

EIR

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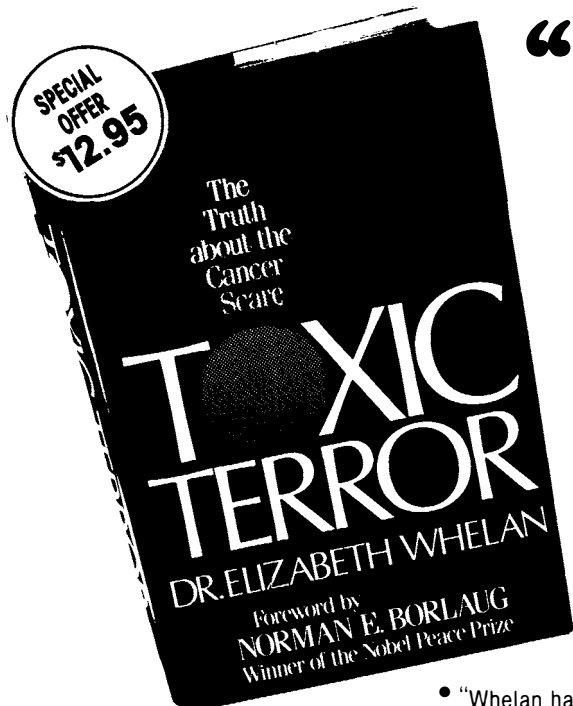
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Soviets vent their fears about Lyndon LaRouche
Is NATO ready to deal with irregular warfare?
Brazilian industrialists defend debt moratorium

World debt and the social-democracy



"IS IT ANY WONDER QUACKS TRIUMPH ?...*



“The exorcist approach to purging our land of industrial chemicals is one of the most serious issues facing America today,” says Dr. Elizabeth Whelan, a Harvard-educated scientist and director of the American Council on Science and Health. The subsequent crippling of various U.S. industries accomplishes nothing in terms of public health, she maintains, asserting that the American people are being deprived of some of the most useful, safe and cost-effective drugs and chemicals — many lifesaving — by the radical environmental extremists exposed in this controversial book.

* ... Whelan sets the record straight on issues exploited by environmental and Naderite public interest movements of the last two decades. Fills an important gap between the scientific consensus and the 'media consensus.' ”

— Rael Jean Isaac,
The American Spectator.

• “*Toxic Terror* is a convincing and persuasive work by a professional who strives for balance and rationality... a forthright and level-headed account of what has been going on in our environment, where mistakes have been made, who's accountable.”
— *Edison Electric Institute*

• “This reviewer, for one, hopes that *Toxic Terror* outsells those two environmental polemics, Paul Ehrlich's *The Population Bomb* and Rachel Carson's *Silent Spring*, combined.”
— *The Detroit News*

• “Whelan has a sure grasp for the scientific facts.”
— *Issues in Science and Technology, National Academy of Sciences*

• “Her argument builds to the book's final, excoriating chapter on the unhappy affiliation between environmentally extremist scientists and sensation-seeking 'media.' ”
— *The Wall Street Journal*

• “The message she tries to put out to businessmen, scientists, environmentalists, housewives, and anyone who'll listen is exactly the opposite: calm down.”
— *The MacNeil/Lehrer News Hour*

• “I think she is a person with a great deal of imagination, and courage to speak the truth. And there aren't too many scientists like that in this world of ours.”
— Norman Borlaug,
Nobel Laureate

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From the Editor

The centerpiece of this issue is Democratic presidential candidate Lyndon LaRouche's broadside attack on the Socialist International forces who are attempting to subvert the movement for a new, just world economic order. We believe that the cover picture, taken during LaRouche's recent visit to Peru, eloquently expresses the reasons why LaRouche excoriated those who worship poverty and wish to spread it.

The three young persons in the photo embody an enormous opportunity for development—an opportunity that will be criminally wasted if there is not a rapid shift to adopting the LaRouche "Operation Juárez" perspective as the keystone of OECD nations' foreign economic policy.

This is, as argued in the international lead on page 38, the pivotal issue of East-West relations today, and not arms control. How close is the United States to adopting LaRouche's program?

- Too close, the Soviets think—and vent their fears in a lengthy geek act in the latest issue of *International Affairs* (see page 40 for a first report).

- Don Regan, the principal architect of the disastrous "Reaganomics" policy, and of numerous dirty tricks against LaRouche, is out of the White House. Now, his co-thinker James Baker III may soon be on the political chopping-block (see page 4).

- LaRouche's enemies in the Harrimanite wing of the Democratic Party are on their way to jail in droves (see page 60); and as we go to press, U.S. Attorney Rudolph Giuliani seems to be implementing *EIR's* "Jail-a-Banker-Today" campaign by putting the Wall Street dope pushers named in our book *Dope, Inc.*, behind bars.

We do not expect clear sailing, however. We expect the international bankers to join Moscow in the kind of frenzied escalation against LaRouche and his associates that the *International Affairs* slander signals, including renewed attempts to strip LaRouche's security and set him up for assassination.

The Spring '87 *EIR Quarterly Economic Report* will be the political blockbuster that will reorient Washington, if readers help us to get it into the right hands. The contents, outlined by Mr. LaRouche, center on: 1) the policy implications of Irangate; 2) the Mars-colonization project; 3) and the impact of AIDS on the economy.

Nora Hamerman

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NSIPS/Carlos de Hoyos

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Questions for Secretary James Baker III

by David Goldman

Warned that the next ratchet-decline of the U.S. dollar would make him look worse than his television-evangelist namesake, U.S. Treasury Secretary James Baker III officially ended his campaign to drive down the U.S. dollar on April 15. At a meeting of the Japan Society, Baker said, "Our currencies are within ranges broadly consistent with economic fundamentals, and all of us favor stability around current levels," adding that a further fall of the dollar would hurt the economies of America's trading partners.

Following the announcement April 14 of a \$15 billion, near-record U.S. trade deficit, it seems strange that Baker's admission that a decrease in the U.S. trade deficit *at the expense* of America's trading partners—which is what the dollar collapse was supposed to have produced—is not desired, should encourage speculators to buy the dollar. Until now, Baker's only policy to deal with the \$170 billion-plus deficit was to talk the dollar down, in order to make foreign goods harder to sell here, and our goods easier to sell abroad. Now that the deficit has climbed to an annual rate of \$180 billion as of February, the United States has no policy at all.

Nonetheless, the Bank of Japan herded foreign-exchange dealers into a rally for the dollar, which rose from 142 yen to 143 yen, and from DM 1.80 to DM 1.82, in response to the news.

A front-page warning that Baker's days in office were numbered in the April 15 *Wall Street Journal* might have persuaded the bemused treasury secretary that an abrupt shift into reverse was needed. The dollar collapse "poses serious risks for the U.S. economy and serious problems for Secretary Baker, the architect of the administration's dollar policy," wrote the *Journal*.

More to the point, somebody in the administration might have figured out, perhaps with the help of somebody in the

Federal Reserve, that a continued collapse of the dollar meant the pullout of Japanese funds from the U.S. market; that the mere threat of such a pullout had pushed long-term rates up by more than 1%, and short-term rates by .5% percent, since April 1; that a continued pullout of such funds would push rates back up to where they stood in the first year of Volcker's tenure, i.e., over 20%; and that a mere 1.5% additional increase would collapse the thrift industry, leaving the federal government with a \$100 billion bankruptcy at the Federal Savings and Loan Insurance Corporation (see *Banking*).

At an "Atlantic Bridge" conference earlier the same week in Berlin, bankers, economists, and government officials clashed so sharply on national policies, that some participants were left apprehensive that "the world economic crisis was moving beyond the control of governments and would result in an economic disaster," according to an April 13 report in the *New York Times*. It quotes one attendee, Walter Eberstadt of Lazard Frères, warning, "The roof will fall in."

That is the brink from which Secretary Baker shied, at least in his remarks April 15. But what, after all, has changed?

Is the deficit curable?

Remarks by finance ministers and central bankers may affect the timing of major changes in currency rates, but America's ballooning trade deficit made a collapse of the dollar inevitable, and a continuation of that deficit will continue to collapse the dollar at some near future point, whatever officials say. What does Baker have to say about the trade deficit?

In September 1985, when the Group of Five major industrial nations first met at the Plaza Hotel in New York to announce their intention to drive the dollar down, *EIR* warned, alone among all economic commentators, that a lower dollar

would *worsen*, rather than *improve*, the deficit. It has taken such slow learners as *Business Week*, the *Washington Post*, and the economists of Salomon Brothers, to recognize that the United States has what is euphemistically called a "structural deficit," i.e., we cannot produce anything that other industrial nations might want to buy. Even in that most important of consumer-goods fields, the U.S. car-buyer has been persuaded to accept Detroit products only by slapping a quota on Japanese cars, and then increasing their price by 40%; and when the Koreans came in under the quota, their Hyundai became the fastest-selling import car in U.S. history.

In fact, Japanese exports to the United States have grown more rapidly in the field of capital goods, particularly at the most sophisticated end of the spectrum in electronics, steel, machine-tools, pharmaceutical-packaging, and other industries, than in the consumer field. The United States imported 24% of all capital goods in 1984, against only 10% in 1975; of our 1984 imports, \$20 billion came from Japan, along with \$15 billion from the European Community, and about \$12 billion from Asia excluding Japan. In 1972, capital equipment made up only 26% of Japan's exports; by 1984, the total had risen to 48%.

In this context, America's "get tough" policy toward Japanese trade has the earmarks of vintage British film comedy. Punitive sanctions against Japanese electronics imports are scheduled for April 17; meanwhile, U.S. chip-importers are complaining that America cannot survive without Japanese imports.

Supposedly, the Japanese are hurting American manufacturers of computer chips by selling at below cost in U.S. markets. Under threat of trade sanctions, the Japanese have ordered their chip manufacturers to cut production by 30%, in order to placate the Reagan administration.

But American computer makers, who cannot produce without imported Japanese chips more reliable than the American competition, and irreplaceable at any price, are complaining that the Japanese cut back production to damage American computer makers!

The *New York Times* on April 7 wrote, "Japan's moves to cut the production of computer chips could lead to a shortage of the vital semiconductors, some computer and semiconductor industry executives said today. . . . They thought Japan's MITI was deliberately choking off the supply of chips to hurt American computer makers. . . . Others were skeptical a shortage would arise soon. . . . The production cuts have been ordered by the Japanese government in an attempt to mollify American critics. . . . [They] amount to more than 30% of production and are aimed at raising prices and denying supply to so-called gray marketeers, distributors who sell chips for low prices in Asian countries. . . . Some American chip makers think the slowdown of exports of chips is an attempt by the Japanese to put pressure on the U.S. to back down from its decision to impose trade sanctions on Ja-

pan. . . . [They] charge that Japan wants to cut the supply of chips in order to hurt American computer makers and turn them against the trade agreement."

The making of a trade deficit

There is nothing America can do overnight to improve its trade deficit with Japan. Special Trade Representative Clayton Yeutter was reduced April 15 to complaining before a business audience that American firms have failed to take advantage of their new competitive edge. Investments in better technology may accomplish this over time. James Baker's economic program, culminating in a tax-reform bill that eliminated investment incentives for basic industry, has so depleted America's industrial base, that net imports now account for one-fifth of everything we consume, and one-quarter of all capital goods we install.

The \$15.06 billion trade deficit reflects \$33.72 billion in imports and \$18.66 billion in exports; that represents a much lower actual volume of both imports and exports, since our exporters have raised prices for shipments to Europe and Japan as the dollar has fallen, and our importers pay much more for their goods.

The deficit is composed of:

Japan	\$5.1 billion
EC	\$1.9 billion
Canada	\$1.9 billion
Taiwan	\$1.5 billion
OPEC	\$1.2 billion
Mexico	\$0.8 billion
Korea	\$0.7 billion

Note that Mexico's trade surplus with the United States—formerly a multi-billion-dollar deficit—exceeds that of Korea, yet the administration is upset at Korea (which can afford to export surplus output), and happy about Mexico (which is literally starving itself to export output desperately needed at home).

Baker's "adjustment" plan for austerity, "free-market" reform and equity swaps among the debtor countries, amounts to a policy to *increase* the trade deficit, by forcing economically harmful trade surpluses upon debtor countries, where we should provide long-term financing to allow them to run deficits with us, reflecting capital-goods exports.

At the risk of sounding repetitive, *EIR* must emphasize, once again, that nothing short of a massive export program directed toward the southern hemisphere, concentrating on agricultural equipment, earth-moving equipment, power-generating equipment, heavy transportation equipment, and other means to improve those nations' infrastructure, can reverse America's trade deficit. Contributing Editor Lyndon H. LaRouche, Jr., put that program on the nation's agenda in his 1982 book, *Operation Juárez*. Now that Baker's plan has, by his own admission, collapsed in the most humiliating fashion, what does Baker propose to do?

German MDs demand AIDS policy shift

by Dr. Wolfgang Lillge

Leading medical spokesmen in West Germany outside the official "medical hierarchy" are calling for mass screening measures to stop the spread of AIDS, in contrast to the silly campaign of Health Minister Rita Süßmuth for condoms and voluntary education.

Prof. Eike von Hippel, in the *Frankfurter Allgemeine Zeitung* of April 15, issued a passionate call for a mass screening program for AIDS "as the only effective means" to identify almost all AIDS carriers. "Every day lost will mean the deaths of more than 100 people," stated Von Hippel, a law professor at the Hamburg-based Max Planck Institute for Foreign and International Law. He reviewed all the relevant legal and social arguments that mandate an immediate policy change of the federal government and its health institutions:

1) Information about AIDS infection risks only, is ineffective and cannot be controlled.

2) Mandatory reporting is "discriminatory" only for those who deliberately act to spread the disease to others.

3) Mass screening provides urgent data concerning the real spread of the disease in different parts of society and enables health authorities to map out better preventive strategies.

4) Knowledge about one's own state as a virus carrier is the precondition for responsible behavior by the individual.

5) Repeated screening tests will uncover those who act irresponsibly and who consequently will be subjected to criminal proceedings.

6) The basic right to live as guaranteed in the constitution ranks higher than the individual rights of the infected or ill.

7) Containing the disease is in the interest of the infected citizens themselves, because adequate care can only be provided if the number of cases does not grow astronomically.

Essen doctors evoke Nuremberg

Even more significant is another public memorandum issued by a group of eight clinic directors at the University Clinic of Essen with the title "AIDS—Look On, or Act?" This text may very well become the manifesto of all those who want to base public health policy on traditional measures of epidemiology. The Essen memorandum is tantamount to

a declaration of war against Health Minister Süßmuth and her advisers like Professor Friedrich Deinhardt of Munich who, in a recent discussion (see *EIR*, April 3, p. 10), was forced to admit open scientific fraud on key issues in AIDS research. The statement of the Essen doctors begins:

"To mention here only three of several insights of epidemiology: ● Combatting an epidemic is the more effective, the earlier and the more intensive it is conducted; ● the sources of infection must be identified with as few exceptions as possible, in order to ● interrupt the chain of infections by appropriate means.

"While with AIDS we have had the opportunity to study the epidemic's unfolding in the United States, and especially also the inefficacy of measures taken there, with a three-year time lag, in the Federal Republic of Germany not one of the above-mentioned rules has been followed."

Not only economic reasoning clearly demands a program of mass testing as favored by the Essen group, but moral considerations oblige us to act to safeguard as many people as possible from the tragedy of AIDS infection. The statement ends: "AIDS concerns us all, our children and our grandchildren. Later, nobody should claim, that we older physicians have kept silent although we should have known better."

This specific formulation, from the Nuremberg code against the Nazi war criminals, coming from German doctors, is the most dramatic argument for immediate action against the AIDS pandemic because, in effect, those who block public health measures and an Apollo-style research project are mass murderers who pale in comparison to what the Nazis did.

One of the most prominent German physicians, Prof. Nepomuk Zöllner, director of the Munich University Polyclinic and chairman of the prestigious German Society of Internal Medicine, wrote a letter to the *Frankfurter Allgemeine Zeitung*, on March 23. He not only denounced Süßmuth's condom campaign as "a farce," but reminded politicians that "they can only make correct decisions [concerning AIDS] when they listen to the advice of physicians at the [battle]front, rather than to theoreticians and self-proclaimed experts."

These statements of sanity in the midst of total confusion produced by officially sanctioned lies, half-lies and cover-ups about AIDS contrast sharply with a mass rally held in Munich April 4, which brought together the same variety of people who torpedoed California's Proposition 64 back in November 1986. A rare coalition of homosexual groups, leftist sects, jet-set degenerates, along with the Green Party, terrorist sympathizers, social democrats, and communists numbering some 10,000 people, gathered to protest against the Bavarian state government's plans to implement measures against the most obvious sources of AIDS contagion, and even shouted death threats against Peter Gauweiler, the Interior Ministry official who crafted the measures.

State Department botches attempt to undermine Brazil's moratorium

by Mark Sonnenblick

The U.S. State Department got caught red-handed trying to topple Brazilian Finance Minister Dilson Funaro, the architect of its debt moratorium strategy. Luiz Henrique, majority leader in the Chamber of Deputies, revealed on April 12 that State's Brazil desk officer, Elkin Taylor, had been running around Brazil orchestrating Funaro's ouster. The U.S. embassy in Brasilia confirmed that its former political attaché and foreign debt specialist had "an intensive schedule of meetings" with government and business leaders on Tuesday, April 7.

The next day, São Paulo governor Orestes Quércia, the point man for the operation, demanded President José Sarney fire Funaro immediately, or lose the support of himself and three other governors whose states produce 80% of the national product. Funaro survived; and political and business leaders committed their support to the debt policies he advocates.

Quércia did his best to pull the rug out from under Funaro the day before the finance minister told the interim meeting of the International Monetary Fund (IMF) in Washington that "lasting solutions" were needed to provide "financing on a medium- and long-term basis for the growth of our economy."

Funaro's top aide, central bank president Fernando Gros, reported that his four-hour meeting with the 14-bank creditor committee April 10 had been made difficult by the fact that every banker had in front of him a copy of that day's *Wall Street Journal* article headlined, "Leaders in Brazil Demand Funaro Quit His Post; Powerful Governors Call on President to Implement a New Economic Policy." Gros warned Brazil's creditors that they "must at all costs avoid politicizing the debt. If they don't, in the next round of negotiations, in my place will be the leader of the [majority] Brazilian Democratic Movement Party, a real politician, who perhaps will not even speak sitting down as I am."

The escapade caused the bankers to refuse serious discussions on the flexible "menu" of debt financing options presented by the Brazilians. "If he [Funaro] leaves, the policy could change," a member of the creditors' cartel told *Jornal do Brasil*. David Mulford, a member of the White Weld-

Merrill Lynch dirty-money mafia placed by Donald Regan as assistant secretary of the Treasury for international affairs, called in a group of reporters hours after the governors spoke in São Paulo to deliver the line. He was quoted, off the record, in the *Wall Street Journal* April 9 with the following dictum: "Either the [Brazilians] change, with them applying an orthodox economic policy, or there will be a change in the ministry, followed by the adoption of an orthodox economic plan."

The State Department encouraged the bankers to abort Brazil's efforts to begin debt renegotiations. A top U.S. diplomat in Washington told *Jornal do Brasil*, "Why make concessions to a team which could fall tomorrow? Even if the new ministers have almost the same points of view, it is always good to negotiate with them, because they will be able to give something in return." Funaro announced he would not allow the conversion of unpayable debt principal into equity ownership of Brazil's industry and natural resources. "The debtor countries must rescue their dignity," he countered.

The Brazilian media played down the Elkin Taylor affair, as had perhaps been pre-arranged by USIA director Charles Wick during his secretive visit to several Brazilian cities the week before. The press preferred to speculate that São Paulo governor Quércia's bombastic ultimatum had been coordinated by members of President Sarney's palace guard interested in purging Funaro and his debt policies. There is some truth to that. The only name given by the embassy of a Brazilian with whom Taylor worked was that of a protégé of Rubens Ricupero, the "Rasputin" of Sarney's inner circle, who is known to be working to undermine Funaro. Ricupero is the State Department's top agent of influence in Brazil and a leading opponent of joint action by Ibero-American debtors.

The Shultz connection

Another track between the State Department and Quércia runs through swindler Mario Garnero. Secretary of State George Shultz was for many years a director of Garnero's Brasilinvest investment trust. When it looked as if Brazil was moving toward unity with other Ibero-American debtors dur-

ing the 1983 debt crisis, Garnero personally arranged the meeting between Shultz and Brazilian officials which led to Brazil's capitulation to an IMF agreement and the deepest depression in its history. Garnero then asset-stripped Brasiinvest, leading to its bankruptcy and massive losses for the Brazilian treasury. He would have gone to jail in São Paulo had he not had powerful political protection. In an interview published in *Folha de São Paulo* on Dec. 16, 1985, Garnero named only two people "from the political world" loyal to him during the "episode." One of them was Orestes Quércia, then the deputy governor of São Paulo. The title is appropriate for a vulgar politico who had mysteriously become rich overnight when Mario Garnero managed more than a billion dollars and spent money like water around IMF meetings.

Quércia's governors' clique was so out of step with the rhythm of Brazil's domestic political intrigues that President Sarney quipped that "the governor appears to have unlearned how to do politics." Inside Brazil, the blast backfired. PMDB governors of 17 other states rebuffed Quércia. Many of them and the PMDB's national leadership pointed to the treasonous nature of his attack when Funaro was defending Brazilian interests abroad. The point was made most clearly April 13, by Energy and Mines Minister Aureliano Chaves. Chaves, who had been put into the vice-presidency of the last military administration by former president General Ernesto Geisel, runs the small conservative Liberal Front Party (PFL). Chaves reportedly told PMDB president Ulysses Guimarães April 11, "Let me tell you, Ulysses, Funaro does not represent the PMDB; he represents the Republic. We have to fight for his preservation; and count on me for that."

But although there was a closing of ranks behind Funaro, neither Sarney nor Guimarães took Quércia to task for what he had done—the only kind of message the State Department and creditor banks would have understood.

Funaro's permanence in the cabinet is not guaranteed. Wave after wave of destabilization operations have not toppled him, but they have made it difficult for him to reduce Brazil's internal interest rates, the cancer which is destroying Brazil's present and future growth. Rates averaging 28-50% annually in real terms for business working capital are driving thousands of small businesses and farmers bankrupt. They are closing shops and blocking roads in protest, while companies in alliance with the usurers are putting their money into the orgy of money markets speculation, diverting capital from investment in Brazil's future.

PMDB Senator Fernando Gasparian has suggested digging out of the archives the anti-usury law passed under President Getulio Vargas in 1930, which sends to jail anyone who charges over 12%. President Sarney has already taken the first step toward acting on this sentiment. In a meeting with congressional leaders of the PMDB and PFL parties, Sarney—accompanied by Funaro—stressed that the top priority of the finance ministry would be to declare war on high interest rates.

Interview: Artur João Donato

Rio business behind government on debt

Artur João Donato is the president of the Federation of Industries of Rio de Janeiro. He and Mr. Franco (below) were interviewed by Lorenzo Carrasco, EIR correspondent in Brazil on April 10.

EIR: What is the position of the industrialists regarding the Brazilian government's decision to suspend interest payments on the foreign debt?

Donato: The industrialists of Rio de Janeiro share the general thinking of the business class, which is not only of the business class but practically of all Brazilian society, that it is impossible to sustain financial commitments with the sacrifice and absolute subjection of the country to recession.

The businessmen are firmly backing the manner in which the Brazilian government seeks to negotiate the country's foreign debt problem with its creditors. We judge that the manner in which IMF monitoring (of the economy) was previously done would bring recessive consequences for the Brazilian economy. So the business class, generally speaking, is against recession, because in the past recession caused unemployment, social dissatisfaction, hunger, and misery. This is a young country, with tremendous resource potential. This country only has the potential to become viable, and meet its destiny of greatness, to the extent that it affirms a permanent policy of economic growth.

EIR: The Church has played a very important role in terms of evaluating the IMF conditionalities from a moral standpoint. To what extent do you believe the Vatican document on the debt influenced the decision of the Brazilian government, and has influence on the industrialists?

Donato: What we are seeing is that the solution to economic problems must be sought in other spheres. From economics we go on to politics, to the social arena; we are in the moral sphere which also has its great heralds. Now we hear the words of the President of Portugal, who was in Brazil to fully support the Brazilian position for moral and political reasons. In France, we have President Mitterrand also supporting the Brazilian position. The Brazilian position is supported throughout the Third World, and today we also witness the express, clear, and very precise backing of the Church, which for humane reasons obviously does not wish poor nations to



International support for Brazil: This sign outside the French Ministry of Economic Affairs and Finance, applauding the debt moratorium, greeted Brazilian Minister Funaro in Paris on March 3, 1987.

be brought to levels of desperation just to be able to meet their financial commitments.

EIR: In the United States, Democratic presidential pre-candidate Lyndon H. LaRouche defends the Brazilian position as just. In his study *Operation Juárez* he proposes a reform of the monetary system. What do you think of LaRouche's proposals?

Donato: I believe that position is in agreement with Brazilian interests. I wish that all the candidates to the presidency of the United States held the same idea as LaRouche.

Interview: Sen. Albano Franco

Brazil industry backs debt moratorium

Senator Albano Franco is president of the Brazilian National Confederation of Industries (CNI).

EIR: Wall Street's media in New York is reporting that the decision of the Sarney government to declare a debt moratorium, has no support, except for a small group within the government. Senator Franco, could you tell us, as president of the CNI, what is the position of Brazil's industrialists regarding the decision to suspend interest payments on the

foreign debt?

Franco: Last week we held a meeting of the Representative Council of the National Confederation of Industries, the organization of Brazilian industrialists, with the participation of all the presidents of the industrial federations. Once again we officially defined our position, and even sent a telegram of support and solidarity to President José Sarney on the question of foreign pressures, and also in defense of our sovereignty in handling the problem of the foreign debt. It is clear that we are aware of the difficulties, but what is important to point out and to stress is that Brazil has always met its obligations until now, but we could not continue to pay at the cost of social sacrifice, that is, the return of a recession to Brazil. The commitment of the José Sarney government is to renegotiate our debt while maintaining growth.

Our social debt to our people is immense, and its fulfillment can be delayed no longer, except at the cost of failing to meet our historic mission as a free, prosperous, and sovereign nation. This is the time to produce, grow, and distribute. The country cannot under any circumstances interrupt its process of development. We need to increase the supply of jobs, increase the number of graduates and the education of our youth, improve the consumption patterns of our people.

EIR: In the CNI meeting you mention, the industrialists also agreed upon a fight against recession.

Franco: Exactly. *No to recession!* is the watchword of the Brazilian industrialists. As president of the CNI, we have insistently and constantly raised our voice against impoverishment and despair, because we are fully aware of the tragic ills caused by a prolonged period of contraction of the productive process. For the great majority of Brazilians, 1983 and 1984 were desperate years.

We believe that Brazil can survive this current period of difficulties without resorting to recessive policies. We are confident in the economic policy of the Sarney government, principally what he says about the foreign debt negotiations, which are being wisely conducted by Minister Dilson Funaro; which is that they should be carried out without damaging the internal market.

EIR: Are you in favor of going to the IMF?

Franco: I have stated that I believe, that if the IMF were *not* to suggest orthodox or monetarist measures, which would cause recession in Brazil, we as members of the club—because the IMF is a club—could truly participate and listen to the IMF. But now we cannot, because of the peculiarities of Brazil and the threat of recession, go to the IMF. Today we face here in the internal market an interest rate problem, which, as Minister Funaro himself says, will remain with us (as will other domestic problems) so long as the renegotiation of the foreign debt remains unresolved. Today thousands of small and micro-businesses are threatened with bankruptcy

because they are unable to pay interest rates of 13% or 14% a month, along with worsening inflation.

EIR: Some businessmen and politicians have internally criticized the economic policy of President Sarney and of Minister Funaro. What is the response of the president of the CNI to these sectors?

Franco: As I indicated, the great majority of Brazil's industrial businessmen, including all the industrial federations, gave their support and solidarity to President Sarney, and automatically to Minister Dilson Funaro. We businessmen know of the difficulties the government faces abroad in these negotiations. That is why in a serious crisis such as the one we are experiencing, I maintain that the understanding and the unity of all the social sectors behind the government is needed to give back-up to the renegotiation of the foreign debt.

Never was it so important for us to believe in our country as today. This moment requires the unity of all and, above everything, it demands patriotism. We are fully convinced that we can rapidly solve this difficult period in our history. We have potential, intelligence, and a proud people which knows how to respond to the adversities of life with work and creativity. It is equally important, at this moment, that our political elites forget their ideological battles, their partisan

fighters over the division of labor, and that they efficiently use the power given them to solve the larger questions that are overrunning national life and threatening the very survival of the democratic regime.

EIR: I understand that you took part in a meeting at the Urbaniana University of the Vatican in 1985, presided over by Cardinal Ratzinger. What influence do you think the Vatican document, "Ethical Considerations on the Debt," had on the decision taken by the Brazilian government?

Franco: Exactly, on invitation of the Konrad Adenauer Foundation, the CNI did some work. We were not there personally, but we sent some of our work to the meeting held at the Vatican. We feel the concern not only of the Church, but also of the European countries about Brazil's future, because any imbalance, any instability in Brazil would produce tremendous concern for all the Western world. We live today under full democracy—this is very important, because our society wants and yearns for this—and so we have received a certain comprehension from some countries. Of course we must achieve the understanding and appreciation of the international banks regarding our situation. We only want to postpone, and to have moderate and reasonable conditions for paying our debt. Because otherwise we will not

Who Knew A Brazilian Debt Moratorium Was Coming—And Also, What to Do About It?

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have the conditions for us to grow. Today we have a population in Brazil in which 54% are under 18 years of age.

Of course the Vatican's position has much influence, not only personal but also, well, we are a country where the great majority are Christian, truly Catholic. It is thus both support and solidarity that we are receiving; also from various influential politicians in the United States, linked to the Democratic as well as to sections of the Republican party, who are favorable to changing the way we pay our foreign debt.

EIR: You mention the problem of the United States. Lyndon LaRouche has supported the moratorium decision of the Brazilian government. In 1982 he wrote his book, *Operation Juárez*, in which he proposed precisely the policy of launching a new, more just international economic order. Today LaRouche is a candidate in the Democratic Party for the U.S. presidency, and he has a political action committee that has influence throughout the United States. How does the industrial federation view such support?

Franco: To our joy, we know that there exist U.S. politicians, like LaRouche, who is linked to the Democratic Party who, through already published works, truly defends the right of the developing countries to have more flexible conditions for paying their debts. Also, I was in Washington last year with President José Sarney and in the company of Minister Dilson Funaro, and we spoke with five senators in the office of Senator Bradley, who also is thinking very much along the lines of our desires on the foreign debt renegotiation.

EIR: Until very recently, you presided over the Latin American Industrialists Association (AILA). Do you think a joint action of these countries is necessary?

Franco: Exactly. We have urged a broad reform of the international economic order through modification of the international organizations. And through the presidency of AILA, we did what we could; we were also in the IDB [Inter-American Development Bank], we were in ECLA [Economic Commission on Latin America]. We also brought Claude Cheysson, the commissioner of the European Community, to Brazil to explain to us how the European Common Market works, thinking that we would create a Latin American Common Market in the future. On the 26th and 27th of this month, we will be in Mexico City [in April] because we are going to have a meeting of AILA, and 12 countries have already confirmed their attendance.

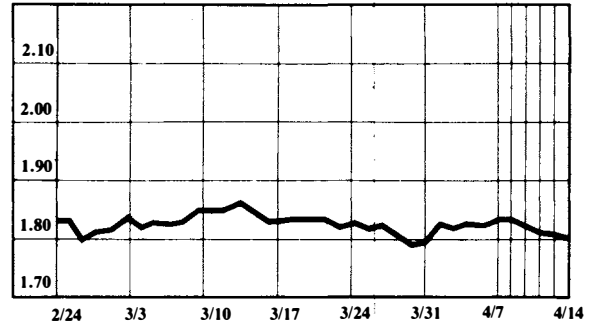
EIR: What does the CNI plan to propose at that meeting?

Franco: We are going to show the need for support and solidarity of all countries, including that of Mexico and Argentina, which have problems similar to ours. To show that with a clear and sharp definition of the Brazilian foreign debt, we will be able to leave behind the threat of recession that Brazil faces today.

