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From the Editor

In our centerfold on pages 36-37, for the second week in a row we offer photographic reportage of the worldwide explosion of protests against the outrageous trial and sentencing of seven leaders of the LaRouche political movement, including the 15-year sentence to Lyndon LaRouche, *EIR*'s founder, who at this very moment is sitting in a jail in Alexandria, Virginia. LaRouche, described as "philosopher and economist," is being interviewed by international journalists, with daily prominent coverage throughout Central and South America in the major press and media.

A day does not pass that angry citizens in the major cities of Latin America do not march in front of the U.S. embassies and consulates demanding that LaRouche and his associates, who are innocent victims of a political frameup, must be freed. Independently, a leading expert on jurisprudence has written a commentary in the prestigious Paris daily paper *Le Monde* pointing out that LaRouche would never have been jailed in France for the crimes he was charged with—conspiracy to commit tax fraud and mail fraud.

In Alexandria, the government has been forced to concede the defendants' rights to remain together for the next 100 days during the preparation of their appeal. Meanwhile, in Boston, the same defendants are pressing their right to put the "secret government" which engineered the whole monstrous frameup on trial. And in Buffalo, another corner of that secret government has been revealed that threatens to blow up the entire case. See the *National* report for articles on these developments.

The legal battles are the wedge-end of an unstoppable political movement to reverse the cultural, economic, and strategic crisis. As *EIR* reported at the time, Lyndon LaRouche warned at the end of 1988 that the savings and loans of the United States were about to be sunk. Now this is occurring exactly as we forecast. The "alternatives" to the deepening economic morass are a bad joke, as this week's cover story shows. LaRouche must be freed from prison to steer a real recovery before it is too late.

LaRouche is also the indispensable moral leader of the movement to stop Satanism (see articles pp. 42-44). The anti-Satanist movement is taking legislative form, with an initial bill in Pennsylvania: Watch the next issues for details.

Nora Hamerman

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Grand larceny drives Bush's S&L scheme

by Chris White

On Monday, Feb. 6, George Bush announced before the world's press what has been deceptively called his administration's plan "to rescue" or "bail out" the wreckage of the savings and loan system.

If this had been drama on the stage, one would have had to compliment those responsible for the production. A well organized script for the main character, discreetly organized setting, beautiful gold-leaf tinted furniture for the secondary characters. And, to be sure, they were all there in an elegantly understated show of force. Bush himself, as the messenger, surrounded by Alan Greenspan from the Federal Reserve, Nicholas Brady from the Treasury, Richard Darman from the Office of Management and the Budget, Seidman and Wall from the Federal Deposit Insurance Corporation and Federal Savings and Loan Insurance Corporation, and Richard Thornburgh, Attorney General. It was indeed a major production.

How long it will be before people start to realize what was being swung by them during this beautifully scripted and staged affair is a different matter altogether. What has been described as a "rescue" or "bail-out" package was nothing of the sort. Rather, what was being announced was the outline of a program to eliminate the thrift system as such, and hand over the approximately \$1 trillion in deposits within the system to the administration's cronies in the commercial banks.

Those among us who have picked up on the buzz words about "fraud" and "corruption" within the system being responsible for all its problems, ought really to stop and think again. What was laid out Monday afternoon may well qualify as the biggest robbery ever seen. Its presentation would then qualify as one of the purest examples of the con-man's arts—just plain fraud.

The salient features of the package announced Monday, and what was not announced then, but leaked out subsequently, are as follows.

Agencies disappear, new ones appear

The Federal Home Loan Bank Board is collapsed into the Treasury Department, from where, over the next month it will take over an estimated 250 insolvent S&Ls. The FHLBB is the outfit mandated to oversee the thrift system. It has now effectively disappeared.

The Federal Savings and Loans Insurance Corporation has been put under the wing of the Federal Deposit Insurance Corporation. Not to be commingled, the separate funds are now on their way to amalgamation.

A Resolution Trust Company has been established to liquidate, or sell insolvent thrifts. A Resolution Finance Company is established to raise the \$50 billion, via the issue of bonds, which it is estimated the Trust Company will need to shut down or sell the insolvent S&Ls. The principal of the money borrowed under the bond issuance will be repaid by the *solvent* S&Ls. Taxpayers will pay for the interest accumulated during the life of the zero-coupon bonds. The split is estimated to work out 50-50, half from the S&Ls, half from the taxpayer. The solvent S&Ls must double their paid-in capital by 1992, so that they make the same standards of accounting adequacy now applied to the commercial banks. The insurance premiums charged the healthy S&Ls will be doubled. Legislation will be presented to permit bank holding companies to take over and own savings and loans institutions. \$50 million was demanded to fund a special Justice Department task force to root out and prosecute fraud and corruption within the savings and loan system.

Take the profitable earnings of the non-insolvent part of the thrifts over their last accounting year. Set that profit against the charge of the principal on the bonds, the increased capital, and the insurance surcharge. *The solvent thrifts have just been put out of business.*

The Monday press conference did not feature the proposal to permit bank holding companies to takeover thrifts. That was released subsequently. The Monday press confer-

ence did not feature the guidelines laid down by Treasury Secretary Nicholas Brady for the package, that, according to the *New York Times*, no public money be spent until "the resources of the system are exhausted," and not then, until the system has been "restructured."

The next day, Tuesday, the shell of the Federal Home Loan Bank Board was moved into the Treasury Department, from where thrifts in Maryland, Ohio, Florida, and California were seized, for sale or liquidation, as the first installment on the 250 or so which will be so treated in the next month.

The FSLIC was subsumed under the operations of the FDIC. The FDIC seized \$18 billion of foreclosed real estate holdings in Texas from the FSLIC. The FDIC announced that it was suspending all S&L purchases now being worked on, pending review to determine if the agreements being negotiated were "legally binding." It was said that the \$20 billion of such agreements concluded during the month of December were not subject to the suspension. However, the FDIC reserved the right to suspend those agreements should they not be "legally binding."

Since the law governing each of the cited agencies originated in Congress, the legal basis for such action is either dubious or non-existent. Yet, such actions have been rammed through. The administration contends, raising the question whether or not emergency powers have been invoked, that such actions fall within the regulatory purview of the executive branch. Only the request for authority to issue the \$50 billion in bonds needs congressional approval, it is contended. Whatever the legal rights and wrongs turn out to be, the deed has been done.

The plum is the deposit base of the thrift system. For several years, the approximately \$1 trillion in real money saved by wage and salary earners, and others, deposited in the thrift system, has made the bankrupts at Citibank and Chase drool. They have argued, as they did in the spring of 1985 when the state-insured thrift systems of Maryland and Ohio collapsed, that the answer to all the thrift system's problems can be found by handing all the real money over to them. Now, it seems they have an administration which is prepared to do that, and, with the beefing up of the Justice Department's fraud prosecutions, is also prepared to jail anyone who stands in the way. It seems that they have also found an administration which is prepared to create a stampede of deposits out of the thrift system, the better to accomplish that objective.

This surely will be the effect once the reality that the solvent thrifts are to pay for the closure of the system as a whole, finds its way into circulation.

Competent bureaucrats: catastrophe

In early December, Lyndon LaRouche, now jailed on trumped up charges at the insistence of his petty-minded and vindictive enemies, told a conference of the Food for Peace organization in Chicago that what he feared most about the then-incoming Bush administration was its very "effi-

ciency." LaRouche described Bush as a competent bureaucrat, who may well go on doing the things competent bureaucrats do, without respect to reality, and by so doing push the whole shebang right over the edge.

It may well turn out that this is indeed what Bush and company have done. They "seized the bull by the horns," "bit the bullet," made "the tough decisions," and went right ahead. It is more than doubtful that they know what they are doing.

Economically, the elimination of the thrift system is suicidal. To organize an actual economic recovery in the United States, the thrifts are necessary, and not simply because, from the standpoint of economic reality, they happen to be in much better shape than the commercial banks, which now intend to take over their deposits. The thrifts are to the economy as blood vessels to the human body. They take—or used to—actual earnings and savings, and package those earnings and savings into loans which put people to work improve the capital stock of the country, through home construction, for example. Unlike the mega-banks, they are tied to the regional and local communities, not interested solely in what can be sucked out, in the form of tribute and loot, but also, more importantly, in what can be put back, in the form of investment and capital improvement.

Without the thrifts that won't happen. Cut off the blood supply and the communities will die, the industries and support chain that feeds those industries will disappear. Hook up the blood flow again at some future point, and it won't matter; if the circulatory system has gone, there is no way the blood can find its way to where you want it to go. Economically, the ending of the thrifts is the death sentence for thousands of communities around the country. And it will make the job of organizing a real recovery that much more difficult.

Financially, the commercial mega-banks are indeed in worse shape than the thrifts. They no longer have the same kind of deposit base as the thrifts. They do have, unlike the thrifts, off-balance-sheet liabilities four and five times, on average, the size of their paid-in capital; they do have, on their books, unpayable Third World debt, sufficient to wipe out their paid-in capital one more time at least, and, since 1982 they have made themselves dependant on so-called earnings that are really fees charged for taking in each other's dirty laundry. Handing the thrifts' deposits to those sharks is simply throwing good money after bad.

And, thanks to Donald Regan and Paul Volcker, there is another problem. The thrifts also now receive so-called brokered funds, money borrowed abroad at one rate of interest and re-lent here, short-term, at another. Upward of \$100 billion are tied up in such funds. Stampede the thrifts' deposits, change the earnings structure, and that little bomb goes off, and when it does, there's no telling what it's going to take with it. The professionally staged announcement of the execution of the thrifts may also have lit the fuse on that little bomb.

Will the U.S. health system become the new Nazi model?

by Linda Everett

Before the Nazi regime could initiate the medical butchery that later so stunned the world, they had to effect a thorough transformation of the German medical profession. The traditional medical ethic that doctors should under no circumstances take a patient's life, was attacked as "erroneous." For under the Nazi regime, euthanasia for the incurably sick and insane, was considered the most "merciful treatment" and "an obligation to the *Volk*."

The new medical ethic meant doctors had to be more concerned with the health of the *Volk* than with the individual. They were "doctors to the *Volkskörper*" (the national body or people's body). This demanded, according to Nazi medical professor Rudolf Ramm, "a change in the attitude of each and every doctor, and a spiritual and mental regeneration of the entire profession." This reorganization process was known as *Gleichschaltung*, or a meshing of gears of German medical layers in either a voluntary or coercive unification with Nazi ideological requirements.

There is alarming evidence that we in America are today witnessing just such a "meshing" within our health care system. While not exactly a direct analogy to the Nazi concept of "duty to the *Volk*," American doctors are being told that they have to subordinate the interest of the individual patient to live, to the budget restrictions of the economy as a whole. What monetarists inside and out of government have created over the last decade and half is a monstrous machine which, under the guise of cost-containment, systematically dismantles the science, education, and practice of traditional medical care. To the degree our health care delivery system contributes to its fundamental purpose in nurturing human life, it is especially targeted by recurrent budget cuts, managed health care schemes, and mandatory "quality of life" protocols.

But the goal is actually not to save costs, even if the Health Care Finance Administration's (HCFA) William Roper employs an army of actuaries whose expertise is used not unlike that of the Nazis who hit upon the cost-efficiency of making soap out of the carcasses of work camp victims. By one estimate, an outrageous 15-25% of every dollar spent on health care annually goes to "researching" the development of new cost-containment schemes!

Perhaps America's health care system has not been ordained to sacrifice the sick for the health of the *Volkskörper*—yet.

But what is clear, is the signal emanating from Wall Street, the insurance cartels, and the ruling hand of the Eastern Establishment, all of whom are committed to the economic and industrial collapse of the country. To guarantee their monetarist grip, America's health care vision must conform. It cannot simply be shrunk or distorted—the vision must be destroyed, lest the nation continue to demand the science, hope, and manpower to overcome the numerous medical crises before us.

Right now, doctors are being trained to think primarily about the "financial ramifications and cost-benefit equations" of their treatment decisions; elderly patients are brutally manipulated into believing that saving them deprives the next generation of "dwindling" resources; indigent pregnant women, desperate for critical prenatal care, are set against the needs of heart and cancer patients; and AIDS victims are told to go die quietly in a hospice.

No, our sick and elderly are not yet dying for the *Volk*, but they are daily triaged for an economic regime that differs from Hitler's ravages only in degree. The destruction of America's health care system is now rapidly approaching the point of no return.

The fallacy of cost-effective health care

The incessant screaming about the costs of health care set the stage for handing over the reins of the nation's health care to a bunch of fiscal experts who have no compunction about sacrificing tens of thousands of lives. The fallacy of such supposed cost-containment or budget-gutting behavior can be seen in the total collapse of the health care delivery infrastructure and its supporting industry today. And the patient, at the mercy of such cutthroat behavior, ends up dead. As one medical economist noted, "The ultimate economy in medicine is death." Here are two examples.

- Last year, 14 congressmen had to sue to get HCFA to stop killing people by illegally and repeatedly denying Medicare benefits to thousands of elderly patients for "part-time or intermittent" home health care. After home care

benefits were drastically cut in the early 1980s, HCFA then launched further restrictions that were never published or debated. It refused to pay for home care for more than four days a week—no matter how little time each day that care took. So patients who needed care for one hour a day for five days a week, were denied care, while those who needed 27 hours of care over four days qualified for it. When someone needed help for five different days, he was denied benefits for the fifth day and lost Medicare coverage for the other four days as well. Medicare continued to illegally deny the claims of patients who won their appeals again and again. One patient died after her fourth successful appeal. The Federal District Court judge in the case labeled the government's action as "reprehensible." We call it murderous. These are not bureaucratic oversights.

● In October 1988, HCFA tried the same underhanded conniving when it announced to home care providers that Medicare would cut reimbursement for in-home dialysis treatments by 48%. Neither the 20,000 patients depending on these services nor their providers were consulted, nor was there the mandatory comment period. Home health care companies based their reimbursement rate on exactly what Medicare itself proposed for the treatment five years ago! Essentially, Medicare tried 1) to intimidate home care providers to cut costs and make it financially impossible for them to operate; 2) to eliminate the large majority of immobilized sick and elderly patients unable to travel for dialysis treatment; and 3) to shift all costs to Medicaid of patients who must be lifted and carried by trained personnel in ambulance transport three times a week (easily \$100 per round trip three times weekly). The intention here was not cutting costs but cutting out, much as Britain has, a whole segment of the population past a certain age or illness level which the government no longer intends to have treated. Again, this after a court injunction restrained HCFA's actions.

Social Security gendarmes

The same relentless preying on the disabled appears endemic in the Social Security Administration. SSA has a campaign to intimidate, punish, and coerce the 700 independent judges who review appeals of those who have been denied Social Security benefits into reducing the benefits the judges award. Any judge who awarded benefits in 70% of his cases was targeted for review by SSA. Again, only a lawsuit (from the Association of Administrative Law Judges) stopped SSA's actions.

Now, SSA wants its own staff attorneys to be appointed judges to decide these cases, and thus totally control the appeals process according to the budget restrictions SSA sets—not according to the very real needs of the disabled. It is no wonder then that the SSA would consider drastically restricting the ability of millions of elderly and disabled people to appeal the government's denial of their Social Security, Medicare and welfare benefits. With the government losing

50% of the appeal cases in which the blind, disabled or aged were unfairly denied benefits, the new plan to limit evidence would have "saved" billions.

Who is fooling whom? Is the country "saving" anything or are we just dismantling our health care capability? When each HCFA or foundation or insurance company "study" is activated, another part of the patient population is targeted for triage.

Framework for rationing in place

The framework for rationing medical care is already in place, the Perspective Payment System (PPS). Since its inception, Medicare's PPS has so underpaid hospitals for treatment of elderly patients that it is frequently charged with causing patient dumping, premature discharge of elderly patients, destroying the financial stability of hospitals, and fueling the nursing shortage. By the government's own accounting last summer, the hospital market basket has increased by 28.3%, while Medicare payments have increased only 12.16%. Government costs restraints mean that 60% of all hospitals will lose money this year, for others, the profit margin is "zero."

Because Diagnosis-Related Groups (DRGs)—through which the Medicare system sets fixed payments for a given treatment, regardless of the hospital's actual costs—do not cover the complicated medical treatment of chronically ill or long-term cancer patients, just a few of these cases can put a smaller hospital on the brink of bankruptcy. Over the last two years, 160 of those community hospitals did just that and closed.

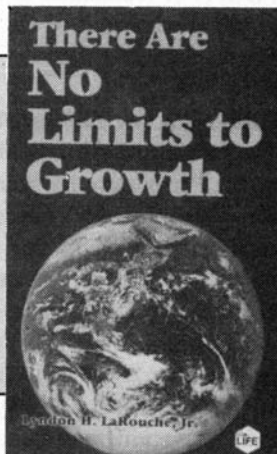
To stave off impending crisis, the National Rural Hospital Association filed suit on behalf of some 2,700 rural hospitals against the federal government calling its Medicare payment system to rural hospitals "unconstitutional." The Department of Health and Human Services (HHS) is using the 1946 Hill-Burton Act to further cut reimbursement to rural hospitals. Hill-Burton's "community service" stipulation is construed by HHS to mean that rural hospitals cannot turn away patients, including Medicare patients, no matter how low the reimbursement. The hospital's ability to provide community service and free care is jeopardized and thus, their due process rights are violated. Urban hospitals receive an average of 39.6% more than rural hospitals in payments for each DRG. As a result, over 87 rural hospitals shut down in 1986, another 40 community hospitals closed in 1987, and some 600 more rural hospitals are expected to close by 1990.

The nation's network of emergency service, initiated through the Federal Emergency Medical Services Act of 1973, is also being dismantled. With the 1981 Omnibus Budget Reconciliation Act, the federal government shifted the burden for financing sick services back to the states and local governments. This left vast portions of our rural areas without even a working ambulance or rescue capability to get patients to hospitals 30 to 45 to 60 minutes away. The national net-

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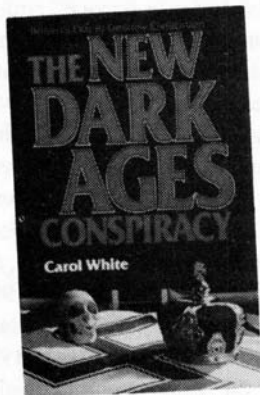
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*'If a black death could spread throughout
the world once in every generation, survi-
vors could procreate freely without making
the world too full. The state of affairs might
be unpleasant, but what of it?'*

—Bertrand Russell

This evil is from the father of the peace move-
ment—find out what the rest of them think.



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work of regional trauma centers that can handle major dis-
asters with special personnel and equipment and blood sup-
plies, appears permanently stalled as well.

The damage from DRG under-reimbursement rates from
Medicare, Medicaid, and private insurers is compounded as
states run out of Medicaid funds. Whole swaths of some cities
are without hospitals altogether. Texas, Florida, California,
Illinois and a host of other states increasingly face emergency
room closings or have emergency care available on intermit-
tent or "standby status" only (closed to ambulances), accord-
ing to bed availability.

With DRGs, came the predictable reduced length of hos-
pital stay and less bed utilization. Per diem costs for non-
Medicare patients zoomed since fewer patients absorbed the
same overall expenses. With less utilization, Medicare cost-
cutters, totally aloof to the medical needs of an increasingly
sick indigent population and to AIDS patients, demanded
that hospitals decertify more beds or face penalties. Beds
were cut, but it is only a matter of time before cities in general
will face the resultant crisis now seen in New York City.

Hospitals that are 'worse than Beirut'

One physician, with the appropriate experience, has char-
acterized New York's hospital conditions as "worse than
Beirut." Patients with heart attacks and strokes now often
wait 12-36 hours to get into intensive care units. On any
given day there are 400-500 patients waiting for a bed. For
weeks, acutely ill patients are kept and treated in emergency
rooms. Receiving their medications and meals is totally con-
tingent on whether staff from other parts of the hospital are
available to administer it. Patients wait 7-8 weeks for elective
operations, if there is a doctor available to do it. Otherwise,
these full-paying patients seek out a different hospital.

Now the state will install an expensive computer system
to monitor the number of beds available throughout the sys-
tem to shuffle emergency patients from hospital to hospital.
Up until last year, the state was still calling for removing
hospital beds from service "to save money." Over the last
decade, over 13,000 hospital beds were decertified. All of
this crisis management is needed just for normal daily activ-
ity, but what happens if a calamity occurs?

Yet, HCFA's second in command, Glenn D. Hackbarth
says, "We could do just fine with fewer hospitals." Hackbarth
states unequivocally, "In the next 5 to 10 years, we can do
with fewer hospital beds than we have today. We don't need
as many hospitals as we have right now." HCFA, William
Roper, and Hackbarth are all looking at balance sheets—not
lives—and criminally ignore the increasing needs of our
growing elderly population and the catastrophic devastation
by the AIDS epidemic.

With DRGs, physicians are pressured to release patients
before it is medically appropriate and to dangerously delay
admitting elderly patients until they "are sick enough" to pass
DRG criteria. They are threatened with sanctions from the

Peer Review Organization (PROs) unless they change treatment patterns for what they consider "medically inappropriate" reasons. PROs directly contributed to the demise of rural hospitals.

Certificate of need programs and other stringent economic rate controls used to slow the acquisition of advanced diagnostic equipment and technology has been cited a possible cause contributing to higher death rates among patients in heavily regulated hospitals than those with less government regulation. Yet, HCFA's William Roper says "continued restraint . . . is necessary and does not compromise beneficiaries' access to the quality of care they receive." But the fallacy of cost-effective medicine has been demonstrated repeatedly in the way it jeopardizes not only the lives of individual patients but also the viability of America's entire hospital system.

The present climate against new medical technologies is actually undercutting the country's capacity to spur new breakthroughs in medical-scientific fields. Investors are dissuaded from developing new life-saving technologies because it is unlikely that financially strapped hospitals will purchase or be reimbursed for using them. Yet, not only does the newer equipment pay for itself, it saves more lives than outmoded technology.

With DRGs came an oppressive demand for documentation. Hospital administrators saw a 100% cost increase from paperwork alone. They were forced to cannibalize medical staff and critical diagnostic equipment for accountants, form processors, and sophisticated cost-calculating computers. Fewer lab technicians led to slower and less accurate testing.

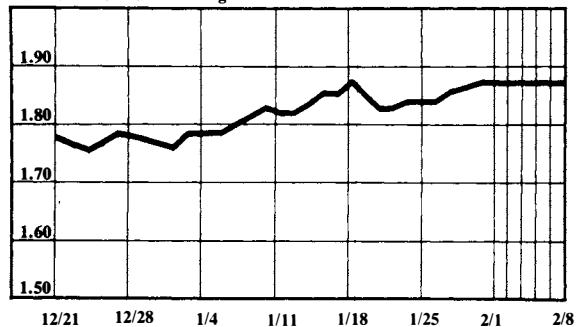
Underpaid, overworked nurses are driven out of their field by the burden of regulatory documentation and expanded patient load. Medicare budget cuts meant hospitals laid off 125,000 licensed practical nurses and nurses' aides since 1983. That forced medical facilities to have registered nurses perform non-nursing duties that take up 10-60% of a nurse's time. By 1986, a shortage of nurses was reported by 83% of U.S. hospitals. Now, 18% of the nation's hospitals turn away patients due to shortages. In some New England Veterans Administration hospitals, *over half of the beds were taken out of service* due to lack of staff. Thus, as a direct result of "cost-effective" policies, the nursing crisis has become so acute that HHS had to establish a totally new Commission on Nursing to study the frightening shortage of 600,000 nurses by the year 2000.

With sharp reductions in hospital nursing staff, patients who need assistance with eating do not get it. Instead, they starve. Some 60,000 patients die of starvation in U.S. hospitals every year. One-third of all U.S. hospital patients are malnourished and a half-million more face critical complications because of it. If a patient loses 30% of his ideal body weight in the hospital—as one-third of all patients do—the chance of his or her living through an operation is reduced to about 5%!

Currency Rates

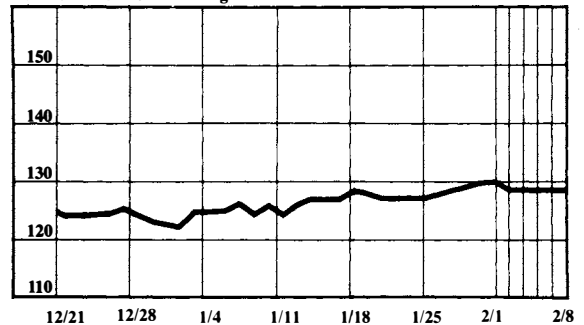
The dollar in deutschemarks

New York late afternoon fixing



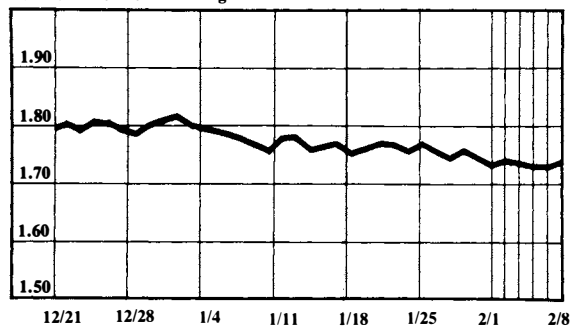
The dollar in yen

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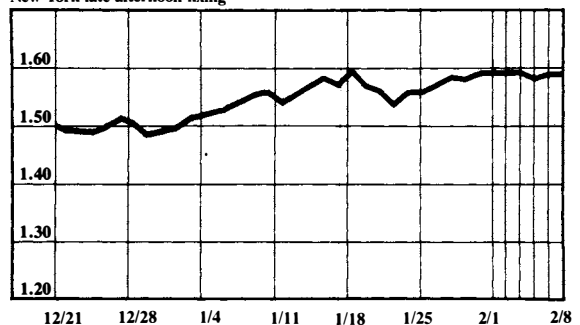
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Genocide by 'ecology': Senate panel holds love-in for EPA's Reilly

by Marjorie Mazel Hecht

The Senate hearings Jan. 31 on the appointment of William K. Reilly as head of the Environmental Protection Agency should be enough to convince anyone who still has illusions about the moral quality of the U.S. Senate that this body is now just plain evil. As the cameras rolled and the standing-room-only crowd looked on in adulation, one senator after another at the Committee on Environment and Public Works heaped praise on Reilly. And not one word was said about the millions of people in the developing sector who have died as a result of the policies promoted by the two organizations Reilly has headed, the Conservation Foundation and the World Wildlife Fund.

