

EIR

Executive Intelligence Review

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Do Soviets plan a short-term military strike?
Free-trade gang assaults Argentine industry
Air-breathing propulsion for space flight

**One year after the crash:
This is not a recovery**



What Michael Dukakis's personal physician did not report . . .



Dukakis's mental health: an objective assessment

EIR's 16-page supplement begins with Lyndon LaRouche's article, "I never claimed Dukakis had been cured." It includes: a profile of the historical parallel between Dukakis and Mussolini; the leaflet that started the controversy, and the full documentation to substantiate it; the case of Stelian Dukakis; and the story of Dukakis's official witch, Laurie Cabot.

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Pablo Escobar, the kingpin of the "Medellín Cartel," world's biggest cocaine trafficking ring, sent Dukakis a letter last spring praising his "very realistic" stand on drug control, according to the Colombian weekly *Semana*.

Daniel Ortega, the Sandinista President of Nicaragua, thinks "the victory of the Democratic candidate for the White House, Michael Dukakis, would improve the situation in Central America," according to the Italian Communist Party newspaper, Aug. 16, 1988.

Dukakis is "a very efficient governor, very active, with a healthy economic management, and big popularity in the state of Massachusetts," says **Radomir Georgevich Bogdanov**, vice-director of the U.S.A.-Canada Institute in Moscow, in an interview with Italy's *La Repubblica* newspaper on Aug. 15, which predicts that Dukakis will beat Bush in November.

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From the Editor

The next American President will be elected in a vote that is less than a month away, on Nov. 8, 1988. This edition of *EIR* is devoted to presenting the facts on the crises the President will have to face:

● **The financial breakdown.** One year ago this week, in what the pundits liked to term a “correction,” the world’s stock markets tumbled in the biggest crash since 1929. Everything that has been done since that time is designed to make the next crash worse, and to ensure that the financial collapse brings with it an irreversible—but unnecessary—economic collapse. See the *Feature*, p. 22.

● **Superpower relations.** Even the Gorbachov “fan club” in the Western media became a bit nervous after the big shakeup of the first week in October. On page 34, Lyndon LaRouche’s analytical writing of Oct. 6 presents the reasons why the Soviets may be driven into seeking a short-term military adventure, and why the most likely site for that incursion is the Balkans.

● **Soviet-backed irregular warfare.** *EIR*’s campaign to expose, and trip up, the designs of Soviet-sponsored “people’s war” in the Pacific region is represented this week by an exclusive interview with the Education Minister of Malaysia (p. 44) and a dossier on the Pacific-wide support apparatus for the Philippines “Revolution” (p. 46). Special attention should also be paid to the threat to Colombia (p. 57) to Pakistan (pp. 42).

● **The “free trade” rampage.** Several articles in the *Economics* section this week document the conspiracy to wreck agriculture and industry in Argentina, Mexico, and the United States, in order to deliberately create shortages—and total freedom for the world food cartel, in the build-up toward the next big round of GATT negotiations in Paris.

● **Vote fraud and drug legalization.** The Dukakis crowd has both on their agenda. See the first two articles in *National* for details, and then read about what Lyndon LaRouche and his political movement are doing to put reality before the electorate, pp. 66-67.

Nora Hamerman

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The thrift insanity sets up taxpayers

by Chris White

The insane soap opera, played out within the government's regulatory agencies, around the theme of the bankruptcy of the thrift system, moved a step closer towards its seemingly inevitable denouement on Thursday, Oct. 6. On that day, the bumbling bureaucrat cast as the head of the Federal Home Loan Bank Board, Danny Wall, upped his estimate of how much the bankruptcy closure of the insolvent part of the system would cost, to \$50 billion, while asserting that the federal government will have to get in on the act.

Bob Dole of Kansas, leader of the Republicans in the Senate, announced that he "cannot rule out" the possibility of a multibillion-dollar taxpayer bailout of the system. And, to cap it all, the House of Representatives voted by an overwhelming 395-21 to establish a bipartisan national commission, to take up the problem of the thrifts, and produce a report by Feb. 1 next year.

It has been obvious for some time that Danny Wall, a former congressional aide, is way out of his depth as chairman of the Federal Home Loan Board. Like a carbon copy of the now infamous Joe Isuzu of U.S. television commercials, his earlier assertions that the thrift system is so sound, he would advise his mother to put her money there, have only proven that salesmen and their pitches may have a place somewhere in the system, but it's not at the head of the Federal Home Loan Bank Board.

Wall has upped his estimate of what the liquidation of the nation's insolvent thrifts is ultimately going to cost three times in the last two months. From about \$13 billion first, to about \$20 billion next, and then Oct. 6 to \$50 billion. But don't worry too much, you have his word on it.

Plain fact is that Wall is now only within striking distance of the lower range of estimates of what the cost will actually be. Citibank's John Reed, and Bert Ely, the Cassandra of the

S&L system, start their count at \$70 billion. Others, looking at the shape of the system as a whole, take the range of between \$125 billion to \$250 billion, and say that anyone who is below those parameters is out of the proverbial ballpark.

500 insolvent thrifts—officially

There are about 3,000 thrift institutions in the country. At the beginning of the fiscal year, about 500 satisfied the FHLBB's requirements as insolvent. Over the last months, and increasingly over the last weeks, more than 120 of those have been "reorganized." Yet, the number of insolvent thrifts is still over 500, officially.

The means by which the reorganizations have been accomplished, packaging unsecured liabilities and near worthless assets of weaker members of the system to dilute the assets of stronger members of the system, help ensure that the crisis simply spins out of control.

It will get much worse simply because of what the thrifts are forced to do to maintain the appearance that they are still afloat. In principle, the thrifts, despite the public drama, are actually the soundest part of the banking system. Their weakness is a reflection of the destruction of the commercial banking system under the policies associated with the Carter administration and its designee as chairman of the Federal Reserve system, Paul Volcker.

Thrifts ought to be sounder than the rest of the system, because in principle, they were the repository for a sizable chunk of the savings of households and individuals, and because they lent for housing construction and mortgages. Thus unlike the rest of the banking system, thrifts ought to have a relatively stable and extended time horizon on their lending operations, over the life of what used to be a typical

15-year mortgage, collateralized against deposits of wages and salaries.

Volcker and Carter made that impossible to continue by jacking up interest rates, to the point that the thrifts were losing money on their loans, while the volume of savings was diminished. Instead of correcting that, thrifts were permitted to borrow from money markets to then re-lend, while trying to make money on the difference between the cost of borrowing and the income from loans outstanding.

If their borrowings from the money markets were packaged in the form of certificates of deposit of \$100,000 or less, those borrowings were insured by the Federal Savings and Loan Insurance Corporation. So now the FSLIC isn't only standing behind savings of individuals and households, it's also backing a chunk of the liabilities of the speculative coupon-clippers from the money-market houses.

Chain reaction potential

Such swindling creates the potential for either the collapse of the thrifts to set off a chain reaction of liquidation back into the banking and investment community from which thrift system funds are borrowed—a chain reaction which recent increases in interest rates make more likely, or for the liquidation of the securitized paper on which the banking system has come to depend to spill over into a chain reaction which will bring down the thrifts.

A competent solution would resituate the thrifts, within an overall reorganization of the bankrupt credit system, such that their present status as adjuncts of the degenerate speculative usury system would be ended, and the system could once again become the backbone of regional and local economic activity, using savings of households and individuals as the means by which wealth-creating capital improvements in communities' residential and infrastructural stocks are secured.

Against this type of approach the talk about "the insolvency of the thrifts," "the cost to the taxpayer" of bailing out the system, ought to be seen for what it is, namely either outright ignorance, or the sleaziest kind of sanctimonious hypocrisy. For starters, it's not the thrift system which would be bailed out, it's the speculators who have lent to the wreckage that Jimmy Carter and Paul Volcker made of the thrift system. Secondly, providing a federal bailout to such "respectable" loan sharks won't help the thrifts, nor will it correct any way the underlying bankruptcy of the credit system as a whole. It will simply make things worse, throwing taxpayers' funds into the bottomless pit that the so-called "money-managers" have dug for themselves with their own incompetence.

And thirdly, it is to be presumed, since people like Citibank's John Reed make it clear, that the sound parts of the thrift system, such as savings of individuals and households, and secured loans, like mortgages, would also be transferred to the money-market agencies which are intended to be the

recipients of the bailout, the better to collateralize these risks.

So far Wall has provided \$20 billion toward this effort. The House Banking Committee has given Wall authority to issue another \$5 billion in bonds, which some think actually means that Wall can issue another \$12 billion as he sees fit. And so it goes on.

Another bipartisan swindle

But more ridiculous still is the now enacted proposal to establish a bipartisan National Commission on the S&Ls. The house voted for the establishment of such a commission to "study and recommend solutions" to the insolvency crisis of savings institutions. The measure now goes before a House-Senate conference committee, because the Senate has already voted up its own version of the scheme. Both bills call for reports on the thrifts to be prepared by next Feb. 1.

The Senate, though, has enacted a broader mandate, calling for a study which encompasses the Federal Deposit Insurance Corporation too, and the structure of the deposit insurance system, all by April 1 next year. The commission, in both versions would have 14 members, chosen by both Houses, President Ronald Reagan, and the incoming President.

Here we go again. We already have a bipartisan National on Economic Commission, headed by Bob Strauss and Drew Lewis. This is mandated to come up with "solutions" to the budget deficit, which, and it is no secret, will involve massive cuts in federal spending and a package of tax increases.

Now we also seem to have a parallel and complementary commission on increasing the budget deficit. The amount discussed for cuts and tax increases under the first such commission starts at upwards of \$50 billion per year. The amount that taxpayers will have to cough up, in increased federal commitments, under the second, starts at \$50 billion per year, and rises from there.

Will we next have a third commission to reconcile the differences between the two? It is difficult to conceive how much more insane things can become, when it comes to these so-called "crises."

Of course the reason these are crises at all, is purely and simply because those who dispose of the power to implement solutions refuse to tolerate any solutions which would undermine their own financial power. Therefore, they refuse to tolerate any solution, since the only solution, top down reorganization of banking and credit by executive action would wipe out their power. Thus we have "bipartisan" commissions to study problems which it is already foreordained cannot be solved, because the powers that be will not permit it.

And meanwhile the thrift system is bankrupt, the banking system is bankrupt, Congress is out of commission, and the day of reckoning is coming. The way the powers that be are going, the ultimate cost will not be measured in dollars and cents, but in the very existence of the United States.

USDA maps out 'farm subsidy' cuts

by Robert Baker

In recent months, a team at the U.S. Department of Agriculture Economic Research Service has been doing extensive calculations on what they call "Producer and Consumer Subsidy Equivalents" for food worldwide. This is no ordinary function of USDA data gatherers. The concocting of these food and farm subsidy values (called PSEs and PCEs) is part of a "free trade" campaign by international food trade interests to target and eliminate certain national government subsidies to farmers or consumers, that have been traditionally employed to ensure national food security. The preparation of these PSEs has been commissioned by food cartel interests who are putting "data" in circulation for their intended free trade onslaught at the mid-December Paris meeting of GATT (General Agreement on Tariffs and Trade) on agriculture, called the "Uruguay Round."

The USDA figures for PSEs quantify the effect of federal policies on the revenue or income of farm producers, and indicate the various forms of government investment in agriculture. Statistics have been compiled for every nation in the world, and a summary report was published in April 1988: "Estimates of Producer and Consumer Subsidy Equivalents," USDA, ERS Staff Report No. AGES880127, 1988. Besides its data banks on PSEs, the USDA has been publishing a battery of reports on other topics to support the food cartel campaign for free trade. For example, in August 1985, the USDA published a report, "Dynamics of Comparative Advantage and the Resistance to Free Trade," heralding the advantages of free trade.

National security role of subsidies

Subsidies in various forms have been used as tools to help accomplish agricultural policy objectives for many years. They take the form of direct cash payments (disaster, deficiency, grain storage payments) and indirect non-cash (processing, research, tariffs, advisory, pest and disease control). Though farm subsidies are complicated to administer and are less adequate than American System parity prices, they have helped to keep food-producing farmers on the land. The subsidies have kept farmers in business by supplementing income during periods of low commodity prices.

In homage to the push by the international "free trade" crowd, all farm subsidies are being evaluated. Budget pressures associated with farm programs and the effects of what "free traders" call "price-depressing commodity surpluses" have encouraged the United States and a number of other GATT members to come to the negotiating table to discuss

the elimination of all agricultural subsidies. Driving this momentum is the ongoing work at the Organization for Economic Cooperation and Development (OECD) on measuring all forms of government intervention in agriculture, by use of the PSE indicator. By allotting each commodity the amount of its direct subsidy and a prorated portion of its indirect subsidy, a PSE value for each commodity is obtained. In comparing the PSE values for each country, GATT officials will have at hand the "aura" of an international standard with which to "document" relative amounts of subsidies for individual commodities in each of the various GATT member nations. Before the development of this PSE concept, it was next to impossible for GATT to contrive a pretense to compare the commodity subsidies of various countries, with the imputation that the government in question was doing something wrong by attempting to preserve its farm sector or feed its people.

World leaders and trade negotiators are now stampeding toward a completed international "free trade" policy once and for all. The development of PSE measuring units has provided them a breakthrough in developing a mechanism that will be used to rationalize the process of phasing out all agricultural subsidies throughout the world. Proposals for agricultural policy "reform," coming from such agencies as the Trilateral Commission, indicate that the PSE is regarded as having a pivotal role as a negotiating or monitoring device.

How will this PSE device be used? The accompanying table shows a listing of various direct and indirect farm subsidies that were formulated for the United States. This table provides a summary total of all subsidies for various crops. Notice, for example, the relatively high PSE values for U.S. dairy and sugar production. This PSE information is available for other countries in the same specificity as for the United States. The GATT negotiators will use these PSE tables to order subsidy reductions between countries, in a charade designed to make GATT member countries appear they are being treated "fairly."

Why is this PSE device significant? The multinational groups (with big bucks and power) want an international "free trade" world. By utilizing their networks, these multinational companies can scoop up food commodities wherever they are the cheapest, only if "protectionist" trade barriers are eliminated. Thus magic-of-the-marketplace "free trade" will make the labor of every producer in the world compete with the poorest farmer. The PSE is the development that is propelling the world toward an international agreement of "free trade." Income around the world will be reduced as farmers receive less and less for their commodities—a correlation well understood by the early American patriots.

Back to colonialism

The idea that food and commodities trade should be "free" from protective mechanisms such as tariffs and internal production subsidies, is scented with the elixir of "Old Mother England's" colonialism, only with a more contemporary fra-

TABLE 1

USDA's calculations of 'Producer Subsidy Equivalents' (PSE) for the United States

Item	1982-86 average	Item	1982-86 average
POLICY TRANSFERS BY POLICY		POLICY TRANSFERS BY COMMODITY:	
(millions of dollars per year)		(millions of dollars per year)	
Direct payments/levies:	\$ 7,831.9	Wheat	3,815.8
Disaster	3.4	Corn	5,957.6
Deficiency	4,307.8	Rice	690.7
Diversion	595.8	Sorghum	786.0
Storage	561.7	Barley	393.1
PIK entitlements	1,945.3	Oats	55.4
Dairy diversion payments	193.3	Soybeans	964.6
Dairy assessments	-399.0	Dairy	9,796.8
Marketing loans	129.2	Sugar	1,204.1
Loan forfeit benefits	494.3	Beef and veal	1,903.9
Market price support:	\$ 11,134.9	Pork	566.6
Price enhancing policies	417.8	Poultry	608.2
Fluid milk premium	275.9	PSE BY COMMODITY:	
Price support/quotas	9,885.1	(percent per year)	
Tariffs	477.0	Wheat	36.5%
Beef purchases	79.1	Corn	27.1%
Input subsidies:	\$ 3,064.9	Rice	45.2%
Commodity loans	1,333.9	Sorghum	31.4%
Farm storage facility	1.7	Barley	28.8%
Farmers home administration	1,427.4	Oats	7.6%
Crop insurance	220.9	Soybeans	8.5%
Fuel excise tax	19.7	Dairy	53.9%
Emergency feed	4.0	Sugar	77.4%
Grazing fees	57.2	Beef and veal	8.7%
Marketing:	\$ 670.7	Pork	5.8%
Processing and marketing	75.6	Poultry	8.3%
Transport	273.2	TOTAL POLICY TRANSFERS	\$ 26,742.5 million
Inspection	321.9	VALUE TO PRODUCERS	\$108,510.0 million
Long-term:	\$ 1,452.6	12-COMMODITY PSE	24.6%
Research	583.5		
Advisory	233.3		
Pest and disease control	199.3		
Land improvements	436.4		
Other:	\$ 2,587.4		
Taxation	1,021.7		
State programs	1,565.7		

grance. The United States came into being, in part, out of a struggle for the inalienable rights of a people to develop without the economic subversion known as "free trade." American System "protectionist" trade policy was implemented by the first Congress under the federal Constitution, spurring the industrial development of the nation. President Abraham Lincoln reestablished protectionism during his presidency of 1861-64. In the present century, Gen. Douglas MacArthur encouraged the protectionist policy when he guided the postwar rebuilding of Japan, renewing an ap-

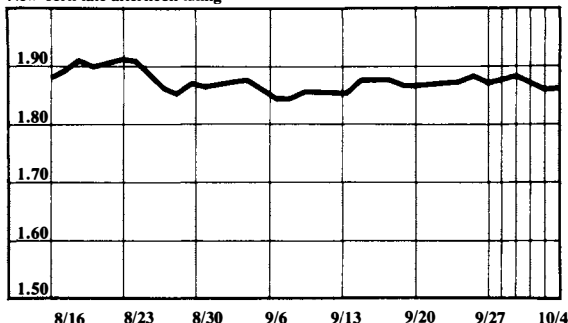
proach Japan's leaders had previously adopted in the late 19th century.

Now, the "free traders" are trying to destroy what they always hated, "protectionist" trade policy. Under the guise of more market orientation, powerful financial and grain cartel interests are trying to force through drastic price reductions for agricultural products of the industrial sector. These cartel interests also are trying to establish the GATT bureaucracy as a supranational institution to dictate agriculture policy worldwide.

Currency Rates

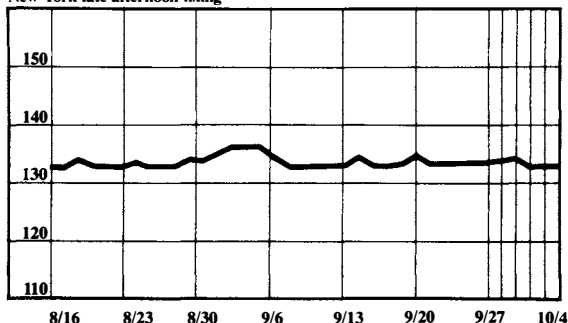
The dollar in deutschemarks

New York late afternoon fixing



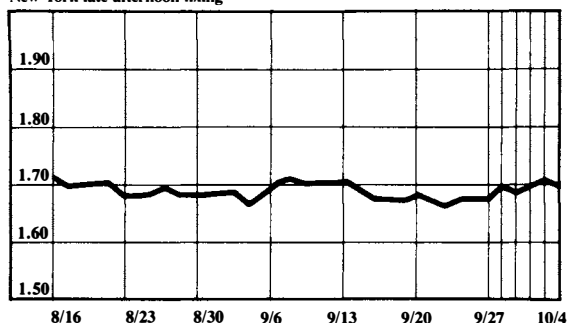
The dollar in yen

New York late afternoon fixing



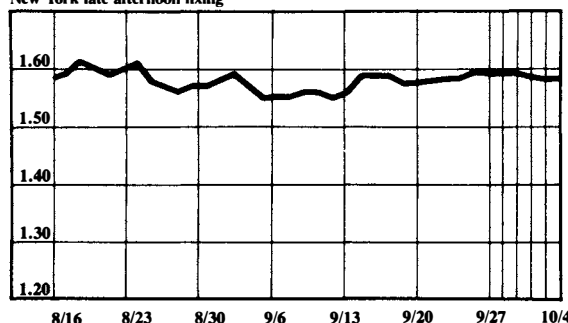
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Debt bomb ticks for Mexico's Salinas

by Carlos Cota Meza

A conjuncture of economic and financial crises in Mexico promises to hand President-elect Carlos Salinas de Gortari a debt bomb with a very short fuse when he takes office Dec. 1. The press is full of dark economic predictions and analyses, and all and sundry are demanding that the President-elect, still reeling from the voters' stunning challenge to his sure-win candidacy on July 6, define himself on these crucial issues.

Mexican Foreign Trade Undersecretary Luis Bravo Aguilera acknowledged in his recent speech to the National Foreign Trade Council that "during the current six-year period, Mexico has sent \$76 billion abroad in foreign debt service payments, representing three-fourths of the total foreign debt." He also asserted that during the same period, the country "has lost \$43 billion because of price reductions on the raw materials" it exports. This last figure, he said, is equivalent to Mexico's total government income in 1987, or to 92% of total agricultural production of that same year.

Wharton Econometrics (the economic forecast service hired by the Foreign Trade Ministry) reports that Mexico's foreign debt rose from \$87.5 billion in 1983 to \$104.7 billion today, despite the vast sums paid in service costs.

Countdown

The experts at the newspaper *El Financiero* have worked out a still more precise projection on how the debt bomb is going to explode in Mexico. They reveal that Mexico this year will suffer a \$6.1 billion foreign exchange deficit. The foreign trade surplus—which has been the pride of the outgoing De la Madrid government—will be down by \$3.5 billion. At the same time, an additional \$600 million have had to be paid in interest costs on new international credits. Further, with the freeze of the exchange rate as of December 1987, Mexico has had to make prepayments on the private foreign debt of nearly \$2 billion.

According to official figures for the first half of 1988, the positive trade balance was \$2.391 billion, down \$2.368 billion from the same period in 1987. This drop—according to

the experts—is due to the fact that total exports increased 5.2%, while imports rose 53.3%. Officially, this year was projected to achieve an \$8.3 billion surplus, the result of exports of \$22.3 billion versus \$14 billion worth of imports. The export figure was never reached; the import figure has already been exceeded.

The international price for oil is already nearing \$9 per barrel, and the Saudis warn that it could reach \$5 per barrel by December. The De la Madrid government will exit from office this year having made debt service payments of \$16.7 billion, and it is expected that interest rates will rise even further as soon as the U.S. presidential elections are over.

These factors, according to *El Financiero's* experts, are the ones which have contributed to the sharp deterioration of Mexico's balance of payments, which as of July 1988 showed a positive account of \$170.5 million, compared to the \$2.8 billion balance of the same period in 1987.

Trade deficit looms again

Month by month, the exports are falling and imports rising. Experts estimate that by November or December, Mexico will again enter into a trade deficit. The point at which the curves intersect will mark the moment of detonation.

Officially, the import figure for this year is \$18 billion (\$4 billion more than what was originally projected), although in reality the figure is larger. Growth of imports in the first half of this year is due in part to the process of economic "liberalization" and Mexico's entry into GATT (General Agreement on Tariffs and Trade), which triggered a 164% hike in consumer goods imports. In this second half of 1988, import increases are due to the desperate import of food to make up for the total collapse of the agricultural sector.

Although the De la Madrid government has had the "good fortune" to be able to blame natural disasters (drought at the beginning of the summer, and torrential rains, cyclones, and hailstorms in early fall), Mexico's farm producers know full well that the worst disaster has been Miguel de la Madrid's economic policy, crafted by President-elect Carlos Salinas de Gortari. During the four months (June through September) of climatic disasters, Mexican agriculture lost 2.5 million hectares of cropland. This has, in turn, led to severe food shortages, forcing panicked authorities to turn to the international markets to replace what was lost out of the 17 million tons of food that was the intended harvest.

No official institutions want to release the real figures, but it is known that emergency purchases have been made of thousands of tons of powdered milk, corn, wheat, rice, beans, beef, pork, eggs, and other foods. Domestic producers are crying for a halt to the bloodletting represented by this panicked policy of free imports and lack of accessible credits and parity price guarantees.

Nor does anyone want to report on how much these emergency imports cost. What is known is that milk has risen

100% in price in the past six months, and price indicators on the Chicago grain markets for the month of July showed an increase of 35%, primarily a response to speculation with the world drought.

Mexicans are fully aware that the Miguel de la Madrid government was a debacle, and that its farewell is being couched in numerological esoterics alleging that "inflation has been reduced." One is obliged to ask what to expect of an incoming President Salinas. The Mexicans answered in the July 6 vote, when the PRI candidate was sent the message: A moratorium on the foreign debt has never been, nor is it today, either "suicidal" or "insane." His mandate from the banks notwithstanding, President-elect Salinas will face the inevitable rather early in his term: Either he confronts the international usurers, or he resigns.

A secret program?

Recently, a Reuter news wire reported that Rep. Jim Wright, the Democratic Speaker of the U.S. House of Representatives, had held meetings with envoys of Carlos Salinas de Gortari to discuss a "novel proposal" for the two new governments of both countries: The United States would increase its purchases of Mexican oil for its strategic reserves, but instead of making payments to Pemex, it would pay an unnamed private company, which would use this oil income to buy up the Mexican foreign debt at market prices.

Neither Wright, nor the President-elect of Mexico, has either confirmed or denied the report. What is known is that the Overseas Development Council of Washington has prepared a bill whereby Mexico would join a North American Common Market with the United States and Canada, in the areas of mining, agriculture, pharmaceuticals, and auto (the sectors already most advanced in their integration with the U.S. economy). The leftist adviser of Salinas de Gortari, Héctor Aguilar Camín, has already proposed the North American Common Market as the ruling program of the new Mexican administration.

The other aspect of Mexico's integration with the two northern economies would be "bank liberalization," the equivalent of installing a completely unregulated international banking center on Mexican territory.

The initial proposal for "banking modernization" comes from Salinas de Gortari himself. The current president of the Association of Nationalized Banks, banker Juan José de Oloqui, heads a working team to fine-tune the details of an eventual legislative bill to standardize commercial operations of foreign banks with Mexico's nationalized banks, which would reduce to five giant financial entities the number of Mexican banks which maintain operations abroad: Banamex, Bancomer, Serfin, Somex, and Banco del Atlántico.

The striking silence that currently exists within the Salinas team is a wait-and-see on how the U.S. electoral process defines itself, before any "spectacular announcements" are made.

Free-trade financiers unleash assault on Argentine industry

by Cynthia Rush

When the current President of Argentina, Raúl Alfonsín, took office in December 1983, Argentina's citizens breathed a sigh of relief. A democratically elected government, they hoped, would stand up to the hated *patria financiera*—the British and Swiss-linked financial oligarchy which had run amok during the 1976-83 military dictatorship. Never again would someone like José Alfredo Martínez de Hoz, the junta's finance minister from 1976-81, be empowered to raze national industry at the behest of the Trilateral Commission and the international banks, or transform Argentina into a haven for international speculative capital as he did during his term in office.

Over the past five years, Alfonsín has betrayed Argentina's aspirations for sovereign national development, and groveled before the dictates of the International Monetary Fund (IMF). Now, as he nears the end of his term, Alfonsín and the technocrats in his economic team have decided to go in for the kill. They have openly embraced—in some cases even invoking Martínez de Hoz's name—the former minister's free trade lunacy, which they promised in 1983 would never again be used to assault national industry and living standards.

On Sept. 21, Alfonsín's Finance Ministry eliminated 2,600 protective tariffs on goods which could previously be imported only if approved by specific manufacturing sectors affected by those imports. The elimination of Anexo II, as the tariff package is known, placing it in a category of "automatic import," leaves intact tariff protection for 1,000 goods, but will immediately allow a flood of cheap imports to compete with national industrial production, at a time when manufacturing and other productive activities are hit by the worst crisis in 15 years.

For the third quarter of this year, manufacturing production is expected to drop by at least 4%; investment in goods and equipment dropped by 30% for the first half of 1988, and is expected to drop another 25% for the second half. The World Bank's 1988 *World Development Report* puts Argentina in sixth place, behind Nicaragua, Bolivia, Liberia, and El Salvador, in the group of nations that showed the poorest overall growth rate between 1980-86. Argentina demonstrated a -0.8% growth in GNP during that period. Between

1980 and 1985, gross domestic investment dropped by 13.8%, according to the same report.

Finance Minister Juan Sourrouille hardly bats an eyelash over these facts. He is not bothered by the reality that, due to lack of investment in energy infrastructure or nuclear energy over the past five years, the cost of electricity in Argentina has become significantly higher than in countries like Brazil. In a "free trade" situation, Argentina is the loser. Since 1982, the cost of electricity has risen by 40%.

The exorbitant cost of credit, and the collapse of investment under Alfonsín's regime, have also hiked the cost of farming. A kilo of Argentine sugar now costs \$.80, compared to \$.25 for Brazilian sugar. Sourrouille eliminated the protective tariffs for sugar included in Anexo II, which will mean the end of sugar production in Argentina if the measures stand. Steel, petrochemical, metallurgy, textiles, food processing, and paper industries are a few of those that will be adversely affected by the open economy policy.

An elaborate hoax

All of this is irrelevant to Juan Sourrouille's whiz kids at the Finance Ministry. They have agreed to destroy what remains of industry, and implement a series of other "structural reforms" in exchange for a \$1.25 billion World Bank loan package, announced from Berlin on Sept. 26. World Bank president Barber Conable explained that the Bank would grant the \$1.25 billion loan in four parts, providing of course that Argentina takes those steps required to "open up" its economy, liberalize trade, revamp its financial and banking sector, and increase government revenues.

The suppression of tariffs was Sourrouille's promissory note to the international financial community that Argentina would do as it is told. Even Martínez de Hoz felt vindicated. At a recent gathering of friends, he reportedly commented that "at last, they [the economics team] are doing the same thing that I did . . . although with less conviction." Some observers estimate that Alfonsín's free trade binge could be "even more violent" than anything Martínez de Hoz did.

The Sept. 26 announcement of the World Bank loan was accompanied by a great deal of hoopla in Buenos Aires, as government officials boasted that the international financial

community really did support Alfonsín's government. For months, Sourrouille's team has been locked in negotiations with the IMF, in hopes of obtaining a \$1.2 billion standby loan; but the Fund has refused to budge because of Argentina's non-compliance with previously established economic targets, and because recent economic reforms were considered "insufficiently tough."

The international financial press portrayed the World Bank's loan decision as the result of a factional battle between the Reagan administration and IMF director Michel Camdessus, in which Camdessus's recalcitrance in granting a standby loan to Argentina was seen as an effort to enhance the role of the IMF, over an allegedly less hardnosed "U.S.-dominated debt strategy." Some papers reported that the U.S. Treasury had put enormous pressure on Conable to come through with the Argentine loan. Hardly anyone believed Raúl Alfonsín's boast that the World Bank's loan would allow Argentina to "modify its development model" and "leave to one side the anachronistic recipes of the International Monetary Fund."

The Sept. 30 edition of the Buenos Aires daily *Clarín* included comments from a high-level IMF official who debunked this assertion, reporting that the World Bank loan in no way meant a change in the international financial community's strategy toward Argentina. In fact, he revealed, representatives of the IMF, World Bank, and U.S. Treasury met in Washington last May, and decided that the World Bank would be the agency to show support for the Alfonsín government. It was simply a "tactical decision," he said.

Basking in the publicity of World Bank "support," Alfonsín asserted that Argentina would *never* consider a moratoria on its \$56 billion foreign debt, a matter which is more worrisome to international banks. "We won't commit the tremendous error of speaking of moratorium," he said. In a pointed reference to Peru and Brazil, nations which did declare debt moratorium but failed to obtain the support of the continent's other debtors, like Argentina, Alfonsín continued, "Ask those who in Latin America declared moratoria how things are going for them now. [Moratorium] would have been disaster for Argentina."

Free trade vs. protection

World Bank funds are not expected to enter Argentina before early 1989. The country remains \$1 billion in arrears on interest payments, and the \$500 million bridge loan promised by the United States last July has never materialized. The Sept. 25 *Financial Times* reported that bankers may even start pulling short-term credit from the country, if interest arrears are not paid soon. Nonetheless, the mere announcement of the World Bank loan has emboldened members of the government's economics team to rush into a headlong confrontation with the leaders of national industry who oppose them.

In an interview published in the Sept. 25 *Clarín*, Industry

Undersecretary Juan Ciminari raved that "we have protected industry for 200 years, but the system didn't work." Lashing out at national industry for its "inefficient" production and costly products, Ciminari asserted that Martínez de Hoz had been right: if companies don't start producing to compete with foreign goods, with exports rather than the domestic market in mind, they would simply go bankrupt. "Rather than industrialists, what we have here are courtesans," he lamented.

Economic Coordination undersecretary Adolfo Canitrot was somewhat more graphic. He likened Argentine industrialists to overprotective parents who won't let their 15-year-old daughter leave the house for fear "that she'll be hit by a car, be raped or drugged. If she doesn't go out, surely nothing will happen to her, but she'll be a *niña bobá*"—a silly little girl, he explained.

Leaders of national industry have charged that the government's elimination of Anexo II was rammed through without adequately consulting them, and is being used as a means of dissuading them, and organized labor, from their legitimate demands for a real economic recovery and decent wages. After telling Adolfo Canitrot that "industry is not a silly little girl, nor will it allow itself to be raped by the tariff reform," Argentine Industrial Union (UIA) president Eduardo de la Fuente suggested that the elimination of Anexo II may be unconstitutional, and that the UIA will launch a legal offensive to annul the Finance Ministry's actions.

Leaders of the Peronist-run General Confederation of Labor (CGT) put their union on alert status, charging that the opening of the economy "assaults production and labor, worsening recession, unemployment, hunger, and misery of millions of Argentines."

The debate sparked by the government's free-trade rampage places at center stage the issues which must be thrashed out in the presidential campaign, in which Radical Civic Union candidate Eduardo Angeloz will square off against Peronist Carlos Menem. The campaign will officially get off the ground in the second week of October, and internal politics should heat up considerably. Angeloz expresses the view of the U.S.-based "secret government" which operates under the rubric of Project Democracy. If Argentina deregulates its economy, and the people engage in "hard work," Angeloz asserts, the "forces of the free market" will resolve the nation's crisis.

Opposition to the free traders exists throughout Argentina and especially among the Peronist-run labor movement. The question is whether nationalist forces grouped around Carlos Menem, who are demanding a "revolution of production," protection for national industry, and a five-year period of non-payment of the foreign debt, can organize this opposition into an effective force, by providing a coherent programmatic alternative to feudalism. The possibility that the Peronists will succeed, and even link up with other patriotic forces in Ibero-America, has the free-trade banksters very skittish.

If you're anti-food, vote Bush or Dukakis

by Marcia Merry

As the presidential election draws near, commentators observe that Dukakis doesn't seem to be able to take advantage of the disaffection with the Reagan-Bush "Recovery" that exists in the beleaguered farm sector. Partly, this reflects an attitude among farm voters of, "A plague on both your houses."

Partly also, Dukakis has conducted himself in the farm states like "Bo-Peep in Wonderland." Over a year ago, before he got heavy counseling, Dukakis made the gaffe of telling financially troubled farmers in Iowa (the world's leading corn and meat state) that they should switch from producing staples, and produce "alternative crops," like Belgian endive. He told wheatgrowers in the Dakotas to consider carnations—a pleasant, high-value, low-volume "alternative" commodity.

Since then, Dukakis has been re-wired to appear less yuppie, despite being a "lawyer from back East." But still, Dukakis associates himself not with actual farmers, whatever their political views, but with such notorious pseudo-hayseeds as Agriculture Commissioners Jim Hightower of Texas, and Jim Nichols of Minnesota. Even some of the Old Guard of the conservative Democrats in the Midwest came out publicly, according to an Oct. 5 Reuters news wire, criticizing Dukakis for allying with such radicals. Hightower is a fanatical advocate of how farmers can "adjust" to economic decline by direct-marketing their crops on roadside stands or to restaurants and supermarkets, and other such schemes.

