of a new Shuttle launch has been postponed until some time in 1988. In a subsequent briefing, Adm. Richard Truly, head of the Office of Space Flight for NASA, reported that the reason for the delay was the necessity for testing related to new tooling for modular insulation in the solid rocket booster.

Since funds have yet to be allocated to rebuild a fourth orbiter, one can assume that problems in retooling are exacerbated by the cost-cutting mentality that has plagued NASA, and the Shuttle program in particular. However, the general decline in the aerospace industry, since its 1968 peak period, is also no doubt a contributing cause to problems now arising in the process of retooling.

As *EIR* has reported previously, one of the worst decisions made by the Carter administration, was to stop the production of expendable rockets as the Shuttle became available. Because of that, the United States has been literally grounded since the Shuttle accident, on Jan. 28 of this year. Yet, Donald Regan has been using his position as White House chief of staff, to reverse President Reagan's stated wish to rebuild the Challenger, by posing the decision as a trade-off against rebuilding expendable launch capabilities.

The failure to adequately fund NASA now, will mean that the United States is ceding the frontiers of space to the Soviet Union. Such a decision would be nothing short of treason; yet, it is precisely the direction in which cost-accounting is ineluctably taking us, by the cumulative effects of what appear to be small decisions, taken over time.

The narrow margins under which the U.S. space program has operated have not only made us extremely vulnerable to accident, but they have created the ideal conditions for Soviet sabotage. There has undoubtedly been attrition in production

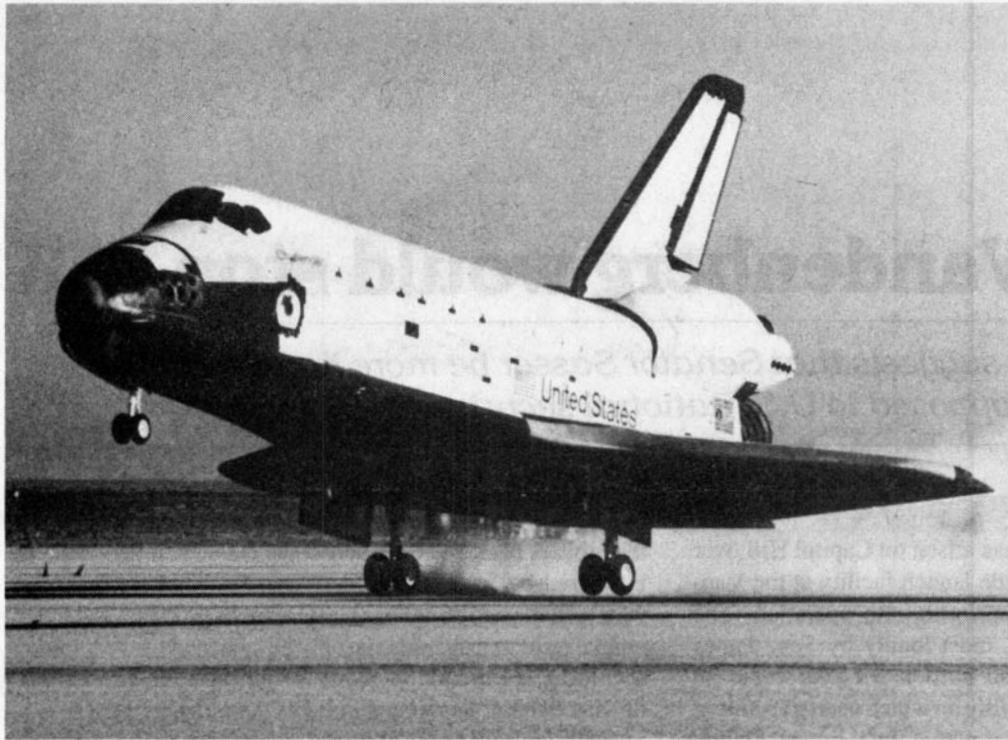
and safety standards; these not only make the act of sabotage easier, but make the coverup of such sabotage plausible.

Due to an extraordinary series of what were apparently accidents, the West is presently grounded, while the Soviet space program makes steady progress. Even before the Ariane rocket failed on May 30, the occurrence of such a series of accidents during the past year, including two Titans, the Shuttle, and a Delta rocket, was considered so unlikely that odds were being quoted at one chance in ten thousand. Now, there is further substantiation of the thesis that these "accidents" were all, or partially, the result of Soviet sabotage.

On July 6, Tad Szulc published an article in the *Los Angeles Times*, in which he claimed that the French government is now investigating the possibility that the May 30 explosion of the European Space Agency Ariane rocket was caused by sabotage. While this bombshell has been denied by official spokesmen of both the United States and France, Szulc claims that France's Defense Minister, André Giraud touched on this topic when he visited Washington three weeks ago. He tied in the Ariane explosion to the series of catastrophes involving American space launches this year."

Many who were unconvinced about the hypothesis of sabotage before the Delta rocket failure, were convinced then that more was amiss than faulty production controls. The U.S. Delta rocket exploded on May 3, 1986, after a string of 43 successful flights. The failure of the Titan 34D rocket in the summer of 1985 has been attributed to a failure of the turbo pump in the liquid rocket engines, and the Challenger disaster has been pinned down to a failure of a solid-fuel rocket booster joint, but explanations in the other cases are more speculative. And even in these cases, sabotage of essential parts could have occurred.

The April 1986 accident of the Titan has been ascribed to



The Space Shuttle Challenger lands at Edwards Air Force Base after seven days in space, June 28, 1983.

the insulation of the solid rocket booster being separated from its casing. This would have prevented the casing from functioning, and caused a quick fuel burn-through. While this is a plausible explanation, no flaw in the design of the rocket has been found which would have contributed to such an aberrant malfunctioning:

Although the failure of the U.S. Delta rocket is attributed to mechanical vibrations, which presumably caused an electrical short to occur, repeated tests designed to test this hypothesis have failed to do so. To date, no design failure in the rocket has been found, and the existence of any such pattern of vibration, leading to mechanical damage of the electrical wiring, is a mere unsubstantiated surmise.

Right after the Delta explosion, Delta project manager William Russell raised the question of sabotage, because of the manner in which the malfunction occurred as an electrical short, following two voltage drops which showed up as sharp spikes. He told the press, "We feel this is quite a significant find, but . . . you don't jump to conclusions.

"We're still going back and looking at all the prelaunch processing of the vehicle," he said, "to make sure we didn't do something to precipitate all this. We have not totally ruled out sabotage. . . . We have a group of people looking at just that phenomenon. If you wanted to sabotage one, how would you?" Earlier, J. Watkins, commander of the 1st Strategic Aerospace Division, said much the same thing regarding the Titan accident on April 18. He said, "Sabotage is something we can't discount."

Szulc's report is denied by European Space Agency President Frederic d'Allest, who is quoted remarking: "Every

time there is a failure, everyone can think that sabotage occurred." Despite d'Allest's denial, so far, there is no explanation as to why the third-stage engine of the Ariane rocket failed to ignite properly, triggering a self-destruct order 4 minutes and 30 seconds after launch.

U.S. investigative commissions have also publicly denied the possibility of Soviet sabotage. Notwithstanding, the case for sabotage cannot be dismissed on the basis of existing evidence—particularly in the case of the Delta and Ariane rockets, but in the other cases as well.

Szulc raises the possibility of tampering with rocket telemetry by the Soviets, who in all likelihood had access to U.S. codes. According to him, three years ago, a U.S. Air Force officer who specialized in space-launch command, control, and communications for satellite surveillance systems, disappeared under mysterious circumstances.

It is believed that he either deserted to or was captured by the Soviets, while he was on a trip to the Netherlands on assignment to NATO. One of his responsibilities had been the training of range officers in charge of destroying rockets which malfunctioned after they were launched.

The official denials of sabotage by the French and the Americans should not be given undue weight. They should rather be seen in the broader context of U.S.-Soviet relations. Were the U.S. or the French government to admit that the Soviets had launched such an attack, a policy of appeasement toward mounting Soviet aggression would no longer be tolerable to the people of either nation. It's about time that Donald Regan's sabotage of the program was viewed in the same light!

Closing Vandenberg would stop SDI

Marsha Gallagher suggests that Senator Sasser be more honest, and say outright that he is opposed to U.S. national security.

Over the past month, a furor has arisen on Capitol Hill over the plan to bring a Space Shuttle launch facility at the Vandenberg Air Force Base in California into operation. The public argument being made, most loudly by Sen. James Sasser (D-Tenn.), is that \$400 million per year could be "saved" by mothballing the facility on which nearly \$3 billion has already been spent, and that with a three-orbiter Shuttle fleet, there could only be minimal use of the facility, anyway.

Though the case being made for shutting the Vandenberg Shuttle launch facility appears to be strictly for the purpose of saving the taxpayers' money, according to the study done by the minority Democratic staff of the Military Construction subcommittee of the Senate Committee on Appropriations, which made the recommendation, "other observers have pointed out that Space Shuttle launches from Vandenberg, dedicated solely to military missions, would not become necessary, unless a Strategic Defense Initiative (SDI) were to be deployed."

Aside from the idiotic idea of shutting down a facility that is nearly complete and has cost nearly \$3 billion to build and equip, the proposal to do so should be viewed as a witting attempt to cripple this country's national security. The Vandenberg launch facility provides the complete control and security precautions that military payloads require. In addition, if the nation has only one launch facility for its only manned space system, any intentional or unintentional destruction of that launch pad shuts down the entire program.

Air Force Secretary Aldridge has stated that if such a series of shutdown decisions were made, it would take three years to take the facility out of mothball, at great cost. Any public official supporting this supposed big "budget-saving" recommendation can only justify it as a way to shut down the testing, development, and deployment of the SDI.

Why Vandenberg is needed

It is true that launching from the West Coast while the orbiter fleet numbers only three, could reduce the number of missions possible per year because of the time lost in carrying

the orbiters back and forth across the country, if they have to be shared by both launch facilities. Nonetheless, this may very well have to be done, as important SDI-related and other crucial military payloads can only be launched by the Shuttle, according to Defense Secretary Weinberger, and in contrast to what Senator Sasser and his staff report have stated.

Military and certain civilian payloads have been launched on expendable rockets for years from Vandenberg, because it is the only U.S. launch site that can be used to orbit payloads onto a polar rather than equatorial path. Payloads launched from Florida's Cape Canaveral would have to fly over heavily populated areas, such as New York, in order to go either north or south, into a polar orbit. From Vandenberg, the vehicle and its payload go only over the ocean.

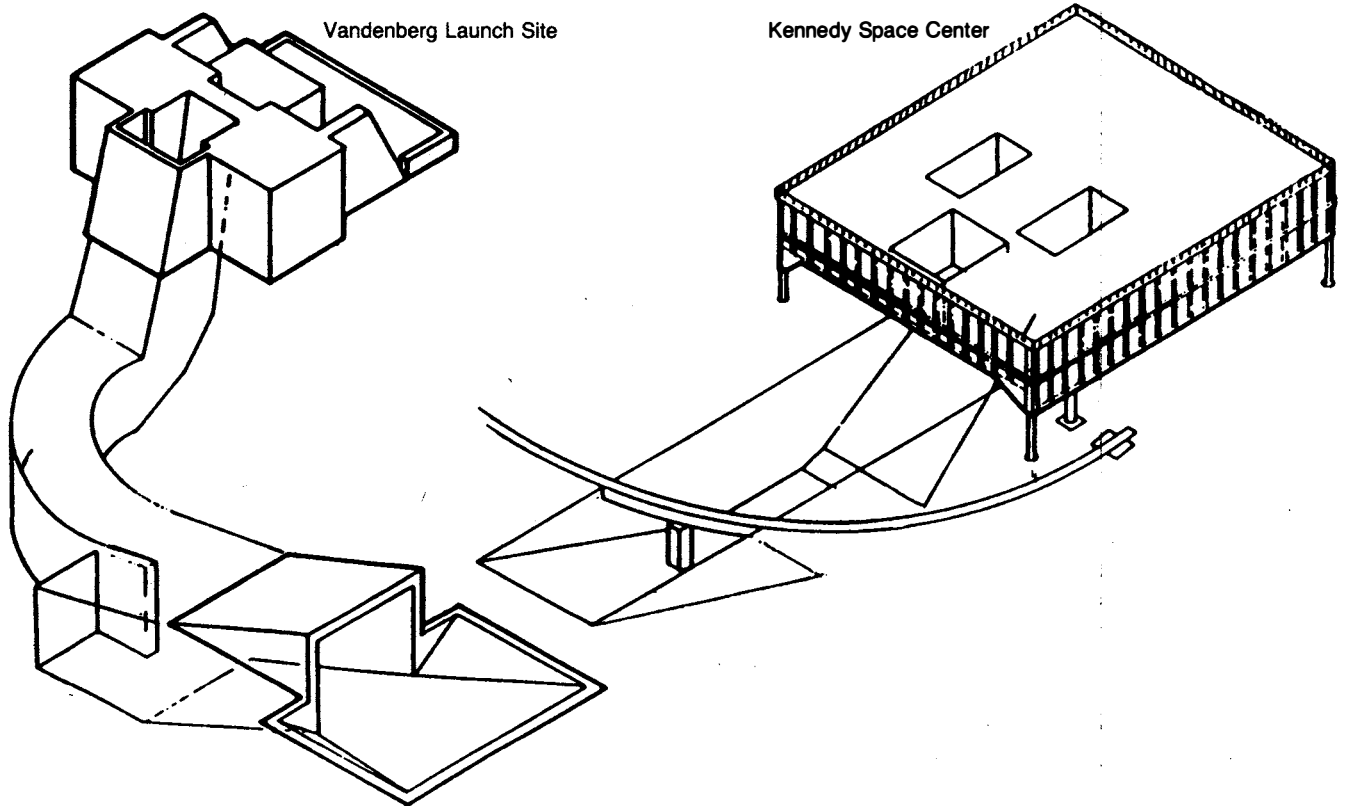
Polar orbiting spacecraft are needed when the mission requires a complete view of the Earth. The spacecraft stays virtually still, while the Earth turns from west to east underneath it. Satellites launched from Florida are generally put into an orbit that is inclined 28 degrees to the equator, which is the latitude of the launch site. Nothing north or south of 28 degrees, which includes all of the Soviet Union, can be seen from this inclination. A series of polar-orbiting spacecraft, that can be directly north-south, and also inclined relative to the poles, combined with satellites orbiting relative to the equator, give the United States a constant global view.

For the military, polar-orbiting capabilities are key for reconnaissance, which will include the testing of certain kinds of technologies for the SDI. Many of these payloads have already been designed for the payload bay of the Shuttle orbiters, and cannot be reconfigured to fit atop expendable rockets. In addition, all astronauts, from the beginning of the manned space program, have reported that there is no photographic technique that has yet been developed which is able to replicate what can be seen by the human eye, looking from space down at the Earth.

In order to take the polar route, the Shuttle has to expend more fuel than in an equatorial launch from Florida. This is due to the fact that when launching from Cape Canaveral, the

FIGURE 1

Space Shuttle Main Engine ducts



Shuttle picks up a boost from the west to east rotation of the Earth. Consequently, the payload capability from a Vandenberg launch will be considerably less than the 65,000-pound design for the Florida Shuttle launches.

The congressional staff report has made the case that the Shuttle will not be able to carry too much more in weight than the projected 32,000-pound capacity of the Titan 34D7 rocket, which is under development. They neglect to mention, however, that the Titan will only be able to deliver that payload to a 100-mile orbit, while the Shuttle orbit is at a less energy-consuming orbit between 250-300 miles. What the Titan will be able to deliver to a Shuttle-equivalent orbit, will be less than half of the 32,000 pounds.

However, the most important thing that you can put inside the Shuttle and not on an expendable rocket, is the crew. The Shuttle is a reusable testbed for technologies. If an experiment malfunctions after it has been launched on an expendable booster, you have just lost a multi-million dollar project. On the Shuttle, even if the crew cannot fix a malfunctioning experiment in orbit, they can bring it back to be repaired on the ground, and reflown.

In addition, there will be certain military payloads, such as the neutral particle beam experiment, which will be deployed by the Shuttle, and retrieved and brought back to Earth

for examination. The payload can be retrieved on the same Shuttle mission, or on a subsequent one, depending upon the requirement.

The time and money saved in testing new sensing, pointing, tracking, communications, and other technologies for the SDI by using the Shuttle, will pay for building the Vandenberg facility many times over. The first payload that has been scheduled to be launched from Vandenberg is the Air Force P-888 satellite with the Teal Ruby infrared space surveillance experiment, and other instruments. That launch is also supposed to include an experimental support system pallet carrying six experiments, including the cryogenic infrared radiance instrument for the Shuttle. When SDI systems are ready to start deployment, there will be no launch alternative to the Shuttle for many of the components.

In addition, there will likely be an important role for manned reconnaissance in the future. The Air Force Manned Orbiting Laboratory (MOL), which was cancelled in 1969, was to have been such a military space station, occupied for up to 30 days by a two-man crew. As the civilian space agency develops the hardware and systems for the NASA space station, it is likely that the military will make use of that technology for Shuttle-dependent polar-orbiting manned facilities.

Penny wise and pound foolish

One of the most popular Capitol Hill diatribes against the Vandenberg facility is the series of "cost-overruns" that have accumulated since the construction project was started in 1979. The subcommittee staff report is quite revealing in demonstrating how doing a job in a way that is supposed to "save money," rarely does.

When the Congress was hearing testimony on the construction of the proposed Shuttle orbiter processing and launch system at Vandenberg, the Air Force stated that between \$100 and \$300 million could be "saved" by utilizing the abandoned MOL launch pad, which was nearly complete when the program was cancelled, a decade earlier.

One of the left-over systems used in the Shuttle pad construction; was the main engine ducts which are needed during Shuttle operations to vent the exhaust from the engines during lift-off, and also during launch aborts on the pad, which has happened on two Shuttle launches. Pad launch aborts have occurred when the Shuttle's main liquid engines have been ignited, but shut down by the computers before the solid rocket boosters were lit.

The problem with using the old launch pad, was that the MOL was designed to be launched on a Titan III expendable rocket. The Titan does not use liquid hydrogen engines, and like all launch vehicles except the Shuttle, it has no capability to be shut down after ignition. On the two Shuttle launch aborts, engineers unexpectedly found that some gaseous hydrogen became trapped in the launch duct.

The exhaust ducts at the Shuttle launch pad in Florida are open, and the vehicle is raised on a mobile launch platform, so pad modifications to prevent a problem with trapped hydrogen in the exhaust duct was minimal. At Vandenberg, the ducts are closed, and the exhaust travels through a tunnel to special open ports that have been built for the Shuttle launches. These three flame ducts are 50 feet high and 70 feet wide (see **Figure 1**).

In the event of the build-up of hydrogen from either a pad launch abort and engine shut-down, or from just engine testing on the pad, engineers fear that the entrapped hydrogen could explode and cause an overpressure that might damage the end of the orbiter.

The Air Force is now considering 28 options for solving this potential hydrogen entrapment problem, but they clearly did not save any money, or time, in modifying 10-year-old pad facilities rather than constructing new ones specially designed for the Shuttle.

Another "cost-saving" option implemented by the Air Force, was to use the launch control center blockhouse that had been built for the MOL. According to the subcommittee minority staff report, "When the SLC-6 (Space Launch Complex-6) project was justified to Congress, the Air Force indicated that substantial sums of money could be saved by converting this facility to support shuttle launches."

The problem is that this control center is less than 1,200-

feet away from the launch pad itself. "Although the walls and ceilings have been reinforced with two-foot concrete," according to the report, "the proximity of the Launch Control Center to the pad could create an extreme hazard, if there should be an explosion on liftoff." The launch control center for Space Launch Complex-4, where a Titan 34D exploded shortly after liftoff last spring, was damaged, although it is 200 feet farther away than the Shuttle center.

During that explosion, the staff states that Vandenberg officials told them that "debris came down over a wider area than computer models had shown would happen." Essential personnel critical to mission support number over 175, according to the report. If there were a Shuttle explosion on launch, there is uncertainty whether the control center could withstand a direct hit from debris.

Once again, "saving money" by using existing facilities will likely end up increasing the cost, as the Air Force is now considering moving some of the computer launch facilities further away from the launch pad.

When the Vandenberg launch project was examined by the General Accounting Office in 1977, the total cost was estimated to be \$1.17 billion. This included the construction of two Shuttle launch pads. The Congress authorized construction of only one pad, in 1979. About \$2.8 billion has been spent so far.

The use of existing facilities, and the departure of Shuttle launch designs used at the Kennedy Space Center, did not initially take account of the difference in weather and climate at Vandenberg. Whereas at Kennedy the orbiter, solid rocket boosters, and external tank are stacked indoors at the Vehicle Assembly Building, at Vandenberg, they are stacked at the pad.

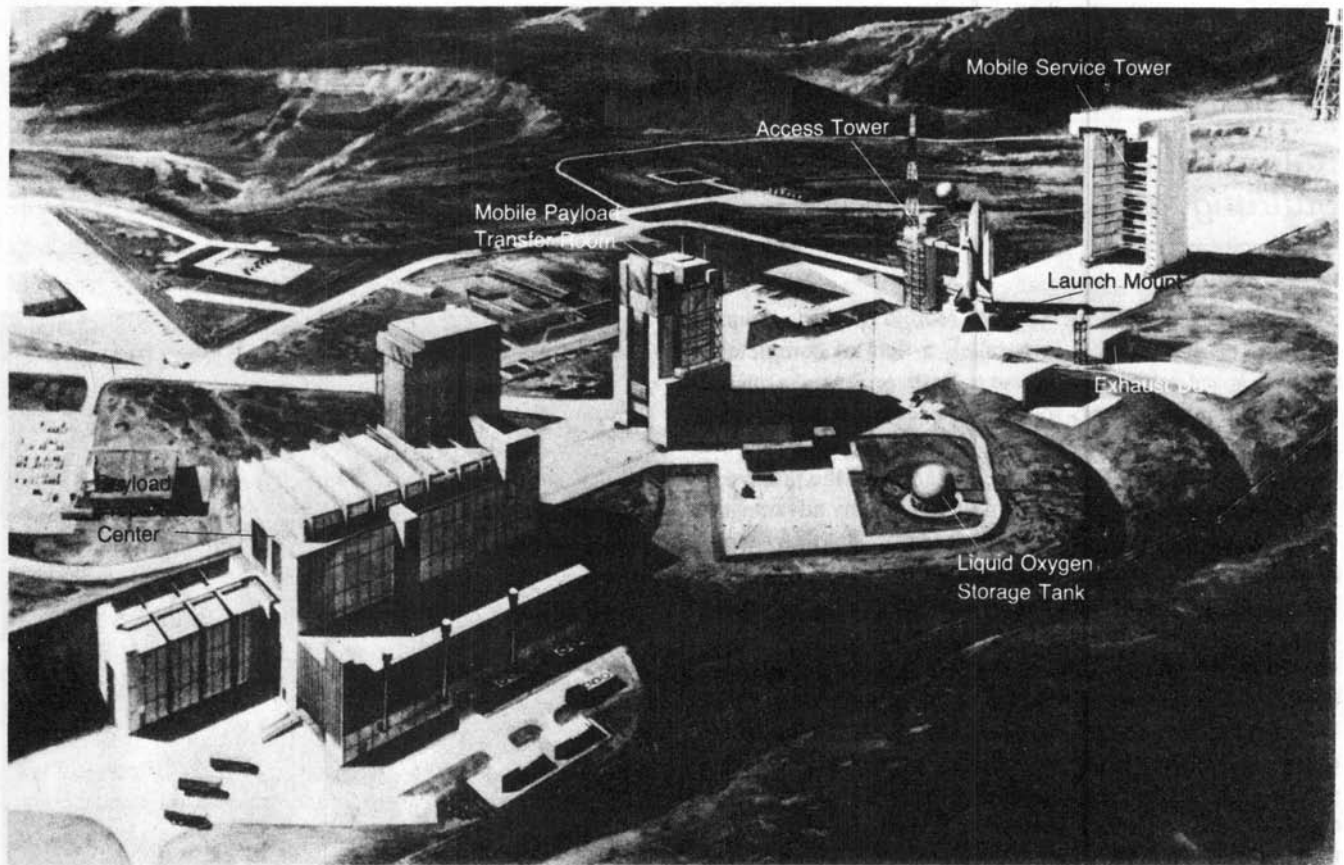
Wind gusts, and fog and frost in particular, were found to be hazardous and unacceptable for the Shuttle stacking procedures. A windshield structure was built to protect the orbiter, which was the largest single modification of the original design. All of the changes that were required, forced a slip in the schedule for operation of the facility.

In 1976, the Air Force expected the facility to be ready at the end of 1982. Some slippage was due to the delays in the Shuttle program itself, where operations and flight experience necessary for readying Vandenberg were put off. In 1978, the operational date for the West Coast launch site was slipped to 1983. By 1981, the date had been moved to October 1985, and now it is the case that no Shuttles can be launched from Vandenberg until the hydrogen entrapment problem is solved.

The subcommittee staff is using these delays and cost overruns to try to buttress their case, that the Vandenberg facility is not really needed. Some critical military payloads that are getting backed-up because of the Shuttle stand-down will be either priority payloads when the Shuttle is flying again, or can be offloaded to the currently-available smaller expendable rockets.

FIGURE 2

The launch site



In a certain sense, the staff report is correct: If you want to kill the SDI program, it will be necessary to get rid of the Vandenberg Shuttle launch facilities.

How the facility will work

The operation of the West Coast Shuttle launch facility starts with the orbiter landing at the north end of Vandenberg Air Force Base. It then takes a 16 mile trip to another part of the facility, to be refurbished and loaded with the payloads for the next mission.

Three out of the eight major structures at Vandenberg are mobile, on tracks which take them right up to the launch pad (see **Figure 2**). The six segments of each solid rocket booster are delivered to the Mobile Service Tower structure on a transporter, and are stacked using a 200-ton capacity crane. This 27-story high tower moves, at 40 feet per minute, the 450 feet to the pad, and is locked into place.

The Shuttle Assembly Building, which is also mobile, is 250 feet high, with a roof-mounted crane. The empty external tank is raised, by a pair of cranes—one on the Assembly Building and one on the Service Tower—rotated, and lifted into place between the stacked boosters. Then the orbiter, which is also delivered in a horizontal position, is lifted and

put into place in the same way. This design creates an enclosed weather-shield structure around the Shuttle, which shelters the assembly until the payload is loaded in the orbiter, and it is ready to fly.

These two buildings could be thought of as one building during launch preparation, which splits apart, one on either side, for launch. The Payload Preparation Building, on the opposite side of the Shuttle Assembly Building, contains sealed chambers where the payloads are delivered and checked out. They are sealed to prevent unauthorized monitoring of electronic transmissions from the military payloads. Inside, there is a Movable Payload Changeout Room, which moves the payload to the Assembly Building, where it is placed in the orbiter.

When the entire Vandenberg launch complex is complete it will give the nation a second Shuttle launch site, which is important in itself for national security, and it will provide the military with a secure facility under tighter restriction than is possible at the Cape Canaveral site.

It would be considerably more honest if Senator Sasser and others would state directly that their opposition to finishing and using the Vandenberg Shuttle Launch Site is based on their opposition to a secure United States.

Rebuilding our road to the stars

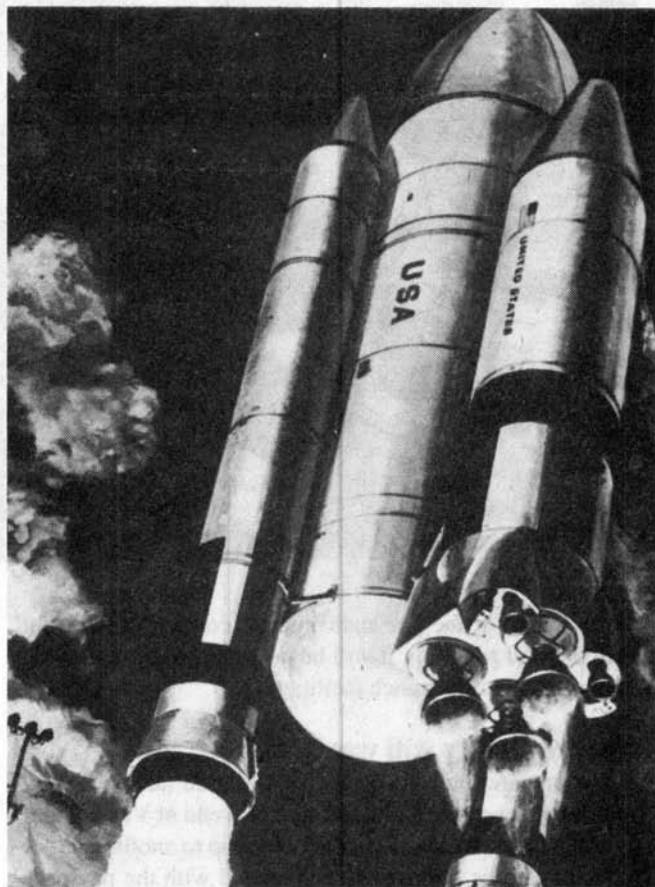
Robert Gallagher reports on the necessity of realizing NASA's plans for building "an airline to space."