The show of bipartisan support for Reilly featured the fact that he was the first "professional" environmentalist to be nominated for this job, that he was a Republican, and that he was a "world class environmentalist," and that everybody loves him because he "focuses on those things that unite rather than those things that divide." The committee chose to have no outside testimony or questions on the nomination.

Reilly was introduced by no fewer than five senators, starting off with Wyoming's Malcolm Wallop (R). Why is an old conservative whom *Time* magazine has called a "humorless ideologue" supporting an environmentalist? Wallop asked. "He's an excellent choice," Wallop said, a "reasoning and reasoned conservationist," and I'm "pleased, proud, and comfortable to recommend him." Virginia's Senator John Warner (R) then endorsed "this fine American," noting how Virginia was "truly fortunate" to claim him as a resident. The junior senator from Virginia, Charles Robb (D), chimed in about how he was "pleased that he's a Virginian," and pleased at Reilly's "ability to achieve and build consensus." Bob Graham (D) from Florida also praised this "consensus builder," noting how almost every major environmental project in Florida "bears his imprint." The saccharine introductions were concluded by Pete Wilson (R) from California, who stated that the "chorus of praise was deserved" for this "leading proponent of environmental quality by consensus," and that the "President could not have made a better choice."

The members of the Senate committee—all of whom were present for this media occasion—then each gave a five-

minute eulogy, reiterating the compliments to Reilly and noting for the record their own concerns with "environmental protection." The overall quality of the remarks had the aura of an awards dinner in Camelot, where everyone is expected to live happily ever after. New Jersey's Senator Frank Lautenberg (D) beamed, "I am pleased to join the chorus of admirers and welcomers." Connecticut's Senator Lieberman (D) proudly noted the presence of Mrs. Reilly, a Connecticut native (attired in a black leather miniskirt).

Reality?

The question period continued much like the opening statements. The only hints of opposition—and these were so much kinder and gentler than the usual that they might have been missed—came from Senators Alan Simpson (R-Wyo.) and Steve Symms (R-Id.). After the obligatory remarks ("I very much enjoyed our visit. I was very, very impressed with you"), Simpson noted that people have to eat, work, and live, and therefore need fertilizers, pesticides, and power plants. He related how he had once asked a Carter-era official in the EPA, "Is agriculture part of man's ecosystem?" and she said "no." "Whether you like it or not, agriculture is part of man's ecosystem," Simpson said. "That's what's called reality."

Symms questioned Reilly on his work as part of a task force that recommended the taking of private land for environmental purposes without compensation to the private owner. (For example, declaring farmland to be protected wetlands, without compensating the farmer for the loss in not being able to work that land).

No one questioned the basic philosophy of Reilly's 20-year career—putting the protection of trees, wetlands, and animals on a level above the health and welfare of humans.

While Reilly rides into the EPA on a white horse bedecked by garlands, privately some senators are unhappy with the appointment. "The senator shares many of your concerns," one aide told this writer, "but he does not want to embarrass Bush by opposing the nomination." Another aide said that his boss found Reilly to be arrogant, uninformed on the issues, and inexperienced with Washington politics. "He won't last," so we won't oppose him now, said this aide.

NDPC: 'We oppose EPA as well as Reilly'

From the testimony of National Democratic Policy Committee (NDPC) to the Senate Environment and Public Works Committee on the nomination of William Reilly as administrator of the Environmental Protection Agency, Jan. 31, 1989:

The NDPC is opposed to the appointment of William Reilly as administrator of the Environmental Protection Agency, for the same reason that we are opposed to the existence of the EPA. Both Mr. Reilly and the agency itself represent a political lobby rather than a department of government—a lobby, we contend, that does not operate in the national interest.

The policies that Mr. Reilly has advocated in his capacity as head of the World Wildlife Fund and the Conservation Foundation are those of a feudal oligarchy concerned with hunting wildlife for personal pleasure, not an industrial nation that since its inception has developed science and technology for the purpose of advancing the material and cultural standards of its own people as well as those of the rest of the world.

As his career demonstrates, Reilly is a malthusian who places a higher value on preserving wildlife and so-called natural habitats than on preserving human life. He sees "Nature" as some sort of pagan force that must be worshiped and allowed to run its course without the messy intervention of man. This is contrary to the goals of this nation as expressed in the U.S. Constitution, as well as the Judeo-Christian ethic. In our present economic crisis, any further environmental restraints can only result in reducing world food reserves and increasing the possibility of a worldwide famine. Such restraints would also introduce insupportable taxes to industries already at the point of bankruptcy.

The two organizations that Mr. Reilly has headed are devoted to overturning the American belief in scientific and technological progress. To quote from an annual report of the Conservation Foundation: "Increasing population causes a drain on natural resources which is geometric, not arithmetic. . . . Science cannot be expected to supplant the vital processes of nature." Such population reduction policies run counter to the philosophy of a majority of the American people, as does the anti-science bias.

The role of the EPA

The Environmental Protection Agency came into being 20 years ago because of the lobbying of environmentalist groups. Its major proper functions can be maintained through the normal activities of the Department of Agriculture, the Department of the Interior, the Department of Energy, the Department of Commerce, and the Food and Drug Administration. Among the other advantages of such a reorganization would be the reduction of the present cost of running the EPA, now one of the largest governmental bureaucracies.

The EPA functions by manipulating ignorant opinions of a population that has been conditioned to fear and ignorance, of a public worried by daily horror stories of big bad industrialists poisoning their food, water, land, air, and so on, in order to carry out a secret agenda. Its decisions have been made for political reasons only, having little to do with actual

Reilly's agenda

In his speech to the Senate committee and in his answers to the questions on issues, Reilly stressed that he intends to mount "aggressive enforcement" of regulations, "significantly higher degrees of international activity and cooperation with other countries in the global village," and the kind of "economic growth . . . that doesn't shorten our breath or our lives." Reilly praised the Montreal Protocol, saying that he expected that the United States would go even further, virtually phasing out all chlorofluorocarbons. He promised new legislation on acid rain.

" . . . We have established the most comprehensive regulatory framework for pollution control in the world. Enormous investments have been made by the public, by industry, by government at all levels. And these investments have paid off handsomely. . . .

"Yet the domestic environmental agenda seems only to have lengthened and grown more complex with time. It turns out that we didn't know all that was being put into the air and water. New, more sensitive measurement techniques and more extensive monitoring have revealed toxic substances of great variety, distributed widely in air, water, land, and wildlife. In some places, 'sanitary landfills' of a decade ago have become today's environmental hazards. Air pollution indoors appears to be threatening many Americans more than air pollution outdoors. Abandoned toxic waste dumps dot the landscape. Pollutants of all sorts have seeped into the vast, unseen reserves of groundwater from which millions of Americans draw their drinking water."

facts and actual risks. By taking an adversary role against science and against industry, the EPA has seriously damaged the quality of life for our citizens and those of other nations, and has caused actual deaths. For example, the political rulings banning life-saving pesticides like DDT have meant the deaths and illnesses of millions in the developing sector.

Given its political history as an agency that has often arbitrarily supported the extremist views of environmentalist lobbying groups, we believe that any necessary regulatory activities could be better carried out by other existing government agencies. To subsume the role of the EPA into these other departments would remove the governmental sanction from an environmentalist "religion" that worships "Nature."

In any case, by confirming Mr. Reilly as head of the existing EPA, Congress will be adopting the World Wildlife Fund and the Conservation Foundation as a government agency, in effect increasing the fund's annual multimillion-dollar budget for its anti-people activities by about \$5 billion (the EPA 1988 budget). We believe that this nation cannot afford to give such power to an organization characterized by the elitist views of its leading spokesman worldwide, England's Prince Philip.

If the United States is to survive as an industrial and scientific nation, it must return to the American System idea, popularized during the Lincoln administration, that "people are wealth" and that man must have dominion over nature. The appointment of William Reilly will take us in the opposite direction—giving an oligarchic elite dominion over this nation's future in the name of "protecting the environment."

21st Century: 'Reilly a costly blunder'

From the testimony of 21st Century Science Associates to the Senate Committee on Environment and Public Works on the nomination of William Reilly as administrator of the Environmental Protection Agency on Jan. 31, 1989:

The appointment of William Reilly as administrator of the Environmental Protection Agency would be a costly blunder for an administration committed to seeing this nation remain as an industrial leader.

Mr. Reilly has headed up two organizations, the World Wildlife Fund and the Conservation Foundation, that are dedicated to policies that 200 years ago would have kept the United States as a backward, rural colony, perhaps where the European elite could have come on hunting expeditions in the vast Western lands. Fortunately, our Founding Fathers had other ideas. They fought a war to establish this nation as a republic dedicated to progress—progress achieved by ad-

vancing science and technology. They fostered industry and the building of infrastructure to facilitate development. Their idea was sound: Man's mind was capable of inventing the means of making muscle-power and primitive technologies obsolete. Therefore, to grow, the nation should do everything possible to ensure the development of the minds of the population.

Today, the organizations Mr. Reilly heads are the champions of the same feudalist views that this nation was established to eliminate. Such environmentalists place Nature on a higher level than man, and give animals—and even insects and weeds—"equal rights." This political philosophy of environmentalism is not just another opinion. When put into practice, as it has been throughout the history of the EPA, environmentalism *kills people* in the name of protecting the environment.

We will be very specific, taking the cases of DDT and dieldrin, both of which were life-saving pesticides banned by two former administrators of the EPA who are the mentors of Mr. Reilly.

First, DDT:

In 1971, the EPA held seven months of hearings on the DDT issue, with testimony that filled 9,000 pages. The EPA hearing examiner, Edmond Sweeney, made his official decision April 26, 1972, stating: "DDT is not a carcinogenic hazard to man. DDT is not a mutagenic or teratogenic [creating birth defects] hazard to man. The uses of DDT under the regulations involved here do not have a deleterious effect on freshwater fish, estuarine organisms, wild birds, or other wildlife. . . . The evidence in this proceeding supports the conclusion that there is a present need for the essential uses of DDT."

The EPA administrator, William Ruckelshaus, who now is a board member of the Conservation Foundation, single-handedly overturned this EPA ruling and banned DDT in 1972 for what he admitted were "political" reasons. As Ruckelshaus said in 1979, "Science, along with other disciplines such as economics, has a role to play. The ultimate judgment remains political. In the case of pesticides in our country, the power to make this judgment has been delegated to the administrator of EPA."

Second, the dieldrin case:

Russell Train, who succeeded Ruckelshaus as EPA administrator in September 1973, and who is now the chairman of the World Wildlife Fund and the Conservation Foundation, banned the chemical dieldrin in October 1974. Train took this action contrary to the advice of the Aldrin/Dieldrin Advisory Committee to the EPA as well as several other committees appointed by other government agencies. In addition, Train redefined the word "carcinogenic," which previously had been defined by all scientific agencies concerned to mean substances that cause cancerous tumors. Train decided that carcinogenic would henceforth be synonymous with "tumorigenic."

These political decisions of EPA administrators Ruckelshaus and Train were at the behest of the environmentalist lobby, the same lobby for which Mr. Reilly is working. This lobby still brags about its role in banning these and other pesticides. The consequences can be measured in human lives lost.

Entomologist J. Gordon Edwards, who has taught biology and entomology at San Jose State University in California for 40 years, estimated that 100 million people die per year as a result, directly and indirectly, of these and other anti-pesticide activities here in the United States. Edwards, who is a longtime member of the Sierra Club and the Audubon Society and a fellow of the California Academy of Sciences, says that this estimate is probably conservative.

There is every indication that Mr. Reilly will continue in the tradition of Mr. Ruckelshaus and Mr. Train, making decisions that will kill people in the name of protecting the environment.

Watkins and the need to go fully nuclear

From the testimony of 21st Century Science Associates on the hearings to consider the nomination of Adm. James Watkins as Secretary of the Department of Energy to the Senate Committee on Energy and Natural Resources, Feb. 2, 1989:

We support the nomination of Admiral James Watkins for Secretary of the Department of Energy. In our view, Mr. Watkins enters this position at a time when crucial decisions will have to be made in his department in six basic areas:

First, the sabotage of the civilian nuclear power industry and electric utilities over more than a decade, through regulatory and antinuclear "environmental" organizing, has resulted in severe shortages of electric power in various parts of this nation. This situation will get worse before it gets better. There are *no* legitimate reasons not to go full speed ahead with nuclear power.

This requires the timely completion of all plants under construction; the end to regulatory and financial warfare against the nation's utilities; the availability of low-interest credit to begin to build our way out of the shortages; and the implementation of the modular, standardized, and most advanced nuclear fission power designs, so the nation can return to a healthy 6-7% rate of electricity growth per year, using the most economical technology.

Second, the defense production situation requires a crash program approach to complete not one but at least three different "next-generation" tritium production facilities, while keeping on line as many of the current reactors as needed to

keep the nation's defense effort adequately supplied with tritium. The key here is redundancy of facilities—and no capitulation to the so-called environmentalists whose purpose is actually to force unilateral U.S. disarmament.

Third, research and development spending by the Department of Energy is the only way to ensure the energy future of this country. Over the past eight years, under the rubric of the "free market," the nuclear fission budget has been reduced and research and development has stagnated, while entire projects, such as spent nuclear fuel reprocessing, have been abandoned. Funding for research in thermonuclear fusion, the unlimited energy that must be ready to play a major role in U.S. energy supply by the beginning of the next century, has declined by about 25% in absolute dollars.

The nuclear fission and fusion research and development budgets both must be brought back to a level where they can develop new energy technologies. The nuclear budget should include funding to develop prototype reactors and facilities for breeder reactors, spent fuel reprocessing, advanced technologies for fuel enrichment, and fission-fusion hybrids for a variety of functions.

Fusion energy should be proceeding with the goal of producing an engineering test reactor as quickly as possible, close to the turn of the century. This effort must include adequate funding to proceed with tritium testing in the Princeton Tokamak Fusion Test Reactor, the construction of the Compact Ignition Torus, the acceleration of the other tokamak and also non-tokamak magnetic fusion energy concepts as well as the inertial fusion programs, and the most broad-based approach to solving the remaining scientific questions in fusion research.

Fourth, the x-ray laser and other portions of Strategic Defense Initiative research that are overseen by the Department of Energy and carried out in DOE national laboratories must be funded with the goal of producing a layered system of defense that will meet President Reagan's initial 1983 mandate to make nuclear weapons "impotent and obsolete." Impressive results have been produced in these directed-energy weapons technologies over the past four years, and they should not be held back by limitations in funding.

Fifth, is the question of radioactive waste. The main problem here, aside from the fact that waste disposal has become a political football, is that this nation decided not to complete the nuclear fuel cycle, therefore necessitating the burial of 100% of the waste, instead of a very small percentage—the 4% that cannot be recycled. Reprocessing is a known and tested technology; we should join with the rest of the nuclear nations and begin reprocessing spent fuel.

Sixth, is the area of education. On the graduate level, the department must ensure through special programs that top-quality students are recruited into nuclear engineering and nuclear research programs. Without such recruitment, we will not have the talent to run the nuclear plants of the near future. . . .

Crop report shows looming famine

The USDA's figures, as usual, are ridiculously optimistic, but still can't hide the reality.

The latest monthly world crop forecast by the U.S. Department of Agriculture (USDA) paints a rosy picture compared to the truth. But even the USDA figures show world grain and food stocks at such a low level that, unless miracle crop yields occur, food shortages may occur on a scale of global famine.

The report, *World Agricultural Supply and Demand Estimates*, was released Feb. 9 at 3:00 p.m., after the ritual 24-hour "lock-up" of the voodoo statisticians who produce it. The secrecy surrounding its preparation is supposedly to prevent any advantage being taken on world markets. However, it is an open secret that world food stocks are at levels so low that the only question is, how long will the general public tolerate the calculated failure to take emergency production measures.

Total world grain output in the last three years has been dropping from a USDA estimated 1.685 billion metric tons in 1986/87, down to 1.605 billion tons in 1987/88, to 1.55 billion tons in 1988/89, according to the USDA estimates.

Even the Global Warning office of the U.N. Food and Agriculture Organization in Rome has sounded the alarm about the record drawdown of world stocks now taking place, despite the fact that the U.N. agency sat on the sidelines for years and quietly watched the disaster take shape.

In November 1988, the FAO called for an increase of 13% in world grain output in the 1989-1990 period, in-

volving planting of an additional 200 million acres, to get a yield of at least 230 million tons in additional cereals. In December, the FAO office repeated the warning. In January, FAO officials repeated the warning. But due to funding restrictions, they did not publish their figures for these two months. They hope to resume their monthly "schedule of warnings" now.

However, even the USDA figures—which systematically overstate food production and stocks—show the catastrophe in the making. The "Highlights" section of the Feb. 9 report presents the following summary picture.

Wheat. "Forecast 1988/89 foreign and world ending stocks were dropped around 5 million tons. World ending stocks are forecast a fourth below a year earlier and the lowest since 1977/78."

Given the world population growth of the last 20 years, these low stock figures mean that we are at record lows of grain availability per capita on a world basis. All the alarm bells should be sounding, since various regions of the U.S. winter and spring wheat belt are now being hard hit by bad weather. The United States is the world's largest wheat exporter. A disaster here is automatically a world disaster.

Apart from weather, the acreage of wheat in the United States has fallen off drastically. In 1981, planted wheat area in the United States was about 80 million acres. In 1988, planted acreage was only 65 million. Only 53 million acres were estimated to have been harvested.

This year, the most optimistic projection might be a planting of only 70 million acres. So far, the subsoil moisture in the far northern spring wheat belt is so deficient that it will not be worth the cost to plant.

There is no hope for Western Europe to make up for the wheat shortfalls. The European Commission has ordered that EC graingrowers be docked 3% in grain prices, to penalize them for "overproducing" during 1988. The Argentine and Australian wheat harvests were both lowered by drought.

Corn, Coarse Grains. "Global coarse grain production was reduced more than 4 million tons, and now stands 9% below 1987/88. Prospective Argentine corn output was lowered 2 million tons because of the continued hot, dry weather. . . . Forecast 1988/89 global ending stocks . . . are down around 40% from a year earlier. . . . U.S. corn exports are forecast up 15% from 1987/88 and the largest since 1981/82."

Given that the 1988 drought drove down the U.S. corn harvest by well over 30% from a year earlier—in even the rosy estimation of the USDA—the current flows of corn to the Soviet Union amount to a strategic supply crisis.

Soviet wheat and coarse grain imports in the year to the end of June will be up a sharp 113% over last year, because of their poor 1988 harvest, according to the Feb. 2 estimates of the London-based International Wheat Council. The IWC estimated that the Soviet Union would need to buy 35 million tons of wheat and coarse grains in the year through June. This is 4 million tons higher than Soviet imports in 1987/88, when Western grain stocks were much higher, as the USDA report highlights. The Soviets might easily expect to be provided 40 million tons during this trade year.

S&Ls shutdown violates Constitution

Executive Order 12333 of the early Reagan years is the root of the fascist direction being taken in banking policy.

President Bush's banking plan, which will shut down the nation's savings and loan institutions (S&Ls) entirely, was blueprinted by the Wall Street genocide lobby to destroy population growth in America, and was likely rammed through under emergency Executive Order 12333, judging from the way it violates the U.S. Constitution. The plan also prepares for the U.S. Department of Justice to begin indicting and locking up business leaders who buck Wall Street.

Lyndon LaRouche exposed the role of E.O. 12333 in creating a "secret government," in an *EIR* cover story dated July 17, 1987.

The S&Ls were created by Congress to channel the average worker's deposits into home mortgages, and so were to be kept totally clear of the dope-money "free market" Wall Street brokerages and commercial banks. Thus they were given their own regulatory board, the Federal Home Loan Bank Board (FHLBB) and their own insurance agency, the Federal Savings and Loan Insurance Corporation (FSLIC), separated by Congress from the Executive branch and particularly the Treasury Department, which since Alexander Hamilton was shot, has been controlled by Wall Street.

Former FHLBB head Edwin Gray told *EIR* (see last week's issue) that Donald Regan and Citibank's Walter Wriston were the architects of the destruction of the S&Ls to stop Americans from building houses and having families.

The Bush plan, crafted by the Don Regan crony and Wall Street banker, Treasury Secretary Nicholas Brady, merges the FHLBB and FSLIC re-

spectively into the Treasury and its Federal Deposit Insurance Corporation (FDIC), Wall Street's own insurance fund. This ripping up of the constitutional separation of powers is the hallmark of E.O. 12333 operations.

FSLIC director Stuart Root, who recently fended off Citibank's takeover of his Bowery Savings Bank in New York, resigned in protest over the plan Feb. 3. The merger is a "bad idea," he said, because the country needs a protected savings sector, and a national housing policy.

The plan, which shuts bankrupt S&Ls, perhaps \$1 trillion worth, places the cost of the \$100 billion bailout of the other \$1 trillion in S&L assets on the remaining S&Ls—which will cause a run on any healthy S&Ls the minute it is implemented. "Survivor" S&Ls will have to pay huge FDIC fees, reserve fees to the Fed, and repay \$50 billion in bailout bonds to be borrowed from greedy Wall Street bankers. Worse, the Brady merger of FSLIC into FDIC in particular would force S&Ls to double their capital in order to qualify for Wall Street's FDIC insurance. The only way they have to raise capital is to dump their stock and bonds on the market, causing a collapse in S&L stock. The nationwide deposit run on S&Ls, begun by Brady the first week of February, is continuing and will really escalate once S&Ls begin collapsing on the stock market.

"No, hell, no, we can't pay for it!" Bud Coch, chairman of the lobby group National Council of Savings, told the press about the Brady plan Feb. 6. "What you'd be doing is putting the S&Ls out of business!"

"Nothing is without pain," Bush

responded at a press conference on the new scheme Feb. 6.

But under the Executive Order 12333 government, any capitalist who bucks this "Wall Street welfare" is due to be locked up, to destroy leaders with a national constituency (such as people who like to live in houses). President Bush said he will double the Justice Department staff prosecuting financial fraud and give it a new \$50 million budget, to "seek out and punish . . . to place behind bars those who have caused losses through criminal behavior."

"The S&Ls are going to have to pay for letting lobbyists promote lax supervision all these years," one Treasury ghoul told the *Washington Post*. The *Post*'s editorial Feb. 7 calls for the former officials of the FHLBB and FSLIC such as Edwin Gray, Stuart Root, and others to be indicted and blamed for the entire mess.

Meanwhile on Wall Street, Citibank announced the grand opening of its "McMortgage" program, under which anyone who wants a home loan in America will have to crawl to Walter Wriston like a Third World country. Just as the S&Ls are being closed, Citibank has put on line a 1984-style national computer network in the office of every real estate agent on every block in America, compared to the McDonalds fast food outlets. Here, the realtor will "check" with Citibank to see if the home-buyer deserves a mortgage. If so, the lucky serf will be issued a computer-generated "jiffy mortgage" right there in the realtor's office, using completely automated artificial intelligence with no human involved in the mortgage decision. This makes Citibank an instant nationwide megabank. Of course, if Hal the computer doesn't like your financials, you don't get a house, or children, either.

Business Briefs

AIDS

WHO won't condemn Soviet test measures

The World Health Organization will not condemn Soviet measures to stop the spread of AIDS, among them widescale testing, and tests of foreigners.

WHO official Dr. Netter told *EIR* that while WHO officials don't like these measures, they will not intervene as they did with other countries. In some instances, the WHO even threatened to cut off aid to national health programs if traditional public health measures were adopted.

The WHO, including its AIDS section, is notoriously dominated by Soviet health officials.

Raw Materials

London's mineral position on the rise

"The role of London in world minerals control is becoming stronger," stressed a senior City of London bank official to *EIR* Feb. 7. "The approval by Lord Young of the Minorco takeover of ConsGold last week will now open the way for further raw materials takeovers. Over the last 10 years, control of U.S. mining assets has increasingly shifted to London. Oppenheimer [Sir Harry, South African head of Anglo-American and De Beers gold and diamond mining interests] is really British."