The Bush campaign strikes a more traditional pose, using former Iowa Congressman Cooper Evans and others as the "idea" men. Bush himself made the infamous reply to a farm policy question, on a farm state junket, "I'm running for President, not for Secretary of Agriculture."

How they agree

On a deeper level, there are two main areas of agreement between the Bush and Dukakis farm programs, both of which are deadly for the world food supply. First, their perspective is that there is a problem of "overproduction." Second, both think international agriculture trade is "unfair," and the agencies such as GATT (the U.N. General Agreement on Tariffs and Trade) should be empowered to "even out the playing field." According to the Bush rhetoric, when farm subsidies are ended and free trade is established, then food production will be balanced by supply and demand. The Dukakis cam-

paign line is that U.S. production should be "managed" to avoid "surpluses," and that we should get tough with foreign farm export competitors. The Dukakis people attack the Bush campaign for being extremist free traders, and the Bush people attack the Dukakis campaign for advocating mandatory production controls.

The measure of each campaign platform is the fact that the world now faces the onset of perhaps the worst food crisis in history, and what any competent farm program should address is how to rapidly increase U.S. and allied food output, and how to rapidly restore the farm sectors and agro-industrial base of Western economies.

For the second year in a row, the total annual world cereals output is millions of tons below the recent average world cereals consumption. Food reserve stocks are being drawn down to nothing. This has been aggravated by the record 1988 drought in North America, but the conditions for agricultural decline have been intensifying for the past 20 years, because of policies in Washington, Brussels, and other policy centers.

Meanwhile, the Soviet bloc has reached a phase of its militarization program, in which its food supply chain is breaking down, and the Soviet Union is demanding a guaranteed supply of grain from the West—in quantities which at present rates of farm output do not exist.

A set of emergency measures is needed in the United States to maximize the prospects for large harvests next season, and for conserving the breeding stock for beef, cattle, and hogs right now. An all-out cropland planting program should be initiated, with special provision of credit, and mobilization of industrial inputs—fertilizers, pesticides, tillage, storage and transportation equipment, and water supply development.

Instead, both the Dukakis and Bush campaigns are reiterating their support for taking land out of production, as the bipartisan 1985 "National Food Security" farm law mandated, in the unprecedented Conservation Reserve Program. There are now over 23 million acres committed to "non-food" groundcover, in this program, out of a 1990 goal of 45 million acres—over 10% of our national cropland base.

Both the Dukakis and Bush campaigns are stressing their commitment to finding non-food uses for grain—ethanol, industrial materials, de-icer compounds, etc. Neither campaign gives even passing recognition to recent cries of warning from such quarters as the U.N. Food and Agriculture Organization, or even the Vatican.

Both campaign programs reflect the self-perceived interests of the food multinationals in the world food cartel (Cargill, Continental, Bunge, Garnac/André, Louis Dreyfus, Archer Daniels Midland/Toepfer, Unilever, and others) who desire food scarcity for their political purposes, and are working with GATT to bring about this "free trade" utopia.

If you think food is bad for you, then it doesn't matter whether you vote for Bush or Dukakis.

Cutbacks in food to the poor begin

Not only is the TEFAP program being cut back, but food distributed by private charities is also in short supply.

Aides to the Senate Agriculture Committee, which recently held hearings on the hunger problem in the United States, are reporting that they expect food going to the nation's needy through the Temporary Emergency Food Administration Program (TEFAP) to be cut from almost \$1 billion worth in fiscal 1988, to less than a quarter-million in fiscal 1989.

This means that one of the food distribution systems upon which the nation's poor depend for existence will virtually cease to exist over the next few months.

Cutbacks in the program, which began in April when key foods such as cheese, rice, and honey began to be phased out, are now reaching a critical phase, with whole networks of food banks in some states closing down, and with no certainty when, or if, they will reopen.

While the worst of the cutbacks will be felt beginning in January, a survey of these federally supplied food banks around the country indicates that the program is disintegrating, leaving hundreds of thousands of poor, elderly, and unemployed with nowhere to turn to supplement inadequate incomes.

The states of the Midwest will be very hard-hit by the cutbacks. In Minnesota, the entire public food bank network will not distribute any food at all for the months of October and November. The administrator told *EIR* that the effects of Department of Agriculture declarations that surpluses are not available to continue foods distributed through TEFAP are "just beginning to be felt." "I'm not telling you

that people will starve," she said, "but many, particularly the elderly, rely on our program to supplement their food. They will be hurt."

In Indiana, the TEFAP state office reports that its program, which distributed 25 million lbs. of food in 1987, distributed only 11 million lbs. in 1988. While the administrators are hopeful that they will be able to maintain the 11 million lb. level for 1989, they explain that the program is so much in flux that it is impossible to say what will happen.

The Indiana program, which previously served 110,000 households per month, now serves only 60,000 per month. In October and November, they will distribute cornmeal, flour, and butter. Then, with supplies exhausted, they will have to suspend distribution.

In Iowa, the state TEFAP office, which this year distributed 11.3 million lbs. of food, is projecting that it will distribute only 4.8 million lbs. in fiscal 1989, a 57% cutback, and will have to go from a six times per year distribution schedule to a quarterly distribution schedule.

Program coordinators in many of these states report that food distributed by private charities is also in short supply. The coordinator for the Iowa TEFAP program reported, "The level of food available is decreasing, and the level of need is increasing." Private food donations from companies such as Pillsbury are also falling off, as are donations directly from farmers in agricultural areas. Some private charities in the Midwestern states are reporting that donations have fallen

off by at least 25%.

In the Northeast and Mid-Atlantic, food banks and private charities scattered throughout the states of the region report shortages and early closings. In Pennsylvania, private charities report the worst-ever collapse in public donations of food, with one official saying, "We're overwhelmed. I've been 12 years in emergency services and I've never run out of food as we're running out now in Darby." In Chester County, Pennsylvania, more than 100 people were turned away in one day from a food bank which normally serves more than 2,000 people per month.

Another charity reports collecting only 10% of the funds it expected, and has postponed an expansion of warehouse facilities. This charity, serving 16 central Pennsylvania counties, reports that 13% of the region's people live below the poverty level, with about 75,500 children and 41,000 elderly at risk of hunger.

In Maryland's Prince Georges County, church distribution sites are reporting shortages, particularly of non-fat dry milk. The Virginia state TEFAP office reports that while they have maintained cheese on hand through October, they do not know what will be available beyond that month. The director of the program is fearful that local distribution agencies will decide that the quantity and quality of food available for next year will not sustain a distribution program, and are hesitating to make commitments to maintain the program.

The director of the Oklahoma TEFAP program reported a similar problem. Missouri is considering changing distribution to a network of already established private charities if supplies prove inadequate to maintain distribution through the rural welfare staffs.

New oil shock could be severe

The production wars have begun, and the effect on world politics and finance could be immense.

On Sept. 30, OPEC Secretary General Subroto, ex-energy minister of Indonesia, dropped a new oil bomb on world markets when he told AP-Dow Jones press that world oil prices could collapse to \$5/barrel were Saudi Arabia to continue its new policy of abandoning its agreed OPEC production ceiling of 4.3 million barrels per day (bpd). On Oct. 3, in a statement signed by King Fahd, Saudi Arabia announced, "The Kingdom will not accept an OPEC member adding to its quota at the Kingdom's expense and will not freeze its production while others increase."

Those who remember events of 1985-86, know that oil price policy is no minor affair in world politics.

On July 5, 1986, reports hit jittery world petroleum markets that Saudi Arabia, OPEC's most formidable producer, had contracted to sell its oil for \$8.50/barrel on a "netback basis." Within minutes, the world oil futures markets responded with prices for the "black gold" dropping precipitously. OPEC at that time was producing 19.5 million bpd, flooding world markets with "cheap" oil when the market "demand" for OPEC crude oil was estimated to be 17 million bpd. Vice President George Bush made a rush diplomatic visit to Riyadh that summer, following his earlier calls for an end to the price war, and by September, OPEC had sharply curtailed output.

By October 1986, the Saudi King had fired Oil Minister Sheikh Zaki Yamani, scapegoating him and reversing policy. By early 1987, prices were inching back to an agreed \$18/barrel

level. But the results of the 12-month Saudi production war had been of cosmic proportions: In the wake of an August 1985 Saudi decision to abandon its role of cutting back (so-called "swing producer" role) to maintain a stable price when other OPEC partners exceeded production quotas, world oil prices plunged some 70% from approximately \$28/barrel to lows not seen since the early 1970s. The oil-based economy of the U.S. Southwest plunged into a depression from which it has yet to recover. The largest U.S. banks reeled on the edge of collapse as Mexico's debt repayment crisis exploded. The Soviet Union's hard currency export revenue from oil and gas plummeted. And the wildest speculative run-up in Wall Street stock prices since the late 1920s was kicked into high gear, culminating months later in Black Monday, Oct. 19, 1987.

According to latest reports from Mideast and London oil trading sources, Saudi production is now as high as 5.7 million bpd, almost 1.5 million over quota, and they can go to 11 million. Overall OPEC production is above 20.5 million, against a quota of 17.5 million, and climbing daily, as all-out price war has erupted among the oil cartel producers. Overall for September, according to a new monthly report by the Paris-based International Energy Agency of the OECD, world oil production reached the highest level since the boom-year 1980, some 50.8 million bpd. Now Norway and Indonesia have threatened to join the production war. On Oct. 5 the traded price of West Texas

Intermediate crude dropped to \$12.48/barrel, its lowest price since August 1986. North Sea Brent fell to \$11.25/barrel.

"The price of crude will continue to drop by some 50-60¢/day until the time OPEC ministers agree to an emergency meeting to stabilize production," noted a spokesman for Shell Trading Co. in London. OPEC's next semi-annual meeting is set for Nov. 21, and informed Middle East observers report that the Subroto warnings and the recent Saudi moves are part of a coordinated strategy to "scare the hell" out of the other producing countries, most especially Iran and Iraq, which have been exceeding any demands for production restraint.

It will be a very bitter and, possibly, protracted fight with the stakes far beyond Saudi Arabia's clear desire to reestablish predominance over broad OPEC and Gulf policy. Saudi Arabia is uniquely placed to wage a long oil war. It has the world's largest known petroleum reserves and the cheapest cost of production, estimated to run \$1.25-1.50 per barrel. By contrast North Sea or Alaska oil "breakeven" cost is \$14-15/barrel.

Whatever the short-term windfall profit to Wall Street stock and bond markets in the run-up to U.S. November elections, the medium- and long-term consequence of the oil policy shift are staggering. Moscow can ill afford further loss of hard currency revenues at this time. The U.S. banking system, with the financial hemorrhage in Texas and Mexico, is equally near the brink. Informed London financial sources report that the Saudi strategy portends an imminent "free fall" in which prices could easily drop to Subroto's \$5 level if not halted. The second time around, the outcome could detonate a global financial and political shock far beyond Oct. 19, 1987.

Soviet military aid: an illusion

Brazil's armed forces have been forced to turn to the Russians for technology denied them by the West.

The efforts of the U.S. State Department and other Western governments to block Brazil's development of frontier technology—especially space and nuclear technology—have driven the Brazilian armed forces into a desperate search to obtain these technologies from the East bloc. This is, perhaps, the most critical point on the agenda to be discussed during Brazilian President José Sarney's trip to the Soviet Union in late October, accompanied by his ministers of the Navy and Army.

This situation is confirmed by the recent visit by high-level Brazilian Air Force officials to the Soviet Union, in which, for the first time in Brazilian history, they were permitted to view Soviet military installations. On Sept. 12, in a review of his visit, Air Force Commander Brig. Gen. Cherubin Rosa Filho stated, "Our space program is backward and the seven great powers of the world [United States, Great Britain, France, Canada, Italy, West Germany, and Japan] have refused to collaborate on technology exchanges. Thus, I believe that the solution may lie in making a deal with the Russians."

The most urgent requirement of the Brazilian aerospace program is technology that would allow the development of its Satellite Launch Vehicle (SLV).

This rapprochement with the Soviet Union, and also with the People's Republic of China, is not unexpected, and began to be pursued in earnest in response to a meeting in Washington in April 1987, where the Western in-

dustrial nations openly decided to sabotage the Brazilian space program by suspending sale of components, systems, satellite parts, and even technical assistance. Similar restrictions have already caused a delay of at least two years in the Brazilian Complete Space Mission.

As of that April 1987 meeting in Washington, Brazil began to strengthen its cooperation and technology transfer programs with the Soviet Union and the P.R.C.; in July of this year, President Sarney and his military ministers traveled to Beijing, where they agreed that both countries would launch, in 1992 and 1994, respectively, a remote sensing satellite for both meteorological and natural resource surveying. However, it appears that Brazil's primary interest—in the Satellite Launch Vehicle—was not resolved, and the march continued to Moscow.

At the same time, the matter of exchanging military attachés between Brazil and the Soviet Union is being made conditional on the assistance Brazil receives for its space program. Thus, Air Force Minister Octavio Moreira Lima, commenting on the trip of Brig. Gen. Rosa Filho, asserted: "It is a long-standing issue, and when we have to decide between creating an attaché's post in China or in the Soviet Union, we will choose the first because of more immediate interest."

However, Brazil's armed forces are deluded by Mikhail Gorbachov's *perestroika* policy, and overlook the fact that the technological obstacles they are encountering stem not only

from the limitations imposed by the Western nations, but above all by the New Yalta accords agreed upon between the superpowers. Of this, there are ample indications.

As recently as Sept. 26, representatives of the Soviet Union and the United States met in Washington to discuss ways of containing the proliferation of ballistic missiles in the Third World. H. Allen Holmes, assistant secretary for the political-military affairs at the State Department, who headed the U.S. delegation, reported that the two nations "found common interests." Their primary concern was how to halt the efforts by Brazil, Egypt, and Argentina to develop their own missiles.

Brazil's own scientists who work in the space area have been able to confirm, on the Soviet side, that the New Yalta pact to block Third World technological development is in force. "Until now the Russians have only offered us very limited scientific proposals, and what we most need at the moment is the technology we know they control," reported the general director of the Space Research Institute (INPE), after a trip to the Soviet Union last year to sound out possible cooperation in that area.

Thus, in the Gorbachov era, the pact to limit technological advances imposed on Brazil since the postwar period has been revived, and with greater force than ever. It is the same agreement which, in the 1950s, prevented Brazil from developing nuclear energy and, in the 1970s, which Jimmy Carter carried out with near-religious fervor.

It would appear that the only Brazilians to profit from this opening to the Soviet Union are those of the Itamaraty (foreign relations) establishment, who are equally committed to covering for Gorbachov and for the State Department strategists.

Business Briefs

Trade

West Germany gives credit to Red China

The West German government will give guarantees for a 200 million deutschmark credit to the People's Republic of China, for the construction of a steel plant and a truck-producing complex.

The credit guarantee was agreed upon in talks between Foreign Minister Hans-Dietrich Genscher, Finance Minister Gerhard Stoltenberg, and Chinese Vice-Premier Yao Yilin, head of China's state industrial planning commission, in Bonn Oct. 4.

Yao Yilin has meetings scheduled with German industry managers and will meet with Chancellor Helmut Kohl, who is just completing a tour of Asia.

Malthusianism

World Bank to link loans to environmentalism

The World Bank, which already makes all lending decisions on the basis of "population control" considerations, is now planning an initiative to tie new loans to developing countries to environmentalist measures.

While details were not available as *EIR* went to press, some indication is given by discussions at the meeting of British Commonwealth finance ministers in Limassol, Cyprus, held just before the joint conference of the International Monetary Fund and World Bank in Berlin Sept. 27-29.

There, it was announced that something had to be done to end the environmental destruction, particularly the "indiscriminate felling of trees," which, it was claimed, was responsible for natural disasters like the floods in Bangladesh and Sudan. The ministers were worried that these disasters would harm the ability of developing nations to earn money to pay their debts.

No mention was made of these countries' utter lack of modern water-manage-

ment infrastructure—because World Bank and IMF programs have forced cancellation of such projects.

American experts have said that the felling of trees in the Himalayas is minimal and could not have caused such flooding as Bangladesh experienced.

Nevertheless, according to the *Cyprus Mail*, "In recognition of the threat, the World Bank has championed a move to link debt repayment and provision of new funds to developing nations with schemes to protect the environment."

Asia

Trilateral report targets Korea

The Trilateral Commission, the one-worldist body organized by David Rockefeller, will soon issue a report that was presented to its June meeting in Tokyo, which urges that the Republic of Korea join the Organization of Economic Cooperation and Development (OECD), the body of non-communist industrial nations. The thrust of the Trilateral report is to force the dropping of all protection for the Korean economy against the West's usury-practicing financial interests—in Trilateral jargon, "liberalization."

Both Korean Finance Minister Dr. Sakong Il and Bank of Korea head Kim Kun are now traveling in the West—the first to London, the second to New York—to emphasize that Korea is in a transitional phase, the *Financial Times* reported Oct. 4.

Sakong said Korea would have to liberalize import rules and reduce tariffs in order to become a fully advanced industrial nation. Kun said that there had been much resistance to financial and economic liberalization inside Korea, particularly by the large industries supported by favorable tax and financial treatment by the government.

"Externally, Korea has been carrying out liberalization in the face of rising protectionism. . . . Increasing barriers to Korean exports does not make it any easier for the government to persuade people of the virtues of liberalization at home," said Kun.

It is in exactly this situation, the Trilateral report says, that the Republic of Korea should join the OECD: "It might bring back home a more internationally oriented sense of policy direction," says the report.

European Community

Agnelli, Rockefeller talk of Europe 1992

An Oct. 3-4 meeting was held in Rome, organized by the Italy-U.S.A. Relationship Council, to discuss the implications of the "Single Europe 1992" act. Under the act, 1992 will see the first phase of the continent's corporatist restructuring, with the elimination of all customs barriers to the movement of people and goods.

The council is co-chaired by Gianni Agnelli of Fiat and David Rockefeller of Chase Manhattan.

Agnelli said that 1992 does not mean "European protectionism," and so, the Americans have no reason to worry. He also said that in the future, but not immediately, Europe will have a single central bank and its own currency. National sovereignty is thus to be effectively eliminated.

Among those at the meeting were bankers Nerio Nesi and Auletta Armenise, and industrialists Pininfarina, Piero Bassetti, and Umberto Nordio.

Nerio Nesi emphasized that Europe 1992 means that many banks have to disappear, leaving a few mega-banks.

Monetary Affairs

Thailand attacks World Bank

Finance Minister Pramual Sabhavasud of Thailand Sept. 29 strongly criticized the World Bank for not taking early corrective action to prevent and limit surging loan costs to members resulting from currency fluctuations.

The attack came in a statement by the

Briefly

minister to the joint annual meetings of the Board of Governors of the World Bank Group and the International Monetary Fund in Berlin.

"The bank has fully retained its triple A rating and market acceptance," he said. However, this "financial success" was achieved at the full cost of borrowing member countries, who shared only in the number profits, yet bore the full burden."

He explained, "By firstly denominating loans in U.S. dollars—while funding them largely in hard currencies like the yen and deutschemark and booking the debt to member countries on a pooled basis—the entire currency risks are passed on to borrowing countries. . . ."

"Thus, the all-in loan costs to borrowers for a nominal 11.6% fixed rate loan is truly 18%. If a country prepays, the loans are increased by 38%. In other words, an original \$100 million loan becomes \$138 million upon repayment."

The minister said that when a country elected to prepay, which is the only logical recourse, the bank could choose, and did choose, the hardest currency for accepting prepayment.

His message concluded, "If we cannot ask the bank to change this unhealthy situation, where, or whom, should we ask to ensure that developing member countries be given due consideration?"

Space

Eurospace chief warns on Soviet cooperation

The head of the European Space Agency (ESA), Roger Bonnet, warned British space scientists rushing to cooperate with the Soviet Union, that they are treading on dangerous ground, because Soviet space missions have a disappointing track record and Soviet technology is crude.

Speaking at a Royal Society meeting Oct. 3, called to discuss Britain's future programs in space, Bonnet said that the Soviets are "failure-oriented, we in Europe are success-oriented. We must be careful not to lose our identity. This is a dangerous phe-

nomenon. . . . Our projects would be driven by Soviet policy."

Bonnet stressed that the Soviets wanted cooperation with the West because they lacked the funds and technology to have a successful program on their own.

His statements "angered and astonished" the assembled scientists, the Oct. 4 London *Independent* reported. Ken Pound of Leicester University protested that Europe could rival the U.S. space agency, NASA, if it cooperated with the Soviet Union.

"For what we put into the Soviet schemes," he exclaimed, "we're getting a lot out in terms of science."

Recently, Britain was given the go-ahead to participate in the Soviet Spectrum X space astronomy mission, due for launch in 1993, but ESA has been upset by this, warning it could divert resources from ESA's own x-ray astronomy project, XXM, scheduled for launch in 1998.

'Free Trade'

Canadian elections will test U.S.-Canada pact

Prime Minister Brian Mulroney has set Nov. 21 as the date for new elections in Canada.

On Oct. 1, he dissolved Parliament and set the stage for an election which will be a national referendum on the free trade accord recently negotiated with the United States.

Both opposition candidates, John Turner of the Liberal Party and Ed Broadbent of the socialist New Democratic Party, have vowed to tear up the agreement.

Turner has criticized the treaty as Mulroney's plan to turn Canada into a "colony of the United States."

Under the agreement, virtually all barriers will be dropped to the movement of goods between the two North American nations.

Earlier, legislation was passed in the Canadian Parliament that would make it a crime for anyone to "export" any significant amount of Canadian water to the United States—primarily intended as the first in a series of attacks on the free trade pact.

● **HOMELESS** persons in the San Francisco Bay area of California now number 49,000. In Alameda County, of the roughly 6,000 homeless, 76% are mothers with children, forced out of their homes by high rents. Families also account for two-thirds of the homeless in San Mateo County. Some are former homeowners.

● **NEW ZEALAND** Foreign Minister Russell Marshall, in London Oct. 3, attacked the Common Agriculture Policy of the European Community as "an approach which ignores the world market and carries with it the seeds of acrimonious trade disputes. New Zealand . . . will be looking closely at the emergence of the [1992] Single Market . . . where trade ramparts should be leveled down, not up."

● **VENEZUELA** has banned exports of rice, milk, eggs, flour, salt, pork, and chicken for fear these food items may become scarce. Excessive rains have harmed domestic harvests, while drought in other nations is adversely affecting import prospects, the nation's Treasury Department announced.

● **RETIRED CHICAGO** city workers face a 300% increase in health insurance premiums, according to information leaked at a pre-retirement seminar for police officers there. A retiree and his wife now paying \$55 a month for medical coverage will soon have to pay \$162 a month. The fees are to be deducted from pension checks.

● **THE BANK OF FRANCE** on Oct. 4 announced that it had decided to bail out the troubled Al Saudi Bank, founded by the Saudi Royal Family. By mid-September, the Al Saudi Bank had accumulated 8.5 billion French francs worth of debt, permitted in the belief that it had the Royal Family's backing—which it did not. That news almost collapsed the bank. The Bank of France's bailout decision averts a major diplomatic incident between France and Saudi Arabia.

Air-breathing propulsion for transatmospheric flight

Aerospace specialist Antonio Pasini reports the findings of a Rome symposium that posed a pathway for independent European development of the hypersonic airplane.

The symposium on "Air-breathing Propulsion Advances for Transatmospheric Flight" took place Feb. 22 at the University of Rome. The author had an opportunity to discuss the papers presented with Dr. Amilcare Bosso, general manager of public relations for FIAT Aviazione.

Winged vehicles powered by air-breathing propulsion systems have a major role to play in space transportation. The technological steps toward perfecting such vehicles are analyzed here in terms of those typical of advanced military engine development programs.

Strict integration is required between vehicle and propulsion systems, and the whole must be suited to cruise and ascent trajectory requirements. The key inducement to the development of such systems is cost reduction, in the face of expanded space transport needs. The goal is a drastic reduction of operating costs—as much as 90%. One major advantage of the new designs is that they would permit planes to take off from normal runways—for Europeans a decided plus. Like the Space Shuttle, these vehicles will be recoverable and reusable.

The lift trajectory of winged launchers in the atmosphere entails high aerodynamic drag losses, requiring high specific-impulse (high net thrust/propellant flow) propulsion systems for this phase of the mission. On the other hand, air-breathing engines exploiting the oxygen of the atmosphere as an oxidant achieve a higher payload capability if compared with expendable launching systems, provided that such propulsion systems have good thrust-to-weight ratios. The availability, therefore, of proper propulsion systems for the air-breathing phase of the space transportation mission is fun-

damental for winged launchers.

Several studies were carried out in 1950s and 1960s showing the merit of such systems, which highlighted certain very severe technology limitations. Yet, over the past two decades, developments in cryogenics, materials, aerodynamics, and systems—together with a greater readiness of European industry to apply advances to high-speed propulsion—have changed the picture, making feasible the winged launcher with air-breathing propulsion.

Air-breathing propulsion requirements

The European Space Agency (ESA) has recently promoted studies of this technology by favoring collaborative activities of major European aerospace industries. FIAT Aviazione participated in the first study in 1987, in collaboration with SNECMA/SEP, one of the largest French engine producers, and SNIA BPD, the Italian chemical and aerospace conglomerate, and it is now working on a second-phase study with Britain's Rolls Royce and MTU, the largest German aerospace engine producer. This is a subcontract, with overall contract responsibility vested in the West German firm Messerschmitt-Bölkow-Blöhm (MBB).

This second-phase study includes two launcher concepts: single stage to orbit (SSTO) and two stages to orbit (TSTO). The criteria for comparison relate to the optimization of propulsion system and vehicle integration, combined with ascent trajectory dynamics.

The ascent of a launch rocket, which needs no aerodynamic lift in atmospheric ascent, occurs at relatively low dynamic pressure, while in the case of winged launchers, flight at high dynamic pressure (0.4-0.7 bar) is necessary to have

adequate lifting characteristics. The extreme importance of system optimization with respect to mission requirements and ascent trajectory is connected with the close relationship of useful payload capability to transition velocity and maximum dynamic pressure.

The transition velocity has to be considered as the stage separation velocity for the TSTO—this is the same point in the SSTO at which first stage reentry, or engine mode change occurs. From this point, a transfer into orbit trajectory is adopted. With reference to the dynamic pressure band and to the heat flux band, it appears that for subsonic combustion air-breathing engines, the limit of the transition velocity is mainly dictated by the engine itself, while a supersonic combustion ramjet could allow a higher transition velocity. In any case, the technology challenge related to supersonic combustion seems to indicate the scramjet as a long-term solution.

It follows from these considerations that the propulsion system requirements for these winged launcher systems can be summarized as follows:

- operational capability through a wide range of Mach numbers;
- high specific impulse;
- high thrust-to-weight ratio;
- high thrust-to-cross-section ratio for optimum aerodynamic integration with the vehicle—in fact, in this type of launcher, the air-intake cross-section represents a considerable portion of the overall vehicle cross-section;
- high degree of throttle control.

These requirements are very demanding, and partly conflicting, if referred to any of the typical engine families like turbojets, ramjets, and rockets. But good compromises can be obtained with advanced composite engines. The two extremes can be identified: turbojets or turbofans capable of very high specific impulse, but with modest specific thrust (thrust/weight); and rocket engines with low specific impulse and very high specific thrust. Intermediate values are associated with ramjets and scramjets, depending also on Mach number.

Furthermore, very different values for specific impulse result by considering hydrogen fuel or hydrocarbon fuel. This aspect also has to be analyzed within overall system optimization, because of differences in fuel density related to tank dimensions, and storage temperature in relation to cooling capability.

A large number of composite engine concepts are available, even apart from the LACE concepts (Liquefied Air Cycle Engine), where the oxidant, liquid oxygen, is obtained by liquefying air during the air-breathing phase, reducing the mass of oxidant to be transported. This approach is still problematic and must be regarded as a longer-term development.

The turboramjet

The turboramjet concept is based on a combination of the

turbojet with a ramjet. Turbojet operating range is up to Mach 3.0, at which velocity the core engine is closed off by an inlet vane structure and bypassed by primary airflow in order to allow operation in a ramjet mode. During the ramjet mode, the core has to be properly cooled to avoid heat rejection from both the hot-air environment and combustion. This can be obtained by feeding cooled air bled from the diffuser.

The core engine can be derived directly from a conventional aero-engine with advanced materials applications. Typical features of this engine materials cycle are a pressure ratio at takeoff of about 10-15, with a maximum compressor exit temperature of 900-1,000° K and turbine inlet temperature in the range of 1,800-2,000° K. (1,000° K is 1,340° F; 2,000° K is 3,140° F.) The reheat operation is expected to be stoichiometric with temperatures in the range of 2,800-3,100° K. A full variable geometry is required for air intake and the exhaust nozzle to guarantee proper matching through the wide operating range.

A variant of the turboramjet concept is the precooled turbojet where the limits imposed by stagnation temperatures in the core are overcome by cooling the air inlet flow with liquid hydrogen, by building a heat exchanger into the air intake. This could allow the core engine to operate through the whole air-exchange phase with limited changes in component operating conditions.

The turborocket

The turborocket concept results from a combination of a turbojet and a rocket. In the turbojet, the turbine and compressor flows are decoupled and the turbine is driven by a mixture of liquid hydrogen and liquid oxygen pre-burned in a gas generator. The purpose of this concept is to allow an increase in Mach number without incurring the limit of turbine inlet temperature. Since the air flow passes through the compressor in the entire operating range, the limit of this concept is represented by the temperature tolerance of the compressor blades. Composite materials, suitably protected from oxidation, must be developed for this purpose.

Typical features of this cycle are a moderate pressure ratio, about 2.5 : 1, and a turbine entry temperature of about 1,400° K. The reheat combustion is obtained downstream from the turbine, at stoichiometric conditions. During the ramjet mode of operation, starting at Mach 2.5-3.0, the compressor is windmilling and the resulting losses can be reduced by use of variable inlet guide vanes.

A variant of the above concept is the hydrogen expansion turborocket where the turbine is driven by hot hydrogen, obtained by heating the liquid hydrogen in the reheat by means of a heat exchanger. Such a concept allows improvement of the specific impulse, but extends the technology challenge to heat exchangers required to operate in a very difficult environment.

The ramrocket

The ramrocket concept results from the combination of a

ramjet and a rocket. The operating modes are:

- **Ejector mode** during takeoff phase up to Mach 1-1.5, in which rocket performance is improved by mixing rocket exhaust gases with air that participate in the combustion process (air/rocket gas flow = 1:1.3, oxygen : hydrogen = 6:1);

- **Ramjet mode** up to transition velocity, in which combustion is stoichiometric, and because of the wide range of Mach numbers, very wide nozzle geometry variation (10 : 1) is required;

- **Rocket mode** with closed air intake, in the transfer into orbit trajectory.

Performance comparison of the three basic concepts, considered in terms of specific impulse and specific thrust, suggests turboramjets are to be preferred for those winged launcher concepts where a high specific impulse is more important than specific thrust, as in the case of TSTO vehi-

cles, with cruise capability requirements. In contrast, a ram-rocket solution is more interesting for applications in SSTO vehicles where the thrust/weight ratio is of greater importance. Turborockets offer intermediate performance characteristics and could be a good compromise, depending on the selected mission.

The technological effort on the propulsion system must be oriented according to which composite engine concept is chosen. This remains true even though the challenge can be generalized as an increased temperature capability inclusive of the installation features. In fact, high dynamic pressure and Mach number in the air-breathing phase lead to high internal pressures (about 10 bar at Mach 7, but varying with the intake geometry selected) and high stagnation temperatures (2,100° K at Mach 2) resulting in severe thermal and structural loads on engine components, especially air intakes and turbomachinery.

A fully reusable space plane

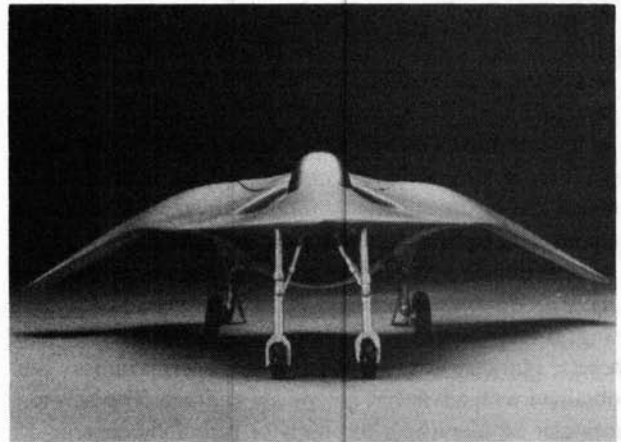
The goal of reusable space plane programs is to develop new propulsion systems, systems that will go from Earth's surface into space and back again.

In the 1930s, German aeronautical scientist Eugen Sänger designed the first horizontally launched spacecraft, which could take off from an airport-type runway. The Sänger project, led since the 1960s by German aerospace giant Messerschmitt-Bölkow-Blöhm (MBB), has been an effort to investigate novel ways of propelling a plane from the Earth's surface into supersonic and hypersonic regimes, all the way to the Mach 25 needed to go into orbit.

Sänger's key concept was to use the oxygen in the atmosphere to burn hydrogen fuel, rather than carrying along liquid oxygen, which has been done since the German V-2 of the 1940s. The MBB Sänger project envisions a turboramjet first stage which, carrying the second-stage orbiter, reaches a speed of Mach 7 at an altitude of about 110,000 feet.

At this point, the rocket engine on the orbiter is ignited and the second stage separates, carrying its payload into orbit, while the first stage lands horizontally. According to MBB, one advantage of this two-stage design is that the first stage produces, as a by-product, a hypersonic (Mach 7) airliner, similar to the U.S. concept for an "Orient Express."

Although most of the effort internationally in the various aerospace plane projects has necessarily been in the



The Capuani design for a reusable scramjet.

area of challenging and risky new propulsion systems, Dr. Alfredo Capuani in Italy has been testing new aerodynamic designs to minimize the drag and maximize the efficiency of the overall spaceplane design. Capuani's work takes its lead from the research in supersonic aerodynamics of Adolf Busemann, who solved the problem theoretically of destabilizing shock waves that form around aircraft as they approach the speed of sound.

The unusual geometry of the Capuani spaceplane is derived from the formation of a "Busemann biplane" configuration, where the shock waves formed from the air flow around the wing of the plane are canceled by the use of two wings. In the Capuani design, it is the relationship between the wings on the spaceplane and on the carrier/first-stage vehicle that produce the Busemann biplane effect. The Capuani design also includes a high-powered lift design, which can make use of short airport runways.

Furthermore, to optimize engine performance during the air-breathing phase, a good compromise for combustion in respect to thrust and specific impulse is to design for stoichiometric combustion, which in turn means to operate at reheat temperatures on the order of $3,000^{\circ}\text{K}$, with resulting severe thermal loads, especially in exhaust nozzles.

The technological developments from the 1960s, as mentioned, have been such as to allow realistic consideration of the development of a high-speed propulsion system in the time-frame of the years 2000-2010. The technology advances achieved in commercial aero-engines and under development for future advanced military engines represent a good basis for a realistic technology readiness program.

Higher temperatures, greater strengths

The key technologies to be developed relate to increased temperature capability and advanced design methods. The advanced high-temperature metallic and non-metallic materials, composite structure, and advanced cooling techniques under study and development will be fully exploited only if—in parallel—aerodynamic design capability is improved. That means fully three-dimensional viscous-flow computer simulation codes, computational description of reacting flows, and computational structural analysis. Advances in these fields will be the basis for light-weight, high-power, air-breathing engines.