Currency Rates

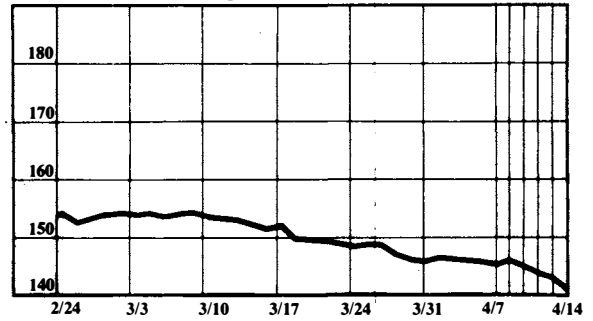
The dollar in deutschemarks

New York late afternoon fixing



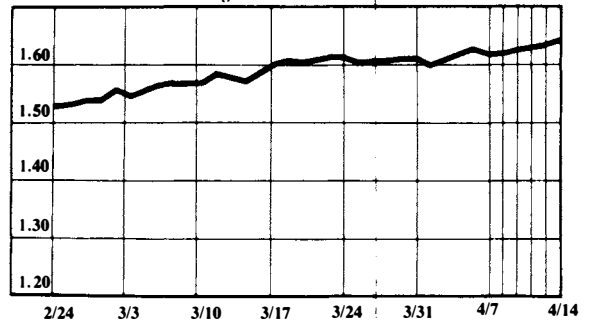
The dollar in yen

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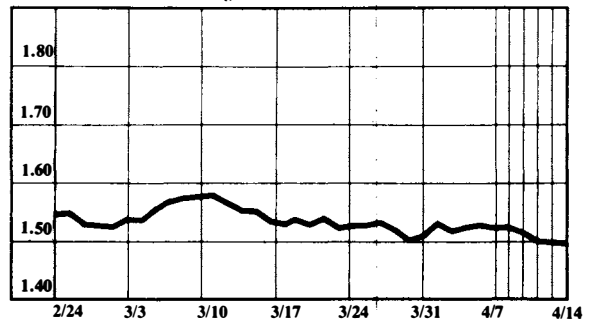
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Venezuela rips up its economy to pay debt

by Jaime Ramírez

One week after Brazil declared its Feb. 20 debt moratorium, the Venezuelan government announced that it had achieved an “unprecedented” agreement with the creditor banks for refinancing \$21 billion of its \$35 billion foreign debt. The concessions granted Venezuela to keep it from straying from the creditors’ fold were nothing less than absurd: a minimal reduction of capital amortization for the next two years (the remaining years of President Lusinchi’s term) and an interest rate reduction from 9/8ths to 7/8ths above the Libor rate.

Official propaganda focused on the savings of \$50 million (which amounts to a mere 1% of Venezuela’s annual debt service) resulting from the lowering of the “spread.” However, even before the second quarter has begun, this savings was annulled by interest rate hikes announced by the leading international banks.

The worst of the deal is that the refinancing has in no way changed the conditions of repayment imposed by the banks in February of 1986, and since that time Venezuela’s oil export income has fallen by 50% due to the international oil price collapse. In fact, things have deteriorated to the point that Central Bank reserves fell from \$13 billion to less than \$9 billion (of which \$5 billion are not usable) by the end of 1986.

The other big hype over the “unprecedented” refinancing deal is Venezuela’s claim that it succeeded in avoiding submission to International Monetary Fund conditionalities. The truth, however, is that formal submission is not necessary, since an IMF mission will be traveling every six months to Venezuela, to supervise the “progress” of the economy. In fact, every major policy decision by the Lusinchi government has followed to the letter the recommendations of the international creditors, from debt-for-equity, to state-sector privatization, to eliminating nationalist barriers to foreign capital invasion of the Venezuelan economy.

The consequences of these policies can be seen in the deterioration on the national economy. The second-largest private company in the country, Electricity of Caracas, announced in March that its bankruptcy is imminent, despite January increases in electricity service rates of between 30% and 200% nationwide. Many other companies are in identical

situations, or have turned to speculating with preferential dollars granted by the state. Agricultural producers have also declared themselves in a state of red alert, because of the soaring prices of agricultural machinery, fertilizers, and other inputs. Construction companies are warning that production costs have increased 200% since the December devaluation, while the organized transportation sector has announced that it is becoming totally prohibitive to operate under current conditions.

Insulin no longer available

Even more dramatic has been the collapse of the population’s living standards. It is calculated that some 48% of the Venezuelan population currently lives in *ranchos* (slums), under increasingly deteriorated conditions of public housing and hygiene. Consumption of meat, milk, and milk products has fallen by more than 60%, causing alarming levels of malnutrition, especially among the infant population.

Diseases that were eradicated 20 years ago have begun to reappear in Venezuela—diseases such as malaria which are reemerging in the wake of health budget cutbacks. In the first week of April alone, the Caracas press reported deadly outbreaks of tuberculosis and measles among the indigenous populations of Apure and Amazonas states, an epidemic of dengue fever in the eastern part of the country, and infectious meningitis in towns just outside of Caracas. Since the beginning of April, insulin has joined a list of other vital medications that is no longer obtainable in Caracas.

Under these circumstances, social peace in Venezuela—carefully guarded for years with the help of petro-dollars—seems to be going the way of national infrastructure. Last February, 100,000 teachers across the country went on strike to demand wage increases. National universities have announced plans for a strike at the end of April to demand higher budgetary allowances.

Perhaps most representative was the popular uprising in March in the city of Mérida, in the region of Los Andes, where the death of a student triggered five days of street riots against the high cost of living. A military deployment to take over the city was required to bring the situation under control. Afterward, the Lusinchi government explained that the riots were part of a destabilization plot by international narco-terrorism; what is clear to the average citizen, however, is that the government’s debt-payment policies are creating the breeding ground for the explosive advance of subversion.

The Venezuelan Workers Federation (CTV), which represents the majority of the country’s trade unions, is demanding a general wage and salary increase, an initiative supported both by the political opposition as well as the government’s AD party. But such an increase, necessary as it may be, would represent nothing more than another turn in the inflationary spiral as long as President Lusinchi remains committed to a policy of dismantling the Venezuelan economy to satisfy Rockefeller and company.

Giving justice its due

With the imminent indictment of Peru's Manuel Ulloa, all the trees in the forest could begin to fall.

Former Peruvian Prime Minister Manuel Ulloa Elías has been publicly charged by the Alan García government of swindling millions of dollars of central bank funds during his 1980-82 tenure as finance minister, and will soon be facing congressional investigation, according to front-page headlines of the April 13 daily *La República*.

Ulloa is no mere ex-government official. He is a longstanding enemy of President Alan García, closely linked to the Grace and Rockefeller families in the United States. He is especially close to the "Project Democracy" grouping in Europe around former West German Chancellor Helmut Schmidt, and is part of Schmidt's "Inter-Action Council," which is committed to drastically reducing non-white populations worldwide.

García's Finance Minister Luis Alva Castro has named Ulloa, along with his successor under the previous Belaúnde government, Carlos Rodríguez Pastor, as responsible for diverting as much as \$100 million of central bank reserves to "bail out" the already bankrupt Banco Comercial de Peru (Bancoper), owned by accused embezzler and Ulloa intimate Luis Felipe Bertello. Bertello is already in jail, facing trial for embezzlement and fraud against both the bank's stockholders and the National Bank of Peru.

While the amount of money Ulloa stole is still debated, 30 billion soles (some \$20 million) has been most frequently mentioned. Referring to this amount, Minister Alva Castro angrily told the press April 12 that this money

could have built hundreds of schools, bought thousands of tractors, and paid the annual wages of thousands of teachers and doctors.

A probe into Ulloa, now a senator, will be initiated by the Peruvian Congress prior to holding a "political trial," which could end with lifting of his congressional immunity to facilitate criminal charges. The Chamber of Deputies has already formed its committee, which pledges to take its investigation to its ultimate consequences.

The case dates back to 1983, when Bertello used the international debt shell game to asset strip his bank, Peru's third-largest private commercial bank at the time, by borrowing beyond his capacity from foreign banks, and relending the capital to his own companies, which reportedly sent the funds to Swiss bank accounts abroad. With Bancoper unable to pay back its foreign loans, the Belaúnde government provided a multimillion-dollar bailout to pay the bank's creditors, leaving Bancoper's Peruvian stockholders out in the cold.

Ulloa and Rodríguez, it turned out, personally orchestrated the bailout. According to Minister Alva Castro, the two former officials knew that Bancoper was hopelessly bankrupt before they approved loans officially allocated to refloating the bank. Some sources say Bertello took some \$30 million of the bailout money when he fled to that embezzlers' paradise, Costa Rica, when an April 1983 warrant for embezzlement was issued against him and 17 other Bancoper execu-

tives. Bertello himself claims that the funds never reached him, but were sent directly by Rodríguez and Ulloa to Wells Fargo Bank in the United States, where Rodríguez now works as a top-level executive.

Ulloa has responded to the public airing of the accusations against him by insisting that he had done nothing more than what every other Latin American finance minister has done; namely, "to try to avoid the bankruptcy of the banking institutions." On April 15, he convoked a hasty press conference to accuse García's government of "obsessive" persecution. "This campaign is part of a high-level sinister conspiracy to weaken the political opposition, especially my party," whined Ulloa, who threatened to blackmail or sue all responsible for the charges against him.

Ulloa has attempted this tactic once before. In August 1985, Ulloa sued the Peruvian Anti-Drug Coalition (ADC) for publicly accusing him of responsibility for the flourishing of the narcotics trade in Peru, during his government tenure. In two separate rulings overturning Ulloa's suit, the Peruvian courts ruled that it was not slander to accuse Ulloa of policies that "permitted the proliferation of the drug trade."

The Peruvian ADC accusations against Ulloa were taken from the book *Dope, Inc.*, written by the editors of *EIR*. Ulloa has for years boasted of his plans to sue *EIR* founder Lyndon LaRouche inside the United States, boasts which he has never carried out. In early April, Ulloa returned to Peru from abroad, with his sixth wife—a Yugoslav princess. Ulloa immediately went on television to lie that LaRouche—who had just left Peru—was running from U.S. law and unable to return home. *EIR* is waiting to see how long Ulloa remains in Peru, now that the trees of his forest are falling.

What interest rate blows out thrifts?

Government estimates say another 1.5% will put the entire U.S. thrift system "under water."

A mere 150 basis points' rise in short-term interest rates will make one-third of the nation's 3,500 thrift institutions unsalvageable, against today's "dead list" of slightly over 400, government analysts estimate. Short-term interest rates rose more than 50 basis points in the week to April 15 alone.

The collapsing dollar implies much higher interest rates—City of London estimates go up to 20-25%—to draw in hesitant foreign money to finance the United States' current-account deficit of \$150 billion a year.

The thrift institutions, as a whole, were running a loss as of the third quarter of 1986, and many supposedly profitable institutions made money exclusively by borrowing short-term, and lending long-term.

Government data show that the net loss is spread asymmetrically between the 20% of the thrifts now running huge losses, and 80% either breaking even or showing a profit.

However, that profit would turn into a drastic loss, with a rise in short-term rates to about the 8% level.

Last week in this space, a Chicago Federal Reserve study was reviewed, showing the dependency of the weakest sectors of the commercial banking system on securities-trading profits.

The two-and-a-half-year drop in interest rates, supported by Japanese and other capital inflows, raised the general level of bond prices, and allowed commercial and savings banks alike to show paper profits on securi-

ties trading, particularly in mortgage-backed securities, of which the thrifts hold over \$400 billion in portfolio.

These mortgage-backed securities have already collapsed in value by more than 10% since April 1. That will not affect thrifts' profitability until they must sell them off at lower prices; the bonds may remain on the books at cost-of-purchase, until they are sold, and the loss is realized.

If the cost of short-term money rises to match or exceed the interest-rate which the thrifts receive on their huge portfolio of mortgage-backed securities—roughly 8%—then the entire thrift system "will be under water," one government analyst said.

A "duration gap" arises between thrifts' short-term liabilities, and medium- to long-term assets, in accounting parlance.

Although government data are not published, sources estimate the "duration gap" at about 20% for the thrift industry as a whole.

That means, simply, that the maturity of their assets is, on average, 20% longer than that of their liabilities.

It also implies that for every 1% rise in interest rates, the thrifts lose profits (or add losses) equivalent to 0.2% of their assets.

A 1% rise in rates will add losses of over \$2 billion, i.e., more than the insurance premiums which the thrifts currently pay to the FSLIC.

However, that \$2 billion is the re-

sultant sum of profits and losses at all institutions; some thrifts will actually make money on financial speculation as rates rise.

The median duration gap among U.S. thrifts is closer to 50%, analysts say, which means that the typical thrift will show a loss equivalent to 0.5% of its total assets for every 1% rise in interest rates.

On that basis, analysts calculate that about one-third of the nation's thrifts will become insolvent on the basis of a mere 1.5% rise in rates.

However, it is not merely the squeeze between their cost of funds, and their income on long-term assets, which run up losses for the thrifts.

At the point at which they must pay more for deposits than they receive on the bonds purchased with those deposits, the thrifts will have to start selling off the bonds, at a loss. The trading losses will multiply the operating losses.

Several large thrifts, e.g., the \$30 billion Financial Corporation of America, have aggressively borrowed short-term funds, and bought mortgage-backed bonds, in order to show some profitability, despite their massive losses on real estate and similar ventures. They will be the first to go under if interest rates continue to rise.

The implications for the government's unimpressive plan to rescue the S&L's insurer, the Federal Savings and Loan Insurance Corporation, are staggering, according to Washington analysts. Federal Home Loan Bank Board Chairman Edwin Grey's estimate of \$25 billion in cash to bail out FSLIC, and wind up the affairs of over 400 unsalvageable S&Ls, only reflects immediate requirements, with no reserve left over, they say.

Another \$25 billion will be needed as matters stand; if interest rates rise another 1.5%, that \$50 billion could rise to \$100 billion or more.

Washington stalls as credit collapses

But someone has given the rotten Mellon banking empire a sweetheart deal to collect rural home mortgages.

During April, hearings and new proposals were entertained in Washington, D.C. about the crisis of the Farm Credit System, and the other farm debt agencies, with the outcome that nothing has been done. There is "much talk and study." However, the dispossession of farmers and disintegration of the farm sector proceeds.

Behind the congressional and other expressions of "official concern" for the crisis in the farm sector, wild things are happening. For example, as of May 1, Mellon Bank will start collecting all payments due on home mortgages across the country on behalf of the Farmers Home Administration! Someone, somewhere at the FmHA or U.S. Department of Agriculture has given the crumbling Mellon empire a little sweetheart deal.

The mortgage payments Mellon will be collecting are for rural homes (not farms, in the main), and have been coming in handily on their own to the FmHA collection center in St. Louis. The rationalization given by Vance Clarke, the director of the FmHA, to his staff, is that the Mellon "collection services" will save the FmHA \$1.3 million over three years!

Meantime, the FmHA, and the Farm Credit System and private banks and insurance companies, are busy selling off millions of acres of farmland they have acquired in recent months through mortgage foreclosures. Between 5 and 7 million acres—more than the territory of Connecticut and Rhode Island combined—are in the inventory for eventual sale.

Brochures are circulating in the farm belt states offering very low prices and low interest financing: "Buy North Dakota!" "Buy Minnesota!" or "We're Selling Opportunity in Iowa."

Of the total national farm debt of \$185 billion, at least \$100 billion has arisen in the post-1979 period of combined Volcker high interest rates, and the depression of farm prices by the big-name food cartel companies—Cargill, ADM, Continental, Bunge, Garnac/André, Louis Dreyfus, and the rest.

At least \$30 billion of the total farm debt is nonpayable. This is reflected in the high rate of farm bank failures and the losses of the Farm Credit System.

The Farm Credit System holds about \$65 billion of the total national farm debt. In 1985, the FCS lost \$2.5 billion, and lost \$1.9 billion last year.

Now the FCS is requesting a bailout, and various proposals are being entertained. The palliatives passed by Congress over the last two years have done nothing fundamental to remedy the situation of the disintegration of the farm sector. Many farmers are skirmishing, hoping that something will be done. In November last year, a new "Chapter 12" bankruptcy option was made available for farmers, with the stated objective of stretching out their obligations, and allowing for operating credit to be granted.

However, federal offices have obstructed the widespread use of this option, so it is not at all serving as a stop-gap measure. For example, in north-

ern Louisiana, of more than 150 farmers who have filed for Chapter 12, only 2 of those farmers have had their reorganization plans approved and have prospects for operating credit for the 1987 crop year.

The latest proposal filed in Congress is one by the General Accounting Office, for the Farm Credit System. On April 7, GAO representatives presented a report to the House Agriculture Subcommittee on Conservation, Credit and Rural Development, calling for making the FCS a government entity, like Ginnie Mae, the Government National Mortgage Administration.

The GAO plan calls for the creation of an 18-month board to take over running the FCS, like the control boards created in the past to deal with Chrysler, Lockheed, Penn Central, and other large corporations.

The FCS is a private, nominally farmer-owned national organization, which raises money to lend to farmers by selling securities. The FCS is congressionally mandated, and therefore has certain special borrowing advantages, but contrary to some public opinion, it is not federally backed.

In recent years, farmer investor-borrowers in the FCS have lobbied and complained about the "banker-overseers" who have used the system against the needs of regional farmers. Interest rates have been too high, and credit availability too low. FCS managers attempted also to "rob Peter to pay Paul"—to take funds from one of the 12 FCS districts, and use them in another. This congressionally approved action was halted by court suit.

On April 7, GAO Comptroller General Charles Bowsher warned the House committee about the failing condition of the giant FCS: "We believe it would be very risky to allow the system to fail. The risk in the capital markets is too great to run."

Business Briefs

Foreign Debt

Did Mexico sign away sovereignty?

According to an article in the April 13 issue of the left-wing publication *Proceso*, whose author claims to have a copy of the recent debt agreement between Mexico and its creditor banks, Mexico signed an "unusual" accord which undermines national sovereignty. The Mexican government has not denied the report. Key quotes from the article follow:

"Under penalty of cancellation of the accord and not receiving any more money, Mexico commits itself not to make a general suspension of payments, not to declare moratorium, and that none of the bodies of the government—Executive, Legislative, or Judicial—question the validity of the signed contract, or decree anything that seeks to invalidate Mexico's responsibility, exempt Mexico from claims, or impede or retard its fulfillment of its obligations.

"It commits itself not to leave the IMF or the World Bank. It agrees to submit to the local laws and courts in New York and London. It renounces its immunity—because the state offers itself as guarantor of the debt—and the immunity of its goods. And Mexico renounces the immunity of its international goods, among which are included, 'without limitation,' its petroleum and gas. Mexico does not sign the accord as a sovereign nation, but as a commercial company. Its acts, in relation to its debts to the banks, are not public and governmental acts, but private and commercial acts."

Health Care

Expert decries AIDS victims' euthanasia

Dr. Robert Gallo spoke at a conference in Leyden, the Netherlands on April 15, and denounced proposals for euthanasia on AIDS patients. When asked about press reports that some Dutch AIDS patients were seeking and getting euthanasia, Gallo said: "Personally, I think it's stupid. Anyone who goes out too early is making a big mistake."

He added that there were advances in the AIDS field every week, and that he disagreed with "mercy killings" on ethical grounds.

He was also asked how many infected with the virus develop a serious illness: "Put that all together and perhaps 20% of all infected people develop serious diseases. Will it be 60, 80, 100? We really don't know and I think if we project too loudly that it will be, it will induce suicides."

Trade War

Yeutter to demand Japanese timetable

Clayton Yeutter, Trilateral Commission trade-war specialist and U.S. special trade representative, said that he will call on Japan to establish an "implementation timetable" to reduce trade frictions when he meets with Prime Minister Nakasone in mid-April.

Yeutter said his agenda will include getting commitments to bring U.S. firms in on the construction of the \$8 billion Kansai airport; purchase of superconductors by the Japanese government; inclusion of U.S. companies in the Japan-Alaska fiber optic link; and purchase of U.S. agricultural goods.

Yeutter said the tariffs which the administration intends to impose on Japan may remain for only a short time, but that it would take "the persuasiveness of data" showing that the Japanese had stopped dumping, to end them.

Free Enterprise

Wall Street hit by cocaine scandal

One broker sent free samples of heroin via the his firm's messenger service. Another traded information on stocks for cocaine. Others received accounts in return for supplying cocaine. Others were hired because they were trusted sources of cocaine.

These instances and more are cited in an affidavit accompanying the warrant used by

U.S. Attorney Rudolph Giuliani to raid several Wall Street brokerage firms including Brooks, Weinger, Robbins and Leeds, Inc. Sixteen of the 19 arrested were brokers, 8 of them associated with Brooks, Weinger, where a federal undercover agent had been working since mid-March.

"This case and the implications of it are quite serious," said Giuliani. "This is the beginning of this whole area of investigation."

In one cited instance, a principal of the company whose stock Brooks was about to offer to the public, was given cocaine for \$10,000 worth of stock.

Among the arrested was Wayne Robbins, a partner in the firm. Giuliani's office has filed documents seeking control of Robbins's interest in the firm under federal narcotics law. Giuliani said it is the first time his office has attempted to seize a brokerage firm under drug laws.

"Fairly senior management" from major firms on Wall Street, who had been spending \$50,000-100,000 a year on cocaine and earned more than \$1 million per year, had cooperated with authorities prior to the raid.

Banking

Mellon Bank chairman resigns

On April 13, J. David Barnes, chairman and CEO of Mellon Bank since 1981, resigned both positions. The Mellon family, which owns 15% of the stock, actively promoted the ouster.

At a special meeting April 12 at the bank's Pittsburgh headquarters, Mellon's board elected as caretaker chief executive, Nathan W. Pearson, 75, the bank's most senior director. Pearson is also family financial adviser to the heirs of Andrew W. Mellon, the son of the bank's founder, Judge Thomas Mellon.

Mellon Bank has been suffering from its bad energy and other loans. On April 10, Mellon Bank announced its first quarterly loss ever: a \$59.8 million deficit. Mellon's directors cut the stock dividends—for the first time ever—from 69¢ to 35¢ a share.

Word is, that various Mellons are perturbed at how the decline of the bank's for-

tunes will tarnish their self-styled philanthropic and civic image. However, insiders think that the public and private images are finally beginning to coincide. For example, it is an open secret that the famous Mellon art bequest that became Washington's National Gallery, originated when Andrew Mellon made the donation, in exchange for which, charges were never pressed against him for tax evasion and embezzlement.

Labor

Colombian President certifies new union

Colombian President Virgilio Barco presided on April 13 over the ceremony granting the Unified Workers Central (CUT), headed by former Labor Minister Jorge Carrillo Rojas, official legal status. The granting of legal status had been stalled for a full year by the previous labor minister, Name Terán, who finally resigned in March.

Carrillo, an outspoken opponent of drug trafficking, organized a walk-out of existing union federations one year ago, charging that the leadership was intimately tied to drug trafficking. That leadership was also linked to the American Institute for Free Labor Development (AIFLD), part of the "Project Democracy" network associated with Lt. Col. Oliver North's operations in the Iran-Contra affair.

After the ceremony at the presidential palace, Carrillo made a statement supporting Peru's "10% solution" on debt. Colombian papers also reported Carrillo's statement that the CUT, "with its 800,000 affiliates," is engaged in "the formation of a workers' political party."

Project Democracy assets are enraged. AIFLD-connected Marco Córdoba, National Metal Workers Federation president, said "The CUT . . . is financed by the Soviet Union and the Schiller Institute," reported *El Tiempo*. The Colombian Workers Union (UTC), headed by AIFLD-bankrolled bureaucrats, "accused the CUT of being the guerrillas' unionized arm, of seeking [former President] Belisario Betancur's reelection, and of being run by the Communist Party to serve the U.S.S.R.'s interests," reported *El Espectador*.

Development

Chirac says Reagan was impressed by plan

President Reagan was reportedly quite impressed by the "Marshall Plan" proposed for the Third World by French Premier Jacques Chirac during the latter's March 30-April 1 visit to Washington, according to the April 14 *Quotidien de Paris*.

Chirac reported this to the international association of French-speaking mayors, the majority of whom are from Africa. "The day after this talk [with Reagan], I received Vice-President Bush at the embassy, and he said to me that he had just met with Mr. Reagan, who questioned him considerably on this matter. I was stunned."

The next day, George Shultz arrived late for a meeting with Chirac, because he had to discuss the Marshall Plan idea first with the President.

"It's the first time I have received such a response from the American government," Chirac said. "This is of particular importance, since we can't do anything in this area without the support of the United States."

Scandals

Occidental accused of funding guerrillas

Armand Hammer's Occidental Petroleum Corp. has been implicitly accused of funneling Colombian government monies to guerrillas in that country while building a gas pipeline there.

Carlos Ossa Escobar, presidential assistant for peace and social rehabilitation, said that "an oil company"—which everyone knows to be Occidental—included in the cost of oil pipeline construction the amount it gave to the terrorist National Liberation Army (ELN) for "security." The Colombian government in turn reimbursed those expenses. He said that the ELN had been considerably strengthened by the Occidental payments.

Briefly

● **GEN. JAMES GALVIN**, in an interview with Argentina's *Clarín*, stated: "The Army role in U.S. development during the last century was very strong, we opened the West, we built the railroads, and we controlled the rivers and the ports. . . . In some countries it is necessary that the Army take part in building the infrastructure. . . . In a development plan we have a role to play." Galvin is the outgoing head of the U.S. Southern Command.

● **CAR SALES** fell 15% April 1-10 for the top eight domestic automakers (counting domestically made Japanese brands), compared to the same 10-day period a year ago. General Motors and Chrysler sales were down by more than 20%, Ford by only 2%. U.S. Honda and Nissan were up by 30%.

● **A SOVIET** commercial delegation headed by the vice-minister of fishing, Nikolai Kudriavtsev, began negotiations in Montevideo April 4 on a Soviet-Uruguay fishing pact and joint ventures. The Soviets are seeking fishing rights inside Uruguay's 200-mile limit.

● **THE FEDERAL** Highway Administration recently told Congress that it will cost \$50.8 billion, \$13 billion of that needed immediately, to make all the nation's bridges safe again.

● **SHIGELLA** contamination has reached critical levels in the Peoria, Illinois water supply, according to a pest specialist, Dr. Michael Shinkle. Necessary clean-up measures have not been taken, and area health experts are calling for action.

● **MILK SHORTAGES** will hit large areas of the United States by the end of the summer, according to dairy experts. U.S. Agriculture Department "dairy herd termination" programs eliminated 1.3 million milk cows in 1986 alone.

Louis de Broglie, the father of wave mechanics

Laurent Rosenfeld, in a eulogy for one of the great physicists of the century, looks at quantum mechanics and the Copenhagen School's interpretation of probabilistic waves.

With the death of Prince Louis de Broglie on March 19 at age 94, modern theoretical physics lost one of its most eminent founders. Louis de Broglie was, indeed, with Paul Dirac, the last survivor of that small group of individuals who imposed on fundamental physics an extraordinary revolution. Indeed, the full consequences of their work have yet to be realized.

The giants of this formidable physical revolution included such names as Planck, Lorentz, J.J. Thomson, Curie, Einstein, Millikan, Schroedinger, Rutherford, Heisenberg, Compton, Born, Bohr, Pauli, Langevin, Perrin, Chadwick, etc. But even among this lofty circle of Nobel Prize winners, de Broglie held a position that made him the peer of the greatest.

It is only right that de Broglie is considered the father of wave mechanics, a physical theory which is complementary to quantum mechanics—but in contradiction with its most common interpretation. While de Broglie's theory has been relegated to the background somewhat, through the brutal offensive of a scientific clique usually christened the "Copenhagen School" of Niels Bohr, Wolfgang Pauli, and Werner Heisenberg, we are convinced that we have not heard the last of it.

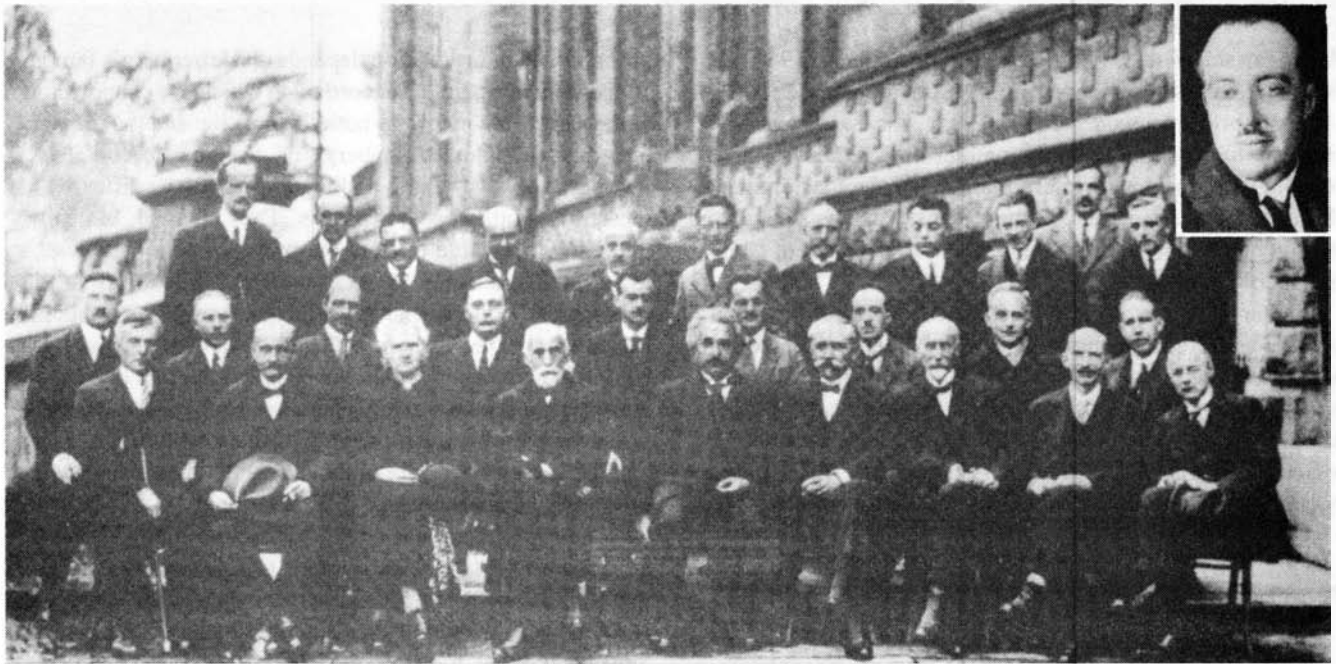
Physics divided

Born on Aug. 15, 1892, into a French aristocratic family, de Broglie did not originally intend to work on fundamental physics. He was more interested in the history of the sciences. During the war, he worked in the wireless station at the Eiffel Tower, which acquainted him with electromagnetics. But his brother, Maurice de Broglie, interested him in working on fundamental physics soon after World War I.

At that time, physics was again agitated by the old controversy which had originally placed Newton in opposition to Huygens in the 17th century: the nature of light. Is light a particle beam emission, or the propagation of a wave? At the beginning of the 19th century, Thomas Young, François Arago, and especially Augustin Fresnel had settled the question in favor of a wave theory, to which Maxwell gave an electrodynamic and thermodynamic formalization which was to raise some complex paradoxes. The most serious of these difficulties was known under the name of the "ultraviolet catastrophe," which de Broglie described in the following terms:

"Physics was somehow divided into two parts: on the one hand, the physics of matter, founded on the idea of corpuscles and atoms which were believed to obey the classical laws of Newton's mechanics, and on the other hand, the physics of radiation, starting from the idea of wave propagation in a hypothetical continuous medium: light and electromagnetic ether. But these two physics could not remain foreign to each other: They had to be welded together by designing a theory of energy exchanges between matter and radiation, and that is where the trouble erupted. By trying to connect the two physics, one reached untrue or even intolerable conclusions on the question of equilibrium between matter and radiation in a thermally isolated, closed space: Matter, one would end up saying, would release all its energy to radiation, and therefore eventually tend to a temperature of 0° K. This absurd conclusion had to be avoided at all costs!"

Solving this paradox brought Max Planck and Albert Einstein to formulate a quantum theory, according to which, interactions between light and matter would proceed only by



At the Oct. 23-29, 1927 Solvay Conference, scientific thugs like Neils Bohr imposed their anti-causal interpretation of quantum physics over the objections of, among others, Louis de Broglie (middle row, third from left, and inset).

discrete jumps of energy—quanta. The energy of each quantum was equal to the frequency of the radiation multiplied by the famous Planck Constant.

But this idea suggested for light a granular or corpuscular structure, which was confirmed by the discovery of the photoelectric effect and its theoretical analysis by Einstein: If a metal piece was irradiated by x-rays (which had just been discovered by Roentgen), it would emit electrons whose energy did not depend on the intensity, but only on the frequency of the incident radiation; intensity had an effect only on the number of electrons thus released. In other words, as Einstein proved, everything works as if light was made up of grains, soon to be called photons, which could one-by-one extract an electron from matter; if the photons had an insufficient energy (corresponding to too low a frequency), no electron would be emitted, whatever the intensity of the radiation.