The United States will successfully rebuild its space launch capability if it develops, in parallel, a fleet of completely reusable space vehicles for access to Earth orbit, and a nuclear-powered interplanetary rocket for space travel beyond the Moon.

An ideal, completely reusable system, like the proposed liquid-fueled aerospace plane, would have many advantages over vertical rocket launches and the existing Shuttle system, from the standpoint of physical economy. Its "turnaround time" between flights would be measured in hours or days, not weeks or months as in the present Shuttle system. It would not require the manufacture of external tanks and the refurbishment and complicated refueling of boosters with solid fuel, rehauling over 50% of the Shuttle launch system, in order to make the next flight possible. Liquid fuel could be pumped into the aerospace plane almost as easy as gas into a car. Nor would it require the enormous staff of 6,000 people that launches the Space Shuttle. An aerospace plane would provide the sort of immediate and unquestioned manned access to space required by the Strategic Defense Initiative (SDI) program.

It was NASA's original plan to build such a true airline to space, which can only function if we streamline manned launch systems, eliminate all the features that do not make launches routine, and shift heavy cargo to unmanned vehicles. The U.S. Congress and Office of Management and Budget killed NASA's original Shuttle design in which the spacecraft would be boosted to orbit by a manned fly-back reusable liquid rocket booster. Despite this congressional sabotage, NASA did produce an excellent spacecraft in the Shuttle proper, of which the nation can be proud. The Russians have yet to deploy a vehicle which can repeatedly fly back from space at 26 times the speed of sound.

Development of the aerospace plane is no substitute for rebuilding the nation's launch capability over the next few years. While the aerospace plane is under development, the nation must take the following actions originally planned under NASA's Shuttle program, and required to meet national launch requirements, including deploying the space station mandated by President Reagan and developing and deploying a strategic defense over the next decade. As documented in *EIR*, U.S. launch requirements in 1992 will require the



An artist's conception of the Heavy Life Launch Vehicle currently under study by NASA for heavy, bulky payloads projected for the "Space Industrialization and Large Structures era."

equivalent of a fleet of 8 shuttles, according to official estimates. If we accelerate the SDI program towards initial deployment in 1992, an equivalent launch capacity of 12-15 Shuttles is required.

1) Construction of five additional Space Shuttle orbiters must be undertaken immediately. Together with this, must be built production facilities for fabricating 50 external tanks and 20 rocket boosters per year, assuming each booster is safely usable for at least five flights.

2) A "crash program" must be initiated to develop new

TABLE 1

Payload capability of U.S. and Soviet rockets

Launcher	Payload to LOE ¹ (lbs.)
U.S. vehicles	
Delta	5,000
Atlas Centaur	8,000
Titan 34D	10,000
Shuttle	65,000
Soviet vehicles	
A-2 (Soyuz)	16,500
Proton D-1	44,000
Proton D-1-h (Salyut)	49,500
U.S. Apollo-era vehicles	
Saturn-1B	40,000
Saturn-V	300,000

¹Low Earth Orbit = 300 miles. The Titan 34D can launch 27,000 lbs. to a 100-mile orbit.

Note: Vehicles rarely ever launch their maximum payload, including the Shuttle.

vehicles based on Shuttle hardware to launch heavy payloads into space. These vehicles can be unmanned. In 1982, NASA and its contractors produced designs for using Shuttle launch system hardware to quickly manufacture such a heavy lift capability.

3) Until this expanded capacity begins to come on line in 1990 with the delivery of the first heavy lift launch system, production of additional Titan, Atlas-Centaur, and Delta rockets will be necessary.

Some may question the economy of manufacturing eight Shuttles and various cargo vehicles, not to mention expendable rockets, as we develop the aerospace plane for flight in the 1996-2000 time period. This is not "cost-effective," they might argue. It is precisely the influence of such arguments over policy, that has placed the United States in the midst of the current strategic crisis and produced the collapse of our launch capability. Gen. Bernard Schriever's successful Air Force ballistic missile development program of the 1950s, enabled the U.S. to place 1,000 ICBMs in silos in the early 1960s and produce the workhorse space launch vehicles, the Atlas, Titan, and Delta.

By contrast, congressional and OMB "cost-effectiveness" cuts corners, produces marginal launch systems, leaves the nation without a capability in the event of an accident, and kills astronauts. "Cost-effectiveness" has led to a situation where with the Shuttle grounded, the Russians have an overwhelmingly superior capability to deliver payloads to Earth orbit, and, even with the Shuttle operational, present U.S. capabilities are no match for the capacity we had under the Apollo program, a capability that has passed out of exist-

TABLE 2

Launch vehicles the U.S. can lift now to launch heavy payloads

System	Payload to LOE ¹ (1,000 lbs.)
Single shuttle solid rocket booster	30
"Big dumb booster"	70-80
Shuttle with liquid boosters	100
"Side-mount" cargo vehicle	
a) with SRBs	130
b) with LRBs	165
"In-Line" Cargo vehicle with SRBs	80-130
GD cargo vehicles	
1) Liquid rocket with small SRBs	70
2) Liquid rocket With liquid booster	200
3) Liquid rocket with 2 liquid boosters	400

Source: NASA

ence. **Table 1** compares the payload capacity of the Shuttle, existing expendables, the Apollo rockets, and the Russian proton boosters.

New heavy lift vehicles

One of the first steps that can be taken to rebuild our launch capability will be to extend the capabilities of our Shuttle fleet by replacing the Shuttle solid rocket boosters with liquid fueled ones. NASA originally preferred to use liquid boosters in the present Shuttle configuration, but was forced to adopt solid rocket boosters because of budget cuts. With liquid boosters, the Shuttle would be able to orbit 50% more payload.

A joint NASA/Defense Department task force, the National Space Transportation and Support Study, reported at a National Space Club conference June 18 that liquid rockets: 1) reduce turnaround time since they are tremendously easier to refuel than solids; 2) reduce launch operations; 3) last longer; and 4) decrease the weight of the Shuttle system during assembly since with liquid boosters, all the fuel is put into the Shuttle system on the launch pad. Liquid rockets have the additional safety advantage that they can always be shut off in the event of an emergency; solid rockets always must burn their fuel to completion.

In other words, the Shuttle solid rocket boosters are an example of the policy of "cost-effectiveness" in action. Budget cuts forced NASA to use them because they were cheaper to develop than liquid boosters. However, the chickens come home to roost: The SRBs are more expensive to operate.

Below we present excerpts from a NASA document that

FIGURE 3
Single rocket SRB-X

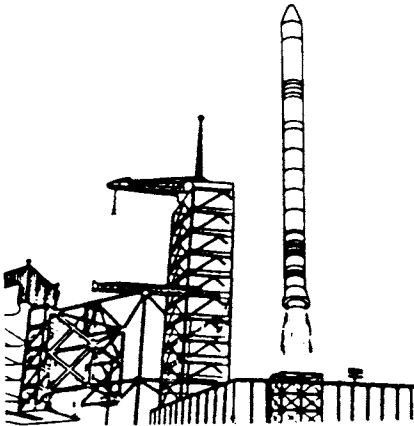


FIGURE 4
Three rocket SRB-X

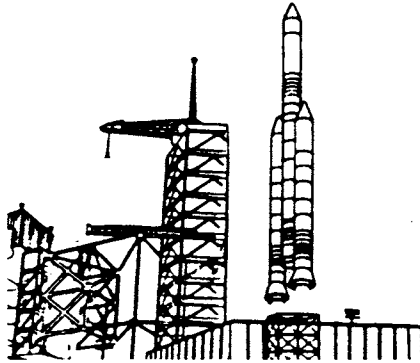


FIGURE 5
Side-mount cargo vehicle

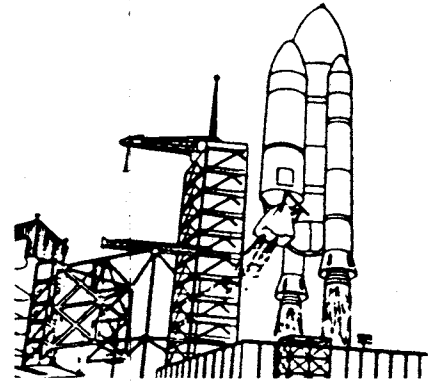


FIGURE 6
In-line cargo vehicle

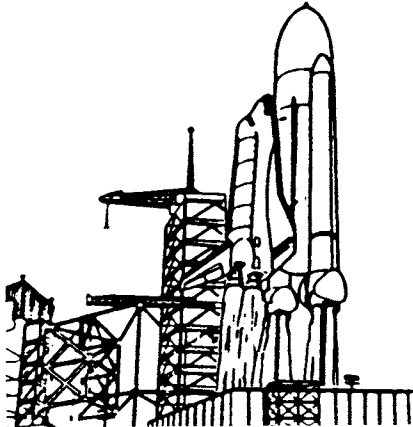
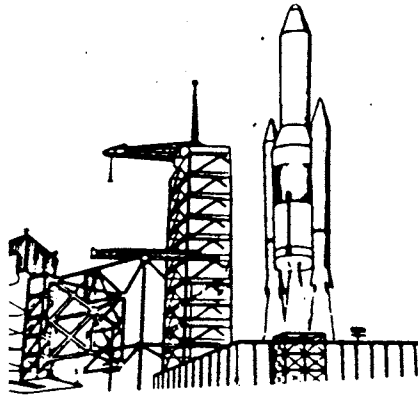


FIGURE 7
Liquid rocket booster



At least five Shuttle-derived vehicles would use the same engines as the Shuttle, and could be developed in six to seven years under existing government "cost-effective" regulations. NASA officially projects that the SRB-X launch vehicle based on three Shuttle solid rocket boosters would take three years to develop.

Source: NASA

describes the several manned and unmanned systems that can be built from Shuttle hardware to meet the launch needs of the early 1990s.

According to a source at NASA, existing government policy slows the pace of development of launch vehicles so that 9 to 10 years are required to develop a launch vehicle with new engines, such as the proposed Shuttle liquid rocket booster. A Schriever-style effort can cut this time down to 4 to 5 years.

Several Shuttle-derived vehicles would use the same engines as the Shuttle (Figures 3-7). According to the same NASA source, such vehicles could be developed in six to seven years under existing government "cost-effective" regulations, and in half that time with a Schriever-style effort. NASA officially projected that the SRB-X launch vehicle based on three Shuttle solid rocket boosters would take three years to develop.

Table 2 compares the payload capability of the Shuttle-derived vehicles. The last three vehicles listed are from a General Dynamics design study performed for the NASA/

DOD Task Force.

General Dynamics has also prepared a design for an aerospace plane that maximizes the payload that such a vehicle could lift to orbit. A simple "one-stage" aerospace plane would have to carry to orbit the weight of all the tankage required to hold its fuel, even after that fuel is expended. The virtue of multistage rockets is that they maximize payload to orbit by releasing the weight of expended stages as they climb to orbit. In the General Dynamics design, an aerodynamic orbiter rides atop a rocket plane which takes off from a runway and boosts it close to orbit. The orbiter's own engines do the rest of the work.

The development of multimewatt lasers under the SDI, has made possible other advanced vehicles in addition to the aerospace plane. One such system would be a transatmospheric cargo vehicle propelled to orbit by the thrust created from the vaporization of a liquid mass carried on the vehicle, by a laser based on the ground. Lawrence Livermore National Laboratory is exploring a design for an Earth-to-orbit cargo vehicle based on this concept.

Shuttle-derived vehicles

The following is excerpted from NASA Marshall Space Flight Center Fact Sheet 24F282:

Now that the Space Shuttle has opened the way to routine access of space, planners at the Marshall Space Flight Center are looking at the adaptability of the Shuttle propulsive elements to meet potential future launch requirements for the nation.

Called "Shuttle-derived vehicles," these next-generation cargo carriers for space would utilize Shuttle systems in different arrangements to provide additional cargo capability or more economical operation.

The current Shuttle system features four major integrated parts: the Orbiter, which is the winged vehicle that carries up to 65,000 pounds of payload into space and returns to land like an airplane; the External Tank, which holds liquid hydrogen and liquid oxygen as fuel and oxidizer; the Orbiter's Space Shuttle Main Engines, which burn fuel from the External Tank; and the Solid Rocket Boosters, containing high-thrust solid fuel that provides much of the Shuttle's thrust at launch and early in flight. The boosters are recoverable; the External Tank is not.

Several classes of Shuttle-derived vehicles are currently under active study at the Marshall Center—The SRB-X, the "side-mount" and "in-line" cargo vehicles, the Liquid Rocket Booster. . . .

The first concept is the SRB-X, so named because it would be developed by primarily using the Shuttle's Solid Rocket Booster, commonly known by its acronym "SRB." Two configurations have been proposed: one features a single rocket of numerous stages which carries a payload at the top (see **Figure 3**), as did traditional expendable rockets; the other would use the single rocket design just described with two Solid Rocket Boosters, as its first stage, strapped to its sides (see **Figure 4**). These unmanned vehicles could carry about 30,000 and 70,000 pounds of payload, respectively, to low Earth orbit. The central payload-carrying rocket would consist of an entire Solid Rocket Booster, plus additional smaller solid or liquid rockets as required. As with the Space Shuttle, the first stage Solid Rocket Boosters would be recoverable. The single-rocket SRB-X would carry less payload weight than the Shuttle, but would offer the advantage of economy to a user desiring to put less than a full Shuttle load into an orbit that would preclude sharing payload bay space with another user. The three-rocket configuration would carry approximately the same weight as the Shuttle to low

Earth orbit; however, this configuration would have a much greater payload capability to geostationary orbit, which the Shuttle is unable to reach. One big advantage to the SRB-X is that it would use hardware already in use in the Shuttle program.

The second concept is the "side-mount" cargo vehicle, in which the Shuttle Orbiter would be replaced by an unmanned cargo cannister fitted with a Space Shuttle Main Engine module (see **Figure 5**). The current External Tank and boosters would be retained. This Shuttle-derived vehicle would carry approximately 130,000 pounds of cargo into orbit, or roughly double the capacity of the current Shuttle. In comparison to the 15- by 60-foot design of the current Shuttle's Orbiter bay, the payload bay of the "side-mount" vehicle's cannister could be as large as 25 feet wide and 90 feet long, providing room for cargo that is too large to be flown aboard the Orbiter. Once the cannister reaches orbit, the reusable part of the vehicle, the engines would either return and land on their own in a module or be retrieved from orbit by a subsequent Shuttle mission.

Another possible derivative is the "in-line" cargo vehicle. This version would have no Orbiter, but would instead have one or two Space Shuttle Main Engines positioned below the External Tank (see **Figure 6**). Two Solid Rocket Boosters would be employed as the first stage. Depending upon the number of engines used, such a configuration would allow about 80,000 to 130,000 pounds of cargo to be carried into space in a payload bay mounted atop the External Tank.

The fourth concept, the Liquid Rocket Booster, envisions a design in which the current solid rocket boosters would be replaced with reusable ones using liquid fuel (see **Figure 7**). These liquid rockets could be sized for as much as a 50% increase in Shuttle lift capability and enable the Orbiter to carry up to 35,000 pounds more cargo. Furthermore, they may be more economical to operate than solids: liquid Boosters cost less to check out and load with fuel, which is pumped into the rockets on site at the launch pad. Fuel for solid boosters, on the other hand, must be loaded at and fully transportable from the factory. Like the solid rockets now used in the Shuttle, the liquid boosters would be reusable. Proposed designs would have them recoverable from the ocean—as solid boosters are now—or would have them build in a winged configuration that could fly back to land at the launch site.

A possible variation of this design would combine both the Liquid Rocket Boosters and the "side-mount" cannister to yield a vehicle capable of lifting about 165,000 pounds into orbit. This is nearly three times the weight-carrying capacity of the present Space Shuttle.

An attractive feature of the unmanned Shuttle-derived vehicles is that they would free the Shuttle to fly only those missions requiring a manned presence or the return of payloads to Earth.

Homosexuals in the Church mobilize against the Pope

by Ira Liebowitz

On May 22, almost 700,000 petitions were filed with the California secretary of state, by associates of Presidential candidate Lyndon H. LaRouche, calling for placing on the ballot in November an initiative sponsored by the Prevent AIDS Now Initiative Committee (PANIC). It would require public-health officials to treat AIDS as all other communicable diseases are treated. This would lead to identifying, isolating in sanatoria, and medically treating individuals already infected with the deadly AIDS disease. The measure is being popularly called the "LaRouche Referendum."

By the time the measure was certified for the ballot on June 25, the vast New Age or Aquarian "homosexual lobby" within the American Catholic Church, involving networks in the Baltimore, Chicago, New Orleans, and West Coast Archdioceses, had begun to emerge behind an organizing effort against the referendum, under the guise of expanding "Archdiocesan Gay and Lesbian Outreach" (AGLO) ministries, and home-based hospices for the dying, in the Catholic Archdioceses of San Francisco, San Diego, and Los Angeles.

Cynically, this effort to promote "death with dignity" programs in opposition to the public-health measures provided for in the referendum, has sought to twist official Church doctrine, which urges compassion for the sick and dying, into a defense of the homosexual political lobby (the "movement" committed to proselytizing the sin of homosexual acts).

But on a higher level, because the PANIC referendum is already weakening the hold of the "Aquarian paradigm" on Church and society, the larger concern of these opponents is to explicitly challenge the Pope and Joseph Cardinal Ratzinger, head of the Congregation of the Doctrine of the Faith, within the American Church, whose influence they see growing as a result of this proposal for a rational approach to the AIDS epidemic.

Identified in the effort have been: Bishop John R. Quinn

of San Francisco; Father Joseph Hughes, director of Archdiocesan Gay and Lesbian Outreach (AGLO) in Baltimore; Father Brian Hehir's "Social Justice camp" within the U.S. Catholic Conference (USCC); the Jesuit Order; "Dignity, Inc." (the national Catholic gay-rights organization); the Anti-Defamation League of B'nai B'rith; homosexual networks in the Episcopal Church, the Metropolitan Community Churches, and others.

These groups believe that the PANIC referendum has intersected two strategic matters in the Church:

PANIC—which most believe would overwhelmingly pass if voted on today—is feared as potentially capable of triggering a long-brewing "counter-paradigm shift" of culture in the country, away from the "pro-satanic" cultural drift of "New Age" or "Aquarian" (drugs-rock-sex) values, which were launched in the West in the aftermath of Vatican II.

This, in turn, according to George Wiesolek, social justice director of the San Francisco Archdiocese, is seen as strengthening the "conservative family-centered agenda" of Pope John Paul II and Cardinal Ratzinger, on a variety of issues—central among them being the recent censure of theologian Rev. Charles Curran, of the Catholic University of America, who is, according to one source, the "father of the homosexual movement" and related sexual perversion in the American Church.

Even before the PANIC initiative entered the story, according to Father Paul Marx of "Human Life International," the forces of the "homosexual lobby" (and the closely related "Social Justice camp" and Theology of Liberation) in the Western Hemisphere, had entered a course of "showdown with the Pope" over his and Ratzinger's censure of Curran. Curran has published views endorsing abortion, artificial birth control, homosexual acts, masturbation, and euthanasia—all clearly in violation of Catholic moral teachings.



A scene from the "Gay Pride" parade in New York City.

According to Marx, Curran and his close associate, Rev. Richard McCormick, S.J. of Georgetown University, have been the two leading "intellectual authors" of the post-1968 proliferation of homosexuality within the Church, which erupted as a "rejection of Pope Paul VI's encyclical *Humanae Vitae*."

Curran's teachings were one of the chief rationales for the creation of the Dignity, Inc. organization, the national network of homosexual Catholic clergy and laity. Dignity, Inc. is turning up as a chief organizer of the current moves against the Pope.

San Francisco: defending the 'New Age'

"At the moment, the PANIC referendum may indeed have a good chance of passing," says George Wiesolek. "We see this measure as a blatant form of discrimination, and we are fighting it on that basis." To this effect, under Archbishop John R. Quinn, Wiesolek and his associate, Dale Meyers, the newly appointed Catholic Social Services AIDS co-ordinator, are running a new, expanded Diocesan program of social services for AIDS victims and their families, including hospices for the dying, through which Meyers has organized a "network to the parishes" throughout the Archdiocese that

will be used to "educate" against the PANIC referendum.

To defeat the PANIC referendum, Wiesolek and Meyers are working with Ralph Paine, San Francisco coordinator of the California-Community AIDS Network, CAL-CAN, a group set up by the Gay/Lesbian Lobby and funded to the sum of \$3-5 million; and the Los Angeles-based "Stop LaRouche" coalition, which is preparing a media campaign against the referendum.

The 'Social Justice' agenda

Wiesolek, who has been consulting with the "Social Justice camp" around Father Brian Hehir of the U.S. Catholic Conference, believes that LaRouche's strategy "is trying to effect a roll-back of the post-Vatican II Aquarian paradigm shift. They [LaRouche and associates] fear and oppose Theology of Liberation; they fear deviation in the Church; they want a more authoritarian Church. They oppose participatory democracy in the Church." And, he adds, "We in the Social Justice Camp are trying to counter the Pope's drift with an 'ethic of life' agenda, of opposition to war, opposition to U.S. involvement with the Contras, and so forth."

Within the San Francisco Archdiocese, the problem for Wiesolek and Meyers is to avoid having to argue that public-

health measures are a violation of the civil rights of homosexuals, since this will definitely not be well received among the "less sophisticated" Catholics living outside San Francisco in the suburbs. These Catholics tend to be "family-centered" (read: heterosexual) and fearful of the disease's spread. Therefore, their effort is concentrated on "educating them" that AIDS is not easily spread, cannot be carried by mosquitos, transmitted through casual contact, etc. The "homosexual civil rights" angle, however, will be used in the San Francisco parishes, which are dominated by "sophisticated," single yuppie-types.

Wiesolek adds that an additional problem is that the Pope has been pushing a "conservative agenda" in the Church for some time, centered on the abortion issue and a constellation of "family-centered issues." This has moved the Church congregations, the family-centered, "unsophisticated" Catholics, closer to the Republican Party, and to LaRouche among Democrats. And thus, through this referendum, LaRouche is capturing the whole family-agenda camp in the Church.

The Interfaith Council of Los Angeles

At a press conference July 14, Archbishop Roger Mahoney of Los Angeles announced a united effort among the faiths, the Interfaith Council, which, while organizing hospices and ministries for dying AIDS victims and their families, will also directly oppose the PANIC referendum, according to Father Joseph Battelia, Los Angeles Archdiocesan director of communications.

The Council involves the Episcopalian Archdiocese, Jewish synagogues, and 13 other denominations, which will launch a joint program of non-institutional hospices, based in homes, for AIDS victims. While there is no central coordinator of Catholic services for AIDS victims at present, Rabbi Allen Freehling of University Synagogue is handling the establishment of the hospices for the Council.

The Archbishop has mandated that every priest in the Archdiocese will attend update lectures to be given by himself on moral theology. The lectures will include questions of medical morality, within which the AIDS situation will be situated. Relevant statements by the Archbishop and the Council will also be disseminated through mailings and articles in the Diocesan newspaper.

Back in January, the Archbishop announced his views on AIDS, which state (correctly) the Church's distinction between homosexual acts (regarded as a sin), and the homosexual, who has to be dealt with as a person—i.e., the distinction between the sin and the sinner.

However, Mahoney's statements on moral theology appear to conform to the policy statements presented in a special June 21 "AIDS" issue of *America*, the magazine of the Jesuit Order in America, which include a statement by San Francisco Archbishop Quinn on the hospice tactic, and Father Joseph Hughes, director of the Baltimore AGLO.

To this we now turn.

The June 21 issue of *America*, published by Jesuits of the United States and Canada, was devoted to AIDS, and features an article by Archbishop John R. Quinn on the San Francisco hospice program run by Wiesolek and Meyers. It is presented as a model to be copied by other Archdioceses. Quinn states: "Each day, as the number of dead mount . . . the call to an active compassion becomes clearer and clearer. It is not just a homosexual disease. It is a human disease."

The issue also contains an editorial (see accompanying excerpts) indicating that the program of hospices and AGLO ministries, which is now under way in the New Orleans, Chicago, New York, and West Coast Archdioceses, developed out of a five-year ministry to the homosexual community and AIDS victims, run by Father Joseph Hughes of Bishop Borders' Baltimore Archdiocese. A profile of Hughes's AGLO operations provides insight into the real nature of this policy.

AGLO was founded in Baltimore five years ago by Don Miller, who is a dying AIDS victim, though still active in the Democratic Party gay political lobby's circle linked to senatorial candidate Barbara Mikulski. Miller was chairman of Baltimore's "Dignity," the Catholic homosexual organization, at the time he originally manipulated Archbishop Borders into founding AGLO.

Hughes reports that, in addition to AGLO, he is involved in a front for the Church-connected side of the homosexual lobby in Baltimore. A year ago, working with other gay-activist leaders, he established the organization "AIDS Interfaith Network," of which these activists maintain control "behind the scenes." On the board are Rev. Ted Bennett, head of the AIDS Network within the Baltimore Episcopalian Dioceses, and Rev. Jenny Boyd Bull, pastor of the Baltimore Metropolitan Community Church, the national homosexual-promoting church that played the leading role, along with "Dignity" among Catholics, and "Integrity" in the Episcopalian Church, in organizing the political homosexual and homosexual pederasty movement in the United States.

According to a recent profile of AGLO and its booklet by Gary Potter, which was published in the June 26 issue of *Wanderer*, "The existence of this document, must testify to the degeneracy of certain of the official ministers of the Archdiocese of Baltimore. In a word, what the AGLO team and their document are about, despite their shallow obeisance in the direction of 'official Catholic teaching,' is the promotion of vice, and moving society towards its open practice."

Potter reports that the 60-page booklet was originally serialized in the Diocesan newspaper *The Catholic Review*, as well as in Washington's leading gay newspaper, *The Washington Blade*.

In the chapter, "Adolescent Worries," it tells teenagers: "By denying or rejecting your homosexuality, you would possibly have become a psychic cripple. By accepting and affirming your gay-lesbian identity, you can certainly attain wholeness and holiness in the sight of God."

In the same chapter, teenagers are told to "join a gay-lesbian youth group," where they will find "understanding, companionship with other homosexual adolescents who accept you just as you are." They are also advised to "attend meetings of religious organizations like Dignity."

Documentation

Reactions to AIDS and PANIC initiative

The following is the statement of Willis Harmon of SRI (Stanford Research Institute) International. Harmon was the SRI employer of Marilyn Ferguson, author of The Aquarian Conspiracy.

Well, I suppose it [the PANIC referendum] has to be seen in connection with the Supreme Court decision against sodomy. The proposals of the referendum per se, that is, to quarantine carriers, is in the broad tradition of the Democratic Party. The Democratic Party can accommodate itself to this.

The Aquarian paradigm has had a profound impact . . . the sense the system is not working . . . rejection of technology . . . rethinking economic growth. Today, science is on the defensive, and spirituality and [Aquarian] spiritual values have clear predominance over soulless science.

Nonetheless, in the short term, a backlash challenge to the Aquarian paradigm may be successful, but only in the short term.

AIDS is a challenge; everyone is at risk from this disease. And if you project the statistics, it is very alarming. We're trying to guess in one sense the point at which fear becomes predominant in the public mind, fear and irrationality.