London mining sources added, "This role of London has especially increased in the past year as commodity prices for metals have risen. The RTZ acquisition of BP Minerals late last year and now Minorco's likely takeover of ConsGold will confirm this role. It's a major revival of Britain's historic role. Neither New York or Tokyo have anything to compete at this point."

The Minorco referred to is a Luxembourg-chartered investment company owned by the Oppenheimer Group, which already held 29% interest in ConsGold or Consolidated Gold Fields, the \$4.9 billion British-

based mining group. Minorco's assumption of full ownership of ConsGold is the largest corporate takeover in British history, and is part of pattern of worldwide reorganization and concentration of precious metals mining and processing.

Trade War

Telecommunications on the agenda

West German Economics Minister Haussmann was told by U.S. officials that the "telecommunications sector is on the agenda" now for transatlantic trade war. He got the message directly from Clayton Yeutter and his successor as U.S. Trade Representative, Carla Hills, and also from Nicholas Brady and other officials of the Bush administration whom he met with in Washington Feb. 2-3.

Hills informed him bluntly that the U.S. expects the Europeans and the Germans to have their telecommunications sector deregulated and opened up to U.S. products by no later than one year from now.

In this context, a pattern of "scandals" has begun to implicate major West German producers of telecommunications equipment. Siemens was targeted in the Libya (Rabta), Pakistan (nuclear), and South Korea (electronics) affairs; Bosch and Nixdorf have been hit by management bribery scandals, and the chief executive of SEL, Helmut Lohr, first was investigated on bribery and fraud charges, then fired from his post, and finally arrested in a police action.

Apparently, trade war in telecommunications is only the first salvo under the punitive terms of the 1988 U.S. Trade Act. The U.S. Government Advisory Committee on Telecommunications, headed by AT&T, is reportedly behind the demand that Trade Representative Hills target Germany, France, Japan, and South Korea.

Hills reportedly is arguing that European telephone state monopolies must be privatized and opened up to U.S. equipment makers such as AT&T and Motorola, according to *Business Week International*.

In a related development, the London *Financial Times* reports that AT&T is about

to secure a potential \$25 billion contract to modernize Italian telecommunications in a deal with state-owned Italtel. But the French Alcatel, in a competing bid, has reportedly offered to the Italians joint venture collaboration in world marketing, and is waging an intense battle to outbid AT&T.

International Credit

Philippines, IMF reach agreement

The International Monetary Fund and the Aquino government of the Philippines have buried differences over economic policies that had prevented agreement on a \$1.3 billion loan deal in December, the *Financial Times* reported Feb. 3. The agreement in principle reached between Prabhakar Narvekar, director of the IMF's Asian Department, and Vicente Jayme, Philippines Finance Minister, opens the door for a resumption of talks with commercial bank debtors on up to \$1.6 billion in new money as early as March.

The agreement centers on a \$900 million loan aimed at closing the country's balance of payments gap for the next three years. Also involved is a \$400 million contingency facility that the country could draw on to offset the effect of sharp fluctuations in commodities prices.

But other potential lenders and donors are waiting in the wings. Manila has requested \$1.8 billion in new loans from commercial banks. It wants to restructure almost \$700 million in interest payments due this year to the Club of Paris, a private commercial bank group.

Rescheduling of debt owing to the Club of Paris will probably have to wait until a new package is signed with the IMF, probably in May, analysts said.

An IMF team will return to the Philippines soon, stay about three weeks, and then present its report to the Fund's management, Jayme said. He said the two sides reached agreement in principle on the allowable public sector deficit, projections of tax collections, the target growth rate, and measures to safeguard public sector invest-

Briefly

ment—i.e., some form of assuredly brutal austerity program.

The agreement indicates that President Corazon Aquino has foolishly rejected arguments of some officials and legislators that the country would do better to limit debt repayments.

Energy

Florida adopts EMF standards

The Florida Regulatory Commission (FRC) has adopted the nation's first emission standards for electromagnetic fields (EMF) generated by high-voltage electric lines, according to the Jan. 30 edition of *Electric Utility Week*.

A public hearing was held in Tampa on Jan. 18, after four years of study by various special state commissions and sections of the Florida Department of Environmental Regulation (DER). The rules become effective Feb. 17, but do not affect existing lines, only new line construction.

There are currently six other states with regulations on emissions of electric fields by high voltage lines, but there are none with standards for magnetic emissions.

The DER estimates that "the rules will add \$100 million to \$5 billion to the cost of 500 kV lines over the next 30 years." During that time, an estimated 330 miles of 500 kV lines are planned and about 4,000 miles of 230 kV lines are "on the drawing board."

A spokeswoman for the state's largest electric utility, Florida Power and Light, made clear that in their view, the standards' adoption represented capitulation to irrational environmentalist demands. "The rule is a reasonable compromise. . . . Obviously, it has some costs involved, but in light of all the political pressure for the state to set some kind of standard, [it] attempted to balance—with no scientific evidence of the need of a standard—the economic impact with the emotional concerns."

The rule for 500 kV lines has three provisions: a limit of 10 kV/meter maximum electrical field within the right of way; a limit of 2 kV/meter maximum electric field

at the edge of the right of way; and no more than 200 milligauss maximum magnetic field at the edge of the right of way. The rule "allows" the utilities to decide how to meet the standards, including wider rights of way, taller towers, bringing the lines closer to cancel the fields, or putting lines underground—the most expensive alternative.

Thrift Crisis

FSLIC chief resigns amid controversy

Stuart D. Root, the head of the Federal Savings and Loan Insurance Corporation (FSLIC), has submitted his resignation effective Feb. 9, in a letter to the Federal Home Loan Bank Board dated Jan. 30.

In the letter, Root, who was a lawyer for the firm Cadwalader, Wickersham and Taft and a vice chairman of New York's Bowery Savings Bank, said that he found criticism of his actions trying, particularly in regard to his "Southwest Plan," in which the Bank Board tried to consolidate bankrupt Texas savings institutions. But "the resources of the Bank Board were tested fully and are owed a full acquittance for an inspired performance in the face of constant criticism, detraction, and efforts—both direct and oblique—to demoralize."

In an interview published in the Feb. 4 *New York Times*, Root said his resignation was unrelated to the major changes the Bush administration is planning for the savings banks, or to criticism of FSLIC operations during his tenure.

But he also told the *Times* that he wanted to return to the private sector and a position where he would feel free to speak out on savings industry issues, including why a merger of the FSLIC and Federal Deposit Insurance Corporation (FDIC) is a bad idea, why the nation needs a national savings policy, and whether the country needs a separate savings industry.

In Bush administration plans, the FSLIC and FDIC are being merged, and the unstated goal is evident: gradual liquidation of the entire industry to the benefit of the big commercial banks.

● **HOMELESSNESS** in the United States is the subject of new figures issued by the U.S. Conference of Mayors: 34% are families with children; 23% are employed; the demand for assisted housing increased nearly 20% between 1987 and 1988; and the average wait on a list for assisted housing in major cities is 21 months.

● **10,000 CHILDREN** in the Third World are dying every day of diarrhea, UNICEF reports. Another 3 million children are dying every year of measles, polio, diphtheria, tuberculosis, and whooping cough; 2-3 million children are dying per year of respiratory infections, and another 1 million of malaria, and Vitamin A and iodine deficiency. All these diseases are treatable.

● **ADOPT-A-FARM-FAMILY** is the name of a lace-curtain organization soliciting private donations for "restoring dignity to the American farmer." It was founded in 1985 and is headed Mary Myers, wife of Peter Myers, Deputy Secretary of Agriculture in charge of the Soil Conservation Agency. "Adopted" families are to be saved by "parent" donors.

● **INDIA'S** Ministry of Agriculture says the country is set to reap a record harvest of almost all crops in the current year. Total foodgrain production will be 166.5-171 million tons. Of this, rice is estimated at 67-69.5 million tons, wheat 51-52 million tons, coarse cereals 34-35 million tons, pulses 13.5-14.5 million tons, oilseed 14.5-15.5 million tons, sugar cane 196-200 million tons, and cotton 9-9.5 million tons.

● **'TURKEY** is not in a hurry" to obtain full membership in the European Community, Prime Minister Turgut Özal said in an interview published in *Euromoney*. Turkey formally applied for EC membership in April 1987. Özal said that a realistic pace would be six to eight years after the application.

Brazil's nuclear program: 'passport for the future'

Brazilian engineer Mario Sergio Paranhos de Lima Porto is interviewed by Marjorie Mazel Hecht, managing editor of '21st Century Science & Technology.'

Mr. Paranhos, a naval engineer by training, joined the Brazilian nuclear program in 1975, working with Westinghouse in its joint venture with Brazil to build the Angra I nuclear plant. Before assuming his present job with the nuclear firm NUCLEN, he worked for a year on the nuclear submarine program. He now heads up NUCLEN's planning department, managing the scheduling of design and construction. NUCLEN is responsible for planning the construction of the nuclear power plants under the 1975 agreement with the West German government. Since September 1988, NUCLEN has been administered by Eletrobras, the state company responsible for planning all electrical installations in Brazil. The views he expresses here are his, and do not necessarily represent those of NUCLEN.

EIR: Under an arrangement with Westinghouse, Brazil built one nuclear plant, Angra 1, and others are planned. What is the current situation?

Paranhos: We have the 620-megawatt Angra I in operation, a light water reactor, and there are two more plants under construction.

EIR: These new plants are part of an agreement with West Germany that Brazil made in 1975. What are the details of the agreement?

Paranhos: Originally, the West Germans were to provide Brazil with the means to complete the nuclear fuel cycle, including support for the design and construction of four power plants, with an option for four more. Also, they were to provide a plant for enrichment of uranium, a reprocessing plant for spent fuel, and a fuel fabrication plant. We do have

a big factory for building the reactor vessels, which is installed now and in operation, but it is doing work out of the nuclear field, since with only one power plant, there is not much work. This factory is doing submarine structures and I guess some work for Petrobras—the Brazilian petroleum company.

The agreement with the Germans was supposed to give us the complete transfer of technology for nuclear power plants. The company was KWU, now a division of Siemens.

EIR: When was Angra I built?

Paranhos: Construction started more or less in 1970, with the civil engineering work and the road to reach the site. With all the various delays, the plant did not get into operation until 1984. There were problems with the plant—problems with a steam generator design. There was a fire during the construction in the storage area where mainly the instrumentation was stored. That delayed the plant. And there were many other problems, for example, with the diesel engine, which is used for the plant's emergency power supply. After the plant was in operation, a section of the generator burned, which shut down the plant for almost one year. Then that was repaired and now the plant has been in operation for about two months.

Also, because of the various problems of Angra I, the construction of the two plants I am working on have had their budgets underfunded. The public started to joke about the plant, and the government was affected by that.

EIR: Are the new plants the same type of reactor?

Paranhos: Yes, but bigger—1,300 megawatts each plant.

EIR: That is about as big as they build nuclear plants.

Paranhos: The West German reference plant for our plants, is the Grafenheinfeld plant. But because of the delay in our construction, the design is not frozen; we are getting a lot of modifications. As time passes, there are some improvements in the design of the German plants, and they are proposing them to us. Some of them are accepted by the owner (Furnas), others have to be adopted because of licensing criteria.

EIR: What stage are the two 1,300-megawatt plants in?

Paranhos: Angra II is under construction, but on Angra III, we've only removed the rocks from the site—nothing more! The civil contractor is on site, but they are not doing much work. Although they have removed the rocks from the site, the government didn't decide on a budget for that plant. The last information that we have is that we have to postpone the start of Angra III for 18 months, which will make the completion date go to 1997. But II is under construction and is scheduled to be finished in mid-1994.

EIR: It's a very long time from 1975 to 1994!

Paranhos: Yes. And the 1994 date resulted from a study we did last October, assuming that certain conditions could be fulfilled. But *none* of those conditions has been fulfilled from the time of our study up to now! So this schedule that calls for completion of Angra II in July 1994 is not very firm.

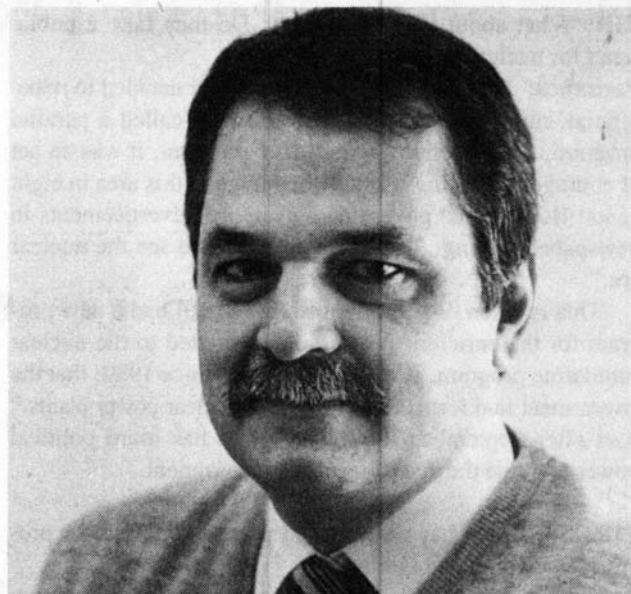
EIR: What is causing the delay?

Paranhos: The main reason for the delay is lack of money—especially the part that has to be given by the government. The part that is being financed through German banks is not suffering so much. Almost all the imported equipment for Angra II has been ordered or is in storage; these and the imported engineering have been financed through West German banks. But the part of this that has to be given by the Brazilian treasury has not been sufficient since 1982. So the plant is suffering delays because we are not able to buy equipment in the national market. We aren't able to put pressure on the subcontractor design company. We haven't been able up to now to hire the main building contractor—which is one of the biggest contracts, installing the pipes, and so on.

The idea is to have one building company to do the components, installation of pipes, and pipe construction. We can do this only when we have the money to pay. This was supposed to happen on Dec. 15 of last year, but this didn't happen.

EIR: No money?

Paranhos: No money. Also, the organizational situation changed last September, and we at NUCLEN are under a new holding company. And the owner, Furnas, is analyzing our previous bid evaluation for the construction contract and may do the bid again. This will give more delay.



Mario Sergio Paranhos de Lima Porto

EIR: What changed in 1982 to stop the funding and stop the program from proceeding at full speed?

Paranhos: This is related to the Third World situation with the International Monetary Fund. Since that year, we began to feel the effect of the IMF requirements and we have not had money for our development.

EIR: So, Brazil is paying its debt and there isn't enough money for nuclear plants.

Paranhos: Yes, and this is like a snowball. The population has received bad information about nuclear power. We have environmentalists, the greens, saying things in the press. As long as we didn't have an operating nuclear plant to show them—because Angra I had problems—it has been difficult for us. Also, the government is very timid. The attitude from the top down of the nuclear community is timid. They never said anything about nuclear power in a firm way, to show the people that there are arguments to counter the lies of the environmentalists.

And the active people who are against nuclear power get more and more and more media space. And today, the population is completely influenced by the media—completely against nuclear power plants.

EIR: There is a similar situation in this country. . . .

Paranhos: There is a lot of contact between students and some of the scientific community who are anti-nuclear. One or two of these guys is continually talking and writing things against nuclear power plants. And no one from the other side is doing any kind of counter-argumentation. So, these people are writing and saying things on television, and no one says anything to criticize their misinformation.

EIR: What about the government. Do they take a public stand for nuclear power?

Paranhos: In 1987, when the government decided to make official, more or less, what was normally called a parallel program, the Brazilian nuclear navy program, it was an act of courage! It was the first act of courage in this area in eight years! Because the government even put advertisements in newspapers saying, "Now, we are going to see the nuclear era."

This is when they announced that Brazil had a new program for the enrichment of uranium, related to the nuclear submarine program. It was the first time since 1980, that the government said formally, "We are for nuclear power plants." And after September 1987, this group has more political power to guide the decisions of the government.

EIR: So, Brazil has actually had two parallel nuclear programs—civilian and military?

Paranhos: Yes. Because there were two separate programs, the military program became known as "the parallel program." But since September 1988, what the government did was really to say, "We have a *Brazilian program*." This changed things, putting the full fuel cycle under the Brazilian Nuclear Commission, which is joined with the military program, and putting the power plants under the administration of Eletrobras, the government electrical company. By doing this, the government is saying, we no longer have two programs, but a Brazilian national nuclear program.

The new Nuclebras agency, called Industrias Nucleares Brasileiras (INB) comes under the Brazilian Nuclear Commission; but NUCLEN is not administered by that agency. We are regulated and licensed by the commission, but we now come under the administration of Eletrobras.

EIR: That sounds good—if the money is there to keep these things going. . . .

Paranhos: And if the people who are in the military program really think that we have to work as a whole, and not in isolated groups. Because now, with the Brazilian Nuclear Commission, they have the political power to steer the government into solutions of nuclear power. But it seems that they are not very much interested in what's going to happen with the power plants that fall under the West German agreement.

EIR: Who started the nuclear navy program?

Paranhos: Adm. Othor Luis Pinheiro da Silva took up this idea back in 1976. He went to the United States and got a degree in nuclear engineering. Then he returned and began work in the research center of the Air Force. He launched the idea of a nuclear navy and convinced an admiral or two of it (at that time he was not an admiral). They started with a very small group. I remember this because in 1981, I was working for Westinghouse in the construction of Angra I, not in the

German program. He invited me to join the parallel program. I worked for him for about 11 months. He is a very hard worker.

His ideas started with a small group, which got in touch with the Instituto de Pesquisas Nucleares (IPEN) in São Paulo. They got support from within the Navy and in the Nuclear Commission. Nobody knew exactly what they were doing, in fact until 1981. At that time, the Minister of the Navy said everything in a newspaper interview.

I think at that time, he was not supposed to do that. I remember, during those 11 months I was working for Othor, he asked me not to say very much about what I was doing. So when I saw a complete page in the Sunday newspaper about the submarine and other things, it was a surprise. I found out later on that they got a lot of criticism, because the program was not official. However, it was supported from 1981 until 1987, when they finally announced that they had achieved the enrichment of uranium. That was a proud day for everyone who worked in the nuclear industry. Even those of us who didn't work on that program saw that was a good thing—an achievement. The experience in this program will be shared for the benefit of the whole continent.

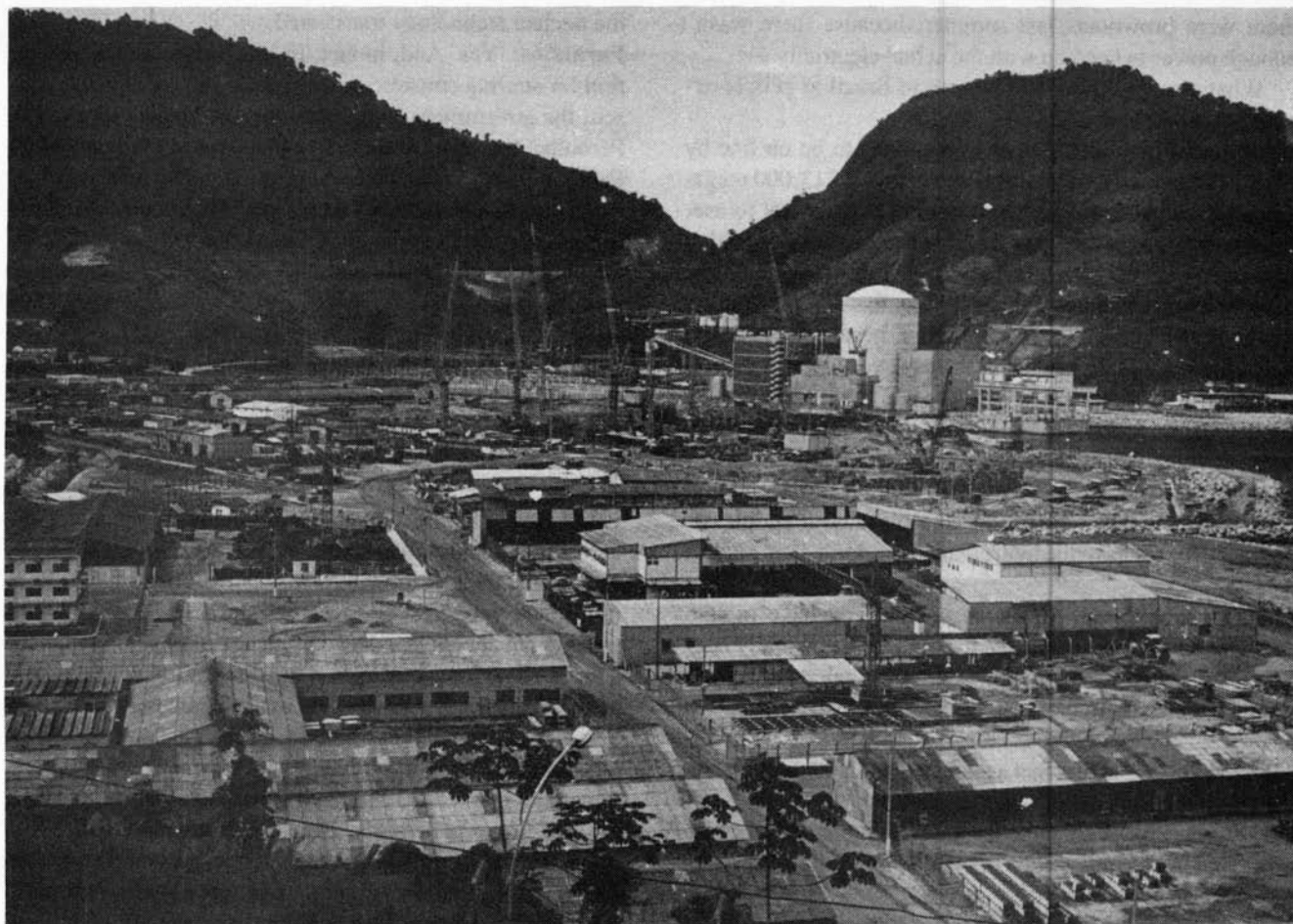
Othor began with a small group, and many people called him crazy. Now he has accomplished a great deal. I think he will succeed because he is a very good worker. He is a man that has really good intentions: His objective is to give to the nation that technology. He will succeed in that, I believe. But they have to bring the civilian and military programs together.

EIR: In this country, in the 1950s when Admiral Rickover began the Nuclear Navy, the program was secret. But it was out of the submarine program that the American civilian nuclear industry got its start. The first commercial nuclear plant ever built here was with the collaboration of the Atomic Energy Commission, which had previously done only the submarines and the military work. In Brazil, your civilian program began first, so you must have a whole corps of people who have worked on the civilian nuclear program since the 1970s.

Paranhos: Yes, there is a bunch of people, but since 1984-85, we have been losing many people. Our company really has a lack of people now, but because of all this financial trouble, we are not allowed to hire anybody. So we are running into difficulty in some areas, because we don't have sufficient technical people to do the work.

In some areas we have a complete lack of people. For example, if we received the whole budget to finish the plant in four years, we would run into a problem! Our estimate is that we will have to hire more than 100 people to finish this job—in the design and planning part alone.

EIR: What about in the military part of the program? Have they trained people?



Dennis Small

The Angra I nuclear plant. But will there be an Angra II and III?

Paranhos: I don't have much information about what's going on on the military side, because they are not saying very much about it. They established a company that is hiring people. Part of their budget is the navy budget and part, I think, is given through the national Nuclear Commission. They are not having problems with money, and they are not dependent on the IMF. However, they have less money than we have spent up to now in our program. Recently, some congressmen started to argue about how much is being spent. I don't know the exact amount.

EIR: In terms of the power needs of Brazil, if you have one 620-megawatt plant in operation, and have delayed the 2,600 megawatts that were planned, is there a power shortage?

Paranhos: We don't have one yet, but I think we are going to get into this in one or two years. It's expected. In fact, the last plan that Eletrobras made, which was called the Plano 2010, included those two plants, Angra II and Angra III, in the inventory for 1992! This means that Eletrobras calculated the power of Angra II and Angra III in the energy needs for 1992-93!

EIR: That's a lot of missing power.

Paranhos: Yes, we're going to miss 2,600 megawatts. And there is no other hydroplant scheduled to be ready in that time period.

EIR: Where are the sites for Angra I and II?

Paranhos: These plants are between Rio and São Paulo, 200 kilometers from Rio. Angra I, which has 620 megawatts now on line, alone represents 20% of the power in the city of Rio de Janeiro. So, I think we're going to have problems.

EIR: How fast is the rate of electricity demand growing in Brazil?

Paranhos: Last year, the growth in demand was 15.8%; in 1987 it was 8.2%; in 1986 it was 8.5%; and in 1985 it was 10%.

EIR: That's very high. In the United States, with post-industrialism, only a 2% growth rate was planned for the 1980s. But the actual demand here last year was a 4-5% growth rate in some areas; in New England and in the New York area,

there were brownouts last summer, because there wasn't enough power to keep up with the actual electricity use.

What do you expect will happen in Brazil as people experience power shortages?

Paranhos: There are a lot of hydroplants to be on line by 1995. We have a potential reserve in hydro of 213,000 megawatts. Of course, some of these are not economical to use, because they are in the Amazon. It is not very economical to send the energy up from there, and there is not much industry in the Amazon. And one of the plants that is now starting operation is getting a lot of discussion, because the density of energy per square kilometer is very, very low; it's comparable to solar energy! So, it's very inefficient. Further, by the beginning of the next century we are expecting not to have any more hydroplants.