The expected advance in the aero-engine in the next 15-20 years is expected to be a transition from the advanced fully metallic engine to non-metallic engines, almost doubling the core specific power.

A very ambitious and demanding effort is therefore required in the field of materials design, so that all engine sections undergo an increase in operating temperature and strength-to-density ratio. For cold section components, an improvement of specific strength by two to three times can be expected, with a temperature tolerance increase to $920\text{--}1,250^{\circ}\text{K}$. Increases will occur with hot section components, which will be gradually pushed to operate up to $1,750^{\circ}\text{K}$ with advanced cooling techniques. The aim, with advanced composite materials, will be to achieve $1,900\text{--}2,500^{\circ}\text{K}$ without cooling. Here strength-to-density is expected to improve by three to five times.

Non-structural materials, like bearings and lubrication systems must also improve their capability to operate at higher temperatures—to around 1050°K . This will require new types of lubricants, both liquid and solid, and ceramic bearings.

Some new materials

There are already several materials and relevant processes under development which may be capable of achieving these ambitious targets in existing programs which are proceeding in parallel to the development of the advanced military engine. Obviously, the advanced non-metallic materials, even where already used for investigative tests, are not yet

developed sufficiently for application in engines because of limited life. Nonetheless, the capability so far demonstrated is encouraging.

The most promising materials are:

- **High-temperature alloys.** New alloy combinations can be produced by rapid-solidification-rate, powder metallurgy applied to aluminum (up to 750°K), titanium (up to $1,250^{\circ}\text{K}$), and columbium (up to $1,750^{\circ}\text{K}$).

- **Aluminides.** These intermetallic compounds containing aluminum show great promise for increasing oxidation resistance. Again, powder metallurgy will provide considerable progress toward the future use of these materials (titanium and nickel aluminides).

- **Metal matrix composites.** These composites represent an alternative solution for high specific strength materials.

- **Ceramic matrix composites.** This class of composites has improved considerably in recent years, but intensive development is still necessary in respect to their toughness.

- **Carbon-carbon composites.** These are some of the highest-payoff, but highest-risk materials presently under development. One of the most critical problems is the anti-oxidation protection for long life, which tends at present to degrade the strength of these composites.

Technological progress in advanced aero-engines, therefore, is a fundamental basis for achieving high-speed propulsion, even if the specific requirements dictated by various composite engine concepts highlight other fields where technology development programs have to be launched. Whatever the chosen concept may be, air intakes and nozzles will require a considerable, dedicated effort, both in design and in materials development for the strong impact they have on installed engine performance (specific impulse and specific thrust), and the high degree of integration they must have with the vehicle.

Concerning the core engine, specific technological advances could be required in cryogenics, especially for feeding systems, turbines, and reheat-type hydrogen-fueled combustors. Other special areas can be added to the list depending on the concept chosen, such as highly loaded steam-type turbines and light-weight high-power gearboxes for turbopropellers, or advanced heat exchangers.

In addition, the integration of different engine concepts requires a solution to problems of mixing of reactive subsonic and supersonic flows.

This considerable technological effort has to be approached from the very beginning of the technology readiness program—and even more during the following development phase—with strict cooperation among major European aero-engine companies.

The technologies required for the air-breathing propulsion of the future have to be approached as a natural evolution along the technological paths already in place in advanced military programs, and have to be built on the experience already available within aero-engine industries.

One year after the crash: This is not a recovery

by Joyce Fredman

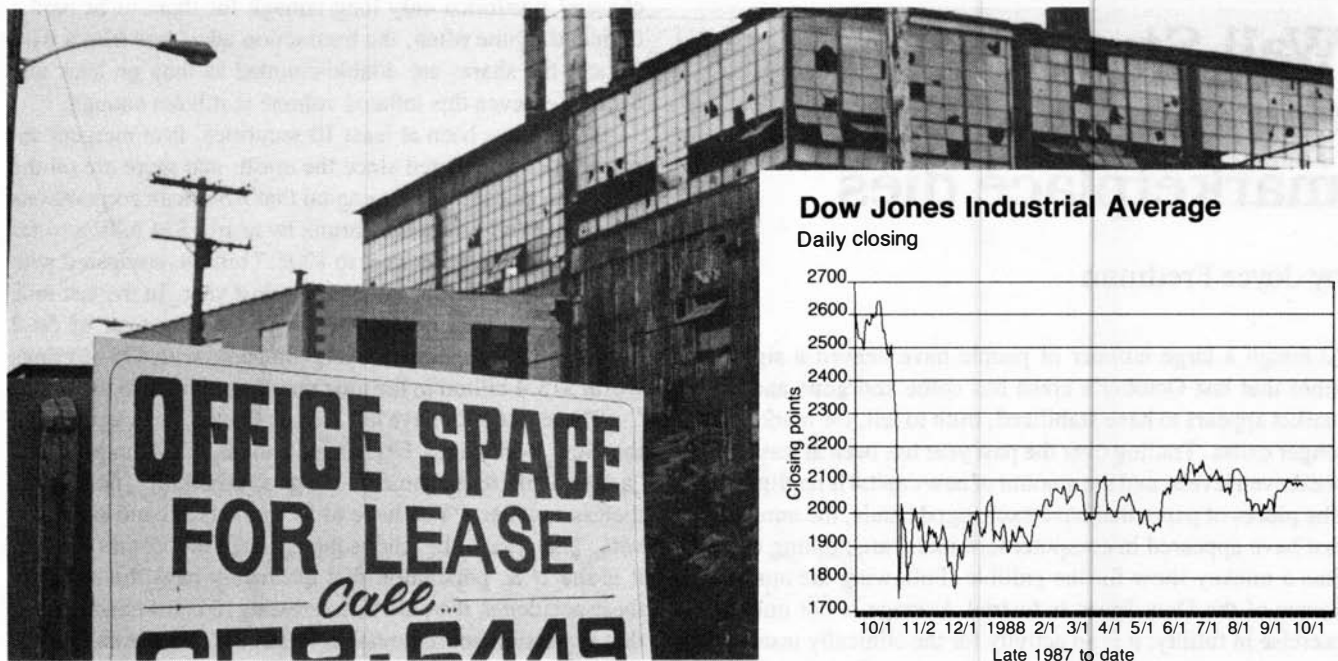
“The long-feared stock market crash of the late 1980s became an accomplished fact yesterday, as share prices collapsed on Wall Street in a wave of selling unlike anything seen since the 1930s. . . . At the close of New York trading, the Dow Jones Industrial Average had plummeted 508.32 points to 1738.74 in an unprecedented flood of sell orders which broke effortlessly through every bear-market record since the Great Depression. The Dow’s percentage fall of 22.62% was nearly four times the previous postwar one-day record of 5.7%, set in the early 1960s, and beat the collapse of 12.8%, recorded on Oct. 28, 1929, the day of Wall Street’s Great Crash.”

One year ago, on Oct. 20, 1987, that was the front page story in London’s *Financial Times*, and every other newspaper worldwide. Since that day, U.S. newspapers and financial journals have been filled with speculation as to when and if another crash is to occur, while articles appear monthly documenting the damage to the country’s financial system.

To the average citizen, the mumbo-jumbo of insider trading, bond market and currency fluctuations, and the various banking regulatory agency acronyms, is little more than Greek. Yet the consequences of the machinations of the Wall Street and banking crowd are all too real. The federal tax-revenue base lost between \$100 and \$150 billion in revenues, forcing state and local budgets into draconian austerity.

Hospitals and emergency rooms are facing “medical gridlock.” Infrastructure, such as bridges, ports, canals, and roads, is collapsing. Housing has become unaffordable, interest rates are rising, and industry has become passé, while dog tracks and gambling casinos become the way of tomorrow. Deposits of hard-earned income in the nation’s savings institutions are threateningly insecure, and whole continents have been slated for death to pay usurious rates to a group of faceless sharks known as the New York bankers.

The questions posed by the decay and collapse of the American Dream are not simply those of comfort. When defense allocations are slashed and politicians put forth legislation for the legalization of heroin and cocaine, strategic and funda-



mental moral issues are brought to the fore. The destruction of the U.S. industrial base has raised serious doubts as to the readiness of the nation to defend itself. If the internal economy of the family household does not allow adequate parental care of children and youth, if society has lost its commitment to decent public education for every child, then the ensuing decline in morality is a foregone conclusion.

Less than three weeks from the presidential election is a most opportune time to review such events. Democratic presidential candidate and economist Lyndon H. LaRouche, Jr. wrote on Nov. 8, 1986:

“The collapse of the U.S. economy, is not the result of any single facet of U.S. policy; it is the result of the mutual interaction of the past 20 years’ trends in several policy-areas: monetary policy, credit policy, tax policy, and economic policy. In the area of economic policy, the most powerful depressing factor, was a dramatic shift in U.S. defense policy, established under President Johnson, and consolidated under the Nixon, Ford, and Carter administrations.”

The next administration will have this economic chaos foisted upon it, and unless there is a dramatic change in economic policy emanating from the White House, the fragile world financial system is doomed, along with the world’s citizens.

Back to the American System

The changes that are demanded entail a substantial reevaluation of the banking sector, one of the most crucial barometers of a functioning economy. If a nation’s banking is a fraud, so is any so-called recovery. From the time that Alexander Hamilton became Treasury Secretary in 1789, a well-defined standard for the banking industry was set:

“To cherish and stimulate the activity of the human mind, by multiplying the objects of enterprise, is not among the least considerable of the expedients, by which the wealth of a nation may be promoted. The connection between inventions of the mind, and the increase of the physical productive powers of labor, is the kernel of the American System.”

It was the role of the bankers to foster such activities. That idea took a nation which had been massively in debt and still bleeding from the war, and made it into an industrial giant. The policies, envied worldwide, became known admiringly as the “American System of political economy.”

The financial and banking community presently has not only lost that once-famous commitment to manufacturing and industry, but is rather engaged in dirty-money laundering, speculative “junk bonds,” and usurious swindles and extortions. Amid the venal motives and greed, however, is an amazing level of incompetence. With all their power, these would-be Shylocks have built themselves a crumbling empire, a house of cards that is all jokers. A giant bureaucracy spends its time doing nothing other than creating the illusion that everything’s okay. Behind the phony statistics and the sucker’s deals being offered is pure desperation. They are standing at the precipice of total bankruptcy; their terror is all the worse, as they have lost whatever brains God gave them.

Unfortunately, over 5 billion people have been brought along on this expensive and deadly joy-ride. Unless the lies of Wall Street and banking are exposed and their swindles brought to a halt, and an immediate reorganization takes place, the American System will be lost forever. One year from the time of the stock market crash, is none too soon to begin.

Wall Street: When the magic of the marketplace dies

by Joyce Fredman

Although a large number of people have heaved a sigh of relief that last October's crash has come and gone and the market appears to have stabilized, truth to tell, the market no longer exists. Trading over the past year has been at less than breakeven levels, and the amount of new capital is negligible. The pieces of paper that have exchanged hands, the numbers that have appeared in computer terminals, are nothing more than a Mickey show for the gullible. Following the ups and downs of the Dow Jones Industrial Average is not only an exercise in futility; it is an activity for the clinically insane.

As opposed to the way most normal people react to world events, the fellows who live in "the market" revel in disaster. Is there a war likely to occur in the Middle East? Well, that's terrific news for the traders, the oil prices will skyrocket. Is the coal mining industry falling to pieces? That's a splendid opportunity to buy out one of the companies and dismantle it. Are people dying in Africa? It will be a piece of cake to go in and snatch up their strategic minerals.

Contrary to Aristotelian logic, this in no way implies that the converse is true. Just because the physical economy is developing productively is no guarantee that the market takes a dive. In fact, these people are, for the most part, in no way connected to actual events. Rather, they have created an extremely autistic circumstance. Wall Street has removed itself so far from the real world that it has become encased in a mire of imaginary games for which there are no winners. Black Monday was assured by the nature of the activity in which these fools engage. The \$750 billion bath that Wall Street took was the consequence of years of playing in dirt.

However, the kinds of games that are being played have come to the public's attention. Enough attention was drawn, in fact, to cause more than a few cautious investors to drop out of the market. More than 16,000 jobs have been lost in the securities "industry" because of the decline in trading volume since last year. Another 10,000 jobs are expected to vanish in the next few months. The industry's pre-tax income in the second quarter was down 50% from first-quarter levels, and a 30% drop for the third quarter is predicted.

With the volume of trading at less than 120 million shares, the brokerage houses cannot break even. But even the 120 million figure is deceptive. A large proportion of shares being traded can be attributed to what is called "dividend capture." This peculiar mechanism allows for the transfer of stock back and forth between the same two parties, stopping in the pur-

chasers' portfolios only long enough for them to be paid a dividend. Quite often, the transaction takes less than a day. Hence, the shares are double-counted as they go back and forth. Yet, even this inflated volume is still not enough.

There have been at least 10 securities' firm mergers announced or completed since the crash, and more are on the way. The amount of new capital that American corporations raised on Wall Street has shrunk by nearly \$24 billion so far this year, a 10.3% decline, to \$205.7 billion, compared with \$229.2 billion for the same period last year. In the last nine months, 161 initial stock offerings worth a total of \$4.2 billion were brought to market, compared with 475 offerings worth \$13.4 billion in the nine months previous to the crash.

These statistics have left John J. Phelan, Jr., chairman of the New York Stock Exchange, undaunted. Admitting that "a significant retrenchment" is a good possibility, he is nonetheless cavalier. "You have to let markets expand and innovate. The price to be paid is the accident that comes up." As it is the U.S. population that ultimately pays the price for these accidents, it would be interesting to know exactly what this expansion and innovation is that Mr. Phelan and his ilk are talking about.

Arbitrage and insider trading

Arbitrageurs, the traders who often buy stocks of takeover targets in expectation of higher prices, have grabbed headlines over the past year. This is due in large part to the increasing number of hostile takeovers that have occurred. The inability of the stock market to manifest any yields of its own means that it must look elsewhere for income. More and more companies are now vulnerable to a process which turns over fast cash.

The arbitrageur usually takes the company apart, strips assets, and sells its components to finance the takeover, despite any ramifications for the company's previously useful production. Some companies have become easy prey, not because of their difficulties, but because they have made substantial capital investments in modernizing their technology or built up their pension funds. Their immediate cash shortfall because of such decisions renders them unable to fight any takeover. The arbitrageur is able to make money by destroying such investments, i.e., creating money based on nothing.

Another way an arbitrageur can create an illusion of value is by index arbitrage. This is done by computer programming. When there is a sufficient difference in the present stock price and the futures market for that stock, the computer automatically initiates sell or buy orders to realize the difference. Again, money is created solely on the basis of an exchange of paper.

(Whole committees, set up in Congress to determine exactly what happened during the crash, have spent days on end trying to figure out the implications of this process. The involved and contradictory conclusions reached by these taxpayers' servants would fill volumes. The joke is—as even

FIGURE 1
New York Stock Exchange
 Daily trading volume

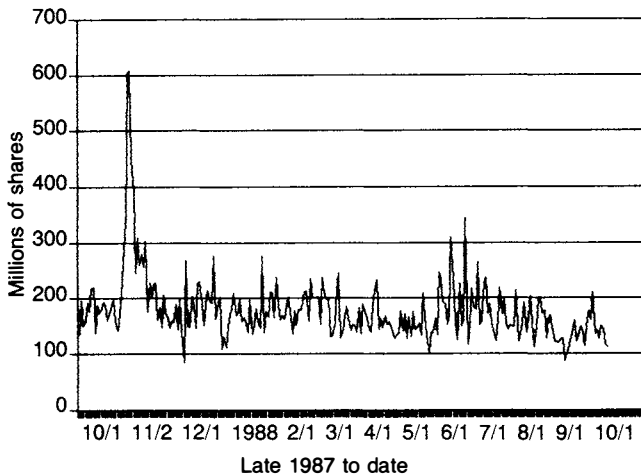
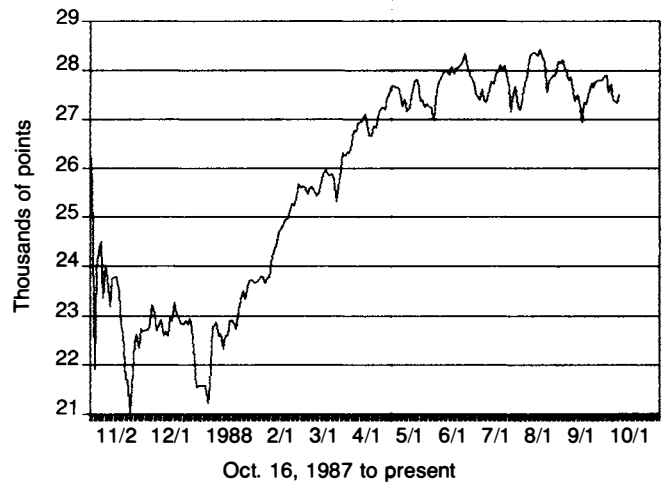


FIGURE 2
Tokyo Nikkei



the stereotype character in Hollywood's version of "Wall Street" figured out—that there is, in fact, nothing going on; it's an expensive optical illusion.)

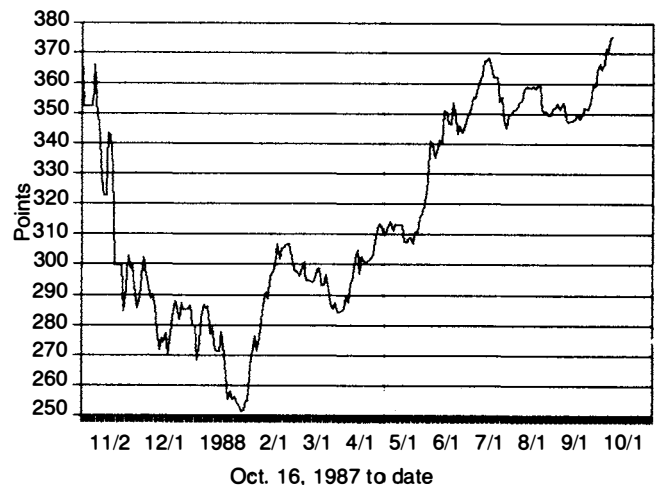
The slippery side of these manipulations has come to be known as insider trading. Insider trading is generally defined as buying or selling stocks on the basis of non-public information that could affect stock prices. It vaguely refers to trading by those in a position of responsibility—directors, officers, investment bankers, or anyone with access to inside information, legal or not.

As the whole system of trading is based on the passing of information, the recent allegations of illegal activity have raised doubts in many people's minds as to the sincerity of the prosecution. The General Accounting Office recently conceded that, after a number of people had been convicted, a legal definition of insider trading might be in order. The idea of defining a standard of ethics for a group of people whose most successful role model, Ivan Boesky, stated, "Anyone who thinks that greed is a bad thing, I want to tell you it's not a bad thing. And I think that in our system, everybody should be a little bit greedy . . . you shouldn't feel guilty," is a contradiction in terms. The fact that Boesky was exposed does not detract from his enunciation of the motivation behind all these activities.

Junk bonds

Junk bonds are defined as non-investment grade, high-yielding securities that are considered speculative or risky. By definition, the interest rates are substantially higher. That determination is made not on the value of the enterprise, but on the uncertainty of its future. In other words, the moguls of Wall Street decide, based on their various swindles, what the future holds in store for any company, and whether or not

FIGURE 3
Paris Stock Exchange



it merits an investment grade. Therefore, even such vital segments of the community as hospitals and utilities, have been relegated to the junk bond heap. They are forced to pay usurious rates in order to stay in existence.

On the other hand, the junk bond market is hardly exclusively worthy causes. It has received its notoriety for being a laundering network for dirty money. When junk bond whiz kid Michael Milken, along with others from Drexel Burnham Lambert Inc., were charged with fraud and securities violations, a whole filthy apparatus was exposed.

"Israeli mafia" Miami financier Victor Posner was one of those charged. He is well known for his association with the

FIGURE 4

Frankfurt Stock Exchange

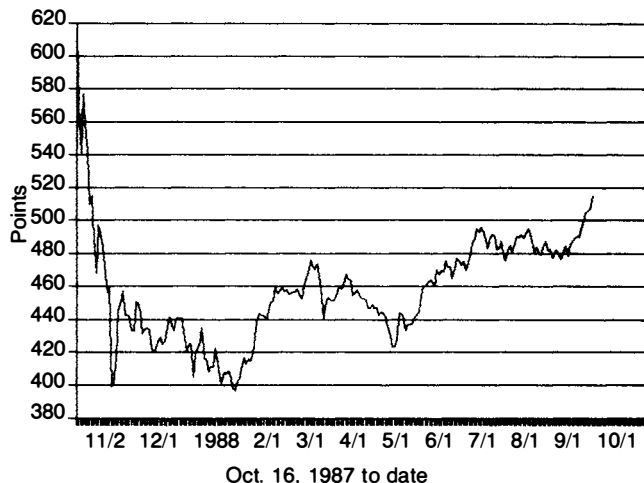
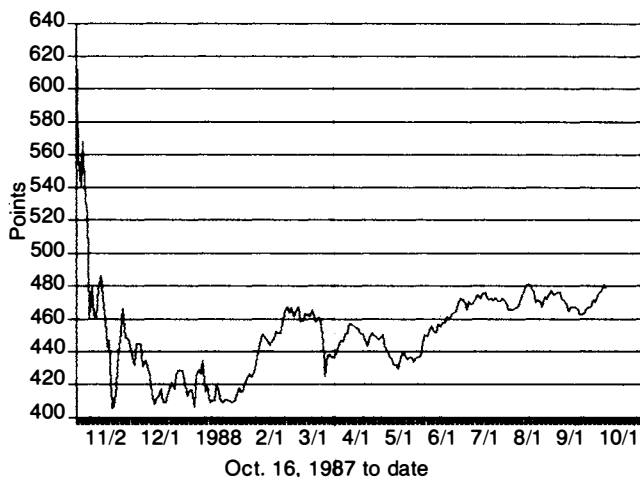


FIGURE 5

Zurich Stock Exchange



late Meyer Lansky, a reputed mobster. Posner's friend Milken has some questionable associations of his own.

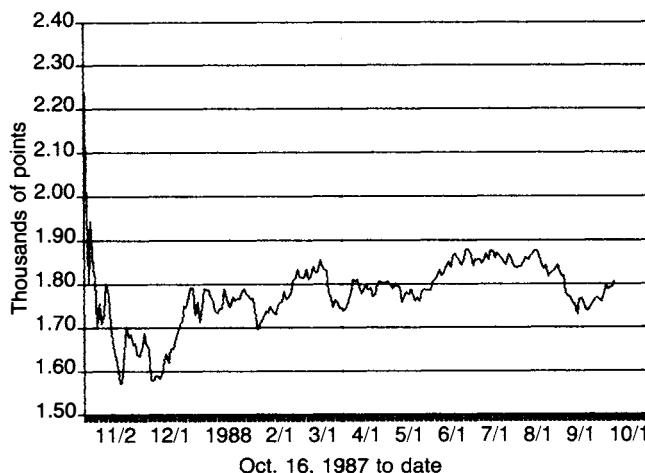
Milken, who claims to have learned his appreciation of high-yield, high-risk securities at the Wharton School, has a personal fortune of over \$500 million, including the largest individual holding of Drexel itself. He works out of an office at Wilshire Boulevard and Rodeo Drive, in Beverly Hills, California, which is shared and used by Meshulam Riklis, owner of Rapid American Corporation. Riklis is a well-known pornography kingpin, degraded enough to star his child-bride, Pia Zadora, in his blue films. U.S. Customs Service sources report that Rapid American Corp. has been number one on their watchlist for drug-smuggling across the U.S.-Canadian border since the mid-1970s. Riklis was also a major owner of the Investors Overseas Services scam in the late 1960s until he sold out to Robert Vesco.

Another colleague of Milken and Riklis is Saul Steinberg, chief executive officer and chairman of the board of Reliance Group Holdings Inc. More than 40% of Reliance's fixed-income portfolio of \$4.5 billion came from junk bonds in 1987. In 1984, Steinberg staged a raid on Walt Disney Productions with Drexel's junk bond financing. Although the raid itself was unsuccessful, Steinberg netted over \$32 million in greenmail profits. (Greenmail is the payoff to the raider to back off.)

Steinberg himself does not seem to have a lot of character references. In 1980, during divorce proceedings, his estranged wife filed a stockholder's suit against her husband, charging him with being "a heavy user" of narcotics who "as a consequence of his drug addiction . . . failed to attend many corporate meetings and to perform certain corporate duties." According to *Fortune* magazine, he paid out \$190,000 in

FIGURE 6

London FT100



company funds for illegal drugs including cocaine. He was also accused of using \$100,000 in corporate money to bribe a New York City official to win a construction contract for one of his cronies.

Despite the protestations of the Securities and Exchange Commission, there is a fine line between the practices and clientele of the junk bond market and the practices and clientele of the overall market. The SEC alleges, in cases like Drexel, insider trading, price manipulation, falsifying records, rigging takeovers and cheating clients. Such charges are most likely quite accurate and definitely ought to be prosecuted. The charges simply have not been leveled at enough people.

U.S. banks—they only look safe when compared to the thrifts

by Joyce Fredman

The stock market may have crashed with a bang, but there were other financial blowouts this past year, which, although less noisy, are more devastating in consequence. The banking institutions of the United States may have their windows functioning, but beyond that, not much else is to be relied upon. They are slowly but surely sinking in a quicksand of debt. The number of failures is staggering, yet bankers insist that success is around the corner. The red ink has overflowed, but no one dares cry emergency. If their illusory accounting and shell games continue much longer, citizens will be safer with their money in a piggy bank.

There was a time in America when savings and loans, or “thrifts,” had a very special meaning—they were the institutions in which workers put their hard-earned income and from which they could receive a mortgage for their home at a reasonable interest rate. In fact, when Franklin Roosevelt originally set them up, they were called building and loan associations. Banks also had specific, useful tasks—they were a place where one could obtain a loan for an automobile, a business loan, or manage a checking account in order to carry out everyday affairs.

To compensate for their services, both institutions were allowed a certain leniency, a flexibility to use such deposits, in order to make a profit. They were also regulated to insure that the functions were carried out honestly and efficiently. Building the nation was the goal, the banking system a mere vehicle to achieve that end, and therefore a certain prudence in affairs of finance was understood. Today, nothing could be further from the case.

During the past five years, there have been more bank and savings and loan failures than during the Great Depression. In 1987, the number of banks that were closed or merged due to financial difficulties reached a record 186, while the official number of banks on the “problem list” is approximately 1,600. The count is still coming in on the thrifts. The regulators have not had enough funds nor takers to begin to deal with the problem, but by all estimates, a good one-third of the country’s 3,000 thrifts are in the red.

In the past two months, both the Senate and House Banking Committees have heard testimony *ad nauseam* on the banking crisis. Sen. William Proxmire (D-Wisc.) and Rep. Fernand St Germain (D-R.I.) in their capacities as chairmen of these bodies, have issued numerous statements of their own, documenting how appalling the situation has become.

One would think these boys had just walked onto Capitol Hill, to hear their surprise at the state of affairs. Only the regulators themselves have matched their astonishment. For years, *EIR* has been predicting exactly the magnitude of the crisis that this country now faces, and has identified the scams and prevarications that have prolonged this insanity.

The year of the shutout

When *EIR* initiated its practice of reporting the actual number of bank failures in May, it was not simply to start an obituary column. The statistics coming from the Federal Deposit Insurance Corporation (FDIC) were deceptive, and meant to be so. With the number of banking failures increasing at such an accelerating rate, a new system of reporting was devised by the FDIC in 1985. Three categories of “difficulty” were set up, as opposed to one.

One of the main ways in which undercounting occurs is through the holding company corporations. When any of these companies receives a bailout, *one* entity is listed as a failure, rather than the various banks involved. This bright idea came to the FDIC in 1987, when it assisted the Hallwood Group in its takeover of the troubled BancTEXAS Group Inc., a bank holding company which owned 11 separate banks (not branches). The FDIC counted this in its annual statistics as 11 “assisted” banks (a euphemism meaning the FDIC runs in and changes ownership, keeping the banks out of the “failed” category), becoming, according to the FDIC, the first situation in modern times wherein a group of banks belonging to a holding company needed simultaneous assistance. They decided later, in retrospect, that perhaps such transactions should be counted as a single event, thus preventing “misleading impressions.” This came in very handy for masking the big failures.

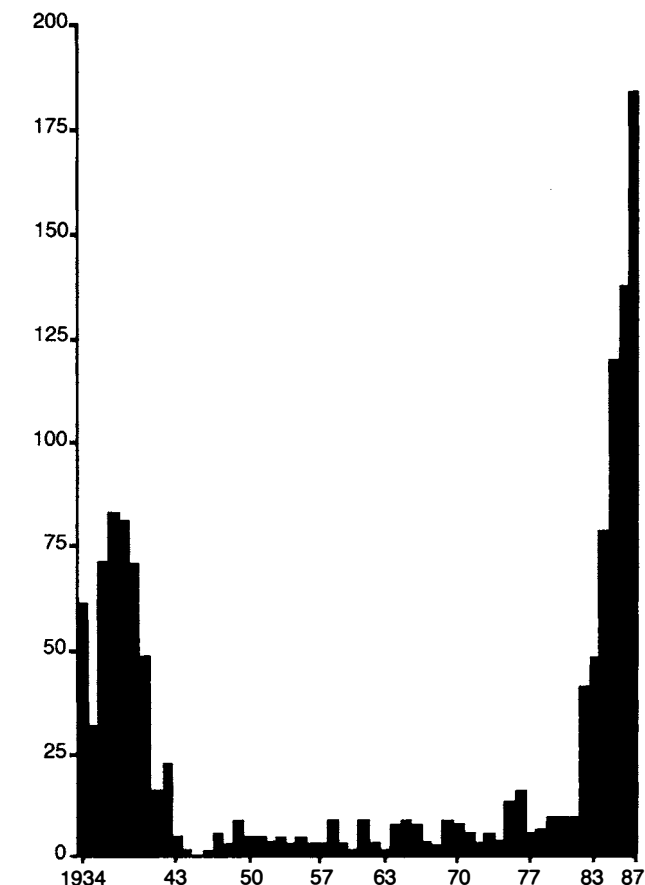
On July 29, 1988, L. William Seidman, chairman of the FDIC, held a press conference to announce the liquidation of the 42 banks held by First RepublicBank Corporation of Dallas, Texas. It was counted as a single failure. The news that the largest bank of Texas had bitten the dust was no surprise to anyone. First RepublicBank had reported a monstrous \$1.5 billion first-quarter loss and a \$758 million loss for the second quarter. The worst year ever recorded by a U.S. bank had previously been Manufacturers Hanover’s \$1.14 billion loss in 1987. First RepublicBank nearly doubled that—and in half the time.

A classic example of the merger approach to insolvency, First RepublicBank typified the regulators' tack. The bank was a product of the merger between InterFirst and RepublicBank in 1987. InterFirst had been in big trouble, so RepublicBank merged with it to help out. Stockholders' equity right after the merger was \$1.5 billion as of June 1987. Since the merger, the equity dropped to -\$344 million at the end of the first quarter, then plunged to -\$1.1 billion at the end of the second quarter. In May of 1988, the FDIC gave First RepublicBank \$1 billion, and even with its new ownership—as of Aug. 1 it became the NCNB Texas National Bank—it will cost the FDIC over \$4 billion.

When Seidman tried to explain what was going on to the Senate Banking Committee, his testimony wasn't too convincing in terms of content, but he was adamant about the style. "First, our assistance . . . was not a bailout. It was not a bailout; it was not a 'too-big-to-fail.' It was, in fact, a shutout."

Whatever Mr. Seidman chooses to call his assistance to

FIGURE 7
Number of bank collapses from 1934 to 1987



the increasing number of beleaguered institutions around the country, it is clear that large sums of money are going out from regulators and the situation is decidedly worse. At this point, Seidman has lost his optimism. In the FDIC's 1987 Annual Report, his statement portends more disasters.

"The year 1988 is likely to mirror the difficulties experienced in 1987. With the number of banks on our problem list . . . at just under 1,600, any improvement in this year's failure rate is likely to be minimal. A moderate recovery in the agricultural sector of the economy during 1987 . . . may continue. But any positive development in the farm segment of the economy will be offset by negative results from the battered Southwestern energy sector, where the ripple effect of the crude oil price collapse extends to commercial real estate, and in turn, to the banks."

That Seidman could posit improvement in the agricultural sector of the economy as a reality, is proof enough the man either lives in fairyland or is a bold-faced liar. On May 20, 1988, the Federal Land Bank of Jackson, Mississippi and its 90 branches throughout the tri-state area of Alabama, Louisiana, and Mississippi were closed down. It was the first Federal Land Bank to be put into receivership since the founding of such institutions in 1917. Land Banks had been established by the Federal Farm Credit Act of 1916 to provide a vehicle by which farmers could receive long-term credit for production. Seidman couldn't have forgotten the Mississippi episode; it was the largest banking action ever in terms of geographical impact and number of branches, and the FDIC had to lend 220 regulators to help out the 138 from the Farm Credit Administration.

As bad as the agricultural sector is, however, it is certainly not the only source of Seidman's woes. The banking system last year had a pathetic 0.13% return on assets last year. The off-balance-sheet liabilities last year were close to \$5 trillion; this year, that figure will easily double. This is the figure that commonly arises out of the debt of subsidiaries, and is therefore not listed as a liability on the balance sheet for the primary company. Because of the increase in the number of holding companies, the margin for increasing the off-balance-sheet liabilities has widened to an explosive point.

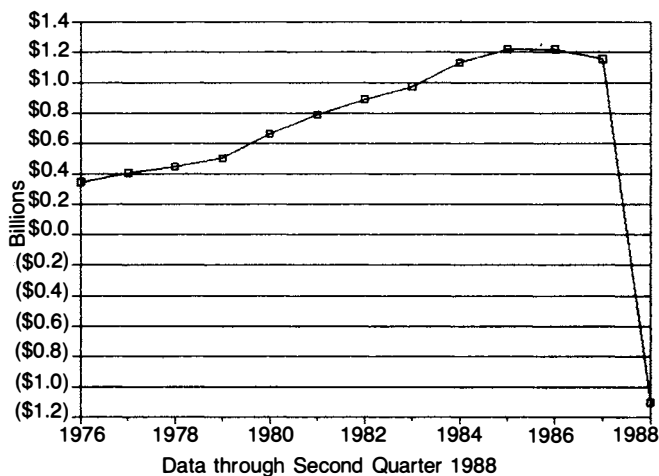
Seidman is not the only one getting a headache from the decreasing assets of the banking sector. On Aug. 19, the Office of the Comptroller of the Currency announced that it was revising its assessment schedule for national banks, as it was experiencing difficulty in getting money. The OCC assesses banks based on their assets. In the first half of the 1980s, total bank assets grew at an annual rate of 6% to 8%; since 1986, assets have grown 2% or less.

What has made the situation worse for Comptroller Robert Clarke is the merger plan his Texas buddies have been pushing. The assessments of the OCC are regressive, i.e., the amount paid per dollar decreases as the bank's total assets increase. Hence, with all the mergers, the merged "new" bank pays substantially less than the sum of the two old

FIGURE 8

First RepublicBank Corp.

Stockholders' equity



banks. As the Senior Deputy Comptroller noticed, "the fact remains that it's more expensive to supervise an increasingly complex system that has experienced problems because of difficulties in . . . the economy."

Now Seidman has decided the problem is that there are not enough regulators. Considering that 42% of the failures in the past two years were banks that had not been examined by the agency within a year prior to failure, the real question is what the regulators that are working do! And there are plenty of them: 2,000 at the FDIC, 2,500 at the OCC, and 1,500 at the Federal Reserve.