Was the Newtonian corpuscular-emission theory going to triumph? It was not all that simple, since Fresnel's arguments in favor of the wave theory remained pretty strong. Specifically, diffraction and light interferences could not be explained in the framework of a corpuscular theory. Furthermore, as de Broglie stressed at the address he gave in Stockholm upon receiving his Nobel Prize:

"When I started to work on these difficulties, two things struck me. On the one side, the quantum theory of light cannot be considered satisfactory, since it defines the energy of a corpuscle through the relation $W = h\nu$, where the frequency ν is present. Yet, a purely corpuscular theory contains no element which could define a frequency."

One thus had to accept a "wave-particle duality" of light,

depending on the case at hand. It is easily understood that this situation was not very satisfactory.

De Broglie's solution

Very schematically, de Broglie solved this duality problem by conjugating these two features of light; he showed that every particle, including for example an electron beam, was associated with a wave. In other words, he gave a wave nature to what was firmly believed until then to be pure particles, and his calculations predicted the wave length to be equal to the Planck constant h divided by the momentum P of the particle. In April 1925, Davisson and Germer, of the Bell Telephone Company, noticed that, indeed, electrons bouncing off a nickel plate underwent the interferences predicted by de Broglie's theory, thus proving their wave nature; they also confirmed de Broglie's calculations. De Broglie's interpretation consisted of associating to each particle (be it a photon or a mass-particle such as an electron) a "pilot wave," guiding the movement of the particle.

The Copenhagen school replaced this view by a probabilistic theory, according to which the wave represents only the probability of a particle being in a specific place at a given time. Using quite literally a form of intellectual terrorism, especially during the famous Solvay Conference in Brussels in 1927, the Copenhagen School defeated its opponents. Even Albert Einstein, who rejected the probabilistic interpretation throughout his life, did not then dare to oppose Niels Bohr, Max Born, Wolfgang Pauli, and Werner Heisenberg.

Demoralized, de Broglie surrendered his views and accepted this anti-scientific theory, and even taught it for years. However, he later returned to his original view when the

American scientist, David Bohm, demonstrated in 1952 that Bohr's arguments (an "impossibility proof") against de Broglie's interpretation were wrong. Today, the two interpretations are in principle possible, neither one of them is ruled out, but the Copenhagen interpretation is by far the dominant theory, to a large extent because most scientists tend to wrongly credit this interpretation with the successes of quantum theory equations.

In our view, we are convinced that de Broglie's interpretation was closer to reality than Bohr's. Indeed, by rejecting all *causality* at the microscopic level, the probabilistic interpretation raises a lot of fundamental questions. "God does not play dice," Einstein once said against this probabilistic vision. On this account, Einstein, Podolski, and Rosen raised an interesting problem, known as the EPR paradox. The

probabilistic interpretation depends on Heisenberg's famous "uncertainty principle," according to which one cannot know at the same time precisely both the position and the momentum of a particle. Heisenberg and Bohr made out of it a fundamental law, having nothing to do with the difficulty of measuring both those parameters. They claimed, basically, that it is impossible to state the presence of a particle at a given point, but only to assert a certain probability to this occurrence. Einstein and his colleagues proposed a thought (*Gedanken*) experiment in which, for example, the materialization of a photon provokes the emission of a pair of particle/anti-particles ejected in opposite directions. It would then be possible to measure the position of one of the two particles and the velocity and spin of the other, and then calculate the other parameters for each.

The experiment was conducted recently, but did not go so far as to measure clearly these parameters. But the fact that it could not be done does not mean that it cannot be done. It seems very dangerous for the mind to accept the kind of "instant thought transmission" between the two particles, according to which one particle would somehow "know" that the other is being measured. Maybe the acceptance of such weird visions is the cause of the craziness surrounding "paranormal phenomena" and the various "gnoses" which have come to dominate some circles of physical research. One thing is sure: Present physical theories (the quark theory, for example) have lost their ability to *forecast* new physical effects—whereas that ability should be the criterion for validity and fruitfulness of a scientific theory.

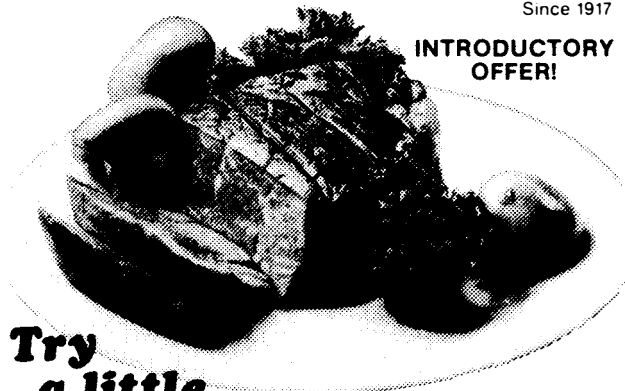
Interferences

Another interesting question touches upon the physical significance assigned to interferences between "probability waves." For example, if we think of interferences in a Young device, where light or particle rays are passing through two thin slits and interfering behind on a screen, the probability of having particles reach a certain place through the two slits may be lower than the probability of having these particles reach the same place through only one of the two slits! This does not make much physical sense. Clearly, de Broglie's idea of "pilot wave," despite possible unclarities, makes much more sense. We don't know whether de Broglie's interpretation is really the correct one, but it seems undoubtedly closer to physical reality. Be that as it may, de Broglie will remain the man who imposed the idea of a wave being associated with particles, and that alone is sufficient to have us venerate his memory.

The author wishes to conclude on a personal remark. When I was in my early 20s, I had the opportunity to read several of de Broglie's works and books. I found in them a great source of inspiration and it was with a very deep emotion that I had a brief exchange of views with this exceptional man. Let us weep his death, but may his mind continue to inspire and guide young generations!

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From Frankfurt to New York in an hour

by Laurent Rosenfeld

The French weekly *Le Point* revealed in its March 16 issue a secret which was heretofore well guarded: About 30 engineers from France's SNIAS (Aérospatiale) and other agencies have been working for two years on a hypersonic airliner which will be officially unveiled at the Le Bourget air show in June. The plane, nicknamed AGV for *Avion à Grande Vitesse* (high-speed plane—a reference to the high-speed train, TGV, which links Paris to Lyon at almost 300 km/h) would fly at Mach-5, carry 150 passengers, and could cover 12,000 kilometers on a one-leg flight. It would take about an hour to reach New York from Frankfurt.

Various possible plans for higher speed passenger planes were known to exist on the drawing boards of the Aérospatiale—ranging from a so-called Super-Concorde, i.e., a Concorde with a slightly higher velocity and a longer autonomy, to hypersonic planes. But it was not known how far along this project was—namely, to the point of defining quite precisely the performance parameters of the projected aircraft.

After the unfortunate commercial failure of the Franco-British Concorde, a failure largely due to commercial malpractice of the U.S. administration and a strange alliance between the environmentalist lobby and the large U.S. aerospace manufacturers, drawing up plans for a new super-plane may appear hazardous. But possibly, Concorde was not an

adequate technological leap forward to ensure the adherence of people who may have used it. Therefore, the reasons for studying this project, which would be a real technological breakthrough, are strong:

- It is necessary to plan second generation space planes which would cost less than the U.S. Space Shuttle or Hermes. This leads almost automatically to studying hypersonic planes of the Sänger type (see *EIR*, Vol. 14, No. 9, Feb. 27, 1987), which could also be used for air transport. For this reason, the French CNES is also taking part in the development of the AGV.

- There has been and will be a formidable increase of long-range air transport between the main industrial powers of the globe: North America, the Far East, and Europe.

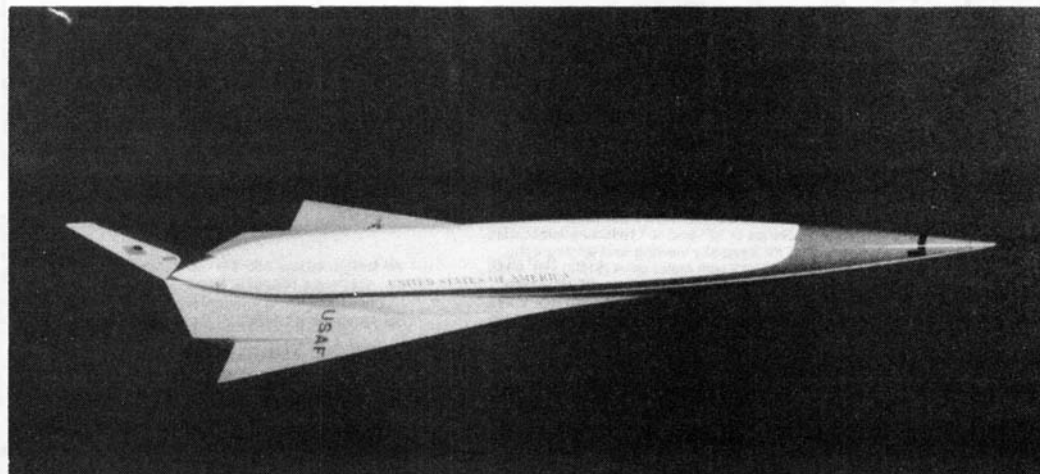
- In his State of the Union message of Feb. 4, 1986, after the Challenger disaster, President Reagan announced the launching of the Orient Express project, a hypersonic plane whose goal is to link New York to Tokyo in just over two hours.

The ramjet

But there is a more important reason, involving technological know-how. The French SNIAS and ONERA have just started industrial production of a ramjet engine, which powers the new, medium-range, air-to-surface ASPM nuclear missile. ASPM is to replace the free-fall bombs of the Mirage-IV as the air component of France's independent nuclear force (*Force de Frappe*). The ASPM flies at velocities of between Mach-2 and Mach-4.

In a ramjet, the air is just "rammed" into the engine by the high speed of the plane. The ramjet has no rotating parts and can therefore be operated much more easily than turbojet engines at high speeds; it is basically the only engine (apart from the much less efficient rocket engine) which can operate at more than Mach-3.

It is a relatively old concept: For example, the Griffon, constructed by René Leduc, the father of the ramjet, flew at



MSGt. Ken Hammond

An American scale-model of the hypersonic airliner the French are now in an advanced stage of planning.

Mach-2 in 1959. But it has since been so thoroughly supplanted by the less efficient turbojet—in which a turbine pushes the air into the combustion chamber of the engine—that the ASPM is now the only ramjet in existence in the West.

The only problem with the ramjet is that it must have a minimal velocity to function. Therefore the ASPM has a small rocket engine which gives it the initial high velocity required. For the AGV, however, this rocket-engine solution is most likely to be excluded. The relevant idea would instead consist of a hybrid turbo-ramjet, working in a turbojet mode at low speed, upon taking off and landing, and in a ramjet mode the rest of the time. One of the problems with the

Concorde is that it flies at Mach 2.2, a velocity range where the engines are the least efficient: Concorde is 100% less efficient, in terms of specific fuel consumption, as a Jumbo; but at higher speeds (Mach-4 to Mach-6) and altitudes (80,000 to 100,000 feet), the efficiency goes up to levels comparable to the Jumbo.

Aérospatiale engineers have good experience in both supersonic flight (Concorde and ASPM), and in ramjet engines. The main area in which advances will be required is materials able to withstand the high temperatures incurred at such speeds: composite materials for the structural elements and ceramics for the engine.

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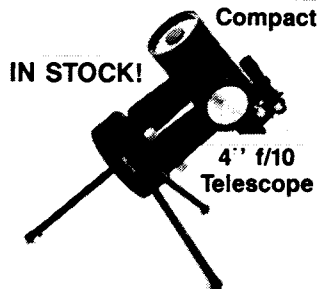
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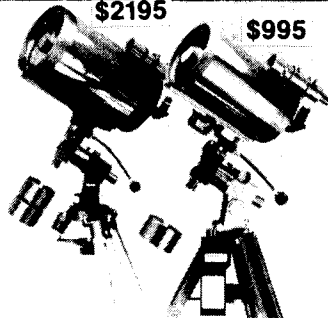
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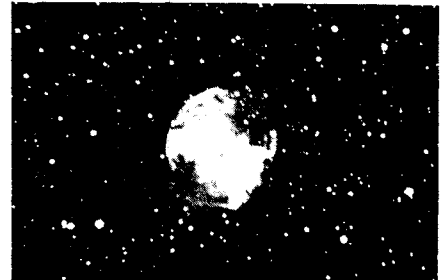
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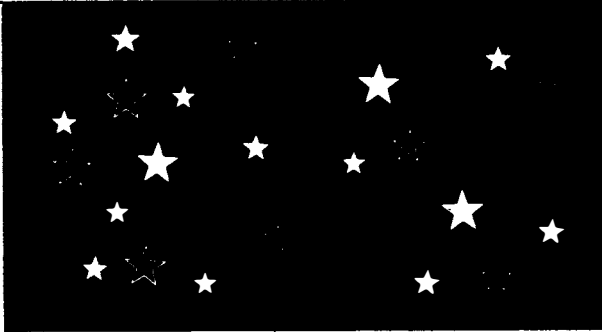
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Clearly, Aérospatiale does not intend to build this project alone. The costs would be too large. European cooperation, either on a bilateral basis, as was the case for Concorde, or possibly in the framework of Airbus or a specialized subsidiary of Airbus, or with the European Space Agency. Whatever the case, it would certainly be useful to combine this project with the next generation of space launchers, for instance, with projects like Sänger, whose only drawback, in the author's view, is reliance on a turbojet engine. Meetings at the European level are already scheduled to explore possibilities for international cooperation.



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World debt and the world social-democracy

by Lyndon H. LaRouche, Jr.

The following item was released on April 8 to EIR and other news agencies by 1988 U.S. presidential candidate LaRouche.

The current and past role of the Socialist International inside the government of the United States, and in the internal affairs of Central and South America, is a major contributing cause for the presently accelerating collapse of the international financial system. If we are to stop the spiral of collapse in agriculture, industrial employment, and incomes, inside the United States, our citizens must understand the wicked role of the social-democrats in U.S. domestic and foreign policy, and eliminate that dangerous factor from the shaping of our national policy.

The following remarks are extended ones, and offered to a wide audience of influential institutions and citizens, because of the extreme importance and urgency of the matters considered.

I have just returned from a brief visit to South America, where I received background briefings on assorted recent attempts at coups d'état and lesser destabilizations in Brazil, Colombia, Peru, Argentina, and elsewhere. Coordinated actions by leading elements of the U.S. and European social-democracy, are a key included factor in each of these instances.

One prominent aspect of the pattern would astonish most U.S. citizens. In each case, the attempted coup or lesser destabilization reflected a strongly anti-Catholic bias by the pro-malthusian social-democratic elements involved, and a very strong bias against the Pope, John Paul II, then in the midst of a tour of Uruguay, Chile, and Argentina. In the shadows, in addition to the malthusian population dogmas of social-democratic leaders Willy Brandt and Helmut Schmidt, were political silhouettes of the passionately anti-Catholic social-democrat Jeane Kirkpatrick, nominally Catholic Michael Novak, nominally Catholic ex-CIA Director William Colby, and ex-Catholic Lt. Col. Oliver North.

Overall, the social-democratic leadership's role in these attempted coups and destabilizations, simply demonstrates that the "secret government" exposed by the "Iran-Contra" scandal is not limited to aging ex-Communist Jay Lovestone's



NSIPS/Stuart Lewis

U.S. social-democrat Michael Harrington (l.) with Willy Brandt, then-chairman of the German Social Democracy, at a December 1980 meeting of the Socialist International in Washington, D.C. The gathering plotted to destroy the incoming Reagan administration by exploiting its weaknesses in economic policy.

“Project Democracy” cronies in the AFL-CIO’s international department. In Central and South America, for example, the Europe-based Socialist International’s intelligence apparatus is an integral part of the U.S. “Project Democracy’s” covert operations.

In the United States, the “secret government” tied to Lt. Col. Oliver North’s current troubles is a collection of social-democrats inside the U.S. intelligence community, social-democrats who function as political arms and legs of relevant U.S. banking interests. In the case of the Socialist International, John J. McCloy’s public revelations of his sponsorship of the postwar career of Willy Brandt is symptomatic. Brandt’s heading the North-South Commission in support of the malthusian population-control policies of the World Bank’s Robert S. McNamara, is also symptomatic.

Indeed, the principal cause of President Reagan’s major current embarrassments, is his administration’s secret agreements with the international social-democracy since the 1980 “transition period.” The key Socialist International channel into the Reagan administration, apart from the “Project Democracy” apparatus inside the intelligence establishment, has been the British social-democracy’s “conservative” Heritage Foundation front. The roles of Jeane Kirkpatrick and “Irangate’s” Michael Ledeen merely illustrate the prominent role of the social-democracy inside the administration. The virtual post-1984 takeover of Senator Jesse Helms’s Washington, D.C. office by social-democratic networks, is an aspect of the same problem.

The key to the social-democrats’ coup-prone covert activities in Central and South America, is the fact that social-

democrats, both U.S.A. and European, have contributed a leading part in creating the present international financial (debt) crisis. Not only do social-democrats function as covert arms and legs of certain financier interests in the developing sector; social-democratic ideology is fairly described as “bankers’ socialism.”

The ideology of the leading social-democrats is explicitly pro-feudalist. That is, they are anti-industrialists, who yearn for a return to the system of rule of the cities by feudal guilds. Although continental European social-democrats must adapt to the pro-technology attitudes of skilled industrial trade-unionists, the socialist intellectuals, and almost the entirety of the English-speaking social-democracy, are fanatically guild-socialist ideologues, whose stock-in-trade is the argument, that “technological progress takes away jobs.”

Those among wealthy aristocratic circles, and American “patricians,” who yearn for a return to feudal-like class society, find the social-democratic ideologues very useful. Among bankers, attitudes toward social-democratic ideologues are divided. Those bankers closely tied to promotion of advances in industrial and agricultural technology properly abhor the social-democratic ideologues, whereas those financiers who prefer the rentier-usury traditions of the feudal Lombard bankers, find both socialist and fascist ideologues useful allies against the pro-technology, entrepreneurial interest and also the interests of farmers and labor generally.

Inside the United States, socialism developed under the direction of British and Swiss (Geneva-Lausanne) financier interests which backed the French and U.S. Jacobins of the late eighteenth century. The Jacobin insurrections organized

in western Pennsylvania by the Anglo-Swiss agent Albert Gallatin are an example of this. Behind the U.S. leftists have been those financier interests, traditionally tied to the British East India Company, which opposed the American War of Independence and the U.S. federal Constitution, on the basis of their support for the anti-industrialist, anti-American "free trade" dogmas of the British East India Company's Adam Smith.

In contrast, the economic motives for the U.S. 1776-83 War of Independence, the design of the U.S. federal Constitution, and the War of 1812, are expressed in the clearest way by Treasury Secretary Alexander Hamilton's December 1791 Report to Congress, "On The Subject of Manufactures." Hamilton's "American System of political-economy" is the textbook in entrepreneurial forms of industrial capitalism, whereas Adam Smith's *Wealth of Nations*—against whose policies the 1776-83 War of Independence was fought—represents the opposing, pro-feudalist interest.

Every period of successful growth of average real incomes of the U.S. population as a whole, has been the result either of a return to Hamilton's economic policies, or to forms of war-economy mobilization which have borrowed from Hamilton's principles. In every period the United States has reverted to Adam Smith's dogmas, the result has been a slide into a new economic depression, like the present one.

The Reagan administration's misguided, and extremely simplistic form of support for a radical version of Adam Smith's "free trade" dogma, is the immediate cause for the aggravated form of the present international debt-crisis and the worsening economic depression inside the U.S.A.

It has been this flaw in the Reagan administration's economics philosophy, which has supplied the basis for the administration's no-longer-secret alliance with the Socialist International. Although the Reagan administration has been philosophically for national defense, and differs strongly with the Socialist International on this matter, the social-democrats' frequent alliance with Moscow against the SDI and on arms-control issues, is the outstanding exception to relations on issues of economic policy and covert-operations policy in the Middle East, Central and South America, and in Asia and Africa generally.

During December 1980, the Socialist International held a conference in Washington, D.C., outlining there the policies which the socialists have followed since, up to the most recent time. I caused reports to be presented, orally and written, to the incoming administration, warning the new administration of what the social-democrats had in store for it.

In this connection, my associates produced an *EIR* special report on the subject of the Heritage Foundation. This special report identified the social-democrats' use of the Heritage Foundation as a front-organization, and included supporting documentation from the bragging mouths of leading Heritage officials. Unfortunately, the new administration had already

cut a secret "Project Democracy" deal with the social-democrats, as "Irangate" investigations have recently shown. Our 1981 exposure of the social-democratic control of Heritage was most unwelcome in most quarters of the new administration.

Although the President may not recognize this fact as yet, every leading economic policy of his administration has followed the lines of what the social-democrats predicted their influence would be, back in 1980! The published form of the early 1981 *EIR* report still exists; there can be no doubt today that our warnings were very accurate ones.

As I stated at the outset, my purpose here is to show the dangerous effects of continued social-democratic influences on U.S. domestic and foreign economic policies. References to the nature of social-democratic penetration of our intelligence establishment is merely indispensable to showing how social-democratic influence continues to be exerted on the present administration.

The present economic depression

Since the 1930s, American popular tradition has associated the outbreak of an economic depression with a major stock-market crash such as that of 1929. Thus, although economic conditions comparable to the 1930s depression already exist in more than thirty of the fifty states, with farms and industrial employment collapsing at depression-period rates, most people say that "the depression" has not occurred; many will not believe it until a major stock-market collapse convinces them.

Unfortunately, those demanding such evidence will soon receive it. The zooming collapse of the value of the U.S. dollar on world markets has already devalued U.S. foreign indebtedness by about 50%. That collapse of the dollar, is a symptom and effect of an ongoing international financial collapse. As a recent issue of the London *Economist* has documented some of the most important evidence, most of the major U.S. banks are effectively bankrupt, in the sense that doubtful obligations now range from about 400% to more than 1,000% of the bank's equity. Since U.S. indebtedness totals now to more than half of the approximately \$13 trillion of international debt-structures affected, a collapse of the U.S. banking system would set off an international tidal-wave crushing the banking systems of most of the world. One leading Swiss banker, and others have warned, accurately, that we are presently on the verge of the greatest financial collapse in world history.

There never was a "Reagan economic recovery." Until either Mr. Reagan, or another President, recognizes this painful truth, there will never be a U.S. economic recovery.

Of course, Mr. Reagan's policies did not cause the presently deepening depression. Mr. Reagan merely continued and defended the depression-causing Trilateral policies of the Carter administration's program of "deregulation" and Volcker monetarism. Carter, in turn, merely worsened the

depression-tending "post-industrial" economic and monetary policies set into motion under Johnson during 1967-68, and continued under Nixon and Ford. Nonetheless, Mr. Reagan has adorned himself and the 1988 Republican presidential candidates with the horse-collar of Hoover's 1932 election-campaign, while Chrysler's Lee Iacocca has dropped out of the Democratic race on grounds that the next President will inherit an economic catastrophe for which Mr. Iacocca has stated he foresees no solution.

My hysterical "critics" of the major news media will now insist that I am always "predicting a depression," implying that my "prediction" of the present depression is irrelevant. It is therefore important to point out, that I have never predicted any U.S. depression but the present one. I first predicted this present depression in a long-range forecast back in 1959-60, when I outlined a late 1960s beginning of a series of monetary crises, leading toward an eventual new financial crash worse than that of 1931-32.

What I have insisted upon, at every point during the past 28 years, is that, at each moment, the current economic and related developments must be understood as occurring under conditions of a build-up leading toward a future depression.

As an economist, I have always insisted that all short-term problems and policy-proposals must be studied from a long-range, economic-cyclical standpoint. Long-range cycles are determined chiefly by long-term-investment cycles, over a span of seven to twenty-five years of life of fixed capital investments in agriculture, industrial capacity, and basic economic infrastructure. It is the effects of current

policies on long-range investment cycles, which determine whether those policies are leading toward future prosperity or a new depression.

Fluctuations within such long-range cycles, are based on medium-term investment patterns, centered on intervals of three to five years, approximately.

To understand so-called business cycles, we must consider how two very distinct aspects of the economy interact. The most fundamental aspect of an economy is the physical economy, the increase or decrease of per capita physical-goods (real) incomes and output per capita and per square kilometer of land used. The superficial aspect of the economy, is the flow of money, credit, and indebtedness. If money, credit, and indebtedness are increasing more rapidly than per capita real income, we are headed toward a bust. If per capita real income is increasing more rapidly than per capita levels of money, credit, and indebtedness, we are headed toward increasing prosperity over the long haul.

Sound economic policy requires that flows of investment are steered in such a way that average productivity of the nation, per capita, is growing faster than the growth of per capita flows of money, credit, and indebtedness. This means that we must be investing constantly in advancements in productive technology. Only technological progress enables us to get more wealth out of investments than the buying-power invested as combined capital investment and debt. If borrowing-costs are very high, and if flows of money, credit, and indebtedness are piling up in areas other than investments in agriculture, industry, and basic economic infrastructure,

The 'Eurosociologist' march on Washington

This *EIR* cover story of Dec. 23, 1980 exposed the Socialist International's plot to radicalize the Democratic Party and to use it as a class-war battering ram against the incoming Reagan administration. The "Eurosociologists" calculated that President Reagan's economic policies would precipitate a depression, giving them the opportunity to move in.

The Dec. 5-7 conference in Washington, D.C., "Eurosociology and America," was jointly sponsored by the German Marshall Fund and the Democratic Socialist Institute. Over 2,000 people attended, including European socialists Willy Brandt, François Mitterrand, Anthony Wedgwood Benn, Joop den Uyl, and Olof Palme, Felipe González, and American social democrats William Win-



pisinger, Rep. Ron Dellums, Gloria Steinem, and Michael Harrington.

we are headed for a new bust over the medium- to long-term.

Except for the Kennedy administration's combined aerospace and investment tax-credit programs, up into 1966, the U.S. economy has been on a long road toward a new bust since the changes in tax, credit, and indebtedness policies of 1954. The short-term "Eisenhower recovery" of 1955-56, and every recovery excepting the "Kennedy recovery" since, has been deceptive at best. In each case but the "Kennedy aerospace boom," the apparent temporary recovery has been based on short-term policies which have taken us further along the road leading toward the bust.

The general characteristic of these short-term, apparent recoveries, including the 1955-56 case, has been an expansion of consumer credit (and indebtedness), followed by a "corrective" tightening of the money-supply. Throughout all of these cases, the amount of money flowing into productive investments has been a shrinking percentage of the total. As a result, the percentage of the total labor-force employed as operatives in agriculture, industry, and infrastructure, has been shrinking, and since 1966-70 the rate of growth of productivity of operatives has been slowing, and collapsing since the period of the Carter administration.

The result is, that the amount of total indebtedness has been growing faster than the production of the physical goods available as potential repayment of indebtedness. The policies of the Reagan administration have consistently worsened this trend.

What confuses many politicians and ordinary citizens, is their belief that one can not competently forecast a depression, unless one is able to predict the timing of a collapse of the New York stock-market precisely. Contrary to that popular view, financial collapse can be delayed by political factors, including the willingness of populations to tolerate lower average real incomes, and the willingness of governments and bankers to resort to new rounds of inflationary credit-expansion. Thus, even in the case we can predict a depression with certainty, the exact year or month of a financial collapse depends more upon subjective political, than objective economic factors. One must never confuse economic science's ability to discover the existence of trends leading into depression at a certain rate, with the desire of the stock-market speculator to know the exact hour a financial blow-out will occur.

For example, the conditions for a general collapse of the world's banking system were reached during August 1982. The willingness of the nations of Central and South America to accept IMF conditionalities, combined with a wild papering-over of the potential insolvency of U.S. banks, postponed the collapse for about five years. So, where U.S. banks were threatened with bankruptcy during 1982, they have become almost hopelessly bankrupt today. The 1982 crisis was papered over with a Mount Everest of such worthless paper as "off-balance-sheet lending" and financial paper of the same general quality as "junk bonds." So, in addition to the bad paper of 1982, banks are now saturated with the added

worthless paper piled up since 1982.

Since 1982, a large percentage of U.S. farms have collapsed. Entire sectors of industry have been shut down. Basic economic infrastructure has been rotted by five additional years of increased obsolescence and decay. Despite statistical juggling in Washington, total unemployment of operatives has fallen way below 1982 levels, while household indebtedness has skyrocketed. Although real spending by government at the federal, state, and local levels has been cut back drastically, the real level of governments' tax-revenue base has fallen much more rapidly than government spending has been cut—as a result of the fact that the "Reagan economic recovery" never really occurred.

Theoretically, at least, the present financial collapse might still be delayed by a few months, by adopting the measures which Hjalmar Schacht introduced to Hitler's Germany. However, the economic decay has reached a point which physicists would describe as a "critical value." President Reagan's monetary and economic policies could no longer be continued under democratic forms of government without setting off the greatest financial collapse in world history.

Take the cases of Brazil, Peru, and Mexico, for example. The administration and Wall Street insist that Brazil and Peru are "refusing" to pay, when the fact is that neither country could pay without collapsing its internal economy. Brazil's Delfim Netto, a leading critic of President Sarney's debt-action, insists that Brazil should sustain adherence to IMF conditionalities through imposing what Delfim explicitly terms a "Schachtian" austerity. Adherents of the so-called Baker Plan, argue that the Plan could work, if "debt-for-equity" measures are accepted by Brazil, which Brazilians reject as exhausting the available means of such payment within a few years, without reducing the principal amount of the debt. It is said that Mexico is paying, but this report is largely based on the illusion that a consortium of bankers will deliver Mexico the loans required to supply means of payment—with long-postponed delivery of that loan not yet in sight.

These three cases illustrate the fact, that the present debt-policies of the United States have reached a critical point. At this point, presently scheduled payment can not be made without destroying the physical existence of the debtor-economy as a functioning economy. The non-payment could be delayed only for a very brief period, at the price of actually collapsing those societies economically.

In the United States itself, we have reached a similar state of affairs. Given the chain-letter character of existing U.S. indebtedness, the debt is growing while the physical economy—the source of means to liquidate the debt with physical commodity values—is collapsing. The collapse of the U.S. dollar on world markets, is—primarily—a reflection of the accelerating contraction in U.S.-commodity content of the average dollar. We are at a critical point domestically, more or less as Third World debt payments are at a critical point. The only temporary alternatives, within the limits of present U.S. economic and monetary policy-structures, are Schach-

tian ones, and those are very much nothing but temporary resorts, cures more deadly than the disease, as in the Brazil case.

Solutions are possible

Speaking technically, the solution to a combined economic and monetary crisis of this present type is elementary. On principle, the obstacles to a recovery are essentially political in nature, not economic.

I am not suggesting that establishing a full recovery is an easy task. A large amount of very hard work over years will be needed. I am merely pointing to the fact, that the changes in policies needed, to halt a collapse and begin the process of recovery, are elementary.

By "economic recovery," I mean a constant or increasing rate of growth of per capita output and incomes over each year of a long-term period. I also mean, that this process of increased output-rates will continuously increase the strength of essential financial institutions each year, also over the long term. The two requirements I emphasize are, first, that there must be significant improvement, on both counts, each year, and, second, that this must be sustained for a period of a generation or more. I would accept such standards as a goal of 10% annual rates of net growth in physical output over the first five to seven years—perhaps higher later, and not less than a 3-5% annual rate of average growth of productivity.

The "hard work" is chiefly the combined labor of operatives and of mobilizing high rates of investment in technologically advanced forms of productive capacity. The 1940-43 period of the U. S. economic recovery under wartime conditions, is an example of what I mean by "hard work." Also, we must foresee a period of very tough self-discipline, needed to stabilize shaky financial institutions and financial assets, with the first year the most onerous, and with decreasing but significant restrictions over as long as approximately five years.

The key to understanding "economic recovery" from conditions such as the present ones, is to free one's mind from the grip of popularized "old witches' tales" concerning the nature of money. Among the "old witches," I include Professor Milton Friedman and like-minded monetarists.

Money, credit, and debt, are "only paper." They are not edible, not suitable for wearing in polite company, and are useless as machine-tools. Governments can wipe entire species of money, credit, and debt out of existence by a single act of law, and by another act of law create entirely new species of such paper. Under the U.S. Constitution, the U.S. Congress has the power to effect such acts of, alternatively, mass-destruction and creation of species of negotiable instruments. Every sovereign nation's government has the lawful power, under natural law, to do the same. In other words, money, credit, and debt are "political fictions."

In a well-ordered republic, as provided by our Constitution and by the model practices of President George Washington's administration, the government has a monopoly on

the issuance of currency. The government has a monopoly on the creation of all credit in excess of that issued as loan of savings or as trade credit. Our federal government, similarly, has the explicit authority to regulate all interstate banking, and to regulate other banks through appropriate forms of legislation. In other words, our federal government has the constitutional powers, reserved to the Executive and Congress (not the Federal Court), to create and destroy money, credit, and debt, and to regulate the flow and terms of flow of these three categories of nominal values.