Of course, nuclear power plants will have to be in operation to enable development to take place. But people are saying, "No, we have the hydroplants, we don't need nuclear energy."

Another problem, of course, is that you have to start planning for nuclear plants much earlier than you really need them on line, because you don't go to the nuclear power just like that—in two minutes!

EIR: So you are saying that a nuclear plant is actually cheaper than an inefficient hydroplant.

Paranhos: Yes. Although, because of our practical problem, of taking so many years to build Angra I, its cost is very high.

EIR: What is your view of the future of nuclear power in Brazil? Do you think you will overcome the political obstacles to proceeding with the German program? Is it simply a question of money, or now that you have begun this indigenous capability, do you think that the government doesn't want to complete the agreement?

Paranhos: I think that the government has not really made any decision on this. They have doubts; especially because of the situation with public opinion. Because of all these problems, the transfer of technology was not completely fulfilled; one plant is not even ready. The agreement that was supposed to give us the whole technology, the full fuel cycle. But if we don't build any other plants, this knowhow will not be totally transferred. In the first plant, much of the technology is wholly German. Some of the design, some of the systems of the nuclear part of the plant, are not completely transferred to us. The plant has about 120 systems; 90% of these systems are designed by us, but the main part—the nuclear island—is designed by Siemens. And this nuclear part was supposed to be transferred only after the fourth plant was built.

EIR: So that means that if you don't build all four plants in collaboration with the West Germans, you never get any of

the nuclear technology transferred.

Paranhos: Yes. And, in fact, in 1982, after the bid evaluation for starting construction was done and the site was chosen, the government completely canceled plants III and IV. Perouibe, the name of those two plants, is in the state of São Paulo, not very far from the Angra plants, 200 miles south of those plants. The factory I mentioned was supposed to build the steam generator, the main vessel, the reactor vessel, for the plant, but all this stopped.

EIR: That's a frustrating situation. . . .

Paranhos: A very frustrating situation. Because many of the people there are leaving the company, because they don't see a future for their work, and they are looking for other jobs.

EIR: How did the Carter nonproliferation act affect the agreement that Brazil had with West Germany?

Paranhos: Just at the beginning of the Carter administration, there was great pressure put on the Brazilian government to get the nuclear deal canceled. Carter started to make a lot of conditions, and even some threats. I have real reason to think that Carter posed to Brazil threats that the United States would put strong customs barriers against the import of Brazilian products—and even German products—in American markets. Other threats were to block export from the U.S. of products that Brazil and Germany needed; to block the access of Brazil to the international market; to stop the supply of enriched uranium that was already contracted with West Germany (our uranium was already contracted through the United States for Angra I). And there was a demagogic threat of taking the troops out of West Germany. This was just talk, to pressure cancellation of the project.

EIR: More recently, I think the World Bank has intervened.

Paranhos: Yes, the World Bank had promised \$500 million to help the financial problems of Electrobras. That money opened up the possibility of other money from other banks, in Japan, for instance. After the World Bank released that money, some other loans were supposed to be given to us to match that amount. This \$500 million was in discussion for a long time. And then when the nuclear program became the responsibility of Electrobras, the World Bank said that it would not give the money until they clarified this question. As a matter of fact, they were saying that during the week that was the final week to release the money. The president of Electrobras came here to the United States to discuss this problem. But it's not solved—at least it wasn't when I left Brazil.

EIR: Are they claiming they are not giving the money to Electrobras because of the nuclear plants?

Paranhos: Yes. They are afraid that Electrobras will use this money for nuclear power, and the money is not supposed

to be used for that!

EIR: Why not?

Paranhos: Because this was an agreement before Electrobras took over the nuclear program, and the money was supposed to solve some cash problems with equipment and transmission lines, and a lot of small cash problems that the electrical system in Brazil was having. Now, the World Bank said that they don't know if this money will be used for this purpose, and they want the facts about the nuclear plants in the economics of Electrobras's situation. There are a lot of questions about this.

EIR: So, they are really trying to stop the nuclear program.

Paranhos: They are trying to stop it. Because they were saying other things before the nuclear power issue in order not to release the money. For example, they said they wouldn't do it because of the situation in the Amazon, the people burning forests and things like that.

EIR: So, your only hope then is that the government will come through with the budget for the unfinished plants.

Paranhos: Yes, we have a hope this year that we are going to get the budget. The budget that is scheduled for us is something around \$300 million, to take the program through 1989—to move it forward. And this includes ordering of equipment, contracting the main building company, contracting the instrumentation company to do instrumentation work. Also, there is a lot of other equipment that has to be ordered in Germany and Brazil.

We have some hope, because in the budget that was voted in the Congress at the end of last year, it seems that our budget was passed. But there are two different things: one is to have a budget approved, and the other is to get the money. If we get that money that was approved in the congress, we can go ahead and finish Angra II.

EIR: And then, what about number three?

Paranhos: That's the big question. Angra III, they said, should be postponed for one and a half years. Which means that we finish it in 1997. When I left Brazil, we didn't have much information about the situation with Angra III. Nothing was allocated for it. And now, when the World Bank asked to make an economic study of Angra III, at first the government said that this was an interference in our sovereignty, and that it would not do any kind of work on this. But then the government decided to go ahead with the study. When I left Brazil in the middle of January, the study was almost ready to be sent to the World Bank.

Now perhaps the World Bank will not accept the plan, and ask for more explanations, and continue to delay.

EIR: But even if you complete II and then III of the Angra plan, the agreement with West Germany to complete the fuel

cycle means building an enrichment plant, a processing plant, a fuel fabrication plant.

Paranhos: This is one thing that is very complicated. Because in the decree that the government established in September 1988, they even eliminated the company that was supposed to do this enrichment. But as far as I know, this company is not finished yet—it's still alive. . . .

Also, the government decree said that it would privatize the company that makes the vessels. This big factory is under the National Nuclear Commission now, and the idea is that if any Brazilian company would be interested in running it, it would be privatized.

EIR: It seems to me that if Brazil is to progress as an industrial nation, that you would need more nuclear power.

Paranhos: For sure. Because nuclear power is not only for the supply of energy; it is a step up, a high technology that will open other branches of technology. Even in my area, as a study I did showed, the nuclear industry technologies and methods are affecting other industries—for example, the concepts of quality assurance. So, what the Brazilian government still doesn't realize is that nuclear power is more than just giving electricity to the people. This is like a passport for the future!

EIR: That's true. The nuclear program gives you the trained workforce and the research staff to work on new advanced technologies. If you don't do this, your industries will always be antiquated and more primitive than necessary.

Paranhos: Yes, and there are many other applications in nuclear energy and research. For us, there is the very important field—food irradiation. The amount of fish protein that is eaten by the average Brazilian—by all Ibero-Americans—is very low. And with food irradiation technology, we could put this protein source in the middle of the country without needing any investment in refrigeration or refrigerated trucks.

EIR: And now, even in a country like Brazil, which has so much agriculture and potential, there are many who are going hungry.

Paranhos: We are exporting food in order to pay the debt! Part of the difficulty in preventing this is the anti-nuclear movement. I think you have heard of an accident we had in 1987 in Goiania.

EIR: Yes, it was front-page news. [A discarded X-ray machine was taken apart in a junk yard, and the irradiation source was passed around and eventually killed and injured people.]

Paranhos: That accident really goes to show how a lack of knowledge on the part of the technicians can do harm. But it is amazing that immediately after that incident, the media turned the discussion to the supposed danger of nuclear power plants. It is a very well organized campaign.



Brazil's first nuclear plant, the Angra 1, which went into operation in 1984.

Dennis Small

EIR: Who runs this campaign in Brazil—the environmentalist campaign?

Paranhos: Mainly the Greens—there is a Green Party that is growing. It is growing very fast.

EIR: Where is it based?

Paranhos: They start in the urban centers, mainly promoted by actors and actresses.

EIR: Jane Fondas.

Paranhos: Yes—like that. There is one actress that was in a very famous Brazilian movie based on a novel. This actress, Lucilia Santos, is very active, and she started to organize this movement. But today they are already in the rural areas. Even in the interior they are starting to build support.

EIR: Is there money supporting them from outside the country?

Paranhos: It might be, because of the way they are growing.

EIR: What do the people in your nuclear association do to try and counter the propaganda?

Paranhos: I think we are still very timid. The people are still afraid to say things clearly, but are just nibbling at the edges. In some cases these Greens have to be fought in a very clear arena. We have to say what they represent—what is behind them, and make polemics against them.

The Brazilian Nuclear Association is trying to change, and it seems that they will reach this point, but in a very slow process. They recognize that the public information concern-

ing nuclear power plants is very bad. But the strategy they have adopted is that they have to call people to discuss, show them that nuclear power is a good thing for society, and to have some kind of seminars, to contact the press—and not criticize the press. When something happens, they will write a letter to the editor trying to explain, but they don't want to make any polemics. Okay, there is something we think is bad in the press, then let's write a letter to explain the facts, but without polemicalizing. I don't think this does any good. But anyway, I think that theirs is an honest effort and the only one being made. Although I have different opinions concerning the methods, I am supporting them and working with them.

EIR: In this country, nice "education" hasn't made much of an impact. Because unless you really fight and call the names. . . .

Paranhos: There is one name that has to be fought against in Brazil now. I am referring to Jose Goldemberg, the head of the University of São Paulo. He is one of the main opponents of nuclear power.

EIR: He is a physicist, isn't he?

Paranhos: Yes. I have an article of his from several years ago in which he even says that he would like not to be a physicist because of nuclear power plants, because of the way nuclear power is being used in the world. I don't know exactly what his objective is. But I do know that this man has become more popular since 1975-76, mainly because of his opposition to nuclear power.

EIR: He is quoted here in the U.S., in the scientific journals he is quoted.

Paranhos: Yes, and he has gained political ground with this flag, because this is a popular thing, to be against nuclear power. It seems to him that nobody wants it, so he is using that to gain politically. Goldemberg is the most important individual that we think we should fight—that we should argue with and polemicize against, and make him accountable for his statements—including his statements concerning this problem of the World Bank. He wrote a newspaper article saying that it is okay that the World Bank is withholding the \$500 million—because it is their money.

EIR: The World Bank meanwhile is killing people. . . . If the United States had built the number of nuclear plants planned in the Atoms for Peace period, at least 250 million people would still be alive today—these are people who died because their nation did not have the economic advantage that these nuclear power plants would have brought. . . .

Paranhos: There is an argument the anti-nuclear people use, which is really very easy to refute. They say, “You planned so many plants in 1975,” and they said that the problem was (as we say in Portuguese) megalomania, or too much bigness. And they say, “You planned such and such plants, you don’t have any of those plants—only one—and nothing has happened. Where is the lack of energy, where was the need for the energy of those plants?”

But they forgot a simple problem. What about the energy that doesn’t reach some regions of the country, and people are using wood and biomass, and what about the cultivation of food—it is taking place far away from the cities because of this lack of energy.

EIR: Yours is a rich country in terms of resources, so to have people in poverty, people burning biomass in the 20th century is really. . . .

Paranhos: Not to mention the gasohol problem. That is another big problem. Today they have big distilleries and big plants—they don’t know what to do with them.

EIR: What does Dr. Goldemberg say about the energy situation in Brazil?

Paranhos: Some years ago there was a meeting of the Brazilian Society for the Advancement of Science, of which Goldemberg was once the president. At that meeting, he said that “all this business about energy in Brazil is only because the big construction companies push it—because they need jobs. We don’t really need this energy, and we can solve all the problems of our lack of energy by conserving energy.”

If you pick up the things he says from 1975 until today, you will see clearly that he is going according to the way the wind is blowing. He always changes his speech a little according to the way the wind is blowing. In fact there is a Congresswoman that has all this written, and last November

some of our friends met her in Brasilia. Speaking of Goldemberg, she said she has a report of all his speeches from 1975 to 1988, and it’s incredible how he changes his mind. Including, she said, once in a conference in Europe, she and some of her friends took the Goldemberg record along and distributed it in three languages at the congress. It was very effective, and Goldemberg got a little demoralized.

EIR: What you need to do is counter their propaganda with some positive program, and what we spoke of before—the mass production of nuclear power plants. Perhaps slightly smaller plants that are grouped, so that you can build them indigenously and get them operating in some of these areas. Is that what you were thinking of?

Paranhos: We are thinking of holding a seminar on this subject in Brazil to bring this idea under discussion, spread it, and develop it, and to lay out all of the options for the nuclear industry in Brazil.

EIR: What about collaboration with the Argentines?

Paranhos: It is a must. In the President’s speech where he announced the enrichment of uranium through the military and the Instituto de Perquisas Nucleares, he proposed this. And it is really necessary because Brazil and Argentina have experience. They have to join together in a complementary force for this.

EIR: Because then—you have the trained people—you could go to the rest of the continent. . . .

Paranhos: In fact this collaboration is starting. There is a committee of Brazilian and Argentine industrial people. I am not really informed what is going on, but I know that some people in our company are participating on this committee. One of our directors, I think, is the representative of Brazil. Having meetings between Argentine industrial people and Brazilian industrial people to achieve this collaboration. And we must do *much* more than that. We must really develop cooperation between Argentina and Brazil and spread this to the other countries.

EIR: Peru has just opened a research reactor. I am sure that you can move the program out, throughout the continent.

Paranhos: Yes, I am working on a report that suggests the formation of a central Ibero-American nuclear institute in Brazil or Argentina, because we already have a basis for collaboration.

EIR: If the countries go with the Greens and the environmentalism that they have imported from the West, people will die—more and more people will die.

Paranhos: We import all bad ideas. The big problem is that the Greens support ideas that are sympathetic to the public, but their real objectives are hidden, and helped by the media, they go on to pursue their evil goals.

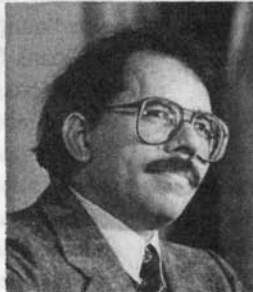
Carlos Andrés Pérez peddles snake-oil for debt crisis

by Peter Rush

The inauguration of Venezuela's new President Carlos Andrés Pérez—some commentators called it a “coronation”—on Feb. 2, marks the official beginning of a new effort to prevent the nations of Ibero-America from effectively combining to confront the developed sector banks and governments on the issue of paying their foreign debts. Carlos Andrés Pérez, known as CAP, has carefully groomed himself for much of the past decade, since his last stint as head of state from 1974-78, to become the leading spokesman for the continent vis-à-vis the foreign banks on issues of debt and integration, while actually serving as the point man for the International Monetary Fund's austerity policy. The attendance at his inauguration of over 20 heads of state and over 20 former heads of state, has further bolstered his international stature.

Behind the pomp and pomposity of the occasion lies a deadly reality: CAP is taking office at a point of the most serious financial and economic crisis that Ibero-America has ever faced, and even his own country, long insulated from the problems of inflation and falling incomes endemic in the rest of the region since the debt crisis of 1982, is now entering the same barrel. The perceived “danger,” from the viewpoint of the international banks and the OECD nations (the U.S., Europe, and Japan), is that economic crisis may lead to the rise of nationalists—usually referred to as “populists”—who will break “the rules of the game” and declare unilateral debt moratoria and take other moves to protect and develop their economies, and who might succeed in creating a continental “debtors' cartel” to enforce this approach.

This situation has engendered a policy debate within the world's financial elite over whether to finally grant “debt relief,” or to continue with what has come to be known as the “Baker Plan,” after then-Secretary of the Treasury James Baker, of increasing debt loads to pay interest to the banks. CAP has injected himself into this debate on the side of those advocating debt relief. His role will be to organize the rest of Ibero-America behind the nostrum of an international facility to buy up Latin American debts at a sharp discount, while the International Monetary Fund “restructures” each nation's economy. Domestically, CAP has already proposed



Stuart Lewis, United Nations

Demagogues and snake-oil salesmen peddle their schemes for "solving" the debt crisis with austerity, and keeping the banks happy: Venezuela's Carlos Andrés Pérez (left), Cuba's Fidel Castro (center top), former U.S. President Jimmy Carter, Nicaragua's Daniel Ortega, and U.S. Secretary of State James Baker III (right).

just such an IMF-approved economic program for Venezuela. The only "catch" is that the collapse of the financial house of cards in Argentina, Brazil, and Mexico will probably outrun the implementation of any palliative schemes, and the facility won't work in any event.

The 'coronation'

Playing to an assemblage of 2,400 in a modern theater complex in downtown Caracas, Pérez delivered a speech long on rhetoric but short on substance. He hailed the new détente between the United States and the Soviet Union, and asked why the Central American conflicts cannot, like Afghanistan, Namibia, and Cambodia, be speedily resolved between the superpowers. He detailed the present economic and financial crisis of Venezuela, called for "discipline, productivity, and sacrifice" from its people to resolve it, and said his specific measures would be announced later. On the foreign debt, while he called the present strategy a failure, his choice of words to describe the debt crisis was among the mildest formulations of any Ibero-American leader in a long time, and he said his idea of a special "debt facility" was the best solution.

In addition to the ceremony itself, was the diplomacy that surrounded it. The heads of state of most nations of Ibero-America were gathered in Caracas for 1-3 days. Capturing

the limelight was Cuba's Fidel Castro, Nicaragua's Daniel Ortega, and former U.S. President Jimmy Carter. Carter met with Ortega, upstaging an annoyed Vice-President Dan Quayle making his foreign policy debut. Quayle did make clear in a statement that the U.S. would use diplomacy toward Nicaragua, rather than back the "Contra" resistance, in reply to which Ortega effusively praised Quayle's "grasp of political reality."

Generally unreported, but undoubtedly more important than the public hoopla, were the host of private meetings that CAP had with visiting dignitaries. European Social Democratic leader and prime minister of Spain Felipe González, and Second International luminary Willy Brandt of West Germany, mingled with the heads of state of most nations of Central and South America. CAP himself is a former vice president of the Second International, and is now the leading social democratic head of state in the Western Hemisphere.

The day following the inauguration, the heads of state or their representatives from seven countries of the so-called Group of Eight (Panama has been suspended) met in an informal conference and endorsed the resolution of their respective finance ministers in Rio de Janeiro last December, which called for sharply reducing the debt of their countries by means of capturing the substantial discounts of their debts on the so-called "secondary market." Attending were Pérez,

Presidents José Sarney of Brazil, Virgilio Barco of Colombia, Alan García of Peru, and José María Sanguinetti of Uruguay, and foreign ministers of Mexico and Argentina, Fernando Solana and Dante Caputo.

'Pied Piper' Pérez plays IMF song

Venezuelans didn't have long to wait to learn the outlines of the sacrifices that CAP is calling on them to make. While many details are yet to be made public, it has already been announced that the Venezuelan economy will undergo what the press is referring to as a "shock" program intended to open the economy to "free market forces," and which conforms to standard IMF prescriptions. Its effect will be to drop real standards of living and make life more difficult for business. According to the *Financial Times* of London Feb. 7, the new measures include: relaxing price controls; gradually eliminating fixed interest rates on savings and loans; eliminating the two-tier exchange rate for the bolivar, effectively enforcing a sharp currency devaluation; reducing the government's budget deficit; and providing incentives for foreign investment in tourism and export industries.

Even before the inauguration, the core of this program was attacked by Elio Espinoza, president of the Corn Producers Association, who said that "the increase in interest rates is one of the most important inflationary factors, and therefore it is a stupidity to try to reduce inflation with inflationary measures," and cited the failure of high interest rates in Peru to stem inflation. And Venezuelan Labor Confederation head Juan José Delpino, emerging from a Jan. 30 meeting with CAP, commented, "There are measures that are going to impact very severely on the working class, less favored by that program. . . . We do not agree with freeing interest rates, nor with increases in public utility rates and fares." Moreover, while the government is expecting the bolivar to be devalued by 75%, many analysts fear it could fall much farther. Such a sudden devaluation is bound to be highly inflationary, especially since it means that the government and private debtors with dollar debt must now pay 75% more bolivars (or more) to service the same dollar value of debt.

In a press conference on Jan. 29, CAP himself confessed that "we have to stop living fictions and confront the genuine reality of Venezuela's economic situation, and its relation with the IMF. . . . We cannot be thinking about whether it is good or bad; what is important is to negotiate with it as head of the international financial world. . . . We will agree with many of their proposals." Bankers have already responded favorably. According to *Diario de Caracas* of Jan. 27, Citicorp President John Reed, briefed in advance on CAP's program, called it "a very conventional and orthodox plan, which we could support. . . . It is also a plan with which the IMF should feel comfortable."

Should any doubt remain on the true nature of CAP's economic policy, his appointment of Pedro Tinoco, one of Venezuela's top bankers and a rabid "free market" advocate,

as his top economic adviser, and of Harvard's Jeffrey Sachs, whose "shock" program decimated the Bolivian economy as the price for ending hyperinflation, as an adviser on economic program, should dispel it.

For most of the past five years, at every gathering of Ibero-American leaders, the devastating effect of paying tens of billions in interest payments on the foreign debt has been denounced, and the IMF strongly criticized. Last summer, when the heads of state of the seven remaining nations of the "Group of Eight" met in Punta del Este, Uruguay, the customary rhetoric was strangely toned down. It is now clear that the major nations have resolved on "dialogue" with the creditor banks and the IMF, to try to obtain a reduction of their interest payments. CAP has assumed the mantle of leading spokesman for such a "dialogue."

Not waiting for his inauguration to outline his major proposal, CAP proposed to the World Economic Forum meeting in Davos, Switzerland on Jan. 28 the formation of a new "multilateral agency" that would buy developing country loans from the creditor banks, at a sharp discount, and would pass the discount on to the debtor countries. The banks would receive what CAP called "risk-free" bonds bearing a market-rate of interest from the agency, which the agency would service by collecting interest payments from the debtor countries at rates bearing the same discount wrung from the banks. The effect would be to reduce the total interest payments due from the debtor countries by the amount of the discount. The day after his inauguration, CAP specified that the discount must be at least 50%, and as close to the present value of the debts on the secondary market as possible (only Colombia and Chile have discounts above 50%; Mexico's is 38.5%, Venezuela's 37%, Brazil's 34.5%, and Argentina's 20%, according to Salomon Brothers' latest estimate).

The loss, apparently, is to be borne mainly by the banks, though CAP has argued that regulatory changes should allow the banks to pass along at least some of their losses to the taxpayers. Also, the new bonds are to be guaranteed by the World Bank and/or the IMF, which in turn must obtain their funds, should a bailout be required, from the taxpayers in the industrialized countries as well.

Who is to run Pérez's agency? "Such an agency could be set up by the IMF and the World Bank," CAP said at Davos. Unspoken, but implicit, is that in return, participating countries must adopt the austerity and "restructuring" programs approved by the IMF.

On cue, the foreign press, especially in the United States, has published numerous articles praising CAP as the new spokesman for Latin American nations on the debt issue. The *Washington Post* heralded the inauguration in a Feb. 1 article that said, CAP "advocates an aggressive foreign policy aimed at uniting Latin America's debtor nations to demand a better deal from their creditors. Evidence that Pérez is taken seriously is the blue-ribbon audience that will watch the inauguration ceremony." The article reported that CAP does not favor unilateral debt moratorium, but a united alliance for

“coordinated action” on the debt question.

The debt agency called for by CAP at Davos is in itself nothing new: The Japanese proposed such an institution over two years ago, and the Omnibus Trade Act of 1988 of the U.S. Congress calls for establishing an International Debt Management Authority which is indistinguishable from CAP’s proposed agency. What is new, is that CAP has become the point man in the Third World for a scheme being pushed most vigorously by financial and political leaders in Europe and the United States, against the resistance of, in particular, the U.S. money center banks and the U.S. Treasury.

Attacks on the ‘Baker Plan’

The documentation which follows in this *Feature* is representative of the arguments being presented in Congress and in the U.S. and British press, to the effect that the plan put forth by then Treasury Secretary James Baker in 1985, to manage the debt crisis by increasing the flow of new debt money somewhat, has failed utterly. So far, despite several statements that he is “open” to new approaches, President George Bush has in practice backed up now-Secretary of State Baker in maintaining this plan, with only minor modifications, and rejecting all forms of “debt relief,” that is, anything which discounts the value of the banks’ debts down toward their secondary market values.

The Baker Plan has been a dismal failure, for all the reasons indicated. The problem is that none of the indicated solutions, certainly not CAP’s proposed debt agency, represents any kind of real solution. Under the debt agency proposal, the countries will still pay out large (if somewhat smaller than under current arrangements) amounts of net capital exports, when growth can only take place if there is a substantial net capital inflow—a policy which finds no advocates from these circles. And the *quid pro quo* for debt relief is even tighter control by the incompetent and corrupt International Monetary Fund, recently exposed by former senior official Davison Budhoo for faking its statistics to justify its “conditionalities” policy. The so-called “free market” policy being universally touted will not restore economic health to Ibero-America, but will only accomplish what top supporters of Mexico’s President Carlos Salinas de Gortari have openly called for: turning Ibero-America into one huge “export free zone,” where runaway U.S. shops get super cheap labor to produce items for reexport, while the domestic population sinks deeper and deeper into poverty.