With the amount of debt outstanding, Seidman had better figure it out fast, because there are more failures to come. With the onset of deregulation, the banks and their sister institutions, the S&Ls, were wide open for lousy loans and corrupt management. Those who would guard against the demise of the banking industry have been too busy trying to cover up to even begin to find a solution. Now they have an added problem. They are being considered to help with the S&Ls. But as the American Bankers Association modestly pointed out, "From a practical viewpoint, the FDIC fund is too small to solve the thrift insolvency." Indeed, it is too small to deal with the banking insolvency.

Spendthrift thrifts

The only way the banking industry in this country maintains any shred of respectability is by being compared to the savings and loan associations. And the only man who makes L. William Seidman appear to be a competent banker is M. Danny Wall, chairman of the Federal Home Loan Bank Board (FHLBB). Danny Wall, as of this writing, has issued over

FIGURE 9

First RepublicBank Corp.

Net income 1976-88

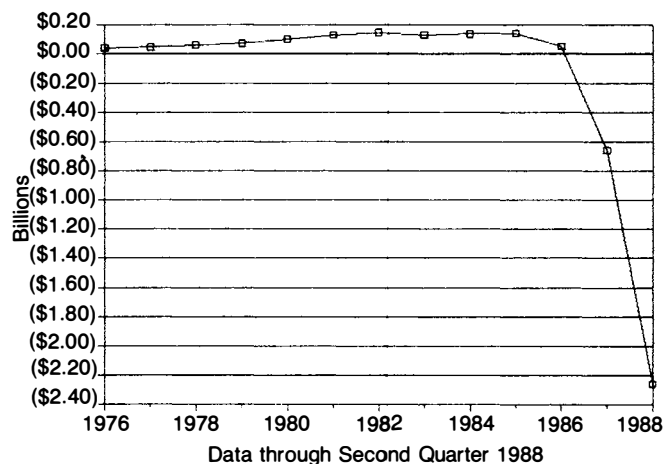
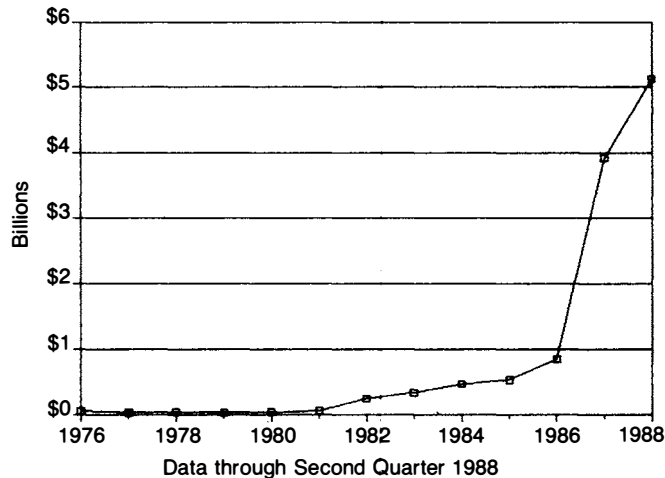


FIGURE 10

First RepublicBank Corp.

Non-performing assets



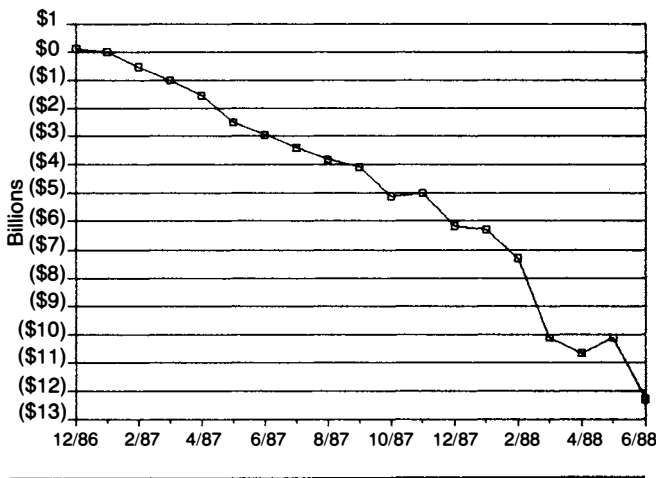
\$20 billion in promissory notes and guarantees, gaining notoriety as the easiest man in America from whom to get an IOU. When the amount of money involved in these transactions started to climb, the magnitude of the problem came to Senator Proxmire's attention. "The bailout to come will be the largest ever in the history of the United States. It will be far bigger than the combined cost of the assistance given to Chrysler, Lockheed, and New York City."

Some would say Chairman Wall has no choice; the insurance arm of the Bank Board, the Federal Savings and Loan Insurance Corporation (FSLIC), is as bankrupt as the S&Ls

FIGURE 11

Texas savings & loans

Total regulatory capital



themselves. According to the official figures, FSLIC's obligations are conservatively \$30 billion. The total annual interest outlay requirement on these is estimated to be \$3-4 billion. FSLIC's current foreseeable level of premium income is approximately \$1.85 billion annually. Put another way, during the first half of 1988, FSLIC's actual cash outlays for principal and interest on its notes and bonds totaled \$1.143 billion, an amount 74% higher than FSLIC's premium and interest collections of \$658 million during the same period. Mr. Wall has no money. All he can offer is promissory notes.

The history of how the savings and loan institutions found themselves to be the most bankrupt sector of the United States is a hard-earned lesson for the promoters of the "free-market" ideology. The interest rate hikes and the deregulation of the banking sector sounded the death knell for the thrifts. Even if the "Great Recovery" had ever taken place, it was far too late for the S&Ls.

When these institutions were first set up, there was a policy known as "Regulation Q," which allowed the S&Ls to pay higher interest rates for depositors. The mortgage rates were without a doubt, the best that could be offered to anyone wishing to own a home.

But by the 1950s, something called disintermediation had occurred. Depositors started going into bonds. A bond is a U.S. government obligation of five years and up, that is a coupon issue, i.e., interest is paid twice a year. By 1959, people were investing in the "Magic 5s," a Treasury note with a 5% coupon, at a time when the S&Ls were offering approximately 3%.

By the time Paul Volcker became head of the Federal Reserve under Jimmy Carter (1979), the thrifts didn't have a

prayer. Interest rates went sky-high and it became impossible to make a profit on home mortgages, the original purpose of the institutions. Around the country, speculative real estate investments, wind farms, ethanol plants, and other crackpot investments became standard fare.

This attracted managers who had a flair for the fast buck. Men like Charles W. Knapp of American Savings and Loan—recipient of a \$2 billion note, the single most costly rescue for the Bank Board to date—and "fast Eddie" McBirney of the Sunbelt Savings and Loan—the end result of a merger of eight insolvent thrifts and the recipient of minimally \$5.5 billion in pledges from the Bank Board—were exactly what the doctor ordered. They have turned over their legacy to the likes of Robert Bass, corporate raider, and Club Corporation, the largest U.S. owner and operator of private dining and country clubs. Such are the managers of the repositories of the savings of American workers. The days of "It's A Wonderful Life" have long since past.

If lack of regulators is a poor excuse for the state of the banking industry, it borders on the absurd when it comes to the thrifts. There are 3,092 savings and loans in the United States (including the "brain-dead" as the failures have come to be known); there are close to that many regulators within the FHLBB, FSLIC, and the various other agencies that theoretically manage the thrifts. But management has come to mean cover-up.

The regulators spend their time merging small disasters into big disasters and coming up with incentives to foist them onto someone else. The most recent and one of the more incomprehensible of these gimmicks is something called the pocket charter. A pocket charter is given to the new acquirer of a failed S&L along with the FSLIC promissory note (which is fast losing its appeal).

This is a charter for a new, separate thrift in case FSLIC defaults on its note. Once FSLIC defaults, the note is put into the new, pocket-chartered thrift as the thrift's sole asset. (No one has yet figured out who would want it.) Also put into the new S&L is an amount of deposits equal to the amount of the note. These deposits will no longer have interest paid on them, and they become liabilities of the new thrift. The new thrift is owned by the depositors (who are no longer receiving interest) and the acquirer of the original S&L would have neither ownership nor responsibilities to the depositors. FSLIC would guarantee the new thrift—but as this whole scheme is premised on the idea that FSLIC will go under, the guarantee is a joke.

The bad jokes and lies are becoming more costly every day. The \$100-150 billion will ultimately come from the taxpayers. A number of Wall Street traders have noted how the market and banking had historically been completely separate, but one of the benefits of deregulation was the meshing of the two. The geniuses who brought us the October 1987 crash have advised the banking industry. The American citizen is about to pay dearly for such counsel.

Dollar remains the weak link

by Chris White

There is no especial mystery to the apparent success of efforts to keep the international financial system afloat over the last year. Nor should there be any confusion about what the price that ultimately has to be paid will be. Both the apparent successes, as well as the future day of reckoning are pivoted, in form, on the U.S. dollar.

The willingness of foreign creditors to maintain the flow of incoming funds to finance U.S. deficits has kept the ball bouncing along over the months. Most likely the decision of the same foreign creditors to withdraw their support, or reduce the same, will be what triggers the next phase of the crash now in progress. Since there are upwards of \$15 trillion in unsecured dollar assets floating around out there, in the so-called markets, compared to about \$3 trillion in nominal value of stocks, the effects of the day of reckoning, when it does come, will be proportionally greater than what happened when the stock market flirted with melt-down last Oct. 19.

For the creditors, single-minded in their insistence on the sanctity of their debts and maintaining the money value of the debt service, the prime question is the deficit of the federal government of the United States. For the still sane, the problem is another. The U.S. economy, increasingly over the last

six years, has become a deficit economy, incapable of producing but between 65% and 75% of what is required to maintain its annual functioning.

The federal deficit has grown as the economy has collapsed around the activities of the federal government. Federal revenues are based on tax payments. Tax payments whether in the form of payments of households and individuals, or of corporations, are directly related to the level of economic activity. A flourishing economy, comprised of a majority of its workforce employed in high-paying productive activity, generates revenues for the government's account. An economy which does as the United States has done increasingly in recent years, shifting its employment into relatively lower-paying service jobs, and shifting the composition of its investment accordingly, is less productive, and the tax revenues are not there. To then demand that the budget be cut, and that taxation be increased, is actually to demand that the deficit be further increased and the revenue be further diminished.

The sane would insist that the opposite course be followed. Reorganize credit to permit the expansion of productive employment in capital-intensive and technology-intensive workplaces, thereby to increase the government's revenue flow, through increasing overall productivity.

Beginning shortly after this November's election in the United States, there will also be beginning a showdown over which of these two approaches will prevail. The chief instrument in this showdown will most likely be the exchange value of the U.S. dollar. Grudgingly, at the end of the first quarter, and again grudgingly at the end of the second quarter of 1988, when 90-day commercial paper and other outstanding liabilities came up for rollover, European financiers, typified by

FIGURE 12
West German deutschemark
D-marks per dollar

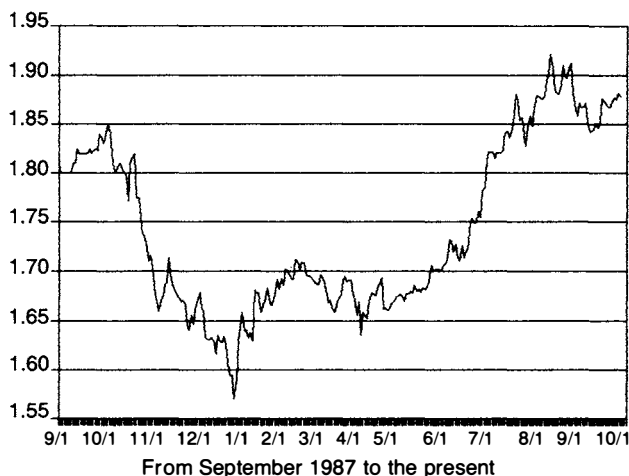


FIGURE 13
Japanese yen
Yen per dollar

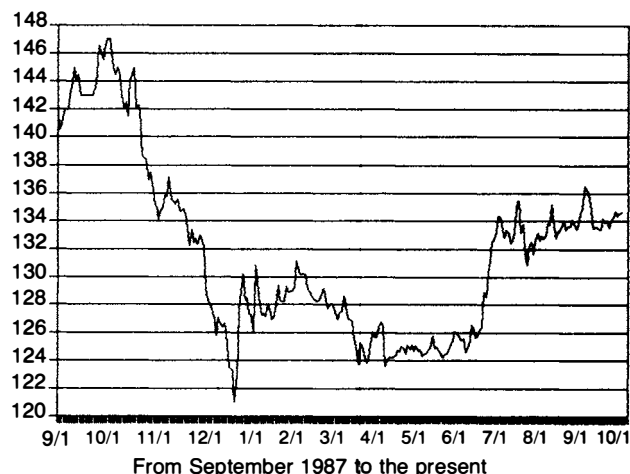


FIGURE 14

British pound sterling

Dollars per pound

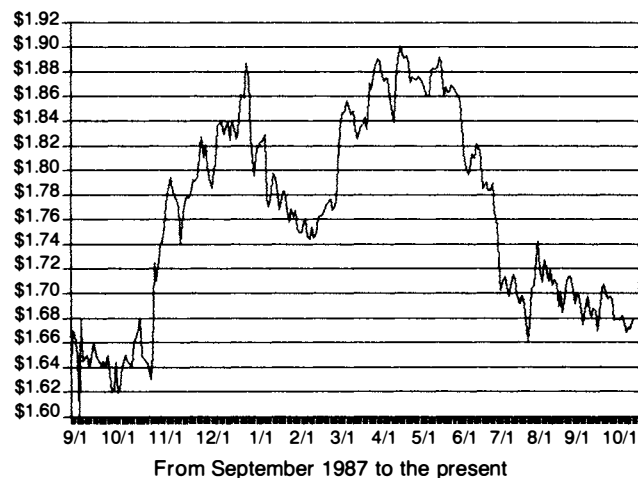
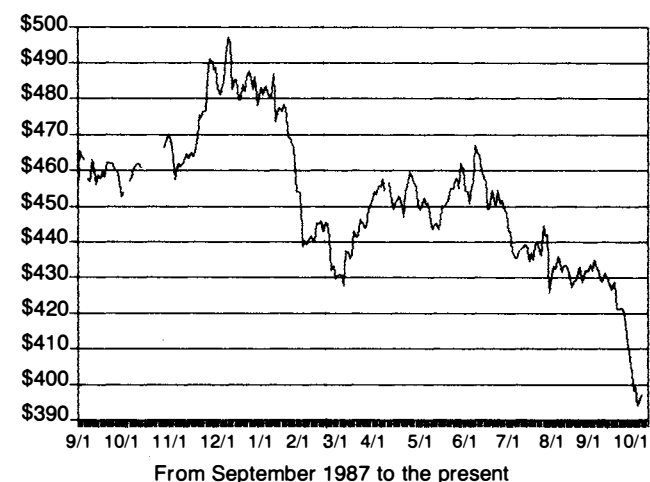


FIGURE 15

Comex gold

Dollars per troy ounce



Hans-Jörg Rudloff, agreed to the rollover—understanding, they said, that circumstances this year were somewhat peculiar, given the U.S. elections, and therefore recognizing that prior to those elections, it would indeed be difficult to do anything else, but still insisting that this will be the last time such treatment is permitted the United States.

Reviewed from this standpoint, **Figures 12 and 13**, which show the German mark in dollars, the Japanese yen in dollars, tell their side of the tale. Currencies have moved relatively sharply, around each quarterly refinancing, to establish some kind of new plateau, before the next refinancing. The December 1987 Versailles Agreement on exchange instability, which asserted that the Group of Seven Finance Ministers would act together against exchange rate fluctuations which “could be counterproductive” set the tenor for the agreements.

Indeed, the United States, in letting the dollar go into free-fall leading into the agreement, blackmailed everyone else into doing their bit. The price of maintaining that agreement over the succeeding quarters has been the pattern of interest rate increases inside the United States which has taken the prime rate back into double digits, and increased all classes of interest rates commensurately. So much so that comparable rates around the world have increased to the point that it is indeed a question whether the differential between U.S. rates of interest, and those in money market centers elsewhere, is sufficient to continue to attract the necessary flow of foreign funds.

The next such three-monthly rollover is scheduled for the last week of October and the first week of November. Part of the price was conservatively estimated in August as a flow into the U.S. credit system of anywhere between \$50 and \$100 billion. Attracted by the relatively higher interest rates inside the United States, which prevailed through June and

July, those funds did not end up in the stock market, as is attested by the continued stagnation in market volume, nor in the bond markets, witnessed by the continued pressures on bond prices.

To keep the system afloat, its managers permitted the arming of another time-bomb. A borrowed pile of speculative hot money—re-lent through money market and other means, into yet more vulnerable parts of the system, such as the staggering savings and loans, and other parts of the banking system—has to be rolled over, and can be withdrawn just as easily as it entered.

If the behind-the-scenes discussion at the recently concluded annual conference of the International Monetary Fund is any guide, the second week in November may well be when this shift is kicked off. If not then, surely sometime before the inauguration of the next President. The word is that the principal participants at the International Monetary Fund conference agreed to maintain what they call “stability” through the U.S. elections, but after that, the United States is to be compelled to get its fiscal and budgetary house in order.

The same point, albeit in slightly different language, was made recently on Mexican television, by none other than David Rockefeller, when he recommended that the United States emulate what he called the “Mexican Model.” On the one side, Mexico has drastically butchered its government’s spending, reduced consumption of individuals and households, and stripped out the economy to service the rapacious appetites of its creditors. This butchery is called in the language of financial technocrats who impose it on national governments, “restructuring.” On the other side, the “restructuring,” as imposed on Mexico, Brazil and Argentina, among others, is the policy shift which is left in place after a

FIGURE 16

Comex silver

Dollars per ounce

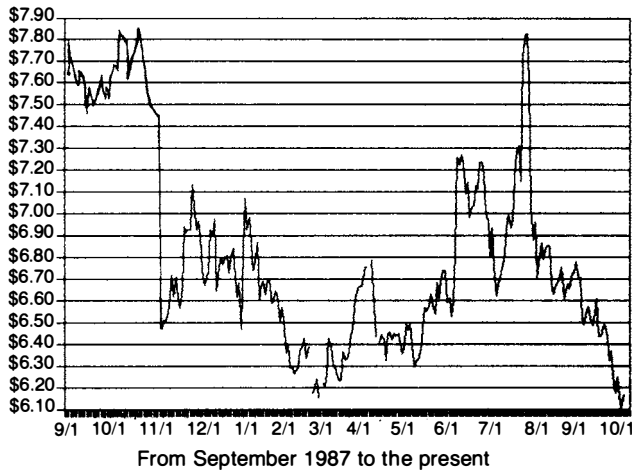
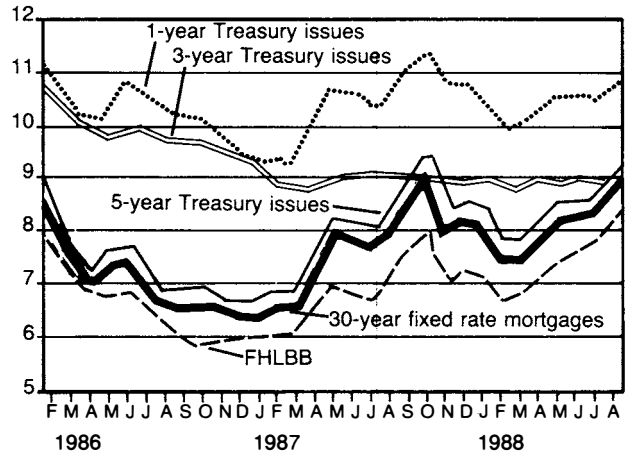


FIGURE 17

Common indexes for adjustable-rate mortgages



country's government and other leadership layers have been softened up by what is called "shock" tactics.

This generally takes the form of capital flight, of massive proportions, and savage devaluations of a nation's currency by 50-100%, to create the conditions for the implementation of the "restructuring." Those who organize the capital flight turn out to be the very same forces which then turn around to demand the implementation of the brutal restructuring policy. And, it makes things worse.

Something like that is what is being prepared for the United States. There is one problem, however. There were not \$15-20 trillion of liabilities dependent on the Mexican, Brazilian, or Argentine credit systems as there are on that of the United States. Impose that kind of shock on the United States and the liabilities are effectively devalued by the amount the currency is devalued. There won't be too much of the world banking and credit system left after that kind of shock.

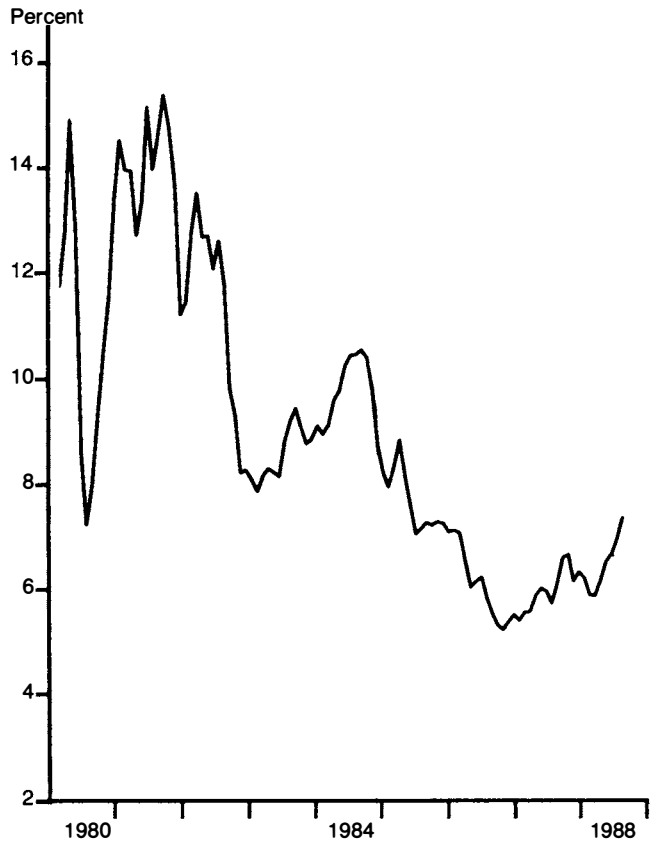
No doubt, some then calculate that prime U.S. assets will be on the auction block for less than a nickel on the dollar. The question is, who will then be the auctioneer, under such brutal deflationary conditions?

Under such conditions, government has the power to act and no one else. And government has the capability to reorganize credit, to crank up production and employment, so that through the creation of wealth, some order and purpose can be brought out of the financial mess.

Over this year it was decided, by the so-called powers-that-be, that their system would be held together until after the U.S. elections. By so doing, the powers-that-be deprived themselves of the option of minimizing the damage that would follow from financial collapse, and acted to ensure that the crash, when it did come, would be worse than it otherwise had to be, and so to speak, unstoppable.

FIGURE 18

Six-month Treasury bill rate



Source: Federal National Mortgage Association; Federal Home Loan Mortgage Corp.

Moscow aims toward the Balkan flank

by Lyndon H. LaRouche, Jr.

The following analysis was written on Oct. 6, 1988.

In the processes leading into the past week's Moscow developments, nearly all leading intelligence and related sources have been consistently wrong in the most essential features of their forecasts and after-action assessments. The problem so noted admits of a simple characterization: the more our intelligence and related institutions contort themselves, to avoid appearing to adopt a "conspiratorial view of history," the more their comprehension of events resembles the script of a TV soap-opera.

Sometimes, the views transmitted were directly contrary to the bare facts of the matter. More frequently, the current events listed were rightly identified as events, and some of the content of that sort was valuable material; but the attached explanation of the dynamic within the Soviet leadership was something from a Sovietologist's version of "Dallas."

For the latter class of instances, the parable of the bungling physician is suggested. Some of the symptoms which the physician identified actually existed. A short time later, the certificate of death read "cardiac failure"; are not all deaths brought on by heart failure? The pathologist who performed the autopsy knew, that the real cause of the patient's death was a wrong diagnosis by the attending physician.

The following report has two purposes: A) to sum up the recent Soviet developments, indicating their leading significance; B) to attempt to make clear why most reports so far received mis-diagnose the dynamic within the Soviet leadership.

1. What happened in the extraordinary proceedings

Begin with a list of what might be termed "The Andropov-Ogarkov Kindergarten": persons rising to higher and higher positions of power within the Soviet command, whose association with Andropov and Ogarkov dates from a time as early as the wartime Leningrad period. In the significant, if only preliminary restructuring (*perestroika*) of the Soviet command which occurred over the past weekend, this "Kindergarten" consolidated its power greatly.

Its power-bases are chiefly the military and the Chekist apparatus. Ogarkov has a rising "Kindergarten" of his own in the military, while others associated with Andropov in the KGB command dominate the Chekist apparatus as such.

This direction of "restructuring" within the Soviet command has been identical with what I had forecast, during Winter 1985, would be the result of Gorbachov's impending appointment. Which persons from the "Kindergarten's" total roster of 1985 might secure which position, at what date, was all that was open to question then, and the same caution respecting individual personalities must be employed now. With that one qualification, there has been no recent event, nor any since early 1985, which can be considered rightly a causal factor in shaping the form of the restructuring effected during the past weekend's plenary sessions.

In the language of classical tragedy, the collective body of Soviet actors behaved last weekend, as their character already determined the collective fate of the "Kindergarten" back during early 1985.

I will elaborate the relevance of the following, interpo-

lated observation in the closing portion of this report. However, it is useful to append this much here, referencing the allusion to classical tragedy just made, immediately above.

The mastery of a collection of Friedrich Schiller's writings on both history and the composition of classical tragedy, ought to be mandatory for every leading intelligence analyst. Great classical tragedy, that of Aeschylus, Shakespeare, and Schiller, and also, implicitly, Cervantes' *Don Quixote*, is true to history in the sense that Schiller explains the reasons the two must differ in some respects. The analogy is Leonardo da Vinci's and Raphael's use of spherical perspective to paint with greater accuracy than ordinary sense-certainty shows. It is the essence of history which is placed on stage in great tragedy; hence the power of Shakespeare's and Schiller's tragedies in their time. The principles of composition of great classical tragedy, are the true principles of real history's dynamic.

Like actors on the classical tragedy's stage, the leading Soviet actors of this period are in the grip of a force which dominates, and usually overrides the impulses otherwise arising from interpersonal and related transactions. In the West, the situation of the establishment, governments, and political parties, is constrained analogously, although the imperative supplied by the gripping force differs from Soviet imperatives. It is possible for individual real-life actors, and groups, to control this gripping force by act of will, but the opportunities for doing so are much more narrowly defined than present Western Sovietology presumes. In the main, the personal will affects only the tertiary matters, including the tertiary issues of personal strife between Gorbachov and Ligachov.

This is rather easily recognized if one but looks at the recent [Sept. 30-Oct. 1] weekend's events in the proper perspective. The question becomes, then, not how this or that personality fared, but how the "Kindergarten" fared. By focusing upon the "Kindergarten," rather than its individual members, and seeing the past weekend's events in those corrected terms of reference, our attention is focused upon the pattern of events, not only since March 1985, but since the formal adoption of Andropov as Brezhnev's successor, back in late spring 1982.

Since the *Raskolniki* current in Russian culture, which the *Bolsheviki* represent, rejects Western belief in the individual soul, and believes in the collective soul of the *Rodina*, instead, these Russians are more gripped by their *fate* than the forces of the more individualistic West. In the Bolshevik case, this Russian tendency toward fatalism has been reinforced by the "anti-voluntarist" cult of "objectivity."

Compare the illustrative case of MacArthur's counteroffensive in the Pacific. Japan had an excellent war-plan, but lacked the ability to improvise effectively when MacArthur changed the rules of the game. During the last war, the best Soviet commanders were not as bad as Marshal Montgomery (who would still be regrouping allied forces—perhaps in

western Canada—had he been Supreme Allied Commander); however, the German officer's and non-com's training in improvisation, and the Soviet response to that improvisation, shows us how the Soviet cultural weakness is reflected as a potentially exploitable strategic factor in warfare.

Thus, against a defensive posture by the West, the Soviets have relatively the greatest strategic advantage. Flank them with appropriate strategic improvisations, in general, and successively, and their margin of advantage is significantly reduced. Let them set the agenda, and they have the advantage. Confront them with the unexpected, and they are thrown mentally off-balance. So, to the same effect, the trouble with Soviet agriculture and industry is that they are operated and managed by today's Soviet Russians, whose anti-Western, Dostoevskyan cultural inferiority incapacitates most of them in attempting to deal with technological progress. This same flaw we see in the Russian's work-a-day life, is reflected in the mental processes of those characters from the pages of a Dostoevsky novel, the real-life brothers Karamazov, today's Soviet leadership.

Hence, the current economic trends in North America and Western Europe are sheer lunacy. This is true in many ways, but the relevant consideration here, is the roles of the high-technology independent farmer and small high-technology firms. The crushing of the smaller independent entrepreneurial enterprise, by the food cartels, and so on, is hailed as assuring greater financial efficiency and lower prices. On the contrary, the successes of large U.S. and German enterprises depended upon those small entrepreneurial firms, their vendors, such as the machine-tool shops and related smaller concerns, who did what they did with an efficiency no large enterprise could muster. In the liquidation of such smaller entrepreneurs, here in the U.S.A., and, largely through the role of the supranational Brussels European Commission in Western Europe, we are imitating the Russians at their worst, and our standard of living and productivities will be shaped accordingly.

We resume the summary of the past weekend's developments as such. Although it was not any of the things which most sources suggested, which caused the restructuring done, events did play a crucial part in the timing of the development, and in the choice of immediate mission assigned to the reformed structure.

The October 1988 plenary sessions had been scheduled for more than six months. This was affirmed, even underlined during the sessions earlier this year. Then, during the past month, the information supplied from Moscow was that the sessions were postponed until January 1989. This state of affairs continued until last Wednesday. What caused the sudden reversal, the announcement of the extraordinary plenary sessions?

Trace the itinerary of Yazov. Follow him to the Carpathian "wolf's lair" of the Soviet western command. Note the

military exercise to which no Western observers were invited. Note the emergency meeting of the Warsaw Pact defense ministers. Note, in the same period, the sudden deployment of a major Soviet alert—directed toward the West! In this setting, there is the sudden announcement of the emergency plenary sessions.

Why the alert? Afghanistan? No, that is all prediscouted as of August. Transcaucasia? That, too, is prediscouted. Iran? Less likely than Romania. Flight forward into West Germany, in search of food? That is a possibility, although I think speculative at this time. I think the target is Romania, preparatory to a blow-up of Yugoslavia not far down the line. The Romania option is interesting. Morbid, but interesting. Also, examining this option, if only as an option, is a convenient way of putting the most important features of the extraordinary sessions' timing into perspective.

During the period of the last national elections in Greece, I noted the significance of Papandreu's probable election to be the development of three Soviet strategic options: 1) The targeting of Turkey's membership in NATO; this was borne out by Papandreu's anti-Turkey alliance with Warsaw Pact members Syria and Bulgaria. 2) Soviet Middle East objectives. 3) Most strategically crucial of all, the destabilization of Yugoslavia.

A Soviet operation in Yugoslavia would probably be of the following form:

1) Dividing Yugoslavia three ways: Albania and Kosovo; Croatia and Slovenia tilted traditionally toward the West; Soviet-tilted Serbia allied with Montenegro, with Macedonia tilted toward Serbia-Montenegro, against Croatia and Slovenia. The historically determined lines of cultural division.

2) The Moscow-oriented Serbian military, and the Serbian nationalists moving toward the options of a Serb-dominated military rule, or some option chosen in a kindred spirit.

3) The partitioning of Yugoslavia, accordingly, placing the Serbian faction under Soviet protection.

The key to a Soviet role in this scenario is Romania. The treaty between Tito and Ceaușescu, for the case of a Soviet aggressive action, illustrates the point. Study of the relevant kinds of maps is useful. Implicitly, Soviet forces must be poised inside Romania in readiness for the indicated role in Yugoslavia developments. This means eliminating Ceaușescu.

Eliminating Ceaușescu must be done as a Warsaw Pact, not a Soviet unilateral action. This means Soviet and Hungarian units, primarily, not without help from Bulgaria. A Warsaw Pact meeting must prepare the final details. The meeting would be run, not on the military level as such, but by the defense ministers, since this involves a political decision of the relevant governments. That meeting would occur at the Carpathian command center of the western command.

The Socialist International is now poised to bless such an expedition. Ceaușescu's obituary notices are now set in type, so to speak. The lion is afoot, on the hunt, and the jackals are already yipping and drooling in anticipation. Among optional Soviet enterprises of this nature, given the quality of Western leaders and Western public opinion, both the military and the political risks are relatively minimal. Western nerves will receive a slight jolt of pain, if it happens, but not so much that present trends in global-power-sharing agreements will suffer noticeably. The risks are minimal, and the strategic gains at the expense of a foolish West, relatively maximal.

Except when cornered, the Soviet animal fights only as a brutish bully does. When he commits rape, he prefers just enough resistance from the victim to add zest to the occasion, but never so much as to put the desired outcome in jeopardy.

Noting that a Romania expedition is merely a deployment in readiness for a Yugoslavia development, examine the map of the Balkans and entire eastern Mediterranean from this standpoint. Given the deployment of militant Islamic fundamentalism in Sunni regions, including Egypt, what is the strategic character of the eastern Mediterranean under the conditions of a partitioned Yugoslavia and Islamic fundamentalism sweeping out of Egypt, throughout most of the Arab world—and beyond?

At that point, very little more is required to deliver as much of the tormented Middle East into Soviet hands as they might desire to take, whenever they might be pleased to exploit that persisting opportunity. Turkey is outflanked acutely, for example, and Moscow is in reach of Istanbul next.

This, and other Soviet military options are energized by the spirit of surging food crises and nationalities crises, and interact with those crises. Thus, the coincidence of timing between the military alert and the extraordinary sessions.

Examine last weekend's Moscow developments from the standpoint of the outcome for the "Andropov Kindergarten." How do the results of this restructuring bear upon the military option referenced, and also the circumstances of food crisis and nationalities insurgencies? If you were a Russian, and a member of the Andropov "Kindergarten," what changes in government would you consider imperative for this combination of circumstances?

The placing of "Crown Prince Mikhail V" in his new position in respect to the Soviet Council of Ministers, occurs as a feature of increased power by the combined forces of the military and Chekist apparatus. The entire Soviet command is now dominated by a "war cabinet." The significance of the weekend's restructuring, in the setting in which it occurred, is clearing the decks for possible action, both internally and also externally.

Then, look at what many experts say is the "murder" of Bavaria's Franz Josef Strauss this past weekend. Strauss was a kind of political-strategic "Potemkin Village," who was more public-relations image than real toughness. However,

'Andropov's Kindergarten'

Contrary to the rubbish flooding the Western media, the Sept. 30 Soviet Central Committee Plenum did not demote KGB boss **Viktor Chebrikov**; it promoted him to "czar" of *all* the internal security organs of the U.S.S.R., making him the most powerful KGB figure since Lavrenti Beria after the death of Stalin. Politburo member Chebrikov was named a Central Committee Secretary, the only new addition to the CC Secretariat, which runs the party machine. He now heads one of the six newly established CC Commissions, the one on Questions of Legal Policy, which has charge of law and order questions, and of the CC's Administrative Organs Department, which oversees the KGB, the military, the interior ministry, and the judiciary and state prosecution apparatus. As *EIR* reported on Feb. 5, 1988, two officers from the Soviet Army's High Command West, run by Marshal Nikolai Ogarkov, Generals Lt. I.A. Larin and N. Shlyaga, became leaders in the Administrative Organs Department during 1987.

This also marks the first time since the spring of 1982, with Yuri Andropov's promotion to the CC Secretariat, that a KGB boss holds simultaneous membership on the Politburo and Secretariat. Six months after Andropov's promotion, he became general secretary. Any forecasts concerning Chebrikov at this time are out of order, but he is certainly a prime contender for the succession, should Gorbachov not survive the crisis.