We should portray a positive vision of AIDS, and this may include quarantining a group like that. There are two issues involved: 1) determining the basis of how dangerous the situation really is, and 2) the values involved. There is a trade between individual rights and the perceived danger. If AIDS were really that dangerous, then quarantining might be accepted.

The following is excerpted from "On Many Things," an editorial appearing on June 21 in America, national journal of the Jesuit Order.

In this issue dedicated to pastoral aspects of the AIDS epi-

dem, we are reminded of something that should be obvious: AIDS is not God's wrath poured out on homosexuals. That vicious idea overlooks the fact that people who are not gay, even children, get AIDS. More fundamentally, it demeans God, attributing to Him the specifically vengeful intent. . . .

Recently, a remarkable booklet came to our office: "Homosexuality: A Positive Catholic Perspective," produced by AGLO, the "Archdiocesan Gay/Lesbian Outreach" of the Archdiocese of Baltimore. It states and accepts the church's teaching that homogenital behavior is objectively immoral, but it seeks a church ministry to gays that goes beyond such condemnations. Here are six points it makes to promote that positive end:

1. "Because heterosexuals can usually look forward to marriage and homosexuals might not, the Christian community should provide them a special degree of pastoral understanding and care." (quoting the U.S. Bishops 1976 letter, "To Live in Christ Jesus").

2. Prejudice, contempt, and hostility toward homosexual persons are more serious offenses against Christian morality than any possible sexual transgressions on their part.

3. "There is no place for arbitrary discrimination and prejudice against a person because of sexual attraction. . . . All human persons, including those with homosexual orientation, have a right to decent employment and housing" (quoting Cardinal Joseph L. Bernardin of Chicago).

4. Biblical authors had no concept of sexual orientation, whether heterosexual or homosexual, as we presently perceive it. Therefore, we cannot expect to find in scriptural condemnations of homosexual behavior, which are relatively few, clearcut answers to complex questions of sexuality in the 20th century.

5. With respect to the education of teen-agers: "Every major facet of knowledge and values in relation to sexuality should be covered at some point . . . including such subjects as homosexuality. . . . To withhold knowledge or to answer dishonestly can only lead to misinformation and a warped set of values" (again quoting the U.S. Bishops in a 1981 letter, "Education in Human Sexuality for Christians") [This letter was repudiated by the U.S. Bishops—ed.]

6. The primary mission of a concerned church is to help gays and lesbians accept themselves as children of God and temples of the Spirit, and the church must learn from them what they have to teach about the saving presence of Christ among them, i.e., among us. . . .

The fact is that we are still struggling to understand what homosexuality is and how it fits into God's plan. Besides fidelity to the Church's teaching, therefore, there must be humility, charity, and pastoral understanding all around. If this more basic truth were brought home to us by AIDS—frightful as it is—that would be another bittersweet instance of God's bringing good out of evil.

—Thomas H. Stahl, associate editor, *America*

'Palacegate': Is Queen Elizabeth II sinking?

by Lyndon H. LaRouche, Jr.

The following analysis was released by Mr. LaRouche on July 25.

Up to the moment this is written, only a handful of the U.S. population is aware of one of the biggest stories of the century, the threatened fall of the present British royal family.

Queen Elizabeth II's efforts to force a dumping of Prime Minister Margaret Thatcher, has set off a constitutional crisis, with the threat, that not only Queen Elizabeth II, but the entire House of Windsor, might be forced to abdicate.

This constitutional crisis in Britain has already spilled over into Washington D.C., under the cover of a fight over the issue of South Africa sanctions. President Reagan has taken the side of Prime Minister Thatcher; the leadership of the U.S. Congress has lined up behind the Queen. The Soviet government has lined up in support of the Queen, together with most of the Commonwealth governments of former British colonies.

Although the liberal press has suppressed coverage of most of the facts massively covered in the London press, the exploding constitutional crisis around the British monarchy is probably one of the major world developments of the present century.

How the crisis erupted

The crisis exploded into public view amidst last-minute preparations for the royal wedding. A high-ranking official of the British Royal family's private household leaked a public attack on Prime Minister Margaret Thatcher to the London press. The official reported that the Queen wished to crush Mrs. Thatcher over the issue of South Africa sanctions, and also indicated the Queen's reported displeasure with Mrs. Thatcher over other issues, including Britain's support for President Reagan against Libyan dictator Qaddafi.

Legally, whoever caused that leak of the Queen's political opinions to be issued, that leak creates a constitutional crisis for the monarchy. Either the Queen repudiates the leak, and discharges those Royal family officials responsible, or the Queen could be forced to abdicate on grounds of a serious breach of British law. Since the Queen herself has set forth publicly some of the same political views attributed to her by the leak, she would have to go much further than merely repudiate the leakers to satisfy those who would prefer the entire House of Windsor be expelled from the monarchy.

The Queen's recent statements are only the tip of the iceberg. There was already ominous rumbling against the House of Windsor within the British Establishment, months before the Queen's unconstitutional intervention into the issue of South Africa sanctions. The cause of this spring's rumbling against the House of Windsor was chiefly two interrelated issues: a growing resentment against the Royal Household's increasingly pro-socialist, and pro-Soviet connections and leanings, as visible increasingly since the Harold Wilson government of the 1960s; the horrifying prospect that the Queen might soon abdicate, in favor of Soviet agent Armand Hammer's crony, the Prince of Wales. To those within the British Establishment who know the Prince's connections and proclivities, Prince Charles is the "pits" of the Royal family.

The impetus for this growing anger against the House of Windsor, was growing fear of Soviet aggressive intentions among patriotic circles. Since the Wilson government of the 1960s, the monarchy's circles have played a leading role in promoting accommodations to Moscow which seem to many insiders as a replay of Neville Chamberlain's appeasement of Hitler. This appeaser role of the Royal Household is made much worse by that household's use of close collaboration between the Commonwealth organization and Willy Brandt's



Socialist International, as a leading part of the forces deployed to assist in imposing Soviet-appeasement policies on governments of the West.

The Palace leaks set off the simmering crisis caused by the Queen's earlier personal, also unlawful interventions into politics. The Royal Family's zeal to push through a Soviet appeasement policy, caused the Queen herself, as well as other members of the Royal Household, to abandon caution, to the point of plunging into flagrant and repeated violations of the law, in a degree beyond the tolerance of a growing portion of the Establishment. The real issue is not merely that the Windsors committed open and impeachable violations of law, but that they did so in service to a policy of appeasement of the Soviet dictatorship's imperial appetites.

This issue affects directly most of the major strategic issues of the present time: U.S. and Atlantic-Alliance military policy, Middle East policy, Africa policy, international monetary policy, the issues of narcotics trafficking and AIDS, and any others. The essence of the matter is, that the House of Windsor is key to the Moscow-appeasement faction inside the Commonwealth, the U.S.A., and Britain, and closely allied with the Socialist International, and with the Venice-centered Moscow-appeaser factions on the continent of Europe. In brief, the House of Windsor is at the center of the Anglo-Venetian-Soviet "Trust" arrangement. Leading political forces in various parts of the planet will come down on one side or another of these issues, as they align either with the forces behind Prime Minister Thatcher, or the Moscow-appeaser circles allied with the House of Windsor.

Whatever the outcome of this constitutional crisis in Britain today, at last, a big chunk of the truth of postwar history is coming out into the open.

The deepest of the issues involved, is the radical, pro-Soviet changes in the doctrine of the Anglican Church, as introduced under the prominent sponsorship of Archbishop Robert Runcie. This change is implicitly key to British patriots' motives for seeing the defeat of the House of Windsor as urgent, and the abdication of that entire House as probably necessary.

The House of Hanover, since self-renamed the House of Windsor, was elected to the British monarchy by a 1701 Act of Parliament known as "The Act of Settlement." In other words, the British monarchy of today is not a legitimate monarchy, but a creation of the Parliament, subject to the pleasure of the Parliament.

The right of Hanover to succeed Queen Anne, the last Stuart, was conferred upon the sponsor of Gottfried Leibniz, Electress Sophia. The conditions of the election of Electress Sophia's House of Hanover, centered around the elected monarch's defense of the Anglican faith. This condition Queen Elizabeth has implicitly violated, by appointing as Archbishop a Robert Runcie who has overturned the fundamental article of Anglican Christianity, the English equivalent of the Latin Creed's *Filioque*, as an act of appeasement of Moscow's demands to this effect.

To some, the Queen's implicit violation of the conditions for the House of Windsor's reign, might appear an obscure matter. Two important books now in preparation for early publication, will prove conclusively the past and present historic importance of this violation, as a first-rank strategic issue. One, by historian Graham Lowry, documents the relationship between events of Queen Anne's reign and the American Revolution later. The second, a study of the Anglo-Soviet Trust, down to the present day, includes documentation of the connection between Queen Anne's adversaries and the Western members of the Anglo-Soviet Trust over the past 60 years.

The Act of Settlement was adopted in the midst of a raging struggle throughout Western Europe, in which Queen Anne and Electress Sophia were on the opposite side to a Venice-directed cabal represented by the Duke of Marlborough (Churchill) inside England itself. Had Sophia succeeded Anne, Sophia's adviser, the scientist Gottfried Leibniz, would have become England's prime minister. Unfortunately, George Louis of Hanover, was a confederate of Marlborough and Marlborough's faction. With George I's accession as king of the United Kingdom, Queen Anne's opponents have ruled the monarchy and much of British policy ever since.

The takeover of Britain by the faction of Marlborough and George I, was the underlying cause of the American War of Independence, of 1775-1783, and the 1776 Declaration of Independence. The American leaders of the Revolution, like Benjamin Franklin and George Washington, were children or grandchildren of the anti-Marlborough faction of Queen Anne's time. As Lowry's forthcoming book documents, the Virginia leaders of the American cause were a continuation

of the policies of Royal Governor Spotswood, a prominent adversary of Marlborough. Contrary to repeated assertions by Windsor's Prince Charles, the U.S. 1776-1783 war with Britain, was a result of the Americans' correctly understanding the philosophy of King George III's House, the same philosophy which the Venetian-run faction of Marlborough and George I had represented in 1716.

The forthcoming book on the Trust, will show, that the European factional forces associated with Marlborough and George I back in 1716, were essentially the same faction responsible for the establishment of the anti-American Holy Alliance at the 1815 Congress of Vienna. It was this same Venice-centered faction which backed the Russian Revolution of 1917, and which entered into the "Trust" agreements with the newly formed Bolshevik government's Trotsky, Fuerstenberg, and Dzerzhinsky.

Unfortunately, only a relatively small number of persons really understands this issue, a handful of historians and certain European aristocratic families with very long, multi-generation memories. Only a few look at today's events as merely current history, and look back many generations to discover the roots of today's history. Those who do so, know that the way nations behave today, is the result of traditions of religion and culture transmitted from one generation to the next, over many generations, even over centuries. The uneducated person, insists that such distant past history is "old

hat," of little practical bearing upon events today; those of us who are on the inside of making events, know that the uneducated person's opinion is a sadly mistaken one.

There are those among the old families of Britain, and the professionals associated with those families, who recognize the importance of the 1815 Treaty of Vienna, and of the struggles around the Wars of the Spanish Succession a hundred years earlier. For those among us, inside and outside Britain, who have this knowledge, the alliance between Marlborough and George I in 1716 is one of the indispensable keys to understanding events today. We, inside and outside Britain, understand the earthshaking importance of the way the *Filioque* doctrine is embedded in the traditional Anglican Book of Common Prayer, and understand the monstrous danger of allowing a continuation of Windsor's role as a Moscow-appeaser, both in matters of religion, and strategically.

This reporter and relevant circles in Britain may see the matter somewhat differently in other respects, but on the issues of fundamental religious doctrine and appeasing Moscow, we tend toward practical agreements. From this reporter's non-British standpoint, he can understand, why some in Britain have come to the point of believing: "This House of Windsor has now long over-stayed its time." Even some old Tories are astonished to hear themselves echoing Oliver Cromwell's words to the Long Parliament toward that House: Go with God, but for God's sake, go.

Queen Elizabeth 'loathes' Thatcher

The present crisis of the House of Hanover erupted on July 20, when the *Sunday Times* of London published a background briefing on the Queen's views about the Thatcher government. In the terser versions published by the Monday tabloids, it was reported that "the Queen 'loathes' Thatcher, and Prince Charles feels the same way." Point for point, the leaky briefer lined the Queen up on the side of Russian policy towards the West, down to expressing her "fury" at Prime Minister Thatcher's having permitted President Reagan to deploy U.S. bombers against Qaddafi's Libya from British soil last April 15.

The British "constitution" is an unwritten assembly of custom, precedent, and guides to institutional behavior, in which the Queen has no views or opinions on political matters, except those given her by the British government. If there is a founding document, among that shifting body of precedent and custom known as the British constitution,

it is not the Magna Carta testament to the feudal grandees' right to revolt, but rather the 1701 Act of Settlement. This Act, of Parliament, under which the House of Hanover took over the throne, defined the relations between the established Church, aristocratic families, and mandarin bureaucrats, on whose behalf the monarchy is presumed to act, *as a subordinate*.

Thus, the leak from the Palace crossed the borderline. The British press reaction, within the legal constraints on what may be said about the monarchy, was a call for the old meddler to be hanged.

The Queen was given till Sunday, July 27, to find and fire those responsible. Otherwise, the editor of the *Sunday Times* will take to national TV to report what is known about the leaker at the Palace-Gate.

Chief suspects, at this point, include: the Queen's press secretary Michael Shea; the Queen's private secretary Sir William Heseltine; Deputy Private Secretary Robert Fellowes; and Assistant Private Secretary Sir Kenneth Scott. A fifth name has also been raised: Prince Charles, who, according to Conservative parliamentarian Anthony Beaumont-Dark, "seems most likely, with his weird views."

Soviet Church hails 'Slavonic Millennium'

by Luba George

The Russian Orthodox Church, in the latest issue of its *Journal of the Moscow Patriarchate* (No. 3, 1986), has proclaimed it the "Mission" of the Russian Empire to rule the world for the next millenium. The proclamation reads like a Slavic version of the "1,000 Year Reich" prophesy of *Mein Kampf*:

"The First Christian Millennium was Greek [Byzantine], the Second Roman-German, and the Third shall be Slavonic. Today, this is coming to pass, and we must accept this great destiny of ours."

The proclamation came in an article commemorating the 40th anniversary of the 1946 Lvov Church Council, where the Russian Orthodox Church, backed by Josef Stalin, outlawed and dissolved the Ukrainian Catholic (Uniate) Church—affiliated with the Vatican since the Union of Brest-Litovsk in 1596. Stalin's secret police murdered or imprisoned every Uniate bishop and most of the Church's priests. Of the bishops jailed, only one, the later Cardinal Slipyi, survived the Soviet concentration camps.

The roots of the Uniate Church go back to the 1439 Council of Florence, which forged the unification, albeit temporary, of the Western and Eastern Churches on the basis of the Eastern Orthodox Church accepting the *Filioque* doctrine. That doctrine, the basis of Western-Augustinian civilization, insists that the Holy Spirit also proceeds from the Son, thereby asserting that God is present in every human being as the divine spark of Reason, representing individual Man's capacity to become God-like. Every individual has access to the Divine Reason of the Holy Spirit. To religions which serve Eastern-style Empires, the *Filioque* doctrine, representing the principle of individual human creativity, is anathema.

The Archbishop of Kiev (the Ukraine) at the time, Isidor, a Greek, played a central role in forcing the Eastern Church to accept the *Filioque*. Isidor, upon his return, was persecuted and arrested by the Muscovite authorities and the Russian Orthodox Church, who, after denouncing the Council of Florence, established the Muscovite Russian Orthodox Church as autocephalous in 1448. The Russian Orthodox Church from its inception, propagated the mystical doctrine of "Moscow, the Third Rome," according to which Moscow would

preside over a Third and Final Roman Empire.

The latest issue of the *Journal of the Moscow Patriarchate*, in conjunction with proclaiming this objective, reissued a declaration of war against Pope John Paul II.

The same article which proclaims the arrival of the "Slavonic Millennium" quotes from a letter of Dec. 12, 1980 by Moscow Patriarch Pimen to Pope John Paul II, which warned the Pontiff in no uncertain terms to "lay off" the issue of the Ukrainian Uniate Church, and accede to Stalin's 1946 re-drawing of the European East-West religious map, or else. The Pimen letter was Moscow's response to the Pope's con-voking of a Synod of Ukrainian Catholic Bishops at the Vatican from Nov. 25 to Dec. 1, 1980. The Synod, with the Pope's blessing, had declared "null and void" Stalin's 1946 Lvov Synod dissolving the Ukrainian Catholic Church.

The Patriarchate's journal, in conveying the ultimatum, slyly omitted the most extreme passages of that document in the excerpts it printed, but, the very re-stating of the Dec. 12, 1980 Pimen letter, as embodying present Russian Church policy toward the Pope, confirms that all pretenses concern-ing Moscow's relations with the Pope's faction at the Vatican have been dropped.

Pimen's declaration

We reprint here the crucial passages of Pimen's December 1980 document, addressed to Pope John Paul II—a primary source document of major historical importance:

"Your Holiness, we have received word of the news of the 'Synod of Ukrainian Catholic Bishops' which occurred recently with your blessing in the Vatican. . . . With deep regret and bitterness, I must conclude that the declarations by the Synod can *extinguish, in the literal sense of the word*, all the lofty rapprochement between our two Churches, which has been the result of our joint efforts during and after Vatican Council II. This declaration [by the Ukrainian Catholic Bishops] creates a *very dangerous tension* between the Roman Catholic and the Russian Orthodox Church. . . . In light of the *annihilating consequences* which it can have for the relations between our two sister churches, one can only characterize this tension as tragic. . . .

"The content and spirit of this declaration have nothing to do with the spirit of ecumenical brotherliness. . . . Beyond that, it launches an attempt to revise and fragment the present structure of the Russian Orthodox Church. . . .

"I'm writing to your Holiness because I hope it can give us the possibility to find a way out of the *dangerous situation into which our mutual relations have plunged*. . . .

. . . Your Holiness, I consider it well my duty to inform you that as a result of this Synod declaration, a deep reaction is growing in the Russian Orthodox Church against the Church whose leader you are. . . ."

Exactly five months after that letter was issued, on May 13, 1981, shots which nearly killed John Paul II rang out in St. Peter's Square.

Low-intensity war: Soviet deployments

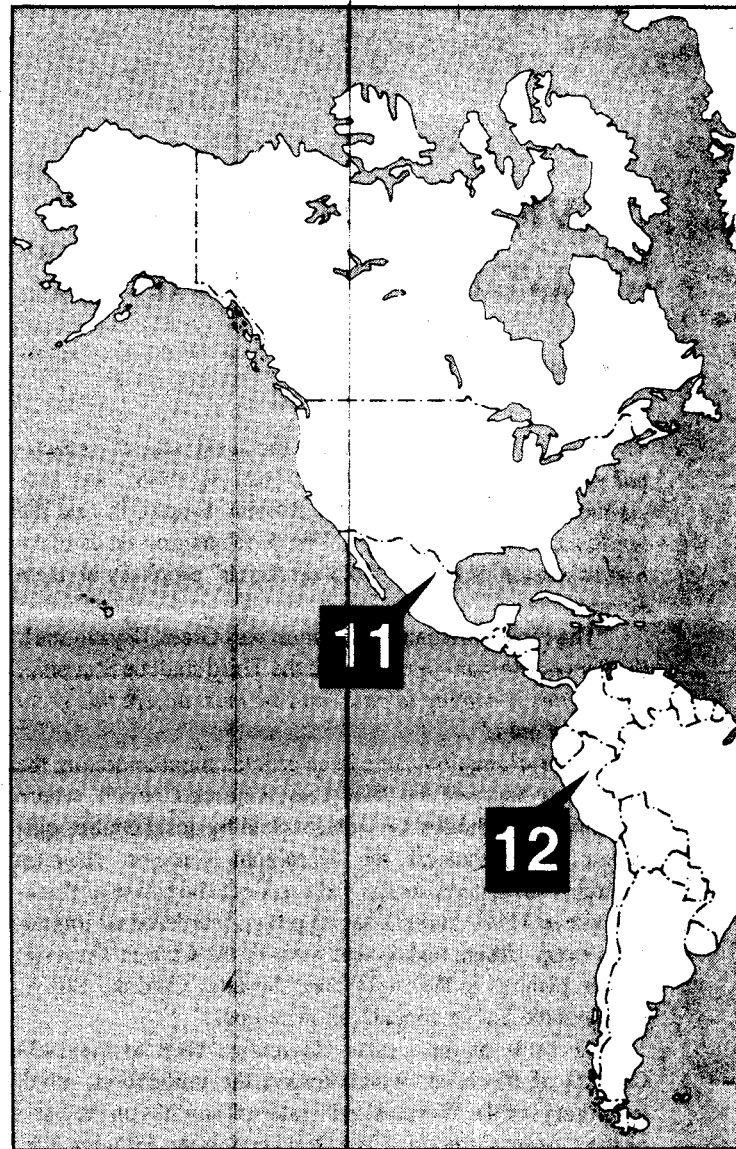
The Soviets have stepped up global “low-intensity” warfare against the United States and its allies, targeting nuclear power, high-technology industry, and the Strategic Defense Initiative (SDI), which the Soviet press says it will never allow to succeed. This is real warfare—intended to win. In some NATO countries, there are the first signs of official recognition of the gravity of the assault, and determination to fight this undeclared war. Below are key countries being hit, plus those where the low-intensity capability is at the threshold of erupting.

1. West Germany: The current onslaught began with the late-May attacks on nuclear plant sites in Brokdorf and Wackersdorf by hardcore Soviet-trained terrorists using anti-nuclear demonstrators as a shield. *Der Spiegel*, the German weekly, points out that the “movement” is getting armed to an extent that police will not be able to resist attacks like that in Wackersdorf without using guns in the future. Federal Attorney Kurt Rebmann warned in a press conference on July 22 that more attacks are to be expected. He said that the RAF terrorist group, which assassinated Karl-Heinz Beckurts by car-bomb on July 9, has the capacity to hit other leading figures in the military-industrial complex. All companies, research offices, and persons related to the SDI and Eureka are considered targets. A second car-bombing hit an SDI-related company on July 25.

2. France: “Direct Action” congratulated the RAF for killing Beckurts, in a letter sent to news agencies in Paris. The French terror group, part of a Soviet-steered European terror international, called the killing “an important step forward in the building of a unified West European guerrilla movement,” and linked it to bomb attacks on July 21 against the OECD offices in Paris, and the assassination attempt on French industrialist Brana. On July 22, the French government, in a major change of government policy, expelled a third leading member of the terrorist ETA, which particularly targets Spain.

3. Spain: On July 20, seven missiles were fired at the defense ministry in Madrid, injuring at least nine people. Spanish Premier Felipe González thanked the Chirac government of France for expelling ETA terrorists, and declared on national television that his government would “finish off terrorism. We will not negotiate with the terrorists.”

4. Portugal: A new group claiming ties to the Direct Action-RAF terror international set off bombs against three military officers in July.

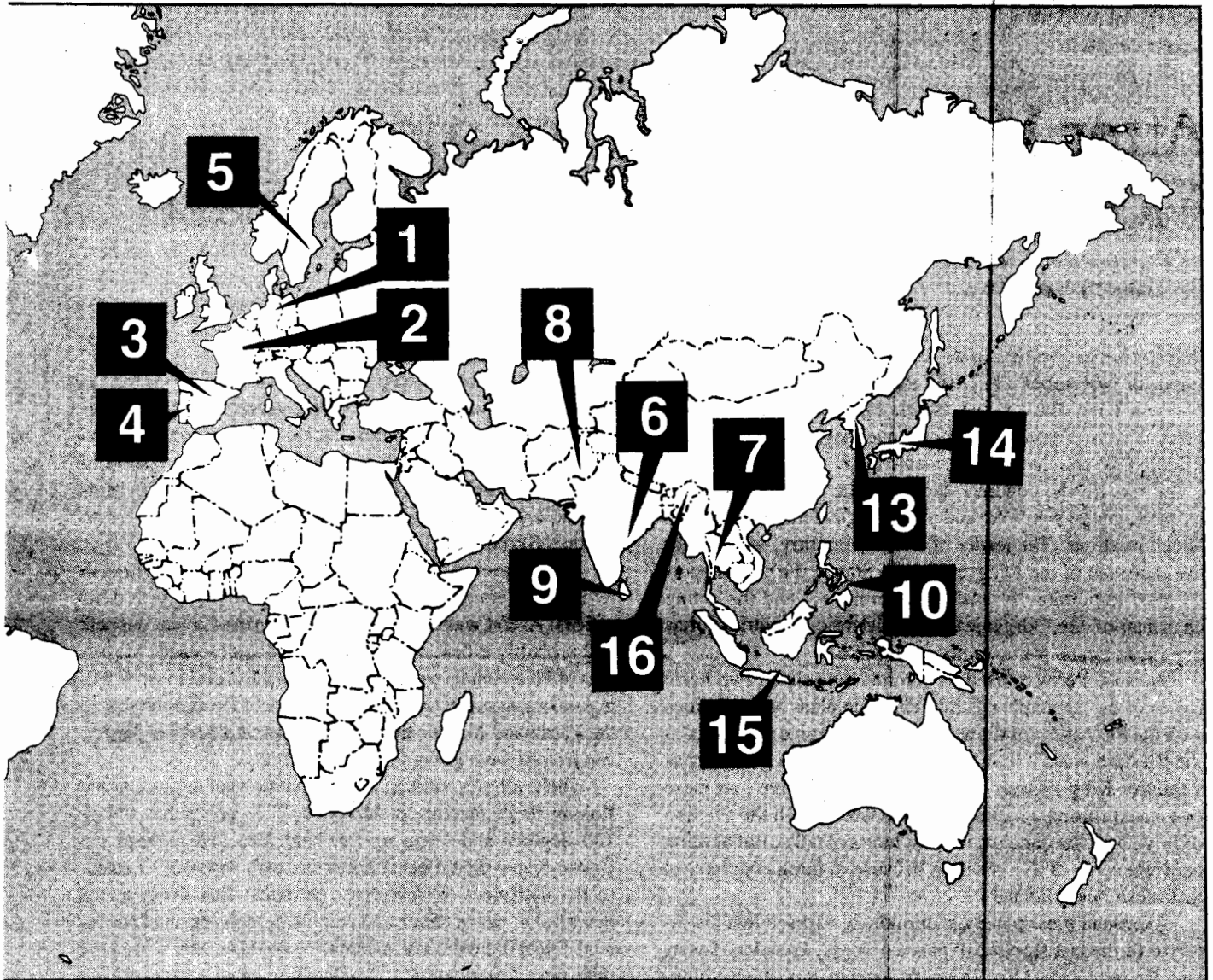


5. Sweden: In late July, more Soviet submarines were spotted by citizens off the Swedish coast. The country has been a target of massive “spetsnaz” operations, covered up by government-aided Soviet disinformation.

6. India: There is both Soviet and Chinese input into the separatist-terrorist movements assaulting India. This includes the Sikh separatists in Punjab, Mizos in Mizoram, and the Gurkas in the northeast.

7. Thailand: Thai industry is under assault by environmentalist groups that are significantly penetrated by Soviet-sponsored leftists. On June 23, this erupted into full-scale violence when a greenie mob burned down a tantalum plant on the island of Phuket.

8. Pakistan: The insurgent separatism in Baluchistan and the Northwest Frontier Province is *officially* Soviet sponsored.



9. Sri Lanka: Tamil separatists are known to be supported by the Libyans and Soviets. The Tamil guerrilla insurgency has nearly brought the country to civil war.

10. Philippines: The New People's Army and Libyan-backed Moro Liberation Front have escalated their assault on the Manila government since the fall of Marcos in February. Although the NPA is basically a "Theology of Liberation" creation, it is the Soviets who benefit from the insurgency and are taking a larger role in it.

11. Mexico: The insurgency of the National Action Party (PAN) on the northern border is a Nazi-communist operation, backed by the Soviets.

12. Peru: Shining Path guerrillas killed the mayor and judge of an Andean town on July 25, in an ongoing savage war on the government of Alan García. Shining Path comes out of Soviet-run "indigenist" movements.

At the threshold

13. South Korea: Student protests have been in a temporary hiatus for two months, are heavily penetrated from North Korea, and provide the cover for deployment of North Korean "spetsnaz" special forces.