Our federal government's powers, in this respect, are extended to international finance and trade through such forms as sovereign decisions on tariffs and trade, and through treaty agreements negotiated with governments of foreign sovereign nations. By these extended powers of government, our government has the implicit power to destroy and create international monetary systems. That is, to the extent that our government establishes monetary relations with certain other states, through treaty agreements, that establishes a new monetary system. The weight of the U.S. economy is such, that if our government establishes a new monetary system in concert with some other sovereign states, that new monetary system will become quickly the dominant world monetary system.

Our government's power to act in these matters, is our government's responsibility to act so, as urgency demands action be taken. So, to every monopoly of power, there is attached a monopoly of responsibility to perform the duties consonant with the monopoly of power.

The first duty of government, faced with a crisis such as the present one, is to restructure the regulation of national currency, credit, indebtedness, and taxation, to such effect as to nullify those policies which have fostered the crisis, and to introduce efficient forms of those new policies which will promote a general and durable economic recovery.

The domestic monetary measures needed are elementary:

1) The President must declare a national economic emergency, thus activating those relevant powers he enjoys under terms of the Constitution and outstanding relevant legislative law.

2) The Federal Reserve System must be "nationalized" for the duration of the emergency, to become in effect "The Third National Bank of the United States." Congress must resume its abandoned responsibility for authorizing the issuance of legal tender, and such issues of U.S. Treasury (currency) Notes must become the sole source of new generation of credit in excess of loaned savings and trade credit.

3) New issues of credit (money) must be loaned through the national bank, primarily through private banking institutions, to promote investment in the desired form of general economic recovery, while also building-up, in this way, the stability of regional and local domestic banking institutions.

4) Federal issuance of new credit must be offered at low borrowing costs (prime rates less than 2%), and restricted to priority classes of borrowers. These loans, made largely

through the participation of private banks, should be restricted to specific classes of private and public applications. These are chiefly investments in expansion and improvement of production of physical goods, or, for financing export-production, and for essential classes of investment in basic economic infrastructure by various agencies of (federal, state, local) government, and private utilities. Other lending, except as a presidential finding of relevant national emergency may prescribe, shall be left to rely on loan of savings and trade-credit.

5) Endangered domestic banking institutions must be determined to be "essential financial infrastructure" according to terms stipulated, variously, by Congress or Presidential Order under law. The need of local communities and businesses for the service functions of such banking institutions, is the broad rule of thumb to be applied. Liquidation of institutions so classed as "essential" must be prevented, by a) declaring non-performing assets as non-accruing, and b) freezing such assets at nominal or reasonably discounted values pending necessary measures of reorganization. (In other words, government does not engage in a "financial bailout" of the banks, but uses the powers to regulate banking institutions, both to prevent liquidation, and to render them sufficiently credit worthy that they may continue their most essential service functions.)

These monetary and related actions are merely the essential preconditions for those measures of domestic recovery which are essentially economic, rather than monetary, in nature.

These domestic emergency measures are consistent in nature with acts of cooperation with governments of foreign sovereign states, especially those foreign states which are traditionally both our friends and customary trading-partners. The following measures are outstanding in their importance.

1) It must become the policy of the United States, relative to debt-balances of those developing nations which are traditionally our friends and customary trading-partners, that their loans to U.S. nationals shall not accrue more than a non-usurious interest-rate, and payment of loans shall be scheduled in such a way as not to consume more than an agreed percentage of the foreign earnings of that national economy.

This requires consent of Congress, which may occur in several ways. a) By general legislation to this effect, such that the President need merely designate the nation formally as a friendly developing nation and customary trading-partner, to implement such measures through the Executive Branch, or b) by Senate ratification of treaties including such provisions.

2) That future loans from the United States to such nations shall not be in the form of financial payments to those nations, but through issuance of a line of trade-credit covering designated classes of applications or specific applications to major projects. The financial lending shall be to domestic U.S. exporting firms. Such loans of lines of credit will cover, optionally, all elements of cost of inbound freight excepting

charges imposed upon imports by the importing nation. Importing nations should finance the internal portion of any investment using such imported commodities from domestic resources. (No nation ought to go into foreign financial markets for monies to pay use of domestic resources, except through repatriation of funds deposited abroad by its own nationals.)

3) That the United States should express the policy of promoting the growth of per capita and per hectare output of friendly nations, and should restrict the issuance of lines of credit, either to emergency relief measures, or to investments which the nation and our government recognize as valuable to that nation for such purposes.

4) The precedent of the successful "Marshall Plan" should be a complementary feature of such policies. We must encourage participation in jointly-sponsored "Marshall Plans" by OECD nations which concur with this policy, and seek a rational division of labor with such OECD partners in the enhancement of economies of developing nations.

5) It is the responsibility of the U.S. government to assist U.S. banks holding foreign debt in bridging the period of adjustment to reorganized schedules of debt-payments by developing nations. This means often declaring affected assets as non-accruing, but this does not occur in vacuum. These same financial institutions will benefit greatly from participation in expanded use of federal credit for domestic investments, including credit issued domestically to U.S. exporters. Our basic intent must be to shift rapidly the composition of banks' portfolios, to reflect growing ratios of viable new credit issued.

6) The United States must seek to establish a system of fixed parities of currencies among customary trading-partners. Currencies should be implicitly pegged to a gold monetary-reserve standard, pricing gold at a parity price consistent with sufficient new production of gold to meet monetary as well as industrial requirements.

7) The United States must seek to increase its volume of exports by not less than \$200 billion annually, with a medium-term target of a \$500 billion level above present ones. It must be the responsibility of the federal government, aided by state and local governments, to promote this, and to assist smaller as well as larger U.S. domestic firms to find and enjoy stable opportunities in such markets. Since most developing nations have a vast objective need for growing volumes of capital goods and engineering services imports, the implied duties of the federal government are virtually self-evident. In developing-sector infrastructural needs alone, there is a present deficit in the order of trillions of dollars, a need which could not be satisfied except through joint efforts of OECD nations.

This translates into a very large increase in numbers of workplaces for operatives in the United States, and for higher rates of turnover of machine-tool and related capital investments in the U.S. domestic economy.

To be continued.

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A new monetary order: LaRouche's 1982 plan

Part 31 Ibero-American integration

This installment continues Chapter 11, the final chapter of EIR's exclusive translation of the Schiller Institute book, *Ibero-American Integration: 100 Million New Jobs by the Year 2000!* published in Spanish in September 1986. It was commissioned from an international team of experts by the Schiller Institute's Ibero-American Trade Union Commission, to elaborate the 1982 proposal by Lyndon LaRouche for an "Operation Juárez" that will transform the huge foreign debt problem into the springboard for a regional economic boom.

The "García solution," to politically break with the IMF and not pay more than 10% of export revenues for debt service, is a step toward forming a "debtors' club" and an Ibero-American Common Market. Since the book was written, Brazil's government has followed Peru's President Alan García, with its courageous declaration of a debt moratorium on Feb. 20, 1987.

Numbering of the tables and figures follows that of the book.



[In his 1982 book-length proposal, *Operation Juárez*, Lyndon LaRouche gave detailed indications of the monetary and fiscal means to be adopted by an Ibero-American Common Market. What follows is quoted from that book.]

Collective negotiation of debt restructuring

"We propose to establish a mutually agreed cut-off date for further accruals of existing contracts of indebtedness of Ibero-American republics. After that date, no further interest-payments will accrue on those contracts. Effective that same date, each of the debtor-nations will deliver to the creditor-banks a portfolio of bonds equivalent in total value to the accrued value of the previous debt contracts up to the cut-off date.

"Naturally, it is not quite so simple as that, but that is the crux of the matter.

"The portfolio of bonds delivered by each debtor to each creditor will have the following most notable features:

"1. The interest-rates on the bonds will be nominal, approximately 2% per annum.

"2. The final date of payment of principal on the total indebtedness will be significantly later than the schedule indicated by the canceled contracts.

"3. In some cases, there will be a grace period before payments mature—a deferred-payment provision.

"4. Maturities of debt-payment will be determined by maturity-dates of each of a series of bonds issued.

"Unfortunately, more or less inevitably, some among the bankers of lesser intelligence will howl with protest: 'We are being cheated out of the interest-income we would have received under the old contracts.' Such imbecilic gentlemen

need to have matters explained to them in very basic terms: 'Try to collect the old contracts, and you force us to default, in which case your banks cease to exist.' The advantages of the new arrangement may then begin to be apparent even to the most stupid among New York bankers.

"There are other important advantages, which require explanation here. We identify some of these advantages first, and explain how these advantages are developed in a later part of our analysis of this matter.

"The new bonds will have low yield, but they will be discountable for certain categories of issuance of new medium- to long-term loans. The new bonds will be a negotiable asset in that way, and should be a very high-grade variety of asset for these bankers, provided they behave sensibly.

"Through a combination of debt-rescheduling and correlated economic measures, the bankers involved will have a very important market for new lending on very sound terms throughout much of Ibero-America. This lending may be not significantly profitable in terms of income on the loans themselves; however, this lending will be very rewarding to the banks' clients among U.S.A. capital-goods exporters, and, consequently, to the banks themselves.

"Unfortunately, the rotted condition of both the American dollar and the commercial banks is so advanced, that the commercial banks could not dispose of such a debt-reorganization by their own independent resources. If the problem were merely need for debt-reorganization in foreign accounts of those banks, what is proposed could be accomplished through negotiations with them. What is proposed would work to the advantage of the banks and the U.S.A., as well as Ibero-American republics, but this would require coordinated implementation of an already overdue monetary and banking reorganization in the United States.

"We are not insisting that acceptance of these proposals by the United States, is the only hope for the Ibero-American economies. It is the best alternative to be considered, and by a wide margin. Were the U.S.A. to refuse, for a period of time, the tasks of Ibero-American republics would be much more difficult, but the alternatives are both workable and indispensable. Moreover, as we shall show, the steps to be taken by those republics toward bringing about successful negotiation with the United States, are the same steps to be followed should the U.S.A. refuse that proposed debt-reorganization. . . ."

The three alternatives, viewed up close

"We will rapidly review the main aspects of this alternative, to then move on to examine the two that would remain were the United States to continue to lack the maturity for acting in the proposed manner. . . ."

"The United States should negotiate with developing-sector nations a collection of high-technology infrastructural projects most urgently needed by those nations, including nuclear-energy projects. The U.S.A. should agree to provide

2% per annum financing for medium-term to long-term construction and operation of such projects, covering some percentage of the total investment in each. This is translated into demand from U.S.A. capital-goods producers.

"It would be sensible, and probable, that a number of exporting nations, such as Japan and the Federal Republic of Germany, would wish to join the United States as partners in a multinational division of labor in such undertakings. If we added to Ibero-America, India, the ASEAN nations, and merely a few more sections of the developing sector, we are identifying a reasonable potential for \$200 billion annually or higher, of increased capital-goods imports per year from capital-goods exporting nations. Mexico alone, for example, fully justifies \$20 billion a year or more of increased capital-goods purchases. An additional \$40 billion a year increase in selected capital-goods imports by Brazil, a \$10 billion increase by Argentina, and up to between \$50 and \$100 billion by India, are illustrative of the general order of potentiality.

"Although \$100 billion annual increased capital-goods exports by the United States may appear to be a small percentage of U.S.A. reported GNP, remember that the goods-producing portion of the U.S.A. labor force today has fallen below 30% of the total, that this less than 30% of goods-producers is carrying an overhead burden of 70% of the labor force, plus such parasitism as drug-usage, pornography industries, and a massive looting of the economy and people of the nation by ground-rent and usury. One hundred billion dollars of increased annual exports from the U.S.A.'s capital-goods industry represents a qualitative improvement in the national economy as a whole. This means not only a significant increase in goods-producing employment, but a substantial rate of increase of capacity-utilization and rate of capital-turnover in machine-tool and related categories of industry.

"The exporting-nation partners would find it very much in their interest, to ensure that the debt-service-payment levels of developing nations were kept sufficiently low, and at sufficiently low interest-rates, to permit most-desirable levels of capital-goods purchases by those nations.

"What the U.S.A. government would do, were it sensible enough to do so, would be to agree to make the new bond-issues of debt-reorganization of Ibero-American republics discountable assets within the facilities of the reformed Federal Reserve System. . . ."

"If the debt-reorganization bonds lie in the bank's vaults, they have a certain value, a fair value. However, if the U.S.A. is engaged in increased volumes of capital-goods exports, and if those debt-reorganization bonds are discountable for hard-commodity classes of export-loans within a gold-reserve-based U.S.A. credit-and-banking system, those bonds are now functionally as good as gold.

"If the officials of the government of the U.S.A. have anything worth reporting on above the levels of their shoulders, they would grab such a debt-reorganization arrange-

ment in an instant.

“Alas, this writer knows his government and his nation’s leading bankers all too well. A nation which considers a David Rockefeller a political figure and leading banker shows that it does not desire to consider itself distinguished by geniuses among its bankers or government.

“In that case, that the U.S.A. government is too stupid or cowardly to reorganize its affairs as proposed we have the second option: the banks are rescued to the extent their debtors are able to assist them, with the alternative of debt-reorganization bonds. That is the second option.

“In the worst case, in which the bankers proved themselves to be fanatically stupid, the Ibero-American debt would be temporarily suspended until such time as someone in a leading position in the U.S.A. brought that nation back to its senses. That is the third option, the worst case.

“In the third case, the worst case, the Ibero-American republics work together to exploit the potentials for South-South cooperation, in cooperation with such trading-partners as can be found from among North-South trading-partners. The benefits of either the second option or of this worst-case option are far less than would be the case if the U.S.A. acted as we have proposed. Modest or not, it probably represents the margin for potential survival of the economies and populations of Ibero-America.”

Ibero-American monetary order

“In any case, the cooperating republics of Ibero-America, must each and collectively effect reforms of their credit, currency and banking institutions. . . .

“This entails:

“1. In no republic must any other issues of credit be permitted, as a matter of a punishable violation of the law against immoral usury, excepting: *a*) deferred-payment credit between buyers and sellers of goods and services; *b*) banking loans against combined lawful currency and bullion on deposit in a lawful manner; *c*) loan of issues of credit created in the form of issues of national currency-notes of the treasury of the national government.

“2. Loan of government-created credit (currency-notes) must be *directed* to those forms of investment which promote technological progress in realizing the fullest potentials for applying otherwise idled capital-goods, otherwise idled goods-producing capacities, and otherwise idled productive labor, to produce goods or to develop the basic economic infrastructure needed for maintenance and development of production and physical distribution of goods. This is, at once, an anti-inflationary policy, and also a steering of limited national resources into those choices of governmental and private-entrepreneurial ventures most beneficial to the nation as a whole.

“3. In each republic, there must be a state-owned national bank, which rejects in its lawfully permitted functions those private-banking features of central banking associated with

the Bank of England and the misguided practices of the U.S.A.’s Federal Reserve System over the period from the latter’s establishment into the present date of writing.

“4. No lending institution shall exist within the nation except as they are subject to standards of practice and auditing by the treasury of the government and auditors of the national bank. No foreign financial institution shall be permitted to do business within the republic unless its international operations meet lawful requirements for standards of reserves and proper banking-practices under the laws of the republic, as this shall be periodically determined by proper audit (‘transparency’ of foreign lending institutions).

“5. The treasury and national bank, as a partnership, have continual authority to administer capital-controls and exchange-controls, and to assist this function by means of licensing of individual import-licenses and export-licenses, and to regulate negotiations of loans taken from foreign sources. . . .

“6. The policies of taxation of the national government must be designed to expropriate ground-rent and usury income, to foster well-being of households, and to give preferential treatment to those classes of ventures which are established to be in the relatively greater national interest. Economic-development policies must inform taxation policies.

“7. In a number of instances, it is simply desirable, or even indispensable, that a severe currency-reform be implemented immediately.

“Tax-evasion and the related problems of ‘black economy’ are endemic problems of nations today. The curse of Italy, for example, is that more than one-quarter of its national income is sequestered in a black economy. Ibero-America suffers infection with the same disease. . . .

“. . . The proper execution of a currency-reform—the purchase of old lawful currency with new—can demolish a ‘black economy’ in the process. The essential thing, is that the amount of currency presented for purchase by residents or foreigners must not be in violation of capital-controls, exchange-controls, and import-export licensing. Often, the holder of ‘black economy’ gains would prefer burning the old money, rather than having it largely confiscated, and himself sequestered in prison for offenses against the law. . . .

“A currency-reform is a necessary measure in the worst cases of inflation; it serves as one of the indispensable weapons needed to bring inflation under control.

“8. Sovereign valuation of the foreign exchange value of a nation’s currency must be established for Ibero-American nations. The first approximation of the value of a nation’s currency is the purchasing-power of that currency within the internal economy of that nation. What are the prices of domestically-produced goods and services, relative to the prices of the same quality of goods and services in other nations. The emphasis must be upon domestically produced categories, almost exclusively, at least for first-approximation.

“By this standard, many Ibero-American currencies are

presently monstrously undervalued. The result of artificially depressed valuations of national currency, is that the nation is being massively, savagely looted by foreigners, especially foreign debt-holders.

“The determination of exchange-rates by the IMF, etc., has often represented, during recent years especially, nothing more nor less than pure and simple theft, on a massive scale, by foreign lending institutions and others.

“This commonplace swindle of developing nations is premised on the fallacious argument, that the value of a currency in international markets must be determined by ‘supply and demand’ for that currency, rather than the intrinsic value of that currency as a medium of purchase of domestically-produced goods and services in its country of origin. By manipulating international exchange markets, to artificially rig ‘supply and demand’ in a currency, a ‘case’ for devaluation is presented as a demand upon the targeted victim-nation.

“How much less domestic purchasing power does the Mexican peso have today, at one-third its nominal exchange-rate valuation, than a short time ago, at 24 pesos to the U.S.A. dollar? The devaluation has been an outright swindle of the nation and people of Mexico, almost at the point of a gun.

“A nation must fight financial and economic warfare against those institutions which attempt to loot it and its people by such improper forced devaluations of currencies. A nation can fight such necessary warfare to defend its currency better, if it has faithful allies sharing the same enemy and the same cause for themselves.”

An Ibero-American ‘Common Market’

“We propose that, such Ibero-American republics as may choose to do so should form a ‘common market.’ This ‘common market’ would be based chiefly upon these institutional features:

“**1.** Bringing their respective, internal institutions of credit, currency, and banking into order, as specified here, earlier.

“**2.** Establishing a common banking institution to facilitate exchange of credit, currency, and trade among them, and as an institution of common defense of the financial and economic interests of the member nations and the continent as a whole.

“**3.** To make more effective use of the limited resources at their common disposal, to the equitable advantage of each and all. . . .

“The keystone institution of the proposed customs union is the inter-republic bank. This bank is established by treaty, to function as the common facility of the national banks of the participating sovereign republics. Its functions are, categorically, inclusively, these:

“**1.** *Inter-Republic Banking Functions:* a) to serve as a central clearing-bank among the participating republics’ national banks; b) to mediate exchange of credit and currency

among the national banks; c) to act as a clearing institution for settlement of multi-national agreements among members respecting tariffs and trade.

“**2.** *Monetary Functions More Generally:* to facilitate maintenance of parity of exchange-values among the currencies of the member republics, and to defend those currencies as a bloc against external manipulations.

“**3.** *A Development Bank (Investment Bank):* The bank serves as a coordinating agency for planning investments and trade-expansion among the member-republics. To aid in implementation of such agreements, the bank coordinates the mobilization of money-capital needed to ensure that all aspects of the agreed programs are adequately supplied with investment-development capital.

“There are two principal sources of money-capital for expansion: intra-system and foreign. . . .

“The establishment of a customs union of the type proposed, means that the currency-notes of each republic can be issued as medium-term to long-term export-loans-capital to fund exports of its capital-goods production within the customs union. We have eliminated the need for a third-party lender among those republics. We have established a greatly enlarged autarkical development-potential among the members of the customs union. . . .

“This is not a dilution of the sovereignty of the member-republics. In negotiations for lines of medium-term to long-term credit, to implement multi-member-republic projects, the representatives of each republic will negotiate sovereignly, but with backing from the common banking institution, and, thus, implicit backing from other member-republics of the bloc.

“However, respecting financial relations with nations outside the bloc, the sovereign member-republics seek to negotiate loans for capital-goods through the facilities of the common bank, and to clear payments against such loans through that same common bank. This strengthens the bank’s power to maintain a common defense of the currencies and credit of the member-republics. Not only are the members better defended, but the creditworthiness of each nation is increased; the creditworthiness of each and every nation of the customs union is greater than it could be outside that customs union.

“To aid this, a common currency of account should be established for the customs union. Loans negotiated through the common bank will be denominated for payment in this common currency of account.

“However, the bank will not be responsible for the debt of sovereign republics. Rather, the sovereign republic will settle its debt through its account with that common bank, and will settle in denominations of the common currency of account.

“This bank will soon become one of the most powerful financial institutions in the world, especially in the opinion of capital-goods exporting nations.”

Operation Juárez: thumbnail history of an idea

1982. (April: New York) Collaborators of Lyndon LaRouche in the National Democratic Policy Committee rally throughout the U.S. to defend Argentina against British colonialism. In May, LaRouche visits Mexico, where he meets President López Portillo. Responding to requests from Mexican political leaders for a proposal on the debt, LaRouche writes "Operation Juárez."



1983. (September: Seattle) NDPC supporters "bury" the International Monetary Fund in nationwide rallies and demand backing for Operation Juárez, together with a vigorous campaign in support of President Reagan's beam-weapons defense program, launched in the spring of the year.



1984. (July: Buenos Aires) Lyndon LaRouche, a Democratic candidate for U.S. President, confers with Peronist trade union leaders. He meets President Alfonsín on the same trip. LaRouche campaigns in the U.S. for his proposal to collaborate with Ibero-American Presidents to solve the debt problem, featuring it on several of his 16 national half-hour television broadcasts.





1985. (November: Rome): The Schiller Institute, founded by Helga Zepp-LaRouche, parades in Italy to greet Peruvian President Alan García. García since taking office in July has defied the IMF, set a ceiling on foreign debt payments, and launched an all-out war on drugs. In September, a Schiller Institute Trade Union Commission group met with García in Lima.



1986. (June: Chicago): The Illinois Democratic campaign of LaRouche Democrats Janice Hart and Mark Fairchild, makes "Operation Juárez" and support for Alan García a central issue for American voters. Fairchild and Hart's victory in the March primaries for the Democratic nomination to statewide office has reverberations all over the world.



1987. (March: Paris): Brazil's Finance Minister Dilson Funaro is greeted in Paris by Schiller Institute representative Christine Bierre, after Brazil's historic declaration of a moratorium on the foreign debt on Feb. 20. Brazilian press runs photos of the banner, "Brazil 1, IMF 0, Yes to Debt Moratorium—Schiller Institute," raised outside the French Finance Ministry.

U.S.-Soviet affairs after Shultz's visit to Moscow

Following Secretary of State George Shultz's latest trip to Moscow, it is becoming apparent that the focus of tension between the two superpowers is shifting from the arms control arena, to competition in the developing sector, where the fight for economic resources and strategic raw materials rages. Whether the United States, and the West, will be effective in stemming the Soviet advances in the Third World, depends, to a large extent, on the outcome of the now raging debate over economic policy in Washington.

Moscow understands that if LaRouche's policies for large-scale industrialization of the Third World win out in Washington, the U.S. wins. Even policies less sweeping than LaRouche's, e.g., French Prime Minister Jacques Chirac's "Marshall Plan for Africa," would be effective in turning back the Russians' renewed offensive in the Third World. With this shift in emphasis in East-West relations, Moscow's "arms control" posture is designed to influence the overall policy debate in the West.

Mikhail Gorbachov's offer, during George Shultz's April 13-16 visit to Moscow, to eliminate all shorter-range intermediate range nuclear missiles from Europe as a measure complementary to the INF "zero option" proposal, was accompanied by some other impressive offers, including certain far reaching concessions on verification procedures.

Yet, contrary to appearances, the central issue in the U.S.-Soviet relationship right now is not the arms control issue, but rather a fight for the political and economic future of the so-called developing sector, the Third World. General indications, including large scale deployments of diplomatic, military and economic missions, suggest that Moscow is rapidly committing itself to a renewed expansionist drive throughout the Third World, in pursuit of raw materials and

other resource grabs, military and naval presence and political expansion.

The hottest areas of such Russian activity right now are the Indian Subcontinent, the Persian Gulf, Middle East, North Africa, the tier of English-speaking sub-Saharan Africa, especially the "front-line" states, and Ibero-America in a very special way, through the surrogate mediation of powerful dope-running networks. All the areas targeted by the Russians are, at this time, of special strategic importance, either in the context of the unraveling world financial/debt crisis, or in the context of efforts to secure raw materials and strategic resources.

No net concessions by Russians

So, in Moscow, during Shultz's visit, the Soviets introduced these militarily cosmetic but otherwise astonishing offers as part of a last-ditch effort to manipulate, primarily, the government of the United States, including manipulation of U.S. economic and financial policies toward these parts of the world, now actively debated in the Reagan administration.

The assessment of several senior specialists in Europe, is that neither the entirety nor any part of the published package offered to Shultz would be a net military concession by the Russians, but only a potentially strategically decisive concession by the U.S.A. and the Federal Republic of Germany. The Soviets are altering the profile of their nuclear, biological, chemical warfare, and other similar capabilities, to the purpose of improving their capacity for a first-strike or theater assault. This includes replacement of the SS-20 by a more advanced system, the about-to-be-deployed SS-27, and reducing the numbers of Soviet ground-force troops while up-

grading their net firepower and mobility. If the U.S. were to fall into a such a Soviet-designed "zero-option" trap, the elimination of SS-20s and trading-off of shorter-range missiles, would have the effect of eliminating U.S. nuclear response in Europe, lowering the level of U.S. troop commitments, while all the supposed Soviet concessions made would merely enhance their net assault capability above the level existing prior to negotiations.

From this vantage-point, since no actual Russian net military concessions have been put on the table, the offer is to be assessed as essentially a political tactic, intended to weaken the political will of Western governments, whether or not any among those governments actually fall into the trap laid for Secretary Shultz's recent visit.

Soviet deployments in Third World

Whereas, in the European theater, the Soviet military has been successful in disguising its modernization and reorganization program as "arms control proposals," in all other continents, it is still projecting an image of robust military expansionism. In Asia, apart from the fact that the continent is waiting with concern for the redeployment of SS-20s from Europe into Asia, there is significant growth of Soviet naval and air forces in Vietnam, in the Indian Ocean and the Arab Sea, and the Persian Gulf; there is further growth of Soviet military assets in Syria, and a dramatic overall increase of Moscow's political influence over all Middle Eastern governments, best symbolized, perhaps, by the fact that Kuwait requested, and Moscow provided, military protection to Kuwaiti oil shipments in danger of Iranian attack. The potential for a Russian stranglehold over European and Japanese oil supplies, has grown significantly.

Also grown to dangerous levels, is the potential for a Soviet military invasion of northern Iran, or a Soviet-sponsored creation of a Baluchistan state carved out of parts of Iran and Pakistan; with respect to India, the Soviets, with significant help from some of their allied Western intelligence networks, have been successful in pushing forward their long-term plan to eventually dismember the republic of India.

Respecting Africa, Moscow is applying steadily growing pressure by numerous means, principal among which are 1) direct Soviet military presence, 2) Soviet military assistance, 3) Cuban military presence and assistance, as, especially, in Angola, and 4) political subversion with aid of Western pro-Moscow sympathizer political networks.

Angola and Mozambique

Respecting sub-Saharan Africa, the two strategic pivots of Soviet policy are Angola and Mozambique. In Angola, Soviet policy is to continue to pressure the puppet government for military successes against Jonas Savimbi's liberation movement, UNITA. Ultimate Soviet purpose is to use Angola as the military springboard for a final military showdown with the Republic of South Africa in Namibia. It is

generally accepted, including by Soviet military planners, that if the fate of South Africa ever came to a final decision by force of arms, then the South Africa military would choose Namibia as its decisive battlefield. The Soviet and Cuban presence in Angola is meant for eventual action in Namibia against South Africa.

Respecting Mozambique, Soviet policy appears to be in some sort of coordination with the International Monetary Fund. Moscow is committed to a complete economic disintegration of society in Mozambique, following which, Moscow intends, at its own leisure, to make certain offers for assistance, with certain very onerous strings attached. Mozambique naval and air ports would be important military assets for the Soviets. Right now, Zimbabwe's military involvement in the Mozambique civil war, with over 12,000 Zimbabwean troops involved, gives the Russians an additional lever in increasing their influence over both Zimbabwe and nearby Zambia. In the middle of a growing economic crisis, Zimbabwe's Mugabe is spending one-quarter million dollars per day, for food alone, for his troops in Mozambique; recently, he purchased a fleet of MiG 29s from Moscow, which he is attempting to deny because of the purchase's expected impact on the already depressed economy. Nearby Zambia is in worse economic shape, its transportation system has collapsed, and it is rife with rumors of military coups. The Russians, however, continue to build the pressure, especially by means of their military build-up in Angola, now in its third year.

According to one senior observer of southern Africa, "the Soviets are engaging in a substantial build-up in Angola. This is the third consecutive year they have prepared major offensives, until now unsuccessful, but look at the wider perspective. The Soviet perception is that the U.S. Congress is not willing to become involved in further aid for UNITA; therefore now is the opportunity. The logistical build-up is in southern Angola and the target will be again Mavinga, from where they can move on Savimbi's headquarters in Jamba. The international climate favors the Soviets in southern Africa."

Soviet planning is not pivoted around the judgment that Congress will not provide further assistance to UNITA, per se, but on the expectation that the United States will fail to adopt a policy of large-scale industrial and agricultural development of Africa, as proposed by LaRouche. Moscow's present overall posture is to contribute to the effort of those in the U.S.A. who oppose the LaRouche development proposals. Moscow views France's policies toward the Third World, and Africa in particular, with the same hostile attitude as it does LaRouche's. If we do not develop Africa, Russia will end up controlling its natural riches.

Following Shultz's latest trip to Moscow, the turns and twists of the superpower rivalry are making it more abundantly clear than ever before that "development is the new name of peace," as was aptly expressed, 20 years ago, in Paul Paul VI's encyclical, *Populorum Progressio*.

Soviets vent fears about LaRouche

by Nancy Spannaus

The March issue of the Soviet foreign affairs monthly *International Affairs* features a new attack on the Western strategic thinker the Russian leadership fears the most—Lyndon H. LaRouche, Jr. There have been more than a dozen Soviet slanders against LaRouche since President Reagan adopted the Strategic Defense Initiative concept LaRouche pioneered in March of 1983. But this time the Soviets are showing their fear of LaRouche's increasing influence on strategic policy in the United States—not in the future, but right now.

In most respects the *International Affairs* article, entitled "Neo-Fascism: Weapon of Reaction," is simply one of the most scurrilous, lying attacks ever written against the Democratic presidential candidate. LaRouche has spent his entire political life, the last 20 years, attacking fascist economics and the proponents of fascism, especially the corporatists in the Socialist International. Yet, the Soviets take liberally from Socialist International rags in order to call LaRouche a "neo-fascist."

The author, Vladimir Pustogarov, concentrates his attack on associates of LaRouche in West Germany, describing the European Labor Party, the Schiller Institute, and the Patriots Party of West Germany as "an organizational center of neo-fascism."

Evidence for this assertion is limited to *Vorwärts*, the weekly of Willy Brandt's Social Democratic Party and to the above-mentioned groupings' promotion of what Pustogarov calls "the American Star Wars program under the demagogic slogan 'Peace through space weapons.'" He even repeats the wild claim that these organizations receive funds from the CIA, and the by-now long-discredited line that associates of LaRouche were implicated in the Palme assassination.

At this point the article introduces the question of LaRouche by name. "The founder of the EWP [European Labor Party] is Lyndon LaRouche, an American neo-fascist who took part in U.S. presidential elections in 1976 and 1984 as candidate from the so-called Workers' Party" (sic).

The material that follows can only be described as name-calling, since the author does not dare mention any of the substantive policies of LaRouche and his European associates on science and economic revival.

"The forms and methods of neo-fascist activity differ depending on the political and national traditions in one or another country. . . . In a bid to gain grassroots support, neo-fascists are casting about for catchy political slogans, for ways to influence various strata of the population, especially young people.

"It is not by chance that Western journalists have dubbed the European Workers' Party and other right-wing extremist organizations 'Nazis without a swastika' [i.e., the same slogan coined by Socialist International-owned drug journalist Dennis King, and used for the Soviets' major slander in *New Times* in the fall of 1986]. The fact that neo-fascism is trying to disguise its true essence and resorts to new methods tends to increase the neo-fascist danger because their 'new image' demagoguery, skillfully using topical political and social issues and popular demands, has a better chance of deceiving the masses." (European sources report that Vladimir Pustogarov is a close collaborator of former U.S. Attorney General Ramsey Clark, the agitator for Khomeini, as well as Office of Special Investigations specialist Elizabeth Holtzman.)