Will CAP be successful in leading Latin American governments into an IMF-run debt agency? The likelihood is that impending financial crises will detonate in Argentina, Brazil, and possibly Mexico, long before the arrangements are in place. At that time, events will be determined by whether nationalists take power who can guide their countries into an alliance to demand a new world monetary order, or whether the countries descend into chaos, repression, and coups. CAP’s phony “pressure bloc” will not bring any positive results.

Venezuela to get the ‘Bolivia treatment’

by Mark Sonnenblick

Venezuelan President Carlos Andrés Pérez has contracted 31-year-old Harvard monetarist Jeffrey Sachs to design what he called in his Feb. 2 inaugural address the “progressive liberalization of the economy.” Sure enough, the terminology which Pérez uses to describe his economic plans mimics the way Sachs portrays the “successful stabilization program” which he prescribed for Bolivia. The outcome was the rapid demise of Bolivia’s agro-industrial economy and a concurrent expansion of the cocaine industry.

Jimmy Carter is correct in promoting Sachs as “the man who defeated inflation in Bolivia.” When his “shock” program was adopted there on Aug. 29, 1985 by Pérez’s fellow Social Democrat, Víctor Paz Estenssoro, inflation was running at 25,000%. By 1987, it was down to 25%.

Sachs accomplished this by devaluing the peso by 93%, to the “parallel market price” set by those who trade in dollars from cocaine exports. The government began buying dollars from the suppliers of 40% of America’s raw cocaine, with no questions asked. The dollar became legal tender. Banks, free to charge what they pleased, raised interest rates to 35-45% above inflation. That did encourage some traffickers to put their dollars into Bolivian banks, but none of these dollars went into productive investments. By 1987, a full 35% of the debt owed local banks was uncollectable, and the banks were technically bankrupt.

Bolivian industry was also ravaged by the kind of tariff reductions Pérez promises Venezuela. Imports increased 30% in 1986, as cocaine dollars returned in the form of consumer products. Commerce became nothing but money laundering. Sachs’s “tax overhaul proposal” imposed a heavy burden on cattle-growers and industrialists, while easing the burden on money markets. In a May 1987 article in *American Economic Review*, “The Bolivian Hyperinflation and Stabilization,” Sachs boasts that the step “with the most important short-run effect was the rise in public sector prices, which raised government revenues immediately by several percent of GNP.” The tenfold increase in fuel prices helped paralyze industrial activity.

Sachs writes, “The policy package had the desired effect of closing the flow budget deficit of the central government. With the combination of higher public sector prices, the virtual halt to all public investment, a tight freeze on public sector wages at very depressed levels, and a moratorium on foreign debt servicing, government revenues jumped above

expenditures after the start of the program.”

Price controls and all labor protection laws were abolished. By 1987, schoolteachers' wages had been cut to \$15 a month. The state mining company, COMIBOL, fired all but 7,000 of its 30,000 workers, and then auctioned off many of the mines to foreign speculators. Another 20,000 private-sector miners were fired, resulting in the loss of livelihood to another 140,000 peasants and workers who supplied goods and services to the miners. The “inefficient” productive economy simply vanished. Shoe factories, soap factories, palm oil factories, glass factories—132 factories closed their doors. The “inefficient” workforce now had no choice but to drift into the jungle to survive, or die, as slaves of the cocaine producers.

The cocaine industry booms

In early 1988, *over one-third* of Bolivia's labor force was linked to the production of cocaine, double the proportion of a few years earlier. The Social and Economic Studies Institute (IESE) of the Universidad Mayor de San Simón de Cochabamba, directed by Father Federico DeAquila, found that of these 703,000 people, 415,500 were involved directly in the production of coca leaves and their purchase and transport to processing centers. It estimated that 4,000 cocaine factories employed 42,500 people. Processing chemicals were provided by 250 specialized trafficking operations. Some 240,000 of the 703,000 are also themselves consumers

of cocaine products.

The influx of skilled labor coincided with an upgrading of the industry. In 1984, almost all of Bolivia's cocaine went, in the form of basic cocaine paste, to Colombia and elsewhere for refinement. Now, up to half of the paste is refined locally by the 30 to 40 families which dominate the Bolivian end of Dope, Inc., according to U.S. Drug Enforcement Administration estimates. Cocaine is the only industry in Bolivia in which capital investment and technological advance are taking place.

According to former Finance Minister Roberto Jordan Pando, \$3.6 billion of the \$4.5 billion Gross National Product comes from cocaine. The “free market economy” brought an increase in coca bush plantations from 198,000 acres in 1985, to 372,000 acres in 1987, despite a widely publicized U.S. Army eradication operation. The eradication program has now stalled, due to lack of money and to peasant opposition. The government claims to have destroyed 900 processing centers and arrested 600 people during the first 10 months of 1988. But, Bolivia is more addicted to the narco-economy than ever. Coca leaf production rose from 56,420 tons in 1987 to 62,060 tons in 1988, the U.S. Government Accounting Office estimates.

Sachs boasted that his Bolivia experiment “is the greatest verification I know of basic monetary theory. . . . It has worked so much according to the textbook, that I don't have to revise one major idea.”

Primitive agriculture in Bolivia. Thanks to the “anti-inflation plan” of Harvard economist Jeffrey Sachs, inaugurated in 1985, what remained of Bolivia's industry and productive agriculture was wiped out. Now, over one-third of the labor force is employed in the production of cocaine.



Pérez puts self forward as spokesman on the debt

Excerpts from the inaugural speech of Carlos Andrés Pérez in Caracas on Feb. 2:

If we want an economically solid country, independent and invulnerable . . . we must assume the consequent responsibilities. This will not be achieved except through discipline, productivity, and sacrifice. . . . To this difficult and serious situation we must add the deterioration in the standard of living of workers, who have suffered an important relative loss of well-being. The minimum wage has fallen more than 25% in the last five years and the average real income has fallen almost 40%. . . .

The failure of the present Latin American strategy to deal with the debt problem has stimulated the appearance of a series of alternative proposals. . . . The common characteristic of these global proposals is the emphasis on a substantial reduction of the debt and the debt service burden, by means of capturing the discount on the secondary markets. The Ministers of Finance of the Group of Eight have also just come out responsibly for this approach. . . .

The hour has arrived to intensely seek a single definite commitment of the industrialized countries and Latin America to work together, to facilitate initiatives that will permit pushing forward on an integral, global plan that definitively breaks with the vicious circle of debt and stagnation. The proposal I presented last Jan. 27 at the World Conference of Businessmen at Davos, Switzerland, fits this criterion.

U.S. 'narrow' approach

Excerpts from testimony to U.S. Congress on Jan. 5, 1989 by Harvard economist Jeffrey Sachs:

Several members of this committee have made important contributions towards a solution to the debt crisis, most importantly in putting forward the provisions in the Omnibus Trade Act of 1988 calling for the establishment of an International Debt Management Authority (IDMA) to facilitate a reduction of the developing country debt to manageable proportions.

That proposal remains the most feasible and realistic approach to resolving the crisis that has yet been found. . . . I would urge this committee, in the strongest possible terms, to push forward this innovative and important proposal, despite the likely opposition that can be expected from the

Treasury Department when it reports to this committee next month.

The Treasury's past failure in managing the debt crisis is not the result of an accident. The Treasury has failed because it put the short-term and narrow interest of a small number of U.S. banks above the interests of the U.S. banking system as a whole, and above the interests of American economic and foreign policy more generally. The crisis has been managed for, and sometimes even by, four or five large banks, who have resisted all meaningful compromises with the debtor countries. Citicorp has led the hardline approach, and has been backed to the hilt by the Treasury in recent years. This approach has worsened the position not only of the debtor countries, but also of the majority of U.S. banks, and the U.S. taxpayer as well. . . .

A real solution to the crisis requires an across-the-board reduction of the debt-service burden that is shared in by *all* of the commercial bank creditors. This reduction could come in the form of sub-market interest rates or a reduction of principal. Contrary to the various assertions of the banks surrounding this issue, sub-market interest rates or principal reduction are *standard* banking practices in financial distress situations.

Importantly, one case of partial debt reduction has slipped through, that of Bolivia. And the outcome of the Bolivian case to date demonstrates the remarkable gains that can be garnered by a realistic approach to debt . . . the country has been able to end hyperinflation . . . restore economic growth, and stabilize its democratic institutions. . . . For the other countries, such realistic solutions have been blocked by Citicorp, and a handful of other large banks, working in conjunction with the U.S. Treasury . . . [Citibank] is interested in pressuring governments on a one-to-one basis to trade away valuable domestic assets to Citicorp . . . in so-called debt-equity swaps and similar schemes. . . . These swaps are beneficial for the banks, but actually harmful for the countries undertaking them. . . .

Governments that have tried to 'play by the rules' of the U.S. Treasury find that they cannot control their economies, and therefore that they cannot hang on to power, or can do so only with fraud and violence. Interestingly, populist movements are taking hold in countries that have tried to follow the U.S. line. . . .

One inevitable result is a deep decline in the average value of commercial bank claims of the developing countries. The secondary market value of the LDC loan portfolio has collapsed in the past two years. . . . For the regional banks, and the smaller money center banks, the loss in value of the LDC loans translates almost directly into losses. . . . Another implication is that the U.S. Treasury is committing growing amounts of taxpayer dollars to bailing out the banks. Since it is clear that Argentina, Brazil, and Mexico have been pushed to the wall, and cannot be squeezed more without very serious political risks, the U.S. Treasury is now

coming up with larger amounts of official money to be lent to these countries so that they can meet their interest payments. . . .

The Treasury has often stated three criteria for guiding the management of the debt crisis: 1) the solutions must be case-by-case; 2) the solutions must not involve a taxpayer bailout of the banks; and 3) the solutions must be 'voluntary and market-based'. . . . [But] in practice we have the opposite of a case-by-case approach. . . . Under the ostensible case-by-case approach, every case is treated like every other case. Countries that obviously need debt reduction, like Argentina, Costa Rica, and Ecuador, are denied it, and given terms that are nearly identical to, or often worse than, those of the other countries. . . .

There is a growing list of phony solutions to the crisis, some of which, like debt-equity swaps, have already been implemented extensively. The debt-equity swap is Citicorp's favorite, but is also the worst possible arrangement from the point of view of the debtor country. . . . It is highly inflationary . . . the *budgetary* burden of the debt-equity swap is several times the burden of interest payments on the debt. . . .

There are two ways to proceed on the crisis. . . . The first is to put in place the mechanisms for a general solution, which I believe can be provided by the IDMA. . . . Contrary to the assertions of the Treasury, an IDMA would not be at all costly for the taxpayers, since the losses on the debt would be absorbed by the commercial banks, not by the creditor governments. . . . The other [way] is to foster more progress in the context of individual country negotiations. . . .

'Chapter 11 for debtors'

The article excerpted here, "Chapter 11 Workouts for Latin Debtors," by Shafiq Islam, international finance fellow at the Council on Foreign Relations, was published in the Wall Street Journal on Feb. 3:

With heightened crisis further destabilizing Mexico, Brazil and Argentina, the Third World debt problem is dominating the meeting of officials of the Group of Seven. . . . The problem is that the Treasury's "whole new look" is still avoiding coming to terms with a simple unpleasant fact: the troubled countries are overindebted. . . . This obligation-capacity gap is not temporary, but will persist . . . under all reasonable future scenarios . . . the debtor countries are not suffering from a liquidity shortage resulting from a temporary decline in their capacity to pay, but a solvency problem. . . . Therefore, what these debtors need is not more "new money" but less "old debt"—they need debt relief. . . .

An effective strategy must aim at closing the capacity-obligation gap with economic restructuring to improve the debtors' capacity to pay, and debt restructuring to reduce

their obligations to pay. The official debt strategy has been doing the opposite—widening the solvency gap by forcing debtors to transfer resources through policy adjustments that weaken their capacity to pay, and at the same time forcing them to take on "new money" that increases their obligations. . . .

Debt-equity swaps and schemes involving local currency payments widen the debtors' budget deficits, compounding the existing fiscal and inflationary pressures. . . .

The first principle [of a solution] follows the logic of Chapter 11 of the U.S. bankruptcy code, where contracts are rewritten to protect private corporations in financial distress. Mechanisms should be put in place to induce the troubled debtor to improve its capacity to pay through growth-oriented policy reform, and to encourage the banks to reduce the present value of their claims to a level that is fully serviceable.

The second principle should be one of burden-sharing. Taxpayers in the creditor governments should not bail out the banks, because banks themselves should take losses. . . . Most banks are quite capable of absorbing major write-downs on their LDC exposure. . . .

Here are the key building blocks of [a solution]:

- A Debt-Restructuring Advisory Committee is set up to act as a political mediator and economic adviser. Committee members are chosen from major creditor governments, the IMF, the World Bank . . . and non-governmental experts from the Third World. . . .

- When a middle-income debtor country decides it needs debt relief, it submits an IMF-style "letter of intent," prepared in consultation with the Committee, detailing a program for policy reform supported by debt-service reduction. . . .

- The banks exchange their floating-rate, longer-term, public-sector loans for bonds issue by the country with long (10-15 years) maturities and fixed below-market rates. . . .

The debt 'hemorrhage'

Excerpts from "The Need to Staunch the Hemorrhage," by Robert Graham and Stephen Fidler, Financial Times, Feb. 2:

The present crisis revolves round the ability of democratic institutions to survive in such countries as Argentina and Brazil. . . . Since 1984, Latin America's per capita growth has scarcely averaged 1%. . . . The cumulative effect of reduced state spending is already being felt in poor maintenance of public utilities and lack of imported spares. Plant is deteriorating faster than it is being replaced. . . . The axe on public spending has fallen where it has been easiest to wield—on education, health and housing. . . .

As a result there is fertile ground either for the military to return . . . or for a new brand of populist like Carlos Saul

Menem, the Peronist candidate in Argentina's May election, or Leonel Brizola, the left-wing leader in Brazil. . . .

'Bury the Baker Plan'

This commentary by Jim Hoagland appeared in the Washington Post on Feb. 3:

It is time for Washington to lean on American banks to offer relief on a debt burden that is now sharply distorting global trade flows and contributing significantly to the persistent U.S. trade deficit. . . . Until now, U.S. debt strategy has dictated that the bankers should not be asked to take losses on mountains of debt they built in the 1970s. Manufacturers should. The rescues designed by the U.S. Treasury and the International Monetary Fund have been based on the principle of keeping the banks whole. . . .

When [the Baker Plan] was introduced nearly four years ago . . . [it] was supposed to trigger fresh loans and other capital flows into 15 targeted debtor nations. . . . Instead, there has been a net flow of \$43 billion from the 15 Baker Plan countries back to the banks. . . . Sen. Bradley (speaking at the Davos conference) attributes the loss of many of the 1 million jobs eliminated in U.S. manufacturing over the past decade to the closing down of markets in indebted developing countries. They can no longer afford to import American technology or goods because they are forced to spend 30 to 50% of their foreign-exchange earnings on repaying debt. It is the American manufacturer rather than the American banker who has been paying the price of the current debt strategy. . . .

Jim Baker did a logical and fair thing by giving the first crack at fixing the debt problem to the people who had created it: the bankers and their Third World clients. The plan didn't work. Time for a quiet burial.

Interview: Jeffrey Sachs

'Harsh adjustments' needed to stop inflation

The interview excerpted here with Professor Sachs, a monetarist economist from Harvard University, was conducted in Venezuela on Feb. 2. Venezuelan President Carlos Andrés Pérez has contracted Sachs to design a plan for "the progressive liberalization of the economy."

Sachs: I think that the time has come for a united Latin American position, the time has come to reduce the debt, rather than to continue to build the debt, and I must say that, in that regard, I'm not absolutely happy with Mexico's negotiating position right now, because it's tending too much

toward [getting] new money and not enough toward debt reduction, and as I understand from press reports, the government is saying that it needs about \$7 billion a year. . . . I think that's a mistake. What Mexico needs is debt reduction, it doesn't need new debt, and it should be working, absolutely single-mindedly, for reducing the debt, not for new loans right now. It's a big mistake to be going after new lending.

EIR: And why not negotiate a new world monetary system?

Sachs: I don't think so. . . . I think that the monetary relations among the big countries are under control right now. There is a target exchange rate system that is operating. . . . The big problems in the world right now are the debt and U.S. macro-policies, not so much the need for global monetary reforms. . . .

EIR: When you are talking about "harsh, serious real adjustments," you are talking basically about the IMF conditionalities, aren't you?

Sachs: No. I believe in certain parts of the IMF program, which is budgetary control and liberalization of the economy, and I think that Mexican economic program is in the right direction, very much so. But what I disagree with the IMF on, is the amount of debt that can be paid. I don't believe this foreign debt can be paid. So I want to look at an IMF program that means a real adjustment program, and a real reform program, rather than just a collection agency for commercial banks. And my problem with the IMF comes down to the fact that they're trying to defend the banks, rather than to help the countries.

EIR: So, you don't see the IMF adjustment program as a debt-collection policy in itself?

Sachs: No. . . . What I'm saying is the IMF programs are directed too much toward repaying the bank debt; they ought to be directed toward helping the countries to grow. The kind of measures that the IMF recommends are basically in the right direction, in the sense that budgets have to get under control, trade should be liberalized, exchange rates should be at realistic levels. But the populations of Latin America are being squeezed to the bone, and as you said, they're starving right now in many countries. So, the time has come to recognize that the debt is unpayable, and has to be cut sharply.

EIR: Not a new monetary system?

Sachs: They don't need a new monetary system. They need a new arrangement for the debt, and on that I think that Mexico and the other countries ought to work together. And that's what Carlos Andrés Pérez called for today, and I wholeheartedly back. And it's time for a Latin American approach to this issue, with tough negotiations, serious negotiations, united negotiations, all directed toward one goal: reducing the debt.

New East-West 'ecological fascist' order emerges

by Mark Burdman

With breathtaking speed, Satanist elites East and West are moving to create a new ecological-fascist one world order, in which the Russians will play the predominating role.

While efforts to create such an East-West globalist order have been going on for a long time, the key recent point of acceleration was Soviet leader Mikhail Gorbachov's Dec. 7, 1988 speech before the United Nations, in which he inclusively called for a new world ecological order based on dumping the Western technological route to development. Since that time, the Socialist International and highest levels of the Anglo-American liberal Establishment have jumped on the bandwagon. George Kennan, the key Soviet expert of the Anglo-American liberal Establishment, wrote an article in the *New York Times Magazine* Feb. 5 entitled, "After the Cold War," in which he said that "the greatest and most important possibilities" for East-West cooperation lie in the field of "environmental protection and improvement on the planetary scale."

The way this subject is packaged to the public hides the true goals of its architects. On the face of it, the proposals for East-West cooperation seem innocuous, if not attractive, since "protecting the environment" can mean almost anything, including things which are obviously necessary. However, as used by this crowd, the term "East-West cooperation on environmental protection" is a cover for setting up the infrastructure for a new globalist order for destroying all national sovereignties, for unleashing Satanist and pagan "Mother Earth" and "Mother Russia" cults around the world, and for committing genocide against the developing world.

The added complexity is that for the Soviets, cultivating "ecologists" and paganists in the West, both helps weaken the West, and strengthens the pro-Russian cultural "fifth column" of believers in such Russian-originated New Age movements as Theosophy.

The tip-off to the real design is that Gorbachov is being openly heralded as the hero of the New Age Aquarian movement. In its November 1988 edition, the German magazine *2000: Magazine for New Consciousness* praised Gorbachov as the "pathfinder for the new consciousness." Praise for Gorbachov gushed forth from such New Age lunatics as cult leader Bhagwan, American mystic Chris Griscom (teacher of kook actress Shirley MacLaine), and East German "defector" and Green Party leader Rudolf Bahro.

Similarly, Gorbachov is praised as one of the special "hierarchy of world leaders" by the Lucis Trust, the London-Geneva-New York umbrella organization for New Age and paganist ecology movements.

A London spokesman declares that "Gorbachov is making the impossible possible," and that Lucis is dispatching a "fact-finding mission" to the U.S.S.R. during 1989. Next January, the Lucis Trust-linked Temple of Understanding is holding a major international gathering of "world political and spiritual" leaders in Moscow.

On the Soviet side, Gorbachov's survival may be tied up indirectly with the New Age issue. As Lyndon LaRouche stated in a Feb. 7 discussion with the *EIR Strategic Alert*, some elements of the Soviet *Nomenklatura* are "less Satanist than others." Gorbachov, his wife Raisa, and their clique are all part of the Satanist New Age, LaRouche noted, as was the late KGB leader and Soviet President Yuri Andropov. Potentially, some factions in the Soviet Union may find Gorbachov's deals with the New Age factions in the West intolerable, for reasons outlined in an earlier LaRouche writing, entitled "Soviet Pseudo-Science Could Cause World War III" (see *EIR*, Jan. 27, 1989). There, LaRouche stressed that Soviet support for malthusianism, even if it is intended to wreck the West, is only going to speed up the process of disintegration of the Soviets' own economy.

For the West, even at this late hour, if some of the more traditional and patriotic layers begin to wake up to the magnitude of the Satanist monstrosity coming into being, at a time of growing economic chaos and crisis, that could bring about a rallying behind a policy of dumping the New Age project, and of reviving the commitment to industrial and scientific progress.

‘One world tyranny’

At least since Gorbachov’s Dec. 7 speech, however, the momentum is rapidly going in the opposite direction. He has received positive feedback both from the British liberal establishment and from the Socialist International. ● In its December 1988 edition, the newsletter *Confidential Early Warning*, edited by the “conservative anti-Communist” Robert Moss of Great Britain, called for putting aside talk of the Cold War, stating, “It is no longer in the political interest to beat the Cold War drum too heavily.” Rather, there should be focus on “environmental matters on a global scale,” as essential to “maintain Earth’s life-support system,” to create “a new attitude to resource use and a new concept of the preferred life.” ● On Jan. 8, the U.S. and Soviets formed an “Interacademy Committee on Global Ecology,” between the U.S. and Soviet Academies of Science. ● On Jan. 15, the London-based Federal Trust for Education and Research issued a new report calling for “common security” arrangements with the East, toward creating a “one world government.” ● On Jan. 24, Sir Shridath “Sonny” Ramphal, Secretary General of the Commonwealth, gave a speech at Cambridge University, which was excerpted in the *Times of London*, under the title, “A Global Green Agenda.” Ramphal is on the Brundtland Commission, headed by Norway’s Socialist Premier Gro Harlem Brundtland, officially known as the World Commission on Environment and Development. ● On Jan. 25, Mrs. Brundtland herself was the keynote speaker at this year’s Davos, Switzerland “World Economic Forum.” She called for a world economic summit to discuss both the economy and environmental issues, in the context of a new era of East-West cooperation.

The fraud of ‘sustainable development’

The Brundtland Commission has found a way to brainwash large numbers of people into believing that it cares for the future of the human race, through use of a phrase that it repeats with liturgical obsessiveness: “sustainable development.” The term conveys the idea that mankind, somehow, has defined upper limits of capability for development and that, if they are exceeded, the Earth and biosphere will somehow come apart at the seams.

Lyndon LaRouche, in his book *There Are No Limits to Growth*, has proven that there is no such concept as “sustainability,” or its equivalent, “carrying capacity.” Through invention of new technologies capable of being brought rapidly on line, the Earth could “sustain” way beyond its current 5 billion population level—and become environmentally safer

at the same time!

A similar argument was put forward by Donna Fitzpatrick, undersecretary of the Department of Energy, during a speech at the American Public Power Association in Washington Feb. 6. She said: “Energy use, per capita energy use is essential and at the very heart of any opportunity to increase the standard of living, to increase economic growth. No industrialized society has been able to raise its standard of living and advance technologically without rapidly increasing its per capita energy consumption. . . . The developing countries are down close to the bottom. That means that if they have any hope of increasing their technological condition, they are going to have to move rapidly up the per capita energy consumption curve, and there is no way they can do that in an environmentally acceptable way and an economically achievable way for them unless they very much change the approach that they’re taking to energy sources. They cannot continue to burn down their forests, they cannot continue to spend about half of their valuable foreign credits just to import fossil fuels, as they tend to do today.”

By contrast, Ramphal, during a BBC radio interview Feb. 5, stated bluntly that the consensus of the Brundtland Commission was to find means to stop nuclear energy usage in the Third World, and to develop such technologies as “solar, wind, and tide.”

Sometimes, more honest lunatics say the truth, about what the sophisticates of the Brundtland group like to hide. In the *Jerusalem Post* Jan. 20, KGB-linked Soviet-emigré writer Mikhail Agursky called for expanding past years’ American-Israeli collaboration, to include the Soviets, so as to create a global powerhouse that could have a “lasting confrontation with the world of high fertility.”