14. Japan: A series of terrorist attacks on government facilities during the May Tokyo summit indicates the potentials to be unleashed. This involves the Japanese Red Army which has links to North Korea and Syrian intelligence.

15. Indonesia: Terrorism has been directed by both Islamic fundamentalists and terrorists linked to the Japanese terror apparatus.

16. Bangladesh: Ongoing protests are constantly verging on violence, with inputs from China and the Soviets, directed against the Ershad government.

After Hassan and Peres meet, Moscow fears peace in Middle East

by Thierry Lalevée

Perhaps not as spectacular as Anwar al Sadat's visit to Jerusalem in November 1977, the summit in Ifrane, Morocco between King Hassan and Israeli Prime Minister Shimon Peres is more dramatic in its consequences, transforming the Middle East and the world strategic map.

Above all the concrete details of the talks, the summit has had a major symbolic and psychological impact on Arab-Israeli relations. The leader of an Arab country, who is also the chairman of the League of Arab States, the chairman of its most important "Jerusalem Committee," and the acting chairman of the "Organization of Islamic Countries," has invited an Israeli prime minister for talks.

Because Peres refused to commit himself on two basic issues of the September 1982 Fez peace plan—negotiations with the PLO and withdrawal from the occupied territories—the Western press is doing its best to portray the gathering as a failure. King Hassan himself admitted "failure" on these two issues during a nationwide televised speech the evening of July 23, at the conclusion of 48 hours of talks. But nothing concrete came of this meeting because nothing concrete, in that sense, was planned.

American press coverage ominously stressed that the initiator of the last significant peace process, President Sadat, was assassinated. Most Western foreign ministries volunteered formal statements of good wishes. The event never even made the front pages in Britain.

A blow to New Yalta

Failure was wished by many countries and organizations, to be sure—and none wished it more than Moscow and the U.S. State Department.

Less than one month earlier, on June 26 and 27, U.S. Assistant Secretary of State Richard Murphy held another of his private conferences in Stockholm with his Soviet counterpart, Vladimir Polyakov, to work out the details of the U.S.-Soviet "New Yalta" package for the Middle East. Since their first meeting in November 1985, there have never been any official statements from either government spelling out the decisions that Murphy and Polyakov have reached. Least of all have the tortured populations of the Middle East themselves been told—they only find out when they are placed under new military occupation, or herded into new camps,

or massacred.

The June 26-27 meetings were followed by moves to complete the partition of Lebanon, which was to be swallowed up in a Greater Syria, except for the portion on the Israeli border. With U.S. acquiescence, Syria prepared to occupy West Beirut and then its Christian section. U.S. Middle East policy was going to base itself on accommodation to terrorist Syria.

Under pressure from Washington, Jordan's King Hussein reviled moderate PLO head Yasser Arafat and expelled his offices. Arafat was to be replaced by Syrian-Libyan puppets and probably killed, again with U.S. acquiescence. Massacres of Palestinians would follow. Still more ominous: Washington began subjecting Egypt's President Hosni Mubarak to the Ferdinand Marcos treatment. Mubarak knew his American friends were going to overthrow him.

Then, all of a sudden, turning on the visible pivot of the Hassan-Peres meeting in Morocco, U.S. policy has swung 180 degrees and taken up the bold idea that perhaps the United States should better cooperate with America's friends, to the detriment of America's enemies! Just listen to the beautiful howls of shock and pain from Moscow and Damascus! TASS immediately, violently warned on July 23 against this "new American plot," threatening Israel with dire consequences. Syria announced a break of diplomatic relations with Morocco, and made it known that King Hassan, characterized as a "black traitor," was herewith on Abu Nidal's hit-list.

What was signed and sealed, fair and square in Stockholm, is *not* being delivered!

Both Peres and Mubarak are now calling for creation of a strong bloc of moderate countries in the region, and the U.S. White House is energetically supporting them. In Lebanon, the U.S. chargé d'affaires met with the head of the Phalange Party of President Gemayel, whom yesterday the United States had agreed to dump. There is talk of a U.S.-Gemayel-Arafat axis in Lebanon, as the Lebanese part of a new moderate Arab bloc.

Both Peres and Mubarak understand the need for regional economic development, as *EIR's* LaRouche has outlined in his successive Middle East peace proposals since 1975. Now, what is urgently required is the economic muscle of the United

States, Japan, and Western Europe behind such programs of regional development.

For the past three years, Syria thought it had built an unchallenged diplomatic and political capital, according to which Damascus was the key to the Middle East powderkeg. This advantageous position was enhanced by continuous and regular secret negotiations with Israelis of the Ariel Sharon type. Damascus held all the cards, thought Hafez el Assad—until the Ifrane meeting.

Some observers have described the summit as a “meeting of two desperate men.” But looking at the Middle East in July 1986, who would not be desperate? Hassan and Peres both knew that the entire region was, and remains, on the brink of a major catastrophe. That was the reason for the Peres “Marshall Plan” proposal in early spring. The Israeli prime minister explained the urgency of his plan by pointing out that the present state of “no war, no peace,” coupled with dwindling oil prices and social unrest, was leading the entire region from the Atlantic to the Persian Gulf toward chaos.

After his proposal for an economic development program for the entire region, Peres made the logical and necessary second step: a political initiative.

The Ifrane meeting did not provide any sure recipe for curing the region's ills, but it has demonstrated the kind of diplomacy which, if followed up, can in fact cure them. Morocco and Israel may be miles apart in geographical terms, but there must be a strong sense of empathy between the two leaders, when looking at each other's economic, social, and political problems. The same can be said of Iraq, Algeria, Saudi Arabia, the Gulf, and Egypt. In that sense, the Hassan/Peres summit was correctly characterized by *Le Figaro* on July 24 as “above all, an act of good will, an act of faith” in the future of the region.

Months in the making

Though the summit came as a surprise to most, it has been carefully prepared over months—and was not a surprise to all. Morocco was the logical Arab country to be first to host the Israeli prime minister. Beside Morocco's special role in paving the way for Sadat's trip to Jerusalem in 1977, Morocco has played an active, though discreet, role between Israel and the Arab world since the mid-1960s. No one can forget Hassan's proposal in 1965 that Israel should be allowed to integrate itself into the Arab League and join the countries of the region. More recently, in 1984 and 1985, Morocco welcomed several delegations from the Israeli Knesset (parliament) and Israeli newspaper editors. In November 1985, Hassan made his invitation public: “I am ready to invite Peres whenever he wants, provided he has something serious to offer.”

As regional observers are stressing, the summit has had several consequences. Peres is the leader of a “national unity” government shared with the extremists of the Likud who made no bones about their opposition to the trip. He had no free hand to negotiate publicly on such features of the Fez

peace plan as full recognition of Israel, normal relations between Israel and the Arab world, negotiations with the PLO, and withdrawal from the occupied territories.

But if Peres had no such a mandate—before the meeting with Hassan—now, he is in a position to acquire such a mandate. First, the meeting established the framework in which the necessary agreements can be firmed up later. Second, Peres now has the necessary political weapons to clean the Israeli house over the next few months, whether this takes the form of early elections, a referendum, or an immediate political crisis.

Foreign Minister Shamir, head of the Likud and scheduled, under current agreements, to take over the premiership in September, did not behave as a minister should. According to the London *Times* of July 22, Shamir deliberately leaked the news of Peres's trip, hours before it was supposed to be known. He later made clear that though he had been made aware of the trip well in advance, he had not given it his “blessings.” He even refused to welcome Peres upon his return.

Arab reactions

The summit is an offer to Jordan's King Hussein, whose immediate condemnation of the gathering has underlined how much a prisoner of his pro-Syrian prime minister, Zayed Rifaai, he has become. Hussein has now to decide between a relationship with Syria's Hafez al Assad, in which the only status he might hope for is puppet of a Soviet puppet, or the path toward peace through Hassan and Peres.

Egypt's President Mubarak was one of the first to praise a summit which showed that, at last, Egypt is not isolated in dealings with Israel any longer. A long expected summit between Peres and Mubarak may be a direct result of the talks in Morocco.

Then there has been the silence from the Gulf, especially Saudi Arabia. But who can believe that the House of Saud and King Fahd, in particular, was not informed of the summit beforehand? Was not one of Saudi Arabia's special envoys in Israel only a week earlier?

Last but not least are the reactions of those who are most immediately concerned with any negotiations: the West Bank Palestinians. “The meeting in Ifrane is very important. We welcome it. Hassan has always defended our right of self-determination. Why should we reject this new reason to hope?” declared Hanna Seniora, editor-in-chief of *Al-Fajr* newspaper of Jerusalem.

“A courageous and audacious step which . . . will help the Palestinian to come out of this dark hour,” declared Bethlehem Mayor Elias Frejj.

Such comments carry more weight than the meaningless gesticulations from Damascus or Tripoli. As chairman of the Arab League, King Hassan is now expected to convene an emergency Arab summit. Even the executive committee of Yasser Arafat's Al-Fatah, in its pro forma condemnation of the talks, requested such a summit.

A Kalashnikov points at Kohl's chest

Gorbachov's ultimatum contained a time-limit—corresponding nicely with the German national elections.

The trip of Foreign Minister Hans-Dietrich Genscher to Moscow (July 20-23) brought more clarity on what Mikhail Gorbachov's concrete plans for Germany are. The treatment the Soviet leader gave the German politician was very rude and "imperial."

Gorbachov is obviously losing his patience with the appeasers in Bonn around Genscher. He has decided to revive the strategy of brinkmanship against the West Germans, which one of his Soviet predecessors, Nikita Khrushchov, used between 1958 and 1962.

When Genscher met with Gorbachov for three hours on July 21, the Soviet leader did not mince words, but talked tough with the German politician: "We do not like the defense policy of your government." Gorbachov said that Bonn's attitude on arms control was not convincing: "A look at the world of today and the role the Federal Republic of Germany plays does not permit the practical support the government in Bonn gives to the militant course of the U.S. administration."

While he was talking, the Soviet leader pounded his hand on the table just the way his predecessor Khrushchov did whenever he met with politicians from the West. Gorbachov told Genscher that the Soviet Union would "not accept the participation of German companies in the SDI," and reminded the Germans bluntly that the threat of nuclear war was always over their heads. He said that nuclear war could break out at any time, even against Bonn's will, as long as U.S.

nuclear weapons were stationed in West Germany.

The Soviet leader made extensive use of the propaganda phrase "a common roof for all Europeans," to explain to Genscher that Bonn's current policy did "not comply with the necessity to live in peace with all its neighbors in Europe."

After the stick, the carrot was pulled out: Should Genscher and Chancellor Helmut Kohl succeed in talking President Reagan into acceptance of the Gorbachov proposals for arms control, an improvement of German-Soviet relations was certain. Should the Germans fail to use their influence on the Americans, however, relations between Moscow and Bonn would take a turn for the worse—were that possible. Gorbachov set the end of 1986 as a time limit for a clear German decision.

Posed with this ultimatum, Genscher kissed the Russian czar's feet. He hurried to point out that his own ministry's staff was already compiling a positive memorandum on the Gorbachov proposals for the U.S. administration. He said that although West Germany was a member of NATO, the German role was a very specific one, defined by its close geographic position to the Warsaw Pact. More than any other NATO country, Germany was concerned about dialogue and détente in Europe between East and West. Genscher added: "We in Bonn have no scruples against using the Soviet phrase of 'a common roof for all Europeans,' because it de-

scribes one of the main objectives of German foreign policy."

Genscher's appeasing remarks produced nothing but sarcastic comments in the Soviet media, such as Radio Moscow, which reported on "the visit of the peace-loving German representative." At the same time, attacks against the commitment of Chancellor Kohl to the U.S. Strategic Defense Initiative and against the alleged phenomenon of "neo-Nazi sentiments spreading in the armed forces of West Germany" were fired from Moscow's black propaganda cannons, at the same intensity as before.

Thus, Gorbachov's ultimatum set a time-limit for Genscher's moves on the diplomatic front, without expecting much to come of them. Gorbachov's approach to Bonn is: Confidence is good; confrontation is better.

Gorbachov's decision to put the time limit at the end of 1986 is important, because the period from December to Jan. 25, 1987, will be the "hot phase" of the national elections in West Germany. Police and security officials have expressed fears that riots of "the anti-nuclear movement," attacks by "terrorists," and sabotage against the country's infrastructure—in sum, Soviet low-intensity warfare—will grow sharply in the last weeks of the election campaign.

There is a concrete Soviet interest in Germany's destabilization, and Gorbachov's enemies in Germany are the targets of the terrorists and the violent anti-nuclear movement. This is one of the fronts Gorbachov will open against Bonn. As the German weekly *Der Spiegel*, a conduit for Moscow's black propaganda, reported in its July 21 issue, the rioters' movement is "arming for civil war"—which, the magazine wrote, could break out by no later than the end of 1986. That forecast fits nicely with Gorbachov's time-table.

Poles seized at secret navy base

Initial spy charges were dropped, as Swedish Premier Carlsson discreetly met Soviet special emissary.

Shortly before midnight on July 16, a 30-foot sailboat, with a crew of four Poles, entered the militarily restricted waters of the Swedish naval base at Muskö, 25 miles south of Stockholm. The Navy intercepted the boat just a few hundred yards away from the sensitive base.

After a brief interrogation, the crew and ship were seized and towed ashore, where they were handed over to police. While residents of Sweden, the four crew members were of Polish origin, although one had become a Swedish citizen. They claimed they were on a sailing vacation, got lost, and overlooked the large, multilingual signs posted everywhere forbidding admittance to unauthorized vessels.

Following a search of the boat, which produced a camera, several rolls of exposed film, and a nautical chart with military objects marked on it, Acting High Prosecutor Bengt Strömberg announced on July 17 that the crew faced charges of espionage. One day later, however, it was suddenly announced that evidence to support charges of espionage was insufficient, although the crew may be liable for other offenses, such as entering the militarily restricted area.

Built in the 1960s, the Muskö base is Sweden's largest defense installation. In order to withstand a bomb assault, the equivalent of a small city has been blasted into the rocks, 75 yards beneath the surface. Since its construction, the base has aroused great

interest among Sweden's neighbors across the Baltic. In November 1983, Navy divers found traces of foreign submarines near the base. Military sources say that the Soviet Union, the country known to be behind most of the espionage targeting Sweden, often employs the services of other Warsaw Pact countries for this purpose.

During the same week that the Polish crew sailed into the Muskö base, three East German boats were caught intruding into Swedish waters. The three were part of a group of six East German sailboats that left their home ports on the southern Baltic coast bound for Estonia, today a Soviet Socialist Republic, on the eastern Baltic coast. For reasons not yet explained, at least three of the boats ended up on Sweden's western Baltic coast and, in at least two cases, the militarily sensitive island of Gotland.

Incursions were also reported along Sweden's northern coast. On the evening of July 16, the crew of a small private boat 170 miles north of Stockholm, observed what seemed to be a submarine conning tower. In continuous radio contact with the Hämösand coastal artillery headquarters, another 70 miles north, the small boat followed the object, which maintained a safe distance of 600 yards, for about an hour and a half.

Reflecting the sorry state of Swedish coastal defenses, Defense Staff spokesman H. G. Wessberg answered a question as to why no heli-

copter was sent to the scene, stating that Sweden's coastline was 1,700 miles long, and that no helicopter had been available.

In a statement on July 21, the chief of Sweden's northern coastal artillery, Col. Karl Vilhelm Hansen, revealed that there is now only one patrol vessel for the northernmost 600 miles of Swedish coastline, and called for four patrol boats and one helicopter to be immediately added to the northern coast.

As these intrusions went on, a little-noticed visitor appeared in Visby, the port town of Gotland. On July 17, Soviet Foreign Ministry adviser Andrei Aleksandrov, a special emissary of Soviet Communist Party boss Mikhail Gorbachov, paid a discreet visit to the Gotland governor's residence, for a meeting with vacationing Swedish Premier Ingvar Carlsson.

Where on July 17 the evidence against the Poles at the Muskö base was found insufficient, on July 18 the premier's office acknowledged only that the Soviet visit had occurred and that the talks had concerned the international situation and disarmament.

Speculation had it that Aleksandrov carried a special message to Carlsson from Gorbachov, regarding the Aug. 5-7 meeting in Mexico of the members of the so-called Five Continent Initiative. A group of non-aligned or neutralized government chiefs advocating Soviet-inspired disarmament proposals, the other members of the initiative are India's Rajiv Gandhi, Tanzania's Julius Nyerere, Greece's Andreas Papanandreu, Argentina's Raúl Alfonsín, and Mexico's Miguel de la Madrid.

It appears that useful fools like Carlsson are arm-twisted into running "disarmament" errands for those who are themselves authoring the arms build-up, including the escalating intrusions against naive neutrals.

Papal interdiction in Mexico

The Pope's countermand to the Chihuahua bishops' strike may well have averted a new Cristero Rebellion.

Catholic churches in the northern border state of Chihuahua were open and celebrating mass on Sunday, July 20, which would not have been the case but for an unprecedented order direct from Pope John Paul II against using the Eucharist as a political weapon.

Archbishop of Chihuahua Adalberto Almeida y Merino had announced one week earlier that the churches in his archdiocese would be closed that day in a state-wide protest, along with the opposition National Action Party (PAN), against alleged vote fraud on the part of the Mexican government in local elections July 7. Days before the protest, a telegraphed message direct from the Vatican arrived for Monsignor Almeida, delivered personally by the papal nuncio in Mexico, Monsignor Jeronimo Prigione. Prigione told the press outright: "Monsignor Almeida was asked not to carry out his decision. . . . The Eucharist can never be used as an instrument of pressure for political purposes."

The church closings, together with business shutdowns, street rallies, boycotts, hunger strikes, and other protests organized by the PAN, were to have been the signal for an escalating series of assaults on the Mexican government. Those assaults, coordinated with destabilization pressures from abroad such as those orchestrated by North Carolina Sen. Jesse Helms, intend nothing less than the overthrow of President Miguel de la Madrid's government and republican institutions of Mexico.

Although Archbishop Almeida formally adhered to the papal directive—"in full obedience and communion with the Holy Father"—he nonetheless saw to it that Sunday services were employed to harangue the faithful and agitate against the so-called corruption of the Mexican government. Almeida went so far as to tag onto his statement of "compliance" with the Pope the outrageous claim that John Paul II shared his denunciation of the alleged vote fraud in Chihuahua. He further announced that one of his priests would shortly be dispatched to Rome to "explain" to the Pontiff the state of affairs in Chihuahua.

It was with precisely such lies and provocations instigated by the Church that the Cristero Wars of the late 1920s, organized by the most reactionary layers of Mexican society, were launched against the constitutional government of Mexico. This time, however, timely intervention from the Pope appears to have defused the scenario for violence.

Almeida was by no means alone in his efforts to involve the Church in subversion against the state. A close colleague and supporter of the protest plan was bishop of Ciudad Juárez (Chihuahua) Manuel Talamas Camandari, who used the July 20 Sunday services to urge worshippers to go on a hunger strike against the "electoral fraud." Both Almeida and Talamas are avid supporters of the "Theology of Liberation," and during the 1970s backed the terrorist activities of the 23rd of September League in their so-

called response to what Almeida and Talamas dubbed the "institutionalized violence" of the Mexican government.

Another noted spokesman for liberation theology in Mexico, priest Camilo Daniel, took advantage of a July 20 gathering of the PAN-backed umbrella group, the Democratic Electoral Movement, to publicly denounce the countermand from Rome, and to urge the closing of the churches despite it.

The formation of the Democratic Electoral Movement as the intended shock-troops against the ruling PRI party, is a dramatic reminder of the direction things would go if the PAN succeeded in taking power. Among its members are the Nazi-communist PAN itself; the Mexican communist party, PSUM; the neo-Nazi Ancifem (Feminine Human Development); the businessmen's organization Civic Front of Citizen Participation; liberation theologians such as Camilo Daniel, and so forth. It was precisely this Nazi-communist combination that the Mexican population roundly defeated at the polls in Chihuahua July 7.

The Pope's increasingly frequent interventions in "hot spots" across Ibero-America are playing a crucial role in the battle for national sovereignty in countries such as Peru, Colombia, Brazil, and Mexico. Exemplary are the recent statements of Joseph Cardinal Ratzinger, head of the Vatican's Sacred Congregation for the Doctrine of the Faith (and considered John Paul II's right arm) during his mid-July trip to Peru. Throughout his visit, he came down firmly against the neo-Marxist Theology of Liberation with which Almeida and Talamas are associated, insisting that because "man is made in the image of God," he must therefore be the expression of reason and morality.

Lusinchi: a new Alan García?

Bankers, stunned by Venezuela's unilateral debt action, fear they may not be able to plug the dike cracked by Peru.

I am not ready to say Lusinchi is another Alan García," said one jittery U.S. banker cited by the *Christian Science Monitor* of July 23, "but he's making me nervous." The reference is to Venezuelan President Jaime Lusinchi, whose government shocked creditor banks worldwide with a unilateral decision to convert \$7 billion worth of private-sector debt to foreign banks into government bonds bearing 5% interest—and maturing in 15 years!

The legislation which dictated the debt conversion, part of a package known as Fococom (Fund for Exchange Compensation), was the result of a bipartisan commission, at least some of whose members deliberately wanted to set off "alarm bells" within the banking community. One of Fococom's drafters, Luis Enrique Oberto, a former finance minister, gave a series of interviews to the Venezuelan press in which he compared the effect of the law to the action of Peruvian President Alan García in limiting foreign debt payments to 10% of export earnings.

Said Oberto, "We cannot continue to stagger around, each negotiating for himself and capturing his own little share. We must achieve Latin American unity to face this debt problem. . . . The law is an alarm bell for the bankers. It will force the government and the banks to negotiate under very different terms from that which they have been using."

Oberto also pointed out that he and his collaborators had modified the original draft of Fococom submitted

by Finance Minister Manuel Azpurua, inserting among other things an unprecedented prohibition against exchanging private sector debt for equity. Debt-for-equity is one of the schemes currently being pushed by the international banking community, through which the creditors hope to rid themselves of unpayable debt while appropriating the national patrimony of debtor nations.

While the unnamed banker cited above was relatively restrained in his comments, others of his ilk have been less so. According to the *Wall Street Journal* of July 21, furious bankers are threatening to sue Venezuelan private companies and the central bank "if the law is executed." Trade credits to Venezuela have already been cut off by Chase Manhattan, Morgan Guaranty, and Chemical Bank. One senior official of the Bank of England privately asserted: "Venezuela is aware of the threats from the banks. We will see if they step back. We have information the law may yet not be ratified."

But the banks may be whistling in the dark. Their real fear is, as the *Wall Street Journal* itself confessed, that "the concept of unilaterally converting debt to bonds might spread to other debtors, like Mexico."

While Dr. Oberto's argument for debtor unity may not yet be unanimous in Venezuela, the realization that the oil price collapse is changing the rules of the debt game is. In a nationwide address July 17 on the economic crisis facing the country due to the

downward spiral of oil prices, President Lusinchi told Venezuelans that, in view of this "challenging situation . . . it is not possible to sit with folded arms."

Commenting on the outrage of the creditors at Venezuela's sovereign decision, the president of the ruling *Acción Democrática* party, Gonzalo Barrios, said July 13: "If the international banks are annoyed, that is a good sign, very advantageous for Venezuela." Even Finance Minister Azpurua, generally a favorite with the bankers, was forced to comment July 18 that the banks' threats "are an absurdity, nonsensical, absolutely counterproductive."

On top of the hysteria generated by Fococom, a second decision regarding private-sector debt was taken by the Lusinchi government, and announced July 17. The preferential exchange rate, in place since 1982, by which private domestic borrowers have been purchasing dollars in Venezuela to pay back their foreign debts, has now been eliminated. Instead of 4.3 bolivars for each dollar purchased, these private debtors must now pay the rate of 7.5 bolivars/dollar, which the *New York Times* says could increase their debt service by 74%!

While some of the private debtors affected are undoubtedly honest businessmen, it is well known that a majority are speculators and "flight capitalists" who have accumulated vast fortunes abroad courtesy of the preferential exchange. Now, they will be forced to dig into their dollar stashes to meet debt payments, or go belly up.

As London's *Financial Times* noted July 19, the Venezuelan government is hopeful that "pressure to pay off foreign debt will force companies to repatriate money held overseas." President Lusinchi himself estimated offshore capital at \$25 billion.

A Crown over Brazil

Is the British Crown preparing to abandon South Africa for a new strategic minerals reserve in Brazil?

The radical stance of Queen Elizabeth II against the South African government hardly stems from some hidden sense of moral compassion for the South African black majorities. The demand to economically punish South Africa, driving both the black and white populations of that country into economic chaos and destruction, comes straight from Moscow, as part of the "New Yalta" deal to leave the mineral-rich region to the Russian Empire, while the British oligarchy turns to South America as a substitute source of strategic minerals.

This, at any rate, appears to be the role assigned to resource-rich Brazil by the international financial oligarchs who struck the deal with the Russians.

The arrogant British oligarchy, as usual, has not bothered to hide its designs. The London *Times* carried an article last October by Patrick Knight which covetously described Brazil as having 11 of the 15 strategic minerals of which South Africa has long been the principal supplier to the Western world. "At the very moment in which the mining companies and their governments seem to be concerned with the security of their production flows from South Africa, no country is in a situation to emerge more favorably than Brazil," wrote Knight.

The major mining companies during the past few years have begun to migrate toward the Brazilian mineral zones, quietly appropriating production of several of these strategic minerals. Among the companies which

have been increasing their investments in Brazil are British Petroleum, Rio Tinto Zinc, Anglo-American, Union Minière of Belgium, Billiton Metals of Shell, the Bronfman family-owned Brascan of Canada (which has just taken over Hanna Mining Co.), and many others.

With the intention of guaranteeing certain agreements with the "Brazilian partners," Britain's Princess Anne traveled to Brazil at the end of 1985 in a "strictly private" visit, on the pretext of attending a Royal Ballet performance. With her position as international president of the Save the Children Fund, the British Foreign Office perhaps hoped to give a philanthropic touch to the Princess's trip through a planned visit to one of the largest slums of Rio de Janeiro. This was frustrated by a kidnap threat against the Princess from a militant group inhabiting the slum.

In reality, her trip was organized by several of the Brazilian families who maintain strictly personal relations with the British royal family, namely: the Pedro Conde family, owners of the Banco de Crédito Nacional, the Brazilian affiliate of Barclay's Bank; the Olavo Monteiro de Carvalho family, one of the leading stockholders of British Petroleum Mineração, which is heavily involved in gold production and whose new offices were inaugurated by Anne upon her arrival in Rio de Janeiro; the Roberto Marinho family, owner of the *O Globo* media empire and also partner

of British Petroleum Mineração; the Hans Stern family, owners of Stern Jewelers, which deals with 80% of Brazil's production of precious stones.

According to charges made by the legal adviser of the state company Vale do Rio Doce, Alfredo Ruy Barbosa, Anglo-American—in a single stroke—took over the entirety of Brazil's industrial production of gold, the country's second-largest mine of niobium, 70% of Brazil's nickel production, the major producer of ferronickel, the major producer of tungsten ore, and a company with an annual production of 500,000 tons of phosphates for the fertilizer industry. What Anglo-American did was buy up the company Brasimet, which belongs to the Hochschild group headquartered in Panama, a deal carried out outside of Brazil and therefore with a minimum of state intervention.

According to Dr. Ruy Barbosa, Anglo-American has sought to diversify its operations and raw materials sources as the political problems of South Africa intensified. The same can be said for such companies as Société Minière Métallurgique de Peñarroya of France (silver); Unión Minière of Belgium (diamonds); Union Carbide (tungsten); Union Oil (niobium); Saint Gobain-Point à Musson of France (asbestos); British Petroleum and Canada's Brascan (tin); and National Lead Industries of the U.S. (barium oxide).

But if foreign control of Brazil's mineral sector is large, it could still increase enormously if authorization is given to the entry of foreign capital into Brazil's stock markets, and if taxes on profit remissions abroad are reduced. This has been the demand of the City of London's banknote printer Thomas de la Rue, whose Rio de Janeiro offices were visited by Princess Anne, and the Swiss Chamber of Commerce, among others.

Mizo accord: hope and uncertainties

Settlement of the 20-year-old insurgency could help transform the troubled Northeast, if it works. . . .