What if he became President?

Alluding to the upcoming U.S. presidential elections, Pustogarov writes: "Many Western political scientists shun the very thought of an authoritarian regime in the U.S.A. . . . Think of Sinclair Lewis's well-known novel *It Can't Happen Here* dramatizing a hypothetical fascist takeover in the U.S.A. at the time of the 1936 presidential elections. Although it is political fiction, it does reflect not only the trends in the development of the American society, but concrete events of the time."

But Pustogarov does not stop there. He is not only afraid of a "neo-fascist" like LaRouche taking over the presidency, but he's concerned that LaRouche might have power over the presidency already! He writes, "Today there has emerged a new danger, namely, the danger of neo-fascists gaining access to nuclear weapons. . . . One can imagine a neo-fascist political maniac and not a schizophrenic gaining access to the launch button. Neo-fascists might form a group within the circle of people who have access to the nuclear arsenals and might gain control over them. In this way neo-fascists could gain access without seizing political power. It is an unlikely situation in terms of traditional notions, but it is not as far-fetched as it might appear. . . ."

While the specifics are absurd and irresponsible, the concept here shows exactly what the Soviets fear. If forces associated with Secretary of Defense Weinberger, whose views on the SDI converge substantially on LaRouche's, should win President Reagan's loyalty on a broader range of policies, the Soviets would be forced to deal with a United States committed to a position of strength. Clearly, they are hysterically fearful that just such a thing is about to occur; thus their outrageous slander.

New French defense program gives clear answer to Soviet war build-up

by Yves Messer

The new French defense program bill for 1987-91, presented to the National Assembly by Prime Minister Jacques Chirac and passed by the Assembly with near unanimity, represents an event of enormous significance for France and the entire Western world.

The spirit of the new defense program is very close to the program published a little over one year ago by the European Labor Party, co-thinkers in France of U.S. political figure Lyndon LaRouche. In substance, the program looks to a rapid and large-scale reinforcement of French defensive and offensive military capabilities, and likewise augments France's capacity to intervene in defense of its European and U.S. allies.

What made such a bill imperative is the unprecedented Soviet military build-up of the past decade. This has occurred simultaneously with a growing, naive belief in the U.S. Reagan administration that U.S.-Soviet negotiations for a "zero option" withdrawal of American medium-range nuclear missiles from Western Europe were feasible.

On April 8, French Defense Minister André Giraud clearly expressed the views of his government respecting the threat to the Western world:

The situation has never been so worrisome, because the temptation [for Moscow] to make use of its superiority is always great. Now, the Soviet bloc has amassed arsenals whose quantitative, and sometimes qualitative, superiority over those of the Atlantic Alliance is profoundly disquieting. With respect to air and land weapons, one can estimate that the Warsaw Pact has double the power of its Western counterparts. The Pact has three times the number of tanks, artillery, and helicopters that NATO has, and ten times the number of surface-to-air missiles.

A new 'de Gaulle era' of spending

Given these facts, the new French defense spending program is a legitimate response to the hegemonic dreams of Russia regarding the European theater.

Financially, the defense bill will increase by 40% over the coming five years the volume of annual credits for expenditure on military equipment. By the end of the five-year term, the defense budget will be over 4% of the gross domestic product, a level not reached in France since President Charles de Gaulle's 1969 budget. This is what allowed François Fillon, president of the National Assembly's Defense Commission, to affirm that this bill "may be considered to be . . . a new era . . . of a process begun 30 years ago by General de Gaulle."

Given the foreseen increase of the gross domestic product, the defense bill will make available for the coming five years a volume of credit identical to that expended over the preceding ten years. Furthermore, as Minister Giraud pointed out to the National Assembly, "The armaments programs will create French jobs. . . . This will be a veritable locomotive for economic development."

Concretely, the bill provides for strengthening and modernizing the strategic and tactical components of French defense capacity.

Respecting the Nuclear Strategic Forces (NSF), the bill provides for the following:

- 1) The strengthening of the Oceanic Strategic Force, i.e., the upgrading of France's existing SNLE nuclear submarines, and the construction of a new SNLE generation more silent than oceanic background noises.
- 2) The construction, for deployment on the submarine fleet, of M-4 nuclear missiles, to be replaced eventually by the longer-range M-5 missile, with its multiple warheads.
- 3) The missiles on the Plateau of Albion, prime targets of Soviet SS-22 missiles stationed in East Germany and Czechoslovakia, will be replaced by missiles of the S-4 type, which can be made mobile if necessary.

As for the Pre-Strategic Nuclear Armaments (ANP), its land-based component—that is, the Pluton missiles—will be replaced by the longer-range Hades. This is crucial for the defense of West Germany's eastern border. The ANP aerial forces will be provided with the new Mirage 2000-N, and will be equipped with medium-range missiles.

Land-based build-up

Fifteen programs are provided for in the conventional weapons realm. By the end of the century, air cover forces (Mirage III and V, and the Jaguar) will be replaced by the Mirage 2000-DA and by the Rafael tactical and naval combat plane. The defense bill also provides for the purchase of three AWACS radar planes for detection purposes.

The land-based component of French conventional forces will also be broadly strengthened, to confront the Warsaw Pact's enormous conventional capabilities. Speaking on this subject on behalf of the National Assembly's Finance Commission, Yves Guena said: "In the domain of land-based weapons, the program aims to prepare the battle corps . . . necessary in order to confront the threat which will become concretized in the European theater around 1995."

In order to do this, a combat helicopter with the firepower of a tank, but much greater mobility, will be built through Franco-German cooperation. Parallel to this, anti-tank weapons and surface-to-air systems will be modernized.

The national Navy will be the recipient of seven new programs, of which the most important will be the production of a nuclear aircraft carrier, with reinforced protection of surface-to-air missiles.

In addition, a third, specific budget will be for the first time dedicated specifically to the domain of space, comprising an average of 2% of the overall defense budget. Two programs are projected in this area: the Helios observation satellite, and the Syracuse-II telecommunication satellite. No specific information has been made available on the remaining third of the allocations for this area.

Need for a 'space shield'

Finally, the French program urges the construction of a European anti-ballistic system, to be built in cooperation with NATO. This would be a system resembling the U.S. Strategic Defense Initiative (SDI). The need for this was motivated in an "advisory" appended to the new defense bill by the Assembly's Foreign Affairs Commission.

Authored by parliamentary deputy Jacques Godfrain, a member of the ruling Rassemblement pour la République (RPR) party, the "advisory" says:

Technological evolution . . . can be destabilizing if one pays no attention to it, and if one fails to dedicate sufficient resources for the modernization of our defense potential. Thus, the creation of a space shield, in its final phase . . . could make questionable the very premises of deterrence.

Godfrain, later in the text, suggests: "But will it not be necessary to go further, and initiate now a space-based defense project inspired by the American SDI? Ought not France take an historic initiative in Europe in this domain, consequently enabling it to direct an ambitious European cooperation in the areas of defense and security?"

A French Military View

'National neutralism' gains in Germany

Parts of the French defense community are increasingly expressing their concern over the growth of "national-neutralist" tendencies in the Federal Republic of Germany (F.R.G.). These same circles have been most energetic in denouncing the so-called "zero option," knowing that it would lead to the de facto neutralization of all of continental Western Europe. This has been made clear by Premier Chirac's comments at the Western European Union meeting a few months ago, and more recently, by the statements of Defense Minister Giraud and RPR leader Godfrain (see article, preceding page).

The excerpts below are translated from an article on the Jan. 25 general elections in West Germany by Prof. François-Georges Dreyfus, published in the April 1987 issue of the official monthly of the French Defense Ministry, Defense nationale. The article is characterized by the review as "most useful" given that the results of the elections, marked by the "definite rise" of "national-neutralism," notably with the gains made by the Greens, "must prompt us to seriously think about their future possible consequences." Professor Dreyfus, an expert in West German affairs who heads the Institute of Higher European Studies in Strasbourg, endorsed the creation in France in 1981 of the National Committee for Nuclear Energy sponsored by the Fusion Energy Foundation.

For EIR's news coverage of the elections, see Vol. 14, No. 6, Feb. 6, 1987, page 42; and Vol. 14, No. 7, Feb. 13, 1987, page 46.

. . . As for the Greens, they have progressed by virtue of what we have called the development of the "German evil." The German people has always granted a large place to the problems of nature. This is probably linked to climatic conditions (one finds this indeed in all northern countries, Finland, the Scandinavian countries, Great Britain, and the Benelux). It is also linked to the influence of Protestant thought of which one movement, pietism, has played an essential part

in the development of the rediscovery of the sentiment of nature and which gave birth in the middle of the 18th century of the "Sturm und Drang," the immediate ancestor of Romanticism. . . .

Since about 20 years ago, the defense of nature in the F.R.G. has drifted toward an often absurd struggle against nuclear energy, economic growth, technological progress. The Greens in Germany, joining the anthroposophic thought often opposed to economic progress, tend to have for a goal—as the great socialist academic Löwenthal reminded us seven years ago in the theoretical publication of the Social Democratic Party, *Neue Gesellschaft*—the industrial decline of the F.R.G. and, consequently, of Europe. Moreover, such a violently anti-nuclear attitude has not only slowed down expansion, but has accelerated the pacifist process in the F.R.G. and favored the development of national-neutralism. . . .

Greens' anti-democratic attitudes

The Green voters have priorities different from the rest of the population, notably on the economic level. Their environmentalism leads them to reject economic growth and this comes out quite clearly in their lifestyle, whether they are forced to have such a lifestyle, or whether they simply prefer to live differently. Their representation of the role of the State is more radically "democratic," but this leads them easily toward anti-democratic attitudes, for example, when they call into question the representative system. Very close followers of Rousseau in this respect, they often remind one of those whom the Israeli historian J.L. Talmon calls the forerunners of the "totalitarian democracy": This probably explains the persistence within the party of some neo-Nazi tendencies. . . .

By national-neutralism, we mean any movement which, in the name of the search for German identity, wishes for the possibilities of rapprochement between the two German States to be explored at a maximum, even if it means to admit the neutralization of the German territory, its demilitarization, its denuclearization, even if it means to break the moorings which tie the F.R.G. to the community of Europe. Such are the themes which have been developed by the Greens throughout the campaign, but one finds them nearly as continuously in the left wing of the SPD (with Eppler, Lafontaine, and even Brandt), as well as among some Free Democratic Party members.

It is probably in the name of national-neutralism, which forbids any attack against Moscow and its satellites, that periodicals, notably *Der Spiegel*, have led a campaign against Chancellor Kohl. The latter had the misfortune of uttering "scandalous" words in the eyes of the national-neutralists: He dared put Gorbachov and Goebbels on the same footing! Of course, it is a scandal, except if one recalls that each of them has learned the same methods from the same master, Lenin; it sufficed to read again Goebbels' texts to the greatest glory of the Communist party of U.S.S.R. in the *National-*

sozialistische Briefe of November and December 1925, or his speech in Koenigsberg on Jan. 19, 1926. Nazi propaganda largely followed the methods of "Agit-Prop," when it did not purely and simply copy them. This is what two French philosophers, M. Mauss and E. Halévy, from this Mecca of left intellectuals which the Sociology College was, underlined as early as 1936. The former said (addressing the latter): "Your deduction of the Italian and German tyrannies from bolshevism is perfectly correct," and he very directly put into question "the pernicious influence of Georges Sorel." This text is all the more important in that over the past 10 months, a debate of political-historical import is taking place in the F.R.G.: A number of historians of quality such as Hillgruber (who teaches in Cologne), or Michael Stürmer (who teaches in Erlangen), have shown that it is necessary to link Nazism and bolshevism. . . .

Next to the Greens, one can note an important national-neutralist upsurge within the SPD, and it is significant that this theme has largely dominated the last electoral campaign. . . . This is why one can nearly wonder whether the Jan. 25 elections have not been, to a certain extent, a victory of the national-neutralists, since the SPD and the Greens together eventually scored 45.3% of the vote.

If we do not watch out, a fearsome deadline could come up in four years, with the elections of January 1991.

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Shifting alignments in the Mideast: Moscow moves in to pick up the chips

by Thierry Lalevée

As a result of U.S. Secretary of State George Shultz's visit to Moscow on April 13, Mikhail Gorbachov is close to clinching Moscow's position as the hegemonic power in the Middle East and the Mediterranean. The State Department's eagerness for a new superpower summit is leaving the West with no policy to counter the diplomatic initiatives launched by Moscow since the beginning of the year. Indeed, as a so-called momentum for peace is gathering in the region, it is on the basis of Gorbachov's proposal for an international peace conference.

Crucial to Moscow's aims are the negotiations taking place now within the Palestinian movement and among various Israeli leaders. These negotiations have placed Moscow in a position where it will be able to play most of the cards of the conflict, leaving the United States and Western Europe with little, if any, influence, despite the warnings of moderate Arab countries.

Moscow's Palestinian card

The most spectacular demonstration of Soviet power was the meeting in Algiers among various Palestinian factions which were preparing the April 20 congress of the Palestinian National Council. Moscow's blackmail is about to achieve what nothing else has been able to: a unified Palestinian movement. The first meetings in years have taken place among Palestine Liberation Organization (PLO) chairman Yasser Arafat, George Habash of the Popular Front for the Liberation of Palestine (PFLP), and Nayef Hawatmeh of the Democratic Front for the Liberation of Palestine (DFLP). After years of in-fighting, all are expected to join the Palestinian National Council again.

This reconciliation has even touched international terrorist Abu Nidal, who met on April 12 in Algiers with Arafat's associate Abu Jihad. He then signed a document committing his Fatah-Revolutionary Council to operate "only within the occupied territories." Another to join the festivities was Abu Musa of the dissident Fatah. Mediated through the growing Palestinian Communist Party and Libya's Muammar Qaddafi, this reconciliation has taken place at a high cost to Arafat, who saw no other alternative: He had to renounce the 1985 agreement with Jordan's King Hussein, which stipulat-

ed that Jordan and the PLO could form a joint delegation in any international negotiations.

Although such a posture might appear contradictory to Moscow's push for such an international peace conference, it fits all too well. By breaking his ties with Jordan, Arafat is for the time being surrendering control of his national movement to Moscow and its closest allies. This has provoked anger in Damascus, which has been committed since 1982 to getting rid of Arafat. But as Syrian President Hafez al Assad will find out when he flies to Moscow at the end of April, everything can always be negotiated, and there is little he can do. For Moscow, to be in control of a unified Palestinian card which can be manipulated at will, is more important than not hurting Assad's Alawite pride. Entirely under Soviet control, Syria will doubtless discover soon enough the benefits of the new arrangement, which eventually will ring the death knell for the political future of Yasser Arafat.

The Soviet-sponsored Palestinian reunification has wider consequences. An Arafat-Habash alliance potentially spells trouble for many of the Arab states which have not hesitated to play one faction against the other, for years. On the front line for trouble is Jordan's King Hussein, who repudiated his agreement with Arafat last year, but has since violently denounced the United States and come to serve as a kind of spokesman for Assad. While meeting with Prime Minister Thatcher on April 9, Hussein pleaded unsuccessfully for London to reestablish full diplomatic relations with Damascus. Hussein, who was also forced to turn to Moscow for military requests which were denied him by Washington, now looks cornered.

Soviet-Israeli negotiations

The ongoing Palestinian unrest on the West Bank is another signal of how Moscow can pressure the Israeli leadership. Started by hunger strikes by Palestinian prisoners, the unrest was timed to coincide with the preparations of the Palestinian National Council, and is expected to intensify until mid-May. The meaning is all too clear: There is little the Israelis can do about it, unless they make further concessions to Moscow.

Already, as the April 10 issue of the *Jerusalem Post*

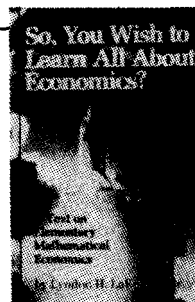
reported, Moscow is now the power which will decide the future of the National Unity coalition. This was the substance of the April 7 talks in Rome between Israeli Foreign Minister Shimon Peres and the two Soviet observers at a conference of the Socialist International, Karen Brutents and Aleksandr Zatov of the International Department of the Central Committee. Analyzing Peres's willingness to meet Soviet demands for an international peace conference, the *Jerusalem Post's* David Rosenberg argued that Peres can begin to deliver, only if he gets rid of Prime Minister Yitzhak Shamir. However, continued Rosenberg, for Peres to break the coalition government, he has to be able to show "signs of good will from Moscow." Such signs, concluded Rosenberg, will be the potential monthly increase of Soviet Jewish emigration to Vienna. "Whenever Peres is satisfied with the increase, the real crisis will erupt."

Whether Moscow is committed to a "Peres card" for Israel is highly doubtful. As Rosenberg reported, Moscow's immediate interest in making some concessions—yet to be concretized—on the issue of Jewish emigration, is aimed at the United States. The ploy is to make a deal between Moscow and the American Jewish lobby to repeal the Jackson and Stevenson amendments which restrict trade with the Soviet Union, to give the Soviet Union "Most Favored Nation" status, and to allow American firms to invest directly in the Soviet economy. Such a deal would obviously have broader political implications for the upcoming American presidential elections. As *Le Figaro's* Annie Kriegel noted on April 16, World Jewish Congress chairman Edgar Bronfman went to Moscow in early April in a dual capacity: as a leader of the Jewish community, and as chairman of "the Seagram commercial enterprise." Kriegel pointed out that Peres's behavior toward Moscow will mean "the opening of a Pandora's Box, and of a process of which he will lose control."

Indeed, despite his own political deals, Peres is set up to end up on the losing side. The current West Bank unrest is being directly manipulated by the right-wing of the Labor Party, represented by Defense Minister Yitzhak Rabin, and the Likud forces around Prime Minister Shamir and the former defense minister, Ariel Sharon. Israeli settlers on the West Bank have charged that "Peres has blood on his face," and said that his calls for peace negotiations have "strengthened the terrorists." It is no secret that Sharon is cooperating with the ultra-nationalists of the settlers' movement, the Gush Emunim, and the right-wing Takhya party of Geula Cohen and nuclear scientist Yuval Ne'eman, who are raiding Arab villages. Directly paving the way for the current explosion was the alliance at the Herut party convention early in April between Shamir and Sharon against David Levy. Sharon may well be calculating that Shamir is only a lame duck to be politically destroyed by forthcoming revelations around the Jonathan Pollard espionage affair. Meanwhile, Sharon was elected chairman of the Herut's Central Committee, a post which gives him direct control over the party membership.

The real political axis which is emerging, is between Rabin and Sharon. While Sharon deploys his fanatic friends on the West Bank, Rabin's army does complementary work; both men are building their reputation as tough nationalist no-compromise politicians. This posture makes them Moscow's best choice for negotiations over the future of the region. While Moscow can play its unified Palestinian card against the Israelis, it can also use its longstanding channels to Rabin and Sharon, either directly or through Syria, as a weapon against the Palestinians, Jordan, and most of the Arab states. Rabin was instrumental in negotiating the entry of the Syrian troops into Beirut and Sidon in mid-April. Sharon has had direct access to Assad's court for years, through the President's brother Rifaat, or through the Syrian Jewish mafia of Jack Nasser of Israel's International Bank, and National Republican Bank chairman Edmond Safra, whose families still reside in Damascus.

Through Moscow's good offices, Jerusalem and Damascus can reorganize the region; this may require a limited confrontation, as a face-saving device, and it may require bloodier times on the West Bank. It may also require more fundamental political changes inside Israel, with more radical figures coming to the fore. It is doubtful indeed whether an international peace conference will ever assemble, but the diplomatic organizing process is scoring more gains for Moscow than the actual negotiations would anyway.



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Senior aide to Rajiv Gandhi is forced out

by Susan Maitra

On Sunday, April 12, Indian Prime Minister Rajiv Gandhi accepted the resignation of one of his senior cabinet colleagues, a man whose integrity and proven competence was no small factor in the Rajiv government's overall stability.

In an unusual move upon resigning, Defense Minister V.P. Singh—who had been transferred to Defense in January after two years heading the finance ministry—pledged that he would not seek central or state office again. He would remain a loyal member of the ruling Congress (I) Party, Singh said. The resignation climaxed the first round of a battle that began with Rajiv Gandhi's resounding electoral victory in December 1984, and took root as the Rajiv government's perceived independent policy orientation threatened to disrupt the baronies of certain business and political interests.

Reluctant to take direct aim at the prime minister, the cabal targeted V.P. Singh.

For the past month, as the railroading of the defense minister culminated, the Indian political scene has been transformed into a pathetic spectacle. In the barrage of rhetoric, misinformation, and dirty tricks, it has been difficult at times to discern just who is doing what to whom.

One thing, however, is clear: The developments which figure in the immediate run-up to V.P. Singh's resignation, though instructive, are not actually relevant. I am referring to the "Fairfax scandal," where the alleged hiring of an American investigative agency by the finance ministry during V.P. Singh's tenure, was blown into a national security issue, and to the defense minister's early-April launching of an investigation into defense contract kickbacks.

The name of Fairfax, a Virginia firm, turns up in the context of investigations into illegal foreign-exchange dealings and other violations that had already led to capital flight on the order of \$2 billion. The finance ministry's Enforcement Directorate was engaged in the probe as part of Rajiv Gandhi's program against black money. Suddenly, in mid-March, on the strength of two letters, since acknowledged to be forgeries, and other misinformation, the hiring of Fairfax became the central feature of an alleged foreign plot to destabilize the Rajiv Gandhi government, in which V.P. Singh was, by implication, complicit.

During the ensuing parliamentary debate on the scandal,

prominent members of the ruling party itself led the attack on V.P. Singh. Significantly, all the ringleaders are conspicuous for belonging to the party's left faction—the same Moscow lobby that deserted the late Indira Gandhi during the Emergency in 1977, bringing down her government amid vituperative attacks on her son Sanjay, and then rode back into power with Mrs. Gandhi in 1980 for a proverbial pound of flesh she later refused to give.

The escalating attack on V.P. Singh was replete with hatchetman K.K. Tewari, minister of state for public enterprises, waving copies of a *Foreign Affairs* article by Paul Kreisberg, alleged to be the former CIA station chief in Delhi, which cites V.P. Singh as a "man to watch," as proof of the foreign plot.

The prime minister duly established a panel to inquire into the Fairfax scandal, even as it was widely acknowledged that there was nothing irregular, much less "anti-national," about hiring such an agency. But in the prevailing atmosphere, it was just a matter of time. The defense ministry's announcement of the defense deal investigation—which alleges potential to embarrass the government—was seized upon by several cabinet members who joined the attack which sealed V.P. Singh's fate.

Battle goes back to 1985

So much for the smokescreen. The real dynamics of the battle were discernible as early as May 1985. It was at that time, during the first working session of the Congress (I) leadership under Rajiv Gandhi's command, that the coalition of unlikely bed partners that brought V.P. Singh down first surfaced.

At the Congress session, the Rajiv team's economic policy draft was ripped up by the party's pro-Moscow left, in alliance with the representatives of the domestic corporate sector and other vested interests, "socialists" all. The Rajiv team had neglected to invoke "socialism" and had instead put the premium on liberalization, dynamic change, efficiency, accountability, and real growth.

At the party's centenary celebration in December 1985, the battle lines further hardened when Rajiv stunned the political backers and self-satisfied economic and ideological barons, by charging them with holding the party hostage to corruption and backwardness. The Congress, he said, had been turned into a "feudalist shell" of the Indian independence movement.

Long before Fairfax, this cabal had been building up steam behind the demand for V.P. Singh's head, repeatedly testing the waters with various issues. When V.P. Singh was moved out of the finance ministry, and the foreign-exchange investigation derailed in January, they could, for all practical purposes, claim victory.

At the least, the defense minister's resignation merely confirms that when push came to shove, Rajiv Gandhi declined—for whatever reason—to take on the wolf pack.

Dangerous games are afoot in the Indian subcontinent

by Linda de Hoyos

Not since the events of 1984 leading up to the assassination of Indian Prime Minister Indira Gandhi have the pressures on both India and Pakistan been as intense as over the last two months. In 1984, one Pakistani journalist referred to the tugs and pulls coming from the Soviet Union and the West as a "superpower nutcracker" aimed at both India and Pakistan. But in the recent period, no one on either side of the Indo-Pakistani border has been capable of standing back to review the original source of the pressures on either government.

The April 10 resignation of Indian Defense Minister V.P. Singh (see article, opposite) marks a turning point in the weakening of India's political capabilities, at the hands of Moscow's "Soviet lobby" and its corrupt partners in the Congress-I Party. No matter what the immediate pretext of Singh's accepted resignation, the long-term effect is to nullify the potentials of a Rajiv Gandhi-V.P. Singh team that could have consolidated India as an independent economic and strategic power.

The Abdul Qadar Khan caper

The signal that major operations are afoot in the subcontinent was the interview published March 1 in the London *Observer* with Dr. Abdul Qadar Khan, the man considered the "father of the Pakistan bomb." In the interview, Khan, who is in a position to know, stated unequivocally that Pakistan had "built the bomb." In statements apparently directed as warnings to India, Khan said: "The Indians took 12 years to make the bomb. We have managed to do it in only seven years. . . . Nobody can take us for granted. Let it be clear that we shall use the bomb if our existence is threatened. . . . India knows what price it will have to pay if it attacks [the Pakistani nuclear facility at] Kahuta."

The interview had been delivered at the point that Pakistani and Indian military forces were eyeballing each other across the border, as a result of a series of escalations and counter-escalations from both sides. The next day, however, Khan denied that he had ever made such statements, calling the interview "mischievous, false, and concocted, and an attempt to malign Pakistan."

The interview was later "clarified" by Pakistan's Armed Forces Chief of Staff and President Zia ul-Haq. "You can virtually write today that Pakistan can build a bomb whenever

it wishes," Zia told the press. "What's the difficulty about a bomb? Once you have acquired the technology which Pakistan has, you can do whatever you like. . . . Pakistan has the capability to build the bomb."

The circumstances surrounding the Khan interview indicate that there were other motives at work, besides Zia ul-Haq's desire to sound a warning to India. Khan gave the interview to Indian journalist Kuldip Nayar, who is generally considered in Delhi to be pro-Pakistani. A close associate of Nayar is Kushwant Singh—the two co-authored a book on the Punjab crisis in 1984. Singh, a Sikh, is the chairman of the Indo-Israeli Friendship Society, with ties to the Israeli Mossad.

The Israelis have long had an interest in riling up Pakistani-bomb phobia in India. In February, it was revealed by the *Jerusalem Post* that Israel's American spy, Jonathan Pollard, had supplied Israel with detailed satellite photos of the Kahuta nuclear facility, and that the Israelis had, on three separate occasions, proposed to India that it "take out" the Kahuta plan, as Israel had done to the Iraqi facility in June 1981. In return, the Israelis had offered cooperation on military intelligence and anti-terrorist operations in India. The idea of India's taking out Kahuta had first surfaced in July of 1984 in the *Jerusalem Post*, signaling a major operation in place that successively led to the assassination of Mrs. Gandhi in October of that year.

Nayar's contact to Khan was Mushahid Hussain Sayed, the editor of Islamabad's only English daily, the *Muslim*. It was Hussain who arranged the meeting in which Khan gave his statements to Nayar. While Khan was busily attempting to deny the interview, Hussain issued an editorial in the *Muslim* praising the interview's message, and unequivocally stated that no such interview could have occurred without a green light from the top. Shortly thereafter, Hussain was forced to resign in the uproar.

By no means an oppositionist to the Islamabad regime, Hussain is a strong advocate of the Islamic bomb, and an anti-Indian crusader in the Pakistani press. Hussain is close to Zia; the Pakistani President traveled to Lahore to attend Hussain's wedding. Hussain has earned a reputation for anti-Americanism and his articles attack the United States for turning Pakistan into what he considers a "client state." U.S.

embassy personnel reportedly threw a champagne party the day Hussain resigned from the *Muslim* editorship.

According to the Indian weekly, the *Sunday Observer*, of March 15, Hussain "is in favor of Pakistan coming to an understanding with the Kabul regime to resolve the problem of Afghanistan refugees in his country. He himself has visited Kabul several times, twice in the last six months, and interviewed most of the top Afghan leaders. Hussain has also been invited to the Soviet Union, where he is obviously regarded as one of the few powerful friends of Moscow in Pakistan."

The *Sunday Observer* further notes that the owner of the *Muslim*, Afha Murtaza Pooya, is a Shi'ite Muslim and is the liaison between Zia ul-Haq and Khomeini. The *Muslim* is at once anti-American and pro-Iran.

The immediate beneficiaries of the Khan interview therefore were: a) the Israelis, who would use it to strengthen their leverage in New Delhi; and b) Moscow who would use it to similar advantage.

Enter Project Democracy

The interview also played right into the hands of the Project Democracy nexus in Washington, which has been looking for ways to extricate the United States from its relationship with Pakistan as part of the New Yalta package to hand over the subcontinent to Moscow's hegemony. Leading that faction in the subcontinent itself is U.S. ambassador to Islamabad, Deane Hinton.

Hinton came to Pakistan after having conducted Project Democracy provocation policies in Central America as U.S. ambassador to El Salvador. In February, he gave a speech before the Pakistan Institute of Strategic Studies, in which he accused Pakistan of proceeding to build the bomb. Hinton's declaration fueled the debate then taking place in the Senate around the issue of U.S. aid to Pakistan. If the administration cannot guarantee that Pakistan's nuclear program is for peaceful purposes only, under the Percy-Glenn amendment, the United States would have to sever Pakistan from all U.S. aid. Hinton underlined the point by charging that Pakistan was "hooked" on U.S. aid, as if it were heroin. The State Department Policy Planning Unit, a nest of the Project Democracy crowd, informed *India Today* magazine that Hinton's speech had been written directly by the State Department.

At the same time, Leonard Spector of the Carnegie Endowment for Peace, whose colleague Selig Harrison has openly called for the United States to dump Pakistan, released a report, which he said came from administration sources, claiming that Pakistan definitely had the components of a nuclear bomb. Spector further added that Washington would stand by if either Israel, India, or the Soviet Union were to destroy the Kahuta plant.

A March editorial in the *New York Times* demanded that Washington force both India and Pakistan to sign the Nuclear Non-Proliferation Treaty, indicating that this was an agreed-

upon joint effort by Moscow and Washington, then engaged in discussions for a "settlement" in Afghanistan. Bluntly titled "Stop Pakistan's Nuclear Bomb," the *Times* decried Pakistan's use of the Afghan war as a blackmail chip to guarantee U.S. aid. "Yet Pakistan has powerful reasons not to offend the United States. . . . Pakistan, meanwhile, harbors its own fears of the Soviet Union, and its aversion to a Soviet puppet state next door should not be ignored. There also would be obvious advantages in a peace that permits the millions of Afghani refugees in Pakistan to go home." This is a peace, the *Times* implies, that only the United States can negotiate.

And in Delhi

Islamabad, however, is not the only capital to feel the heat. Unlike the Soviet client state of North Korea, which penned the Nuclear Non-Proliferation Treaty last summer as part of a Soviet deal for delivery of a nuclear power plant, India has steadfastly refused to sign the treaty, seeing it as an infringement of national sovereignty. This policy of non-alignment and independence flies in the face of the "Gorbachov Doctrine" for the Pacific, as enunciated by the Soviet secretary general in Vladivostok in July. The Soviets have been on a non-stop crusade throughout the region, demanding the creation of "nuclear-free zones"—i.e., zones of Soviet influence.

In Delhi in early April, former Soviet Deputy Foreign Minister Mikhail Kapitsa, now director of the Oriental Studies Institute, came to deliver the demand—one of a constant stream of Soviet diplomats to hit Delhi since Gorbachov's own visit in November. Speaking before India's "foreign policy crowd" at the International Center, Kapitsa hailed the creation of a South Pacific "nuclear free zone" spearheaded by Australia and New Zealand, and claimed that soon the ASEAN countries would follow. But Kapitsa's proposal was not greeted with enthusiasm. Asked one Member of Parliament present: "What difference does it make if these countries do not develop the bomb? How does that prevent them from being decimated in a nuclear war that is started by the superpowers?" To this Kapitsa had no answer.

Indian distrust of Moscow has also been heightened by the U.S.S.R.-China rapprochement, with articles appearing in the Indian press recalling the days of 1962 when Moscow backed its "brother China" against its "friend India."

But despite India's refusal to acquiesce to Moscow's formal demands, all that the Soviet Union now requires is the weakening of India's ability to act independently. In the last months, Moscow has called into action all its assets in India—from the powerful Soviet lobby members in the Congress Party, to its control over the Communist Party-Marxist and other insurgent operations—to paralyze the Center, and especially the prime minister. One of the quickest routes to this paralysis is to stir up charges and countercharges—aided by witting partners in Washington—between India and Pakistan.