Meanwhile, one singularity in the process of East-West fascist ecogism is the surfacing of “ecological terrorism.” In the United States, a group called Earth First burned down a livestock agribusiness complex in California Jan. 29. A member of the group claimed responsibility for the action, declaring the livestock industry of “causing irreparable damage to the environment.” Earth First is a pagan group that reveres the teachings on “deep ecology” of Arne Naess, a Norwegian who seeks to reduce the world’s population to between 100 million and 1 billion people. Naess is part of a circle of Norwegian Gnostics who have begun working more closely with the Soviet-run World Peace Council and the Soviet Peace Committee. The latter is headed by Genrikh Borovikh, who is the brother-in-law of Gen. Vladimir Kryuchkov, the head of the KGB. In July 1988, a meeting was held near Oslo, Norway, involving the Borovikh clique from the U.S.S.R. and various supporters of the Brundtland Commission, including co-thinkers of Naess.

During that same month of July, Kryuchkov was making a speech within the U.S.S.R., to functionaries in the Soviet foreign diplomatic service, stressing the importance of Soviet cultivation of “green” movements in the West as a priority of Soviet foreign policy aims.

Outcry on LaRouche case continues

BONN: Above, all-night vigil in the capital city of the Federal Republic of Germany, on the eve of the Jan. 27 sentencing of Lyndon H. LaRouche and six associates to outrageously long prison terms in Alexandria, Virginia. The banner reads, "Rescue the Freedom of the West, Justice for LaRouche." Below, Helga Zepp-LaRouche (in light colored coat) visits Andreas Ranke-Heinemann during his first protest action, when he chained himself to the church opposite the Beethoven monument. The sign next to Ranke reads, "Freedom for LaRouche" and the banner held by two others, "Appeal to President Bush: Justice for LaRouche." On Feb. 7, Mr. Ranke began a hunger strike (see article, opposite).



MEXICO: Marchers demand "Death to the Narcotics Traffic," "Down with Russian dictatorship" and "Freedom for LaRouche" at a Jan. 12 mass rally in Mexico City. On Jan. 19, Marivilia Carrasco, secretary of the Mexico Labor Party, led protestors before the U.S. Embassy: "We are here to make it clear that if anything happens to LaRouche, the United States will never regain the trust of the governments and peoples who were once its friends. If they jail LaRouche, the fury of our peoples will . . . flare up as an implacable flame." Other rallies demanding justice for LaRouche and his associates have been staged in front of the U.S. consulates in Baja California, Sonora, Nuevo León, and Jalisco. On Feb. 1 Oscar Mauro Ramírez, leader of the PARM party caucus in the Mexican Congress, denounced the political jailing of LaRouche to the Permanent Commission of Congress.





WASHINGTON: Demonstrators from the U.S. Midwest and Eastern seaboard march before the White House on Feb. 9, during a week-long lobbying campaign to force Congress to investigate the trial and sentencing of former presidential candidate LaRouche, to halt farm foreclosures, and to stop shipping wheat to Russia. Banner reads, "Pardon LaRouche, KGB Will Kill Him in Jail." See Congressional Closeup for details on the lobbying.



PARIS: A huge banner reading "LaRouche Affair, Dreyfus Affair" is unfurled before the Opéra in late January. (The wrongful conviction of Col. Alfred Dreyfus, framed up on espionage charges in 1894, was the most notorious case of politically-motivated injustice in modern France.) On Jan. 31, at a press conference in Paris, statements protesting the trial and sentencing of LaRouche were released from Resistance leader Marie-Madeleine Fourcade, attorney Jean-Marc Varaut, and American civil rights leader Amelia Robinson. Varaut called the justice meted to LaRouche "a river of mud." On Feb. 6, an authoritative legal analysis published in *Le Monde* stated that in France, even if convicted, LaRouche would never have been jailed for the acts he was accused of.

Hunger strike to free LaRouche shakes Germany

by John Sigerson

Andreas Ranke, the grandson of Gustav Heinemann, the first President of the Federal Republic of Germany, on Feb. 7 began what he called an "open-ended" hunger strike, in order to dramatize his demand that Lyndon LaRouche and six associates be immediately released from federal prison, where they have been sitting since Jan. 27, following a political frameup and show-trial in Alexandria, Virginia.

This action by a young man from one of Germany's leading families has sent shockwaves through the political system, helping to break what had hitherto been a generalized press blackout in Europe on the LaRouche jailing. Ranke is the son of Uta Ranke Heinemann, a left-wing Catholic theologian and feminist; he is also the nephew of Polish Cardinal Josef Glemp.

In a statement which received wide coverage in Europe through the leading German daily *Die Welt*, the 28-year-old law student declared, "I grew up in a politically engaged, pro-American family, which always maintained a critical standpoint. The sentencing and imprisonment of my political friend Lyndon LaRouche, carried out by trampling on justice, has deeply shattered my respect for the United States of America as a democratic nation. Apparently, for Lyndon LaRouche's political enemies, his years-long battle for a new, just world economic order and his indefatigable commitment to the rights of the underdeveloped sector, were thorns in their side."

Die Welt's article is remarkable, given the policy of the German media to give no coverage whatsoever to LaRouche, apart from an occasional nasty libel.

Ranke has stationed himself in a van in the West German capital Bonn, directly outside the office of the federal chancellor. He has vowed to remain there, despite the efforts of local authorities to come up with some pretext to remove his van from its location.

Ranke likened the proceedings against LaRouche to "the ugliest images from the period of political trials before the 'People's Court' of Roland Freisler," the Nazi hanging-judge.

Hunger strike in Boston

Meanwhile, as Ranke's hunger strike entered its third day, in Boston, Massachusetts, William Ferguson, another

friend and supporter of LaRouche, was in the eighth day of a hunger strike which began on Feb. 3. In a statement released at the start of his strike, Ferguson, a resident of Quincy, Mass., said that he has been working closely with LaRouche's political movement since 1981, when he was attracted to LaRouche and his friends because of "their commitment to the application and advancement of that which Plato described as 'my dialectical method' in the fields of philosophy, art, science, and statecraft." Since that time, Ferguson continued, he has advocated those principles as a candidate for Boston School Committee and Massachusetts State Legislature, and has been put in jail in Mainz and in Munich, West Germany, for the crime of handing out political leaflets.

"I have been called 'Nazi,' 'fascist,' 'anti-Semite,' 'racist,' (I am African-American), 'cult member,' 'brainwashed,' 'Moonie,' 'communist,' 'socialist,' 'right-wing nut-case,' and 'CIA,' because of my affiliation with 'political extremist' Lyndon LaRouche," Ferguson said. "In reality, the closest I come to any of these labels is 'registered Democrat.' You can't please everybody." Ferguson warned that the U.S. Eastern Establishment will resort to assassination of LaRouche, unless individual citizens demand justice for LaRouche and his associates. "I am here to remind you, that if this situation is not rectified, then no one in this country, who opposes Bush's austerity policies, or Moscow's plan for a global empire, will be safe from the Justice Department's stormtroopers."

From his post at Harvard Square in Cambridge—several hundred yards from the spot where Gen. George Washington took command of the Continental Army on July 3, 1775—Ferguson has been receiving letters from Boston residents addressed to LaRouche, expressing outrage at the Alexandria verdict and support for LaRouche's demands for economic justice. His strength permitting, Ferguson has also been giving classes on the significance of negative curvature in Filippo Brunelleschi's construction of the dome of the cathedral in Florence, Italy.

International publicity

Many observers, including some of the reporters who have interviewed LaRouche by telephone from the Alexandria Detention Center, are wondering if the sentencing of LaRouche portends the way that the new Bush administration is going to be dealing with other opponents of the "I love Gorbachov" frenzy currently prevailing in the corridors of power in Washington and London.

On Feb. 7, the French daily *Le Monde* noted that even if LaRouche were indeed guilty of the crimes for which he was sentenced, in France he could never have been put in jail, because questions of debt-repayment are a strictly civil, and not a criminal matter.

In Israel, the daily *Hadashot* prominently reported an appeal issued by LaRouche's wife, Helga Zepp-LaRouche,

and published as paid advertisements in the *Washington Post* and the *Washington Times*. The Feb. 5 *Hadashot* article was entitled, "Helga Zepp-LaRouche: Anglo-Americans to Kill Lyndon H. LaRouche"; it reports Mrs. LaRouche's warning that if the Anglo-American Establishment follows through its commitment to eliminate her husband "at any cost," then "the United States as a nation is doomed to certain destruction. . . . A nation which treats its greatest sons, such as Martin Luther King, John F. Kennedy, and now Lyndon LaRouche, in such a way, brings its own punishment upon itself. There is a higher agency of justice than the 'rocket docket court' in Alexandria, which boasts of its 'short trials'; it is that higher court, which will do the judging."

Mrs. LaRouche also reported that the Commission to Investigate Human Rights Violations is going to "insist on getting an answer" to the question of "whether President Bush backs this verdict of infamy, or not."

Shortly afterwards, that Commission announced its intention of holding the second International Martin Luther King Tribunal in Washington, D.C. on Feb. 25-26, following up on the first tribunal which was held in Rome, Italy on Jan. 19. In a call issued Feb. 9, the Commission said that it will focus on the LaRouche case, because "civil libertarians and civil rights leaders alike have characterized this case as the greatest travesty of justice since the time of Martin Luther King."

LaRouche refuses to be silenced

LaRouche's imprisonment has not succeeded in silencing him; quite the contrary, from his jail cell he has been interviewed by dozens of journalists from around the world, including many radio talk-shows in the United States.

In just one example, the leading Venezuelan daily *El Nacional*, which has recently been running a series of articles attacking LaRouche's Venezuelan friends, on Feb. 8 featured a lengthy interview with LaRouche himself. "If I were free right now," LaRouche told the paper, "I would be talking with the President of Venezuela [Carlos Andrés Pérez] or his government, with whom I have had some disagreements in the past but with whom we currently have convergences . . . for example, regarding the foreign debt." The newspaper describes LaRouche as "a controversial economist who has dedicated his life and goods to a crusade against U.S. and Soviet imperialism, which, he says, threatens to destroy humanity through drugs."

And in Europe, the Catalan-language Spanish newspaper *Avui* ran an interview with LaRouche on Feb. 6. "LaRouche, in statements to *Avui*," the paper wrote, "said that he has been sent to jail 'because the liberal Establishment of the U.S.A. and Great Britain, has carried out Moscow's demand to eliminate me from the political scene. . . . According to Mr. LaRouche, it is because of his increasing influence, that the campaign against him built up precisely during the power vacuum between the Reagan and Bush administrations.'"

India accelerates anti-drug effort

by Susan Maitra

The new year has started off with a bang, so to speak, for India's anti-drug fighters. In the first two weeks of January, the Border Security Force seized a total of 420 kg of heroin from smugglers coming across the border from Pakistan into Punjab state. That is already double the monthly average for heroin seizures in 1988. In the view of some, this represents "panic dispatches" on the part of Pakistani-based traffickers anxious to cash in before the new Bhutto government in Islamabad begins to implement its promised crackdown on the narcotics traffic.

But the prospect of collaboration with Pakistan to run Dope, Inc. out of the subcontinent is only one factor giving a boost of optimism to the anti-drug effort here in India. Late last year, an incident in a Bombay court set a precedent for the toughening attitude toward the drug menace. Four individuals were arrested with several kilograms of heroin. Three were granted bail, and for some apparently bureaucratic reason, the fourth was not. When the last took his plea for bail to a higher court, the judge not only denied it, but revoked the bail for his three cohorts. "This does not just involve a murder, this involves mass murder," the judge told the court and the nation.

In an interview with this correspondent in December, officials of the Narcotics Control Board (NCB), India's national anti-drug unit, emphasized the significance of this break from the pattern of arbitrariness and leniency on the part of the judiciary that has bogged down anti-drug enforcement efforts over the past three years, since India's archaic narcotics laws were radically overhauled in 1985. Further encouragement followed, with decisions against granting bail to several narco kingpins operating internationally, who were cornered and arrested in a major NCB operation at the end of the year.

A political campaign

This toughening stance toward the drug menace coincides with the steady worsening of the drug problem in the country and with a critical view developing in enforcement and other circles as to the loopholes and inadequacies of the 1985 Narcotics Drugs and Psychotropic Substances Act (NDPSA). The new attitude was given teeth during the winter session in Parliament, with passage of an amendment to the Act which tightens up enforcement by several orders of magnitude.

Apart from Prime Minister Rajiv Gandhi's known per-

sonal view that drugs are a priority problem of national security, much of the credit for keeping the anti-drug fight in the public eye must go to the Youth Congress (I) and its active Anti-Narcotics Cell, led by Haroon Yusuf. The Youth Congress has kept the drug issue as a top priority for the ruling party and as a visible national campaign, even as other sections of the party buried themselves in factional in-fighting and other petty politicking. Over the past year, Yusuf led a national campaign, targeting campuses and urban populations, demanding the death penalty for drug traffickers and organizing local awareness and activity to take on the problem.

One outcome of that campaign was the government's introduction of the Narcotic Drugs and Psychotropic Substances (Amendment) Bill of 1988 into Parliament, and its passage on Dec. 16. The death penalty for second offenders in narcotics cases is only one of the major new provisions in the NDPSA Amendment. The law also states that narcotics offenders are strictly held without bail, and that there is no remission of sentences in narcotics cases.

Closing the loopholes

The new law also provides for a system of special courts to try narcotics cases, a move which will remove a significant bottleneck. As the statistics show, less than half of those arrested were brought to trial in 1987-88 (see **Table 1**). A survey in New Delhi in mid-1988 showed that from November 1985, when NDPSA went into effect, through May 1988, some 4,931 cases were reported. Of these, 4,222 were heard. Of these, only 932 cases were decided, and of that, fully 734 resulted in acquittal. The point is: Fully 3,290 cases were pending, and in three years and more than 4,000 cases, there were only 195 convictions.

TABLE 1
A statistical profile of India's anti-drug effort
Seizures (kg)

	1985	1986	1987	1988*
Opium	—	8,789	2,929	2,718
Heroin	761	2,621	2,747	2,613
Marijuana (ganja)	66,314	60,618	53,920	32,291
Hashish	—	18,909	14,796	14,242
Cocaine	—	26	5	77**
Methaqualone	—	1,485	1,500	1,250
Legal action				
Total arrests	—	—	2,018	1,729
Foreigners	—	—	280	131
Convictions	—	—	247	212
Acquittals	—	—	541	228

*As of Oct. 31

**Of this, 14 kg remains to be positively identified as cocaine.
Source: Narcotics Control Board, Government of India.

Another major enforcement loophole has been closed with a unique provision for pre-trial disposal of seized drugs. Since, under the law, the drug peddler has to be caught red-handed, seized drugs were routinely kept as critical evidence—and just as routinely reentered the contraband market. Under the new law, on arrest, seized material is presented to a magistrate together with the accused, and full details of the material are recorded, photographed, etc. The trial court is compelled by the law to accept this record as “primary evidence,” and the drugs are to be immediately destroyed.

The other major new provision is for confiscation of assets of drug traffickers and their accomplices. Significantly, the real estate and financial management support network for the drug traffic has been made specifically liable. “To provide for the forfeiture of property derived from, or used in, illicit traffic in narcotic drugs and psychotropic substances, to implement the provisions of the International Convention on Narcotic Drugs and Psychotropic Substances,” is the way the law now reads.

“Illicit traffic” is further defined as including, beyond growing or handling of illegal substances, the “handling or letting out any premises” for carrying out those activities, as well as “financing, directly or indirectly” any such activities, “abetting or conspiring in the furtherance of or in support of” those activities, or “harboring persons engaged” in them.

The confiscation of assets and forfeiture of property provisions have a wide scope. They apply to anyone convicted under the NDPSA in India, or anyone convicted under similar laws outside of India, to those in detention under the new “preventive detention” law for suspected narco kingpins and co-conspirators. Enacted six months ago, 204 individuals are now in custody under its provisions. Significantly, the confiscation of assets and property provisions also apply to relatives or associates of those individuals as well as any holder of property previously held by them.

Under the new law, authorities are empowered to investigate any and all assets acquired going back six years before the offense, and, importantly, the burden of proof lies with the offender and his associates, to prove that the properties were acquired lawfully and not with dope money.

A powerful tool

The amended anti-drug law is a powerful tool in the hands of the Narcotics Control Board. With a staff of 164—including a mere 80-odd enforcement officers of its own—and centers in Bombay, Madras, Calcutta, Varanasi, and Delhi, NCB coordinates anti-drug activities across the country, operating through the whole spectrum of police and enforcement agencies. Despite its fledgling status—it began work in February 1987—and a persistent shortage of funds, the NCB has made real gains.

Last fall, NCB chalked up a string of successes, including the arrest in October of Gurbux “Sam” Bhiryani, the elusive, Bombay-based kingpin of a syndicate that was shipping over

a ton of heroin annually to the United States. A month earlier, a Delhi-based network smuggling heroin from Pakistan to the Netherlands, United Kingdom, and United States was taken apart.

As in other cases, these milestones also reflected the

Bhutto stands firm under Soviet pressure

by Ramtanu Maitra

The much-ballyhooed Feb. 4-5 visit to Pakistan by Soviet Foreign Minister Eduard Shevardnadze, the highest-level Soviet official to visit Pakistan since Aleksei Kosygin in the late 1960s, to “work out an acceptable solution” on Afghanistan fell flat on its face. Pakistan Prime Minister Benazir Bhutto, referring to Moscow’s continuing pledge of support to the Kabul regime, said bluntly at a press conference, “Why should they try to stay out, yet stay in by shoring up the regime?”

The fact is that the Soviet withdrawal from Afghanistan, to be completed before Feb. 15, is conceived by the Kremlin as a tactical ploy. That the Soviets do not have any intention of washing their bloody hands of Afghanistan became evident when Shevardnadze, piqued by Mrs. Bhutto’s firmness, warned, “If new complications happen, if there is continued fighting, the Soviet Union has obligations to that country,” Afghanistan. But careful not to show his hand in full, Shevardnadze quickly added, “We are not thinking of any Soviet reentry to Afghanistan.”

Shevardnadze’s visit to Pakistan at this late hour, with nine days remaining before the last Soviet troops are to leave Afghanistan, was to armtwist into submission the 35-year-old prime minister of Pakistan. But he found that he was making the same mistake that India’s Congress Party political barons had with the late Mrs. Indira Gandhi when she assumed the prime ministry of India in 1966 following the death of Prime Minister Lal Bahadur Shastri. At that time, Mrs. Gandhi, known chiefly as the daughter of Jawaharlal Nehru, seemed to the Congress heavyweights to be “easy pickings.” However, they found out soon enough their mistake and faded into oblivion.

It is that kind of illusion that brought Shevardnadze to Islamabad. Earlier, Soviet Deputy Foreign Minister and Ambassador to Kabul Yuli Vorontsov had tried the usual carrot-and-stick approach with Mrs. Bhutto, without any

growing efficiency of international cooperation in the anti-drug fight. NCB officials told this writer that while foreign assistance per se to the anti-drug effort was negligible—the United Nations Front for Drug Abuse Control has just begun the first of two projects here, involving \$7.5 million assis-

tance to the NCB—the information collaboration with enforcement agencies of other countries has been very good and useful. Key embassies now have designated anti-drug liaisons in New Delhi.

Otherwise, NCB has been concentrating on building up

noticeable effect. From the outset, Shevardnadze put up the “strongman” façade and reiterated the old stand with force and verve, expecting Mrs. Bhutto to succumb. He told the Pakistanis that any attempt to form a stable government in Kabul following the Soviet troop withdrawal would fail if it does not include the Communists—the ruling People’s Democratic Party of Afghanistan (PDPA). “Whether you like it or not, the Communist Party is the most powerful force in Afghanistan,” he said. (One cannot help thinking of those backers of the murderous Khmer Rouge, who have been insisting that they are the true representatives of the Cambodian people for almost a decade.)

Ostensibly, Shevardnadze came to Pakistan to tell Mrs. Bhutto to pressure the Mujahideen to invite the ruling PDPA members to the Afghan *Shoora*, or Council, scheduled to be held at Peshawar on Feb. 10. At a press conference, held within hours of Shevardnadze’s departure, Prime Minister Bhutto made it clear that it was up to the Mujahideen to decide who was to attend the *Shoora*. She pointed out that they have refused repeatedly to entertain the idea of the PDPA’s participation. “It’s their country. They have fought the war. They have given their lives in the struggle,” she added.

Old vodka in new bottles

While Shevardnadze was trying to pressure Mrs. Bhutto to accede to his demands, his assistant, Yuli Vorontsov, was in Teheran, trying to convince the Iranians of the benefits of widening the existing fissure between the Shia-Mujahideen based in Iran and the Ussni-Mujahideen based in Pakistan. Vorontsov, who has long been playing this card with about as much success as Henry Kissinger had in solving the Middle East imbroglio, refused to realize that his mission was also doomed to failure, given the visit of Iranian Foreign Minister Ali Akbar Velayati to Pakistan and his talks with Prime Minister Bhutto. “Very soon after withdrawal of Soviet forces from Afghanistan, the Mujahideen will have their own government in Kabul,” Velayati, who was in Pakistan from Jan. 31 to Feb. 3, said in Karachi.

On Jan. 28, Pakistan Foreign Minister Yaqub Khan had air-dashed to Riyadh to hold urgent talks on the Afghanistan situation with his Saudi counterpart, Prince Saud al-Faisal. Reports indicate the talks went well.

Prior to Shevardnadze’s visit, the pro-Moscow rem-

nants in Pakistan were activated to support the Soviet line. Chief Bizenjo of a Baluchi clan and President of the Pakistan National Party, held a press conference in Quetta Jan. 31, urging the Pakistani government to “urgently take the necessary steps under the Geneva Accords to ensure peaceful conditions in Afghanistan and the early return of Afghan refugees.” These words of Bizenjo, who could not even get himself elected to the National Assembly in the last elections, went chiefly unnoticed.

On Jan. 30, one Urdu-language daily reported that the Soviet Union had expressed its “displeasure” over Pakistan’s current Afghan policy, and had made an offer of about \$4.2 billion to Islamabad “conditional on the solution of the Afghan dispute in terms of last April’s Geneva Agreement.” The report, which Pakistan’s Foreign Ministry quickly quashed, was disinformation evidently spread to affect Mrs. Bhutto’s policy.

The latest Soviet diplomacy to “solve the Afghan crisis” may well be a ruse. There are many indications that the Soviets are not keen to create an atmosphere in Afghanistan where peace may break out at any movement. In a report to the U.N. Economic and Soviet Council, an independent investigating panel said recently that estimates of the number of mines planted by Soviet and Afghan forces ranged from 5-30 million, many of them anti-personnel mines in civilian areas. According to available reports, the Soviets have speeded up bombing from Backfire bombers to keep the rebels at bay. There are also reports that some major towns in Afghanistan, the isolated places where the PDPA writ holds, have been stocked up with arms and ammunition and resemble huge arsenals.

Soviet duplicity in the withdrawal is already apparent. “The last of the Red Army soldiers pulled out of the Afghan capital on Feb. 5,” *Pravda* reported the next day. However, according to witness reports, Soviet soldiers are still manning the airport. There are also reports that a large number of Soviet “advisers” will continue to stay in Afghanistan after Feb. 15.

The threat of increased violence cannot be ruled out with so many weapons on the loose. The threat issued by the Afghan chargé d’affaires in Britain, Ahmed Sarwar, cannot be ignored. Sarwar told newsmen on Feb. 1 at a press conference in the House of Commons that the Afghan troops would begin using “the arms it has so far refrained from using” against the Afghan rebels. Whether it is just hot air or a mortal threat will soon be found out.

the infrastructure necessary to extend the writ of the tough new laws to every corner of the country. This means training and equipping police and others, thus building up a specialized anti-narcotics capability in the various military and enforcement branches. It means establishing laboratories for testing drugs in different regions of the country.

Very recently, the development and production indignously of a simple "field kit" for drug enforcement officers was announced. The kits, being produced for the equivalent of \$100 each, contain a set of reagents, a small testing tray, and a few droppers to allow on-the-spot testing for about eight of the most common narcotics. Previously such a kit was available in only limited quantities from the U.N., or could be purchased from Czechoslovakia for the equivalent of \$1,000 each.

Formidable task

Though India's response has been timely to the virtual invasion of Dope, Inc. in the wake of the Soviet invasion of Afghanistan and fundamentalist takeover in Iran, the job of putting the narco-traffickers on the defensive in the subcontinent is formidable by any standard. From 1980, when not a single case of dope peddling was registered, the traffic soared. In 1985, when India emerged as the number-one source of heroin to Europe in Interpol records, the Indian government drafted sweeping new anti-narcotics laws. But as current statistics indicate, the trend has yet to be reversed.

The biggest problem, say NCB officials, is on the borders. Ninety percent of the seized drugs are positively identified as coming from Pakistan, the principal conduit for drugs grown in Afghanistan. NCB officials state their conviction that the Northeast must also be a major transit area for drugs coming from the Golden Triangle, but say that so far they haven't been able to get the evidence.

All big seizures are on the export side, at airports mostly, as the drugs are being shipped out to the West, officials explain. These seizures have turned up "white heroin," the famous 98% pure type from Burma, but it isn't being caught when it comes into India. It is "common knowledge" that sections of the military who enjoy political protection are involved.