Chebrikov's coup capped the vast increase in the institutional power of the KGB scored at the plenum. The

key promotions involved, without exception, extremely close associates of the late Yuri Andropov:

Vadim Medvedev, promoted to full membership on the Politburo and number four on the CC Secretariat (after, in order of protocol, Gorbachov, Yegor Ligachov, and Lev Zaikov). Medvedev was a close associate of Andropov going back to the late 1960s. His promotion demonstrates that solving internal and Eastern European problems has the highest priority. Since 1986, Medvedev, an economic expert, has headed the CC department for relations with "ruling parties," i.e., the East bloc.

Boris Pugo, KGB career officer, was appointed to the powerful post of chairman of the Party Control Commission, which oversees and executes party purges. Before becoming party boss in Latvia in 1984, Pugo headed the KGB in Latvia (1980-84). Pugo's taking over the Party Control Commission from Politburo member Mikhail Solomentsev marks the transfer of control over the purge apparatus from the party to the KGB.

Vladimir Kryuchkov was appointed Chebrikov's successor as KGB head. Kryuchkov was perhaps the closest confidant of the late Yuri Andropov. Their relationship dated back to 1955-56, when Andropov was ambassador to Hungary, and KGB officer Kryuchkov was Third Secretary at the Soviet Embassy in Budapest. In 1957, when Andropov was named CC Department head for East bloc relations, he appointed Kryuchkov to head the Hungarian sector. In 1967, when Andropov became KGB head, Kryuchkov was appointed deputy head of the KGB First Main Directorate (foreign intelligence), then first deputy head, and finally, from 1974 to the present, head of KGB Intelligence.—*Konstantin George*

that Munich "Potemkin Village" provided many networks, and institutions of Germany (and elsewhere) a friendly *Kneipe* (tavern), where Strauss the back-slapping, tough-talking tavern-keeper, played host. The strategic significance of the death of Strauss is that, with the tavern-keeper dead, the *Kneipe* is closed indefinitely. Now, the habitués who used to meet there, have no such place to go; to that degree, important connecting links have been broken.

Strauss was murdered while on a hunting trip, hosted by Johannes Prinz von Thurn und Taxis. He had just recently escaped death, while returning from an earlier hunting trip, hosted by Bulgaria's Bogomil Commissar-King Todor Zhivkov. A curious failure of the cabin-pressure system, forced pilot Strauss to dive from 11,000 meters, narrowly escaping death. Soon, he was dead, on the same weekend as the succession of special events in Moscow.

Could the Chekists prediscuss the strategic after-effects of such a Strauss death? Certainly. In the world of KGB

assassinations, where accidents are seldom accidental, there are virtually no accidental fatalities. When death follows an unsuccessful putative accident shortly before, and that death comes of putative cardiac arrhythmia, with kidney and lung shock, so suddenly, the possibility that an accident is an accident drops toward fractions of a single percentage point.

2. Conspiracy and tragedy

To the degree that history is shaped by conspiracy of a significant duration, those facts of the sort usually regarded as possible evidence of conspiracy, are merely an outgrowth of a true, much deeper, less conscious conspiracy among the participants. In chief, most durable conspiracies, especially of the sort which bridge successive generations, have the primary form of a political-philosophical coincidence of views, aiming at the undermining of the influence of some contrary political-philosophical current.

Usually, one does not choose to participate in a conspir-

acy of that quality; rather, at least to a very meaningful degree, the conspiracy chooses its participants. There is nothing occult in these connections; the principles are elementary, on condition one regards the matter in a properly informed way.

A person says he does something, because "I thought that was the right decision." The "I" in this case, is not a pure "I," not the simple "I" of an individual's bare social identity. The decision was not made by a pure and simple "I." It was shaped on the basis of a largely unconscious set of adopted assumptions, assumptions analogous to a set of axioms and postulates underlying a formal-deductive theorem-lattice.

Among the included leading significances of the Socratic dialogue in general, is that this is a form in which such usually unconscious underlying assumptions are examined, and altered, in an intelligible fashion. In the Socratic dialogue in general, a proposition is considered. Is it true or false, and is there a better proposition which ought to be substituted for that one? The method is to adduce the assumptions immediately underlying the proposition, and then, in turn, to examine similarly the assumptions underlying each of that first set of adduced assumptions. By defining such an implied assumption as faulty, and replacing it properly, a new proposition is generated, replacing that initially considered.

In formal mathematics, we say that each and all of the theorems fully consistent with an initial set of axioms and postulates, form a *lattice*, or theorem-lattice. It follows, that the principle of deductive consistency creates the effect, that no theorem of any such one theorem-lattice says anything which was not already implicit in the set of axioms and postulates from which the theorem-lattice as a whole is derived. This "property" of a deductive theorem-lattice is sometimes termed "the hereditary property," and this for reasons which should require no explanation.

This would be the picture of the mind of a truly (deductively) consistent person. Most persons are not. Yet, in the case of the significantly irrationalist person, even in the case of the paranoid psychotic, a certain form of the "hereditary principle" obtains.

The more profound, and more effective forms of study of human behaviors, examine all of the subject individual's or group's behavior from the vantage-point just described. This approach greatly simplifies the tasks of understanding. If we recognize that no "theorem" of a theorem-lattice, even an irrationalist lattice, contains anything not already implicit in underlying axiomatic assumptions, we can study behavior by focusing directly on those axiomatic assumptions, and treating particular opinions of subject persons as implicitly predetermined by the relevant "hereditary principle" adduced from study of the axiomatic assumptions alone. In physics, this is the method of "strong hypothesis," of so-called "crucial experiments."

Ordinarily, thus, individuals have very little "free will." To the degree they are not conscious of the axiomatic as-

sumptions shaping their choices of opinions and impulses, they are much less free than if they are. Thus, the Socratic dialogue is a model of personal freedom of will. It is to the degree that we are not only conscious of our assumptions, but are able to change them willfully on the basis of discovering that they are false, that our will is free.

When the implications of this fact are thought through, it should not be difficult to recognize why Socratic dialogue is the secret of composition of great classical tragedy. The point here, is to show how this principle of classical tragedy applies to the analysis of real-life settings, such as strategic diagnoses, and prognoses, of the behavior of the Soviet leadership.

Above, in reviewing the relationship between underlying (axiomatic-like) assumptions and theorems, we identified the simplest kind of case, the case in which the set of assumptions is more or less fixed. In most cases, in societies in real life, these assumptions undergo more or less gradual changes from generation to generation, such as the long process of change, away from the doctrines of natural law accepted by the majority of the writers of our federal Constitution, to the amoral philosophical liberalism which predominates in government today. That example illustrates the fact, that the patterns of shifts in underlying assumptions by large bodies of people have, most of the time, a consistent direction, moving away from some kinds of values, toward other kinds of values.

So, those parts of the population which are less "free"—i.e., less Socratic—in their thinking, more suggestible, may change their individual assumptions significantly, but they tend to adopt changes which continue the evolution of underlying values, away from, and toward, as earlier. This sort of "away from/toward" movement in their shifts of underlying values, has the character of an acquired habit. Under appropriate degrees of stress, or kindred pressures, when they are impelled to modify their underlying values, even unconsciously, they tend to adopt changes which are consistent with the direction in which they have been shifting their values up to that point.

There are exceptions to this, both in isolated cases, and in mass behavior, but the indicated kind of force of habit is more frequently the case.

The point, that we are habituated to a certain direction in our evolution of underlying values, essentially reflects the fact that people are human.

The beasts' behavior is limited, to an effect approximated by a society whose culture is associated with a fanatically "traditionalist" form of economy. The beasts can adapt, and learn, but the range of learning available to them is limited, as if by instinct. Human beings modify their cultures to a degree which amounts, by comparison with beasts, to choosing a new set of "instincts." This distinction has been developed to relatively the highest degree in Western European culture, with our emphasis on high rates of scientific and technological progress.

Therefore, the most important kinds of habits we meet in nations, or other large social formations, are not the seemingly fixed habits, and fixed ideas, but rather the habits which govern the way in which a population evolves its choices of axiom-like, underlying value-assumptions.

The problems which arise from those more important kinds of habits, are the characteristic subject of great classical tragedy. In *Don Quixote*, for example, the character Don Quixote, who some say, credibly, is modeled upon Philip II, is trying to preserve an old world of feudal chivalry, out of time. He is therefore, unfit to cope with the real-life problems of his age. The alternative, is to put government into the hands of the common folk, represented by Sancho Panza. The problem of the work, is the question, whether Sancho Panza can rise above his old, greedy habits, to become qualified to govern an island (an "island" such as 16th-century Spain)?

What the classical tragedian puts on stage, is a moment of the history of a people, in which the accumulation of policies generated by prevailing policy-shaping and related habits, has brought the society to the brink of some sort of general catastrophe, as is the case with the world as a whole today. The key to the tragedy's development is an interplay between two kinds of choices. If the society reacts to the problem according to its established habits of policy-shaping, the society is doomed to suffer the calamity threatening it. On the other side, a real solution to the problem is indicated to be available. Will one of the key characters, usually the chief character of that drama, find in himself, or herself the ability to recognize that solution, and to act upon it as the opportunity to do so is presented?

So, the tragedy unfolds, reaching a point which Schiller identifies as the *punctum saliens*. Crudely, this is the "point of no return." Either the hero seizes opportunity to insert the solution by that point in time, or all concerned are fated to the bloody mess looming ahead of them, as in the conclusion of Shakespeare's *Hamlet*.

For these reasons, the classical tragedy is a classical Socratic dialogue in the guise of dramatic entertainment. The great tragedian uses the medium of dramatic entertainment, to lead the audience, step by step, through the same kinds of processes we meet in any of Plato's dialogues. The audience's attention is led to the assumptions underlying the opinions and policies of the characters. In this way, the deeper reaches of each character's inner self are shown on stage. This occurs at the same time that the falseness of certain of the underlying assumptions is demonstrated dramatically. The "unhappy ending" for the hero, is a necessary part of a tragedy, since it is the author's duty to demonstrate the consequences of failure to act upon the kind of solution shown to be available.

The following bits of historical fact suffice, one may hope, to make the connection between tragic principles and strategic analysis clearer.

It is little known today, but is documented from that period; Schiller's dramas affected the population of Germany more, and more profoundly than any other modern dramatist. Hence, numbers of volunteers enlisting to fight the Liberation Wars against Napoleon's tyranny, made a pilgrimage to the house of Schiller's widow, seeking some token of Schiller's work to carry with them into battle. She responded by cutting snippets of his manuscripts, which she gave to each, which they, in turn, carried into battle in their rucksacks.

Schiller's influence on the Germany of the 1812-14 period extended to areas other than the profound love for his memory among so many of his dramatic audiences. He was a poet, dramatist, and historian, but also, in the last decade-odd of his life, the political and cultural leader of the leaders of the German Classical movement, including Wilhelm von Humboldt. So, in an ironical way, his hand reached out from the grave to destroy Napoleon.

The circle of German leaders around vom Stein, Humboldt, and Scharnhorst, who brought Napoleon down, did so by means of turning Napoleon's Russian campaign into a gigantic trap. They succeeded in obliging the Russian commanders to avoid a decisive battle with Napoleon, where Napoleon would have crushed them, and rather to stage a rear-guard retreat, luring Napoleon into the capture and occupation of Moscow. The city was mined, to be brought down around Napoleon's ears during the Russian winter. So, by this means, and by the Scharnhorst circle's mobilizing the concerted attack on the retreating Napoleon before he could reach France and regroup his forces, Napoleon was destroyed.

The design of this strategic trap was based upon the extended historical study of the 1618-48 Thirty Years War which Schiller had completed as preparation for the composition of his *Wallenstein* dramas. These studies, and the *Wallenstein* drama itself, were directly the basis for the Prussian war-plan for the Russian campaign of 1812.

It is to the degree that we are able to adduce from the governing elements of behavior and circumstance, the forces controlling the behavior of the actors in our present, imminently apocalyptic crisis-period, on the Soviet leadership, our own, and otherwise, that we comprehend these processes with the clarity and precision a Schiller commanded in composing his tragedies.

Since this is not a manual on that matter, I shall say no more in this memorandum than I do. See those Russians, not in terms of a tawdry, Sovietologist's soap-opera scenario; see them in the grip of habituated trends of behavior they may not become able to control, and in the grip of circumstances shaped by forces beyond their will to control. See their present and probable future conduct shaped by such constraints. That is the criticism, and the recommended remedy of outlook, respecting the dangerous flaws in partly wishful diagnoses featured in the relatively better among the reports I have recently received on the past week's events.

Poland's new leader Rakowski: Perestroika means bloodshed

by Irene Beaudry and Luba George

The Polish government resigned on Sept. 19 after it had been severely criticized by the Communist Party for having failed to implement "economic reforms." Prime Minister Zbigniew Messner was replaced by Politburo member Mieczyslaw Rakowski.

Rakowski's appointment was a combined International Monetary Fund-Soviet dictated arrangement. The Soviet Union, which is undergoing a deep economic crisis, marked by severe shortages of food and consumer goods, has to ensure that it can continue to extract from Poland the goods it needs; and with Poland's foreign debt at \$40 billion, the IMF is refusing to give any new credits unless Poland undertakes vicious austerity.

So far, the Polish government's so-called "reforms," involving price increases for a whole range of food, fuel, and consumer products, have backfired, in that they prompted public protests and widespread demands for pay raises to compensate for higher prices. The strikes in April and May and again in August 1988 dramatized the collapse of the economic program. Thus, the need for a more ruthless and cold-blooded rule in Poland, under the disguise of surface "liberalization" schemes, has become the order of the day. Rakowski, a butcher with a "liberal reformer" mask, has been chosen for the job.

His appointment was pushed through by the real strongmen of the Polish Politburo—Interior Minister Gen. Czeslaw Kiszczak and Defense Minister Florian Siwicki. Moscow's hand behind the naming of Rakowski was signaled by an interview with him appearing in *Pravda*, on the day of his appointment.

Blood and sacrifices

During the summer, Rakowski granted two interviews in which he made no secret what his coming "new style" rule would bring to Poland: a future of savage austerity and, in his own words, "blood, sweat, and tears."

Rakowski, as the interviews reveal, has pledged himself

to implement measures that will make Poles work harder for less. To achieve this, the Solidarity movement will have to be crushed, while, as a "liberal" cover, a mere structure is to be left behind.

On June 11, Rakowski was interviewed by the Hungarian government newspaper, *Magyar Hirlap*. Having just returned from touring the provincial centers of Poland's textile industries, Rakowski unashamedly said that he was "amazed" to find that women workers and their families lived *better* than he thought. The Polish people, he added, "did not allow their standard of living to be taken away from them. They would rather work more." In reality, Polish living standards have collapsed to the levels of the 1950s, after years of combined IMF-Soviet looting.

Rakowski will try to ram through economic measures which he himself describes as "qualitative deterioration"—i.e., a managed further lowering, in stages, of living standards. How does Rakowski propose to achieve this "qualitative deterioration"? In the June 11 interview with *Magyar Hirlap* he explained the coming policy of mass unemployment:

"In my view, we are approaching a situation similar to that prevailing in Hungary. If we start from the premise that socialism has caused demoralization in the people's attitude to work, it is possible that socialism will have to go through the *developmental stage of partial unemployment* [emphasis added]. An enterprise that functions inefficiently draws money from my pocket; and so does the state when it subsidizes this enterprise."

Rakowski's plan to break the resistance of Solidarity, the government-banned independent trade union movement, and make people work harder to satisfy both IMF creditors and the crisis-ridden Soviet Union is to do away, through "restructuring" (*perestroika*), with the large plants which are the strongholds of Solidarity. Rakowski pledged to "increasingly re-route from investment- and energy-intensive branches which accumulate losses to branches which produce for the

market and repay investments in a short period of time.”

Such energy-intensive industries, said Rakowski, “are the large centers of the working class, our strongholds, where class power exists. . . . The workers there represent an enormous power, and any demagogue can cause confusion in their heads if he is skillful enough. . . . Socialism would also look different if instead of the huge industrial plants, thousands of small firms existed. These firms have the ability to initiate and to adjust more quickly and more flexibly. . . . The present period is full of tension, and makes us prepare for a painful accounting, but there is no other way out.

“I predict that the system to which both Hungary and Poland belong will have to overcome extraordinary contradictions and conflicts in the coming few years. Once I formulated that it will take blood and tears to implement restructuring. One of the listeners became very angry, but precisely then we had the example of Azerbaijan and Armenia where, as is known, there were casualties. Let us formulate it like this: The shift by socialism to renewing forms which renew themselves cannot be implemented without paying the price. The Hungarians are already paying for it and this is, in the final account, fortunate.”

In an interview with the Italian daily *La Repubblica* July 20, Rakowski repeated his equation of *perestroika* to bloodshed: “Yerevan, Sumgait, Alma Ata . . . there has already been bloodshed for restructuring in the U.S.S.R. The same could happen in Eastern Europe in the near future . . . the growing importance of the national issue which is making the Central and Eastern European states more difficult, economic problems, the urgent need for reforms, distrustful people, and the old guard’s inevitable struggle against innovation. Yes . . . there may be years of conflict, strong feelings, and struggles.”

Bloodshed and cooptation will go hand in hand. On Solidarity in parliament? Rakowski answered: “Who knows? Possibly. We and they are still marked by the twofold trauma of 1980 and 1981—Solidarity’s challenge and then martial law. But time heals everything and everybody. There has been talk of a future Christian Democratic party. I am not in favor of that idea. However, I do not rule out the possibility that in the future . . . our current opponents will sit in parliament if they are prepared to be loyal to the system.”

However, on Sept. 26, a confidential party document telexed to party chiefs in factories across Poland ruled out any possibility of Solidarity being reborn even as a tamed “social-control” mechanism. The document said Solidarity supporters would be allowed to join the Communist-led CPZZ unions set up to replace Solidarity, “giving them a proportional share in the leadership and melting them down into the trade union structures.”

The first test for Rakowski’s schemes will come when the next explosion rocks Poland in late October or November, when the full impact of the latest price rises hit the consumer as electricity and rent bills arrive.

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Nora Hamerman

Sectarian clashes threaten civil war in Pakistan

by Ramtanu Maitra

With less than six weeks to go before the general elections, Pakistan has been confronted with perhaps the most serious crisis that it has faced since 1971, when the nation was dismembered and Bangladesh was born. The crucial issue before the present caretaker government is to maintain law and order in the country and hold free and fair elections on Nov. 16.

The three-day carnage in the Sind province cities of Hyderabad and Karachi, which brought death to almost 300 people, is the focus of a pattern of ethnic and sectarian violence with sharp political overtones and potentially far-reaching implications. The target of the recent bloodletting in Sind are the Mohajirs—emigrés from India following the partition of the subcontinent in 1947.

On the night of Sept. 30, assassins wearing masks and riding jeeps took over control of Hyderabad and the neighboring town of Latifabad, picking their targets and raining bullets from their assault rifles. During the night, according to reports, 186 people were mowed down and another 600-plus were wounded. Roads and streets, lanes and by-lanes of Hyderabad were littered with the dead and dying. Most of those shot that night were Mohajirs. The next day, Oct. 1, the Mohajirs retaliated in Karachi: the result, 61 dead. By evening, the army had been sent in to patrol the streets of Karachi.

The nature of the killings, in Hyderabad in particular, indicates that the massacre was well-planned. The attack on the Mohajirs—whose emergence as an independent political force in the province is resented and feared by the opposition groupings and pro-government factions alike—is part of a battle for political control of Sind province. It is apparent that unless the government undertakes a thorough investigation and brings the assassins to justice, a sectarian civil war could break out in Sind well before Nov. 16.

Such a civil war will not long remain confined within the geographic borders of Sind. As an indicator, on Sept. 30, the same day the mayhem occurred in Hyderabad, Tehrik-e-Nifaz-e-Fiqah Jafria (TNFJ), a Shia political party, held a procession in Dera Ismail Khan, North West Frontier Province (NWFP), which resulted in a clash killing eight people. The procession had been scheduled for Muharrum but was canceled at that time due to “possible violence.”

In NWFP, along the Afghanistan borders, the Kabul regime has stepped up its two-pronged operation to spread terror and death. The Afghan policy, masterminded by the *glasnost* crowd in Moscow, is to carry out air raids on a regular basis, dropping bombs in the tribal areas and refugee camps, and instilling terror among the refugees. Simultaneously, the KHAD agents, dressed in the garb of Afghan refugees, are planting bombs in the crowded bazaars of Peshawar and smaller towns. Often, “unidentified gunmen” have shot at crowded buses which caused spontaneous sectarian riots. The assassination of the respected Shia leader of the TNFJ, Al-Hussaini, who was also killed by the bullet of an “unidentified gunman,” remains an unsolved murder.

Bureaucratic reflex

The response of the authorities to the recent riots has been bureaucratic and politically indecisive. Acting President Ghulam Ishaq Khan and Chief of the Army Staff Mirza Aslam Beg—himself a Mohajir—visited the riot-torn cities and expressed their dismay at what they saw. President Ghulam Ishaq Khan—implying the involvement of external forces in the killings without, however, naming them—stated that army units would be moved to the India-Pakistan border to prevent “infiltration.” He also assured the nation that the forces which had been set up to eradicate gangsters in Sind would be reinforced.

Gen. Aslam Beg said that the Hyderabad killings and other such terrorist activities are part of a sinister conspiracy to destabilize the country, create a feeling of insecurity among the people, and sabotage the elections. General Beg did not elaborate who is hatching this sinister conspiracy. But the *Pakistan Times*, a government-run newspaper, raised the India bogey on the front page of its Oct. 3 edition, “The shooting of a large number of innocent people in Hyderabad and Karachi,” the daily asserted, “is also engineered by the RAW [Research and Analysis Wing, India’s foreign intelligence organization] personnel and condemned prisoners and those undergoing life imprisonment in Rajasthan jails who were set free by the Indian authorities and sent to Sind for sabotage activities.” The *Pakistan Times* cited “information received from across the border,” for its report.

Such accusations are a standard feature of the subconti-

ment's political repertoire. Such claims and counter-claims are often used to divert the population's attention from realities, and allow the government to sidestep problems it cannot or will not resolve. It is a policy reflex that has diminishing returns, if recent events are any indication. The fact that in the recent period a series of major events in Pakistan remain unexplained, the criminals remain unnamed and unapprehended, is certainly contributing to a tendency toward the breakdown of law and order in the country.

Besides the killing of Al-Hussaini by an "unidentified gunman," the blowing up of the Ojheri ammunition depot near Rawalpindi, which caused hundreds of deaths, and probably the reasons for the sacking of the Junejo cabinet on May 29 by the late President Zia ul-Haq, has been kept under a tight lid. In the process, however, culprits have remained unpunished and free. It is however, widely known that the Ojheri depot was serving as the warehouse for arms and ammunition for the Mujahideen, and its destruction was a welcome relief to both Kabul and Moscow. It is also clear that such large-scale and strategic sabotage could not have been possible unless someone in the army and elsewhere worked hand-in-glove with the saboteurs.

In the same vein, the circumstances under which President Zia and at least two top Army men who were vital in implementing the late President's pro-Mujahideen Afghan policy were killed, remain unexplained. Again, it is obvious that the involvement of some in the military and/or political scene was necessary for the deaths which pleased both Kabul and Moscow. The murder of Al-Hussaini, and the failure to bring the real culprits to justice, follows the same pattern. The assassination of the Shia leader is an important destabilizing device, since he belonged to the Kurram Agency bordering Afghanistan, and his death created a high level of tension between the Shias and the Sunnis in Dera Ismail Khan.

The Sind dynamic

In Sind, troubles began in 1986 when the Pathans from the NWFP, allegedly sprinkled with the KHAD agents, began to assert themselves in the capital city of Karachi. Endowed with drug money and loads of Kalashnikov rifles, Pathans challenged the established community of the Mohajirs. A series of riots followed, and the Mohajirs organized themselves into a political party, the Mohajirs Quam Movement (MQM). In the ensuing period, the Mohajirs won municipal elections in Karachi and Hyderabad, and that did not endear them to the political parties such as the Pakistan Peoples Party (PPP) or the Jamaat-e-Islami, nor to the Sindhi secessionist elements under the tutelage of G. M. Syed. There are indications that the Pakistani government at the highest level—perhaps fearing that the Mohajirs' independent organization might undermine their generally pro-establishment alignment—was also making deals with Syed and his ilk. Since President Zia's death, a number of clashes have

taken place in which the MQM has figured against various political groups. It is widely known that the interior of Sind, which is under the control of large landlords, is filled with marauding gangsters who are often used as mercenaries by the landlords.

It is clear that considering the weakness of the political parties in Sind, the MQM has emerged as a powerful force that both the PPP and Jamaat believe must either be won or tamed. Forces inimical to the stability of Pakistan, for whatever reasons, want the MQM to be declared illegal, but the Mohajirs refuse to accept this.

As soon as the election date was announced, almost every political party leader in Sind began courting the MQM leaders with the hope of forming an electoral alliance. Although the Pakistan Muslim League (Fida group) has sent out word that the MQM has agreed to such an alliance with them, no formal declaration has yet been made. Meanwhile, the PPP, Jamaat-e-Islami, and Jamiatul-Ulema-e-Pakistan of Maulana Noorani have gotten involved in baiting the Mohajirs and getting them entangled in riots.

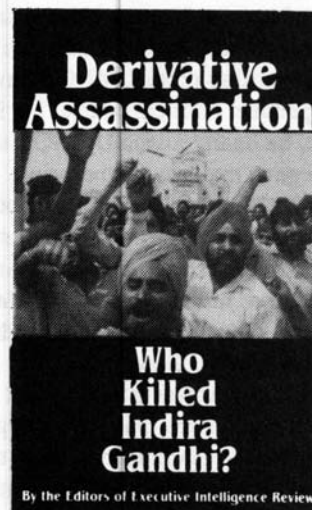
Under the circumstances, the minimum that acting President Ghulam Ishaq Khan can do is to stop the MQM-baiting and bring to justice those politicians who are using the drug-runners, gangsters, and outright anti-social elements to try to cripple the MQM. Suppressing the truth and enhancing tension with India is hardly the solution.

Derivative Assassination: Who Killed Indira Gandhi?

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'To promote equity in Malaysia, we are promoting growth'

The following profile of Malaysia's minister of education is an attempt to broaden our readers' horizon on Malaysia and its political leadership, often portrayed by the international media as run by a "dictatorial" Prime Minister Dr. Mohammed Mahathir, or as a mere producer of palm oil and rubber. Biographical information on the minister is taken largely from the book by J. Victor Morais, *Anwar Ibrahim: Resolute in Leadership*, and current situations are from an interview *EIR* Bangkok bureau chief Sophie Tanapura conducted with Minister Anwar Ibrahim on Sept. 19 in Kuala Lumpur.

Born on Aug. 10, 1947 at Cerok Tokkan, Bukit Mertajam, Anwar Ibrahim comes from a family which has long been familiar with the demands of a political career. His father is Waji Ibrahim Bin Abdul Rahman, a former member of Parliament and Parliamentary Secretary in the Ministry of Health. Anwar had his early education at the Sekolah Kebangsaan, Cerok Tokkan and later at Stowell School. It was here that he began what has become one of his lifelong aims—to apply Islamic principles to the solution of the nation's problems. He continued his education in the Malay College, Kuala Kangsar, in 1960-66. In 1967, he enrolled for a degree in Malay studies at the University of Malaya. By 1968, he was president of the Malay Language Society and president of the National Union of Malaysian Muslim Students.

All through the 1970s, despite repeated invitations to join the governing party UMNO, Anwar preferred to pursue an independent political course, but in 1982, to everyone's surprise, he finally joined UNMO. In 1983, after having served as deputy minister in the prime minister's department, he became Minister of Culture, Youth, and Sports. Later, he held the post of agriculture minister, before becoming education minister two years ago. Among potential contenders for the premiership after Dr. Mahathir, Anwar Ibrahim is mooted to be the most likely candidate. He is also vice president of UMNO Baru.

Minister Anwar spoke to *EIR* of his deep concern with the political crises that have swept Asian nations from the Philippines to South Korea, all in the name of "democracy." He had thought to himself, he confided, that perhaps Malaysia was slated to be the next target for destabilization, but instead, Burma exploded first. Minister Anwar expounded:

"Those who are clamoring for democratic changes do not share in democratic sentiments except to present their narrow view of certain aspects of political economic policies or programs. Those who champion the 'democratic' cause are often not democratic within their own political parties or their bodies. They have never been seen championing peoples' rights except when it fits their scheme or strategy. But what is more damaging, to my mind, is that they use slogans such as 'democracy' to promote specific leftist, socialist programs. These opposition groups take up a position as if the situation here in Malaysia were so undemocratic, assuming that this must be oppressive, dictatorial, and uncompromising."

Aliran, a small "human rights" organization in Malaysia, which has been promoting liberation theology, Islamic fundamentalism (or "fanaticism" as it is referred to in Malaysia), environmentalism, and drugs, has been given prominent coverage in the international press as spearheading the opposition to the Mahathir government. Minister Anwar explains what Aliran is and how his encounters with members of Aliran have been.

"Aliran is an elite group, representing a few intellectuals who think they have the answer to all the problems. I consider this as intellectual arrogance, intellectual feudalism of a sort, one which does not tolerate any differences of views. I had an unpleasant exchange with my friend in Aliran. I said: 'Of course we can listen to you, but don't assume that you have all the answers, that we must be subjected to your views, your suggestions, your solutions. We have the right to differ because you have been proven wrong sometimes,' and they became very, very angry. I see no semblance of democracy or of tolerance. But they have been promoted because they actually voice certain sentiments that coincidentally or otherwise meet the sentiments of many groups outside the country.

"We take certain steps to ensure that our people are being protected and have the opportunity to develop, and some intellectuals are naturally cynical about this. They represent a group of 50-60 people who want the freedom to do whatever they like. But we have racial sentiments, religious problems that we have to deal with. People can talk about their liberty. People can talk, incite racial hatred. It is very democratic—

fair enough—and it should be very free, but should we pay the price and therefore block economic advancement of the country? Should we pay the price just because one group of zealots or fanatics wants to carry out their strategy the way they deem fit? I would say we can listen to them, allow them to speak, but we will not tolerate them—we have to draw the line—if it means destabilizing [the country]. Whatever we gained and shared so far will be destroyed. Once we have a situation like Sri Lanka or Burma, what option do you have?”

Aliran complains there is not enough social justice in Malaysia. Speaking as a cabinet member, Minister Anwar explained that the government’s concern was how to distribute wealth in a five-year program. “There will not be equity without growth. To promote equity, we are promoting growth. They have no concern for growth; they only talk of equity. Given a country like Malaysia where you happen to have more Chinese businessmen and therefore richer, and you have the indigenous population poorer, redistribution means taking from the rich Chinese to give to the poor Malays. Racially this is not acceptable. Therefore, it has to be for growth, to allow for more Chinese and some Malays to become rich, and then to have a program of progressive taxation to redistribute part of the wealth. To [Aliran], this is not acceptable. Anything that the government does—if they are not careful—would be seen to subject a particular racial group to discrimination. . . . To my horror, this [Aliran’s argument] appeals to some foreign journalists.”

‘We’re serious about democratizing education’

Minister Anwar’s passion has always been education and youth. In the early years following independence, Anwar and Dr. Mahathir were on the same side opposing then-Prime Minister Tunku Abdul Rahman and in pushing for Malay rights in education and economy. In 1971, Anwar helped found the private Yayasan Anda Akademik, a school that gave problem children and dropouts a second chance. Moderate fees were charged to enable children from poor families to attend the school, and scholarships were given to the needy. The Yayasan Anda Akademik grew from a student body of 80 to 1,200 today at Kampung Baru. Anwar himself served as the principal of the school until his appointment as deputy minister in the prime minister’s department. More than 100 students from Yayasan Anda Akademik have graduated from the University of Malaya, while several have gone for higher studies in the United Kingdom and the United States.

Minister Anwar emphasized to *EIR* that “Malaysia has spent a lot on education. It is a fact that we are serious in terms of democratization for education, access to higher education, access to quality education. We should take pride in being one of the few developing countries to have this sort of democracy in education—which to my mind is very important.” He proudly pointed out that 50% of students attending universities are women; in the early years following independence, women made up only some 10% of the university

student body. Minister Anwar has just promoted two women—for the first time—to head the Educational Research and Planning Division and the Teacher Training Division.

Although Minister Anwar firmly believes in relying on the Islamic faith to develop political and national consciousness of Muslims in Malaysia (51%), he is by no means an advocate of religious fanaticism or extremism. He has often emphasized the need for Islam to be flexible and tolerant. For him, Islam is a way of life, not a religion of rituals. Always bearing in mind that Malaysia is multi-racial, he has never advocated an Islamic state or an Islamic order for Malaysia. Admitting that there are religious aberrations, problems, and sometimes fanatical religious demands, he tries to set Islam in a positive light.

“For instance, what do I promote in Malaysian education? I promote Islam in relation to knowledge, Islam in relation to the understanding between Muslims and non-Muslims, Islam in terms of science and technology. We get the geographers to talk about Islam so that Islam is not viewed narrowly. . . . Islam must be seen in the context of a multi-racial, multi-religious society. In most of our programs, we do encourage non-Muslims to participate so that there is no apprehension nor antagonism among the various racial and religious groups. What the government is trying to do is, while people do keep their faith and moral values, while Muslims are given the opportunity to preserve their cultural heritage and understanding, what we project is also the positive traits, so people see Islam in relation to the scientific, to knowledge, and not use Islam to develop anti-West hysteria.

“Of course, they say why should we be obsessed with the West? I say, fair enough, as you don’t want to have an obsession with the West, you should also not be hysterical against the West. You should select what you want, what you need, and reject what is irrelevant. This can only be done through complete comprehension of the knowledge, of Western society, of secularism or other values, you can’t reject what you don’t know. That is why I think in the last two years, we have less of this problem. We have had hardly any serious problem [of religious fanaticism]. I am not saying that we do not have these problems from time to time, but I would consider these as mere aberrations from certain pockets, and we deal with them.

“If these aberrations go beyond rules and procedures and become somewhat violent in nature or prone to violence like the incidents over the issue of the segregation of Hindu temples, then we do not tolerate it. We take up a very strong tough position. They either get arrested or we deal with them differently. We draw the line very clearly, and I think they probably have got the message. You can talk about Islam, your own values, you can talk about the faith. We encourage intellectual discourse, but we have to draw the line. It must be nonviolent. We will not tolerate this isolationist tendency of people who may have the propensity for or be prone to violence. Even that is not tolerated.”

Moscow's Pacific network: a dossier

Part 2 of a series on foreign support of the New People's Army in the Philippines, by our Investigative Team.

Our previous article (Vol. 15, No. 38, Sept. 23, 1988, p. 44) revealed the internal apparatus of the Communist Party Philippines/New People's Army, which is the main avenue for channeling funds from external sources into the insurgency in the Philippines. This article will show the extent of the support apparatus throughout Asia and the Pacific. Recent events have shown that this apparatus constitutes more than mere backing for the CPP/NPA; it has made the "revolution" in the Philippines the centerpiece and base of operations for a Soviet-directed "people's war" throughout Southeast Asia.

Much discussion about the CPP/NPA has been afflicted by tunnel vision, i.e., viewing the revolution in the Philippines as isolated from the broader Soviet-inspired destabilization of the region. This false methodology also covers up how U.S. State Department political and economic policy in the region is playing into Soviet designs, both wittingly and unwittingly. Although it is not the intent of the report to define Soviet goals in Asia, several general points must be made:

1) Soviet geo-military concern in Southeast Asia is to eliminate U.S. military bases in the Philippines and the entire Asia Pacific region.