Moscow loves Venice

A recent Cini Foundation gathering brought together Eastern spooks and anti-West "Westerners."

At the end of March, Stanislav Kondrashov, a "political observer" from the Soviet government paper *Izvestia*, returned from Venice, Italy, where he had attended a Cini Foundation-sponsored East-West conference entitled "After Helsinki: The Mass Media." In an *Izvestia* feature of April 4 on the conference, Kondrashov dedicated the entire first half to a paean to Venice, "the age-old wonder" that infects everyone who sets foot in it with "a feeling of common European culture." He hailed the City of the Doges as a haven of culture, which should become the model for all of Europe—Russia included.

The mid-March Cini meeting, where Kondrashov was one of three Soviets attending, was held "on the island of San Giorgio, given to the Benedictine Order in the 10th century." After gushing over Venice, a city where "monuments of the past are not dead," and "the Attila of modernity, the auto, is not allowed," Kondrashov asserts that "it is in the Venetian blood" to preserve culture and aesthetics. Citing Venice's alleged "powerful tradition of beauty," he ends: "According to Dostoevsky, beauty will save the world. Despite the encroachment of the sea and its progressive decay, Venice, so far, has been spared—at least from self-destruction."

The article is startling for its *glasnost*, publicly revealing the Muscovite oligarchy's veneration of Venice; though the fact that Moscow reveres Venice, the center of Europe's gnostic oligarchy, is historically, quite natural.

Venice, like Moscow, has been an adversary center against the Western civilization identified with the Council of Florence (1438-39) movement. To this day, via institutions like the Cini Foundation, the Venetian-centered "Western" oligarchy works with Moscow to impose an anti-Renaissance cultural matrix, disguised as a "common European culture," upon the European continent. Historically, Venice, through the Contarini family, played a key role guiding Muscovy in the late 15th century into becoming Constantinople's successor as the "Third Rome."

In the marble refectory that hosted the conference, two themes, besides *glasnost* and Chernobyl, were discussed at length, writes Kondrashov: "terrorism and AIDS."

Apart from Kondrashov's report, one participant, historian François Fejto, observed that all the gathered journalists, sociologists, and politicians "agreed on the need for international cooperation to fight terrorism . . . but at the same time, on a practical level, they all expressed pessimism that anything could be done to stop it."

"We discussed terrorist revival in different forms . . . left and right . . . Scientific researchers building miniature atomic bombs. . . . Iran-style religious terrorist revival," etc. The conclusion reached in the discussions: A "19th century-style terrorist revival" is under way, and "there's not much that can be done about it," repeated Hungarian-born Fejto, a self-styled

"close friend" of U.S. Project Democracy operative Irving Kristol.

Kondrashov, in his *Izvestia* article, referred to terrorism and AIDS as primarily Western problems, snidely remarking on terrorism, "Thank God, this problem does not exist in our country," while on AIDS, the Soviet Union has "one tenth the anxiety" of the United States and Western Europe.

The East-West participants "fore-saw" more terrorist acts targeting leading atomic experts, military, and corporate figures, tied to classified military hi-tech (SDI) projects. According to sources informed on the proceedings, those present reached a "consensus" that France in particular would be hard hit by terrorism, in the words of one participant, "probably lasting for the next four-six years."

It would be a gross error to assume that the predictions and consensus represent mere academic analyses. A look at some of the participants exemplifies this: Besides the three Soviet representatives, the West European participants included many in the Michael Ledeen "Project Democracy" network, such as Claire Sterling, Paduan professor and terrorist controller Sabino Aquaviva, and the editor of the KGB-linked Spanish daily, *El País*. The "Project Democracy" network milieu is the operational arm of the illegal U.S. "parallel government."

In the course of discussing international terrorism, Italian, West German, Libyan, Syrian, left and right terrorism, etc., the name of "LaRouche" came up, according to another participant, in the context of discussing "right-wing extremism" and the Palme assassination. Such slanders circulating at the Venice gathering are not surprising, given that LaRouche is the main political adversary of the Soviets and of Project Democracy.

Soviet irregular warfare threatens NATO with 'spetsnaz' operations

Lt. Gen. G.C. Berkhof of the Royal Netherlands Army was Chief of Staff of the North Atlantic Treaty Organization's Allied Forces Central Europe (AFCENT) Command until October 1986. He was interviewed by Michael Liebig, EIR executive director for Western Europe and by EIR correspondent Dean Andromidas.

The discussion dealt with the Soviet Union's irregular war against Western Europe, with particular reference to the role of Soviet and East European spetsnaz operations, a topic on which Lt. General Berkhof is highly qualified. He conducted an investigation into these capabilities while Chief of Staff of AFCENT, NATO's wartime command for all forces on NATO's Central Front, which include American, British, West German, Belgian, and Dutch forces. According to reports in the Netherlands press, it was Lt. General Berkhof's concern for the vulnerabilities of NATO's Central Front to Soviet irregular warfare which led to his dismissal as Chief of Staff, although the NATO spokesman attributed it to a "personality conflict" with his West German commander, Gen. Leopold Chalupa. In the course of EIR's independent investigations, security experts in the United States and Western Europe concluded that Soviet-sponsored irregular warfare is a major unresolved policy issue within NATO.

Prior to his position at AFCENT, Lt. General Berkhof was a research fellow for one year at the Clingendael Institute, the Netherlands, Institute for International and Strategic Studies, where he authored the book, Battle For Space, which strongly demonstrates the necessity for the Strategic Defense Initiative (SDI) and a Tactical Defense Initiative (TDI) for Western Europe, if NATO is to maintain even a credible deterrent against the Soviet military threat. The

general has also written many articles and reports on a variety of strategic subjects including SDI/TDI, Soviet irregular warfare, and questions dealing with European defense.

EIR: Do you think that irregular warfare is adequately appreciated in current NATO strategic thinking?

Berkhof: The answer is clearly no. It is an uncomfortable question. Most people do not know about it and seem not to want to know about it. It is not on the curricula of the military academies. Whenever the issue of irregular warfare is taken up at all, it is dealt with superficially.

EIR: What is the concrete danger specifically of the *spetsnaz* side of Soviet irregular warfare?

Berkhof: The *spetsnaz* side comes into operation only in times of acute tension and in wartime. It is therefore not the most pressing danger. We obviously should, however, be concerned about the *spetsnaz* infrastructure in the West.

It is irregular warfare by proxy involving terrorist organizations that should worry us the most. The greatest danger is destabilization through "active measures," disinformation, and terrorism. The real danger lies in indirect, covert operations of the Soviet Union, mostly directed by the KGB. On the other hand, *spetsnaz* is a war instrument; the methods are probably the same, but the instrument is different.

At the top, there is a close coordination between the KGB, the International Department of the CPSU and the GRU's (military intelligence) *spetsnaz* in Moscow. But on the ground the operations are more differentiated. Therefore, one must look at various indicators in order to assess irregular warfare capabilities under so-called "peacetime" conditions.

EIR: How do you view the indirect, covert control of terrorist irregular warfare?

Berkhof: Let me go back a bit in order to answer your question. The costs and risks of modern "regular" warfare are quite extraordinary. This sets well-defined limits to conducting "open" warfare. If you can achieve your strategic aims with little cost and low risk, all the better. The sheer size of both NATO and Warsaw Pact arsenals leads almost automatically to the adoption of an indirect strategic approach. Such an indirect strategic approach involves a variety of aspects, ranging from propaganda with sweet-sounding "peace initiatives" to the spreading of drugs as a means of destabilizing NATO, and the deployment of terrorist organizations.

EIR: Do you think there exists concrete evidence of Soviet control of international terrorism?

Berkhof: If such evidence exists, it is somewhat scanty precisely because the Soviets work indirectly and covertly. They are working through the Bulgarians and there does exist evidence that the Bulgarians are involved. They work through East Germans and there is evidence that the East Germans are involved. The Soviets don't get involved directly. They employ their satellites.

EIR: Do you sense any political interference in the West in order to block an effective investigation into these Soviet and East bloc tracks?

Berkhof: You have to look at the problem of Soviet-directed irregular warfare in the context of the dominant conception of détente. Most Western governments like to do business with the Soviet Union. They don't want to upset the détente climate for themselves and for their populations with the knowledge that the Soviet Union is a real adversary. In the present political environment this matter is not a popular one. Politicians do not appreciate the fact that we are facing a real enemy.

EIR: Do you think there is fear in the West of Russian retaliation if the Soviet Union's role in irregular warfare were exposed?

Berkhof: The problem is that the Soviets would simply deny it. They would deny it categorically. And then you would have to present your evidence, and the evidence, being mostly circumstantial, is somewhat inconclusive. Our intelligence services want to keep their work secret and even they would have problems presenting evidence of courtroom quality.

EIR: How do you see the role of drug trafficking as a part of Soviet irregular warfare?

Berkhof: It's one of the elements. First of all, it destabilizes the West and second, it provides hard currency earnings. So it is quite an effective operation.

EIR: Do you see indications of Russian-controlled drug operations specifically targeting NATO military personnel?

Berkhof: Again, circumstantial evidence. You know the affair of the Russian freighter *Kapitan Tomson* at Rotterdam harbor. You know that the drugs aboard came from Afghanistan, they were loaded onto the ship in Riga. The drugs were moved 5,000 km through Soviet territory, KGB-controlled territory. Do you think that such smuggling operations are possible without the relevant Soviet authorities being involved? That's utter nonsense. You also have to look at drug-growing areas like Lebanon and Syria. The drugs are loaded onto East European ships in Syrian harbors, and are then transported to Europe. So there is if you know how the organizations work. There must be a controlling agency, and most likely it's the KGB.

EIR: How serious is the drug problem within the NATO military?

Berkhof: Well, it's definitely a factor, but not in the sense that NATO's overall military performance is seriously affected by it. The problem varies in the different armies. For instance, drugs are more of a problem in all-volunteer armies than in conscript armies. I would say that the Americans have more of a problem than the Dutch. The Canadians have a problem, too. They have even had some nasty airplane accidents as a result. Now the Canadians are enforcing urinalysis for their military personnel. The U.S. Navy is implementing new measures. They swoop down on an installation or a ship with a urinalysis team and if you are caught you will be fired. The Navy brought drug use down from 27% in 1980 to less than 10% at the present moment.

EIR: You mentioned the role of the East European satellites in drug trafficking. Could you specify a bit more on that?

Berkhof: There is a lot of evidence concerning Bulgarian and East German involvement in the drug trafficking, less evidence concerning the Czechs, although we have more indication of Czech involvement than we do of any direct Russian involvement. The most effective way of gathering evidence is to investigate the financial transfers of Russian and East European shipping and other trade-related agencies. These financial flows, or, to be more precise, money laundering, were so revealing that some Russians were expelled from Belgium and even Holland.

EIR: Could you describe the role of trucks from Warsaw Pact states in the context of *spetsnaz*, terrorist, and drug operations?

Berkhof: Well, you have to look at the whole TIR [*Transport International Routier*] system. It was designed back in 1949 in order to simplify customs procedures. In the country of departure the customs officer seals the freight and signs the customs documents and then the truck can be driven

across all European frontiers. Customs inspections are allowed only if there are concrete indications that the seals and/or the freight documents have been tampered with. Holland is the gateway to Europe with the world's largest port, so naturally we have a lot of East-West trade passing through my country and a large percentage of it is transported in East European and Soviet TIR trucks.

Since 1949 the TIR system has expanded dramatically, there are millions of TIR documents issued each year. Even more dramatic is the growth in the East European and Soviet share in TIR truck transportation. By the 1970s it comprised 30% of all TIR traffic, now it is over 50%. There is also a commercial side to Soviet and East European TIR truck transportation. It earns them hard currency. In fact, they practice some rather ruthless price cutting on freight rates, so much so that in France alone, employment in the transport sector dropped by 40% because of price cutting by the Bulgarians. It has gotten to a point where French weapons are transported to Iraq on Bulgarian trucks!

The other side of Soviet and East European TIR trucking is much more sinister. In the Warsaw Pact states, customs authorities are part of the state security apparatus. This allows the KGB and the other East bloc services to exploit at will the TIR system. With "officially" doctored freight documents, Soviet and East European TIR trucks can transport all sorts of illegal merchandise. . . . We here in Holland found some quite peculiar things in TIR trucks from the East bloc, but I'm not at liberty to tell you the details. Similar findings were made in Italy and most other West European countries. We are not sure of the precise percentage of illegal merchandise in total East bloc TIR trucking, but according to Dutch experts it is above 5%.

EIR: One problem is the freight, the second problem is the TIR truck drivers. What role may they play as a factor in Soviet-directed irregular warfare?

Berkhof: We have reports from defectors like Victor Suvorov. I see two aspects, one category of drivers must be contraband specialists. They deliver arms, explosives, drugs, *spetsnaz*, and/or spy equipment. Others are systematically reconnoitering roads for armored formations, spying on military installations, following military exercises, and so forth.

Were we to systematically follow all suspicious indications concerning East bloc TIR trucks, there would be total chaos at most European border crossings. The Soviets would retaliate politically and that's not a pleasant prospect for Western politicians. Norway and Switzerland have taken some measures to restrict the movement of East bloc TIR trucks. If, for instance, an East German "commercial" TIR truck has to transport its freight from East Berlin to Rotterdam, then there is no logical reason for this truck to end up at Brunssum NATO HQ. We cannot and should not ban East bloc TIR trucks from entering NATO countries, but we can and should monitor them carefully and restrict their move-

ments to what is commercially sensible, so that they can stick to their business.

EIR: What is your assessment of the implications of the above-mentioned irregular warfare problems for a NATO HQ like AFCENT Brunssum?

Berkhof: When AFCENT was moved to Brunssum in 1967, we monitored a lot of East bloc intelligence activities. Arrests were even made. Later in the 1970s and '80s a suspicious lull set in. That's always an ominous sign. There were two explanations: Either the counterintelligence work did not go well or AFCENT was infiltrated by the enemy. Both explanations were quite disturbing, to say the least. I thought the first explanation was the most probable. So I decided to start with it and to try to upgrade the counterintelligence work at AFCENT.

EIR: AFCENT Brunssum is located in the Dutch province of Limburg, which is a traditional mining district with a sizable Polish community. Did you find any indications of Warsaw Pact operations attempting to exploit this environment for irregular warfare purposes?

Berkhof: Actually the NATO HQ AFCENT in Brunssum is situated on a mine which has been shut down. Several other military facilities in the Limburg region are also built on shut-down mines. That means that below AFCENT and the other military facilities, there are extensive underground mine complexes. There are deep-production mines and there are mines between 5-18 meters deep that were used to train apprentice miners. When the mines were closed down, the mine shafts were shut in with stones, concrete, and iron bars.

Yet, as I was to realize, these training mines below AFCENT and in its vicinity were reopened! Most probably around the mid-1970s. Through these reopened mines, it had become possible to enter most sensitive military installations from outside the perimeter!

If one is serious about the *spetsnaz* threat, one has to take into account the ethnic communities of East European origin, that potentially may be infiltrated in order to provide support operations for *spetsnaz*. This is more so the case if there are concentrations of such ethnic communities in the vicinity of sensitive NATO command centers or other military facilities. In the Limburg region we have a more than a million-strong Polish community, which came primarily from the Upper Silesian mining districts at the turn of the century. This also includes many soldiers of the Polish First Armored Division, which helped liberate Holland in World War II, who stayed after the war and settled down here. Until the mid-1970s it was difficult or even impossible for the Polish community in Holland to get visas from the Communist regime to visit Poland. Since the mid-1970s that changed dramatically and a lot of traveling took place. Not only to Poland, but also from Poland. Suddenly there were cultural and sports exchange programs. Don't misunderstand me. I have no prej-

udices of any kind against Poles or people of Polish origin. Quite the opposite. You should be aware that the Polish First Division, which fought alongside the British Army, suffered many losses when they liberated the Netherlands at the end of World War II. But we have to take into account that a minuscule minority of the Polish community may have been blackmailed or otherwise recruited by the Polish secret services. Indeed there were and are indications in this respect, that do deserve close attention from our counterintelligence.

EIR: Were there any other peculiarities surrounding AFCENT which indicated potential East bloc intelligence and/or irregular warfare implications?

Berkhof: As I already said, we had a lot of these TIR trucks, more than the location of Brunssum warranted. One also has good reason to wonder about the owners of quite a few small shops in the vicinity of AFCENT. And, last but not least, there is the "entertainment industry," with not so few of the establishments being run by people coming from Warsaw Pact countries. There are also surprisingly many East Germans involved in prostitution operations.

EIR: What is the military and strategic significance of the Limburg region for Warsaw Pact *spetsnaz* and commando operations?

Berkhof: This region is situated in the north of the Ardennes and to the south of an area of extensive moors. Limburg is a gateway and has been historically—like the Belfort Gap—a key gateway to the western part of Western Europe. It was strategically vital for the Romans who defended it until 483. Limburg was key in both world wars. Because Limburg was defended, the Schlieffen Plan had to focus on Belgium. In World War II Limburg was not adequately defended, so the Germans moved in with paratroop commandos and "Brandenburg" special forces to seize the Maas bridges.

So it's quite logical for the Soviet command to look attentively at the region between the Rhine and the Maas when they plan a surprise attack with their principal assault forces: a) *spetsnaz* and airborne forces, b) tactical ballistic missiles, c) combat aircraft. We have several NATO airfields here with nuclear-strike aircraft; there are a lot of vital NATO communications and air defense facilities; and we have the very important NATO headquarters AFCENT and NOR-THAG. This strategic core area is, in time of war, defended only by territorial forces. If an aggressor were to manage to occupy this area with airborne forces and destroy the most important military targets, he would be in a very good position. In this area, airborne forces would have an excellent environment in which to create a foothold, because you are between two rivers. Also in the north you have the Reichswald and extensive moors. You have the Rhine-Ruhr conglomerate to the east and the bottled-up Cologne-Aachen region to the south. Paratroopers find a near-perfect terrain

to hold out in. So it's a very lucrative target. And Soviet exercises do consider precisely that fact.

EIR: Why is there so much resistance among senior NATO officers to the concept of irregular warfare?

Berkhof: First of all, it's a fairly new concept. Irregular warfare as such is, of course, as old as warfare itself, but in the East-West context it is a fairly new concept. In the context of nuclear warfare, irregular warfare seems irrelevant. Since the mid-1970s, the Soviet command has focused strongly on *spetsnaz* operations. They did so when they dropped the strategy of a nuclear first strike against Western Europe as their principal approach. They wanted to keep a war conventional for as long as possible because, in a conventional war, damage to the Soviet Union can be minimized. The Russian strategic concept aims at a decisive military breakthrough against NATO in Europe before the United States would release nuclear weapons. In this Soviet approach, the concept of irregular warfare obviously does have a high priority. The other major problem for the NATO military vis-à-vis irregular warfare lies in the unfortunate fact that under peacetime conditions irregular warfare operations are viewed as matter of concern for the police forces, not the armed forces. This problem remains even in respect to outright *spetsnaz* operations in periods of extreme tension immediately preceding full-scale war.

The fundamental problem in dealing with Soviet-directed irregular warfare lies in the strict separation between civilian law enforcement agencies on the one side and the military on the other side. The twilight zone created by this separation is exploited by the Russians. That is the sore spot.

EIR: What would you recommend in order to deny the Soviets this grey zone in which irregular warfare capabilities can prosper?

Berkhof: Well, first of all, we have to educate the officer corps and the law enforcement agencies about irregular warfare. They must be made aware that the problem of Soviet-directed irregular warfare really exists. If the concept of irregular warfare is understood, the police and military will literally stumble over the evidence of its existence. It obviously would be absurd to try to imitate Soviet totalitarian methods in combating irregular warfare. We don't want to build up a bloody police-state apparatus. In order to effectively combat Soviet-directed irregular warfare we have to disrupt the infrastructure, we have to create uncertainty. The Soviet command must never be sure that their irregular warfare infrastructure is "under control." Every planned irregular warfare operation must become incalculable for the Soviets. They must fear exposure of their operations.

For instance, we know from Victor Suvorov that a lot of Warsaw Pact sports clubs are in reality *spetsnaz* outfits. When there are exchanges of sports clubs with the East bloc we should not stop such exchanges, but let's photograph these

“athletes” and look at their backgrounds. And then let’s send these photographs to the relevant East bloc embassies together with a little note saying that it was a pleasure meeting you in the sports arena; we wouldn’t like to meet you next time in a war. You see, then they can’t be sure that they can use the same group again. With two guilders you can do a lot of damage to *spetsnaz* operations. Once more, we must put as many question marks as possible into the Soviet command computer.

EIR: What conclusions must be drawn as to the operational approach and the training of NATO’s armed forces?

Berkhof: We should first look at the list of possible NATO targets for *spetsnaz* operations. The highest priority, of course, is NATO’s nuclear forces, especially units with long-range missiles. Probably, the Soviet Union can wipe out this target category through arms-control negotiations—for instance, through the INF talks. That would free a lot of *spetsnaz* forces for other targets, like NATO’s command and control centers. But the Soviets attribute similar importance to political and administrative command centers, civilian communication facilities, and so on. Another priority of the Soviet target list are NATO’s air defense facilities. So we have to go through these target categories and prepare ourselves to defend them most effectively according to priorities. We must not stupidly disperse and stretch out our limited forces.

EIR: Three to four times a week, some NATO, primarily German, military facility is attacked and equipment stolen or damaged. The soldiers on guard seem to be utterly unprepared.

Berkhof: I see what you mean. I can only speak about the Dutch armed forces. I believe that most of the attacks against Dutch bases were done by “regular” criminals. That doesn’t mean that the cases we didn’t solve were also cases of regular criminal networks. Terrorists and especially *spetsnaz* are true professionals who don’t leave the type of traces that professional criminals do. The Dutch armed forces have right now an extensive training program to safeguard military bases. This goes especially for our national reserve forces, which are effectively a Home Army. Their task is to guard military facilities in the area in which they live. They know their assignments and can be mobilized very quickly and are very flexible with their personal means of transportation like cars or bicycles. They train regularly and in the Limburg area we have a quite sufficient force we can draw on already in peacetime when necessary, and, of course, in wartime.

EIR: What is your assessment of the preparedness of other NATO armies for the defense of rear areas against Soviet irregular warfare capabilities?

Berkhof: Rear defense is a national responsibility, it’s not part of NATO’s conceptual military framework. On a national level a lot more emphasis has to be given to combating

Soviet-directed irregular warfare. NATO must act as a catalyst.

EIR: How would you assess the awareness in NATO countries of the irregular warfare threat using a scale of 1 to 10?

Berkhof: I would say that three years ago it was 0.5 on the average and we are now approaching a level of 3 for NATO as a whole. The British I would rate at about 6; they held in 1985 a very large exercise, “Brave Defender,” that dealt with irregular warfare. If you look at the Western military literature you would see that more attention is gradually being given to irregular warfare.

But let me say a few more words on the Dutch situation. I would not rate the Dutch Army low in this respect. I worked on this problem when I was deputy Chief of Staff for Operations on the Army staff. The Dutch emergency laws are quite effective and they have been made more comprehensive. But the problems of rear defense against the irregular warfare threat are tremendously complex. For instance, one of the priority targets for *spetsnaz* and/or airborne assault operations are the major harbors. Just look at such a harbor and you will realize how difficult it is to defend against commando-type attacks. It involves closely monitoring all East European trade flows, watching trucks, ships, and personnel. We have the biggest harbor in the world and thus the biggest problem in the world defending it and keeping it in operation in times of tension or war. You have to identify the most sensitive spots in the gigantic harbor complex and take appropriate measures for their defense. The same goes for airports like Schipol in Amsterdam. It’s not the runway that I am worried about, but rather the vast technical infrastructure needed for flight operations with many of the radar installations and radio transmitters located far away from the airport.

I put civilian and military working groups together covering most of the indicated fields, the port and airport facilities, and the like. It is a rather long, drawn-out process, but we’re making progress. We live in a technological society and a technological society is vulnerable to irregular warfare. I’m far from being satisfied with our work in this field, but I’m an impatient man.

EIR: What authors have, in your view, the best conceptual understanding of irregular warfare?

Berkhof: One is certainly von der Heydte. I did read his book carefully, but I must say it is a typically German book, difficult to read. Actually there does exist a vast amount of literature on guerrilla warfare for the military professional. The literature on *spetsnaz* operations is growing—Hickey’s report in Britain and the Norwegian report on *spetsnaz* are very useful. Barron’s book on the KGB is helpful in respect to irregular warfare. “Victor Suvorov” I mentioned already. And then there are many good magazine articles.

But what’s really lacking in the literature is a conceptual framework for irregular warfare. Von der Heydte took such

an approach and what he did is good as far as he went, but he only got to a certain point.

EIR: Would you characterize irregular warfare as "irregular" warfare or "surrogate" warfare?

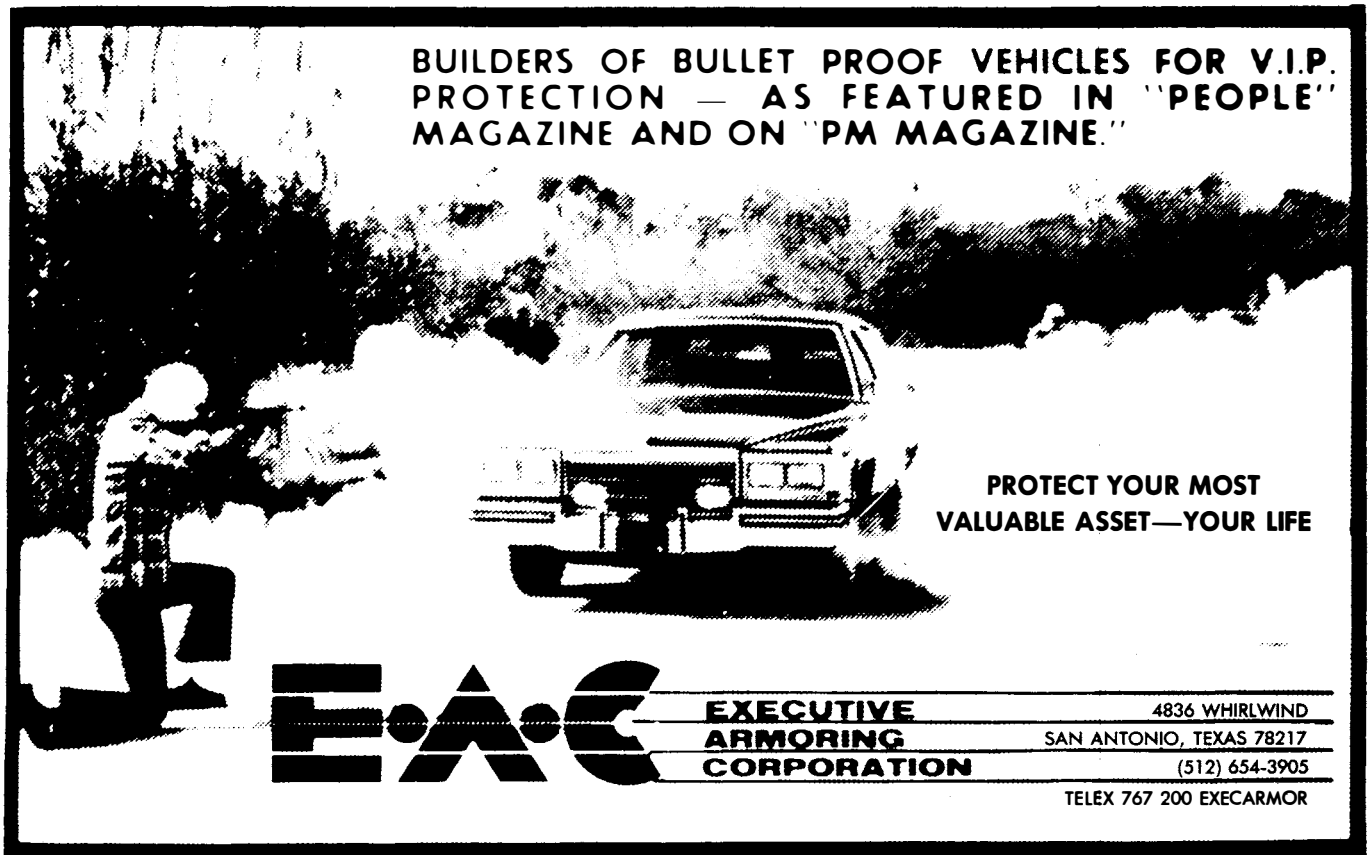
Berkhof: Irregular warfare is an indirect strategy. Indirect strategic approaches are operations outside the NATO arena. For instance, in the Middle East there is Soviet warfare by proxy, that means indirect operations against vital NATO interests. Soviet control over the Middle East and the oil routes endangers NATO's security much more than some specific terrorist or *spetsnaz* operations. But both are part of an indirect strategy of warfare. You don't fight directly, you fight indirectly to keep risks and costs low. It's an ancient strategy, as old as Sun Tzu. Soviet-directed irregular warfare is an indirect strategic approach which serves to destabilize the security of the Alliance by out-of-area political and/or military operations and operations of low-intensity violence within NATO territory.

EIR: Why is the Soviet political and military command so focused on irregular warfare? Is Ogarkov's role of special significance in this respect?

Berkhof: It is part and parcel of the collective Soviet memory. With 1,500 so-called "techno commandos" Trotsky took

Petrograd. During the October Revolution Trotsky had a unit of about 1,500 workers who were operators of power stations, the telephone and telegraph system, the railways, and so on. The idea was not to attack the government frontally in the Winter Palace, but to make it impossible for the government to govern. It was a revolutionary idea and it worked. Second, think of World War II and the role of the Russian partisans against the Germans. Take the battle of Kursk, the biggest tank battle in history. The Soviet command synchronized the sabotage actions of the partisan forces with their regular operations. The partisans systematically cut off the roads and logistical support lines of the German army. Reserves and supplies couldn't move as fast as they needed to and the Germans were defeated. So the Russians have much more of a tradition in the field of irregular warfare than we have. There is an Italian author, Malaparte, who wrote the book *La Technique de Coup d'Etat* in 1933. He understood a lot about irregular warfare when he compared the movements of Mussolini, Hitler, and the Russian Revolution. He makes the point about Trotsky's "techno commandos."

As for Ogarkov: He, like myself, is an engineer. As engineers we not only know how to build things, but we also know how to destroy them. We have a natural feeling for such things. We know about the vulnerability of technology. We are very well acquainted with General Murphy.



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Government crisis tied to Irangate

The only hope for an enduring solution will be to keep Craxi, Andreotti, and Spadolini as far away from power as possible.

The *New York Times* and the *Washington Post* are trying to portray the Italian government crisis, which is by no means over with the formation of the Fanfani caretaker government taking Italy to early elections in June, as "too complex" for Americans to understand. Looked at from above, as *EIR* readers are used to looking at all events, the Italian crisis should be better understood in the United States than in any other country, because of its many similarities to the political turmoil initiated by Irangate.

The facts of the crisis are the following: On March 3, Bettino Craxi, the Socialist who had been premier for two years, handed in his resignation to the Senate, officially opening the government crisis over conflicts with Christian Democrats Ciriaco De Mita and Giulio Andreotti, who claimed it was their turn to resume the premiership.

Andreotti, foreign minister in the outgoing Craxi cabinet, was the first to try to form a new government, and failed. At that point the President of the Republic Francesco Cossiga, the former head of Aspen Institute-Italy and cousin of the late Communist leader Enrico Berlinguer, gave Communist Nilde Iotti, who chairs the Chamber of Deputies, the "exploratory assignment" of checking out whether a different majority might be reached. Iotti also failed, and exactly one month after the opening of the crisis, Craxi went back to the Senate to launch a very dangerous proposal, which had also been backed by Com-

munist Party head Alessandro Natta: the idea of a "referendum majority," a government supported by Communists, Radicals, and leftists which would support the referendum against nuclear energy called for by the Radical Party.

During the Senate debate, Giulio Andreotti sent signals to Craxi that he favored such a "referendum majority," provoking a revolt inside his own Christian Democratic Party, particularly from a group of senators around Senators Mancino and Carollo. They decided to withdraw all Christian Democratic ministers from Craxi's government, finishing it off.

Interior Minister Oscar Luigi Scalfaro tried forming a one-party government with only Christian Democrats, and, failing to do so, passed the buck to the aged Amintore Fanfani, the Christian Democratic president of the Senate, who was seen as the "last chance" to form a minority government that will only last until early elections in June. Fanfani's government, composed of Christian Democratic ministers and so-called "experts" (since the other four parties forming the previous *pentapartito*, or five-party coalition, refused to join it) will be voted out on the Tuesday after Easter, after a parliamentary debate marked by the "obstructionism" of the Radicals, and will stay on in a caretaker capacity until early elections.