Although the issue of illegal poppy cultivation and "leakage" from the government's legal opium production program has surfaced repeatedly over the years—and sophisticated heroin-refining labs have been discovered in the interior as well as Bombay—NCB officials maintain that this is not a significant problem, at least not yet. In 1988, some 50 acres of illicit poppy cultivation and 623 acres of marijuana were destroyed by the NCB. But officials say they have not found evidence of marketing contacts from the cities plugging the small isolated poppy cultivators—limited to several hundred acres in the hills of Uttar Pradesh, they say—into national, much less international, operations, or broader smuggling rackets—in which gold invariably plays a major role.

Pedophiles arrested 'more powerful than

by Mark Burdman

On Feb. 2, in London's Old Bailey court, four men were convicted for running a ring of pedophiles—adults who sexually use children—which had recruited at least 150 young boys, some as young as nine, for repeated sodomic abuse. It is the biggest ring of pedophiles yet uncovered in Britain. British newspapers Feb. 3 said it had been run as a "Mafia-like conspiracy." One man arrested was too frightened to testify, declaring that the ring was "more powerful than the Mafia."

According to experts on child abuse in Britain, this case is only the beginning. Interviewed on British television Feb. 3, Dianne Core, head of the Childwatch organization, stated that "people in high places" were involved in pedophilic activities, and that the whole matter would "explode" during the coming months. The London *Daily Telegraph's* crime correspondent reported Feb. 3: "Despite the convictions, police believe there is still a flourishing pedophile network in Britain, with a sophistication said to resemble the Mafia."

The most prominent figure in the ring, Colin Peters, was trained at Oxford, and was formerly a senior adviser in the British Foreign Office. Following his Foreign Office work, he prosecuted cases for the British Customs and Excise. Investigators working on the case had interrogated at least one senior member of the House of Lords, one vicar in West London, and officials in Whitehall, "but the police did not have sufficient evidence or manpower to pursue their suspicions," the *Telegraph* reported.

Alan Delaney, the official head of the ring, is a cleaning company director. Delaney would procure young boys for pedophiles, by putting job advertisements in the press. The ring would also procure boys who were members of a junior soccer team. Many of the youngsters had been at special boarding schools for educationally below-normal children. Others were runaways, who were caught up by members of the Delaney-Peters ring, who would roam the streets of London scouting for boys.

According to the Feb. 3 *Telegraph* account, the young boys were "passed around its members for sexual degradation and, when the attraction faded, abandoned to a life of prostitution, drugs, and petty crime. . . . The boys were tempted off the unfamiliar London streets with promises of food,

in Britain: the Mafia'

accommodation, money, and a sympathetic ear. Some were plied with drugs, including cocaine, and sexually assaulted while under their influence."

When he was brought before presiding Judge Pownall for sentencing Feb. 3, Colin Peters was told: "On your own admission, you found boys to satisfy your lust. You were prepared to encourage them to drugs or to lace their drinks—and you have made matters worse by trying to get witnesses not to attend court. You did that to save your own skin. That was disgraceful. You of all people should have known that."

'A permanent conspiracy'

British deputy police superintendent John Lewis, who oversaw the investigations, is calling on Scotland Yard to create a special squad to deal with pedophile rings. Lewis declared Feb. 2 that "these people are as organized and sophisticated as any other criminals, and are involved in a permanent conspiracy which is renewed daily as they hunt for new boys. They need to be targeted like bank robbers. It is important that we should not feel complacent. Positive policing should be continued."

British police investigators were reportedly angered by the light sentence meted out to Peters, Delaney, and their two collaborators. The four received, *in total*, only 34 years of sentences. Peters received only 8 years, for combined charges of conspiracy to commit buggery (sodomy), buggery and conspiracy to pervert the course of justice. Delaney was jailed for 11 years, on conspiracy to commit buggery, indecent assault, taking indecent photographs, indecency with a child, and attempted buggery. One of the four was given only 6 years.

A senior British police officer told the *Daily Express* Feb. 4: "It should have been more. The damage these people have done to young lives is very severe." In an editorial entitled, "Is This Justice?" the *Express* Feb. 4 called the sentences "woefully inadequate . . . weighed against the enormity of their crimes and the emotional and physical damage they did to their victims, some of whom were only nine years old."

Moncini and the Satanist track

The London case has refocused attention on another re-

cent case, in Trieste, Italy, involving one Alessandro Moncini, a businessman nabbed by law enforcement in the United States and convicted in 1988 for importing child pornography (although he received a paltry one-year sentence and was released "on good behavior" after serving less than three months in jail). Investigators in Trieste working on the Moncini case have recently been to the United States, attempting to accumulate more information on what they believe to be a "most exclusive ring of international pedophiles."

Informed sources in Britain believe that the Delaney-Peters ring and the Moncini-linked networks are connected, and that both are part of an international pedophile conspiracy. U.S. law enforcement officials have in their possession tapes of Moncini attempting to procure a young girl, for Satanic-ritual abuse purposes. Experts on ritual abuse stress that pedophile rings, as horrifying as they are in and of themselves, are actually fronts for, or extensions of, hard-core Satanist cults, for whom the pedophiles provide young boys.

In Britain, however, the Home Office has repeatedly indicated its opposition to allowing the matter of Satanism to be pursued by police and in the courts. Should this attitude continue, it will be impossible to crack the command-structure controlling powerful pedophile rings.

Investigative leads

Experts in pedophilia and Satanism report to *EIR*, that that the dossiers on previously publicized cases of European-based pedophile rings have never been fully closed, and may now be reopened. These involve pedophile rings that were either cracked or exposed in the 1986-87 period. Three of them are worth noting:

- On June 18, 1987, the head of the Belgian national office of UNICEF was arrested for involvement in a large-scale child pornography and pedophilia ring. Ring leader Jozef Verbeeck had used his influential position in UNICEF to procure children, often from broken homes, some as young as *eight months old*, for some 400 wealthy clients across Europe. The basement of UNICEF in Brussels was used to store pornographic pictures of children.

- In spring-summer 1987, Dutch authorities uncovered one of the worst cases of collective child sex abuse in recorded history. In a small town called Oode Pekala, during the Easter holidays, a gang of pedophiles, dressed as clowns, lured more than 70 children into taking part in pornographic movies.

- On Aug. 3, 1986, the *Sunday Times* of London "Insight Team" exposed the activities of a secretive organization called the Spartacus Club, based near Amsterdam in Holland, which sent pedophile literature to 25,000 subscribers in Great Britain, and which specialized in procuring boys from the Philippines for pedophile activity. Headed by one John Stamford, the club was part of Spartacus International, which published homosexual literature and the *Paedo Alert News*, "a magazine about boy love."

Rock group pushes drugs and Gorbachov

by Mark Burdman

Are Satanic rock-music groups really Soviet cultural *spetsnaz* agents, deployed to destroy the West?

Judging from the activities of the British rock group "The Shamen," that would seem to be the case. The Shamen push drugs, attack Jesus Christ and organized religion, hate the United States, and revere Soviet leader Mikhail Gorbachov. Their new album release is entitled, "In Gorbachov We Trust." The cover of the album shows the Soviet leader with a crown of thorns on his head. The company that released the album is called Demon Records. The album was released with the number, "Fiend 666," a reference to the number accorded Satan in the Apocalypse.

The release of "In Gorbachov We Trust" early this year coincides with a growing trend among spokesmen for the "New Age" Satanist movement to publicly idolize Gorbachov as a New Age "pathfinder," as is stated in the November 1988 edition of the German publication *2000: Magazine for New Consciousness*. Whether Gorbachov personally survives in power or not, these Aquarians believe, as *2000* magazine claims, that "from Russia, comes the hope of the world."

The Shamen's managers have been concretizing plans for concert tours to East Germany (in late March-April), the Soviet Union (at some point between late April and early June), and Poland (no details finalized). It is also planning a concert tour of major cities in West Germany, for the late March-early April period.

Promoting witchcraft

The Shamen's name is supposed to connote the plural of the word "shaman." A "shaman," a cross between a witch-doctor and a magician, derives from the Mongolian word shamane. According to the Concise Oxford Dictionary of Current English, "Shamanism" is the "religion of Siberian tribes involving belief in secondary gods and in power of shamans or priests to influence these."

Founded in 1987, The Shamen see themselves adapting, to the world of rock and roll, the practices of control utilized in primitive societies by shamans. According to one individual familiar with the group, they believe that "shamanism is the culture, the religion revolving around an environment in which witch-doctors exist, a society centered around people who are shamans." One conservative vicar of the Church of England has denounced the group as "Satanic," and has ap-

pealed to parents to keep their children away from concerts of The Shamen.

According to a review in the London *Independent* Jan. 27, the group combines 1960s "psychedelicisms" with the music popular in the "Acid House" movement of the U.K., which grew up in the mid-1980s around the use of hallucinogenic drugs. The album contains "blatant propaganda for drugs." One song has a chorus, "M-D-M-A-Zing," identified by the *Independent* as a "pun on the chemical abbreviation of the drug Ecstasy." "Ecstasy" is a particularly dangerous blend of PCP and "crack" that has become the hottest fad in the rock/drug counterculture and the jet-set.

Reviewer Andy Gill stresses that the group is "for" Gorbachov, but against both Jesus Christ and the United States. Their best-selling song, "Jesus Is a Lie," is described by Gill as a "cheeky riposte" to the "Jesus is alive" campaign of Christian religious organizations.

The case of The Shamen is not an isolated phenomenon. A number of rock groups are planning to visit the Soviet Union in March, for a big "peace and *perestroika*" concert, officially patronized by Gorbachov's wife Raisa.

One participant in that scheduled event, Beatles guitarist Paul McCartney, has released an album for circulation in the U.S.S.R. only, with the title, "Back in the U.S.S.R." McCartney has also taken part in a call-in show of the Russian Language Service of the BBC, in which callers phone in from the U.S.S.R. He is the only person outside of British Prime Minister Margaret Thatcher to have been accorded this dubious distinction.

The Beatles, who came from Liverpool, were the group around whom the satanic drug-rock scene was really launched, especially with their mid-1960s "Sergeant Pepper" album. Beatles leader John Lennon boasted that the group was "more popular than Jesus Christ."

Liverpool has recently hosted another version of "rock n' roll *spetsnaz*," this time of the Russian-born variety. On Jan. 30, the Leningrad group "Pop Mechanica" gave a performance in Liverpool. A review in the London *Guardian* Feb. 1 said the performance was "a reclamation of the dionysiac traditions of ancient Greece recreated by Soviet musicians inspired by Mayakovsky and *perestroika*." (Mayakovsky was the official poet of Soviet Russia in the early Bolshevik years. He was tied into degenerate cultural circles, East and West, and was a close friend of Marinetti, the poet of Italian Fascism.)

Guardian reviewer Bill Harpe wrote, under the title, "A circus of pop and *perestroika*": "The spirit of madness in art is not to be dismissed lightly. Indeed, it is not to be dismissed at all—for much of the most ancient and sophisticated of art has roots in divine madness. And just such a divine madness returned to Liverpool when the Leningrad group Pop Mechanica took to the stage." Group leader Sergei Kuriokhin conducted the group "something in the manner of a wild dancing Russian peasant," Harpe commented.

British Trilaterals and Luciferians push for 'one world government'

by Mark Burdman

A report released in London in mid-January reveals the extent to which the British liberal Establishment has openly embraced the international pagan "New Age" movement, in an effort to pull off a global deal with the Soviet Union that would be the stepping-stone toward what the report's authors call a "one world government."

Entitled "A Step Beyond Fear: Building a European Security Community," the report issued by the Federal Trust for Education and Research received a flurry of publicity in the British liberal press Jan. 16. The chairman of the study group which worked over an 18-month period to prepare "A Step Beyond Fear" is Sir Michael Palliser, chairman of the British branch of the Trilateral Commission. Among those working under Palliser's coordination, is the curious Brigadier Michael Harbottle, an operative closely linked both to the Russians, and to the London-Geneva-New York-based Lucis (formerly Lucifer) Trust, the umbrella organization for "New Age" and "ecology" groups around the world.

The report's release coincided with meetings in Moscow between Soviet leader Gorbachov and a Trilateral Commission delegation headed by Henry Kissinger and David Rockefeller, meetings given flattering coverage in the Soviet press Jan. 19. In his preface to "A Step Beyond Fear," Palliser returns the compliment: "Changes in Soviet attitudes coincide with the advent to power in the U.S.S.R. of Mikhail Gorbachov and the extraordinary fascination he exerts on East and West alike."

'Special relationship' with the U.S.S.R.

Much of the report recycles recent years' proposals and catch-phrases from the liberal Establishment's Aspen Institute for Humanistic Studies, the Trilateral Commission itself, the German Social Democracy, West German Foreign Minister Hans-Dietrich Genscher, and other such entities and individuals. It advises that Western Europe "should seek to develop a common security relationship with the Soviet Union and Eastern Europe." This should be based on new arms control accords, reinforcement of the Non-Proliferation Treaty, new "confidence-building measures," the creation of "non-aggressive defense postures" by East and West, *ad nauseum*.

What is new, is that this is a solely *British* production, and thus is a move by the British liberal Establishment to put

"Albion" in a coordinating role in the next phases of East-West and global relations. This would mean, at some point, for Britain to drop its official opposition to the "Europe 1992" plan for the corporatist restructuring of Europe and for Britain to become the guiding force in European Community policy. That is not explicitly stated, but the idea has been promoted by one contributor to the report in a background discussion. The authors welcome the potential achievement of "defense integration in Western Europe" by 1992, after which "security policy and a joint policy toward the East should form part of European Union." This should be followed, or joined, by a menu of "political and economic links with Eastern Europe," including exploring possibilities for "collaboration and greater convertibility between the European Monetary System and the Transferable Ruble Zone"; the unfolding of a "special relationship" with the Soviet Union equal to the special relationship with the United States (as the U.S., of course, progressively disengages from Europe); and the linkage of the U.S.S.R. in some form of "associated" status with the European Community.

But all of this is purely transitional, toward reaching an effective "world system," and, eventually, a "one world government," in which the EC would have a unique global role to play.

'World order Mark III'

Of the policy guidelines and proposals put forward at the end of the report, the last two, concerning the United Nations, echo recent Gorbachov proposals. They read: "The United Nations also has to be made an effective framework for settling disputes and a more effective peacekeeper. The Security Council now needs to be made the main focus of the search for security consensus between the powers and reinforced with effective staff. The emergence of integrated regional groups outside Europe could also help to create a better balance between North and South, a reformed Security Council and a more effective United Nations. *Though the prospect of world government is remote, an interim objective should be a World Community of Communities, in which major regions work together in a reformed U.N.*" (emphasis added)

In its chapter 6, under the heading, "Managing the Planet," the report defines its aim as "a new push forward to a world order Mark III," following the earlier attempts of the

League of Nations ("world order Mark I") and the United Nations ("Mark II"). "Mark III" would be based on a "reformed and strengthened U.N. which is used, for peacemaking and peacekeeping, not just on holy days and the occasional Saturday, but every day of the week. . . . The U.N. has to be made the main framework for negotiating world policies and resolving world problems, not the last resort." This upgraded United Nations would be founded on the basis of a "world security consensus. . . . The Europeans ought to be able to contribute imaginatively to such a structure, for it has parallels with the consensus-building mechanism of the European Community."

Beyond this, eventually, what would emerge would be a "world Community of Communities that works." A yet more utopian goal would be "a world government operating on democratic principles. . . . That alone would provide the context in which it is plausible for national forces and all remaining national nuclear weapons to be surrendered or placed under common control."

The latter idea recalls the 1950s proposals by Bertrand Russell, when he was launching his World Association of Parliamentarians for World Government, for a world agency that would have absolute control over nuclear weapons development. A similar notion of world federalist control over nuclear weaponry is a pet idea of the Lucis Trust, which pushes "world government" and which has had a key behind-the-scenes influence in the workings of the United Nations Organization. The Lucis Trust's direct influence on "A Step Beyond Fear" is mediated via Brigadier Harbottle.

Palliser and Harbottle

The Federal Trust for Education and Research, the sponsoring agency for the report, is itself key to the European branch of the "world federalist" movement. The Trust's president, John Pinder, is also president of the Union of European Federalists. He is one of those in Britain most actively pushing "Europe 1992." The report's actual author, Christopher Layton, was formerly with the London *Economist*, the magazine of the Lazards, Pearson-Cowdrey, and N.M. Rothschilds financial interests, all key "Europe 1992" advocates.

Palliser, the chairman of the study group, is director of Midland Montagu, the investment bank brought about by the merger of the interests of Midland Bank and Samuel Montagu, from which vantage point he has been trying to organize bank-consortium loans from British banks to the Soviet Union. Palliser is also the chairman of the London International Institute for Strategic Studies, and of the British branch of the Trilateral Commission. In autumn 1989, he will be the host for the next meeting of the European branch of the Trilateral Commission. He will travel in mid-May to Moscow, for a conference sponsored by the *International Herald Tribune*, where he will appear together with Armand Hammer.

In 1975-82, Sir Michael had been Permanent Undersec-

retary of State at the British Foreign and Commonwealth Office. During Harold Wilson's 1964-66 Labor Party prime ministry, he served, variously, as head of the Planning Staff of the Foreign Office, and as a private secretary to the prime minister. His wife is Marie Marguerite Spaak, a daughter of the late Paul-Henri Spaak, the ex-Trotskyist who was one of the architects of the European federalist movement and of the European Community.

Palliser's helper Harbottle is listed in the report as representing "The London Centre for International Peacebuilding." Harbottle was, in 1982-83, the co-founder of a KGB front called "Generals for Peace and Disarmament." According to an unimpeachable source, Harbottle launched this group following strategy sessions with Anatoli Dobrynin, then Soviet ambassador to the United States. One leading member of "Generals for Peace" is West Germany's Gen. Gerd Bastian, the traveling partner of Green Party co-founder Petra Kelly. Michael Harbottle and his wife Eirwen, who is the "projects coordinator" for the London Centre for International Peacebuilding, have spoken at forums sponsored by the Lucis Trust in London. In his presentation, the KGB-linked brigadier pointed to the Centre as a "bridge-builder between East and West," committed to using such issues as "environmental damage" to "draw the two sides together."

Among the projects billed by the London Centre's publicity brochure, is one on "Collective Security," being carried out "with the blessing of the Commonwealth Secretary General," Sir Shridath "Sonny" Ramphal. In a speech at Cambridge University Jan. 25, Ramphal called for a "global green agenda" and welcomed Soviet leader Gorbachov's Dec. 7, 1988 appeal at the United Nations for a new global ecological order. Ramphal is on the board of a Lucis Trust-backed project called "International Television Trust for the Environment."

A second project of the London Centre is "to organize international collaboration on environmental projects" for young people. A third is "a young people's musical called Peace Child, which originated in Britain in 1981." In the mid-1980s, the U.S. city of Minneapolis, through its Churches' Council, and Moscow "were linked in a joint production [of Peace Child] by satellite."

Among the London Centre's listed consultants, one finds some interesting figures: ● Sir James Fawcett was assistant legal adviser to the British Foreign Office from 1945-50. From 1955-60, he was General Counsel to the International Monetary Fund. ● Lord Caradon was British Governor in Cyprus from 1957 to 1960. He was Minister of State for Foreign and Commonwealth Affairs and Permanent U.K. Representative to the U.N. from 1964 to 1970. He has been a central figure in British Foreign Office "Arab Bureau" links to Islamic fundamentalist groups. ● Dr. Frank Barnaby was former director of the Stockholm International Peace Research Institute (SIPRI). He is also a member of the "A Step Beyond Fear" study group.

Dostoevsky's 'Devils'

The Soviet party paper Pravda says this Satanic novel shows the very essence of perestroika.

Probably many people in the Soviet Union right now feel as if they were living in a Dostoevsky novel. Life grows more hellish: There is no edible sausage to be found, cheaply built apartment buildings collapse in an earthquake to crush and entomb the people who lived in them, scores of children catch AIDS from contaminated syringes in the hospitals. Meanwhile the Moscow bosses proclaim that the country is undergoing *perestroika*, getting restructured, which is a purification and improvement for all.

The contrast recalls 19th-century writer Fyodor Dostoevsky's theme, that the greater the wretchedness and degradation a person plunges into, the nearer he comes to God.

On Dec. 29, 1988, the Communist Party paper *Pravda* wrote that Dostoevsky was indeed the writer for today. Boris Lyubimov's theater review, "The Russia of Dostoevsky on Stage," welcomed recent productions of two plays (one of them by the French existentialist Albert Camus) based on Dostoevsky's novel *Besy*, translated as *The Possessed* or, better, *Devils*.

According to Lyubimov, these stage performances are timely, because of "the deep consonance of *Devils* with today's political and cultural situation and [because of] the ability of the theater and the audience to enter, for the first time in many years, into a dialogue with Dostoevsky the prophet, who drove out 'devils' and healed the possessed." He is pleased that "the rich idea" comes through on stage: "In one of his drafts for the novel, Dostoevsky noted, 'The main idea of the Prince [Stavrogin], by which

Shatov was struck and which he fully, passionately assimilated, was the following: the point is not industry, but morality, not the economic, but the moral rebirth of Russia,' as opposed to 'a bourgeois solution to the problem of comfort.' For Dostoevsky, 'moral strength is more important than economic.' "

A useful thought, I expect *Pravda* means to suggest, for anyone who might be wondering where his next sausage will come from.

"Only our time," intones Lyubimov, "with its pathos of repentance and purification, of striving to look inside *our own* soul, *our own* sins, permits us to say aloud what was always thought and understood by some: *Devils* is about our life, about them and about us, about thee and about me."

Soviet authorities used to denounce *Devils* as "socially obnoxious and detrimental to the cause of socialism," because the plot hinges on a conspiracy by a band of nihilist revolutionaries, to murder one of its members.

Devils, however, was never the anti-socialist tract that Soviet critics claimed. It came out in 1871-72, when Dostoevsky was already deep in study with the monks of Optina Pustyn monastery, on how the atheist revolutionaries were "doing God's work." *Devils* was part of a planned opus, *The Atheist*.

Later, in *Diary of a Writer*, Dostoevsky elaborated on how the revolutionaries could be the best instrument for preserving Russian Orthodoxy, against the Westernization he

hated. He wrote, "Our most ardent Westerners . . . became at the same time the negators of Europe and joined the ranks of the extreme left . . . And thus . . . they revealed themselves as most fervent Russians—as champions of the Russian spirit."

In *Devils*, the atheist is Stavrogin, a hereditary prince who inspires the nihilist band in mysterious ways, who unwittingly wields the heavy cross of Orthodoxy against the hated West. His name suggests the Greek *stavros*, "cross," and Russian *rog*, "horn." Dostoevsky said: "Everything is contained in the character of Stavrogin—Stavrogin is *everything*."

The author's admission, and Lyubimov's embrace, points to the essence of the Bolshevik Revolution, as it was foreseen by masters of cultural warfare like Dostoevsky and his hosts at Optina Pustyn. Of a piece with the New Age movement launched in the late 19th century by the crazed Friedrich Nietzsche from Venice and the Crowleyite spiritualists in Britain, the "purifying" revolutionary cataclysms Dostoevsky sought were explicitly Satanic.

Stavrogin, who sojourned with the monks of Mt. Athos in Greece, asserts, "I believe canonically in a personal, not an allegorical devil." When he bursts into wild activity, Dostoevsky writes, "Then the beast unsheathed his claws." And this hero is obsessed with recollection of and supposed repentance for having raped a little girl who worshipped him, after which she hanged herself.

For the theater production of this great guide to repentance and purification, *Pravda* writer Lyubimov gives thanks. He compares Dostoevsky with Christ, whom the mob drove away, after He exorcised devils. Now, let Russia not drive Dostoevsky away again, concludes the Communist Party daily *Pravda*.

New initiative for monetary reform?

French President Mitterrand's visit has put the North-South dialogue back on the political agenda.

French President François Mitterrand's Feb. 1 visit to India seems to have done more than snatch Indo-French relations out of the doldrums that set in when France lost out to Sweden in the celebrated multibillion-dollar howitzer deal in 1985. Perhaps even more interesting than the substantial French offers of cooperation in industry, science, and defense R&D, is the meeting of minds between Mitterrand and Gandhi on the urgency of restarting the North-South dialogue on economic development.

According to press reports, in his hour-long private session with Rajiv Gandhi Feb. 1, Mitterrand spoke of the need for disarmament at new levels to reduce the economic gap between the developing and developed countries—stressing that the latter was more important than the former.

The fact that a tiny proportion of the world's population consumes the bulk of its resources is an "economic absurdity," Mitterrand said, and added that this imbalance contains the seeds of the worst type of disorder and conflict. It was in the interest of the advanced sector nations to correct this imbalance.

The French President wants Gandhi to visit France on July 1, the bicentennial of the French Revolution, which happens to coincide with a scheduled meeting of the Group of Seven industrial nations' heads of state. As France sees it, Gandhi should present the Third World's case at that meeting. For his part, Mr. Mitterrand is reportedly pushing for a conference—"like Cancún, but different, less of a big show," according to French sources.

Although there is no official word on the matter, a new initiative can be reasonably expected to materialize in due time. Indo-French ties are not merely a bilateral affair.

France has had a crucial input into India's sovereign development from the beginning, when the visionary Homi Bhabha took inspiration and support from France in building up India's nuclear program. More recently, it was France that came to India's rescue with the fuel to keep the American-built Tarapur nuclear power plant operating when U.S. "non-proliferation" laws barred further American assistance.