2) The Soviets seek to end American and Western influence in the region.

3) The Soviets support the creation of civil war conditions and "liberated zones" in the most politically fragile of Southeast Asia states to serve as "new Vietnams" to rally radical forces throughout the region. This would entail building a support apparatus internationally, precisely on the "Vietnam peace movement" model of the 1960s and 1970s.

4) The Soviets are building on the Philippine support apparatus, to create the infrastructure for revolutionary movements in countries such as Malaysia, Singapore, and Thailand.

The NPA's support network in Southeast Asia is primarily based in Australia, Hong Kong, and Japan, although operations exist in New Zealand, the Association of Southeast Asian Nations (ASEAN) countries, and even among extremists in the Republic of China on Taiwan who oppose the Kuomintang government. **Table 1** is a listing of "visitors" from overseas who have traveled to the Philippines to make

contact with the CPP/NPA over a two-year period.

According to recently seized CPP/NPA documents, the purpose of these overseas operations has been to "set up and open mechanisms for propaganda/communications relay, finance, logistics, and research work to meet the requirements of the homefront." These activities are handled by the Asia Pacific Committee of the Communist Party of the Philippines' International Department. *Australia* serves as a key conduit for international contacts into the United States and Western Europe, and most particularly the Soviet Union and the countries of Eastern Europe, through the left wing of its Labour Party and its three Moscow-oriented communist and socialist parties. *Hong Kong*, the organized crime and narcotics capital of Asia, serves as the headquarters of the CPP's operations throughout Southeast Asia, including weapons purchases. *Japan*, with its large number of extremist groups, serves as an entry point into the Terrorist International.

1.1 Australia: taking Maoism out of the CPP/NPA

At the end of the 1970s, the CPP/NPA leadership began to drop its Maoist orientation, and started to reopen contacts and channels of support from the Soviet Union—particularly since the Chinese had seen it in their interest to keep American bases in the region. From evidence gathered by researchers, it seems the CPP/NPA support apparatus in Australia, which is under the direction of the Australia Support Group (codenamed IVY III) of the Asian Pacific Committee, played a key role in this shift.

Inside the Philippines, the sequence of events was as follows. With the arrest of the old leadership, including Jose Maria Sison, founder of the CPP, and Bernabe Buscayno (alias Commander Dante) in 1977 and 1976 respectively, the way was cleared for a reorientation toward open ties to the Soviets. By 1982, under the new leadership of Rodolfo Salas, the CPP authorized its National Democratic Front to issue a new draft program, dropping all Maoist jargon and attacks on the Soviet Union.

Already in 1981, the first Soviet arms—including AK-47 automatic assault rifles—were smuggled into the Philippines via South Yemen. According to unchallenged court

affidavits, \$30,000 was provided by the CPP/NPA/NDF European representative in Utrecht, Netherlands, to the smuggling team that passed through Europe on its way to South Yemen. By 1983, *Ang Bayan*, the CPP/NPA newspaper, published articles openly praising developments in Soviet client states including Vietnam, Angola, and Mozambique. In August 1984, the Philippine Navy seized a Vietnamese naval vessel near a Philippine island that was believed to have been attempting to smuggle a shipload of weapons to the NPA.

The Australian support apparatus that helped to bring this shift about, intersects a campaign in New Zealand and the smaller Pacific island states, against U.S. and French protectorates, to force the withdrawal of vital U.S. military facilities and French nuclear testing sites.

The apparatus comprises three interlocking networks: The first is made up of elements among the left-wing trade union movement involving individuals from the pro-Moscow Communist Party of Australia, the Moscow-oriented Socialist Party of Australia, and the left wing of the Australian Labour Party. The second includes a number of "solidarity groups" comprising former members of the student movement, radical environmentalists, anarchists, and liberation theologians. The third comprises several church-related funding institutions documented to be funding the above networks, as well as suspected CPP/NPA fronts in the Philippines.

1.2 Australia trade union support networks

Within the Australian trade union movement, two individuals played key roles through building support for the Filipino May First Movement (KMU), the trade union which is a constituent member of the CPP/NPA's National Democratic Front: *John Halfpenny* of the Australian Amalgamated Metalworkers Union (AMWU), and *Pat Clancy*, National Secretary of the Building Workers Industrial Union (BWIU).

Halfpenny began working in the Philippines following the 9th Congress of the Soviet-backed World Federation of Trade Unions (WFTU) held in Prague in April 1978, where the Philippines was an important agenda item. Both Halfpenny and Clancy were at that meeting. Halfpenny was for 28 years a member of the Communist Party of Australia, and had been extensively trained in the Soviet Union in the 1960s as a leader of the CPA's Eureka Youth League. Leaving the party in 1979, he joined the Australian Labour Party, becoming one of the most vocal members of its left wing in 1983. Pat Clancy, besides his union position, was president of the pro-Soviet Socialist Party of Australia until a recent split, and is still on the General Council and Executive of the WFTU. He also plays a prominent role in the Soviet-sponsored World Peace Council.

Upon their return, Halfpenny, Clancy, and other left-wing trade unionists formed the Committee for International Trade Union Unity "against imperialism, for higher living standards, world peace, and a new world economic order." Clancy's BWIU formed its main base. In 1983, Pat Clancy

TABLE 1

Number of visitors from Asia, Australasia, Europe, and North and South America between 1986 and 1987

Western Europe		Asia		North and South America	
The Netherlands	113	Japan	877	U.S.A.	132
West Germany	96	Australia	121	Canada	79
France	75	Hong Kong	34	Argentina	1
United Kingdom	38	India	18		
Italy	32	Thailand	15		
Belgium	28	New Zealand	14		
Sweden	15	Taiwan	7		
Ireland	10	Indonesia	7		
Austria	10	Korea	4		
Denmark	7	Malaysia	3		
Norway	6	Pakistan	1		
Yugoslavia	3	Bangladesh	3		
Spain	3				
Greece	1				
Poland	1				
Total					1,753

formed the Philippines-Australia Union Links (PAUL). Meanwhile in 1980, at Halfpenny's initiative, the Pacific Trade Union Forum was formed at a peace conference in Hawaii. While the former maintains a broad involvement in Asia and the Indian Ocean as well as the Pacific, the latter is concentrated more in the Pacific, playing a role in anti-nuclear campaigns.

The impact of the Prague conference and the work of the Australians were quickly felt in the Philippines. By October 1980, the Filipino affiliate of the World Federation of Trade Unions, the Trade Unions of the Philippines and Allied Services (TUPAS) of the Moscow-backed PKP (Philippine Communist Party), and three other WFTU-affiliated members joined forces with the National Democratic Front's May First Movement (KMU) to form an organization called "Solidarity." The move marked the Soviets' first open act against the government of Ferdinand Marcos.

Building on this momentum, Clancy and Halfpenny pooled forces to form Australia-Asia Worker Links, comprising 22 affiliated Australian trade unions, including Halfpenny's AMWU, as a full-time Australian support base for the KMU in the Philippines. Through the AAWL's "Philippine Workers Solidarity Fund," financial support is channeled to the CPP/NPA through its legal front organizations. In 1985, the AAWL sponsored a tour of the Philippines for 17 Australian trade unions to inspect the various activities of the KMU and other NDF-related organizations. That same

year, the AAWL sponsored a tour of Australia and New Zealand by Carlito Rallistan, national council member of the KMU. Through their affiliated trade unions and ties to other Australian-based Philippine solidarity groups (see below), various campaigns and fundraising drives have been carried out in support of the KMU.

1.3 Solidarity groups

There are several political support groups, all interlinked. They were formed in part as a result of the activities of Halfpenny and Clancy in connection with left-wing networks in the Catholic and Protestant churches, as well as the Australian Communist Party, the Socialist Workers Party, and the Socialist Party. The two principal groups are the Philippines Action Support Group and the Philippine Resource Center.

1.3a Philippine Action Group: Based in Melbourne at an address that was formerly the AAWL's, its primary focus is to campaign for the removal of U.S. bases from the Philippines, as well as human rights issues and general support of many of the CPP/NPA fronts. It is part of "solidarity" organizations with such openly Marxist and revolutionary groups as the Committee Against Repression in the Pacific and Asia, Palestinian Human Rights Committee, Chile Solidarity (a support group for leftist forces in Chile), the South African Support Campaign (which drums up support for the Communist-dominated African National Congress), and the Committee in Solidarity with Central America and the Caribbean (a solidarity group that mobilizes for Cuba, the Communist movement in El Salvador, and the Sandinistas in Nicaragua). This should not be surprising, since the leadership of the Philippine Action Group includes members of the Communist Party of Australia, the Socialist Party, and the Socialist Workers Party.

They also conduct lobbying work within the leading Australian parties, including the Labour Party and the conservative National Democratic Party, etc.

1.3b The Philippine Resource Center (PRC): originally established by World Christian Action, an agency of the Australian Council of Churches of the World Council of Churches. Although it now operates independently of the World Christian Action, it shares the same address as the AAWL and the same post office box as that of the Philippine Support Group. The PRC functions as a documentation center for the entire CPP/NPA support apparatus in Australia, and its publication, *Philippines Newswatch*, is filled with stories sympathetic to the causes and activities of CPP/NPA and their front groups.

Moreover, its address is the contact address for the Philippine Solidarity Committee, which comprises the Philippine Australian Support Group, the AAWL, Christians for Justice in the Philippines, Human Rights for Filipinos Campaign, La Robe Students in Solidarity with the Philippines, Campaign Against Repression in the Pacific and Asia, the Student Christian Movement, and other organizations.

TABLE 2

Classification of visitors

Support group	359
Journalist	227
Individuals	166
Funding agencies	46
Church group institutions	125
Mass movements	55
Independent progressive institutions	19
Political parties	18
Other	37
Total	1,753

1.4 Funding organizations

All the above are tied together through the purse strings of various nongovernmental organizations (U.N.-designated lobbying agencies) including the Australian Council of Churches, Force Ten, and Community Aid Abroad.

1.4a Australian Council of Churches (ACC): a member organization of the World Council of Churches, cited in Part 1 of this series as the key international organization involved in building support for the revolution in the Philippines. The ACC maintains direct contact with the Philippines' own National Council of Churches. Over the past several years, their Philippine aid program has amounted to over \$150,000 annually. In the Philippines, they are financing human rights groups and various organizations such as the Peoples Action for Justice and Peace which are obviously dominated by the liberation theologians. In Australia, they finance the AAWL and the Philippine Resource Center with direct grants, and in Hong Kong, they fund the Resources Center for Filipino Concerns, an organization considered highly infiltrated by the CPP/NPA.

1.4b Force Ten: a funding agency founded jointly by the Australian Council of Churches and Australian Catholic Relief. It, too, is funding the AAWL. In the Philippines, it has helped to finance the Centre of Nationalist Trade Unions in Mindanao (CENTUM). It is also a constituent organization of the National Democratic Front's May First Movement.

1.4c Community Aid Abroad: a non-church-related group whose financial sources include the Australian Development Assistance Bureau, a government agency. In past years, it has given tens of thousands of dollars to the above-mentioned Philippine Resource Center, AAWL, the Philippine Solidarity Committee, and other Australian-based support groups. Within the Philippines, it has financed such leftist church organizations as the Ecumenical Movement for Justice and Peace, as well as the Center for Labour Education and Research (CLEAR), an organization linked to the May

First Movement. It also financed the Resource Development Foundation, which has been suspected of being a conduit of funds to the NPA.

2.0 Hong Kong: center of CPP/NPA overseas operations

Hong Kong, the only truly open city of Asia in the old 19th-century tradition, serves as the headquarters of major bank and commercial enterprises of the Far East; it is more famous as one of the major entrepôts of the world of narcotics trafficking and organized crime. It is in this criminal atmosphere that the CPP/NPA have established their most important overseas operation. It is here that the bank accounts, forwarding companies, and other logistical centers are located to facilitate the purchase of weapons and transfer of hundreds of thousands of dollars annually to furnish the NPA guerrillas and terrorists in the Philippines.

Intelligence sources say the CPP/NPA operations are coordinated out of the Hong Kong Support Group (codenamed IVY) of the Asia Pacific Committee (codenamed Combank) of the CPP's International Department. Also part of this

apparatus is the Research and Documentation Department which conducts intelligence activities in support of operations in the Philippines.

According to captured documents, Hong Kong's functions fall into two categories: 1) a center for transfer of funds into the CPP/NPA bank accounts for purchase of arms, ammunition, travel expenses, etc., and 2) a base of operations for organizing the Filipino communities in the area for direct support and participation in the National Democratic Revolution/National Democratic Front.

Further, Hong Kong is a key liaison point for contact with revolutionary organizations throughout Asia, particularly among the ASEAN nations. These operations overlap with the World Council of Churches and other left-wing church centers throughout the region.

2.1 Offshore banking and the funding of the revolution

The Hong Kong Support Group and Research and Documentation Department help to coordinate an apparatus involving bank accounts, forwarding companies, and other

TABLE 3
CPP/NPA front and support organizations in Asia

Australia

I) Trade unions

Australian-Asia Workers Links (AAWL)
Philippine Australian Union Links (PAUL)
Pacific Trade Union Forum (PTUF)
Committee for International Trade Union Unity (CITUU)
Philippine Workers Solidarity Fund
Australia Council of Trade Unions (ACTU)
Amalgamated Metal Workers Union (AMWU)
Building Workers Industrial Union (BWIU)

II) Political groups

Philippine Action Support Group
Philippine Resource Center
Philippine Solidarity Committee
Human Rights for Filipinos Campaign
Campaign Against Repression in the Pacific and Asia
Nuclear Free and Independent Pacific
Australia Freedom and Hunger Campaign
Socialist Party of Australia
Communist Party of Australia
Socialist Workers Party
Revolutionary Solidarity Committee
Phil-Australian Community Assistance Program

Japan

JCNC
Pag-asa
Kohuju Committee to Save Negroes
Alter Tour
Japan Committee for Afro-Asian Peoples' Solidarity
Resource Center for Philippine Concern
Asian Rural Institute
Japanese Communist Party
Japan International Volunteer Center

New Zealand

Philippine Solidarity Network
Philippine Solidarity Group
New Zealand Federation of Labor

Hong Kong

Hong Kong Support Group of the CPP/NPA's Asia-Pacific Committee
Mission for Migrant Filipinos
Association of Community People's Organizations
Resource Center for Philippine Concerns

Malaysia

The Marxist Group
Bakong Longhouse Literacy Programme

logistical operations required for the transfer of funds and purchase of arms and ammunition for the revolutionary forces in the Philippines. The networks stretch from Hong Kong into Singapore, Malaysia, and other countries of Southeast Asia. According to *Far East Economic Review*, one unconfirmed report indicated that one account was at the Hongkong and Shanghai Bank, one of the largest in Asia.

Funds come from three kinds of sources: 1) monies deposited from revolutionary taxes imposed on multinational corporations operating in the Philippines, 2) monies derived from siphoning funds from international non-government funding agencies, such as the Asia Partnership for Human Development, as well as support groups in Western Europe and North America (see below), and 3) monies collected from Filipinos living abroad.

Information concerning the first category has yet to be made public, although documents captured by Philippine authorities over the past year are said to reveal a large network of bank accounts and front companies. In the second category, quite a lot more information is available.

According to documents recently captured by military authorities, CPP/NPA cadres operating out of the Hong Kong Support Groups and the Research and Documentation Department have been employed at various church-related institutions and research centers. Here they not only achieve legal status in order to operate freely, but are able to directly identify possible funding agencies and conduct intelligence activities and international propaganda work in support of the revolutionary cause in the Philippines.

2.1a Asia Partnership for Human Development (APHD): Founded in 1973, the APHD is a Catholic Church-linked international funding agency. It comprises 21 member Church-related funding organizations from Western Europe, Asia, and the Pacific. Funding agencies of the Catholic Church of such countries as Belgium, Ireland, Australia, and New Zealand transfer funds totaling over \$3 million annually directly to the APHD, which in turn approves grants for various projects. As early as 1983, the APHD had been rumored to be transferring funds for the purchase of weapons for the CPP/NPA. It was apparently because of such rumors and continued concern and pressure by conservative elements in the Australian Catholic Church, that the APHD chose to move its headquarters from Australia to Hong Kong. The move also facilitated ease of transferring funds.

As with many of these funding agencies, the projects financed have titles that are deliberately vague in order to mask their intention. As reported in Part 1 of this series, some projects actually exist as described, but received only 40% of the funds allocated, while the other 60% is siphoned off by CPP/NPA cadre who have infiltrated the organization. Nonetheless, the APHD has openly financed at the level of tens of thousands of dollars, such CPP/NPA support organizations as the previously mentioned Australian Asia Workers

TABLE 4

Church organizations and funding agencies

Australia

- Australian Council of Churches
- Australian Catholic Relief
- Christians in Solidarity with the Philippines
- Force 10
- Community Aid Abroad
- Christians for Justice in the Philippines

Hong Kong

- Asia Partnership for Human Development
- Friends of the Philippines

Thailand

- World Council of Churches

Republic of China (Taiwan)

- Wandan Presbyterian Church

Links, the Task Force Detainees (known to be heavily infiltrated by the National Democratic Front), the Philippine Resource Center (another known CPP/NPA support operation in Hong Kong), and others. In 1986, they helped to finance a tour of the Philippines organized by the Amsterdam-based Transnational Institute, which is the European affiliate of the notorious Institute for Policies Studies of Washington, D.C., which serves as the think tank for the left-extremist groups in the United States. In 1986, financial support for Philippine projects amounted to \$240,047.

2.2 Hong Kong: center for revolutionary support throughout Asia

The object of CPP/NPA activities in Hong Kong is to coordinate revolutionary activities in Malaysia, Singapore, Thailand, and even the Republic of China on Taiwan. Filipino migrant workers laboring in all these countries, in addition to workers in the Middle East and Libya, form a key target of CPP/NPA subversion and fundraising. Terrorist and revolutionary organizations and cadres of the respective countries travel to the Philippines for training and support. Such contacts and operations are handled through Hong Kong so as to avoid detection. Coordinated by the Hong Kong Support Group, the CPP/NPA cadres operate through several front groups. In most cases, there are legal and open organizations, and then within them, underground secret organizations. They include the following.

2.2a Mission for Migrant Filipinos: Codenamed MINI in CPP/NPA documents, this is the most important of these

front groups. Although a creation of the CPP/NPA, it is a totally legal and open organization with the avowed purpose of representing the interests of the sizable overseas Filipino migrant worker community. It never openly works with anti-government organizations or openly supports any anti-government activities. Nonetheless, it serves as a key vehicle for underground propaganda work and recruitment into the National Democratic Front, and then directly into the CPP/NPA. In conjunction with another front group codenamed Archi, it creates legal bases to suit the requirements of funding agencies such as the Asian Partnership for Human Development.

2.2b Association for Community Peoples Organization: a Hong Kong-based legal operation involved in approving funding for projects of nongovernmental organizations. According to intelligence sources, a recently captured CPP/NPA cadre served on its staff, using it both as his "cover" and as a conduit for funds from international funding agencies. This individual traveled to various Southeast Asia nations, particularly those of ASEAN, facilitating the request for funds for various projects, whose ultimate purpose was revolutionary actions in their respective countries.

Such revolutionary cross-fertilization has been documented by the Malaysian White Paper that one internal security agency published in March 1988, entitled "Towards Preserving National Security," which reports that members of the so-called "Marxist Group" cadre "received their training in the Philippines through the Philippines Educational Theatre Association (PETA) and Kilusang Mayo Uno (KMU) or May First Movement, which are pro-communist organizations." The former is a revolutionary theater company which has received over \$200,000 in grants from West European nongovernmental funding agencies, while the latter has been shown to be as a CPP/NPA front throughout this report. The Malaysia White Paper also revealed photographs of members of the Malaysian Marxist Group, Sivamoorthy S/O Solai and Julian Jayaseelan, participating in anti-government demonstrations in Manila. It is also believed that NPA cadres have undergone military training in more remote regions of Malaysia such as Sarawak.

2.2c Resource Center for Filipino Concerns (RCFC): one of many Philippine "resource" or "information" centers that can be found throughout the world. Most are decidedly pro-CPP/NPA if not mere front organizations for its National Democratic Front. The RCFC has received financial assistance from the Australian Council of Churches and other affiliates of the World Council of Churches. The RCFC functions as an intelligence center and propaganda distribution center for the CPP/NPA, National Democratic Front, and related support entities such as human rights groups or labor groups. It also identifies possible sources of funding and supplying of documentation to fulfill aid agency requirements.

3.0 Japan: linking with the Terrorist International

Operations based in Japan are carried out by the Asia Pacific Committee's Japan Support Group, codenamed IVY II. The Japan Support Group oversees front groups with similar names to those found in Australia and Hong Kong, such as the Resource Center for Filipino Concerns and the Japan Committee for Afro-Asian People's Solidarity. Although its activities in general are similar to its operations in other countries—"support of the homefront"—it serves as the key entry point into the Terrorist International.

In November 1987, the Japanese National Police Agency arrested Osamu Maruoka, leader of the Japanese Red Army (JRA) terrorist group, who was responsible for the infamous 1977 "Lod Massacre" where 24 persons died at Israel's Lod Airport, near Tel Aviv. His arrest caused the unraveling of a terror network that led to Manila, the Middle East, Western Europe, the United States, and North Korea. The evidence pointed to a full-scale revival of the notorious Japanese Red Army including preparations for attacks American military facilities in Europe and the Philippines—which were successful—and preparations for hit attempts against the Seoul Olympics and the Toronto Economic Summit. The nucleus of the operation was to be the "Anti-War Democratic Front"; its base of operations was Manila.

In June 1988, Philippine authorities arrested Hirochi Sensui, another fugitive Japanese Red Army member who had undergone plastic surgery in Manila. It was soon revealed that other known JRA members such as Kazuo Tohira had traveled to Manila to meet him.

The JRA's ability to operate out of Manila could only have been possible with direct CPP/NPA support. This support is confirmed by other reports that the murder of American servicemen near Clark Air Base outside of Manila last year by CPP/NPA "Sparrow Units" (hit squads) was in fact the work of a JRA team. Moreover, according to reports of the British-based Institute for the Study of Terrorism, NPA men are being trained by the JRA in the Bekaa Valley in Lebanon, as well as in South Yemen.

Besides the JRA, Japan is the hub for contacts with other terrorist groups such as the Middle Core, Battle Flag Communist League, and Hazam Group of the Revolutionary Workers' Councils. Since Japan has the most "visitors" arriving in the Philippines for making contact with the CPP/NPA, it is certain that individuals from these groups have made the pilgrimage many times.

The other important role of Japan is contact with North Korea. It is a well-known fact that the North Korean intelligence services utilize Japan and its large Korean community for their operations, particularly terrorism. Although it has not been confirmed by our investigative team, contact with North Korean agents, for arms, logistical support, and mutual aid, can hardly be ruled out.

Ceaușescu's crimes affect us all

by Antal Dorati

The orchestra director Antal Dorati, who in the course of his career has conducted every one of the world's great orchestras, is without a doubt one of the leading artistic figures of this century. In the United States, he was for a number of years the director of the Detroit Symphony Orchestra. In the Federal Republic of Germany, his name is especially associated with the founding and continued existence of the Philharmonia Hungarica. It was with this "refugee orchestra," which since 1959 has permanently resided in Marl, that Dorati completed a unique artistic project—a recording of all 104 of Joseph Haydn's symphonies. So when now, at the age of 82, the "non-political" Mr. Dorati takes up his pen in defense of the threatened minorities in Romania, he does not do so merely as a Hungarian, but rather out of his "deeply felt interest for peace among men."

In recent weeks, the international press has been raising the pitch and the quantity of its reports on the destruction of 7,000-8,000 Romanian villages, and its attitude has been one of unanimous condemnation. This continued interest, and the negative attitude on the part of these organs of public opinion, is a positive sign that humanity's conscience is still alive around the world. But far more painful pricks will have to be applied to that conscience, if we are to prevent a new crime against humanity from being committed during this century—or at the very least, so that we can reduce the extent of that crime.

My purpose in writing this, is to expose the true nature of this hideous act—comparable to the "Holocaust" and to China's "Cultural Revolution"—to extricate it from the realm of one state's "internal affairs," and to characterize it as a general crime against humanity which deeply affects all of us, wherever we happen to live.

It affects us, because, just like the "Holocaust" and the "Cultural Revolution," it does irreparable harm to all of humanity. This statement also explains the qualification I made above, namely, that it is already too late to *prevent* the outrage from occurring. We can only act to lessen its effects.

For, these crimes have already been committed once the very first action is taken, with the despotic destruction of the very first house, just as it was under Hitler, with the gassing of the very first concentration camp victim.

It might be asked: How it is possible to equate the destruction of houses with the extermination of human beings? My answer is, that in this case it is not merely a question of dwellings, but of the homesteads of people with deep roots in the region and its soil. The destruction of these ancestral homes not only makes the population homeless, it cripples them spiritually—and not only those immediately affected, but their children and grandchildren as well.

In order to understand this, we must examine the ethnic structure and the history of the affected people a little more closely.

Southeastern Europe

The part of Europe we are discussing includes, roughly speaking, the following area along the Danube River: starting just a few kilometers to the west of Vienna—which is the boundary of the greater German-language area—and stretching all the way to the Black Sea.

This region is inhabited by various peoples, with various languages and cultures. A large proportion of these ethnic groups live in their own delimited areas, but in addition, up to 2 million of them live in settlements which are scattered about like islands in the midst of regions with a different language and culture. The ethnic map of this region therefore resembles a great "irregular checkerboard," with smaller and larger subdivisions.

(This arrangement is hard to imagine for those of us who live in countries which are firmly anchored in a single language and culture. To give you some idea, imagine that the area between Nuremberg and Würzburg in Germany were inhabited by 4 million Frenchmen, while about 3 million Italians lived in the area between Bremen and Kiel—all of them wanting to maintain their own regional idiosyncrasies.)

This great, variegated community of peoples mostly be-

longed to the Austro-Hungarian monarchy, which was broken up in 1918 following World War I. Eastern Europe's new map, created by the postwar "peace treaties," carved out new autonomous states, in which the empire's former minorities became majorities, giving rise, in turn, to new minorities within them.

The deliberately thoughtless, and often downright shabby treatment meted out to these national minorities was one of the triggers for World War I, and was one of the major reasons for the subsequent breakup of the Austrian-Hungarian monarchy.

In some respects, the new geographic and political structuring of Danubian Eastern Europe was an improvement, but in other respects the situation became even worse. The Czechs and the Slovaks got accustomed to living with each other, in Czechoslovakia. The Serbs, Croats, Slovenians, Montenegrins, Macedonians, and even some Albanians, all found their way into the Nation of the Southern Slavs—Yugoslavia—and the "new" minorities within these nations have gotten along, so it is said, in a tolerably humane fashion. The much-reduced remainder of former Greater Hungary today has virtually no minorities. On the other hand, Hungarian "islands" form the greatest minority populations in neighboring countries.

Remarkably, the ideological and political transformations which these countries have undergone, have had little influence on relations among their various ethnic peoples.

Romania

The minorities problem is the worst in Romania, which lies to the east of Hungary and Yugoslavia. Ever since 1918, when Romania's territory was doubled in size, this country has been replete with numerous "minority islands." The old, originally Hungarian "Erdely" (Siebenbürgen), which is the home of 2 million pure-blooded Hungarians called "Székelys" (Szekler), now belongs to Romania; the same goes for the smaller minority islands of Germans, Serbs, and other cultural extractions.

These "newly arrived," strong minorities gave the Romanian state a new set of problems which it did not have to confront earlier when the country was smaller, but more "well-tailored." Romania's various successive governments have tackled this problem with varying degrees of adeptness—or rather, lack thereof—since none of the attempted solutions has led to acceptable results. That is, until the current regime of the "Conducator" Ceausescu took on the question in his own peculiar way. On top of the injustices he has already heaped upon minorities who ought to be citizens with equal rights, he now intends to commit genocide against them, wiping them completely off the map. Now he is poised to commit this act, thereby erecting yet another shameful monument to the senseless, insane, and destructive rages of our century.

But to return to the minorities: Don't think for a minute that these ethnic groups *per se* are recalcitrant, or even revolutionary. They could be forced to be that way, but this is not their "mentality of choice," nor has it ever been in the past. For example, at the start of the 20th century, it was only the insensitivity of the regimes of the Austro-Hungarian empire which put the southern Slavs into a mood of revolt, which resulted in the tragic "July 1914" [i.e., the aftermath of the assassination of Archduke Ferdinand in Sarajevo, which triggered World War I—ed.].

It is the same today: The Hungarians, Germans, and Serbs living in Romania have been flexible and have wanted to be useful Romanian citizens—citizens who speak their own language and live according to their own customs, in no way disrupting those of the Romanian majority, if only the latter would permit them those freedoms. But Ceausescu got it into his head to assimilate them—to make these Hungarians, Germans, and Serbs, all into *Romanians*.

What he does not know—or does not care to know—is that he can never succeed. The Ceausescu regime has ignored the countless examples from history demonstrating the toughness and durability of many peoples' sense of ancestral identity. Whereas the regime could have peacefully incorporated the minorities *as such*, it took another route which was foredoomed to failure, that of assimilation.

Cultural destruction

With each successive failure, the pressures on the minorities became ever greater. Little by little, their schools, the use of their languages in public, their equal rights at work, and then in their daily life, were taken away. And finally, the devilish plan to rob them of their own homesteads was set into motion.

Words are scarcely adequate to describe the reality of this gruesome tragedy. The 7,000 to 8,000 villages of Romania's Hungarian, German, Serbian, and other minorities are many centuries old, well-preserved, and filled with long-held traditions as well as personal and general cultural values which would be impossible to transplant, even if there were an effort to do so—which there is not. They are simply destroyed—nothing more.

In the middle of each of these villages there stands a church—in some, two churches, most of them old and valuable cultural monuments. They serve as reliquaries for the local artistic treasures. Many of the houses which are to be razed (some of them already have been) were built centuries ago and contain (or contained) countless products of local handicrafts: valuable crockery, embroidery, woodcuts, handwoven cloth, jewelry, and more, which show their varying traditions from town to town. It is impossible to make a complete list of what is to be destroyed, and of what has already been destroyed. It would have to include plants, plant products, pets, sheep, cattle, and poultry—not to speak of

purely spiritual cultural artifacts such as folksongs and folk poetry.

And above all, not to speak of the *people* who were born in these villages, and of their ancestors, who belong there just as do the trees whose fruits nourished them. To tear these people away from their land, means to make them into cripples, to castrate them spiritually—nothing less.

And on top of this, these traumatized people are supposed to be “assimilated” and utilized by the dictatorial system—even though the loss of their native soil has utterly destroyed them and has rendered them completely “useless.”

‘Gaining land’ through ‘agrarian reform’?

But let us examine the obverse side of this filthy coin. What is the goal of Ceausescu’s ethnocidal murder of entire towns? And what kind of life does he offer to those whom he has driven from house and home? He announces that the villages must be destroyed in order to facilitate agrarian reform, since this will free up additional land for cultivation. This “gaining of land” is an illusion; it is practically zero: The 8,000 villages represent only 3% of the tracts in question—tracts in which much more than 3% lies fallow each year!

Just what is to become of the homeless people, is not so clear from the official statements. There is talk of putting them in the cities in rental apartments—most of which have yet to be built—or else in new labor settlements yet to be established. It was reported that two such houses have already been “consecrated” by the “Conducator” and his wife. Beyond that, little is known, save that the residents of these settlements are allotted a ridiculously small living-space per person; very saddening reports are circulating about the inadequacy of these dwellings.

And then, there are the questions which have not even been asked yet: If the occupants of the land are transported into the cities, who will take care of the “gained” land? If new settlements are set up in rural areas, how much of the “gained” 3% will be taken back again? And, the biggest question of all: Does Ceausescu even have enough money to carry out his mad plan? The destruction of the villages—apparently driven by the sheer perverse pleasure of destroying things—is already a very expensive joke. But the reconstruction will cost a thousand times more than this destruction will. Where will the money come from?

Romania has been hopelessly ruined by bad management. The work of destruction occurs at the low point in the country’s long, progressively worsening economic collapse. Romania’s bad economic situation today, in itself, cannot be regarded as an exceptional case; what merits our attention, is the fact that today’s Romanian government is the most rigid and ruthless dictatorship since that of King Karol, or those of Bratianu, Atonescu, etc. Not only has this dictatorship thrown this country—in which Romanians themselves suffer no less than the minorities—into a serious crisis; but even among

today’s communist governments, it has assumed an especially embarrassing position on all counts.

We have already discussed how these Danubian countries have committed atrocities against each other from time immemorial. However, no government, no head of state has ever conceived of a more senseless, pointless, hopeless, and purely destructive crime than this ethnocidal maniac. It simply defies all common sense; in fact, it’s probably not being carried out by people who have any common sense. And nothing is happening to stop it.

Is there a solution?

Indeed, who ought to stop it? And who has the means to do so? The governments of other countries? The most plausible solution would be, that the Russian government would intervene. But the Russians most likely have other things to worry about. The governments of neighboring states, greatly concerned over their countrymen, are protesting, appealing, pleading; but they aren’t being listened to, and they are too weak to intervene themselves. The governments of the West are caught in the chains of international diplomacy; similarly, the United Nations.

It might be possible to *buy* these people from Ceausescu. He’s already offered them to us. Germans go for 8,000 Deutschmarks “apiece.” Such deals could hardly be made through official channels; but perhaps the Federal Republic of Germany has 240,000 people—the size of the German minority in Romania—who would be willing to contribute 8,000 Deutschmarks each in order to save a soul. But if that were the only solution, Romania’s 2 million Hungarians would be out of luck, since their countrymen in Hungary certainly don’t have 16 billion Deutschmarks. The Serbian minority is much smaller, but their “ransom money” is an astronomical sum, for Yugoslavia. No, even Ceausescu’s confused and obsessive brain can’t hope for this “solution.”

Is there nothing, then, which could prevent, or lessen such an outrageous act? Yes, there does exist a latent, as yet undeveloped power in the world, which could do it.

And who has this power?

We have it.

We, the people of the Earth—

“We the people.”

And what can we do?

Much.

First, we can talk about it. Let our small, individual voices be heard, ceaselessly. Never let up.

Then, according to our profession and possibilities, the following, for example, could be done: The press could gather more and more information, and send its reporters there. It would already be a revelation, to see if they could even get access to the scene of the crime.

Private industries could reconsider whether they should do any business with Ceausescu at this particular time. Artists

Philharmonia Hungarica wins funds—for now

Late September saw both a growing support for the German-based Hungarian expatriate orchestra Philharmonia Hungarica, whose existence is threatened by a lack of government funding (See *EIR*, Sept. 17, 1988, p. 47), and a decision by the budget committee of the German Parliament in Bonn which “secured” the financing of this famous orchestra for just another year.

Rafael Kubelik, world-renowned conductor from Prague who has lived in the West for a long time, recently endorsed the call that Helga Zepp-LaRouche, president of the Schiller Institute, issued to save this famous orchestra. Kubelik worked with these Hungarian musicians for the first time in 1958, when he conducted one of their most crucial concerts in Vienna. That concert contributed a great deal to finally convincing sponsors and music critics in the West to save the orchestra and firmly establish it as a musical institution, despite many political maneuvers to shut it down shortly after it had been created.

Kubelik has also signed the call of the Schiller Institute to lower the musical tuning to C-256 Hz (A-432 Hz),

becoming the first top-ranking conductor outside Italy to support the world-famous singers—above all the Italian and Spanish sopranos Renata Tebaldi and Monserrat Caballé, the Spanish-Mexican tenor Plácido Domingo, the Italian baritone Piero Cappuccilli, and the West German bass Kurt Moll—who, together with the Schiller Institute, have led the international fight to lower the tuning.