Behind the facts of the crisis is the clash between Catholic forces who defend basic values such as the family and the idea that there is a connection

between economics and morality; and the political "lay" forces represented by Communists, Socialists, and Radicals, who have been promoting referendums on divorce and abortion since 1968. These are the same forces now pushing for the nuclear energy referendum, aiming at an institutional and constitutional reform of Italian politics.

As in the United States, the turmoil opened by the crisis punctured the myth of Craxi's "economic recovery" in Italy. Economic experts have begun to openly admit that "Italy cannot enter the post-industrial era if it never completed the industrial one." Another rapidly vanishing myth is that of Giulio Andreotti's "successful foreign policy," pivoted on pro-Soviet and pro-Libyan actions, as Italian military experts have followed their French and British counterparts in issuing statements against the zero option for dismantling the nuclear component of NATO in Europe.

As for Defense Minister Giovanni Spadolini, who backed the zero option, his position was badly eroded by the recent revelations on the Talamona harbor in Tuscany, from which Italian weapons were sent to Iran. Craxi, Andreotti, and Spadolini are, not surprisingly, the closest friends of Michael Ledeen, the key U.S. figure linking Italians to Irangate.

As Fiorella Operto, president of the Schiller Institute in Italy, said in a recent statement: "Craxi, Andreotti, Spadolini will be off the stage very soon, and this not because of the political fights around the government crisis, but because of the gigantic political earthquake shaking the United States. If we may give advice in Italy for the formation of an enduring future government after early elections, these three characters should stay far away from any important assignment."

A Finnish grand coalition

The mid-March elections are altering Finland's political map, but will policy change?

Over 20 years of Finnish rule based upon some form of center-left coalition are coming to an end. A grand coalition composed of Finland's two largest parties, the Social-Democratic Party (SDP) and the conservatives, is being negotiated at this moment of writing.

A month of maneuvering by President Mauno Koivisto after the March 15-16 elections defied all predictions, as Finnish politics—notoriously inscrutable—were discreetly turning away from two decades of center-left rule. Rather unlike the drama of Italian government crises, the Finns after World War II have perfected a Nordic, cool-and-silent type of political upheaval.

In Finland, parties come and go, but the President stays. Social Democrat Koivisto, only the third postwar President after Juho Paasikivi (1946-56) and Urho Kekkonen (1956-82), looks forward to his comfortable reelection in early 1988, as polls give him a two-thirds majority. The grand coalition is aimed at excluding Koivisto's chief challenger, Center Party leader Paavo Väyrynen—not because Koivisto's 1988 victory would be in jeopardy, but to secure a Social Democratic order of succession.

Although foreign minister in Social Democratic Premier Kalevi Sorsa's center-left government, Väyrynen was largely kept out of real foreign policy making by the SDP, particularly the management of the overshadowing relations with Moscow. This was coherent with the 1982 transfer of Finland's powerful presidency

from the Center Party's aging Kekkonen to the SDP's Koivisto.

But the SDP lost over 100,000 votes in the elections, and the Center Party grew slightly. While the center-left coalition would still hold a majority of the 200 seats in the parliament, its continuation would imply a revival of the power of the Center Party, and an enhanced position of Väyrynen, maybe even as premier.

Growing from 44 to 53 seats, the conservative Coalition Party failed by only three seats to overtake the SDP as the biggest party. Emerging from 21 years of opposition, the conservatives signaled their desire to enter the government at all costs. Their "natural" partners would be the Center Party and some smaller parties. By conventional parliamentary arithmetic, this would imply a non-socialist majority, again with Väyrynen as the likely premier, "cohabiting" with an SDP President, much as in today's France.

While all parties concerned have assured their faithful adherence to Finland's state doctrine, the postwar "Paasikivi-Kekkonen-line" of appeasement of Moscow, such an arrangement might be viewed as too unorthodox by the Kremlin. After Kekkonen, and the shift from the Center Party to the SDP as the vehicle of state power, the emergence of a non-socialist cabinet would oblige the President to bypass all of his ministers in managing sensitive affairs with the East—or shift power back to the Center Party, and thus Väyrynen.

Both the conservatives and the

Center Party advocated a national unity government among themselves and the SDP, creating an overwhelming majority of well over two-thirds. The President called into question whether such an overkill majority was needed, or even desirable, as the parliament could be reduced to passing laws negotiated over its head by the three big parties. More decisively, the SDP, in such a national unity coalition, would be in a minority vis-à-vis the two non-socialist parties, again with the unwanted Väyrynen as the likely premier.

Conservative leader Ilkka Suominen had recently won the post of speaker of the parliament, in view of traditional rules for forming governments in Finland, which call for the President's assigning the speaker to sound out various political coalitions. Throwing out such rules, Koivisto instead named his associate Esko Rekola to assess "the need and possibilities" of a national unity coalition. Rekola's task was to find that there were no such "need and possibilities," which he did.

Koivisto's next surprise was to assign former conservative leader Harri Holkeri, the Coalition Party's presidential nominee, to sound out a conservative-SDP coalition, and if that were to prove impossible, to opt for a non-socialist coalition.

The leaders of the Coalition Party and the Center Party, Suominen and Väyrynen, thought they had a deal to form a new government, with or without the SDP. Bypassing both, Koivisto moved to have Holkeri, known to favor a coalition with the Social Democrats, negotiate with Sorsa for a conservative-SDP grand coalition. Whether continuing as premier, or moving to the foreign ministry, Sorsa under this formula can keep mediating the President's policy vis-à-vis the Soviets.

International Intelligence

Philippine rebels deny link to German Greens

Antonio Zumel, a leader of the communist-backed New People's Army in the Philippines, gave a press conference on April 14, denying that East Germany was channeling funds to the NPA through the West German Green Party. The charge, made by *EIR* Contributing Editor Uwe Henke v. Parpart, was widely publicized in the Manila press. Zumel called Parpart's statements "a cover for American interference in the counterinsurgency."

"Our revolutionary movement is basically self-reliant," he said, "but welcomes international support, especially given U.S. input into counterinsurgency."

Zumel threatened that Americans involved in counterinsurgency would become targets of the NPA "Sparrow Units"—assassination teams.

Meanwhile, NPA leader Jalandoni admitted publicly, during a visit to the Netherlands, that the NPA has received money from the Greens. "But it is only used for office equipment," he said.

In Manila, Heinz Kotte, a visiting Green professor at the University of the Philippines, denied Green funding of the NPA and that the Greens receive money from East Germany. "The Greens want disarmament," he said, "and the Green Party ties to East Germany are based strictly on neutrality."

Germans in dispute over zero option

A factional dispute has emerged in West Germany, over the recent round of disarmament proposals by the Russians, centered on the so-called zero option—removal of all intermediate-range nuclear missiles from Europe, the U.S. Pershing II and cruise missiles and the Soviet SS-20s.

Willy Wimmer, parliamentary defense spokesman for Chancellor Helmut Kohl's Christian Democrats (CDU), voiced opposition to the "zero option," and said it did

not matter that the proposal was supported by Foreign Minister Hans-Dietrich Genscher and his Free Democrats (FDP), Kohl's coalition partners, since Chancellor Kohl would have the final say.

Genscher's FDP reacted by accusing Wimmer of "stepping out of the arms-control consensus." Then, Alfred Dregger, CDU parliamentary leader, defended Wimmer, saying he had only emphasized "the critical points in the current zero option debate."

Defense Minister Manfred Wörner (CDU), addressing an German-American Atlantic Bridge meeting in West Berlin April 10, voiced "strong reserve against an isolated zero option agreement in Geneva." Such an agreement must include a solution to the problem of Soviet short-range missiles and the Warsaw Pact's conventional superiority.

Thais warn social democratic think tank

Representatives in Bangkok, Thailand, of West Germany's Friedrich Ebert Foundation, the think tank of Germany's Social Democratic Party (SPD), have run afoul of the government of Thailand for meddling in the country's internal affairs.

Foundation representatives were called into the Thai foreign ministry and ordered to "cool it," as the press put it, if they want to remain in Thailand.

The Friedrich Ebert Foundation has been caught working with the World Council of Churches and with the "Voltaire of Thailand," Social Democrat Kukrit Pramoj, in an attempt to overthrow the government of Prime Minister Prem Tinsulanond.

In heavily funded seminars it holds for trade unionists, the social-democratic foundation has pushed demands that Thailand end all "big projects," i.e., economic growth, and reach an accommodation with World Bank malthusianism. The seminars have become more political over the recent period, with the Foundation spokesmen attacking the government. Hence the summons to the foreign ministry.

Hundreds of millions in U.S. aid to Syria

Syria has received more than \$250 million from the United States, ostensibly to stop the production of opium in Lebanon's Bekaa Valley, reported the *Sunday Times* of London on April 12.

But few believe that Syria is stopping such production. Middle Eastern intelligence sources report that the Syrians have primarily been burning crops belonging to rival groups, especially those belonging to former President Camille Chamoun's militia. Whatever was not burned was seized by the Syrian army itself and is expected to be sold by Syria.

Few believe that stopping opium production is what the U.S. money was actually for. Syrian sources have described the \$250 million as part of a broader understanding between Damascus and Washington over Lebanon and the hostages.

One of FBI 'most wanted' worked for North network

A Syrian terrorist who is among the "most wanted" by the United States was part of Iran-Contra supply operations being run out of the U.S. National Security Council by Lt. Col. Oliver North.

Syrian "businessman" Munzar al Kassar may hold the key to such affairs as the *Pia Vesta*, a Danish ship with East German arms on board, intercepted by Panamanian authorities last year before it could off-load those weapons to Contra fighters.

Kassar was the partner of a British weapons firm, Hall and Watts Defence Sales, Ltd., that sold weapons to the Contras on behalf of North's "Project Democracy" operations, the London *Observer* revealed April 12. Hall and Watt acknowledges making a \$2 million deal with Kassara. Kassara was directly paid by Lake Resources, a front run by Gen. Richard Secord as part of Project Democracy's financial cut-outs.

However, Kassara, who has offices in

Briefly

Marbella, Spain and Vienna, Austria, specializes in smuggling East bloc weapons.

Kassar is also on the list of "most wanted men" by the U.S. Justice Department and the Drug Enforcement Administration, which has ordered an "all ports" watch for Kassar. He is wanted in several terrorist cases, including a 1984 case involving British subject John Berry, convicted of producing and selling timers to terrorist organizations.

Fundamentalist violence feared in Jerusalem

Amid recent clashes between Israeli settlers and Arab inhabitants of the West Bank, there has been a reactivation of Jewish fundamentalist groups, notably those fanatics associated with a project to rebuild Solomon's Temple atop Temple Mount in Jerusalem, now an Islamic holy site. The project includes a plot to demolish the Dome of the Rock mosque.

The *Jerusalem Post* revealed March 26 that illegal Israeli digs have quietly continued under the Temple Mount, which could lead to an outbreak of religious violence in Jerusalem.

Peruvian press in furor over LaRouche visit

Lyndon LaRouche's six-day visit to Lima at the beginning of April has created an uproar in the Peruvian press, with some promoting his economic proposals, and others—notably those linked to former Prime Minister Manuel Ulloa—denouncing him from pillar to post.

The newspaper *El Comercio* published a lengthy interview with the U.S. presidential contender on April 13, under the title, "Unavoidable Bankruptcy: Warns Economist LaRouche." In their introduction, the editors stated their "frank disagreement" with attacks by LaRouche on "Peruvian political figures," but said that they "fully agree with his proposals on the foreign debt. . . . LaRouche's position is an addition of true

importance to reaching a solution to the problem of the foreign debt for the international economic order."

La República, a daily that advocates legalization of narcotics, attacked LaRouche on April 13 as a "fanatic Zionist and anti-communist." The paper accompanies its attack with a picture of the Spanish edition of *EIR*'s best-selling book *Dope, Inc.*, with the following caption: "This book is as serious and important as the document 'The Sexual Impotence of the Puerto Rican Communist Party,' of which he is also author."

Oiga, a "right-wing" weekly which has supported every military coup threat against President Alan García, ran a six-page attack on LaRouche, accusing him of being a "Marxist and anti-Semite."

French intelligence said to know KGB spy goals

The French counterintelligence service, the DST, is in possession of the "annual plan of intelligence" of the Soviet KGB, according to the April 11 *France Soir*. The "annual plan" defines objectives in intelligence-gathering over the year.

The KGB annual plan, says the French publication, is directly supervised by Soviet leader Gorbachov and has set a goal of 90,000 Soviet spies worldwide. All recent espionage events are related to the coming into power of the KGB itself under direct control of Gorbachov, *France Soir* contends.

Among the facts reportedly now known to the DST as a result of obtaining the plan, is that 244 French firms are infested with KGB spies. Of the 244 companies, 10 are involved in energy, 26 are in space technologies, 22 in computers, and 21 in agricultural research.

The KGB is not seeking to recruit "master spies," says the report. The new KGB strategy is said to be deployment of "smaller fish" who are collecting less complete information but in a much larger quantity. This enables the KGB to cross check a lot of information and complicate adversary counterintelligence.

● **PANAMA'S** Gen. Manuel Noriega was awarded a bronze medal of honor by the International Police Organization (Interpol) April 10, at a conference of law enforcement officials from 23 countries on improving coordination in the war on drugs in Ibero-America and the Caribbean. Noriega, the chief of Panama's defense forces, has been the target of a slander campaign, notably by U.S. Sen. Jesse Helms (R-N.C.).

● **RAYMOND BARRE** is now Moscow's choice as next President of France, informed French sources tell *EIR*. Through a deal worked out with Barre, Moscow will give him 2-4% of the French Communist Party vote in 1988. Barre's uncharacteristic recent opposition to Soviet arms proposals, and his talks with Soviet "dissidents," the sources stress, are part of the necessary camouflage.

● **A FRANCISCAN** priest's speech at a banquet in Jerusalem has touched off a small religious crisis in the holy city. The priest attacked the Israeli authorities for displaying a "total lack of courtesy and lack of correctness" in dealing with Christians—failing to respond to requests for security at churches, and tax exemption. Fr. Carlo Cecchitelli, head of the Franciscan Custody of the Holy Land Mission, was summoned to the Ministry of Religious Affairs for an explanation.

● **MIKHAIL GORBACHOV**, in a speech in Prague on April 12, spoke publicly for the first time about the threat of the AIDS epidemic to humanity as a whole, and called for international cooperation to fight the disease. The speech was broadcast over Soviet television.

● **ANTI-AIDS** measures have been introduced by the Mexican Navy, the country's navy minister announced April 14. A "testing program at ports" will also be introduced, to intercept AIDS carriers entering the country.

New York scandals spell the end of Harriman Dems

by Mel Klenetsky

The corruption scandals that are currently wracking the Democratic Party in New York City signify that the "Reform" Democratic apparatus, the legacy of the late, pro-Nazi W. Averell Harriman, is being dismantled, piece by piece. The sleazy, drug-mafia-linked Democratic National Committee, which had hoped for a comeback in the 1988 presidential election, will find itself subject to an ever-growing series of indictments, trials, and convictions well into the coming election year. And recent developments in Atlanta, Georgia—scene of the 1988 Democratic nominating convention—show that what has begun in New York, will scarcely stop there.

Every top politician in the New York Democratic leadership will soon have been touched, in one way or another, by the current scandals:

- The "Irangate" scandal in Washington has by no means targeted only officials of the Reagan administration. As *EIR* has shown, the covert policy of weapons supply to Ayatollah Khomeini began during the Carter administration, and the entire "Irangate" apparatus, known as "Project Democracy," has far-reaching tentacles inside and outside government. Outside the government, Jay Lovestone's machine in the Democratic Party and the AFL-CIO is, for all intents and purposes, synonymous with Project Democracy. Lovestone was a founder of the Communist Party U.S.A. in the 1920s; he headed up the research divisions of the International Ladies Garment Workers Union (ILGWU) and the AFL-CIO; and, through such organizations as the League for Industrial Democracy (LID) and the American Institute for Free Labor Development (AIFLD), figures prominently in Project Democracy's "secret government" apparatus. Lovestone has had great influence over New York's Liberal and Democratic parties, and his cronies helped put Sen. Daniel Moynihan and Gov. Mario Cuomo into office.

- The Ivan Boesky "Wall Street insider trading" scandal

has touched New York City Controller Harrison Goldin, who is under investigation for his dealings with Boesky.

- The recent resignation of Bess Meyerson as cultural affairs commissioner of New York City is seen by many as the beginning of the end for Mayor Edward Koch. Indeed, the more the New York scandals unravel, the more the noose seems to tighten around the necks of Koch and Cuomo. The fall of Koch would certainly mark the end of the Harriman wing of the Democratic Party.

The rise and fall of the Harrimanites

The current strength of the Harriman wing of the Democratic Party derived from the late '50s and early '60s, with the Reform Democratic movement in New York City. Koch beat out Carmine DeSapio as the local leader of the Greenwich Village Democrats. Because DeSapio no longer headed up a local club, according to the New York Democratic Party by-laws, he had to resign as Manhattan Democratic Party leader, the boss of Tammany Hall. Koch started the reign of the Harriman Reform Democrats in New York and national politics.

Harriman and company were seeking to destroy the traditional base of the Democratic Party, the alliance of labor, minorities, and others that had been consolidated in the early postwar years, through the 1950s. With the election of President John F. Kennedy, many a Harriman protégé was placed in his administration. It was Harrimanite blueblood Cyrus Vance, Koch's campaign finance chairman in 1981 and secretary of state under Jimmy Carter, who brought Joseph Califano and others into Kennedy's administration. Robert Kennedy, Robert McNamara, Vance, et al. smashed the old-line, constituency-based political machines. They used federal health, education, and welfare programs to establish a political patronage base that would undercut independent leaders like Harlem's Congressman Adam Clayton Powell.

In the 1970s, the McGovern reforms in the Democratic Party finished the work of the Harriman Reform movement, driving the traditional Democrats out of the party. In 1976, David Rockefeller's Trilateral Commission backed Jimmy Carter, who brought into his administration such Harriman favorites as Vance and Califano.

The unpopularity of Carter and Walter Mondale did much to weaken the hold of this crowd over national Democratic Party politics. But 1988 was to be the year of a comeback. The New York Democrats were to play a crucial role. Governor Cuomo was their man, and Geraldine Ferraro, Mondale's 1984 running mate, was to help pave the way. In June 1984, Cuomo gave the keynote speech to the Democratic Convention in San Francisco. The event had been orchestrated by Tim Russert, formerly Moynihan's chief of staff, then one of Cuomo's inner circle of advisers, and currently a vice-president of NBC. Newspapers lauded Cuomo's oratorical skills, and looked at him as the brightest light for a 1988 presidential bid. Ferraro, coming out of the same Queens political machine that he did, was nominated as the vice-presidential candidate. The Harriman Democrats were positioning themselves for a comeback in 1988, when President Reagan's personal popularity would no longer be a factor. Of course, it didn't happen that way at all.

The New York scandals

The New York scandals have derailed these efforts. To date there have been three phases: First was the investigation of Geraldine Ferraro and her husband, John Zaccaro. Then in January 1986, Donald Manes, Queens borough president, was found with his wrists slit, in an attempted suicide; three months later Manes committed suicide, over a scandal surrounding New York City's Parking Violations Bureau. The third phase began with scandals around a Bronx company called Wedtech and revelations concerning "no-show" employees of the New York Legislature.

Geraldine Ferraro was secretary-treasurer and a stockholder in her husband's firm. She failed to list this on her financial disclosure forms for the House Ethics Committee, and was subsequently absolved for the same kind of offense that former Idaho Rep. George Hansen went to prison for. The financial affairs of Ferraro and her husband came into the public view during the 1984 election campaign. It turned out that her husband was the part owner and manager of a building in Manhattan that housed the mafia-run Star Enterprises, Media Distributors, and Bonate Inc., firms which distribute such porn magazines as *Whips and Chains* and *Screw*.

In 1986 John Zaccaro was indicted and is currently on trial on charges of "acting in concert" with Donald Manes to seek a bribe from the Cablevision Systems Corp. A political mentor of Ferraro, Queens Supreme Court Justice Francis X. Smith, was also indicted, charged with perjury and criminal contempt of the grand jury that investigated the Cablevision scandal.

The Ferraro-Zaccaro investigations seemed to open up a Pandora's Box of scandals. Manes took his own life in March 1986 after he was targeted for taking bribes to rig a \$22.7 million Parking Violations Bureau computer contract with Citisource Inc. In March of this year, Stanley Friedman, the former Bronx Democratic boss, was sentenced to a 12-year prison term for racketeering, in connection with the Citi-source contract. Lester Shafran, the former director of the Parking Violations Bureau, and Michael Lazar, the former city transportation administrator, were also convicted in the Citisource case.

The Wedtech scandal is decimating whatever remains of the Bronx political machine. Stanley Simon, the former Bronx borough president, resigned last month. He has pleaded innocent to charges of having extorted \$50,000 from Wedtech, a Bronx military contractor, whose officials have testified that they made payoffs to Bronx politicians. Bronx Congressmen Mario Biaggi and Robert Garcia were indicted for allegedly accepting secret payments from Wedtech. Vito Castellano, former commander of the Army National Guard and a former chief of staff to Governor Cuomo, pleaded guilty to accepting Wedtech bribes.

Moving on to Brooklyn, look at the case of Meade Esposito, former boss of the Brooklyn machine. Congressman Biaggi and Esposito were both recently indicted for allegedly advancing the interests of Coastal Drydock Corporation, a Brooklyn Navy Yard company. Esposito's protégé Jay Tur-off, the former City Taxi and Limosine Commissioner, was found guilty of tax fraud on April 10. His co-defendants were found guilty of creating an illegal monopoly to sell taxi meters. Another Esposito protégé, Alex Liberman, the city's former lease director, is now doing a 12-year sentence for a \$1.4 million lease extortion scheme. Harold Fisher, treasurer of the Brooklyn Democratic Organization and former chairman of the Metropolitan Transit Authority, is accused in a civil lawsuit of a \$16.4 million insurance company fraud.

The other recent round of scandals comes through investigations into the New York State Legislature's practice of keeping people on the state payroll who never show up for work. Richard Rubin, the powerhouse of the Queens Democratic Party, who worked under Matthew Troy until he went to jail, and then worked for Manes, was convicted in this "no-show" scandal and sentenced to five years in jail and a \$413,000 fine.

The no-show job scheme is close to indicting Senate Minority Leader Mahnfred Ohrenstein of Manhattan and Assistant Minority Leader Martin Connor. It was Connor who led the ballot challenge for Senator Moynihan in 1982, when this writer battled Moynihan in the primary for the Democratic Party's senatorial nomination.

Can the Democratic leaders regroup to have some say in 1988? Cuomo himself now says the graft is worse than the days of Boss Tweed. He dropped out of the 1988 presidential race for "personal" reasons, according to his own account. Undoubtedly he saw what happened to Geraldine Ferraro.

Crowded Democratic field helps LaRouche

by Webster G. Tarpley

Whom the gods wish to destroy, they first drive mad—and the crowded field of Democratic presidential candidates is a case in point. With the addition of Senators Paul Simon of Illinois and Albert Gore of Tennessee, who have entered the race over recent weeks, the field has become very crowded indeed, with no less than a dozen mediocrities vying for attention. These include Babbitt, Gephardt, Dukakis, Gore, Biden, Simon, Jackson, and Hart, plus possibly Arkansas Governor Clinton, and possibly Nunn, with Cuomo and Bumpers still hovering on the sidelines although they say they are out of the race. Standing apart from this jostling pack of aspirants is the one statesman qualified for the office, Lyndon H. LaRouche.

Even with today's inflation, a dozen candidates is a lot. In 1960, after eight years of the Eisenhower administration, there were only four Democratic contenders in the primaries. In 1976, after the eight years of Nixon and Ford, Jimmy Carter emerged from a gaggle of nine Democratic hopefuls, several of whom joined the race in the later stages. Normally, of the dozen or so Democrats whose hats are now in the ring—or near it—some would be content to act as stalking horses, or otherwise to shoot for a pay-off that would be less than the White House itself.

This year, the word along Washington's Power Alley is that each one in this year's crop is taking himself and his chances very seriously. One part of this is understandable: As each contender eyes the competition, he is impressed by the number of fools and scoundrels in the pack, and says to himself: "If that jerk can be considered presidential timber, why, so can I." But the negation of the negation cannot yield a true positive. There is a story that Jimmy Carter was moved to contemplate a presidential run during the visits to the Georgia State House during 1972 by then-candidates George McGovern and Hubert Horatio Humphrey. "If these jerks can run for the White House, so can I," thought Carter, who thereby committed the sin of hubris. Megalomania among fools and scoundrels has now thoroughly infected the Democratic field.

This year, the result is an unbridled chaos of factional warfare that is creating big problems for Democratic National

Committee chairman Paul Kirk, who would like to see the campaign proceedings organized along neat totalitarian thought-control lines. As a result, Kirk's role as a political gendarme is in serious disarray.

Empirical evidence validated by the media points to Gary Hart as the present front-runner, but deeper political dynamics show the Coloradan as the man with everything to lose. Hart began his campaign with a warmed-over version of his 1984 "New Ideas" demagoguery, now including the SII—a strategic investment initiative. Hart's natural tendency would be to fall back into the pack, but he may get help from an unexpected quarter: from the Republicans, who with good reason regard Hart as the "Mondale of 1988." Their plan is to shore up Hart so that he can win the Democratic nomination, and then bring out the dossiers to finish off Gary with scandals, including his alleged philandering, in which he is deeply compromised.

Dukakis was originally a candidate fielded primarily to provide a point of unification for the Kennedy machine after Teddy was coerced to drop out of the race, and also with the hope of procuring a deadlocked convention from which Teddy could accept a draft. Dukakis is focusing on a big showing in New Hampshire, and is reported to have demanded guarantees against a New Hampshire challenge by the LaRouche forces before announcing that he would run.

Gore, who describes himself as a "raging moderate," has a rhetorical stock in trade featuring the crisis of the ozone layer over the antipodes and the greenhouse effect, points on which he is in agreement with Helmut Schmidt. As for Simon, he is designed to serve as a point of regroupment for the campaign moneybags of the Zionist lobby, who are seeking to restore their political clout after the heavy losses suffered during the Pollard affair and in the Irangate scandal more generally. "I'm not a neo-anything," Simon intoned, and pledged fealty to Jimmy Carter's "dreams for peace, arms control, and human rights around the world."

In addition to the problems created by the fierce presidential rivalries, the DNC is being paralyzed by scandals, including those that are rending the New York City Democratic machine. According to informed sources, there is more in store: Certain prominent investigative journalists are on the trail of monies deriving from the Iran-Contra transactions, monies which have found their way into the pockets of Democratic Party congressional factions. According to these sources, it would be inaccurate to say that congressional Democrats were totally in the dark on the diversion of funds from the Iran arms sales: The truth is that a number of leading Democrats were receiving those funds. Something even worse than Wedtech is therefore looming for these malefactors.

The prospect is thus for the crowded Democratic pack to swallow up Hart and prevent the emergence of any other front-runner, for the pack to resist attrition, and for the pack to persist well into the primary season, in all likelihood determining a deadlocked Democratic convention.

State Department writes off Africa

A State Department spokesman presented a grim scenario of how the United States has destroyed the continent of Africa at an African Roundtable Forum of the Society for International Development here April 14. William Robertson, Deputy Assistant Secretary of State for African Affairs, described how applying "Reaganomics" to Africa has destroyed whatever modest ability governments there had to protect their backward economies.

Robertson said that the main U.S. objective for Africa was to turn the more than 50 nations there away from "statism" and toward pure "free market" economic policies. This, he said, involved forcing them to accept "structural reforms," which are supposed to make these countries "attractive" to private investors.

These reforms include the following: currency devaluations, "liberalized" (i.e., inflated) prices, elimination of food and other subsidies, ending of tariffs on imported goods, deregulation of industries and banking, and the selling off of state-owned entities.

Robertson did not bother to mention the cost in terms of human lives: the precipitous drop in living standards and rampant disease and famine they have unleashed there.

When this reporter asked Robertson what the State Department think-

ing is about the AIDS epidemic sweeping Africa, infecting upwards of 30 million people trapped in economic squalor, Robertson squirmed: "AIDS is a global problem, and is not unique to Africa," he said. "Therefore, it can only be dealt with globally."

I also asked him how he expects the "small and medium" businesses the State Department is encouraging to locate into this new African environment to grow, unless there is some large-scale development there too, to provide the transportation, energy, water, and other infrastructure that goes with growth.

"Well," he mumbled, "We're not saying to large entities to stay out of Africa. It's just more difficult to attract them, and it's easier to attract small and medium size business. That's all."

The "small and medium-size" businesses Robertson was talking about are slave-labor cottage industries that will put nothing back into the African economy for future growth. It will export the blight that "Reaganomics" has created in the U.S. inner cities.

The only honest statement that Robertson made was his closing one: "If we do not get into Africa, then the Europeans, especially the French, and the East Asians will come in and lock the door of opportunity."

Indeed. The Japanese already have the blueprints for taming the giant rivers of Africa, generating the electricity, irrigating the croplands, and crisscrossing the slumbering giant with highways and railroads. Once Japan gets sick of propping up the hopeless U.S. economy by buying U.S. dollars and Treasury notes, and dumps them to invest that capital in such large-scale projects, they will have a lock on the greatest untapped natural resource pool in the world.

Africa could play role in U.S. recovery

In contrast to the State Department insanity, the House Appropriations Subcommittee on Foreign Operations heard a U.S. economic recovery proposal on April 10 designed by Democratic presidential candidate Lyndon LaRouche that includes an enhanced role for the Export-Import Bank. A spokesman for the National Democratic Policy Committee (NDPC) presented it.

Combined with a rescheduling of foreign debt, and funded with \$500 billion in long-term, low-interest credit earmarked for development projects, the Ex-Im Bank could be a mechanism for putting millions of Americans to work producing the steel, concrete, pumps, and nuclear plant components for a large-scale African development scheme.

The NDPC spokesman startled Committee chairman Rep. David Obey (D-Wis.) by going to a large map of Africa on the hearing room wall, where he used a pointer to show how the huge Zaire River (which contains 19% of all the world's hydroelectric potential) could be diverted at its northwestern-most point, and its waters then channeled into the huge geological formation where the present-day Lake Chad sits to the north.

That basin can contain about 15 times the volume of water it now holds, he said, and could be the center of an irrigation grid that could put water in the 800,000 square miles of prime agricultural soil in the sub-Saharan Sahel region, which extends east-to-west almost 3,000 miles.

Putting vegetation in this area would create natural rainfall, which would swiftly begin to roll back the Sahara, he said, and turn the region into the breadbasket of the world.

Book Review

Pro-Harriman book charts disastrous course of Eastern Establishment

by Mark Burdman

The Wise Men

by Walter Isaacson and Evan Thomas
Simon & Schuster, New York, 1986
853 pages, clothbound, \$22.95

I would have you wise unto that which is good, and simple concerning evil.—*Romans 16:19*

The meaning of the word “wisdom” would have to be radically revised, if we were to regard that word as an attribute of the policies, beliefs, and actions of the six individuals revered in the book, *The Wise Men*, by Evan Thomas and Walter Isaacson.

Thomas and Isaacson are writing about six men whom they label “The Architects of the American Century,” or, more simply, “The Establishment,” the group for whom, the book claims, the Rockefeller and Ford Foundations are mere fronts. The six men are Averell Harriman, George Kennan, Robert Lovett, John J. McCloy, Dean Acheson, and Charles “Chip” Bohlen. Of the six, only McCloy and Kennan are still alive, while Harriman and Lovett died during the period the book was being completed.

The two authors are house-servants of “The Establishment.” They are both graduates of Harvard, and, as of the writing of the book, held key positions at *Time* magazine.

As Thomas and Isaacson come close to celebrating the matter, the “wise” quality ascribed to the six is emphatically not a wisdom based on nurture of the good, the true, and the beautiful, but on a clever pragmatism and expediency, grafted onto a use of American power and influence. It is not the “American Century” modeled on the ideas of the Founding Fathers of the American Republic; it is an American Century designed as an ersatz recreation of the *Pax Britannica*, with some curious Austro-Hungarian Empire features, based on a negative principle of “containing” Communist imperialism.

To any figure who indeed represents the values of the Founding Fathers in a contemporary historical context, such

as Gen. Douglas MacArthur, the protagonists of the Thomas-Isaacson book are fanatically hostile. In a Feb. 28, 1987 article entitled, “Appeasing Moscow: A Recurring Form of Mass Hysteria,” which discusses *The Wise Men* in passing, Lyndon LaRouche commented that “Harriman et al. hated MacArthur, because he had morality and principle where they had none. He was the justly proud epitome of the professional military servant of a democratic republic, in the American tradition of the Society of the Cincinnati. He was very successful in his profession, for which reason the Harrimans et al. considered him a serious potential threat, and hated him with a passion which contrasts with Harriman’s almost son-father relationship with our enemy Stalin.”