The memorandum of settlement of the Mizoram question signed by the government of India and Mr. Laldenga, leader of the Mizo National front (MNS), on June 30 here in Delhi, is the third major "accord"—after Punjab and Assam—into which the Rajiv Gandhi government has entered into in pursuit of solutions to the legacy of communal antipathy bequeathed by Britain.

Whether it will be implemented more efficiently and prove sounder than its predecessors, both foundering now, is the subject of great debate here, both in and out of the recently convened monsoon session of parliament.

Under the terms of the accord, the Mizo separatist insurgency is to be terminated, and the front's articles of association redrafted in line with the Indian constitution. The front has vowed not to undertake support for any neighboring insurgency groupings, and its guerrillas, based across the border in Bangladesh, will surface to turn in their weapons and resume civilian life without penalties.

The present Congress government in Mizoram will step down, under the terms of an otherwise secret agreement between the MNS and Congress Party, which preceded signing of the accord, and an interim coalition government with Mr. Laldenga at the helm, will take over for the six-month period preparatory to fresh elections to an expanded legislative assembly.

In the interim, Mizoram, present-

ly a Union Territory, will be granted statehood. The new state will receive, in addition to substantial development funds and related central assistance, a university and High Court of its own.

There is no doubt that the accord is a political gamble. The potential pitfalls are not difficult to find. In the first place, there is no formal timetable for implementation in the accord itself. So far, however, there is some indication that the government has been careful to keep the momentum.

Laldenga postponed his plans to return to collect his family in London—where he has lived under safekeeping of a Christian minister as the MNS was outlawed—in order to oversee the first phase of "return to normalcy" in Mizoram, namely, the surfacing and resettlement of the guerrillas. Home Ministry officials say that the entire procedure should be completed during the first week of August.

But even in this first step, there are a series of ambiguities, any one of which could derail the entire accord. For instance, the issue of amnesty. The accord refers to the granting of amnesty for guerrillas who voluntarily come up from underground, but is silent on the fate of MNS partisans now in prison. While government officials applies only to the guerrillas underground, Mr. Laldenga has asserted that it is a blanket amnesty.

Political ambiguity centers on the role of the Congress Party. Contrary to some speculation, Mr. Laldenga has

not joined the Congress, though his son has been reportedly been working with the Party since at least 1984. In that year, Congress rode to power in Mizoram, against opponents of the MNS, on the promise to bring Laldenga and the central government for a settlement. Further, the Congress chief minister has declined to share power of deputy chief minister with Mr. Laldenga in the interim setup, and will instead step down "to prepare for the elections."

Is Congress—the only "national" party on the scene—bowing out à la Punjab and Assam, ceding yet another state to an insular regional party? Or, are reports of Congress's greater relative strength in Mizoram and reports of the MNS's near exhaustion to be believed, and has Congress coopted Mr. Laldenga into a process of fundamentally transforming the Northeast over which it is very much in control?

The answer could be critical. Already, to the public dismay of Rajiv Gandhi, Mr. Laldenga has renewed demands for "greater Mizarma"—unification of Mizo inhabited areas of neighboring states with the new state. The accord references the constitutional procedure for effecting such adjustment, but clearly states that the government makes no commitment in the matter.

Leadership to overturn the British legacy of administration on the basis of manipulating tribal sentiments and enforcing backwardness—the Northeast has been kept backward since Independence—is required.

In its absence, the process of carving and recarving the largely tribal Northeast—strategically situated as it is between China, Burma, and Bangladesh—on the basis of ethno-cultural diversities, will continue to be a dark and endless tunnel—as it will be for India itself.

International Intelligence

Israeli minister says Syria will go to war

"It is not a question of whether, but of *when* Syria will go to war," said Israeli Defense Minister Yitzhak Rabin during a Jerusalem seminar of the Washington Institute for Near East Policy.

During the week-long seminar the second week of July, participants discussed the likelihood that Syria would begin a war by deploying its SS-21 missiles against Israeli air bases, while deploying its seven divisions against the Golan Heights. Syria expects to re-control the Golan before the United States or the Soviet Union imposes a ceasefire 36-48 hours after the beginning of the conflict.

Rabin warned Syria that Israel will not abide by appeals from either Washington or Moscow for a ceasefire, until it believes that "it has struck back enough."

Cardinal Ratzinger backs Peru's García

The five-day visit to Peru of Joseph Cardinal Ratzinger, the most trusted adviser of Pope John Paul II, was a dramatic expression of solidarity with Peruvian President Alan García, in his battle against narco-terrorism and for a just world economic order.

On July 18, the two met for an hour and a half in Lima, emerging as the band played the triumphal march from Verdi's *Aida* and the crowd cheered. They then walked together over to the cathedral, where García joked to Cardinal Landazuri, "Pardon us, Cardinal, for having invaded your properties." Landazuri replied, "What a wonderful surprise. This is your cathedral, Mr. President."

García has been denounced by leftists at home and abroad for his war against the

Shining Path terrorist gang, while rightists have attempted to tar him as a godless communist.

Ratzinger, as the prefect of the Vatican's Sacred Congregation of the Doctrine of the Faith, is responsible for combatting "liberation theology," and brought with him a forceful message from the Pope to those Peruvian bishops who have become infected with the leftist-terrorist ideology. "The authentic road to liberation is that taken by Christ the Redeemer," the Pontiff said. "This gives real meaning to the necessary efforts for social and economic liberation, preventing them from falling into new servitudes."

Ratzinger, in a speech on July 19 on the Church's concept of freedom, accused the liberation theologians of using Marxism to fraudulently interpret the Bible, thereby justifying violence as an instrument to smash the nation. They "seek Jesus Christ to be made into a mere revolutionary symbol," he charged.

Britons complain of 'a glut of royals'

The *Sunday Times* of London, in a full-page spread published July 20, questioned whether the "mystique" of the royal household is really worth the money. Titled "Flush with Royals—Will Windsor Dynasty's Popularity Be Diluted?" the article reported: "If the royals' prodigious breeding habits hold true, the immediate royal family could swell from 13 to 58 by 2011. The result could be, quite simply, a glut of royals. It raises the problem of how to maintain the mystique of royalty, and keep the burgeoning family in the expensive style to which it has been accustomed. The Queen gets nearly £6 million a year tax-free from the Civil List and the Duchy of Lancaster. . . ."

Other commentators expressed their annoyance with the lascivious life-styles of the younger generation of royals. Sir John Junor, a journalist close to Prime Minister Thatcher, wrote a commentary on July 20

declaring it appalling that the former live-in lover of Prince Andrew's bride, Sarah Ferguson, was invited to the royal wedding. He denounced Fergie and Princess Diana, who, at the suggestion of comedian Billy Connolly, dressed up as policewomen the week before and sat drinking at Annabel's nightclub on Andrew's "stag night":

"How do people like Mr. Connolly come to be such intimate friends of Prince Andrew, Miss Ferguson, and the Princess of Wales? Is this the new royal scene? Did the Prince of Wales, who must surely be conscious of the fact that the whole strength of the royal family depends on the feeling they are different from, and better than, the rest of us, approve of this in advance?"

Nakasone sworn in as Japan's prime minister

Prime Minister Yasuhiro Nakasone was re-elected at a special session of the Japanese parliament on July 22, then was officially sworn in by Emperor Hirohito. The move follows the landslide victory of his Liberal Democratic Party (LDP) in the national elections of July 6, which gave a strong mandate to his policies, which include alliance with the United States and a commitment to increasing Japan's role in world affairs.

"The people's support for the difficult problems we face both at home and abroad is reflected in the high number of seats we won," Nakasone said in an address after the special session of parliament.

Nakasone's reinstatement reflects the growing consensus within the LDP to support an extension of his second two-year term in office, past its Oct. 31 expiration date. It is possible that Nakasone could stay on for a year past the end of his present term.

The prime minister announced the replacement of all but one member of his cabinet, including the appointment of Tadashi Kuranari, a close political associate, as foreign minister; Kiichi Miyazawa as finance

minister; Yuko Kurihara as director general of the Defense Agency; Hajime Tamura as the new minister of International Trade and Industry. Miyazawa, the chairman of the LDP executive board, is the chief policy opponent of Nakasone; his appointment to the "hot seat" finance ministry position, in which he will have to defend government policies, may enable Nakasone to keep his criticisms under control.

Arms-trafficker Hashemi dies in London hospital

Cyrus Hashemi, the Iranian banker indicted for illegal arms-trafficking and involvement in Iranian terrorism, died suddenly on July 21 at Cromwell Hospital in London, after a short illness. At the time of his death, he was waiting to testify in the case of Israeli arms-smuggler Gen. Yitzhak Bar-Am, as a U.S. government witness.

Hashemi's body will undergo autopsy by Scotland Yard and then by U.S. officials.

Comments on the death were diverse. Said an Iranian monarchist: "Don't think he was killed because of the Bar-Am case. He had many enemies." A Justice Department official, commenting on Scotland Yard's control of the first autopsy, noted, "Well, I guess we're out of luck." An Iranian close to the Islamo-Marxist *Mujahedeen* declared, "It was the Israelis who killed Hashemi." An Israeli journalist, speaking for the Mossad, stated, "It was the British."

Hashemi unsuccessfully sued *EIR* in 1980, for identifying his role in financing Iranian terrorism in the United States. One of his lawyers was former Justice Department official Stanley Pottinger, who was later named as an unindicted co-conspirator in the 1984 Hashemi indictments.

A spokesman for *EIR*'s counterintelligence bureau noted with dismay that Hashemi's death will now make it impossible for the magazine to collect damages from him, under a lawsuit alleging that his libel case was a frivolous one. In his original suit, Hashemi refused to be deposed, to pro-

vide financial records, or to cooperate with the courts.

Bonn debates new anti-terror measures

The West German government discussed measures against riots and terrorism at its weekly cabinet meeting on July 23. Law-enforcement authorities have been hamstrung in the face of recent violence, by rules and regulations preventing them from making arrests and taking other anti-terror actions.

Chancellor Helmut Kohl and his Christian Democratic colleagues are calling for a return to the anti-riot laws of 1970 and a national police information system on the rioters, but their liberal Free Democratic coalition partners are opposing this. The cabinet discussed a change in anti-terror legislation, which would enable the office of the federal attorney to search and arrest foreign terrorists operating on German territory. Under the present law, the federal attorney is not permitted to investigate activities of foreign groups like the IRA, ETA, or Direct Action, although such groups cooperate with the Red Army Faction and other German groups.

While the cabinet debates, terrorism continues. On July 24, a double bomb blast shook a laser technology research institute in Aachen, near the French-German border. One woman was injured and extensive damage reported.

A Munich court has rejected police protests and given the go-ahead for a huge rock-music festival near Wackersdorf, Bavaria, the site of bloody demonstrations at a nuclear facility in May. As a result, 60,000-100,000 anti-nuclear "rock fans" are expected to gather on the weekend of July 26. Police maintain that the principal purpose of the festival is to raise money for the anti-nuclear movement, and that the gathering could easily become the scene of another round of violent confrontations. During the May riots, nearly 200 police were injured.

Briefly

● **THE SOVIETS** will be the winners if terrorism paralyzes the German democracy, warned Bavarian Gov. Franz-Josef Strauss in a speech in July. Terrorists and anti-nuclear extremists are trying to destabilize the country, he said, and to force the police "to defend our country as the military has to defend it." The Soviet Union will certainly rule Europe if the destabilization of Germany by terrorism and riots succeeds, he said.

● **COLOMBIAN PRESIDENT** Belisario Betancur and his Defense Minister Gen. Miguel Vega Uribe acted lawfully in handling the siege of the Justice Palace by M-19 terrorists last year, a parliamentary committee ruled on July 20. Nearly 100 people—including terrorists and government officials—were killed in a shootout at the Justice Palace in November 1985.

● **FRANCE** announced a national campaign against narcotics on July 20. Minister of Justice Albin Chalandon warned that drugs have become a "major disease" and efforts have to be intensified to curb them.

● **A PRO-EUTHANASIA** law was rejected on July 17 by the Dutch State Council, the highest advisory body of the government. The Council ruled that the legislation "raised too many uncertainties," and that this is "not the right time to present such a law." It advised the government of Premier Ruud Lubbers to freeze the draft bill, which would legalize active euthanasia.

● **PAKISTAN** and the United States have agreed to strengthen cooperation against narcotics, with the first step a possible aerial spraying program to destroy opium poppies, the two countries announced on July 19, at the end of a Washington visit by Prime Minister Mohammad Khan Junejo. President Reagan has accepted an invitation to visit Pakistan "at a convenient date."

Will the war on drugs be subverted by William Weld?

by Criton Zoakos

The Senate Judiciary Committee will proceed, some time after the week of Aug. 13, with hearings to consider the nomination of William Weld for director of the Criminal Division of the Justice Department. If that nomination is, inadvertently, confirmed, President Reagan's war on drugs will suffer a major setback, and the Judiciary Committee's own past good work against drug-money laundering, will be undone.

According to Judiciary Committee sources, an eventual confirmation of the nomination of Mr. Weld, who is now serving as U.S. Attorney for the District of Massachusetts, is not yet guaranteed. In point of fact, the sources report that the Committee has received an unusual number of inquiries and expressions of concern over Weld, even before Committee staff members had begun their routine scrutiny of Weld's record. These concerns are well taken, especially in light of the nation's growing commitment to an actual, shooting, war on drugs.

Our view is that Weld should not be allowed anywhere near the Department of Justice, and especially its Criminal Division. If he ever were to end up directing the Criminal Division at a time in which United States troops were deployed in actual combat, he would be in a position to cause incalculable damage and loss of life. In our view, the Senate, in deciding on this crucial nomination, should proceed from two sets of considerations: first, the extended implications of the war on drugs to which we are now committed, and second, the background and bona fides of William Weld on the subject of international drug-trafficking.

When the President, with his April 8, 1986 National Security Decision Memorandum, classified drug-trafficking a matter of national security for the United States, he identified by implication, but also, to an extent, explicitly, the banking interests behind drugs as enemies of the United States. The presidential decision has already sent American troops into the Bolivian jungles and assigned a more general responsibility to the United States military. Military cooperation agreements are presently being worked out between the United States and numerous allied nations, which will soon produce actual military operations far greater in scope than the one currently deployed in Bolivia.



Coast Guard officers inspect a seized drug shipment; such enforcement capabilities stand to be sabotaged by the Weld appointment.

The fact, however, is that the annual budget of the U.S. military is dwarfed by the wealth annually appropriated by the international drug cartel. The most authoritative estimation, provided by *EIR*'s groundbreaking book *Dope, Inc.*, is that the annual worldwide revenue of the drug cartel is \$400-500 billion. Estimates of the 1984 President's Commission on Organized Crime suggest a similar order of magnitude. The government has, so far, argued that it does not know where all this money goes each year, and, acknowledging that there is need to find out, it has been struggling to develop the legal instruments to find out. As a result, the House and Senate Judiciary Committees are now introducing for vote the "Money Laundering Act of 1986."

However, most professionals in the international capital-market community know exactly where the \$400-500 billion of drug money each year go: Almost all of it is leveraged four-to-five-fold and is invested into purchase of options in the Eurobond market. This is a world market 85% of whose activities is controlled by three financial institutions: 1) Cr dit Suisse White Weld of London, 2) Bank of Boston Corporation of New York, and 3) Merrill Lynch of New York and London. *EIR* investigators both in Western Europe and in the United States have in their possession extensive descriptions, by traders currently employed in these institutions, of how

Colombian cocaine merchants arrive in the offices of brokerage firms with suitcases filled with cash, with which they purchase legitimate financial instruments. The annual placement of dope dollars in the international capital markets is about twice as great as OPEC's annual petrodollar investments, at the height of OPEC's power in the 1970s.

The one firm which pioneered the laundering of drug money into the international capital markets was White Weld, the private firm of U.S. Attorney William Weld's family. During 1983, the London branch of the firm, called Cr dit Suisse White Weld, accounted for some 80% of all Eurobond placements. The Senate Judiciary Committee, which spent the better part of last and this year applying its energies to dealing with the "money-laundering problem," would serve the public and itself well, if it undertook to investigate in depth the investment practices of Cr dit Suisse White Weld. To do so, there is no better opportunity than the pending confirmation hearings of William Weld.

Areas to be investigated

The shroud of secrecy protecting the banking system's sordid relationship with the international drug traffickers is incredibly thick. But neither cunning nor shrewdness can conceal the whereabouts of \$400-500 billion per year, unless

there are corrupt law-enforcement officials to do the concealing. The celebrated February 1985 case of money laundering by the Bank of Boston is, so far, the best case in point. The case erupted shortly after publication of the report of the President's Commission on Organized Crime, in which the magnitude of the drug-money-laundering problem was officially identified, and in which loud regrets were voiced respecting the difficulties law officers encounter in their efforts to penetrate the mysteries of these illegal financial transactions.

When the Bank of Boston scandal broke, within the jurisdiction of U.S. Attorney Weld, one might have thought that, as a good servant of the law, Weld would have grabbed the opportunity to investigate all the way both the origin and the final destination of the \$1.2 billion in small-denomination bills which the Bank of Boston was caught "laundering." As it turned out, the opportunity was lost. Even though then Undersecretary of the Treasury for Enforcement John Walker called the Bank of Boston case a "classic case of drug-money laundering," U.S. Attorney Weld made a deal with the bank whereby, in exchange for a nominal \$500,000 fine, the investigation was terminated, the U.S. government pledged not to reopen the case, and the bank pleaded guilty to the minor infraction of having failed to report deposits of over \$10,000, as required by law.

According to the then existing law, and without the benefit of the pending "Money Laundering Act of 1986," William Weld would have been within his rights if he had 1) levied \$10,000 fines for *each* of the 1,200 cases of violation of the law; 2) confiscated the \$1.2 billion of laundered drug money; and 3) proceeded to investigate the origin and final destination of the drug money in question. Instead, he took what amounts to a \$500,000 bribe, for having been a good boy and not investigated the matter.

So, Weld's conduct in the Bank of Boston affair should be put under the microscope by the Committee. Beyond this, the Committee should look into something far more important: William Weld's possible relationship to Crédit Suisse. For the following reasons: The \$1.2 billion of dirty money in question, which was laundered by the Bank of Boston, belonged, as the Committee will recall, to Crédit Suisse. Weld's failure to investigate and prosecute, essentially protected Crédit Suisse's own drug-trading activities. Did William Weld have a private interest in protecting Crédit Suisse? Should Weld have disqualified himself from the case on the basis of conflict of interest? *What is Weld's relationship with Crédit Suisse and with the Eurobond brokerage firm Crédit Suisse White Weld?*

The Senate Judiciary Committee must not confirm Weld's nomination unless this crucial question is answered satisfactorily.

What is known from the public record is that Crédit Suisse White Weld was a joint venture of Crédit Suisse, on the one hand, and the investment firm White Weld, which was put together by William Weld's father David, the owner and

chief executive officer of White Weld until his death.

What is also known, is that William Weld, after his father's death and one month before he entered his public political campaign in 1978, engaged in the most complicated transaction of the decade, which was described as "selling" the White Weld firm—half to Merrill Lynch and half to Crédit Suisse. Very little of this mysterious transaction is known to the public. Any private effort to find out about it is further complicated by the fact that White Weld, as a privately owned company, has not left a public record; it never once issued an annual report in all the 140-some years of its existence. So, the public does not know how extensive the financial assets of the Weld family are; nor does it know into what form these assets were converted at the time of the sale to Crédit Suisse and to Merrill Lynch; nor does it know whether and how much of these assets are now affiliated with the corporate fortunes of either Crédit Suisse or Merrill Lynch. Surviving friends and business associates of William Weld's father attest that the White Weld firm had an extensive and unique special relationship with the Swiss banking giant for many years.

The net effect of William Weld's handling of the Bank of Boston money-laundering case was that it left Crédit Suisse—rather than the Bank of Boston—off the hook. Since Weld, as U.S. Attorney for Massachusetts at the time, did possess the legal instruments to investigate and prosecute, we must conclude that his express intention was to get Crédit Suisse off the hook. And unless a future investigation into the mysterious "sale transaction" of White Weld to Crédit Suisse proves otherwise, it is reasonable to assume that William Weld had a personal interest in letting Crédit Suisse off the hook.

The obligation of the Senate Committee now is to plumb the depths of William Weld's and his family's financial relationship to both Crédit Suisse and to Crédit Suisse White Weld. If it does not, it is running the risk of appointing to head the Criminal Division of the Justice Department one of the leading organizers of that international financial community which has turned the Eurobond markets into the most extensive instrument of drug-money laundering.

In view of the Presidential Directive on the war on drugs, the Criminal Division's principal mandate should be to prosecute this war. The Senate has the obligation to ask Mr. Weld: 1) What his credentials are as an opponent of the drug lobby, i.e., when was the last time he took the war on drugs seriously; 2) Whether he agrees with the Senate Judiciary Committee that the "cozy relationship between drug traffickers and financial institutions" is one of the principal targets of the war on drugs; and 3) Whether personal or family interests led him to cover up for the world's most notorious drug-money-laundering bank, the kingpin of the "Pizza Connection," Crédit Suisse—as in Crédit Suisse White Weld.

We believe that instead of confirming him, a competent inquiry into his credentials would send Mr. Weld to jail for many years.

Dope, Inc.'s man at the Justice Dept.

by Jeffrey Steinberg

Within the next few weeks, a bipartisan coalition of senators will introduce a law making it a felony for bank and casino officials to launder dope money and other crime revenues (see *Congressional Closeup*, pages 68-69). While it remains to be seen whether the bill will contain provisions holding top bank executives responsible for their banks' failure to guard against dope-money contamination, the bill would certainly give teeth to President Reagan's recently invigorated war on drugs.

It is likely that even as the Senate Judiciary Committee is marking up this controversial piece of legislation, it will be holding hearings on the nomination of Boston U.S. Attorney William Weld as chief of the Criminal Division of the Department of Justice, the fourth-highest position at the DoJ.

If members of the Senate Judiciary Committee are serious about shutting off the annual flow of hundreds of billions of dollars in dope money through the U.S. banking system, they will kill the Weld nomination before it ever reaches the Senate floor. For William Weld is Dope, Inc.'s man inside the Halls of Justice.

Bank of Boston: 'a gentlemen's agreement'

On Feb. 7, 1985, Weld's office announced that a plea bargain settlement had been reached with the Bank of Boston—the largest bank in New England and an institution with deep ties to the Weld family-founded White Weld and Co. investment house. Conflict of interest was written all over the sweetheart deal that the U.S. attorney negotiated with his fellow bluebloods from the Bank of Boston.

It seems that the Bank of Boston had, in a period of slightly over one year, allowed \$1,218,682,281 in hot money to be laundered through its accounts into nine overseas banks. In every one of these transfers—1,163 separate criminal acts—the bank had failed to report cash transactions of over \$10,000 each, in violation of a federal bank secrecy act. The principal overseas recipient of the dirty money had been the Zurich main branch of Crédit Suisse, a financial institution that Swiss investigators describe as virtually synonymous with drug-money laundering.

A survey of Crédit Suisse's dirty dealings, taken among law enforcement agencies of several Western countries, confirms that Crédit Suisse may well be the "king" of Swiss laundromats. A small portion of that file shows:

• The "Pizza Connection" heroin-trafficking ring that ran between New York and Sicily, led by Italian mafioso Gaetano Badalamenti, had a "friend" at Crédit Suisse, particularly at the Bellinzona branch, where the gang's couriers deposited nearly \$5 million in less than two years. An indictment handed down by



U.S. Attorney for the Southern District of New York Rudolph Giuliani, lists the numbered Crédit Suisse accounts that received the heroin money: Account 651: \$3,218,300; Account 386: \$1,425,000; Account 11648301: \$81,000.

• Operation Greenback, the first major federal investigation of drug-money laundering, involving the Enforcement Division of the Treasury Department and the Drug Enforcement Administration, nailed Crédit Suisse's Miami branch in repeated violations of currency transaction reports.

• Robert Vesco and Investors Overseas Services used Crédit Suisse as their major bank during the entire time that Vesco, who is now running the cocaine trade out of Havana, Cuba, was swindling investors to build his personal fortune. Crédit Suisse even made itself legally responsible for IOS paper, deploying its officers to act as salesmen for Vesco.

• Former Assistant Secretary of the Treasury John Walker, who is now a federal judge, testified before the U.S. Senate in March 1985 that of the \$1.22 billion in cash transferred back and forth between Boston and Switzerland—without being reported, as required by law—some \$600 million was in small bills. Walker called these transactions a "classic case of drug-money laundering."

But "tough prosecutor" Weld issued a one-count indictment, in which not a single official of the Bank of Boston was named as a defendant. A measly \$500,000 in fines was levied by Federal District Court Judge A. David Mazzone.

Senator Al D'Amato (R-N.Y.) rightly described the fine against the Bank of Boston, as "a pittance," an absurd "four ten-thousandths" of the money laundered. Even Bank of Boston chairman and CEO William Brown, in the course of being grilled by congressional committee members in spring 1985, was forced to admit that the bank had made off with fantastic profits on the dirty-money dealings—even after the fines and legal costs had been paid. Senator D'Amato, however, never delved into the *personal* connections of Weld to Crédit Suisse.

In 1978, during the final years in which William Weld's father, David Weld, was chief executive officer of the family-owned White Weld, 31% ownership was sold to Crédit Suisse in a mega-deal that saw the majority of White Weld absorbed into Merrill Lynch—then chaired by Donald T. Regan. When the dust settled on the complex deal, Crédit Suisse owned outright the London and Geneva branches of White Weld (branches that accounted for two-thirds of the company's

profits) and merged them with another Boston Brahmin institution, First Boston Corporation, forming Crédit Suisse-First Boston. The chairmanship of the Geneva branch of White Weld (renamed Clariden Bank) was retained by Robert Genillard, the man who originally established the White Weld-Crédit Suisse connection in the 1960s, under the auspices of David Weld.

According to William Weld's *personal* financial disclosure, he is tied to *both* sides of the bank transfers involved in

the cash transactions that were willfully concealed by the Bank of Boston. In his 1978 unsuccessful election bid for state attorney general, Weld received campaign contributions from two Bank of Boston officials: William C. Mercer, an honorary director, and Peter M. Whitman, senior vice-president. Furthermore, William Weld's cousin Christopher is the managing partner of the Boston lawfirm, Sullivan and Worcester, attorneys for the Bank of Boston.

Potentially even more important, William Weld today

What does the DoJ's Criminal Division do?

The following description is excerpted from the "U.S. Government Manual":

The Assistant Attorney General in charge of the Criminal Division formulates criminal law enforcement policies, enforces, and exercises general supervision over all Federal criminal laws except those specifically assigned to the Antitrust, Civil Rights, Land and Natural Resources, and Tax Divisions. The Criminal Division also supervises certain civil litigation incidental to Federal law enforcement activities.

Organized Crime and Racketeering Section conducts investigations and prosecutes cases to suppress the illicit activities carried on by organized crime groups in major U.S. cities. . . .

Narcotic and Dangerous Drugs Section investigates and prosecutes high-level drug traffickers and members of criminal organizations involved in the importation, manufacture, shipment, or distribution of illicit narcotics and dangerous drugs, with particular emphasis on litigation attacking the financial bases of those criminal organizations.

Internal Security Section investigates and prosecutes cases affecting the national security, foreign relations, and the export of military and strategic commodities and technology. . . . The Section has exclusive prosecutorial responsibility for criminal statutes regarding espionage, sabotage, neutrality, and atomic energy.

Fraud Section directs and coordinates the Federal effort against fraud and white-collar crime, focusing primarily upon frauds against government programs and procurement, transnational and multidistrict fraud, the security and commodity exchanges, banking practices, and

consumer victimization. . . .

Public Integrity Section investigates and prosecutes corruption cases involving public officials and the elective system at the Federal, State, and local levels.

Appellate Section assists the Office of the Solicitor General in obtaining favorable constitutional and statutory interpretations in criminal cases being heard on appeal before the United States Supreme Court and the 12 United States Courts of Appeals.

General Litigation and Legal Advice Section investigates and prosecutes crimes under a broad spectrum of Federal criminal statutes regarding crimes against the Government and the public. . . .

Office of International Affairs supports the Department's legal divisions, the U.S. attorneys, and the State and local prosecutors regarding international criminal justice enforcement matters pursuant to treaties concerning extradition, mutual legal assistance, and prisoner exchange. . . .