Support for the Philharmonia Hungarica was forthcoming also from the entire Orlando Quartet, the leading Dutch string quartet, and from a board member of Gelsenkirchen’s symphony orchestra. Gelsenkirchen is a city in Germany’s Ruhr area near the little town of Marl, where the exile Hungarian orchestra has made its home since 1959. The Hungarian musicians themselves distributed the call of the Schiller Institute at all their recent concerts, winning a high level of response.

The public campaign in support of the Philharmonia Hungarica, which the Schiller Institute has mounted over the late summer and early autumn, has showed the first sign of success. During a late September session, the budget committee of the German Parliament in Bonn reversed its earlier intention to cut the funding of this orchestra—thereby saving it for the time being. But so far, only for one more year.

That means the real fight has just started.—*Hartmut Cramer.*

could avoid Romania’s cities, tourists could boycott Romania’s bathing-areas on the Black Sea, and so forth.

It could be—yes, it *could* be, if we human beings, the well-meaning people of this Earth that we are, might sacrifice our comfort, our thirst for money, our quest for pleasure, etc., and might truly stand up for truth and justice, so that our voices might resound so loudly, and our will radiate such power, that the vanquishing of evil can no longer be turned aside.

A utopia?

For the moment—unfortunately—yes.

But everything good was a utopia before it became reality. And this transformation has already happened a few times before on this Earth.

Unity among brothers

Is there any solution to this Eastern European problem?

Certainly there is: the same solution which exists for the future of all humanity—unity among brothers.

And in this corner of the world, the various kinds of groupings are already a step closer to this solution than elsewhere, precisely because for so long, they have lived, ill at ease, but nevertheless *with* each other.

Now is the time to forget the old mistakes, to forgive the

old sins committed against each other, to make a new start.

In practice (economically, ethnically, politically, culturally), this solution would involve the creation of an “FD”—a *Federatio Danubiensis*, a great republic, administered by a single central government, which would be chosen by all those living within its borders. Similar to today’s Switzerland, its common interests would have to be represented and promoted as a single entity; but each language and ethnic group should freely maintain and develop its culture alongside the others—with only a few frictions, which would exist for a long time to come—and would live in harmony and general prosperity.

As long as Ceausescu exists, such a unity among brothers cannot come about. But we must not permit people such as him to exist, ever again.

And indeed, they *shall* not exist ever again, provided that *we*—the world’s human beings—do not desire this, and do not permit it. There is one thing we must know: “Humanity” exists within *us*, within individual human beings.

Our power as a community consists in the powers of each of us individually.

And the peaceful, constant, irresistible development of these many individual forces, each small in itself, is what our future depends on.

Amb. Walters caught with his pants down

by Carlos Wesley

The U.S. government was caught in a plot to carry out military operations against the government of Panama at the end of September. The discovery of the plot by Panamanian authorities significantly set back the plan to oust the head of the Panama Defense Forces (PDF), Gen. Manuel Antonio Noriega, and to install Eric Delvalle as the puppet President of Panama.

In a speech to the U.N. General Assembly Sept. 27, Panamanian President Manuel Solís Palma charged, "I categorically state that my government has abundant reason to fear direct U.S. military aggression against the Republic of Panama."

Less than two hours after Solís Palma spoke, Vernon Walters, the U.S. ambassador to the U.N.—who had boycotted the President's speech—arrived at the United Nations from a meeting with Secretary of State George Shultz and President Reagan, to read to the press a statement prepared by the State Department, denouncing Solís Palma's charges as "a litany of false accusations against the United States." The portly Walters, a life-long bachelor who lived with his mother until her recent death, told the assembled journalists that, while the United States wanted Solís Palma and Noriega out, it would not use force to gain that end. "The United States does not engage in military aggression," Walters told his astonished audience.

Weapons cache found

But Walters was exposed as a liar within 24 hours, when the Panama Defense Forces dismantled a Panamanian opposition group working in conjunction with the State Department, which was plotting to assassinate Noriega and other members of the PDF high command and overthrow the government. The PDF also intercepted on Sept. 28 a weapons shipment that is believed to have been intended for the plotters.

According to Panamanian authorities, the weapons were detected during a routine inspection of merchandise unloaded from the U.S.-registered ship *Senator 67* at the Caribbean port of Las Minas Bay, in a shipment consigned to the Panama-based U.S. Armed Forces Southern Command. Included in the shipment were a long-range cannon, munitions, and other war materiel. The State Department protested that the seizure was arbitrary and denied Panamanian accusations that the weapons were intended for the U.S.-sponsored Panama-

nian "Contras." And Panama did hand over the weapons to the Southern Command following a meeting of the Combined Command, the joint U.S.-Panama military command in charge of the defense of the Panama Canal.

What the State Department was not able to explain, however, was why the shipment was sent through the Las Minas port instead of through the ports of Cristobal or Balboa, as required by the Carter-Torrijos treaties between Panama and the United States. Arousing further suspicion was the fact that the bill of lading described the shipment as "dry goods." Since the U.S. military is authorized by treaty to transfer weapons into Panama whenever it wants, the obvious conclusion was that the weapons were not intended for the use of American troops based in Panama, but for the opponents of the current government. Lending further credence to this interpretation, was the fact that the broker for the weapons' shipment was one Willy Delvalle, brother of Eric Delvalle, the man the U.S. (and only the U.S.) still insists is the "legitimate President of Panama."

October surprise deferred?

But the biggest setback to plans to launch a military operation against Panama, came with the arrest on Sept. 29 of 26 members of the opposition who were charged with plotting a campaign of strikes, civil unrest, and chaos. This was intended to culminate in an attempt against the life of Noriega and the overthrow of the government on Oct. 20, by a U.S.-armed group armed by the United States that would invade from neighboring Costa Rica.

Among those arrested were former PDF Col. Fred Boyd and José del Carmen Serracin, leader of the youth movement of the Authentic Panamenista Party, the opposition's largest grouping. Boyd and Serracin publicly admitted that the United States had turned over to former President Delvalle \$30 million in Panamanian government funds frozen by the Reagan administration. Of that amount, they said, \$28 million has been allocated to the purchase of weapons, uniforms, helicopters, and other war materiel.

These setbacks and the U.S. presidential campaign have led some to believe that the long-expected "October surprise" military action against Panama has been deferred until after the Nov. 8 elections. In an article Oct. 3, the *Wall Street Journal* reported that President Solís Palma "fears that after the elections the administration will make another attempt." Noting that "there are indications that he could be right," the paper wrote that campaign strategists for George Bush have so far resisted such a step, in the belief that "radical action is bad policy and would be suicidal policy if the administration failed again" to oust Noriega. But, the paper added, "After the Nov. 8 election, President Reagan will have to face the difficult choice between acquiescing to his Panamanian failure or trying once again to dislodge General Noriega. The trouble is, if he opts for a new attack against the Panamanian strongman, the task will be more difficult than ever."

'Tet Offensive' threatens Colombia

Moscow's irregular forces are gearing for a seizure of power, while the Barco government cowers.

A Sept. 25 ambush of a military patrol in the southern jungle region of Caquetá, by 200 guerrillas of the Moscow-directed Revolutionary Armed Forces of Colombia (FARC) occurred while the Virgilio Barco government twiddled its thumbs awaiting a FARC response on the latest draft of its "peace proposal." Twelve soldiers and two civilians were killed, and another 14 wounded in the grenade attack.

Meanwhile, FARC leader Manuel Marulanda Velez—best known as *Tirofijo* ("Sureshot")—went on national television to announce the formation of a "joint general staff" among Colombia's terrorist forces, to pursue their military strategy for seizure of power.

On Oct. 5, the heavily Communist infiltrated CUT labor federation held nationwide marches to demand changes in government economic policies, and an end to the "dirty war" against the left. Numerous terrorist plots to create major disturbances that day were aborted by an alerted military, but even so, some 400 guerrillas raided three central towns, assaulting police stations and military bases. The toll was at least 10 dead, and another dozen wounded. The CUT has set a national general strike for November.

At least three important regions are under military siege after civil insurgencies manipulated by the terrorists. The cities of Tumaco and Pasto, in southern Nariño province, suffering severe economic hardship and administrative neglect, have been hit by riots, strikes, bombings, looting, even separatist movements. A similar crisis has broken out in Riohacha, the capital of La Guajira peninsula in the Caribbe-

an. In the central Urabá region of terrorist-infested Antioquia province, strikes are paralyzing all economic activity as a confrontation builds between the guerrilla-dominated banana worker unions and the military governorship.

On Sept. 26, the Colombian army announced it had raided a huge cocaine processing complex in Colombia's eastern jungle province of Vichada, including 40 refining laboratories capable of producing more than three tons of pure cocaine a month. Evidence was discovered that the FARC lent its security services to the drug traffickers running the complex, for an estimated \$250,000 a month. Multiply that by the 10-20 such complexes the FARC protects around the country, and you get a tidy sum flowing into the coffers of Moscow's narco-terrorists.

Over the past year or so, the irregular warfare troops inside Colombia have shown a frightening capacity for sabotage and insurgency; they have kidnaped the son of a former President, a former presidential candidate, and dozens of mayors; they have murdered an attorney general, bombed the Army's Second Division headquarters, and threatened the Catholic Cardinal and foreign executives with death. They have driven the oil industry into crisis through incessant bombings of critical pipelines, occupied entire cities, triggered riots in Bogotá, and led peasant marches in the tens of thousands.

Now, on orders from the State Department-funded American Institute for Free Labor Development (AIFLD)

and the Interamerican Regional Labor Organization (ORIT), the "democratic section" of the CUT labor federation, under the presidency of former Labor Minister Jorge Carrillo, has abandoned any attempt to challenge Communist domination of the labor movement. This has turned the CUT into an instrument of chaos.

Ruling political circles have thrown up their hands. Justice Minister Guillermo Plazas Alcid declared Oct. 1 that Colombians "have lost our moral values, we are unhinged. We are like shipwreck victims, each seeking to save only himself." Interior Minister Gaviria Trujillo tried to clarify the government's peace policy by telling a national business conference Oct. 1 that the government did not seek the "unconditional surrender" of the guerrillas.

Senate president Ancizar López stated Oct. 2 that guerrilla spokesmen would be permitted to take part in congressional hearings on reform of the national constitution. The next day, Attorney General Horacio Serpa Uribe admitted that the legal system was incapable of trying and convicting drug traffickers.

While the guerrillas—now unified and with an agenda for taking power—have not yet achieved the kind of in-depth infrastructure and mass support which can guarantee them the seat of power, they are within one to two years' striking-distance of such a goal. Observers warn that a Colombian "Tet Offensive" is in the making. According to the editors of the daily *El Espectador* Sept. 27: "The national strike is not an isolated act, but collaboration with internal and external destabilization. . . . [It] represents a show of force, intended to demonstrate the logistical support subversion has within the civilian population and labor movement."

The Cárdenas movement won't go away

Moscow, the Social Democrats, the State Department, and the PRI have all failed to crush the movement behind Cárdenas.

A mass rally on Oct. 2, designed as a leftist commemoration of a 1968 student massacre, was turned into a rally for the nationalist Cuauhtémoc Cárdenas, the man who most Mexicans believe won the July 6 presidential elections—much to the chagrin of the pro-Moscow faction of his coalition, the National Democratic Front (FDN).

The more than 100,000 people gathered for the rally demanded that Cárdenas speak, even though the Communists had kept him off the speakers' list and prevented him from leading the march which preceded the event.

But the maneuver failed, underlining the fact that Cárdenas and his movement, are not about to be eliminated from the political scene, either by the vote fraud of President-elect Carlos Salinas de Gortari, or by the machinations of the left.

The occasion for the showdown was particularly rich in political significance. Exactly 20 years ago, in 1968, on the eve of the Mexico City Olympics, dozens of students died when a meeting of 5,000 people was dispersed by army units after mysterious snipers fired on the crowd and the Army units surrounding it at the Tlatelolco housing project. Ex-President Luis Echeverría, who was government secretary at the time, recently revealed that the provocation was set up by "foreign agencies."

Tlatelolco became the symbol of the cult of death of the leftist students. Much of that "Generation of '68" was corrupted into homosexual, satanic,

and environmentalist cults today controlled by the Socialist International and Moscow.

But most of the 100,000 at this year's commemoration belong to no party. They voted for Cárdenas, because his program defends national sovereignty and opposes the genocidal austerity of Mexico's creditor banks and the International Monetary Fund (IMF).

Cárdenas did not waste words. He said, "Believing that I interpret the feelings of millions of democratic and patriotic Mexicans, I again certify our commitment to fight for those ideals for which many fell in this plaza."

Had the left sectarians managed to exclude Cárdenas as an "alien" from this event, on the grounds that he was a member of the ruling Institutional Revolutionary Party (PRI) in 1968, that would have helped regime propagandists sell their story that "Cárdenas is alone" and that the left controls those "few, violence-prone desperadoes" enraged by the vote fraud against Cárdenas. That is what the government wants to happen, so it can destroy Cárdenas—"assassinate him, jail him, or exile him," as predicted recently by *Quejacer Politico* magazine.

But contrary to such hopes, after the PRI got Salinas de Gortari certified President-elect Sept. 10, the Cárdenas movement continued to grow. On Sept. 14, in Mexico City, 350,000 supporters turned out for Cárdenas. When he toured Veracruz state, popular acclaim forced him to stop and speak in every town.

On Oct. 4, police in Guerrero state violently broke up a picket line by Cárdenas supporters protesting vote fraud outside the city hall in Coyuca de Benitez.

The ruling oligarchy accuses Cárdenas of wanting "civil war" and of wanting to prevent Salinas from being inaugurated on Dec. 1. They want to get rid of Cárdenas as a political force, so that they can force Salinas to continue De la Madrid's genocidal IMF policies. They are threatening Salinas with chaos from capital flight, if he does not obey. Salinas has already agreed to prolong the wage, price, and exchange rate freeze of the De la Madrid government, during his first month in office.

Columnist José Luis Mejías noted in *Excelsior* Oct. 2 that Cárdenas has nowhere called for civil war. Those who want it, he reports, are the government faction made up of "partisans of overt and brutal repression," the "IS" (Socialist International) and the "IC" (Communist International), "whose organizers are quite active all over Latin America."

To erode the Cárdenas movement, those forces have fostered a Byzantine debate within it on the supposed need to turn it into a leftist party. Oscar Mauro Jiménez, the congressional coordinator of the nationalist Authentic Party of the Mexican Revolution (PARM)—the party which originally launched Cárdenas' candidacy—now insists that "Cuauhtémoc Cárdenas is not the one who called for a new political party; it was Heberto Castillo and Gilberto Rincon Gallardo," among other leaders of the communist Mexican Socialist Party (PMS).

The PMS is willing to disguise itself in nationalist colors to take control from Cárdenas, who is neither socialist nor a hater of the United States. Its first putsch against him aborted on Oct. 2. Cárdenas is sticking to his guns.

Strauss death leaves political vacuum

Franz Josef Strauss died suddenly under mysterious circumstances. Do Moscow's special forces hold the key?

The social forces of political protest have ceased to be the sole or even the principal target of Soviet advances. Now the Kremlin seeks to make more of an impact on responsible circles, including those of conservative opinion. . . . In the Kremlin's view, West Germany is not only the most crucial, but also the most vulnerable country in Western Europe."

These are excerpts from a new report on Soviet propaganda that German researcher Gerhard Wettig has published through the Institute for European Defence and Strategic Studies in London. Other experts have warned recently, too, that Moscow may exploit what it views as the "leaderless period in the West" from the U.S. presidential elections through the inauguration of the new President in January 1989. West Germany's political elites are on the very top of the Soviet target list for destabilization.

This is what makes the sudden death of Bavaria's Prime Minister Franz Josef Strauss so shocking. Moscow expects to meet no problems in Germany's political elites, except the small but influential conservative current that has historically been mainly organized in the autonomous Bavarian state section of the Christian Democrats, the Christian Social Union (CSU).

The Oct. 3 death of longtime CSU party chairman Strauss, the leading spokesman of the aerospace and military-industrial complex, poses the threat of disorientation, maybe even dismantling of the CSU party organization. This is what the Kremlin has been waiting and working for, over

decades, for once the CSU ceases to be a mouthpiece of more conservative, generally anti-Soviet but not always pro-American views, a significant bastion of political resistance to Moscow's annexation plans for Germany will be gone.

There are, indeed, hints that the death of Strauss was not at all "natural." Although 73 years old, Strauss was in stable health, fully capable of flying his own Cessna Citation aircraft over long distances. He was an experienced pilot, and maybe because of that, he was able to escape a critical situation on Sept. 26, when his aircraft, on the way home from a visit to Bulgaria, had a malfunction of the cabin pressure and had to dive from an altitude of 10,000 meters. Strauss barely escaped a crash by stabilizing the aircraft at 3,000 meters.

This incident is not viewed as a "normal accident" by many in Germany who knew Strauss. It has been said that the problem on the way home from Bulgaria was due to sabotage, some kind of manipulation of the Cessna technical equipment by Eastern (not necessarily Bulgarian) specialists.

Strauss's life ended less than a week later, on Oct. 1, when he climbed from a helicopter that had brought him from Munich to a place near the town of Regensburg, and collapsed. Apart from an unusual heartbeat malfunction, also his lungs and kidneys collapsed, and his condition worsened in the hospital, until his death two days later.

This affair resembles the case of Uwe Barschel, the prime minister of

the state of Schleswig-Holstein, who luckily survived an air crash on May 31, 1987, which killed all the rest of the crew. While still in the hospital, Barschel then found himself a target of a vicious libel campaign, launched by pro-Soviet politicians and media. On Oct. 11, 1987, Barschel was found dead in a Geneva hotel room—officially, it was a "suicide." His death paved the way for the Social Democrats to take power in Schleswig-Holstein.

Barschel had inside knowledge of "Irangate"-type arms deals involving the Soviets, and that is, intelligence sources say, the main reason he was killed.

Two other prominent German Christian Democrats have died unnatural deaths in recent years. Within a few weeks of each other, in the summer of 1985, first Alois Mertes died of a "stroke," then Werner Marx, the chairman of the parliamentary commission on foreign relations in Bonn, died of "complications" resulting from routine heart surgery. Both being influential critics of Moscow's policy and of Western détente illusions, their deaths opened the CDU to the rise of Moscow's pets in the party.

What will happen to the CSU, without Strauss? Will it be wrecked by internal "succession fights," or ally with the liberals of the Christian Democrats in Germany? Or, will sections of it join the Patriots for Germany, the small party that is allied with the LaRouche movement in U.S. politics?

The latter option is, apparently, viewed as a "high risk" in Moscow. And with two important elections ahead—for national parliament in Bonn and in the Bavarian capital of Munich—the Soviets have reason to worry about a potential breakthrough for the Patriots.

International Intelligence

Confrontation between Syria and Iraq coming?

A head-on confrontation between Syria and Iraq cannot be ruled out now, according to Syrian diplomats quoted in the Oct. 2 London *Observer*. Syrian Deputy Foreign Minister Nasir Qaddur is quoted saying that Damascus doesn't want such a confrontation, but no one "can predict the reaction of Saddam Hussein."

He was referring to the Syrian government's recent pledge of "total support," financial and military, to the newly created "Kurdish National Front," based in Damascus and headed by Jalal Talabani of the Patriotic Union of Kurdistan. The KNF is a coalition consolidated after Talabani's meeting with Syrian President Hafez al-Assad.

Talabani announced that he would be able to use bases of the terrorist Kurdish Communist Party (PKK) inside Turkey to re-enter Iraqi territory after a recent military offensive by Iraq sent the Kurdish population fleeing for the most part into neighboring Turkey.

The Syrians, meanwhile, are warning against the recent creation of a "Syrian National Front" in Baghdad and are expecting Iraq to sponsor "retaliatory raids" against Syrian border villages.

Ethiopian refugee camp flooded

Ethiopia's biggest refugee camp was swamped by flooding during the summer. From reports just now coming out, in mid-August, the Baro River burst its banks, flooding Itang, the largest refugee camp in Ethiopia, a "city" of thatched huts housing 213,000 persons who fled famine and civil war in southern Sudan.

Malaria, dysentery, and pneumonia are on the increase and health officials fear an epidemic could break out at any moment. Drinking water supplies are contaminated, and most of the camp's inhabitants wash and defecate in the same muddy water they drink, Kwingsley Amaning, the U.N. official in charge of Itang, told Reuters.

Heavy rains which have provoked the worst flooding in 20 years in southern Ethiopia have also cut roads leading to this remote camp on savannah lowlands near the Sudanese border. The trucks are now getting through again, but Amaning, a Ghanaian, said Itang refugee camp was in a "desperate situation," with only five days of food stocks in reserve.

Wife says British scientist murdered

The wife of a British defense scientist found dead under mysterious circumstances asserts that he was murdered. Mary Beckham is the widow of the late Alistair Beckham, who had worked for Plessey Naval Systems in Surrey, in classified areas.

Sometime in August of this year, Beckham was found dead by his wife on a Sunday. He was in the garden shed, with electric wires attached to his body, and a handkerchief stuffed in his mouth. The fuse in the power supply had been bypassed by a paperclip. The Surrey coroner recorded an open verdict.

His wife told the Oct. 2 *Sunday Times* of London, "I can't imagine him going out in the shed and killing himself. He was perfectly all right. . . . I believe he was murdered and I've told the police that." Beckham was only 50, happily married for 17 years, and known to be highly devoted to his three daughters.

Following Beckham's death, in September, 33-year-old British Aerospace executive Andrew Hall was found dead in his car with a pipe leading from the exhaust through a window. Hall was involved in SDI-related work. Police are labeling it a "suicide."

The *Sunday Times* said that the recorded number of British scientists' who have died strange deaths over the past few years is now 12, but other estimates are that the number has reached 20.

Swiss practice defense against irregular war

"Indirect warfare" was a major theme of the maneuvers just concluded by the Swiss

Army, reported the *Neue Zürcher Zeitung* Oct. 2. More than 23,000 men, 3,000 vehicles, and 50 aircraft engaged in the "Rondo" exercises.

"In the first phase, command and troops had to confront the problems of indirect warfare, and build up their ability to preserve neutrality by fighting. The second phase concerned mainly the use of a flexible command to be able to organize a mobilization that was being hindered [by irregular warfare] and engage the troops in combat. The last phase concerned defense in an overt crisis situation."

Pioneering work in conceptualizing irregular warfare was done in Switzerland some decades ago, according to Brig. Gen. August von der Heydte's book, *Irregular Warfare*, and the last general maneuver of the Swiss Army was based on a scenario of defeating a Soviet invasion by joining with NATO forces.

Crisis building in Red China

In both Tibet and in the western Chinese region of Xinjiang, separatist tensions are building, London's *Daily Telegraph* reported Oct. 4.

Harsh pre-emptive moves have kept Tibet relatively quiet, but the current period includes a series of anniversaries of outbreaks of unrest against the occupying Chinese, and more trouble is expected. Oct. 1 was the anniversary of last year's riots, and Oct. 7 will be the 38th anniversary of the Chinese invasion of Tibet. Police are reportedly patrolling everywhere in the capital, Lhasa.

In Xinjiang, a Muslim Central Asian region, unrest may also be breaking out again. P.R.C. officials have just reported that, in June, a racial slur against the native Uygur population written on a university wall provoked an Uygur demonstration against the Han Chinese, who have been moving into the region in ever greater numbers.

There have been many protests against the Chinese since 1950, when Red Chinese troops marched in to crush an Uygur independence movement. A series of articles in the local government-controlled press in re-

cent months have denounced separatist agitation and foreign infiltration. Foreign journalists are now banned from the area.

Reportedly, the Red Chinese are getting help from Poland in training riot-control troops, the *Jerusalem Post* reported Sept. 29. An Eastern European diplomatic source said that Chinese security forces have worked with Poland on prevention, control, and repression of civil unrest. "Everyone knows that Poland has a lot of experience in this domain," commented the *Post*. When former Polish Prime Minister Zbigniew Meszner visited the P.R.C. recently, Zhao Ziyang indicated that the Beijing government expects an escalation of social unrest in coming years.

Japanese emperors' tombs vandalized

The tombs of Japanese emperors were vandalized Oct. 3 and leaflets were left calling for the abolition of the imperial system.

Police said one radical group left a smoke bomb outside the tomb of Emperor Meiji, the grandfather of ailing Emperor Hirohito, on the outskirts of the former capital of Kyoto in western Japan. The leaflets, declaring, "Now is the time to get rid of the imperial system," were signed by the Association of Revolutionary Workers. (Japan's leftists, including the Japanese Communist Party, have long attacked Hirohito as a war criminal.)

Another group sprayed red paint over an Imperial Household Agency billboard and scattered horse manure outside a sacred tomb reputed to house the remains of Emperor Jimmu, the legendary first emperor of Japan, located in Nara.

In a statement printed in *EIR*'s last edition, Lyndon LaRouche warned that Japan has been targeted for destabilization by networks centered on Britain's "Tiny" Rowland of the Lonrho conglomerate.

Thais warn Burmese rebels to keep out

The Thai army has issued a warning to Burmese government troops and Karen rebels

battling near the Thai-Burmese border to confine their fighting to Burmese territory, 3rd Army Region Commander Siri Thiwanphan said Oct. 3.

The warning came after stray artillery shells hit a village in Tha Song Yang district of Tak Oct. 1, killing a schoolboy and wounding four other villagers, according to Siri. Major General Ansorn said the fighting between the Burmese government troops and the rebels near the border area is expected to intensify over the next few weeks.

Meanwhile, Karen leader Bo Mya on Oct. 3 appealed for international aid for some 3,500 Burmese "students" who have fled to his rebel bases for military training. Bo Mya reiterated that the Karens would allow the students to set up independently run camps where the rebels would provide military training and arm the students. Two small groups of students reportedly have already been given rudimentary training and have slipped back into Rangoon.

Said another Karen spokesman, Em Marta, "We can provide security at these camps, but we cannot protect them from their number-one enemy—malaria."

Angolan rebels ask for continued aid

Marcos Samondo, the deputy representative to the United States of Angola's pro-Western UNITA guerrillas, stressed Oct. 4 the necessity of maintaining U.S. military aid to UNITA until all Cuban troops have left Angola.

Under an agreement mediated by the United States, all South African troops have withdrawn from the country, but the Cubans remain.

"There are many questions still unanswered. The 60,000 Cuban troops which are in Angola now. Who will supervise their withdrawal? Why will it take two years for them to withdraw?" asked Samondo.

He said that there were meetings being held in Zambia with seven heads of state to create a situation where UNITA would be integrated into a postwar Angola. Samondo explained, however, that Cuban forces were still in position to attack UNITA headquarters.

Briefly

● **THE RESULTS** of a new AIDS study were reported in the West German monthly, *AIDS Forschung*. France is registering 33 new AIDS cases weekly, and Italy 26. In the United States, there is a new AIDS-sick patient every 14 minutes.

● **GERMAN** Foreign Minister Hans-Dietrich Genscher, in a speech at the University of Bologna, Italy Oct. 3, attacked Western critics of Soviet policy: "All those, who . . . mistake the image of the enemy as a world view, who think that always the worst case has to be assumed for Soviet policy, all those have to be told to modernize their thinking."

● **THE F-18 'HORNET'** was chosen by the Swiss Defense Ministry to replace its aging Mirage IIIs and Hunters as the mainstay of the Swiss Air Force. Thirty-four aircraft will be purchased from the United States at a cost of 3 billion Swiss francs.

● **A SHORTAGE** of Stinger missiles is hampering the efforts of the Afghan rebels, and Brig. Gen. Rahmatullah Safi, head of intelligence for the National Islamic Front of Afghanistan, came to Washington in early October to ask for more. He told congressional sources the Stingers are needed because Soviet aircraft continue to support Afghan army units.

● **TORRENTIAL RAINS** over a 24-hour period killed at least 23 people in India's financial capital of Bombay the first week of October. Most were killed by walls collapsing under the weight of nearly eight inches of rain.

● **THE U.S.** Drug Enforcement Administration is fighting to keep open its office in Panama, against the wishes of the State Department. The DEA says to close the office would cut off "important" and "useful" anti-drug cooperation with the Panamanian Defense Forces.

Dukakis machine prepares vote fraud; Bush losing grip

by Herbert Quinde and Steve Parsons

"I'm putting on my Dewey button. Bush's campaign is so overconfident that he is sure to fall," is the dejected assessment of a high-ranking Republican Party activist who specializes in election law and ballot security. "Bush is failing to rally the Reagan Democrats in the Midwest and 'Rust Belt' by addressing the issues that concern them. So you can forget about them voting; they'll sit out the election. However, they will be voted for: by the AFL-CIO, the UAW [United Automobile Workers], and the civil rights organizations," reports another GOP activist. "Bush's campaign is so out of it, that his ballot security section isn't spending anywhere near the money required to counter the threat of vote fraud," he added.

With less than four weeks before an election that will determine who is President for four years of what is expected to be the greatest strategic and economic challenge the United States has faced in this century, the Bush campaign's actions have led some cynical political analysts to speculate that the Republicans are "throwing the election."

For weeks, the polls, if they can be believed, have reported a "dead heat." If George Bush and the Republican Party think they have a 50-50 chance of squeezing out a victory in a close presidential election, Bush will find himself walking in the footsteps of Gerry Ford—out of the White House and into political oblivion. Like "good loser" Ford in 1976, Bush will become the victim of a repeat performance of vote fraud, which evidence seems to indicate is set to be perpetrated on a much larger scale than in 1976.

In that election year, "late" vote tallies in New York City and blatant fraud in the state of Ohio tipped the scales of both the popular and electoral votes to Trilateral Commission creature Jimmy Carter by the narrowest of margins. Although associates of Lyndon LaRouche provided them with detailed documentation of the fraud, confirmed in two federal court cases, Ford and the Republicans refused to fight the vote larceny and acquiesced to being "good losers."

The media fraud

Although Bush, who headed the Central Intelligence Agency in the mid-1970s, has been accused of using "CIA covert propaganda methods" by the left-liberal media, it has been the arrogantly biased coverage of the race by the national press corps which functions as a prerequisite for justifying a "narrow win" for Dukakis on Nov. 8. The effort by the media to portray Dukakis and Bush in a "dead heat," works in tandem with the tactic of minimizing the numerous gaffes and blunders by the Democratic team, while magnifying, or manufacturing, Bush and Quayle's problems.

In August, for example, the media scrambled furiously to whitewash and then cover up the scandal of Dukakis's suspected mental instability, for which *Washington Post* columnist Mark Shields, among many, blames presidential candidate Lyndon LaRouche. In a "Memo to Michael Dukakis," Shields writes that LaRouche's role in questioning Dukakis's mental health "had the equivalent political impact of injecting heroin into the human bloodstream. It does not go away; traces remain. . . . Reporters continue to run into voters who base their doubts about a President Dukakis on that hurtful rumor of last summer, which you and your campaign failed miserably to rebut."

The Democratic counterattack came in the form of accusing the Bush campaign of harboring "Nazis" and "anti-Semites." Employing the Soviet KGB-tainted "research" of two pro-drug, National Lawyers Guild-linked "anti-fascist" political vigilantes, Dukakis aide John Sasso and the Democratic Party forced leading Ukrainian and East European anti-communist activists to be purged from the Bush campaign organization by Lee Atwater and Richard Bond, according to sources.

A Bush campaign spokesman has admitted that although the "Nazi flap" dropped out of the headlines, many ethnic leaders were angered by the purge. The head of the national

Ukrainian efforts announced that he had disbanded his Bush/Quayle committees across the country. These ethnic voters, the blue-collar Reagan Democrats, were a critical voter bloc in 1980 and 1984 in key states such as Ohio, Pennsylvania, New Jersey, Michigan, and Illinois. Now they appear ready to sit out this election, precisely where the Democratic-labor alliance is readying its vote stealing operations.

Experts say the international labor unions have phone banks "boiling" lists of their members to determine which demoralized workers have decided not to vote. Then, just as Mayor Daley's Chicago machine would cast tens of thousands of votes originating from the county cemeteries, the labor vote could be "secured" for Dukakis.

The voter registration drive

Perception of the race as a "dead heat," gives credibility to the next level of the vote fraud plan: the on-the-ground voter registration drives now reaching their peaks in many cities and states, especially in the decisive "swing" states of California, Texas, Michigan, Illinois, New Jersey, Pennsylvania, and Ohio.

While both the Democratic and Republican parties are running voter registration drives, it is no secret that the vast majority of those who sign up are concentrated among "the disenfranchised," that is, in urban centers and rural areas where most of the new registrants are from minority groups traditionally controlled by the Democrats. These new voters will be used as the rationale for narrow Dukakis "victories" in these states in November.

The Republican Party's traditional methods for getting out the vote have leaned heavily on saturation media barrages and phone banks. Republican strategists all agree that California must be won. But if what the Democrats are doing in the "Land of Granola" is any indication, Bush might consider hanging up his running shoes.

In the 1984 election, the Mondale campaign allocated \$6 million nationally to voter registration. This year, the Dukakis campaign, in conjunction with local Democratic funds in the state, has appropriated \$4.5 million for a combination of voter registration and get-out-the-vote campaign in California alone. The party is hiring 500 organizers to recruit 12,000 "regular" weekend volunteers, plus 15,000 more who will put in less time. The aim is to garner 1 million more votes in the state for Dukakis than Mondale received in 1984. In a throwback to the grass-roots party organizing of yore, they are systematically working to turn out 50 new voters in each of 6,000 "loyal" and 14,000 "swing" precincts—in a state that Carter in 1976 lost by only four votes per precinct. Heading the operation is veteran grass-roots organizer Larry Tramutola, who ran the Cesar Chavez farm union recruitment for years.

Yet, some Republican strategists, reportedly, are banking on carrying California by hoping that the Libertarian Party will capture the majority of the substantial homosexual

vote, considered a "soft" bloc of voters for Dukakis in the state.

The pro-Soviet lobby

Unlike in 1976 or even 1984, however, voter registration and profiling has been done not just by the party machines, but by "non-partisan" organizations funded by other "non-partisan" foundations, corporations, and individuals—almost all of which espouse the political perspective and policies of Dukakis and his backers! Like the Dukakis campaign itself, most of the organizations in the drive are fans of the "other" Michael in the Kremlin.

One of these key organizations is Project Vote, a "non-partisan, non-profit" group headquartered in Washington, D.C. This organization has targeted 13 states for voter registration drives—including 5 of 7 key presidential swing states identified earlier, and 6 others with close Senate races. It aims to register 350,000 new voters nationwide by October, through its staff of 200 paid workers who manage 6,000 volunteers.

"Given where Project Vote's new registrations are located, there is a reasonable possibility of changing the results in elections," said a spokesman for the organization. A recent study by the group shows that the percentage of new voters registered by Project Vote alone comes close, in many states, to the margin of victory by presidential candidates in the 1976 elections.

The largest funder of Project Vote is The Forum Institute, also located in Washington. This was a small operation until 1984, when it joined the Friends Committee for National Legislation to set up the Institute for Soviet-American Relations, a pro-Soviet front led by Nina Solarz. Solarz is the wife of the Democratic congressman who has been the pointman in overthrowing the governments of our Asian allies. She is a member of the infamous KGB-influenced Peace Links—as is Kitty Dukakis and one Bart Lee, who is a board member of The Forum Institute.

European sources close to the Socialist International report that Rep. Stephen Solarz is under serious consideration for the post of Secretary of State in a Dukakis administration. The Socialist International has been working for the Duke, putting former Iranian President Abolhassan Bani-Sadr on the stump to accuse Bush of having recently negotiated a new "arms-for-hostage deal" with the government of Khomeini.