To a reader who celebrates the values associated with the American Revolution, *The Wise Men* can at times be a most infuriating book. But for precisely the reason it is infuriating, it is also very useful, in the extremity of the reverence it pays to such individuals. The reader gets a rare insight, for better than 800 pages, into the way the world is seen from the standpoint of the liberal Establishment’s sycophancy.

‘Golden Age,’ or trap-door into Inferno?

The Wise Men is an exercise in nostalgia, based on a neat, and potentially seductive trick. From the vantage point of today’s combined crises of Soviet strategic superiority, economic collapse, moral decay, and uncontrollable disease pandemics, the 1945-68 period might seem like the Good Old Days, or, as *Times of London* correspondent Michael Binyon said in a recent admiring review of *The Wise Men*, an invocation of the “Golden Age of American Diplomacy.”

This trick works, all the more, because of the horrifying deficiency of knowledge of history that characterizes many Americans. At a time when it is hard enough to bring somebody to think back two days, or a week, in time, 1945 might seem to be ancient history. So, the book is itself a fallacy of composition, counterposing a limited series of moments of a limited period in history, as seen selectively through the eyes of a very few, to come up with what presumes to be an historical overview.

In fact, there is a cause-and-effect link between the beliefs and policies of Kennan, Acheson, Harriman, et al., and today's woeful state of both Establishment policies, and of the United States itself. Their pragmatism, expediency, and abhorrence of rigorous moral and scientific truth, bred a vast cynicism in the American polity. Their offspring, more often than not, are the degenerate fellow-travelers of the drugs-and-AIDS-besotted jet-set. Their "second generation," people like Paul Nitze (who immersed himself during the late 1930s, the book reveals, in the gnostic-pessimistic writings of Oswald Spengler), the brothers Bundy (McGeorge and William, the latter married to Acheson's daughter Mary), et al., cannot (or don't want to) rally the Establishment behind a program to defend the American "host-population" from the most deadly disease in history. They have presented no positive vision for the United States, and have expressed a contempt for the fundamental values on which the United States has been based.

Spheres of influence and many Yaltas

As LaRouche has pointed out in the aforementioned "Appeasing Moscow. . . ." writing, George Kennan is perhaps the most interesting, and revealing, test case, in the book. Kennan, as the famous "Mr. X," wrote the policy-document justifying the American doctrine of "containment." The positive quality of Kennan, was that he did not approach the Soviet Union, from a simplistic notion of "anti-communism." Instead, he ably documented the *continuities* of Russian-imperial and Russian-cultural policies, from the czars through the Bolshevik Revolution, on through the interwar and postwar eras of the 20th century. Kennan's weakness was that he was—and is—a philosophical cynic, an unflinching Calvinist-Presbyterian, who does not believe in the changeability of nations and cultures. At one point, the authors (pp. 354-355) make this fascinating characterization: "George Kennan, the indignant Presbyterian elder, could undoubtedly work himself into a moral frenzy about Soviet totalitarianism, just like Harriman and Bohlen; but George Kennan the Bismarckian realist cared little for Wilsonian idealism and was perfectly prepared to concede Poland and other hapless places to the Soviet sphere (in early 1946)."

Since the Russian-Soviets would never change in fundamentals, surmised Kennan, best to let them do as they wished, within a specific *sphere* of influence. Who cares, after all, about the motley populations of Eastern Europe? Let the Russians have them, and that will keep them out of *our* sphere, in South America, or elsewhere. So, in Kennan, we find the *negative* doctrine of *containment*, and the embryo of "Yalta II" reproduced from Yalta I. On page 239, the authors discuss a 1944 policy draft by Kennan for "conceding the Soviets a sphere of influence." Thomas and Isaacson write: "If the Kremlin continued 'to reserve moral judgments' on American actions in the Western Hemisphere, they would certainly expect to act freely in the Eastern European security

belt they had won so dearly. . . . Kennan called these ideas 'realistic.' In a later incarnation, they would be known as containment."

At times, the reader might find the authors quite candid, at times negative, in appraising Kennan, yet this tone of pretended criticism, should not disguise that the quality described in Kennan is only writ larger and more explicitly in him, but it is all of the American Century Liberal Establishment: absence of moral truth, expediency, pragmatism, even of the "hard-nosed" kind. In fact, one of Kennan's worst flaws, was his "house-servant ideologue" tendency to appease the views of those he wrote for; unlike most of the book's protagonists, he came from the "outside," not through the patrician-Olympian-liberal route, but from a Midwest Presbyterian background. The reader can draw his own conclusions about how certain childhood traumas of Kennan's, described by the authors, might have affected his thinking.

Then there is McCloy, also by origins an "outsider," who developed the most accomplished knack, over the years, for "pragmatic," legal wheeler-dealer motivations for such policy abominations as refusal to authorize bombing of Nazi concentration camp gas chambers (during World War II); and the policies of the postwar occupation of Germany, superpower "arms control," etc. (after World War II). His role models, Elihu Root and Henry Stimson, were admired, again, for qualities *opposite* to those that motivated the founders of the American Republic.

Then, come back to Harriman, the super-wealthy centerpiece of this group. Never mind that the authors sin by omitting easily available documentation about the Harriman clan's support for eugenics, and for selective immigration measures that kept, among others, Jews seeking to escape from Hitler's Germany, away from American shores, in the 1930s. Ave the Pragmatist and Businessman, write Thomas and Isaacson, was up to his knees, willfully and enthusiastically, in efforts to bring pre-Nazi Germany into the Soviet sphere of influence. On pages 100-101, we read that Harriman argued in 1926 that a deal whereby U.S. credit to finance German-Soviet deals "would benefit American business by allowing the Russian market to absorb German exports that might otherwise be dumped in the U.S."

From even the skewed evidence presented in this book, it is clear that the United States, in the last years of, and immediately after, World War II, was the overwhelmingly popular power among the populations of Hungary, Poland, and Czechoslovakia. Crowds would flock into the streets to welcome and celebrate American emissaries, much to the shock of those emissaries. Nonetheless, selling these populations down the river was no problem for this bunch of "realists."

Kennan and the 'authoritarian state'

A most revealing, related point about Kennan, is that he was openly contemptuous of the United States as a demo-

cratic republic. Hence, his "containment" policy, implicitly and to some extent explicitly, "contained" nothing in the way of a positive notion of what Western culture should be. "Britain's pre-Reform Parliament was closer to his ideal of enlightened government than the U.S. Congress of the 1950s," write Thomas and Isaacson. "A self-described 'natural-born antiquarian,' Kennan harbored nostalgia for England's eighteenth-century ruling aristocracy. . . ."

And there's worse. In pages 171-178, the authors present an extraordinary insight into Kennan's political worldview. After recounting an anecdote in which he reportedly made columnist Joseph Alsop "nearly sick" with the contention, "The trouble with this country is that we are a democracy and instead should be ruled by aristocrats," Thomas and Isaacson continue:

"The Founding Fathers, Kennan believed, had not meant to establish a true democracy. In a note to a friend as early as 1930, he had posed the question: 'If they disapproved of democracy for a population predominantly white, Protestant and British, faced with relatively simple problems, would they not turn over in their graves at the mere thought of the democratic principle being applied to a population containing over ten million Negroes and many more millions of southern Europeans to whom the democratic principle is completely strange?'"

"While in Austria recuperating from an intestinal illness in 1935, Kennan had been impressed at the way the 'distinctively authoritarian' regime in Vienna handled social problems. 'There was no demagoguery, no public wrangling and debate by laymen, no appeal to the emotions and greed of the public,' he wrote in a private journal he completed in 1939. 'Benevolent despotism,' he concluded, 'had greater possibilities for good' than did democracy. 'During the years to come—the uneasy years from 1936 to 1939, when our country rang with shrill debate about the issue of dictatorship vs. democracy—I was never able to forget these impressions. I could not get excited by this fancied issue. I could not follow the fanatical separating of the authoritarian goats from the democratic sheep.'"

The careful reader of *The Wise Men* will note the astounding biases of Harriman, McCloy, Kennan et al. Without stressing the point more than is due, what we are seeing here is the "White Anglo-Saxon Protestant" patrician mentality in the extreme. In a book of 750 pages, one finds not one reference to the Vatican in the index; it is not a force of any recognized importance in the *Weltanschauung* being described, except perhaps as implied antagonist. Also, most extraordinary for a book on "The Architects of the American Century," there is *not one* mention of countries such as Brazil, Mexico, Argentina, etc. "South America" is a category which comes up, in passing, where a patrician-diplomat goes on vacation, carries out a not-very-important mission that distracts him from the main theater, or worries about in passing moments as the "Western Hemisphere" in the spheres-of-influence globalist deal with the Soviets.

Interview: S.C. Birla

'There is need for the American legal

Subhash Chandra Birla is an advocate at the Supreme Court of India, and Secretary General of the All-India Bar Federation. The following interview was conducted in Washington, D.C. on April 9, 1987, by Dr. K.D. Sharma, director of the Economic Research Institute in New Delhi, currently in residence in Virginia. Both men are members of the Commission to Investigate Human Rights Violations in the United States.

The Commission was founded after nearly 400 federal and state police agents descended on the business offices of associates of Lyndon H. LaRouche, Jr. in Leesburg, Virginia, in what one observer described as resembling "a barbarian raid on a Christian village," on Oct. 6-7, 1986. Since then, numbers of LaRouche's political supporters are fighting court battles against trumped-up charges by enemies of LaRouche's policies (cf. the "Year of the Constitution" series in EIR).

Mr. Birla spent one week in the United States, on a fact-finding mission for the Commission, to acquaint himself with aspects of the legal assault against LaRouche and associates, and to meet with American political, legal and religious figures.

Sharma: What brings you here to Washington?

Birla: I was invited by the host of the Schiller Institute Conference in Lima, Peru, on [the papal encyclical] *Populorum Progressio*. I attended this two-day conference [April 3-4], and during my stay, I met with a number of individuals in several organizations, which are striving for the independence of Ibero-American economies. In the two-day conference, I spoke about the importance of the Ibero-American concept. I spoke about the occasion which is bringing the people and the countries of Asia and Africa together, for the cause of Ibero-American countries.

During my stay, I met a few individuals in the government of Peru. In conversation with those people, I found that [Peruvian President] Alan García is very much striving to bring Peru together with other nations of the Ibero-American continent, on the track of IMF debt, as such borrowings in the past have brought about the destruction of the local econ-

debate in profession'



omy. I was very happy to know that many independent organizations, including religious organizations, are supporting Alan García; common people, poor people, the persons who suffered before García came into power, are all giving support to Alan García.

Sharma: In the United States, you have been meeting with people. Can you give some impressions of your meetings, and describe what you are doing here?

Birla: On my way back to India from Peru, I came to the United States to meet with people in the legal profession, retired judges, and people active in social-economic organizations. I found that the policies of the present Reagan government of the United States are causing much damage to the long heritage of the American System. I found a few issues, including the Iran arms deals, which have caused a massive loss of respect for the American government amongst the countries of the Southern Hemisphere, in Ibero-America, Asia, and Africa. This is my impression, which I gathered after meeting people who are very much concerned with the American System and the welfare of the United States in relation to other democratic countries.

We in India have borrowed many things from the legal system of the United States. We have borrowed basic principles and the fundamentals of the American Constitution. But I have found that the present practice in the United States, with respect to individual rights, is creating the situation where the person who is tried by the court has no confidence in the system.

I feel there's a need for debate in the American legal field, where the people should think over and should study the criminal legal system of other democratic countries like India, and other Asian countries.

Sharma: You have had some encounter with the people who have been victimized in their rights by the legal system of the United States, and who are actually followers of Mr. Lyndon LaRouche. What is your opinion in these cases and the way they have been conducted in the United States?

Birla: As a member of the Commission to Investigate Human Rights Violations in the United States, and after going through certain documents, I found that people are losing faith in the independence of the judiciary. At the same time, people feel that the Executive has gotten too strong—it should be balanced. I was very much shocked, and I expressed this to one of the officials of the Senate Judiciary Committee, when I met him two days ago.

Sharma: In what specific ways is the legal system of the United States different from the legal system in India?

Birla: From what I've understood on this trip, and from what I've read, the United States is a federal country, as we are, with a constitutional structure. In the United States, however, there are various state laws, and the legal system is not as unified, as it is in India.

In India, we also have a constitution, which specifies the legal system. At the same time, state governments do not have different legal systems. Certain powers are delegated to the state governments, but the system is very much specified, and it has to be conducted within the boundaries of the Indian Constitution.

The powers of the Indian Supreme Court and different high courts which function in different states of India, are specific, and there cannot be any divergence from those powers.

In India, the Executive is very much controlled, except for the period from 1975 to 1977, during the Emergency. Then there were certain violations in respect to the powers of the Supreme Court and different courts of the country. But that was corrected by the government, and the government which carried out the Emergency was not liked by the people of my country. I feel that the criminal justice which is administered in my country is in many ways better than in the United States.

Sharma: You are on your way to India. Can you tell us what you plan to do when you return?

Birla: This was a very good experience that I've had in the last few days, and that I will have in New York and the Federal Republic of Germany, which is also a democratic country. There, also, I will meet with attorneys.

As the secretary-general of the All-India Bar Federation, I intend to call a conference of the Federation, sometime in October or November. I will invite friends from the United States and other democratic countries, with similar legal systems. Our task will be to discuss improvements in fundamental rights in countries like the United States. I don't think the people of my country, or the attorneys of my country, will be wrong in discussing such improvements in fundamental rights. That will be my first task.

Secondly, as a member of the Commission, I would like to meet again in a short time with other Commission members, to present before this world the compilation of all legal violations done in different cases in the United States.

Johnston introduces oil import fee legislation

Sen. J. Bennett Johnston (D-La.), the chairman of the Senate Energy and Natural Resources Committee, introduced legislation on April 9 to impose an oil import fee. Sen. Lloyd Bentsen (D-Tex.), chairman of the Senate Finance Committee, which has jurisdiction on the matter, supported Johnston's initiative.

The bill, S.971, would impose a fee on imported oil at any price less than \$24 per barrel, and \$26.50 per barrel for petrochemicals and petrochemical products. It also would repeal the windfall profits tax which has not generated any revenue for some time because of the depressed state of oil prices.

Johnston said that the fee "would provide a stable foundation for the nation's domestic oil industry. Unless we provide that foundation, the industry will continue to crumble around us." Domestic oil production dropped 800,000 barrels in 1986 alone.

The main stumbling block to the fee has been the administration. Johnston hopes to make a direct trade: the oil import fee and the revenues it would raise in lieu of other new taxes. Both the House-passed budget and the proposed Senate budget with the strongest backing contain provisions for about \$18 billion in new taxes.

"An oil import fee such as the one we are proposing today would provide needed revenues," Johnston said. "But it would not take energy prices as high as they were just two or three short years ago."

The \$24 per barrel level is significant in that it is at least \$2 higher than previous oil fees proposed. A \$22 per barrel level is expected to stem further production loss, while the \$24 level

may actually encourage exploration, drilling and development of new domestic oil production.

Gramm proposes debt-for-equity schemes

Sen. Phil Gramm (R-Tex.) introduced S.898, the "International Lending Institution Safety Act of 1987," on April 1 to try and bring the debt crisis under control by imposing debt-for-equity schemes on developing nation borrowers. Senate Banking Committee Chairman Sen. William Proxmire (D-Wis.) joined him as a co-sponsor.

Gramm became the first senator to publicly acknowledge the tremendous impact of the Brazil debt moratorium. "On Friday, Feb. 20, the President of Brazil, Mr. José Sarney, sent shock waves through the world's banking institutions with the announcement that the largest Third World debtor was suspending payments on its international loans," Gramm admitted. However, "this is not a time to panic but it is a time to act . . . to reduce the leverage that the debtor countries now hold over our banks, and through them over our nation's financial system."

The bill would first mandate the Federal Reserve, the FDIC, the Comptroller of the Currency, and other regulators, to estimate the difference between the book-value of Third World bank loans and their real value. Banks would have to add 10% of that difference per year to their reserves, but would not have to mark down their bad loans as long as they continue being serviced.

The Friedmanite Gramm then proposes that risk can only be reduced "as these countries replace their policies of funding their growth through com-

mercial loans with policies of funding growth through equity investment."

The bill would mandate federal banking agencies to identify regulatory and accounting barriers to exchanges of foreign debt for equity and "recommend appropriate legislative changes." It would also require the Treasury to include "enhanced conditions for private direct investment as elements of any agreement with debtor countries for the rescheduling or restructuring of loans owed the U.S. government. Any failure to fulfill such commitments would make a country ineligible for further loan restructuring."

Gephardt claims votes for trade bill amendment

Rep. Richard Gephardt (D-Mo.) claimed April 15 that he has the votes to pass his amendment to the House trade bill, H.R.3, an amendment which would precipitate a full-blown trade war.

The Gephardt amendment would mandate the President to use import fees, quotas, and tariffs to reduce imports from nations running a trade surplus with the United States by 10% per year if, after a year and a half, the President failed to negotiate such reductions. The trade bill as passed by the House Ways and Means Committee gives the President discretion as to whether and how to reduce such imports.

Gephardt's version was the one passed by the House last year, and the one contained in the original H.R.3 this year before the Ways and Means Committee chaired by Rep. Dan Rostenkowski (D-Ill.) altered it to overcome White House objections. The

White House is threatening to veto any bill with such strong protectionist measures.

Gephardt predicted that 20 to 30 Republicans would vote for his amendment, indicating a closer vote than last year. "The administration has got the pressure on and it's for real," he told reporters. Rostenkowski is also opposing the amendment and lining up opposition from the business community which is split on the issue. Corporations such as ATT, Boeing, IBM, the Chamber of Commerce, and Business Roundtable are opposed, while USX Corp., Motorola, Allied-Signal, and Chrysler Corp. are backing the amendment. The Senate is not expected to approve such a measure.

House floor action on the trade bill is expected to coincide with the visit of Japanese Prime Minister Nakasone the last week in April.

Senators roast Webster before confirmation vote

FBI Director William Webster, being considered by the Senate for director of the CIA, has been harshly criticized by some senators while others have raised doubts about his past performance.

The harshest attack came from Sen. Malcolm Wallop (R-Wyo.), a former Senate Intelligence Committee chairman, who said that the FBI under Webster "has been dreadful" in countering hostile intelligence activities. "Continually, the FBI under Bill Webster," Wallop said, "had to have counterintelligence money piled on it every year in their budget requests, and never once came with a budget that was adequate to meet the threat as they assessed it." Wallop also said that

"for years" the FBI had refused to share information with the CIA about suspected U.S. and foreign espionage agents traveling to and from the United States. Sen. Ernest Hollings (D-S.C.) was also critical of Webster respecting the security of the U.S. embassy in Moscow.

Sen. Dennis DeConcini (D-Ariz.), a member of the Intelligence Committee, has demanded to know what kind and how many break-ins the FBI has conducted against foreign intelligence targets before he votes for Webster's confirmation. The FBI has classified authority to conduct "warrantless searches." But many senators are concerned about a massive number of break-ins against individuals and organizations opposed to the Contras, with Webster's overall role in the Contra affair a leading consideration of the senators.

Dole backs civil rights for AIDS virus

Senate Minority Leader Robert Dole (R-Kans.) has come out of the closet on the AIDS crisis, clearly backing those with the viewpoint that the deadly AIDS virus has civil rights. Dole, working closely with Sen. Alan Cranston (D-Calif.), sponsored a sense of the Senate Resolution 190 which the Senate passed by voice vote on April 10 before leaving for their one-week recess.

The resolution expresses the desire of the Senate that a presidential commission on AIDS be established within 90 days which would make a preliminary report within nine months on how to cope with the AIDS crisis, and a subsequent report one year after that. Dole denied his intent to "pass

the buck" by creating another commission to come up with recommendations which the Senate might not have the courage to do, but that is the least offensive aspect of the resolution.

The resolution declares that the nation "should make a major commitment of resources consistent with the recommendations of the National Academy of Sciences for health care, research, and education relating to AIDS." In addition to urging the President to empanel experts from the areas of public health, business, labor, the Red Cross, the Institute of Medicine, religious leaders, the insurance industry, and federal, state, local, and community officials, the resolution also urges that "organizations concerned with AIDS," a reference to the homosexual lobby, be represented on the commission.

The commission would be charged with the task of determining how financial resources could best be allocated, and make recommendations "regarding testing and counseling, particularly with respect to maintaining confidentiality."

An entire section of the resolution charges it with evaluating "civil rights laws." "Problems encountered by individuals . . . obtaining and retaining employment, housing" and a place "particularly in educational systems," are to be evaluated, "including possible violations of rights of privacy and confidentiality." Federal and state laws, "including civil rights laws, particularly rules regarding ethical considerations relating to infectious diseases designed to protect the health of all individuals at risk of contagion," are also to be evaluated relating to immigration, liability, and discrimination.

National News

Livermore man testifies on SDI

Lawrence Livermore Laboratory associate director George H. Miller, told Congress that some space-based kinetic-kill vehicle (i.e., anti-missile missile) architectures can be overcome by Soviet countermeasures to the point that they "would negate the boost-phase mission and seriously degrade the post-boost effectiveness" of the U.S. ballistic missile defense program, the Strategic Defense Initiative.

He reported that both the ground-based free electron laser and the nuclear pumped x-ray laser have made "significant technological accomplishments." He said that despite low-power experiments that indicate the feasibility of laser propagation through the atmosphere, "significant work remains to be done . . . before we will demonstrate propagation at high power."

He reported "significant progress" on the x-ray laser program, which is moving "toward its goal of actually demonstrating weapon-level performance in an underground nuclear event."

His testimony included a warning that, in the hands of the Soviets, a nuclear pumped x-ray laser "could make the survivability of any U.S. space-based defense a much more difficult prospect."

Ousted Shin Beth head has contract canceled

The former head of Israel's Shin Beth, Avraham Shalom, was briefly in charge of evaluating security at New York's John F. Kennedy Airport and the New York and New Jersey ports, after being fired from his job in Israel. But apparently, that fact raised some eyebrows in the right quarters. Shalom's private security company has now had its New York contract canceled.

The cancellation is one more sign of a downgrading of the U.S.-Israel "special re-

lationship" in the wake of the Pollard spy affair and the Iran-Contra scandal.

Avraham Shalom, a.k.a. Abraham Bendor, was fired from Shin Beth last year after a two-year scandal surrounding the 1984 murder of two Palestinian terrorist prisoners. He now runs a private security firm.

Shalom's firm, Atwell, is owned by Mossad superspy and arms trafficker Shaul Eisenberg; its New York representative is former Mossad officer Peter Malkin. Malkin, Shalom, and Rafi Eytan ran the celebrated 1960 kidnapping of Adolf Eichmann in Buenos Aires. Shalom and Eytan oversaw the diversion of weapons-grade uranium from Pennsylvania's NUMEC nuclear plant to Israel.

Someone obviously deemed security arrangements at New York's ports a bit too sensitive a matter for such a fellow.

Robertson seeks Jewish vote

Television evangelist Pat Robertson, now running for the Republican nomination for President, gave an interview to the *Jerusalem Post* in which he took the official Israeli position on most issues, including the Jonathan Pollard spy affair.

The Pollard affair involved a special Israeli intelligence unit, called Lekem, which obtained U.S. secrets for bartering to the Russians. Pollard was thus representative of a hostile penetration operation by Israel. He and others yet to be uncovered, according to official Justice Department statements, fit a profile of "false flag" agents, wittingly or unwittingly stealing for the Russians under Israeli auspices.

But Robertson mentioned none of this, and tried to downplay the affair in the remarks quoted in the April 3 *Post*. He said that the Pollard affair will not affect long-term U.S.-Israel relations, calling it "a rogue operation," after his private talks with Prime Minister Yitzhak Shamir and Foreign Minister Shimon Peres.

He also told the *Post* that if he were President, he would move the U.S. embassy

from Tel Aviv to Jerusalem, a red flag to America's Arab allies.

Robertson operates a television station in southern Lebanon, and has been to Israel 15 times.

He has his own worries back home, of course. In the wake of the sex and slush fund scandals that hit Jim and Tammy Bakker, which could spread to discredit "televangelism" in general, polls showed that Christian fundamentalists oppose Robertson's presidential candidacy 7 to 1.

Former Congressman Hansen arrested

Former U.S. Rep. George Hansen (R-Idaho) was arrested by federal authorities on April 15, for alleged parole violations. The author of *To Harass the People: The IRS and Government Abuse of Power*, has been conducting an intensive campaign to clean up Justice Department abuse of human rights.

Hansen expected to be arrested, as he told members of the Commission to Investigate Human Rights Violations in the United States, in a recent meeting: "They want to muzzle me." When, on Dec. 19, he was released from federal prison where he had served six months for violating financial disclosure laws, he refused to agree to parole restrictions which limit his travel and mandate detailed monthly financial statements.

He believes that his outspoken opposition to what he terms the "Justice Department and their foreign style of law enforcement," led to his original conviction.

Accuracy in Media charges AIDS cover-up

"AIDS Cover-Up" is the front-page headline of the April 17 *Washington Inquirer*, publication of Accuracy in Media, an organization of investigative journalists. The ar-

Briefly

ticle reports on an AIM Report released the same week, charging the Reagan administration and Centers for Disease Control with orchestrating a cover-up of the rate of and way AIDS spreads in order to justify inaction.

The AIM Report quotes extensively from the work of Dr. John Seale of Britain and Dr. Mark Whiteside of southern Florida. Both believe that AIDS can be transmitted by means other than sex, IV drug-use, and blood transfusions—for example, biting insects in Tropical areas.

The AIM Report seems to go out of its way to avoid mentioning Lyndon LaRouche. Both Seale and Whiteside have worked closely with LaRouche on the AIDS issue. Just about the only location in which the work of Seale and Whiteside has previously been published is *EIR*.

AIM cites five groups with responsibility for the cover-up: homosexuals, timid medical and scientific journals, doctors "who have been slow to appreciate the magnitude of the AIDS epidemic," journalists who "have been afraid to contradict the conventional wisdom," and politicians who rarely discuss the issue seriously, and succumb to pressure from homosexual groups in their home districts.

Hart will try to keep his pants on

Gary Hart, the former senator from Colorado, formally announced his presidential candidacy in Denver on April 13. Hart played up the old theme of "New Ideas," a slogan for which he became known in 1984. Since his 1984 "New Ideas" were never revealed, they have not lost their novelty.

The national media punctually declared him the "Democratic frontrunner."

Hart's campaign, however, is dogged by debt problems stemming from 1984—an unpaid \$1.3 million—and he is being sued by some creditors. After a fundraiser the evening of April 15, federal marshals showed up the following morning to seize the funds

in performance of a lien.

But in an April 13 *Washington Post* profile, Hart's 1984 campaign strategist, Washington attorney John McEvoy, is quoted saying that the biggest threat to the blow-dried candidate's campaign is that he "is always in jeopardy of having the sex issue raised if he can't keep his pants on."

Indian economist: 'Stand up with LaRouche'

Speaking before 70 persons in Chicago on April 14, Dr. K.D. Sharma, a leading Indian economist and Sanskrit scholar, stated: "We in India had heard of Lyndon LaRouche. Lyndon LaRouche is known as the greatest man this country has produced since Benjamin Franklin. Mr. LaRouche has dedicated himself to the betterment of all. . . ."

Sharma is a member of the Commission to Investigate Human Rights Violations in the United States, and expressed shock at what he has learned of a recent series of politically motivated raids, midnight arrests, and indictments handed down against presidential candidate LaRouche's associates.

Speaking of the Oct. 6, 1986 raid on businesses of LaRouche associates in Leesburg, Virginia, Sharma said: "Do you know what manacles are? They are used around the legs. This doesn't happen in America, only in Russia. They chopped the doors down. This doesn't happen in America, this happens in Russia. What is this midnight knock at the door? If you are a LaRouche supporter, you are subjected to that midnight knock at the door.

"What has happened to America? What have you citizens forgotten? Why have you allowed these things?"

"The time has come for you to stand up, alongside Lyndon LaRouche, and the battle for Justice. The time has come for your voice to be heard. You must raise it up now! Will you do this for our generation, and for those generations which must come in the future?"

● **SABOTAGE** has not been ruled out as the cause of the disasters besetting the U.S. space program since the Shuttle Challenger's explosion in January 1986. So indicated President Reagan in an April 10 appearance before the Los Angeles World Affairs Council. Asked if Russian sabotage were involved: "Let me just say we aren't ignoring anything in our investigation of the space problem."

● **NASA CHIEF** James Fletcher, in testimony before Rep. Bill Nelson's space subcommittee April 11, urged proceeding with the Mars Sample Return Mission, and warned that the Soviets could land a man on Mars by the turn of the century. He also stated that both a fourth Shuttle orbiter and expendable launch vehicles are critical to the space program.

● **WASHINGTON TIMES** editorial page editor William P. Cheshire and four staff members resigned April 14, charging that Editor-in-Chief Arnaud de Borchgrave had allowed a Moonie executive to dictate editorial policy. Cheshire said that it "is no longer possible, in my judgment, for the *Times* to maintain independence from the Unification Church under the editorship of Mr. de Borchgrave, if it is indeed at all."

● **THE CIA** fired off an angry memo to Defense Secretary Weinberger after outgoing assistant secretary Richard Perle compromised the security of U.S. eavesdropping in Moscow in March 26 testimony before a joint session of the Foreign Relations and Judiciary committees. Perle described "an extremely sensitive communications intercept" between Leonid Brezhnev and his defense minister, Andrei Grechko.

● **FATHER FRANK HAIG**, the brother of candidate Alexander Haig, complained to a caller that violent factions fights in "the Northern Virginia think tanks, with big-money backing," have had one result: "There will be no front-runner" in the 1988 campaign.

A new strategic deterrent?

The Soviet government has evidently perceived something the United States government has not. That "something" is the awesome magnitude of the threat posed by AIDS.

Notable are, severally, *Izvestia's* publication of statements by Viktor Zhdanov favorable to international cooperation on AIDS, followed by Mikhail Gorbachov's call for such international cooperation during his recent visit to Prague, followed by the Western news media's black-out of those statements.

Such expressions of seriousness on the AIDS issue by the Soviets would indicate that concerted public health measures are being undertaken in the East bloc—and we don't mean distribution of condoms and dirty pictures to schoolchildren. News reports buried on the West's back pages confirm that estimate: block-by-block screening and testing of populations in Poland, mass testing of the Red Army, etc.

At first glance, Soviet bloc public-health action on AIDS, and the lack of effective such action in the Western nations, gives a decisive strategic advantage to the Russian empire in the near-term. The doubling-rate of the infection assures not only that AIDS will be the decisive issue of the 1988 U.S. elections, but that, as policies now stand, the Russians will respond by extending their public health measures, while the Western nations' measures remain as they are, nonexistent. The Russian empire can stand by and watch the social and political fabric of Western society be torn apart, in a manner anyone will appreciate who is familiar with the social side of the unfolding 14th-century Black Death.

At second glance, the incurred strategic advantage, while real, is, for the Russians, only near-term. AIDS is a *species-threatening* disease—Russian propaganda about the "decadent West" to one side. AIDS is a bigger threat to the human race than nuclear war. AIDS is out to kill that which is human. Russians, contrary to their behavioral habits, are human.

The Russians' medical professionals sit atop the

relevant departments of the World Health Organization, for example. They are in a position to know this, and clearly, they are beginning to recognize this. Else they would not be proposing international cooperation.

Also: They would not be proposing international cooperation if they did not have a certain strong sense of dependency upon the useful, even essential, medical-biological instruments which the Western nations have a distinct advantage in producing and supplying.

That factor, properly deployed, could serve as a new strategic deterrent to war approximately as effective as a nuclear arsenal.

Therefore, *EIR's* editors propose:

1) The President should immediately announce his view that Gorbachov's recent statement is a "very constructive signal," and his readiness to discuss international cooperation with Moscow, now that Gorbachov has opened the door to this.

2) The President and other government spokesmen should publicly welcome every significant East bloc statement and public health measure against AIDS.

3) The U.S. government should quickly explore with the government of France, or Italy, the feasibility of their hosting a meeting, sponsored by governments, of Eastern and Western public and private medical, biological, and health professionals to define an agenda for East-West negotiation of forms of international cooperation on AIDS and related pathologies—limiting the agenda to definitions of such cooperation.

One included result of such action will be, as indicated, a shift in the political-strategic situation in most useful ways. It will reinforce Soviet perception of the awesome threat posed by AIDS, the Soviet sense of dependency on the West, and the deterrent value of that. It will accelerate a shift in public consciousness of the AIDS crisis, and associated "reverse cultural paradigm shifts." And, it will provide this President with a propitious opportunity to establish a memorably honorable name for his administration.

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