Office of Enforcement Operations oversees the use of sensitive and sophisticated investigative tools, such as witness protection and electronic surveillance. . . .

Office of Legislation develops legislative proposals, legal memoranda, and congressional testimony and prepares comments upon pending and proposed legislation affecting the Federal criminal justice system. . . .

Office of Policy and Management Analysis develops and recommends positions on policy and management issues. . . .

Office of Special Investigations detects, identifies, and takes appropriate legal action leading to the denaturalization and/or deportation of Nazi war criminals in the United States who were involved in the atrocities committed against civilian populations during the Second World War and who subsequently entered the United States illegally.

Office of Administration provides all administrative support to each of the various sections. . . .

Asset Forfeiture Office develops uniform policies and assists in the prosecution of both civil and criminal asset forfeiture cases, particularly regarding narcotics trafficking and organized crime. . . .

serves as trustee of six trusts established by his late father in his will, for the benefit of his heirs. There has not been, to date, any investigation into whether these trusts are related to either the Bank of Boston, Crédit Suisse, or any of the other banks identified in the transactions for which Bank of Boston was indicted.

Gossips in Washington, D.C. identify William Weld as the "first U.S. attorney to make a major bank sweat under a federal criminal indictment," but this is far from the truth. Boston sources reported to *EIR* that Weld's slap on the wrist to the Bank of Boston was part of a desperate effort to keep the bank's relationship to the organized-crime Angiulo family—a relationship that saw an additional estimated \$2.2 million laundered through the Bank of Boston, which had granted the Angiulos an exemption to federal reporting requirements—totally out of the one-count felony indictment. In point of fact, Weld had jurisdiction over and knowledge of the Bank of Boston-Angiulo connection, from no later than 1983. It was the Angiulo investigation which first uncovered the \$1.22 billion in unreported cash transactions.

The Angiulo family is known in law enforcement circles to be the number-one mob family in New England. Yet, top officials of the Bank of Boston issued currency exemptions to a string of Angiulo business fronts. Were the Bank of Boston-Angiulo connection to be pursued, the scope of the Weld protection racket would trigger a scandal that would rock the Boston financial establishment.

Several months after the Bank of Boston "felony rap" had been swept under the rug, so confident were the bank officials in Weld's coverup abilities, that they "discovered" an additional \$73 million in currency-reporting violations and reported the information to Weld—who took no legal action.

But it would be a grave error of judgment to think of William Weld as a lazy prosecutor, simply because of his lackadaisical attitude toward prosecuting the Bank of Boston's ties to bigtime dope traffickers. Other banks in Boston, which were not financially tied to Weld, were prosecuted for laundering the Angiulos' money, while the "gentlemen" at the Bank of Boston were not.

Then there's the case of his five-year-long prosecution of the Democratic Party political machine of Boston Mayor Kevin White. The First District Court of Appeals, in throwing out one of Weld's flagship prosecutions against White campaign official Thomas Anzalone, described Weld's methods as bordering on the Soviet legal principle of "guilt by analogy." The court concluded: "We cannot engage in unprincipled interpretation of the law unless we foment lawlessness instead of compliance."

The *National Law Journal* of June 13, 1983 described the Weld vendetta against the White machine as "a textbook example of a prosecutor misusing his powers to bully witnesses and manipulate the political process." Weld was cited for using improper pressure tactics, unfounded allegations, leaks to the press, and harassment of witnesses, including late-night sweeps by dozens of subpoena-serving FBI agents.

Dope lobby pulls Weld's strings

by Michele Steinberg

Since October 1984, a grand-jury investigation, launched by Boston U.S. Attorney William Weld, has operated with a vengeance against Democratic Party political figure Lyndon LaRouche, Jr. So blatant is this witchhunt, that Weld's office has filed for over \$430,000 in fines to be imposed against organizations associated with LaRouche—which compares poorly to the \$500,000 fine against the Bank of Boston for its money-laundering crimes.

In the LaRouche case—a two-year, multimillion-dollar witchhunt, launched on the basis of bogus accusations of credit card fraud—Weld has reached deep into the gutters of the dope lobby to bring forward "witnesses."

One such "witness" is Dennis King, a former leading member of the communist Progressive Labor Party, whose delirious writings on LaRouche have appeared in the pages of *High Times*, the organ of the American pro-dope lobby. King's major published work on LaRouche was a 13-part series in 1979-80 in the pages of *Our Town*, a New York City throwaway sheet owned and managed by a convicted felon, Edward Kayatt.

Other sources have reported that Weld has also tapped the services of a federal witness named James Brewer, who was exposed by *EIR* years ago for running a homosexual and prostitution blackmail ring against a number of congressmen and other public officials, while on the FBI's payroll. Brewer has been named as a member of the North American Man/Boy Love Association (NAMBLA), a crime syndicate believed to be responsible for a nationwide kidnapping ring targeting young boys.

During Brewer's long career as a federal informant, he was indirectly involved with Richard Mamarella, a financial swindler who received over \$22 million in loans from the First Fidelity Bank in New Jersey. Top officials of the bank are suspected of having been involved with Mamarella in the phony deals that saw millions of dollars in bank deposits fall into the hands of loan sharks and big-time dope dealers. The same First Fidelity Bank is at the very center of the Weld action against LaRouche.

From the outset of the Weld "Get LaRouche" effort in October 1984, it was First Fidelity Bank, with its ties to the corrupt Resorts International, that first stole approximately \$250,000 from the account of LaRouche's presidential campaign committees, and then launched federal civil litigation for purposes of harassment. First Fidelity attorney Alfred Besser, a former counsel to dope kingpin Robert Vesco,

boasts of his close coordination with the Boston Weld probe—in violation of federal law.

But King, Vesco, and the alleged pederast James Brewer are only part of the story. The major driver behind this witch-hunt has been the Anti-Defamation League of B'nai B'rith (ADL), whose major fundraiser, Canadian Edgar Bronfman, was the largest contributor to Weld's 1978 unsuccessful election campaign for attorney general of Massachusetts.

The ADL has long been in communication with Weld's office, attempting to supply him with new complaints, and providing false information to the U.S. Attorney's office to justify continuing the investigation. When the momentum of the investigation floundered for lack of evidence, it was the ADL which mobilized a network of journalists from Associated Press, NBC television, and the *Chicago Tribune* to publish information from the grand jury to publicly smear LaRouche.

The ADL is organized crime. Weld's political contributor Bronfman, whose family is well known for its organized-crime links in Montreal, Canada, is currently heading an ADL fundraising drive to "stop LaRouche." But Bronfman is just one among many drug and organized-crime-linked figures who are paying the ADL. Others include:

Victor Posner, chairman of NV Industries and reputed heir to the late mobster Meyer Lansky. The world's highest-paid corporate executive (\$12.5 million a year plus benefits), Posner was convicted on July 18 for tax evasion, with a possible sentence of up to 43 years. His mob operations were once investigated for KGB sponsorship.

Robert Ferguson, chairman of First Fidelity Bank of New Jersey, which finances Resorts International and admits being bankers for "criminal elements."

Moe Dalitz, lifelong partner of Meyer Lansky, and founding member of the Purple Gang and Cleveland Syndicate.

Donald Regan, White House chief of staff, who reorganized the Eurodollar dope market as head of Merrill Lynch. In 1982, Merrill Lynch was caught by the FBI laundering money for the heroin traffic.

Hugh Hefner, whose Playboy empire helped create the rock-drug-sex counterculture.

Leonard Abess, head of the ADL Foundation. Abess is also chairman of City National Bank of Miami. On Feb. 11, Abess's business partner, Albert Duque, was convicted and sentenced by U.S. District Court Judge James Paine in Miami, for what prosecutors called the largest bank-fraud scheme in U.S. history. Duque, then the largest stockholder in Abess's City National Bank of Miami, was charged with falsifying bills of lading and doctoring accounts receivable at firms he controlled, to illegally obtain over \$108 million in loans.

Duque's operations had already been exposed in 1982, when his frontman, Eduardo Orozco, was busted in New York for laundering over \$100 million in Colombian cocaine money. Orozco was an agent for the Colombian coffee merchant families, like the Duques, who have gone into cocaine.

William Weld's 'free trade' roots

by Anton Chaitkin

The problem of narcotics law enforcement is only a contemporary aspect of an old fight between the Americans and the British on the question of "Free Trade." That the Weld family stands historically on the wrong side of this fight, has crucial implications in determining the fitness of William Weld to become head of the Criminal Division of the U.S. Justice Department. The family business enterprise, White Weld, has been merged into the biggest "Free Trade" enterprise of them all, the drug-money-laundering apparatus of *Crédit Suisse*. But this is the family tradition, and the very source of the Welds' patrician status and wealth.

The family itself makes a great deal of its double-branched, Anglo-American character. They all trace back to William Weld, Sheriff of London in 1352, if you please. *Under the Black Horse Flag: Annals of the Weld Family and Some of its Branches*, written by family member Isabel Anderson and published by Houghton Mifflin in 1926, carries a photograph of Lulworth Castle in Dorset, labeled "The Home of the Welds in England." We read therein proud descriptions of visits to this Weld ancestral home by King Charles II and his brother the Duke of York (founder of the British slave-trading organization, the Royal African Company), and three visits by King George III and his queen, prince and princesses.

Britain's Opium Wars

Perhaps most interesting is the news that "Sir Robert Peel . . . occupied the [Weld family's] Castle for a time." Peel was British prime minister from 1841 to 1846, and is acknowledged to be the greatest political spokesman for the British doctrine of Free Trade. The "freedom" for which he spoke was the absolute right of British goods to be dumped into other countries, such that no other nation would develop its own manufacturing and become powerful. Peel's father was a wealthy cotton manufacturer in Manchester, where the Free Trade doctrine was elevated into the position theology occupied in happier communities.

While Robert Peel's warships were burning Chinese cities in 1842, Theodore Dwight Weld was stationed as a behind-the-scenes manager in the Congress in Washington, working to destroy the Whig Party over the slavery issue. Weld's efforts played an important role in that very outcome. One of his political converts, James Birney, was the 1844

presidential candidate of the Liberty Party. He got just enough votes to deny Henry Clay the presidency on his last try, giving the victory to Free Trade and colonialism advocate James K. Polk.

The opposition to Lincoln

Theodore Dwight Weld was himself recruited to this business by a fascinating master gamester. Charles Stuart (1783-1865) was born into a British colonial military family in Jamaica, the very year the British agreed, on paper, to give up the American colonies. From 1801 to 1814, through the

The Weld family tree includes Tories, opium traders linked to the British East India Company, anti-Lincoln abolitionists, and Free Traders—the kind of traitors who tried to destroy America in the past, and are still trying.

period of the final conquest of India, Stuart served as an officer in the British East India Company. During or just after the end of the second U.S. war with Great Britain (1812-15), Captain Stuart came back to the American theater of operations. Living intermittently on Lake Simcoe in Ontario, Canada, Captain Stuart's official means of support was a British government pension and a British land grant. With a rather strange religious background in the world's largest criminal opium organization, Captain Stuart "taught school during the winters and distributed Bibles and religious tracts at his own expense during his vacations."

In 1824 Stuart was the principal of a boys academy in Utica, New York, where he virtually adopted a 15-year-old pupil, Theodore Dwight Weld. Weld accompanied Stuart on a two-year religious crusade through western New York, and became Stuart's slave and disciple. Stuart then paid for Weld to be trained for several years as a revivalist at the Oneida Institute. Working on Stuart's instructions, now sent from England, Weld switched crusades from the prohibition of liquor to the abolition of slavery. He enlisted the support of New York bankers Arthur and Lewis Tappan. According to the *Dictionary of American Biography*, "in the spring of 1831, when [the Tappans] . . . called a council of reformers to plan an 'American National Anti-Slavery Society' on the British model, it was Stuart's abolition doctrine which Weld expounded to the council. . . . More than any other man, Stuart brought the impulse of the British anti-slavery movement to the rising agitation in America."

Theodore Dwight Weld went on to recruit and train the

core of a New England-managed movement, which was a deadly enemy to both the Whigs and the Abraham Lincoln Republicans. Weld directed the anti-Whig congressional action from 1841 to 1843. But he remained at all times, like his guru Captain Stuart, deliberately and completely out of public sight in the big cities, and out of the newspapers.

Southern separatist radicals obliged the New Englanders and broke up the Union in 1861. At the end of the resultant Civil War, President Abraham Lincoln was assassinated. A political recruit of Theodore Dwight Weld, Secretary of War Edwin M. Stanton, then sharply reversed Lincoln's Reconstruction policy and turned over the South to New England rule, never to be "artificially" modernized with railroads and factories.

The British Navy bombarded and set fire to Chinese cities in 1841 and 1842, killing thousands to stop attempted interference with the British East India Company's right to sell opium in China. The Chinese lost the Opium War and surrendered to Prime Minister Peel's government, but still acted in an uppity fashion and tried to prevent their country from being destroyed with opium. A second Opium War was required in 1860 to reinforce Free Trade in the Orient.

In the United States, the war over Free Trade had a less openly military character, at least in the 1840s. The Whig Party, led nationally by Henry Clay and in Illinois by young Abraham Lincoln, declared that American sovereign rights

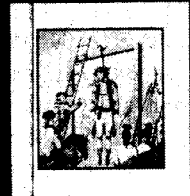
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included protective tariffs. They insisted that if British trade war were unopposed, and America's industries were kept undeveloped—particularly our iron industry—our country would never be truly independent. The Clay-Lincoln Whigs called for the gradual abolition of slavery through the industrialization and urbanization of the South.

The Weld family, whose British branch hosted Mr. Peel, felt differently. In the 1840s Boston merchant William Fletcher Weld (1800-81) began to amass his fortune, which has been passed down to his brother's great-great-grandson William Weld, the present candidate for the Justice Department's number-four post. On a visit to England, merchant Weld was appointed the exclusive American agent for the sale of iron rails by the largest British iron manufacturer, Thompson and Forman. He then carried on his growing fleet of ships the means to his own wealth, and the means to undersell, undercut, and cripple America's infant iron industry.

William Fletcher Weld had married Mary P. Bryant, a cousin and friend of poet-journalist William Cullen Bryant. Their family company, Bryant and Sturgis, at its high-point carried half of the U.S. trade in Asiatic opium, under British military protection. This family connection was celebrated by Mr. Weld when he named a ship built in 1849-50 the *William Sturgis*, after one of the all-time great world opium dealers.

The political side to these rather ugly ventures in commercial treason was the Free Trade movement. The idea behind it was that industrialism must not be artificially encouraged, that the free importation of any goods into any country must take precedence over national sovereignty. William Cullen Bryant was an old-school Tory, the owner of the nation's leading Free Trade organ, the *New York Post*, and in 1869 the president of the American Free Trade League, founded in London. By that time, Bryant's cousin by marriage, William Fletcher Weld, owned perhaps the largest fleet of American merchant ships.

Another Weld family member, Theodore Dwight Weld (1803-95), probably the most famous of the clan, went about the same objective from a different angle. He was the architect of Abolitionism—of the peculiar New England variety. Far from agreeing with Clay and Lincoln that the Southern plantation system should be ended by industrial development, these gentlemen came around to the doctrine that since slavery was so abhorrent to the North, the South should secede from the Union! This was the heart of William Lloyd Garrison's campaign, and Garrison declared Theodore Dwight Weld "the lionhearted, the invincible."

In recent years, the United States has moved backward from its earlier commitment to technological development, toward domination by the drug culture and the "underground economy." If such Free Trade is destined to end this republic, then perhaps William Weld is indeed a fitting candidate to be chief of the Criminal Division of the Justice Department.

Cocaine: debunking

by Marilyn Kay

What's cheaper than a pair of jeans, sweeping the nation, hard, white, and feels "oh soooo good"? It's a 30-minute heartbreaker called Crack, and it kills. The American dope lobby helped make the Crack epidemic what it is today—a very profitable killing machine—by spreading the lie that cocaine, from which Crack is derived, is a nonaddictive, relatively safe recreational drug.

On July 10, Dr. Donald Ian Macdonald, head of the Alcohol, Drug Abuse, and Mental Health Administration, held a press conference to debunk the myths and brief the American people on the "acute toxic effects of this powerful drug." "It became clear to us that many members of the public were unaware of the various ways in which cocaine could cause death." Macdonald stressed that "despite the scientific evidence and an increasing awareness of consequences of chronic use of cocaine, few have been aware that the drug can kill on the first dose."

"Over 100 years ago," he said, "Sigmund Freud and a number of medical experts of his time believed that cocaine was a potential wonder drug. Adverse effects were not recognized and use was fairly common. Then negative effects began to appear, including cocaine's great ability to produce dependence, and cocaine all but disappeared from our culture—except for some use as a local anesthetic in medical practice. Unfortunately, we are not people who learn well from history and cocaine reappeared in our country, touted as a safe and wonderful drug with no adverse side effects—except possibly for the potential to do damage to the nasal septum in frequent users. The feeling of many was that although cocaine was an illegal drug, it wasn't all that bad, especially because it was non-addicting."

How Crack kills

It is a myth that character or strength of will could limit the drug's use or prevent cocaine addiction. This powerful stimulant exerts its effects on the brain and the nervous system. Macdonald outlined four ways in which the drug can kill a healthy human being on first use. Three relate to changes in the cardiovascular system (heart, blood vessels), the fourth to alterations in the central nervous system:

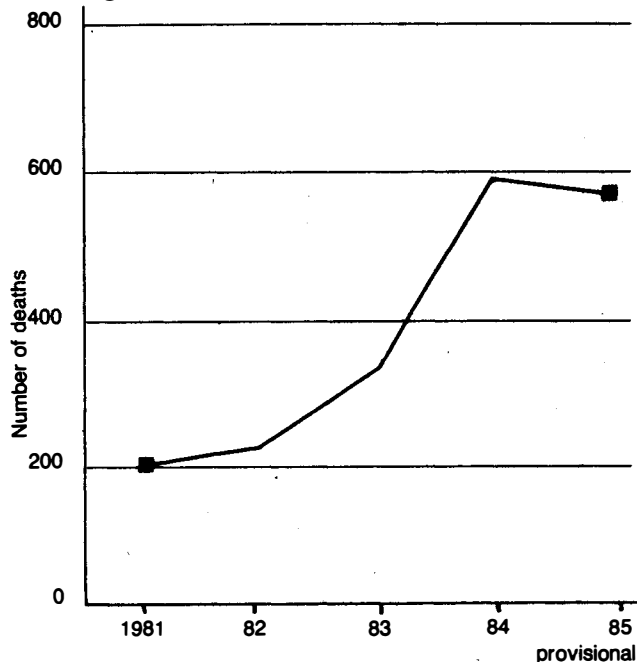
- 1) "Cerebral nervous system stimulation (convulsion) is followed by respiratory collapse. Seizures of a non-fatal variety are not uncommon among regular users.
- 2) "In the sympathetic nervous system the neurotrans-

the myths

mitters epinephrine and norepinephrine are involved. Sympathetic nerves reach the heart and exert control which in normal states helps the body to adjust to changing circumstances. In cocaine use, these changes can cause lethal problems. Cocaine, through its epinephrine-like effect, causes increased heart rate and increased blood pressure. Increased blood pressure can cause stroke (or brain hemorrhage) and death.

3) "Cocaine also causes constriction of the coronary arteries, those blood vessels which supply the most important muscle in our body—the cardiac muscle. When the cardiac (or heart) muscle receives inadequate oxygen, damage may occur. What you have is a heart muscle working overtime, beating rapidly and requiring additional oxygen. At the same

FIGURE 1
Cocaine-related deaths, as reported by medical examiners of the Drug Abuse Warning Network



Source: National Institute on Drug Abuse, Drug Abuse Warning Network, May 1986

time, you have the arteries which supply oxygen to the heart closed down by cocaine effect. Severe oxygen deficit can occur.

"Oxygen deficit in heart muscle can set off a string of events leading to death. This event, called a myocardial infarction, or more commonly, a heart attack, has been reported in previously healthy cocaine users. It has been reported in cocaine snorters, as well as in those who 'freebase.'

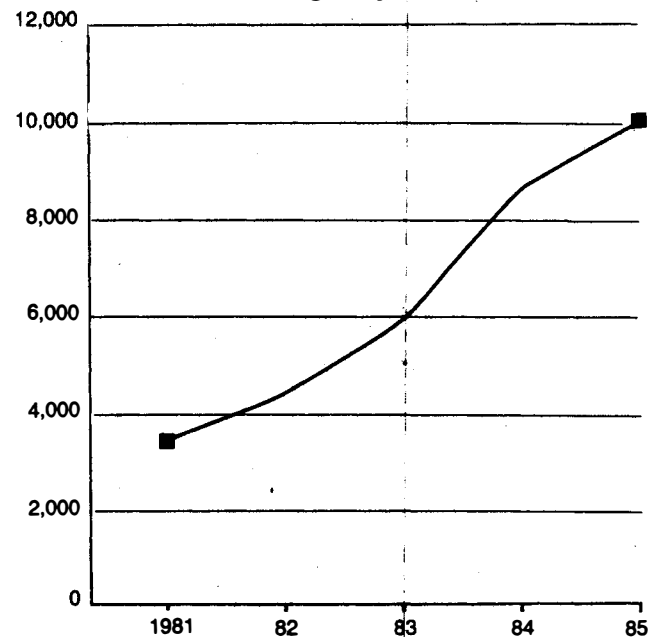
4) "Changes in heart rhythm are called arrhythmias. Cocaine, by its effect on heart nerves, can produce arrhythmia by altering electrical activity. This should come as no surprise to physicians. Lidocaine, a synthetic cocaine relative, is used, but used with great care, by physicians, because of effect on heart rhythm.

"The most serious of the cardiac arrhythmias, ventricular fibrillation, can result in cardiac arrest and sudden death."

Dr. Macdonald said that statistics on deaths from cocaine use are incomplete at this point. New York City's medical examiner, for example, does not report data to the National Institute for Drug Abuse's (NIDA's) Drug Abuse Warning Network (DAWN). However, the number of heart attacks attributable to cocaine use at a selected number of hospitals nationwide rose from 185 in 1981 to 580 in 1985, the last year for which complete figures are available.

Dr. Macdonald released statistics (see Figures 1-3) showing a startling 14.5% increase in 1986 in hospital emergency-room admissions related to smoking cocaine. This

FIGURE 2
Cocaine-related emergency room visits



Source: National Institute on Drug Abuse, Drug Abuse Warning Network, imputed ER consistent panel data file ending, May 1986

dramatic increase is due to the more toxic forms of cocaine—freebase and Crack—that have become not only readily available, but much cheaper than cocaine.

Freebase results when cocaine hydrochloride (street cocaine) is converted to its pure base by removal of the hydrochloride salt and the various cutting agents. Freebase is not water soluble; therefore, it is smoked by the user. It is much more dangerous than snorting cocaine, according to NIDA, “because it reaches the brain within seconds, resulting in a sudden and intense high. The euphoria a user experiences, however, quickly disappears, and the user faces an enormous craving to freebase again and again. Consequently, freebasers often increase the dose and the frequency of the dose, resulting in a severe addiction which includes physical debilitation and financial ruin.”

Crack is freebase cocaine that is processed from street cocaine hydrochloride, heating ammonia or baking soda and water to remove the hydrochloride. Because the more expensive and volatile chemical ether is not used—as it is in freebase cocaine—the resulting Crack is cheaper. NIDA reports, however, that the process “does not necessarily result in the elimination of hydrochloride, fillers, and impurities in the cocaine, and sodium bicarbonate.” According to NIDA, the cost of one or two Crack doses (300 milligrams) ranges from \$5 to \$10, compared to \$100 per gram for cocaine itself.

Macdonald noted that while the more traditional forms of cocaine use may require two to three years to physically destroy the user, inhalation of the drug destroys the average user in less than a year. Crack causes its users to become “medically and physiologically dysfunctional over only several months rather than years,” he stressed.

Although marijuana use among high school and college-aged youth has dropped from its peaks in the late 1970s, cocaine use is increasing, and on the average one out of three in this age bracket, according to polls, uses the drug.

“Polls,” said Macdonald, “reflect the delusions young people have about the drug. Most think occasional use is not dangerous, but that chronic use is. This ignores the reality that only one use can both induce addiction and kill.”

Cocaine kills in other ways as well. Dr. Arnold Washton, of the National Telephone Service to Aid Drug Addicts, reported that “chronic users complain of suffering paranoia, and 40% of those surveyed admitted that they have committed robberies to buy Crack.”

In Miami, police report that Crack is the principal cause of a 19% increase in crime in the last several months. Law-enforcement authorities in Washington, D.C., New York (the “Crack Capital”), and Los Angeles also associate the increase in delinquency and armed robberies with the use of Crack.

Crack houses have sprung up, much like the opium dens of the turn of the century, or the more notorious “shooting galleries” for heroin addicts. Users purchase the drug and get high, some stay for days—young or old, rich or poor, there is no discrimination.

NIDA’s Nicholas Kozel said, “You can compare the ‘house of preparation and sale’ of the poisonous substance with fast-food restaurants.” New York City’s special narcotics prosecutor, Sterling Johnson, reported recently that “in some neighborhoods, there are more houses for sale and use of Crack than churches and liquor stores.”

In New York City and in Florida’s Dade County, officials no longer speak of a cocaine problem, but of Crack epidemics that are beginning to overwhelm everything from drug telephone helplines to treatment centers to the criminal justice system.

Documentation

‘Experts’ promoted cocaine

During the mid-1970s, respectable members of the medical profession worked hand in glove with the drug lobby to perpetuate the lie that cocaine was safe. In 1974, Dr. James J. Thorpe, practicing psychiatrist and former staff physician at the U.S. Public Service Hospital for Drug Addicts in Lexington, Kentucky, provided sworn testimony as to the safety of the drug, which was quoted extensively by attorneys attempting to overturn cocaine convictions. These legal efforts were financed primarily by the Playboy Foundation and carried out by the National Organization for Reform of Marijuana Laws (NORML).

Thorpe testified:

“In my 25 years as a psychiatrist, I have observed several thousand cocaine users in a clinical setting. During that period of time I have never seen any people with a ‘cocaine habit.’ Cocaine is not a narcotic and there is no evidence that it is physically addicting. It is commonly used intermittently and rarely injected. There are no physical withdrawal symptoms upon termination of use. Cocaine use causes no physical or mental damage; although psychotic states sometimes are attributed to cocaine, actually they appear to be a result of a predisposition to the use of the drug itself.”

Dr. Peter Bourne, who became Jimmy Carter’s special adviser on drug abuse and the darling of the dope lobby, used a government newsletter in 1974 to dispel “The Great Cocaine Myth” and advocate the drug’s legalization:

“At least as strong a case could probably be made for legalizing it as for legalizing marijuana. Short acting—about 15 minutes—not physically addicting, and acutely pleasurable, cocaine has found increasing favor at all socioeconomic levels in the last year. Although it is capable of producing psychosis with heavy, repeated use, and chronic inhalers can suffer eventual erosion of the nasal membrane and cartilage, the number of people seeking treatment as a result of cocaine

use is for all practical purposes zero. . . .

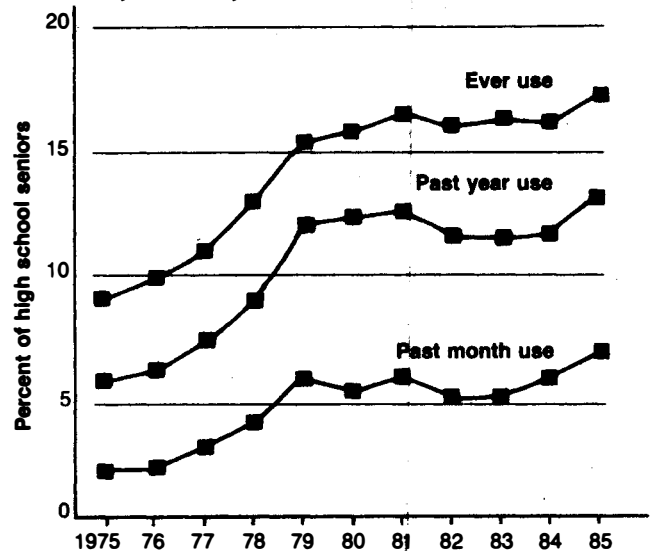
"One must ask what possible justification there can be for the obsession which . . . officials have with it, and what criteria they use to determine the priority they give the interdiction of a drug if it is not the degree of harm which it causes the user."