Since 1985, when the Forum Institute decided to focus on funding voter registration efforts, its receipts rose to \$500,000 in 1986, \$800,000 in 1987, and to \$2 million so far this year! This "non-partisan, non-profit" operation is giving grants to a plethora of left-wing, counterculture fronts, including the large "Jobs with Peace" outfit, for the ostensible purpose of voter registration drives which these groups do in the course of their organizing. Governor Dukakis is a board member of the anti-military "Jobs with Peace" group.

Congressional hearings showcase Schmoke's drug legalization drive

by Patricia Salisbury

Hearings of the House Select Committee on Narcotics showcased the arguments for a policy of drug legalization in the United States Sept. 29, when the leading public proponent of legalization in the United States, Baltimore Mayor Kurt Schmoke, led an onslaught by the drug lobby. The hearings were the latest incident in a carefully orchestrated campaign by the dope lobby, overseen by the "citizens above suspicion" who coordinate this multibillion-dollar a year business, through international banks and other "legitimate institutions."

It is not accidental that the hearings were held at the same time that Congress was debating "get tough" legislation dealing with the drug problem. The organizers of the drug lobby drive cynically dismiss this debate as so much election-year window-dressing, designed to placate the electorate and give congressional candidates on the stump something popular to talk about. The pro-legalization forces are counting on the continued economic depression and pervasive cultural pessimism to create conditions under which the once unthinkable, the legalization of drugs, becomes possible.

War for drugs

The drug lobbyists have a carefully worked-out agenda to propagandize for drug legalization, which surfaced publicly with an international conference held in England one year ago, sponsored by the new leading front organization for drug legalization in the United States, the Drug Policy Foundation.

Following this meeting, Baltimore's Mayor Schmoke took the point in the United States, with a call for a "debate" on a new drug policy made at the meeting of the U.S. Conference of Mayors in April. This led to the just concluded congressional hearings, and an unprecedented media blitz, including a special "Town Meeting" on drugs on ABC's "Nightline" television show, and the broadcast of the hearings on Maryland's public television network. The barrage will continue with a second international conference sponsored by the Drug Policy Foundation, scheduled for Washington, D.C. Oct. 20-21. Mayor Schmoke will keynote this convention, which will bring together proponents of drug legalization from throughout the world.

Testifying on the first day of the two-day congressional hearings, Schmoke laid out in detail the demands of the drug lobbyists, which amount to a complete revision of policies

concerning drugs. "There is an alternative to a drug policy based primarily on law enforcement," Schmoke stated, "and it is an alternative that has worked before. The repeal of alcohol Prohibition helped rather than hurt this country, and a measured and carefully implemented program of drug decriminalization would do the same. . . . Decriminalization is a means to a much desired end: getting the criminal justice system out of the business of trying to control the health problem of drug abuse and putting that responsibility where it belongs—in the hands of our public health system."

Among the steps toward this doped-up society, Schmoke called for immediate legalization of marijuana, and provision of heroin, cocaine, and methadone on demand to addicts, under the pretext of various drug maintenance programs. The first recommendation of his program reads, "Expand the role of the public health system in the treatment and prevention of drug abuse. United States drug policies and practices should be revised to ensure that no narcotics addict need get his or her drug from the 'black market.' Methadone maintenance should be expanded so that, under medical auspices, every narcotics addict who applies for treatment can receive it. Other forms of narcotics maintenance should be made available, along with methadone maintenance, under medical auspices. . . . End the requirement that persons be addicted for at least one year before being eligible to enter a methadone treatment program."

Schmoke's program also called for the provision of "clean needles" to drug users, on the pretext of preventing the spread of AIDS.

Call for a commission on decriminalization

But these are just the demands for immediate implementation. Schmoke also called for creation of a national commission to consider what further, more radical steps toward drug legalization should be taken, over the longer term. The commission, in Schmoke's words, is "to study the potential impact of decriminalization with particular emphasis on developing substance control policies based upon the relative potential for harm which a drug possesses." What is meant by "relative potential harm"? Look at the numerous proclamations of the drug lobby, to the effect that tobacco and alcohol are more harmful than illegal narcotic drugs. Along these lines, Schmoke's proposals include a ban on *all* advertising of drugs, including alcohol and tobacco. Lester Grin-

spoon of the Harvard Medical School went so far as to issue a call before the committee for a "harmfulness tax," beginning with taxation of alcohol, tobacco, and marijuana.

More important, however, than any particular finding by the commission, is the fact that this body is intended by the drug lobby to represent a voice above the constituency forces who oppose legalization, which have kept most elected officials—including many testifying at the committee hearings—opposing surrender in the War on Drugs, at least at public forums. The commission, according to Schmoke, should be "responsible for determining if there would be a national standard for decriminalization, and what role the states would play."

At the hearings, Schmoke was flanked by proponents of drug legalization from such outfits as the National Organization for the Legalization of Marijuana (NORML) and the Drug Policy Foundation. This last institution elaborated Schmoke's proposal for a "public health" approach to drug addiction, with the recommendation that Surgeon General C. Everett Koop, currently busy losing the war against AIDS, is the man for the job. Koop, who endeared himself to the drug lobby a short time back by pronouncing smoking cigarettes as dangerous as using heroin, should, according to Arnold Trebach, the spokesman for the foundation, "be reappointed by the next President, and Congress should give him the funds and the mandate to turn America's best minds to the task of helping rather than destroying the addicts among us."

Call for surrender

A common theme of speakers was that the War on Drugs cannot be won, and that therefore it should not be fought at all. While pretending concern for those addicted to drugs, they are indifferent to the fact that drug legalization will only increase the number of addicts. Schmoke testified: "Providing legal access to currently illicit substances carries with it the chance, although by no means the certainty, that the number of people using and abusing drugs will increase. But addiction, for all of its attendant medical, social, and moral problems, is but one evil associated with drugs.

"Since the Harrison Narcotics Act was first passed," Schmoke claimed, "the United States has made herculean efforts to try to get around the reality that drug prohibition increases crime without doing away with addiction. Nevertheless, that reality remains as true today as ever. We have spent nearly 75 years and untold billions of dollars trying to square the circle, and inevitably we have failed." The Drug Policy Foundation's Arnold Trebach sounded the same theme: "For the past 70 years, the United States has been involved in an increasingly violent war on drugs. Despite the most aggressive drug-war campaign in history, so much cocaine has been imported since 1981 that the price has dropped to one-third its former level."

The key to the drug lobbyists' success, counted on by

Schmoke and his cohorts, is that the Reagan administration's so-called War on Drugs has been crippled by incompetent economic policies which have furthered the economic collapse upon which the drug culture preys, and by an unwillingness to fight the international financial institutions and "citizens above suspicion" who wield the drug culture as a weapon of cultural warfare.

While the congressional committee heard testimony from many opponents of drug legalization, with important arguments and data advanced by these speakers, including rep-

Legal marijuana; heroin, cocaine, and methadone on demand to addicts; free needles to heroin mainliners. Sound like a junkie's paradise? Yes, but it's also the legislative program of Baltimore Mayor Kurt Schmoke, and a battalion of drug-legalizers that has descended upon Washington. Will there be anything left of the minds of America's youth by the time they are done?

representatives of the National District Attorneys' Association, the Drug Enforcement Administration, the International Association of Chiefs of Police, the National Drug Information Center of Families in Action, New York Mayor Ed Koch, Rep. Benjamin A. Gilman (R-N.Y.), and Rep. Kweisi Mfume (D-Md.), none of this testimony addressed these most fundamental problems with the War on Drugs.

Campaign against Schmoke

Instead, opposition to the drug legalizers was launched outside the committee hearings, where members of the National Democratic Policy Committee held a rally opposing the Schmoke policy. The rally was also covered by three area television stations. Many members of Congress and passers-by were supportive of the opposition to the travesty inside. Tourists stopped to take pictures of a large banner that read, "Drug Legalization Is Genocide," and signs reading, "What Has Kurt Been Schmoking?" "Congress: Don't Let Schmoke Get in Your Eyes," and "Hey, Kurt: Legal Rape Next?" Organizers of the rally indicated that their campaign will continue until Schmoke is driven from office.

LaRouche addresses U.S. on food crisis

by Ronald Kokinda

Independent presidential candidate Lyndon LaRouche returned to the television airwaves the first week of October with a broadcast on "The Great Food Crisis of 1988-1990," which outlined the worldwide nature of current food shortages, how the shortages are the result of man-made policies, the strategic dangers arising from too little food, and a program to dramatically increase food production. The broadcast aired twice on network TV, Oct. 1 on ABC and Oct. 3 on CBS, and provided the first opportunity that the electorate has had to gain a comprehensive view of some of the most serious crises facing the next President.

According to the LaRouche campaign, viewers have responded to this program with a qualitatively higher degree of commitment to involve themselves in the organizing necessary to reverse the food crisis, than they have to any previous broadcast. As one of the 143 people who contacted the campaign within the first four days following the broadcast wrote, "I have been looking for a way to make a contribution to my fellow humans and our descendents, and up until now have been very discouraged. . . . I want to help. I want to share what few skills I have. Please contact me as soon as possible."

LaRouche told viewers not to throw their vote away. "My advice to you is, that it is better to vote for a man qualified to be President, knowing he will lose, than to vote for a bad candidate and suffer the shame and misery of seeing him elected," LaRouche said. Among many voters, such advice is finding a receptive audience.

"The present forecast is that this year, our planet will produce less than 2 billion tons of grain," LaRouche told viewers. "Given Moscow's and Washington's present policies, a level of less than 2 billion tons means that hundreds of millions of people will die of starvation and related causes," he said, as film clips showed how starvation is already widespread in the Third World.

Domestically, in the aftermath of the drought, the U.S. is being affected as well, LaRouche said. "Already, most people in the United States are feeling hard times," he charged. "It will become much worse during the months of October and November. During the summer, certain categories of food began to disappear from supermarket shelves. This was partly the result of hoarding by the international grain cartel."

LaRouche traced the global food shortages to two man-made causes: the drought, and the lunatic "surplus-reduc-

tion" policies of the U.S. and Europe. Normal droughts occur about every 22 years as a result of sunspot activity, but the current drought was caused largely by the deliberate destruction of huge tracts of the Amazon rain forests, causing the Amazon high pressure zone to shift, with resultant "chain-reaction" effects on the weather of Earth as a whole.

But while the drought is exacerbating the food crisis, LaRouche charged that the severe shortages have resulted from the deliberate destruction of food production carried out on the pretext that huge surpluses existed. "During the past 10 years the United States and Western Europe have been on a binge, vowing to eliminate world food surpluses," LaRouche said. "Massive food shipments to Moscow, with heavy subsidies by U.S. and European governments, and cutbacks in food production in the West, were the methods used. . . . The Brussels-based European Commission has been putting Western European farmers out of business at faster rates than occurred in the United States, and food reserves, although not yet as low as ours, are near that level." Other formerly food surplus nations have now become food importers as well, he said, pointing to Argentina, whose beef and grain surplus has been wiped out under the International Monetary Fund's "conditionalities" policy, and to New Zealand, which became a net wheat importer this year for the first time.

LaRouche warned that the strategic implications of the West being unable to meet Soviet food demands could be severe. "Moscow now has strategic military superiority over the West as a whole," he said. "Given what the Soviet regime is, and given the fact that the food crisis is the one thing which could lead to a bloody breakup of the Soviet empire, how must we expect Moscow to react during the coming two years?" he asked. "If we refuse to starve the people of the United States and Western Europe, to provide Moscow the food it demands, Moscow will be strongly inclined to make a lightning military strike into Western Europe to grab what it needs by force."

But "we are not helpless," LaRouche said. "There are realistic measures we can take to build up world food supplies to levels at which the crisis is manageable." Such measures can be taken, unless Michael Dukakis were elected President. Earlier in the broadcast, LaRouche condemned in no uncertain terms Dukakis and "the savage austerity policies his advisers are promising."

The measures LaRouche outlined, called for halting the man-made causes of the drought and the food-crisis. The measures included stopping the liquidation of high-technology farms and ranches; steps to "generate adequate amounts of low-interest production credit for U.S. agriculture, reorganize and reschedule farmers' indebtedness, and reestablish parity paid-to-farmer prices for agricultural products"; checking the "excesses by the international food cartel monopolies"; and shifting unemployed and ghetto youth into building water-management systems throughout the Americas.

LaRouche candidates: running for America's future

by Mel Klenetsky

The growing support for LaRouche Democrats in the 1988 primaries has many Democratic Party leaders both alarmed and intrigued. Those alarmed are the handpicked minions of the Kirk-Dukakis leadership. Those intrigued are the old warhorses of the party, who have seen the Democratic Party disintegrate as a constituency-based institution, once a pillar of the American electoral process.

Vibrant Democratic Party clubs, active ward and precinct captains, and a committed voting electorate are rapidly becoming phenomena of the past, with voter turnout at an all-time low. With the current Democratic Party leadership failing to address the fundamental issues in a way that the electorate can respond to, it is no accident that LaRouche Democrats, wherever they present themselves, have found increasing support.

Claude Jones, a LaRouche Democrat from Houston, Texas, this spring was elected chairman of the Harris County Democratic Party, the second-largest electoral district in the country. Jones won 53% of the vote against the incumbent chairman Larry Veselka, in spite of Veselka's vitriolic attacks on Jones for being a LaRouche Democrat. Veselka and his Harris County cronies responded by stripping the chairmanship of its powers. Nevertheless, two years after the famous Hart-Fairchild victory in the 1986 Illinois primary, a LaRouche Democrat had secured a major party position, in the second-strongest county machine of the Democratic Party.

In 1986, the names Janice Hart and Mark Fairchild became household words when they beat the machine's choices in the Democratic primary for Illinois secretary of state and lieutenant governor. They lost in the general elections, but only after Adlai Stevenson, the Democratic candidate for governor, dropped off the ticket, and refused to run with the LaRouche Democrats. The Illinois Democratic Party has yet to recover from Adlai's antics.

In the 1988 primaries, 17 LaRouche Democrats and 1 LaRouche Republican have secured victories and will represent their respective parties in the November general election. In addition, Nicholas Tarzia, a LaRouche Democrat from Connecticut, is running for the 4th District congressional seat as an independent, under the "War Against AIDS" banner. George Elder and Donald Hadley are running in the 21st and 5th C.D.s of Pennsylvania. Don Marquis is running in the 39th C.D. of California against Republican incumbent

William Dannemeyer. Mark Brown is running in the 12th C.D. of Ohio.

State legislative races include Marian Hatch in Seattle's 48th District, Richard Van Bergen in Minnesota's 22b Legislative District, Jim Olson and John Chaney for Georgia's 61st House District and 41st State Senate District, Georgia Irey for Indiana's 53rd Assembly District, are Gary Genazzio for Iowa's 20th State Senate District.

Significant New Hampshire gains

In New Hampshire, where LaRouche built up substantial support during the primary race, the featured LaRouche congressional primary candidates Robert Patton and Lewis du Pont Smith did not win their races but seven legislative candidates did, despite a major effort by New Hampshire state Democratic Party chairman Joe Grandmaison to discredit the LaRouche Democrats. Ken Bush of Plaistow, David Ayala of Merrimack, Wayne Blanchard of Guilford, Lucien Fogg of Franklin, Charlotte Tatro of Allenstown, Dick Werren of Concord, and Hector Hidalgo from Nashua are running for the legislature. Smith, a du Pont heir whose family conspired to have him declared legally incompetent on the sole grounds of his political beliefs, polled an impressive 8.5% in his congressional race.

LaRouche is running as an independent in 12 states and the District of Columbia. The 12 states are Alaska, Hawaii, Washington, Utah, North Dakota, Minnesota, Wisconsin, Iowa, Louisiana, Tennessee, Ohio, and Vermont.

When recently asked by a Reuter reporter how many votes he expected to get in the forthcoming elections, LaRouche responded that he didn't know, but expected significant support. LaRouche specified that the support is more important than the votes.

"You know, the fellow walking into the polls says, 'I like this guy,' then they get in there and pull the lever for Bush," LaRouche said. "The important thing is what I do by campaigning the way I'm doing, in order to pull together the coalition of forces. That was the way this funny relationship I had with the Reagan administration back in March of '83 occurred, through the 1980 election campaign. I didn't get much in the way of votes, but I had a devil of a lot of a support. And the Reagan people knew that."

In 1984, almost 1,000 candidates ran as part of LaRouche's candidates' movement, and many of them received more than 30% of the vote. In 1986, the Hart-Fairchild victory shook the rafters. Now, in 1988, there is already the Jones victory and 18 primary successes. Texas, California, Ohio, and Pennsylvania are swing states in the Dukakis-Bush battle for the presidency, and in each of them, LaRouche himself or candidates associated with him are in crucial races.

The panicked reactions continue on the part of the Democratic county chairmen. Olson was even kicked out of the county machine and denied support. He still has the Democratic slot—and certainly the support of the electorate that voted for him.

Money-laundering bill introduced

Sen. John Kerry (D-Mass.) and Sen. Mitch McConnell (R-Ky.) of the Senate Subcommittee on Narcotics and Terrorism announced at a press conference on Oct. 5 that they were going to offer an amendment to the Omnibus Drug Act which would attempt to deal with the problem of drug money laundering.

The amendment would require all financial institutions with any ties to the United States to cooperate with U.S. authorities seeking suspected international drug dealers by: 1) maintaining records of all transactions in U.S. dollars valued at \$10,000 or more; 2) obtaining from any person initiating such a transaction a waiver of any secrecy or privacy right with respect to such records, if the records are required in connection with a narcotics-related investigation; and 3) obtaining from each person depositing \$10,000 or more, personal identification and a document stating the source of the funds being deposited or transferred.

Senator Kerry, a Massachusetts liberal recently become a "born-again" crusader against drugs, has been using the drug issue as a battering ram against the Reagan administration, and against the leader of the Panamanian Defense Forces, Gen. Manuel Noriega.

At the press conference, Kerry described a hypothetical situation where "drug money would be shipped to Panama, where it would be met by the Panamanian Defense Forces of General Noriega and then sent to the Federal Reserve. From the Federal Reserve or the CHIPS Electronic System in New York, it will go into an account." "It's high time we put an end to this form of electronic money-laundering," said McConnell. "This bill

will make it very difficult for drug lords to cover their money tracks when they deal with U.S. banks."

Whether such legislation will be used against the real drug lords or as an arm-twisting device applied to political foes remains an open question.

Rohatyn commission under fire

The National Economic Commission, a bipartisan group set up to work out fascist levels of austerity for the next administration in order to bring down the budget deficit, has come under fire from House Republicans.

The commission, co-chaired by Democrat Bob Strauss and Republican Drew Lewis, includes such notables as Felix Rohatyn, the senior partner at Lazard Frères investment bank whose "Big MAC" slashed the budget of New York City to the bone, with effects that can be readily seen today on the streets of New York City.

The commission was intended to operate quietly behind the scenes in formulating an austerity program for the next President, to come into the light only after the votes were cast.

However, the semi-clandestine commission was exposed when Bob Strauss, at a press conference last month, said that the commission would in all likelihood recommend major cuts in Social Security and defense spending—creating a flurry of unfavorable publicity requiring both presidential candidates to distance themselves from the commission.

But that was not the end of it. On Oct. 4, Rep. Richard Arme (R-Texas), serving on the House Budget Committee, said that the commission was stacked with people who are like-

ly to recommend a federal tax increase.

Any NEC proposal is likely to be "embraced with enthusiasm" by the Democratic-controlled Budget Committee in the House, said Arme. Arme, who has already succeeded in passing a bill for closing domestic military bases, is obviously not opposed to the austerity proposals of the commission.

Republicans introduce their drug bill

As the 100th Congress approaches its end, the floor of Congress is becoming the forum for electoral politics. Congress has only a few pieces of legislation to deal with, now that they have succeeded in passing all the necessary appropriations bills. The most important remaining item is the drug bill.

A bipartisan group of Senators on Oct. 2 introduced the Senate's version of a drug bill, a compromise package that includes language permitting a death penalty for convicted drug traffickers or individuals involved in drug-related killings. Legislation approved by the House in mid-September contains a more sweeping death penalty provision that has drawn fire from liberal lawmakers and civil liberties groups. The Senate inclusion of the death penalty virtually assures that some type of capital punishment provision will be a part of any drug measure Congress passes this year.

Senate Majority Leader Robert Byrd (D-W.Va.) said that he had suggested inclusion of death penalty language because such a measure would almost certainly have been offered as a floor amendment and could have provoked a filibuster or extended debate by liberal Senators that would

have delayed action on other parts of the legislation.

The Senate version of the bill does not, however, contain the provisions of the House bill, which would allow the admission of illegally gathered evidence in criminal trials. The Senate bill calls for the creation of a cabinet-level position for a director of drug control policy, stiffer penalties for drug offenses committed near schools or involving sale and distribution of drugs to children or use of children to sell drugs, and would require that employees in "safety sensitive positions" in transportation industries be subject to random pre-employment and post-accident drug testing. Amendments to the bill are expected when it reaches the Senate floor.

The President accused the Democrats of using delaying tactics on the bill, and urged GOP lawmakers to pass a responsible bill.

'Reform' caucus wants to shift funds from SDI

A report entitled, "Budgets and Bullets," issued by the two chairmen of the Congressional Military Reform Caucus, Reps. Charles Bennett (D-Fla.) and liberal Thomas Ridge (R-Pa.), calls for more guns and tanks and fewer nukes and lasers. "We have spent \$20 billion on MX missiles designed to fly 5,000 miles and hit within 100 yards of their targets, but we do not have in our arsenal an infantry weapon that can fly 500 yards and stop a modern Soviet tank," says the report.

The report says that it only expresses the views of the two co-chairmen. Had these two gentlemen had their way, however, no money would have been spent on MX missiles at all.

They both voted against the program.

The report complains about "nuclear addiction" and calls for "changing directions," investing more in conventional armaments. The report expresses ostensible concern about the way our conventional forces are becoming "hollow" for lack of ammunition, spare parts, and training. In a period of budgetary constraints, says the report, we must re-think our priorities. The expensive Strategic Defense Initiative and high-technology strategic nuclear weapons—which the two seem to think we have so many of—should be gutted in order to purchase anti-tank missiles, mines and mine-launchers, new hypervelocity missiles, and artillery and tanks.

If we were to refight World War II, such a strategy would undoubtedly gain us victory. But as with the Polish cavalry facing Hitler's tanks, it doesn't really matter how many items you have in your armory, if you haven't got the right kind of stuff for the job.

If it's anti-military, they're for it, so, the report also presents a program of "procurement reform." The two gentlemen want to "beef-up Pentagon investigators and focus them on the major contractors, protect whistleblowers, register all consultants and lobbyists, and close the 'revolving door' between the Pentagon and industry."

Gramm says WWII mobilization a mistake

Sen. Phil Gramm (R-Tex.) thinks that President Roosevelt's military buildup for World War II was "totally wrong."

Senator Gramm, author of the notorious Gramm-Rudman bill, was a

bit perturbed when asked to comment on the criticisms of former deputy CIA director Bobby Ray Inman. Inman, in a commentary in the *Washington Post* on Oct. 3, had made a number of proposals to the next President to maintain a strong defense posture. He said that we were allowing the "erosion of U.S. technological leadership," pointing out how the United States was losing its competitiveness in manufactured products and scrapping the "smokestack" industries.

Inman said that the "United States has to develop new federal technology policies to facilitate private-sector efforts to move ideas from the laboratory to the marketplace." He called for upgrading the position of national science adviser to that of assistant to the President for national security affairs, with direct access to the President. He proposed working out new and better ways of working with Congress to set R&D funding priorities, stressing that funding should be done under a two-year budget resolution, rather than under a one-year resolution as is now the case, so as to provide continuity in the programs. Inman called this "a major challenge" facing the next President.

When asked to comment by this writer, Senator Gramm said, somewhat in a huff, "Inman's point is absolutely false. . . . We have created more jobs in the last eight years. Federal government involvement is the death of the economy," said Gramm.

"Then you think FDR was wrong in '39," I asked.

"Yes, I do," said Gramm, "and I think history proves it."

Perhaps just in order to carry his argument *ad absurdum*, Gramm also commented, "Military strength can be increased, even with a flat defense budget." More calisthenics for the troops, perhaps?

Candidate dramatizes education shortfall

Speaking Sept. 29 to his District School Boards Association, state legislative candidate Richard Van Bergen of Buffalo, Minnesota demonstrated that 75 years ago, more was demanded of eighth graders than is demanded of high school graduates today.

Van Bergen, a "LaRouche Democrat," was September primary victor in state legislative district 22b, a rural district located between Minneapolis and St. Cloud. He is running on the Democratic-Farmer-Labor Party ticket.

He opened his remarks to the educators with the following:

"I would like to review with you four questions from each of two different and critically important secondary school tests. In the first test, the questions are as follows:

"1. In what state and on what waters are the following: Chicago, Duluth, Cleveland, Buffalo. State an important fact about each.

"2. A rope 500 feet long is stretched from the top of a tower and reaches 300 feet from the base of the tower. How high is the tower?

"3. Write a brief biography of Evangeline.

"4. Give the structure of a muscle in the spinal cord. Define arteries, veins, capillaries, and pulse."

"In the second test, the questions are as follows:

"1. Next to a picture of a circle, the question reads, this is called a) rectangle, b) circle, c) triangle, d) square.

"2. Amy bought a notebook for \$1.98 and a pen for \$.89. She also paid \$3.41 for additional supplies. How much did she spend altogether?

"3. Mary left [blank] books in the car. Possible answers: a) his books, b) its books, c) her books, d) them books.

"4. Basketball scores will be found in what part of the newspaper? a) classified, b) editorial, c) entertainment, or d) sports."

"The first set of questions came from an entry exam given to all Indiana eighth grad-

ers in 1911, prior to entry into high school. The second set of questions came from a current Alabama high school *graduation* examination."

League cancels debate sponsorship

The sponsors of the first Bush-Dukakis debate won't sponsor the second, because the two candidates have privately agreed to a format not to the sponsor's liking. Apparently the debates have become too rigged even for the ultraliberal League.

The League of Women Voters abruptly canceled its sponsorship of the second presidential debate, saying both campaigns were trying to hoodwink voters, by restricting the format in a way that will keep them both "out of hot water." Apparently the debates have become too rigged even for the ultraliberal League.

Nancy Neuman, president of the League, told a news conference Oct. 3 that the campaigns had presented her organization with a take-it-or-leave-it format. "It turned out the League had two choices. We could sign their closed-door agreement and hope the event would rise above their manipulations. Or we could refuse to lend our trusted name to the charade."

Drug-terror link eludes U.S. officer

A U.S. general claimed he did not know of the link between drugs and terrorism, at a military conference in Uruguay in November 1987. The proceedings of the annual meeting, which are usually kept secret, have just been leaked by the Brazilian press.

The Pentagon delegate to the Conference of the American Armies, Gen. Carl E. Vuono, told the conference participants in Punta del Este, Uruguay, "I am not sure the United States has sufficient information

about the relationship existing between drugs and subversion."

The Chilean army delegate said drugs are a weapon used by international communism: "Without a doubt, all the scourges that afflict humanity, and Latin America in particular, such as narcotics trafficking, subversion, homosexuality, promiscuity, and disinformation are tactics that form part of a strategy for world domination."

The Argentine military representative attacked the role of the above-ground support organizations, such as Amnesty International, which make possible terrorist activity.

Hudson to seek indictment of LaRouche?

Henry Hudson, U.S. Attorney for the Eastern District of Virginia (Alexandria), will seek an indictment of independent presidential candidate Lyndon LaRouche prior to the November election, according to knowledgeable sources. Hudson is reported to be near the completion of a grand jury "investigation" which began in November 1986, shortly after a 400-man paramilitary raid on organizations and individuals associated with LaRouche in Leesburg, Virginia.

The Sept. 9 *Washington Post* had reported that the Alexandria grand jury "is investigating alleged income tax improprieties and fundraising fraud by LaRouche and several associates.

Despite all of the highly publicized federal and state indictments handed down against LaRouche and at least 40 associates on more than 280 felony counts, there has not yet been one conviction of anyone, and LaRouche's enemies are complaining that his movement seems stronger than ever. This leads observers to conclude that Hudson will make his move in the weeks before the 1988 election.

Sources in the intelligence community have reported that Hudson is under heavy pressure to indict LaRouche from forces around the Dukakis campaign and from pro-Dukakis elements in the Justice Department.

Bishop blasts 'population planners'

The Bishop of Arlington, Va., John Keeting, sent a pastoral letter to be read Oct. 3 to all Catholic churches in his Northern Virginia diocese on the occasion of Respect Life Sunday. Excerpts follow:

"How do you convince a great and proud nation which has somehow vested a 'right' in all expectant mothers to abort their offspring, that it has thereby threatened the most sacred possession the state is organized to protect—human life itself. The United States Supreme Court decision in 1973 has eliminated millions of human persons from our land—a national holocaust—not good news for the defective, the handicapped, the unproductive, the infirm . . . but good news indeed for the population planners.

"It is not by chance, nor is it unexpected, that we now see arising in the wake of the abortion success in the United States the concerted push for euthanasia, infanticide, and human genetic manipulation."

Probe ties of Lazard and Dukakis

The investment firm Lazard Frères has won two important Massachusetts state contracts on which it failed to submit the lowest bid, while a top official of the firm serves as an important fundraiser for Democratic presidential candidate Michael Dukakis, the state's governor.

Lazard official Michael Del Giudice has been brought into a prominent position in the campaign by John Sasso, the top Dukakis dirty trickster who was fired during the primary season because of his role in the exposure of Sen. Joseph Biden's plagiarism, and then rehired after Dukakis's mental instability was exposed. Del Giudice is now traveling as part of the presidential candidate's entourage.

The Oct. 4 *Boston Herald* reported that

State Inspector General Joseph Barresi has launched a preliminary investigation of the bidding process involved in awarding a contract to Lazard by the Massachusetts Water Resources Administration (MWRA). Lazard won two very lucrative consulting contracts from Massachusetts, although they were underbid by two other companies. Lazard was hired to advise the MWRA on its bond sales, estimated at \$2 billion over the next five years, the largest sum of any government body in the nation.

Lazard serves as underwriter for a number of Massachusetts agencies, including the Convention Center Authority, the Massachusetts Transportation Authority, and the Massachusetts Educational Loan Authority. Lazard has also moved in to take the lion's share of the state's hot bond market.

Federal Election Commission records show that at least three of the 15 members of Lazard's Municipal Finance Department have contributed to Dukakis's campaign. The top lizard of the firm, Felix Rohatyn, is widely considered a likely choice for the post of treasury secretary in a Dukakis administration.

Nixon: Both candidates lack sense of mission

The greatest problem in the American election campaign is that neither candidate has defined a sense of national mission, wrote Richard Nixon in the Oct. 2 *Sunday Times* of London.

Under the headline, "America Misses the Great Issue of Mission," Nixon complains, "The current intellectual fashion is to proclaim that America is in decline. The case is made in purely economic terms. And yet, America was never stronger than it was 200 years ago, when we were weak militarily and poor economically but invincibly strong in spirit."

Nixon asserted, "Only when a nation is committed to a cause greater than itself can it be true to itself. . . . Today America needs a new challenge. It is there for everyone to see. But, so far, neither candidate has."

Briefly

● **ADMIRAL** Huntington Hardisty stated on Sept. 30, the day he took charge of the Pacific Command: "In the Pacific, Moscow's words of peace have been accompanied by more weapons of war—more ships, more submarines, more tanks, and more aircraft." Those Americans who support cutbacks in American forces in the region "fail to understand the broader nature of the Soviet challenge—a challenge for influence and access that has come with *glasnost*."

● **JAMES SCHLESINGER** and Robert McNamara, two former defense secretaries, told a Sept. 30 conference sponsored by the Atlanta-based Southern Center for International Studies, that the United States is spending \$5 billion a year on domestic military bases they insisted the nation doesn't need.

● **CONSTANTINE MENGES**, a former National Security Council official, told an American Defense Institute conference in Washington that a specific formula is being used in U.S.-Soviet regional agreements, which is based on integrating resistance movements into communist governments through "democratic" elections, accepting the legitimacy of the communist governments *a priori*.

● **REP. NORM DICKS** (D-Wash.) has asked the House Armed Services Subcommittee to investigate whether aerospace workers are being exposed to toxic chemicals in defense plants. He said that workers at certain Boeing plants in Washington state have complained of dizziness, nausea, rashes, and loss of memory.

● **SEN. MALCOLM WALLOP** (R-Wyo.) told an American Defense Institute conference in Washington that the "astrodome" concept of the Strategic Defense Initiative is being scrapped. "By getting rid of the concept" of a total anti-missile shield over the country, he claimed, "we have pushed things forward."

Editorial

Food for thought

When this publication first put out the warnings about an impending international food shortage during the month of July, there was no lack of skeptics. Indeed, all the "authorities" were falling all over themselves to say that, despite the U.S. drought, everything would be all right.

By one week after LaRouche's first television show on this subject on Oct. 1, world developments were daily both dramatizing the hideous reality of that crisis, and portending the future strategic explosions which will result, unless policy is dramatically reversed.

According to the U.N. Food and Agriculture Organization's Global Information and Early Warning System on Food and Agriculture, global carryover stocks (reserves) of all world cereals (wheat, corn, rice, etc.) are now forecast to fall by almost 30% from last year to 282 million tons. This, they say, will be the first time in over a decade that "stocks would be below the minimum [17% of total annual consumption] FAO considers necessary to safeguard global food security." Coming from an agency which is infamous for its cynical underestimates of what is needed, this is an alarmist warning indeed.

The FAO is calling for a mobilization to ensure that this shortfall in grain is made up for during the next harvest. But, under current International Monetary Fund policy, this is an impossibility. Set-aside programs are still being implemented in the United States, the drought cycle is not expected to let up next year, and the official policy of the OECD and GATT is above all to eliminate farmers!

The significance of food shortages for the Third World, occurring under IMF policy, is being seen these days in Algeria. There, the country is being wracked by riots which began as a direct result of the IMF-dictated removal of food subsidies. What had been a relatively stable ally of the West, is now facing an upsurge of Islamic fundamentalism, which feeds on economic discontent. The unrest has the potential to spread throughout other North African countries.

Even according to the underestimates of the World

Bank, 100 million Africans suffer from famine. In a report issued at the Sept. 27-29 IMF meeting in Berlin, the World Bank said that "approximately one-quarter of the African population does not consume enough food to permit a normal active life." The World Bank says that this problem affects all of Africa, especially Algeria, but more than half of Africans who go hungry live in the following countries: Ethiopia, Nigeria, Zaire, Tanzania, Kenya, Uganda, and Mozambique. "Even in countries which have strong growth and large food surpluses, millions of people suffer from malnutrition." Yet, the World Bank's answer to this problem will not be to inject funds, but to push "structural reforms."

As for the major strategic implications of the food crisis for East-West relations, as outlined by LaRouche, they are also becoming more obvious day by day. Review the reports of growing food shortages in the Soviet Union and throughout the entire East bloc, and the attendant unrest.

Although the ethnic crises are getting the most attention, the underlying debt and food issues are driving the upheaval in Yugoslavia and elsewhere. Nor can the Soviets even control the situation inside their own territory. There are reports of food riots in the Soviet republic of Georgia. And recent reports from individuals in touch with Armenians in Nagorno-Karabakh, are that there have been new massacres, now that the press have been removed from the scene.

Would anyone doubt that such a regime would shrink from taking military action to secure its food supplies, if it thought that necessary? It may be apocryphal to say that Ligachov inaugurated his new role as head of a special agricultural commission by meeting with the Red Army to discuss invading Western Europe, but that is the direction in which we are headed.

The lunatic Dukakis crowd, which would starve dark-skinned Third World countries and our own citizenry in order to propitiate the Russians, must be defeated at all costs. That is the precondition for changing the food policy, which will otherwise ensure that holocaust ensues.

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