Not surprisingly, Bourne was later forced to resign when it was discovered that he had written a false prescription for Quaaludes for a member of the White House staff.

In March 1982, Dr. William Pollin, then director of the National Institute of Drug Abuse, wrote an angry letter to the editor of the *Washington Post*, complaining that a front-page article of Feb. 25, "Cocaine Behavior," was "misleading and potentially dangerous." Pollin took grave exception to the part of the article which ran under the subhead "Recreational Sniffing Found No Riskier Than Alcohol or Tobacco; Heavy Use 'Enslaving.'" "I believe," wrote Pollin, "that *the Post's* article conveyed an unfortunate and inaccurate message of reassurance about a very dangerous substance, that it glamorized the image of cocaine use and dangerously misled the reader into believing there is a benign pattern of use for this drug."

By the end of the 1970s, with cocaine abuse on the rise, many formerly strong advocates of the drug were forced to change their tune. Dr. Norman Zinberg, a Harvard University research psychiatrist and longtime advocate of decriminalization of all drugs, backpeddled on cocaine in a March 1983 interview with the *Chicago Tribune*. Zinberg, a member of the NORML advisory board, along with his Harvard colleague Dr. Andrew Weil, appeared on numerous occasions in such dope lobby publications as *High Times*. While

FIGURE 3
Lifetime, annual, and current cocaine use



Source: National Institute on Drug Abuse, data from the Monitoring the Future Study, 1985

still holding to his theory that cocaine resembled nicotine use, "in that persons who smoke cigarettes subtly fall into nicotine addiction," Zinberg told the *Tribune*, "If it were cheap and readily available, people would be sniffing it morning, noon and night."

"I would not have said this three years ago," said Zinberg; "quite simply, I think it is the most dangerous drug around."

How cocaine kills babies

As many as 2 million women of child-bearing age are taking cocaine in the United States, already creating an epidemic of "cocaine babies," the innocent victims of the drug plague. These infants tend to be born prematurely, and to suffer from low birthweight, probably the leading cause of infant mortality in the United States. They suffer from a gamut of problems, ranging from lack of a natural ability to suck, to cardiac problems, pulmonary deficiencies, cerebral palsy, and mental retardation, according to a study by the National Institute of Drug Addiction.

Cocaine consumption by a pregnant woman deprives the fetus of oxygen, Dr. Laura Finnegan reports, based on studies at the clinic for addicted mothers at

Thomas Jefferson University Hospital in Philadelphia. According to Dr. Finnegan, "A mother who consumes cocaine while pregnant is acting as if she is deliberately trying to asphyxiate her child by periodically putting a pillow over its face."

The director of the Neonatal Division of the Broward County, Florida General Medical Center, Dr. Brian Udell, declared July 11 that the situation is "a very serious crisis," and added that to save just one of these newborns can cost at least \$135,000.

The experts are very worried by the new-found popularity of Crack, which costs less than \$15 a dose. This, they fear, will soon bring about an explosion in the number of cocaine babies.

Some experts suggest that a newborn showing symptoms of drug addiction has not been "accidentally" harmed, and that mothers of such babies could be legally charged in court with child abuse.

Reagan poses 'new Africa' to counter Soviet mayhem

by Nicholas F. Benton

In one of the more brilliant speeches of his administration, President Reagan counterposed the image of an economically developed "new Africa" to the threat of Soviet disintegration and takeover of the region as the context for articulating U.S. policy toward South Africa in an address at the White House on July 22.

Predictably, the Soviets, the Queen of England, and an overwhelming bipartisan majority in the U.S. Congress wildly protested the policy. Congress threatened rapid action, claiming enough bipartisan support to override a presidential veto and repudiate the Reagan approach by imposing severe economic sanctions on the South African regime. Senate Foreign Relations Committee chairman Richard Lugar (R-Ind.) and Sen. Nancy Kassenbaum (R-Kan.) led those Republicans who sided with the unanimous partisan ravings of their Democratic colleagues to call for forceful actions to undermine the President's policy.

Reagan articulated a U.S. policy toward South Africa which includes as its primary purpose a stable process of transition away from apartheid, using the incentive of region-wide economic development as the key. At the same time, it acknowledges the urgent need to defuse the Soviet strategic threat to the region. This approach stands in stark contrast to those like Bishop Tutu, who while calling Reagan's speech "nauseating," insist that making South Africa "ungovernable" is the "only solution."

Reagan challenged his critics. "Those who tell us the moral thing to do today is embargo the South African economy and write off South Africa should tell us exactly what they believe will rise in its place. What foreign power would fill the vacuum—if ties with the West are broken?"

Reagan answered this rhetorical question repeatedly in his speech: "The Soviet Union is not unaware of the stakes," he said, and described how the Soviets have made strategic advances in Angola and have armed the guerrillas of the African National Congress (ANC). Reagan affirmed, "The

South African government is under no obligation to negotiate the future of the country with any organization that proclaims a goal of creating a communist state—and uses violence and terrorist tactics to achieve it."

While this was a reference to the Soviet-backed and pro-communist influences in the ANC, the White House confirmed Secretary of State George Shultz's announcement that he would be willing to meet with ANC leaders because, they said, "there are many factions in the ANC, some of which are communist, and some of which are not."

But while warning of the strategic danger to the region, President Reagan keyed his speech to the vision of regional economic development as the pathway to stability in a manner that bore striking resemblance to the method articulated repeatedly for over the last decade by American economist and Democratic presidential candidate Lyndon LaRouche.

'Look at a map . . .'

"Looking at a map," Reagan said, "southern Africa is a single economic unit tied together by rails and roads. . . . South Africa is the nation where the industrial revolution first came to Africa; its economy is a mighty engine that could pull southern Africa into a prosperous future. The other nations of southern Africa—from Kinshasa to the Cape—are rich in natural resources and human resources. . . . I have directed . . . a study of . . . what can be done to expand the trade, private investment, and transport prospects of southern Africa's landlocked nations."

He stressed, "This administration is not only against broad economic sanctions and against apartheid; we are for a new South Africa, a new nation where all that has been built up over generations is not destroyed, a new society where participation in the social, cultural, economic, and political life is open to all people—a new South Africa that comes home to the family of free nations where she belongs." Reagan's call for a study of transport prospects for the landlocked

nations of southern Africa referred to the "Beira corridor" project, Shultz revealed July 23 in his testimony before the Senate Foreign Relations Committee. Beira is a port in Mozambique that is the best natural sea access point by rail for landlocked Africa (p. 67).

Such a regional development approach not only bears similarity to LaRouche's method and that of Israeli Prime Minister Shimon Peres's "Middle East Marshall Plan" proposal, but it craftily poses the diplomatic and political benefits of increased economic investment—in contrast to economic penalties—as the best means to create a context for a smooth transition to "a political system that rests upon the consent of the governed—where the rights of the majorities, the minorities, and individuals are protected by law" in South Africa itself, Reagan said.

This was the framework Reagan established to make his argument against "punitive sanctions." White House spokesman Larry Speakes clarified the term—distinguishing "targeted sanctions," such as those the President announced against South Africa a year ago—from "punitive sanctions," which he defined as those which have the effect of hurting those they are supposedly designed to help (namely, the black population of South Africa, through hurting the economy, and thereby, black employment).

Reagan began his speech by siding unequivocally with British Prime Minister Margaret Thatcher in her tangle with Queen Elizabeth (see p. 32). "The prime minister of Great Britain has denounced punitive sanctions as 'immoral' and 'utterly repugnant.' Let me tell you why we believe Mrs. Thatcher is right," Reagan said. To Thatcher, an economic breakoff with South Africa will immediately cost over 200,000 jobs in her country, which already suffers official 14% unemployment—an important added incentive in her staunch position against sanctions.

Under pressure from every quarter, the administration position on sanctions had not changed as the week ended following the historic speech, despite media signals to the contrary. In the face of the violent congressional reaction, the major media began reading into remarks by presidential press secretary Speakes during a two-day Reagan trip to Texas, Florida, and South Carolina immediately after the speech, that the President had already started to reconsider his position, and, because of all the negative reaction, would be willing to compromise on sanctions with the Congress.

When asked by *EIR* upon his return to Washington July 25 if this is what he had meant to say, Speakes said emphatically, "No." He said that the "targeted" (as opposed to "punitive") sanctions imposed on South Africa by Reagan almost a year ago are due to expire in early September, and that there is an ongoing process in the administration of evaluating whether or not to renew them or add to them. As to the willingness of the administration to bend on "punitive sanctions," Speakes insisted that nothing had changed.

The issue provoked a rare public attack on the State De-

partment by Speakes during the regular White House press briefing the same day. When told by a UPI reporter that his (Speakes's) characterization of the sanctions issue was "out of line, according to what people at the State Department say," Speakes snapped back, "I get my word from the Oval Office, and if what the State Department is saying is different, then they had better get back in line!"

The conflict between the White House, especially its National Security staff, and the State Department has seldom been more apparent than on the South Africa issue. While claiming to be defending the Reagan position during over three hours of testimony before the Senate committee July 23, Shultz never once brought up the issue of the Soviet strategic threat to the region, but focused his remarks on how "the law of the market place" is already delivering the negative message to the South African regime through a decline in investment.

All the Queen's men

Nonetheless, Shultz drew the bipartisan fire of the Foreign Relations Committee, led by the transparently staged nationally televised outburst by Sen. Joseph Biden (D-Del.), who was being coached by Sen. Edward Kennedy (D-Mass.) before lighting into his shouting match with Shultz. Biden, who fashioned himself as a veteran of the U.S. civil rights struggle, said he felt Bishop Tutu's characterization of Reagan's speech as "nauseating" and invective that everyone in the U.S. "can go to hell," was "actually quite restrained."

Sen. Paul Sarbanes (D-Md.) expressed his grave concern that the South African issue would "break up the Commonwealth," and said on a national TV show that the fault with the Reagan policy is that it "depends upon imputing good will to the Botha regime, which I do not think is justified." Therefore, Sarbanes admitted that only a total change of government is acceptable to his faction—even though this will ensure a descent into chaos in the region. Meanwhile, U.S. AFL-CIO head Lane Kirkland, in his own statement against Reagan and in favor of sanctions, claimed that he was speaking on behalf of labor leaders in South Africa, although when he was there he refused to meet with Chief Buthelezi, the head of the largest labor organization in the country, who opposes economic sanctions.

Honors for a new height of stupidity on the issue go to Rep. Barbara Mikulski (D-Md.). Because she is now running for U.S. Senate in Maryland, she was subjected to a snap quiz by a local TV station on July 24, in which she answered only 1.5 out of five easy questions on foreign policy correctly. She identified Dr. Jonas Savimbi, the head of the anti-Soviet UNITA freedom fighters in Angola, as the head of the South African pro-Soviet ANC, which she claims to support. Rep. Michael Barnes (D-Md.) also failed the question, as did Maryland Gov. Harry Hughes. Even the *Washington Post*, which is sympathetic to all these Democrats, could not avoid keeping this national disgrace off its front page.

'Don' Mario Cuomo and the dope mob

by Joseph Brewda

New York State Democratic Gov. Mario Cuomo has at times said that the term "mafia" is nothing but "a slur on Italian-Americans." He was more honest when he said that Judeo-Christian morality should be kept out of politics. *EIR* now has evidence suggesting that the term "mafia" is an apt description of the source of his entire political career.

The tip of this iceberg is the recent discovery that Cuomo, along with U.S. Sen. Al D'Amato (R), was cited as a reference by the Mattone Group, Ltd., a "construction firm," in its bid last May on a multimillion-dollar project at the Pittsburgh airport. The Allegheny County (Pennsylvania) Board of Commissioners gave Mattone Group the contract, but then abruptly canceled it. The firm isn't run by very nice people, it turned out.

The Mattone Group's vice-president is Nicholas Sands, a.k.a. Nicky Santiago, godson of the late Carlo Gambino. In 1975, Sands was indicted and jailed for embezzling \$500,000 from the pension fund of Carpenters' Local 3108, which he headed. He was an associate of the late Donald Manes, borough president of Queens, New York, whose recent suicide triggered the New York Democratic machine's ongoing corruption scandals. In May 1980, Sands was the victim of an attempted mob rub-out; he survived being shot nine times as he was leaving his Queens home. He would not cooperate with authorities to find his assailants.

The rejection by Allegheny County of the Cuomo-backed firm has triggered a Justice Department criminal investigation into the Mattone Group, according to sources.

Cuomo is an intimate of the Mattone Group mobsters. The firm's owner, Joe Mattone, was the top fund raiser for several of Cuomo's election efforts. According to investigators, Mattone and Nicky Sands began lobbying Allegheny County over a year ago to award them the \$3 million contract for construction of a third airport cargo building. They retained the firm of Baskin and Flaherty to represent them—not overlooking the fact that senior partner Peter Flaherty's brother is an Allegheny County commissioner.

The other senior partner, Phil Baskin, is western Pennsylvania's top operative in the Anti-Defamation League (ADL), an organization formed by the mafia in 1913 as a propaganda and dirty-tricks unit. Baskin's partner, until recently, was Stanley Steingut, the former minority leader of the New York State Legislature, and a longtime crony of

former Brooklyn Democratic boss Meade Esposito. Esposito is now under indictment for kickbacks, one feature of the unraveling of the New York Democratic Party machine. Both Steingut and Nicky Sands are business partners of Esposito in various ventures.

Cuomo is a political protégé of Meade Esposito.

A new dope route

To what was Mario Cuomo lending his name in the Pittsburgh caper? It was much more than a construction contract. The ambitious feature of the plan was to establish a customs clearing house at the airport, replacing the present system whereby items destined for Pittsburgh but needing customs inspection are flown to Cleveland for the inspection, then trucked to Pittsburgh.

The import of this lies in the fact that, currently, some 70% of all airborne freight entering the United States comes in through Kennedy Airport in Queens, New York. Sands owns several trucking companies at Kennedy Airport. Cuomo's associates in New York's Gambino clan thus secure a major share of the narcotics slipped into the country in that freight. In short, Sands's "construction contract" would have given Pittsburgh a cut—the basis of the support for the plan in Pittsburgh, according to investigators.

Also according to investigators, one of the key institutions binding the Pittsburgh and New York mobs to the proposed Pittsburgh airport deal, is Sterling National Bank of New York. Sterling National uniquely ties the Jewish and Italian mafias together, through its services for such mafiosi as the late Michele Sindona, and Meyer Lansky's ADL. Baskin's law firm has historically been associated with the bank.

Mario Cuomo politically "discovered" mob princess and Mondale running-mate Geraldine Ferraro—a pioneering effort to run a mafia-linked figure for high office, setting a precedent for Cuomo's own planned 1988 presidential campaign.

Guess who largely directed Geraldine Ferraro's 1978 congressional campaign fundraising. Nicky Sands, who raised over \$300,000 for her. Sands is also a partner of her husband, John Zaccaro, in at least one mob venture.

Cuomo's son-in-law, Peter Robert Perpignano, is a business partner of Michael Lazar, whose federal indictment for kickbacks was triggered by Donald Manes's suicide. Lazar went from directing the Democratic Party cash cow known as the New York City Taxi and Limousine Commission, to become one of the largest real-estate developers in New York State.

Cuomo's son Andrew has parlayed his law firm of a half-dozen 30-year-olds into one of the most powerful political operations in New York, in just a few years. The firm is retained by Bank Leumi of New York, the Israeli drug-money-laundering machine tied to the ADL and other elements of organized crime.

Gramm-Rudman cuts in Navy would turn the oceans into Soviet lakes

by Bob Greenberg

The first article in this occasional series appeared in EIR, June 13, 1986, page 34.

"I am here today to tell you that, despite remarkable advances in the state of national defense readiness over the past five years, pulling the rug out now, as some cavalierly call for, can only give aid and great comfort to Soviet strategists along with those of Warsaw Pact and other surrogates. Not one analyst that I know of has yet proven that either Soviet military leadership or their arms-laden surrogates are deterred from military adventurism by the new Gramm-Rudman-Hollings 'weapon system.'"

This was the frank warning by former Chief of Naval Operations James D. Watkins, in a speech given to the Kiwanis Club of San Diego on March 17, 1986. Since March, Admiral Watkins has used every opportunity made available to him to warn that the projected defense budget cuts for Fiscal Year 1987 would devastate national defense, and destroy U.S. naval operations.

In that same speech Admiral Watkins, after reviewing the significant strides toward rebuilding a competent naval capability after the dark Carter years, bluntly stated: "While things are going well in the Navy—it can all be very quickly shattered in one irresponsible act of misguided budget heavy-handedness, if we're not on our toes . . . nearly all the good accomplished over the last six years will be lost quickly."

Admiral Watkins's dire warnings were taken up by his successor as Chief of Naval Operations, Admiral Carlisle Trost. In his inaugural speech, Admiral Trost gave the same blunt warnings, ending with the words, "I will not preside over the destruction of the U.S. Navy."

A repeat of the Carter-era debacle?

The United States, as noted by Admiral Watkins, is a maritime power not by choice, but by necessity. Free access to the seas and oceans is an absolute necessity for trade during peacetime, and mobility during war. Yet in the face of enormous advances made by the Soviet naval forces over recent years, enabling them to have an active global deployment as never before, such access is threatened by the cuts in the defense budget.

Over the last two decades, the Soviets have successfully evolved from a defensive to an offensive global maritime

power, significantly adding to Soviet strategic superiority. The Soviets, unhampered by any budget constraints, have over those two decades aggressively developed the full spectrum of naval capabilities necessary for global deployment in either wartime or peacetime.

Of the approximately 1,800 ships in their fleet, about 1,400 of these are direct combatants for use in time of war, the others being auxiliary ships such as tankers, merchant fleet, and intelligence collection vessels. Not only do the Soviets outnumber the United States in all principal forms of combatants, but they are constantly introducing improvements. For example, not only do the Soviets have the largest submarine force in the world, but since 1975 they have introduced 13 new classes of submarines, three in the last two years alone. During the same period the United States has only introduced two new classes.

Similar consistent improvements have taken place in all other areas of the Soviet combatant force, be they cruisers, carriers, destroyers, or frigates. Soviet ships carry modern and capable anti-air and anti-submarine warfare systems to add to their strong suit of anti-surface warfare. Recent additions to their maritime force have also paid greater attention to the need for greater range and endurance.

The result is that the global reach and deployment of the Soviet Navy has significantly increased. Since 1975, for instance, the Soviet Pacific fleet has more than doubled its operating time out of home waters, and its major surface combatants and submarines have increased by more than 20%, making this the largest of their four fleets. The Soviets are increasingly able to launch sustained naval operations over greater distances.

This has also been aided through their gaining access to air and naval facilities near vital sea lines of communications through firming up relations with various allies such as South Yemen, Ethiopia, Angola, and Vietnam. The Soviet base at Cam Ranh Bay, Vietnam is their first fully developed overseas facility, supporting a large contingent of ships and submarines, as well as aircraft.

The consistently expanding and improving maritime capability poses a serious threat to Western security. Soviet submarines are operating directly off the coasts of the United States, with Victor-class nuclear submarines operating around U.S. naval ports. Soviet surface combatants are regularly

deploying to the key chokepoints and sea lanes, through which most of the West's international trade passes.

Their ability to deploy large-scale forces for long periods of time was clearly demonstrated last year by two mid-1985 exercises, one involving the Northern and Baltic fleets, and one involving their Pacific fleet. In both cases about three-quarters of their ships and submarines were deployed, along with aircraft, directed against simulated NATO battlegroups. The Soviets' most advanced surface combatants, such as the Kiev aircraft carrier and the Kirov nuclear-powered battle cruiser, were deployed in these exercises, while anti-carrier, anti-submarine and reconnaissance aircraft flew around the clock.

During the same period that the Soviet Navy was massively built up, the U.S. Navy was nearly dismantled. In the 1970s, with major budgetary cuts accompanying the winding down of the Vietnam war, the Navy budget was cut about 22%, creating major vulnerabilities in U.S. maritime posture, which reached its low point in the Carter years. The U.S. fleet rapidly shrank from 950 to 479 ships, a figure in itself deceiving, since many of those ships were old and lacked the maintenance or manpower to sail.

The cuts also forced a closing of many naval bases and ports, making our shrinking fleet an easier target. Even this smaller fleet was manned at only 91%, meaning that some of the ships could not deploy on schedule. And, if they had the required number of people to sail, often because of cutbacks

in training, they couldn't leave port anyway.

While lack of personnel was a major problem, drastic cuts in the Operations and Maintenance budget, which provides for spare parts, overhauls, ship and aircraft fuel, ammunition stockpiles, and other support functions, just as often prevented ships from leaving port. In many cases ships would sail without the right number of missiles or spare parts. Cross decking, whereby a homeward bound ship would transfer weapons and materials to a ship headed toward sea, became a common practice. There were not even sufficient stocks of ammunition to load the 479-ship fleet fully. There was less than one week's supply of air defense munitions.

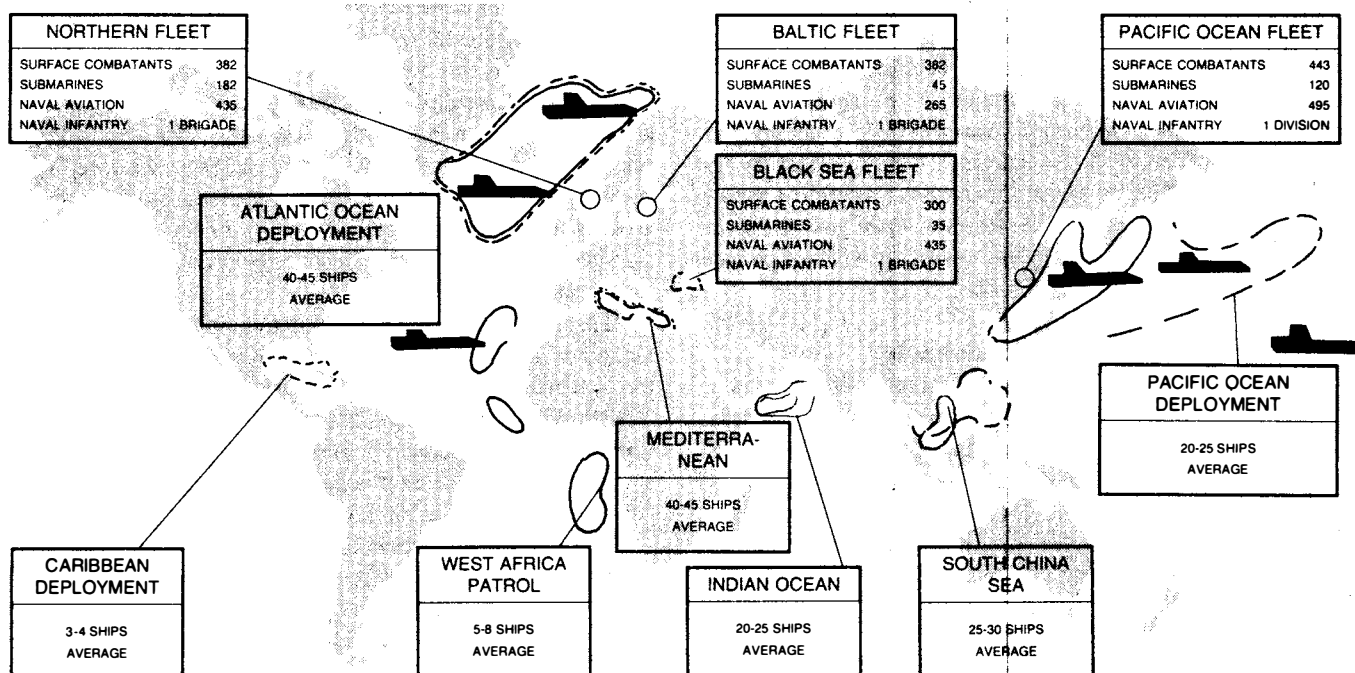
If the ships did sail, it would be for shorter time periods than required. During one 1976 NATO exercise, 10% of the Second Fleet ships assigned to sail, could never leave home port because of maintenance problems that lacked the means to be fixed.

At a time of increasing dangers posed from the Soviets in all the oceans of the world (see Figure 1 for Soviet deployment) we were, in the words of former Chief of Naval Operations Thomas Hayward, operating a one-and-a-half-ocean navy in a three-ocean world.

Back to a three-ocean navy

It was this that has only begun to be corrected over the last six years. The fleet has grown from 479 to 546 ships, 70% either new or modernized. With the ships under con-

FIGURE 1
Soviet Navy active global peacetime posture
FY 85



struction, we are on our way to a 600-ship fleet. As the quality of personnel is key to the effectiveness of any fighting force, the Navy has over the years placed personnel readiness at the top of its spending priorities. The increased fleet is now nearly 100% manned, with that personnel better trained and equipped than before.

The Navy is better maintained than previously, so that spare parts, munitions, and fuel availability have increased substantially. About twice as many ships are now listed as combat-ready, with four times as many aircraft squadrons at readiness level. Supplies of surface-to-air missiles have increased by 40%; torpedo supplies are up 30%. Overall weapons stocks have doubled since 1980 and will, at present budgetary requests, double again by 1990. Cross decking no longer occurs.

Spare parts availability is up by 35% with an equal percentage reduction in the time it takes to obtain repair parts for major casualties. The effects of the ships being more sea-ready have also decreased mission degrading casualties per surface combatant from 58% of the time in 1981, to 43% and falling in 1985.

The result is that sea time has increased, allowing for increased training. We are no longer a one-and-a-half-ocean navy, but a three-ocean navy. This is not a luxury, but a stark necessity. How much so is indicated by the fact that in 1985 the Navy logged more sea time than during the entire Vietnam War. Why? Because in order to at least stay on top of what the Soviets are doing, the Navy has to deploy to the same ocean and sea routes. Given the Soviets' increased global reach, the U.S. Navy has no choice but to attempt to match that global reach.

From this standpoint, as Admiral Watkins and others have made clear, even the improvements in our naval capabilities are not enough. Since the Navy's operating tempo is not decreasing, but increasing, we require a constantly expanding rate of improvement in our naval capabilities.

What is needed now

Thus with all these improvements, the Navy is not yet, by its own specifications, up to where it needs to be to meet the increased Soviet threat, nor can these improvements be looked at in a fixed manner. For example, merely to maintain a 600-ship Navy requires building 20 new ships each year, as an average ship has a lifespan of about 30 years. And the personnel, while close to 100% for a 546-ship fleet, are not enough for a 600-ship fleet.

Moreover, the Soviet operating tempo never decreases. Their Pacific fleet alone is as large as the entire U.S. fleet; they continue to grow, and their quality is improving at a surprising rate. They are fielding things now that most naval analysts didn't think they would be capable of for another decade. Recent reports from NATO intelligence sources indicate that Soviet ability to field submarine-based ballistic missile systems has improved to such an extent that they can even reduce their land-based intercontinental ballistic mis-

siles with no loss in strategic capability at all.

Thus, as Soviet capabilities and varieties of low-intensity warfare deployment increase, the mission requirements of the U.S. Navy increase as well. This means constant modernization, and sustainability for increased forward deployments.

To accomplish and maintain this requires an increasing budget line. But instead, with the cuts mandated by Gramm-Rudman for 1986 and 1987, we are rapidly going the other way. The 4.9% cuts mandated by Congress for FY1986, while not yet disastrous have already had a serious impact. While military personnel funds were generally exempted in 1986 due to the cuts being ordered late in the year, \$62 million in cuts were made, mostly resulting in stretchouts of tours of duty, early discharges to save money, and cutbacks in reserve training and education. Such cuts obviously affect readiness, and if continued will result in a reversal of the Navy's personnel achievements.

However, it is in the areas of operations and maintenance, and procurement that the effects are most serious. The O&M budget was cut by \$1.3 billion, resulting in proportionate cutbacks in the funding to operate ships and aircraft, and well as reduction in depot maintenance and the maintenance of real property. These cuts also mean that present stocks of ammunition and spare parts are being eaten up, with less ability to maintain a decent stockpile.

The reductions in the procurement areas totaled \$2.6 billion and the research, development, testing, and evaluation (RDT&E) \$514 million. As emphasized by Rear Admiral William Smith, the Director of the Navy Budget Office, in his testimony before the House Armed Services Committee, aside from the obvious delays and stretchouts of much-needed procurements and research, the impact of these cuts may not be felt for years.

The example given by Rear Admiral Smith is the case of the much-needed Trident submarine program, which for FY1986 is comprised of one sub appropriated for \$1.4 billion. Since there is only one sub being built, a 4.9% reduction would require only building 95% of the submarine. This is an obvious absurdity, and so the question is whether or not the sub can be built with 4.9% fewer dollars, something that cannot even be judged for four years down the road. The affect on RDT&E is similar.

Where does this leave the Navy, facing the prospects of even bigger cuts for 1987? To quote Admiral Watkins: "In Fiscal Year 1987, if sequestering of requested funds to the extent some defense critics are forecasting is directed, nearly all the good accomplished over the past six years will be lost quickly. . . . If this happens, our nation for the first time, will also see the unraveling of any logic to justify a military budget. Why? Because the military strategy will be decoupled in an uncontrolled way by the vagaries of the bill's formula—decoupled from the real threats we meet. Many hailed last year's defense cuts as a great victory, but a few more victories such as this could be our undoing."

Strikes and urban services breakdown

"Mini-Grace Commissions" are telling elected officials how to "adjust" to the depression by ending services.

By the end of July, it is expected that all the final settlement details in the Detroit and Philadelphia city-employee strikes will be agreed upon by the cities and municipal workers. New contracts will be concluded.

However, behind these headline situations—for example, the mid-summer pile-up of 75,000 tons of garbage in these two cities alone—is the underlying process of breakdown of essential services in cities all across the country, as local and state governments attempt to adjust to the economic depression by cutting back budgets for service workers and infrastructure maintenance.

Some of the worst urban breakdown situations in the United States are in the small towns of the Midwestern farmbelt, where whole communities are going bankrupt. Hospitals and other vital services are being shut down entirely.

Up for renewal this year are contracts for 300,000 of a total 1,000,000 American Federation of State, County, and Municipal (AFSCME) workers. Besides Detroit and Philadelphia, cities due to renegotiate AFSCME contracts include Milwaukee, Jacksonville, and Cleveland. Thousands of non-AFSCME workers, such as Pittsburgh, also have contract deadlines.

In Philadelphia, a tentative contract agreement was reached July 22 with 12,885 blue-collar workers who returned to work July 21, ending a 20-day strike. Trash collectors were ordered back to work July 19 by court action, in order to remove 45,000 tons

of garbage that piled up during the walk-out.

In Detroit, by July 23, a settlement seemed in sight by negotiators for the city and striking municipal workers, engaged in court-ordered talks to end an eight-day walk-out.

The strike began July 16, and included 7,000 trash collectors represented by AFSCME, and 5,000 other city employees honoring the picket lines. The strikers were seeking a 26% pay raise over three years. The city offered raises tied to its financial situation, with a guarantee of 2% the first year and a cap of 18% for the three years.

According to Philadelphia Mayor Wilson Goode, the pact worked out with AFSCME District Council 33 included a 10% raise over two years.

In the past, city and state employee contracts were typically for two years each, and city and state negotiations tended to occur in alternate years. Now, the pattern has blurred. Many large states, such as New York, have three-year contracts.

Most of the contract talks by AFSCME have been of the crisis-to-crisis nature. Since 1979 and the onset of Paul Volcker's usury, many contracts have merely held the line or fallen back on wage rate levels. The average wage of an AFSCME government worker is \$17,000-18,000, or about \$8.50 an hour.

At present, there is pressure to both restrict wage increases to 0-3% and shift costs of health care and other benefits onto the employee. Governments have also implemented attrition

policies; retiring employees are not replaced. The workload must be shared among the remaining workforce.

There are some health workers who now have an impossible caseload of literally hundreds of people. The corrections facilities have become impossible-to-manage situations for the government employees.

In the energy states, where government revenues have plunged during the past few months of oil price decline and related declines in the real-estate and agriculture sectors, local government services face an emergency. In Texas, public-sector strikes are illegal. But the situation in Houston is in a crisis stage; there is no money to maintain the needed workforce to guarantee services.

In Louisiana, where public-sector strikes are also illegal, there have been no local government wage increases in eight years, except for incremental increases within the same wage category.

Earlier this year, there were heated negotiations in the state of Iowa. There and in some other states, private consultants are presenting blueprints to the elected officials on how to "adjust" to the depression and cut back on government employees and services. These studies are state and local versions of the Peter Grace Commission recommendations on how to slash the federal budget and essential functions. The state studies recommend "reorganizations" to eliminate many services, and "privatization" of many functions.

In July, such a report was presented to Gov. Arch Moore of West Virginia, prepared by executives from various businesses in the state. Called the "Governor's Manager's Taskforce Report," the study is a "mini-Grace Commission" report that recommends "downsizing" government, just as did the Iowa report.

Reagan proposes great project for Africa

In his courageous July 22 speech on South Africa, President Reagan spoke of the needs of the land-locked nations of Central Africa in espousing the economic potentials of the entire region of southern Africa, "from Kenshasa to the Cape."

It was learned in testimony before the Senate Foreign Relations Committee the next day that Reagan was referring to a specific proposal—for the development of the "Beira Corridor." This is a rail and general transport project designed to give land-locked nations from Uganda in the north to Rwanda, Burundi, eastern Zaire, western Tanzania, Zambia, Malawi, and Zimbabwe access to the sea through an enlarged port at Beira, Mozambique.

What is unique about this proposal is that the United States is supporting a project which would involve nations being subjected to a lot of Soviet influence—namely, Zimbabwe and Mozambique.

However, it reflects the method espoused by American economist Lyndon LaRouche for over a decade since his "International Development Bank" proposal, which has also helped to shape the "Marshall Plan for the Middle East" proposal of Israeli Prime Minister Shimon Peres. That method is to offer significant cooperative economic development through "great enterprise" projects as a means to bring nations into political concord.

It may have been generally over-

looked, but this was the major methodological point to his stated policy, namely, a negotiated approach to ending apartheid and "constructing a political system that rests upon the consent of the governed" by addressing the economic interests of all the nations of southern Africa.

Shultz shows blind spot on Soviets again

The differences between President Reagan and his secretary of state, George Shultz, could not have been more clearly delineated than in the comparison between the President's July 22 speech on South Africa and Shultz's three hours of testimony before the Senate Foreign Relations Committee the next day.

Reagan attacked the Soviet-influenced African National Congress (ANC) three times, in the strongest terms, for their terrorist activities, and attempts to make South Africa "ungovernable." He warned of Soviet strategic designs on the region, and said, "Those who tell us the moral thing to do today is embargo the South African economy and write off South Africa, should tell us exactly what they believe will rise in its place. What foreign power would fill the vacuum—if ties with the West are broken?" He answered the question himself with numerous references to the Soviet build-up in the region.

Shultz, on the other hand, mentioned the Soviets exactly once in three hours of testimony, and among other things, reiterated his unqualified offer to meet with the leaders of the ANC.

Of course, none of the senators bothered to bring up the Soviets, either, and that included Sen. Jesse Helms (R-N.C.), who was more concerned that Shultz get promises from the ANC to stop-terrorist acts before meeting

with them, but passing up entirely the opportunity to raise questions about the level of Soviet support for the ANC, and their military buildup in the region as a whole.

Moscow and the ANC

For the record, the Pentagon's 1986 edition of *Soviet Military Power* says the following about Soviet influence on the ANC:

"In addition to working for South Africa's diplomatic isolation, the U.S.S.R. seeks to exploit internal discord in that country. Although domestic opposition to the South African government is not united, Moscow attempts to influence events through:

"1) deliveries of weapons to and the military training of armed forces located in regional countries hostile to South Africa,

"2) ties with the South African Communist Party, and

"3) support of the African National Congress, a group that seeks to topple the present government."

The Soviets' military buildup in central and south Africa ranges from the port at Aden in South Yemen (the third-largest port in the world), to the Seychelles Islands on the east coast and the São Tomé and Príncipe islands on the west coast, plus operations directly on the continent centered in Angola.

These capabilities are giving the Soviets the military capacity to block vital sea lanes around the cape, and wage a successful military invasion of the region against the forces of South Africa. With control of that region, the Soviets would have an overwhelming monopoly of a large number of strategic metals required for specialty steel production, including manganese, chrome, and platinum, among others.

New AIDS legislation in the hopper

Rep. William Dannemeyer is drafting federal legislation that would make it a crime for a person who knowingly carries the AIDS virus to engage in activities that could transmit the disease.

Such actions are "attempted murder," said Duane Crumb, a spokesman for the California Republican. Crumb told *EIR* that Dannemeyer is debating whether to classify such activity as a misdemeanor or a felony. "I would not be surprised if we came down on the side of making it a felony."

Earlier this month, Dannemeyer became the first federal official to endorse a California ballot initiative which would put AIDS on the state list of diseases subject to various public-health measures.

Crumb explained that Dannemeyer endorsed the initiative because, while "it doesn't do a great deal, what it does do is good," namely, requiring that people carrying AIDS virus be reportable to public-health authorities.

Dannemeyer has sent out a letter to all California state officials calling for them to support the initiative. Crumb said he doesn't expect much positive response, since "there is such a big homosexual lobby in the state," including in the Republican Party.

Anti-NATO gang gears up drive for troop pullout

With the House and Senate moving to complete action on the Defense Department authorization bill, various members of the anti-NATO gang on the Hill have stepped up their demands

that the U.S. military and financial commitment to Western Europe be drastically curtailed.

Pat Schroeder, a liberal Democrat from Colorado, will introduce an amendment to the DOD authorization bill calling for a 50% reduction in U.S. forces abroad by 1991.

It's "incredible" the United States has deployed troops to "defend other people and other continents," Schroeder asserted in a recent interview. She also called NATO a "foreign entitlements program," and assailed Europeans for "just wanting more SDI contracts, and more jobs on U.S. bases."

"The combined economies of the NATO countries in Europe are greater than ours," she charged. "They now have had almost ten years to do more [for NATO], and they haven't done it. And I don't think they're ever going to do it, until we give them a timetable and say, okay, we've got to start pulling down [troops] because we can't afford to do all of these things. It's like having all the burdens of empire and none of the benefits. . . ."

It's not just liberal Democrats who are sounding off against the Atlantic Alliance. Nebraska Republican Rep. Doug Bereuter took to the House floor July 21 to inveigh against Europe for its failure to share equally in the burden of its defense.

Quoting chapter and verse from Henry Kissinger's most recent pro-decoupling statement, a May 13 syndicated column published widely in European and U.S. papers, Bereuter said American troops should be withdrawn from Europe.

Describing Kissinger's logic as "forceful," Bereuter went on to repeat Kissinger's argument: "Continued deployment of U.S. forces at current levels in Western Europe is probably not the most efficient use of our per-

sonnel, equipment, or financial resources," Bereuter pontificated. "I believe that Europe can do more toward its own defense and that we can better handle our global responsibilities by positioning elsewhere—most likely in the United States—some of the troops now in Europe."

Is Congress serious about drug-money laundering?

A bipartisan group of Senate Judiciary Committee members will soon introduce legislation making it a felony to launder drug money, according to the June 21 *New York Post*. The chief sponsors of the bill include Judiciary Committee chairman Strom Thurmond (R-S.C.) and ranking Democrat Joseph Biden (D-Del.).

Modeled on a draft prepared last year for Attorney General Edwin Meese and supported by the President's Commission on Organized Crime, the legislation will mandate sentences of up to 20 years and fines of double the amount of money laundered, for bank officials or casino operators convicted of wittingly laundering dope profits.

A few days earlier, two House subcommittees reported out separate but related bills that would also make money laundering a crime.

HR 5077 would create a new federal crime for money laundering and provide for a 20-year prison term and fines up to \$1 million for individuals and \$5 million for companies. It would also allow the seizure of assets of those who knowingly engage in money laundering.

The other House bill, HR 5176, would make it illegal to structure a financial transaction so as to evade

federal reporting requirements.

Also modeled on Meese's recommendations, the House bills share some of the same flaws as the Senate version. The chief problem is that they explicitly state that a financial institution involved in money laundering could only be held culpable if it *knowingly* engaged in such activity—something difficult to prove in a court of law.

Congress's renewed focus on money laundering raises some interesting questions about the fate of William Weld's nomination as assistant attorney general in charge of the Criminal Division. Weld, currently U.S. Attorney in Boston, created a huge scandal last year, when he gave the Bank of Boston a mere slap on the wrist for its role as a washing-machine for huge amounts of mafia dollars.

"The single event that sparked the greatest outrage over money laundering was the explosive revelation last year that the Bank of Boston . . . had laundered millions of dollars for the family of Boston's reputed organized-crime chief, Gennaro Angiulo," the *Post's* Deborah Orin reported.

"Over a period of years, the Bank of Boston, without raising a corporate eyebrow, let the Angiulo family bring in brown paper bags full of small bills and exchange them for bank cashier's checks. . . .

"The Bank of Boston was fined \$500,000 for that violation as well as other currency violations involving a total of \$1.2 billion.

"As Senator D'Amato (R-N.Y.) has noted, the fine was a piddling four ten-thousandths of the amount that went unreported—hardly a chilling penalty."

The Weld nomination will be a litmus test of just how serious D'Amato, Biden, et al are about their anti-drug

crusade. The Judiciary Committee has been supplied with ample material on Weld's drug-money connections. If Biden and his pals permit Weld to be confirmed, they'll be doing a major favor for the same international dope lobby they claim to oppose—and don't think they don't know it.

Whether Schroeder and her bipartisan coterie succeed in forcing a pull-down of the American military presence is open to question. Schroeder herself doesn't think her amendment will pass. "Obviously, the administration will fight it tooth and nail," she said. "They tend to win everything, so I guess I don't think" it will pass. She reported that the administration is "arm-twisting" fiscal conservatives in particular, a group Schroeder had hoped would back the measure on budget-cutting grounds.

Third term for Reagan?

Rep. Guy Vander Jagt (R-Mich.), chairman of the National GOP Congressional Committee, has delivered himself of a proposal which has raised quite a few eyebrows, even among Washington's jaded denizens. He wants to repeal the 22nd Amendment to the U.S. Constitution, for the purpose of allowing President Reagan to serve a third term in the Oval Office.

Vander Jagt has sent out a fund-raising mailing which includes an "Official Constitutional Petition" calling for the "immediate repeal" of the amendment. Ratified in 1951, the amendment prohibits persons from serving more than two terms as President. If he receives enough petitions, Vander Jagt says he "will personally introduce the legislation to repeal" the amendment.

"Ronald Reagan is one of the greatest American Presidents of all time, and I want to keep him on the job," Vander Jagt wrote in a fund-raising letter that was sent to 300,000 people. Should this effort fail, Vander Jagt has an alternative plan: running Reagan for Speaker of the House. That position is not limited to House members, but the Republicans would first have to win a majority of the seats.

Is Vander Jagt serious—or is he indulging in some creative fund raising? It's hard to tell. The congressman is by no means the only person who likes the idea of Reagan's staying on for another four years; a group was established last fall explicitly for this purpose. And Reagan himself has frequently suggested that the two-term limit be dropped—although he's always been careful to say that he would never consider serving again.

More fiddling on Gramm-Rudman

The chief sponsors of the Gramm-Rudman-Hollings atrocity have come up with a new stunt for salvaging the law's automatic-trigger function, which was declared unconstitutional by the Supreme Court. After their proposal for making the General Accounting Office independent of Congress ran into a blank wall, Sens. Phil Gramm (R-Tex.), Warren Rudman (R-N.H.) and Ernest Hollings (D-S.C.) are proposing to empower the Office of Management and Budget to implement the cutbacks, thereby circumventing the separation-of-powers conflict which prompted the Supreme Court's action. OMB Director James Miller thinks this latest gambit is a great idea.

National News

AIDS quarantine backed by 50% of Americans

A poll recently conducted by the *Los Angeles Times* found that Americans are worried about declining standards of morality, and nearly 50% of those polled favored quarantine of AIDS victims.

The *Times* reported that citizens are concerned about government intrusion into the private lives of citizens, but that "there are some areas in which significant numbers of Americans are willing to allow government intrusion into private lives. For example, nearly half the public favors the quarantining of AIDS patients. In California, where the November ballot will contain an initiative measure sponsored by followers of Lyndon LaRouche that, among other things, would allow health officials to quarantine people with AIDS, the statewide public is evenly divided on the issue."

One-third of those polled said they think that "homosexual relations between consenting adults in the privacy of their own homes should be illegal." Nine out of 10 adults said it should be illegal to sell pornography to minors, and 4 out of 10 said there should be laws against the distribution of pornography.

Soviet emigré mobsters arrested in Brooklyn

Seven Soviet emigré mobsters were arrested in Brooklyn, New York on July 23 by a combined federal-state task force, and were charged with evading over \$16 million in state gasoline excise taxes. Until this arrest, many law-enforcement agencies have been as hesitant to deal with the Russian Jewish mafia, as they have been with the Los Angeles-based Israeli mafia, with which the Russian gangsters are aligned.

The Anti-Defamation League (ADL) is implicated in a KGB effort to infiltrate Soviet agents and criminals into the United States, under the cover of emigration of So-

viet Jews. These KGB agents and mobsters have quickly allied themselves with U.S. mafia elements such as the Gambino and Colombo families, as a means of penetrating the Democratic Party. Colombo family operative Lawrence Iorizzo, a business partner of several Russian gangsters, was recently exposed as a campaign contributor of New York Gov. Mario Cuomo.

These ADL-protected operatives have also penetrated domestic terrorist groups, notably the Jewish Defense League. The Brighton Beach JDL cell believed to be responsible for the 1985 assassination of Tscherim Soobzokov (a Russian emigré falsely accused of Nazi crimes by the *New York Times*) is composed of 15 Russian Jews, mostly Red Army veterans.

President endorses Mars colony program

Upon receiving a ceremonial edition of the National Space Commission's newly released report from Commission head Dr. Thomas Paine on July 22, President Reagan declared, "The message you want to hear is the one I will give you. We will carry out your program." The Commission report, "Pioneering the Space Frontier," presents a perspective for developing a colony on Mars by 2015.

At a press conference in Washington the same day, Dr. Paine told the press that he hopes that with continued scientific and technological advances, the report will be considered "much too pedestrian" 15 years from now, because it bases its projections on off-the-shelf technologies, not those, like laser-driven rockets, which, "Dr. Edward Teller kept whispering in my ear, should be included in the report."

At the opening of a conference in Washington on July 21 on NASA's Mars program, NASA Director Dr. James Fletcher said that "a Mars sample return mission is a program that could and should be done soon. If I had my way and the dollars, I'd go with the Mars rover and sample return."

The three-day conference was attended by nearly 500 people, including the scien-

tists who executed the two Viking Mars landings.

U.S. press undermined Bolivian war on drugs

Commenting on Operation Blast Furnace, the joint military war on drugs launched in July by the United States and Bolivia, Defense Secretary Caspar Weinberger said, "A key element of surprise was lost because some people were irresponsible." Weinberger was speaking in San Diego on July 18.

The Associated Press wire service and the *New York Times* were among those U.S. media which helped to undermine the effectiveness of the raids. An AP wire released on July 20 admitted that there were massive leaks to the press: "Several American news organizations say they knew about a week and a half ago of plans of the United States to participate in Bolivian drug raids but decided not to report it, largely out of fear of undermining the operation."

But the *New York Times* apparently had no such scruples. According to a source at the U.S. Information Agency, reporter Joel Brinkley "managed" in a "very astute" way to get the information out of a Drug Enforcement Administration agent stationed in Bolivia. Brinkley then passed the information to the Bolivian press, which alerted major drug traffickers to flee. Then, on July 16, Brinkley reported that the Bolivian press had blown the lid off the operation.

Brinkley was the author of a number of attacks on Lyndon LaRouche published in the *New York Times*.

House cuts funds to 'Civil Rights' panel

The U.S. House of Representatives quietly voted on July 17 to cut off all appropriations for the U.S. Commission on Civil Rights, labeling it a "propaganda tool" that has failed to provide any independent assessment of civil rights issues.

Clarence Pendleton, chairman of the commission, had no comment, but Ralph Neas, head of Leadership Conference on Civil Rights, praised the action, saying the commission's independence had ended three years ago. The Commission and Pendleton himself have come under increasing attack from black leaders and other civil rights activists, and on April 16, twenty-eight black Republicans called on Pendleton to resign, saying he has "no constituency and no license to speak for black Republicans."

On May 9, the Commission turned its facilities over to three of the most discredited political opponents of Lyndon LaRouche, a candidate for the Democratic presidential nomination. Dennis King, a writer for the drug-promoting *High Times* magazine; Irwin Suall, an official of the organized-crime-linked Anti-Defamation League; and John Rees, a fruity British intelligence stringer, joined forces to deliver an "informational briefing" consisting of tirades against LaRouche.

The LaRouche Democratic Campaign committee delivered a letter to President Reagan on May 12, protesting that "by giving these individuals a government-sponsored forum, the Civil Rights Commission gives the appearance of putting the imprimatur of your administration on this campaign of illegal harassment and extortion."

Crisis deepens for Space Shuttle funding

The Senate Armed Services Committee voted on July 16 to cut \$550 million from the FY 1987 Air Force Shuttle budget. This sum was to be paid to NASA in prepayment for FY 1988 military Shuttle launches. According to *Defense Daily*, the senators hope that this will allow them to meet the mandated Gramm-Rudman cuts in the defense budget, "without affecting the programs they favor."

Sources on Capitol Hill report, meanwhile, that the White House's delay in formulating a Shuttle policy—a delay orchestrated by Chief of Staff Donald Regan—has left the Congress with no guidance on fund-

ing for NASA in the FY 1987 budget, as the August recess nears. According to staff members, both the authorizations and appropriations committees will have to mark up the budget without a White House decision on replacing the Challenger orbiter, on how it would be paid, and on whether or not commercial payloads will be flown by the Shuttle in the future.

In order to allow NASA resources in the meantime, for redesigning the solid rocket boosters and making other necessary changes in the Shuttle system, the House and Senate have given the space agency an "urgent supplemental budget allocation" of \$531 million. Of that, \$431 million can be spent in this fiscal year, which ends on Oct. 1, and \$100 million is for FY 1987.

Mayor Koch backs military war on drugs

New York City Mayor Ed Koch (D), in a July 18 op-ed published in the *New York Times*, called for strengthening the federal war on drugs effort.

Koch proposed the following measures: "Use the full resources of the military for drug interdiction. Condition foreign aid on drug control. Establish a national drug education corps. Enact a Federal death penalty for drug wholesalers. Establish Federal narcotics courts. Designate United States narcotic prisons. Pass a Federal money-laundering statute. Enhance the Federal agencies combating the drug problem. Enact the state and local narcotics control assistance act of 1986."

In an open letter to Koch, *EIR* Contributing Editor Webster G. Tarpley, currently a candidate for the Democratic nomination to the U.S. Senate in New York, pointed out that the chief danger to the war on drugs is the "bankers' cartel of drug-money launderers" which is trying to place U.S. Attorney William Weld in charge of the Criminal Division of the Justice Department. "I therefore challenge you, Mr. Mayor, to back up your promising anti-drug program with action by joining me in the fight to block the Senate confirmation of William Weld," Tarpley wrote.

Briefly

● **'CERTAIN PEOPLE** may have illusions, but the SDI will be deployed," said Lt.-Gen. James Abrahamson, director of the U.S. Strategic Defense Initiative, on Belgian television July 18. "By the mid-nineties at the latest, stationing of the first generation of the SDI system will begin." This process is irreversible, he added.

● **A DELEGATION** from Georgii Arbatov's Moscow U.S.A. and Canada Institute arrived in Minneapolis on July 24, for a two-week visit sponsored by the Fellowship of Reconciliation. The delegation includes Gen. (ret.) Mikhail Milstein, Natalia Dolgoplova, Boris Krivenko, Igor Malachenko, Alex Pankin, and Valery Maryev.

● **CATHOLIC FEMINIST** theologian Rosemary Reuther claims that 40-60% of Catholic clergy in the United States today consider themselves homosexual. Writing in the *National Catholic Reporter* on April 4, she reported that homosexuality in the Church has become so widespread that the rector of Old St. Mary's Seminary in Baltimore several years back said that he feels obliged "to limit" the number of homosexuals at his institution.

● **SPACE HISTORIAN** John Logsdon, speaking at a conference on Mars exploration in Washington, D.C. on July 22, held up a copy of Lyndon LaRouche's recent memorandum, "The Crowning Achievement of the Reagan Administration: The Moon-Mars Colonization Mission," and read the first paragraph to the space assembled scientists. "No matter what else you think of him, Lyndon LaRouche is a smart man," Logsdon quipped.

● **REP. CARL LEVIN** (D-Mich.) has proposed erecting antitank barriers in Western Europe to reassure the East bloc that the West is relying on conventional weapons, not nuclear war.

Editorial

Red Queen: 'Off with her head'

Alone among almost all other editorial columns of the English language press the world over, this column has often in the past focused on the especially important—and evil—role that the Queen of the United Kingdom plays in world affairs. We were often assured, in rebuttal, that we had it all wrong, that the lady in question is merely an innocuous and impotent symbol with only a vestigial right to “encourage and warn,” who really has nothing to do with politics.

Then, suddenly, the United Kingdom's Red Queen, looked at Prime Minister Margaret Thatcher with the haughty, majestic contempt that is her habit, and said: “Off with her head!”

And what happened next? The entire “Alice in Wonderland” world of proper and respectable journalism, especially in Great Britain, who, in days now gone, had counseled us against “attaching too much significance” to the politics of the royal person, has erupted in a most enraged, protracted, howl against Her Majesty, the Red Queen.

“Royal Rubbish,” editorialized the *London Times*. “Prince Charles, whom everyone hoped would quietly go mad, is now successfully impersonating sanity,” says the *New Statesman*. “God save the Queen from damaging the Crown,” warns the *Daily Telegraph*. “The monarchy can oppose the Prime Minister only at the gravest risk of the institution,” warns the mass circulation tabloid *The Sun*.

The Conservative Members of Parliament are, en masse, beginning to act like Oliver Cromwell's Ironsides: “My family took the field against the King in 1648, and I am ready to do battle again now!” said one. Among the Peers of the Realm, the first stirrings of a galvanized awakening are already observable. Among them, the most level-headed (or should we say Leveller-headed), are already contemplating orderly ways of deposing not merely the Red Queen, but the whole House of Hanover—now masquerading as “The House of Windsor.” One such Peer—and not a Catholic, but an Anglican at that—discussed in sobering tones with

EIR, that an abdication of the Red Queen, if it led to the accession of Charles to the throne, would be a disaster, and that, therefore, the proper solution would be for the House of Commons and the House of Lords to invite in a “Great Steward of the Realm” to perform the service of Regency until such time as required for the issue of the succession to be resolved. The fact that Prince Charles, and his mentor, Armand Hammer, have been named, by Conservative parliamentarians, as “Deep Throat” in the evolving drama of “Palacegate,” suggests that the twin problems of abdication and succession are now seriously on the table.

This constitutional crisis in which the House of Hanover finds itself, already possesses all the ingredients of a Shakespearean political showdown to the bitter end: The fact that the Red Queen intervened in day-to-day politics and opposed the Prime Minister, merely provides the constitutional technicality for getting rid of her. Since no heads of state are removed for mere technicalities, the needed ingredient of urgent political reasons for her removal, is supplied by the larger, strategic and national security reasons which motivated the Red Queen to assault Margaret Thatcher: Elizabeth and the House of Hanover are in strategic alliance with the Soviet Union. Elizabeth and her family are the main institutional promoters of a grand scheme of surrendering the West to Moscow, under the guise of what Lord Carrington has called a “New Yalta.”

It is the persistence with which the Red Queen and the House of Hanover have promoted this “New Yalta” which finally awakened the patriotism dormant for three hundred years in English bosoms (though some say that Scottish bosoms have stirred even more passionately in the present confrontation).

The Royal Family can be deposed by quick and orderly legal procedure: The House of Hanover, since renamed by Elizabeth the House of Windsor, was elected to the British Monarchy by a 1701 Act of Parliament known as “The Act of Settlement.” It is a creation of Parliament, subject to the pleasure of the Parliament.

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