French support for Indian R&D and advanced technology capabilities extends to space, where collaboration is longstanding and significant, and other areas. The Indo-French Center for Advanced Research in Delhi is one fruit of Mitterrand's first official visit in 1982.

One of the major proposals that Mitterrand and his high-powered delegation, including eight ministers and a weighty science and technology contingent, brought along, is an offer to supply India with two nuclear power plants of some 1,300 MW capacity each. Though no details have been released, the proposal is said to have come with a very attractive credit package—the critical factor for India at the moment.

Indian press reports on France's own nuclear power program were a thoughtful run-up to Mitterrand's arrival, and a refreshing departure from the anti-nuclear swill that has increasingly put the Indian government on the defensive over its aim to expand nu-

clear to 10% of total power by the turn of the century.

France had expressed interest in assisting water management efforts on the subcontinent to the tune of \$62 billion, but India apparently indicated that the time was not ripe. The countries of the area have wrangled over water access. In the event, a French proposal to establish an Institute for Water in Delhi will be redrafted for a politically more opportune moment.

Three agreements signed during the visit will expand scientific and technical cooperation in biotechnology, biomedical sciences, and vaccinology. A joint venture pharmaceuticals plant will use new technology to produce a new combined polio-DPT vaccine and several other basic vaccines. It will be the largest vaccine manufacturing and R&D unit in the world.

Following the October 1988 visit of Mitterrand's special envoy, Jacques Attali, Defense Minister Jean-Pierre Chevenement visited in December. An agreement for design consultancy on India's first indigenous aircraft carrier was reached. A \$2 billion package for aerospace collaboration is reportedly also on the table, including both civil and defense projects.

One day before Mitterrand's arrival, Indian Commerce Minister Dinesh Singh and French Foreign Trade Minister Jean-Marie Rausch signed an agreement on trade and industrial cooperation in which France will help boost Indian exports of processed foods, gems and jewelry, and chemicals. France will also study the prospects for joint engineering-construction ventures in third countries.

France has requested the same "fast track" facility for private investment granted to Japan and West Germany, to boost its investment from the 1988 level of 4.5% of total foreign investment in India.

'Summer Plan': speculation at noon

Schachtian-style austerity measures under President Sarney are raising interest rates above 25% per month.

On Oct. 13 of last year, the Sarney administration failed in its first effort to launch "a star wars of interest rates." On that day, the overnight market interest rate rose 10%, reaching the 50% per month level. The measure immediately unleashed a wave of panic on the financial markets, forcing Finance Minister Maílson da Nóbrega to reverse the measure and abruptly fire the central bank's public debt director.

Three months later, President José Sarney—under the close supervision of such deans of the monetarist gang at the Getulio Vargas Foundation as Octavio Gouvêia de Bulhões and Mario Henrique Simonsen—imposed the so-called Summer Plan: freezing wages and prices; creating the New Cruzado with a value of 1,000 old cruzados and parity with the dollar; and drastically cutting back on public expenses, including the firing of some 60,000 state employees.

The principal measure of the austerity package, however, is a raising of interest rates, disguised as an anti-inflation fight.

As far as speculators in public debt are concerned, there is no difference between a 50% inflation rate with a 25% monthly interest rate, which is what occurred in October, and a 25% interest rate with the 0% inflation the Summer Plan decree claims it wants to achieve.

But for the usurers, even this is not enough. Prof. Rudiger Dornbusch of MIT demanded "stratospheric levels" of interest rates which he claimed would compensate for the high risk posed by the Brazilian economy. This was the same argument as monetarist

Paulo Guedes of the Brazilian Institute of Capital Markets, for whom the real ideal interest rate level is 40%.

According to the monetarist theories implemented under the Summer Plan, the rise in interest rates will absorb the "excess liquidity" of the economy, attracting said "excess" toward the overnight market. With this logic, the government supposes, no one will want to hold onto dollars, gold, or real estate, nor will industrialists and merchants want to store merchandise. The result, so the argument goes, will be immediate deflation.

But reality has proven otherwise. During the first weeks of the plan, the speculative markets in gold and the dollar continued to thrive, and the government began to receive dollars that exporters were acquiring through foreign credit lines at 12% annual interest rates, to then invest them in New Cruzados at 1,000% a year!

At the same time, the hikes in interest rates are making credit for production and consumption more expensive, which is triggering an immediate and deep depression in the real physical economy. Last year alone, industrial production fell 3%. With the Summer Plan, that decline will undoubtedly reach 10%, pushing both state and private companies to the verge of bankruptcy.

The government's philosophy can thus be summed up as follows: "If they want to speculate, let them do so solely against public debt paper, that is, against the nation's finances." Therefore, while the austerity package presumably puts an end to indexation of the economy, it maintains—by de-

cree—the spiraling rise of the internal debt through unlimited issuance of new paper. For example, in January, the Treasury—through the Central Bank—sold \$7.6 billion worth of public paper to cover the \$7 billion worth that came due that month *plus* \$600 million worth of interest payments on that debt.

The layoff of between 60,000 and 90,000 public employees, as the government hopes to carry out, will accomplish a savings of between \$700 million and \$1.1 billion. That is, by removing the economic sustenance of 60,000 or more families, the Brazilian government expects to save the equivalent of one month's interest costs on the internal debt. In short, this means that even if the government were to fire 200,000 officials, as former Finance Minister Delfim Neto demands, this would in no way alleviate the public deficit, which is what the government claims it is resolving with its Summer Plan.

According to Treasury Secretary Luiz Antonio Gonçalves, the internal debt as of December 1988 was 77 trillion cruzados, equivalent to more than \$90 billion. In 1989, before the Summer Plan, payment of interest on that debt was calculated at approximately \$10 billion, representing a full 15% of total government expenditures authorized by the national Congress for this year. But with the new level of interest rates decreed under the Summer Plan, the additional internal indebtedness could reach at least \$7 billion a month!

By April at the latest, when the Treasury no longer has any means to withstand this avalanche, inflation will undoubtedly rise to at least January 1989's 40% a month. If the government continues obeying the bankers and their monetarist agents, the collapse of the nation is assured.

The U.S. Establishment in a bind

With the coming elections, the pretext for U.S. sanctions—that Delvalle is still the legitimate President—will soon be gone.

It has been almost two years since Washington launched in earnest its campaign to oust from power the government of Panama and the commander of its Defense Force (PDF), Gen. Manuel Noriega. Ronald Reagan is no longer President of the United States. His administration's point-man to destabilize Panama, Elliott Abrams, is also out of office. But Noriega is still commander of the PDF.

The people of Panama are now preparing to hold elections May 7, in accordance with their Constitution. With the official closing of the nomination period Feb. 7, three major forces emerged to dispute the presidency, vice presidencies, and seats in the National Legislative Assembly and municipal governments.

The elections present a major problem for the U.S. Establishment. Whatever the results, this will bring to an end the fiction that ousted President Eric Delvalle is "the constitutional President of Panama," adopted by the Reagan administration to justify economic sanctions.

The forces backing the nationalism of President Manuel Solís Palma and General Noriega, united in the Coalition for National Liberation (COLINA), selected Carlos Duque as its presidential candidate. Duque is head of the ruling Revolutionary Democratic Party (PRD).

The opposition is split. The Panamenista Party, the largest opposition party, selected Hildebrando Nicosia as its presidential nominee, while the Democratic Opposition Alliance (ADO) nominated Guillermo Endara, a member of the Panamenista Party

until his recent expulsion on charges of taking orders from the U.S. embassy.

The *Washington Post* acknowledged the truth of those charges Jan. 21. "The U.S. embassy here has been promoting opposition unity and participation in the election in an effort to breathe new life into a listless anti-Noriega movement." Endara himself said that, if elected President, he might seek to reopen negotiations with the United States on the Canal Treaties.

From the beginning of the crisis with the United States, the Panamanian government has insisted that the U.S. Establishment push to oust Noriega is aimed at imposing a "docile government" to renegotiate the treaties, to allow the U.S. to retain control of the Canal and/or its military bases beyond the year 2000, when the treaties mandate U.S. withdrawal.

The fact that the United States is openly backing the ADO opposition alliance pretty much dooms its chances in the elections. Even more embarrassing for the United States is that one of Endara's running mates is Guillermo ("Billy") Ford, candidate for second vice president.

Ford, together with Roberto ("Bobby") Eisenmann and Carlos Rodríguez, two other major players in the ADO alliance, was a co-owner of Miami's Dadeland National Bank at the time when that bank was engaged in money laundering for convicted drug trafficker, Antonio ("Tony") Fernández. The transcripts of the 1985 federal trial of Fernández's accomplices (he pleaded guilty) contains an exchange between the prosecutor and

one of Fernández's co-conspirators, naming Eisenmann, Ford, and Rodríguez as accomplices at the bank.

It was proven during the trial that drug trafficker Fernández was also a co-owner of Dadeland National Bank, which was again placed under investigation for drug money laundering in October 1988.

While Fernandez is currently serving a 50-year sentence in a U.S. federal penitentiary, Billy Ford is running for Panama's vice presidency with U.S. blessing.

So much for the nonsense that the United States wants Noriega out because he is "involved in drug trafficking."

By the end of this year, the United States must name a Panamanian national, nominated by the Panamanian government, to be the new administrator of the canal. Since there is little likelihood that the U.S.-sponsored opposition could win, the U.S. strategy seems to be, as was the case with Marcos's ouster in the Philippines, to scream "fraud" and disrupt the elections.

Endara's other running mate, Christian Democrat Ricardo Arias Calderón, candidate for first vice president, described the plan in an interview with the Venezuelan daily *El Nacional* Dec. 24: strikes, street confrontations, and other disruptive actions to create the perception that the elections are not legitimate.

A parallel tactic is to "Latinize" the attack on Panama, so that the question of U.S. compliance with the Canal Treaties is no longer so clearly the issue. The Establishment's "Great White Hope" in this is Venezuela's new President Carlos Andrés Pérez, who used his inauguration Feb. 2 to make clear that he would seek to paint the Panamanians in the same "undemocratic" colors as the U.S. State Department has tried to do.

Pro-terrorist mooted for security post

Venezuela's new President wants to name José Vicente Rangel to the post of solicitor general.

On Jan. 24, Venezuela's President-elect Carlos Andrés Pérez told *El Diario de Caracas* that the appointment of José Vicente Rangel as solicitor general would be an excellent choice of "an extraordinarily well-thought-of man, since we are dealing with a man who has demonstrated independence, good judgment, and loftiness of ideals. . . . I speak regularly with him." Pérez explained that as President, he could not interfere with the naming of the solicitor, since "that is a function of the Congress; but as a leader of a political party, I can give my opinion."

But naming the pro-terrorist José Vicente Rangel as solicitor general is like putting the M-19 guerrillas in charge of national security. Rangel's history as a white-collar subversive goes back to the 1970s, when, according to intelligence sources, he was the intermediary for money that Fidel Castro sent to the Venezuelan guerrilla movement, with whose amnestied chiefs Rangel maintains good relations, as he does with Cuba and the Soviet Union.

Once the Venezuelan guerrillas were amnestied, Rangel turned into a perennial presidential candidate for mix-and-match coalitions of the Communist left, and although he has never won the presidency, his candidacies enabled him to win numerous posts in Congress, until 1983, when he received too few votes to qualify. Then he turned to journalism, which he used to run a smear campaign against the Venezuelan Armed Forces and other nationalist forces opposing narco-terrorism.

Baptized by the daily *El Nacional*

"the professional muckraker," Rangel fulfilled expectations when in early February 1988 he declared on Radio Caracas Television that the ongoing presidential election campaigns were financed by the drug trade. Although he presented no evidence, he triggered a scandal, which he then employed to smear then-Justice Minister José Manzo González, a strong advocate of continent-wide action against narco-terrorism and drug-money laundering.

Rangel and his allies accused the minister of collaborating with the U.S. Drug Enforcement Administration (DEA) in the creation of an illegal anti-drug "secret police." Manzo González responded to the dirty campaign against him with an interview, published March 19 in the daily *El Nacional*, which charged that "this campaign has a strange similarity to that carried out in Colombia, first against [Justice] Minister Rodrigo Lara Bonilla, who was assassinated, and then against his replacement, Dr. Enrique Parejo González."

In another interview, Manzo charged that one of Rangel's daughters, Gisela Rangel Avalos, was a defense lawyer for one of the most renowned drug traffickers in the country, and that this had everything to do with Rangel's attacks against him. Nonetheless, abandoned by the government of President Jaime Lusinchi, Manzo González was forced to resign on March 28, 1988.

With this notch in his belt, Rangel turned his sights on the Armed Forces, accusing them of corruption and demanding the resignation of then-Defense Minister Gen. Eliodoro

Guerrero Gómez. So outrageous were his charges that Rangel was interrogated twice by the DIM (military intelligence), and word began to circulate of his impending incarceration if he didn't present concrete proof of his charges.

It was at this point that presidential candidate Carlos Andrés Pérez came to his defense, saying: "We cannot permit the military question to become a taboo, or military secrecy to take away the right of a citizen to denounce anything he considers improper. . . . It would seem to me to be an exaggeration, were Dr. Rangel to be subject to trial."

With this backup, Rangel moved to try to sabotage ongoing negotiations for a joint anti-terrorist campaign involving the defense forces of Colombia and Venezuela along their shared border.

Rangel had long been on record opposing the use of the military in fighting narco-terrorism. When the Colombian military was deployed in November 1985 to recover the Justice Palace besieged by the M-19 terrorists, Rangel penned a violent attack on then-Colombian President Belisario Betancur, accusing him of violating human rights, while making no mention of the dozen Supreme Court judges butchered by the M-19 assassins. When Colombian narco-terrorists crossed the border on June 12, 1987 to murder nearly a dozen Venezuelan soldiers, Rangel claimed that the assassins were actually Colombian soldiers.

Once asked to identify the sources of his intelligence, Rangel boasted of having a better network of informants than the Venezuelan state. Rangel's method of infiltrating his informants into government agencies clearly depends on high-level political protection from the inside.

International Intelligence

Izvestia counterattacks Sakharov statements

The Soviet government newspaper *Izvestia* Feb. 1 ran an attack on Andrei Sakharov, the physicist and dissident who was only released from house arrest last year.

In an unsigned article that trained observers say originated at a high level, the paper warned that recent declarations by Sakharov and his wife expressing grave doubts about the future of Gorbachov's reforms "can be taken seriously, provoking all sorts of ideas, and creating doubt and trouble in the mind, which does not, of course, help *perestroika*. . . . Without concrete facts, without proof and serious research, it can only be seen as a political fantasy."

France's *Le Monde* says it took one week for the Soviet authorities to respond to Sakharov, who had made his statements in an interview with *Le Figaro* Jan. 26.

The Soviet leadership's dilemma in answering was that, on the one hand, it was hard for Gorbachov not to react to someone casting doubts on the success of *perestroika*, because such expressions of doubt are threatening to him, but, on the other hand, an attack on Sakharov only revives memories of his long period of exile, and the previous repressions to which he was subjected.

Gorbachov set for mid-May Beijing summit

Mikhail Gorbachov will fly to China in mid-May for a summit. Foreign Minister Eduard Shevardnadze announced from the P.R.C. capital Feb. 4. Shevardnadze said that normalization of relations would not threaten other countries; and that China and the Soviet Union could reduce the scale and number of military exercises and guarantee not to increase troop levels in certain regions. But, he added, "Of course, this will take time."

The New China News Agency quoted Deng Xiaoping, after his meeting with Shevardnadze, saying that normalization of

relations with the Soviet Union would begin with his meeting with Gorbachov.

"Three years ago, I said the Cambodian issue should be solved, first of all, and Vietnam must genuinely pull all its troops out of Cambodia. The Soviet Union can contribute much in this regard," Deng said.

Shevardnadze had breakfast with Shanghai Mayor Zhu Rongji, described as "a reformist leader."

Israel releases leading Palestinian

Israel's Jan. 30 release of detained Palestinian activist Faysal al-Husseini is the clearest indication to date that the Israeli authorities are quietly engaged in dialogue with the Palestine Liberation Organization.

Jailed last year, Husseini is a renowned activist on the West Bank and a leading member of the PLO. Just prior to his release, he was visited by a high-ranking official of the Ministry of Defense. Husseini is considered a potential president of a state of Palestine.

On Feb. 3, the Hebrew daily *Yedioth Ahronoth* reported that officials of the Ministry of Defense, including Yitzhak Rabin, have concluded that there is no alternative to talking to Yasser Arafat's PLO, and that a meeting of respective representatives would soon be arranged in Europe. This has been denied by Rabin. But Shin Beth intelligence officials have been quoted saying that, although "we do not talk to the devil [Arafat], there should be no illusions. We are talking to his envoys."

Both Rabin and Prime Minister Yitzhak Shamir have come forward with various peace proposals, going a step further than the original autonomy plans conceived of in the 1970s at Camp David. So far, two offers have been flatly rejected by PLO officials.

More significant was a Jan. 31 statement by former Herut party member Amirav, now a leading advocate of direct negotiations with the PLO. Shamir's recent statements, he said, reflect the fact that "he has reached the stage I reached some two years ago. . . . He is the kind of personality able to take a courageous act."

Jenninger to publish book on his ouster

Former West German Parliament President Philipp Jenninger will publish a book on the affair that toppled him. It will contain select letters of support he has received since his Nov. 11 resignation.

Jenninger, who delivered a thoughtful and profound speech on the occasion of the anniversary of the 1938 anti-Semitic pogrom known as *Kristallnacht*, or Night of Broken Glass, was subjected to a Communist-inspired walk-out and news media attack, claiming his speech was "pro-Nazi." He resigned under intense pressure a day later.

The incident was part of a broader Soviet-orchestrated campaign aimed at severing West Germany from the NATO alliance.

Jenninger's book is expected to deliver a verdict of political cowardice against Jenninger's former close friend, Chancellor Helmut Kohl, who sacrificed him to the lions of the pro-Soviet media. The book will hit Kohl's Christian Democratic Union (CDU) as a whole, and could contribute to Kohl's fall.

In this context, a new West German opinion poll showed that the opposition Social Democratic Party (SPD) has overtaken the CDU in popularity, with 42% to the CDU's 39%. The party's general manager has been quoted saying: "Thank God there are no national elections now. They would be one big catastrophe."

Shcharansky to be U.N. ambassador?

The possible appointment of Anatoli Shcharansky as Israel's U.N. ambassador is expected to create new tension in Israeli-Soviet relations, even at a time that various East bloc delegations have been following one another to Jerusalem. After a Hungarian visit, an East German delegation visited Jerusalem the first week of February.

However, Shcharansky is reportedly the choice of both Prime Minister Yitzhak

Shamir and Moshe Arens, because of his longstanding anti-Soviet record. He spent 10 years in a gulag and emigrated to Israel in 1986. Since then, he has been outspoken in denouncing Gorbachov's *glasnost* as a fraud.

Professional diplomats at the Israeli Foreign Ministry are furious, according to the Hebrew daily *Hadashot*.

The appointment has not yet been confirmed. The report came, however, on the same day that a leading Soviet scientist, Professor Kogan, member of a computer and mathematical institute of the Academy of Sciences, surfaced in Israel after he disappeared 48 hours earlier in Paris, where he was attending a Franco-Soviet seminar. Obviously, his defection to Israel was carefully prepared by French and Israeli authorities, who have been denounced by the Soviets.

Kogan said that he decided to defect, instead of requesting an official exit visa, because given his area of expertise, one might never be granted.

These sudden developments, antithetical to Israeli-Soviet relations, come amid a series of statements and published articles by Israeli officials critical of the superpowers. On Jan. 27, Shamir said that the "superpowers' plan for the Middle East" will never be accepted by Israel, and that any idea of the superpowers imposing their own peace plan was "ludicrous."

War over opium on in Golden Triangle

The largest opium crop ever harvested in the Burmese section of the "Golden Triangle" is setting off battles among five armies in the region, London's *Observer* claimed Feb. 5. Correspondent Andrew Drummond filed the report from Chiang Mai in northern Thailand. Drummond himself has been linked by some to the wing of the Burmese "opposition" known to be dealing in drugs.

Sure enough, Drummond was able to interview and photograph the northern-Burma-based "opium king" Khun Sa at the fortified base of his ethnic-Chinese Shan army near the Burmese-Thai border. The Thai

government has placed a \$25,000 price on Khun Sa's head.

Burmese Communists, the Thai military, the Burmese military, the Shan army, and, Drummond claims, "the remnants of the Chinese Kuomintang Nationalists" are all at war over 2,000 tons of raw opium ready for transport and sale. "This is now a fight for the control of the Thai border," Khun Sa told him. "If we win, we shall have control of 80% of the opium in the Golden Triangle."

He said one of the reasons for the bumper crop was that the Burmese government, crippled by unrest and economic disaster, has told farmers in the Shan states that they could resume their traditional opium cultivation. All Western nations have canceled economic aid to Burma due to "human rights violations," and the U.S. cut all anti-drug aid.

"This means that the crop, which we expected to be about 1,200 tons, should be about 2,000 tons," Khun Sa said—enough to supply the U.S. heroin market for 10 years.

Burmese villagers confirmed that the government has told them there will be no punishment for opium growing, but claimed the crop was actually slightly less than last year's.

Gandhi warns Pakistan after missile tests

India's Prime Minister Rajiv Gandhi has warned that India will have to take steps to "protect itself" following Pakistan's successful testing of its own medium- and short-range ground-to-ground missiles.

According to Pakistani Chief of Staff General Aslam Beg, the two missiles have a range of 300 and 80 km, respectively, and could carry a 500 kg payload with "full accuracy."

The test of what the Indians described as "cross-border missiles," occurs at a time that the Bush administration is considering cutting military and economic aid to Pakistan as of next fiscal year, following the failure of the last Reagan administration to certify that Pakistan does not have the nuclear bomb.

Briefly

● **FRENCH** Defense Minister Chevenement has issued an appeal for the intensification of Franco-German military cooperation. According to a report on West Germany's *Deutschlandfunk* radio Feb. 5, Chevenement said that a "joint military-industrial base" should be developed by the two countries.

● **EXECUTIONS** in the People's Republic of China are now taking place at a rate hitherto only known in Iran, say British press reports. In Canton recently, 17 people charged with robbery and murder were sentenced to death. Other reports say that during the first three weeks of January, almost 100 criminals were executed just in Guangdong Province, of which Canton is the capital.

● **THE U.S. AIR FORCE** is closing its long-range "spacetrack" radar system in the Philippines, one of about two dozen systems worldwide used to detect foreign satellites, a spokesman from Clark Air Base said Feb. 5. The 17th Surveillance Squadron at San Miguel Naval Communications Station, 60 miles northwest of Manila, is scheduled to be deactivated by April.

● **VIRGILIO BARCO**, President of Colombia, has offered to pardon the top leaders of the M-19 terrorist gang who assaulted the Justice Palace in Bogotá in 1985 and murdered half of the Supreme Court justices on behalf of the drug mafia. A spokesman said the pardon is being considered "if the process of dialogue that has begun ends successfully." The government recently signed a "peace accord" with M-19.

● **JAPANESE** police are mounting an unprecedented security operation to protect the Feb. 24 funeral of Emperor Hirohito. Some 32,000 police, and many special security squads, have been mobilized. Police report their possession of "coded memos" showing that leftists plan attacks on the funeral, probably with mortar launchers.

Bush budget: a kinder, gentler Heinrich Bruening

by Webster G. Tarpley

On the evening of Feb. 9, President Bush addressed a joint session of Congress to outline certain changes he proposes to introduce into the detailed budget sent to the Congress by President Reagan at the beginning of January. Although he sought to create the impression of a substantial departure from the Reagan budget, Bush's austerity diverges from Reagan's final budget only in minor details. After the glittering generalities of the election campaign and the inaugural address, this was the first occasion on which the new President had to be specific.

Despite the much-vaunted experience of the Bush team, he did so in a way which will satisfy no one. The Bush budget is a deadly catalogue of sacrifice and privation, where Bush's desire to be known as the "education President" turns out to be worth just \$411 million in hard cash. But at the same time, Bush's "flexible freeze" austerity is not nearly Schachtian enough to satisfy the Bank for International Settlements (BIS) clique, which wants a drastic compression of living standards and spending levels which Bush wishes to duck for the moment. Even on the level of the President's relations with the Congress, Bush's deficit-cutting method is seen on the Hill as a ploy to shift the onus of "bipartisan" cutting to the legislative branch, while the White House plays up tiny increases in social and humanitarian programs.

The speech delivered by Bush to the Congress was largely misleading, since he was silent on cuts and only modulated the "kinder and gentler" register. More details are to be found in a 193-page volume entitled "Building a Better America," which Bush forwarded to the Congress with his speech. This curious document is being referred to as "Quotations from Chairman George," owing to the many citations from Bush's campaign speeches which festoon the pages: "There is but one just use of power, and it is to serve people," is on page 11, but there is at least one on almost every page. We are reminded that Maoist China is the only foreign country the President has ever lived in.

The smoke and mirrors of the Bush budget proposals begin with the underlying assumptions about the behavior of the U.S. economy over the period ahead. The biggest *salto mortale* comes at the beginning: the prediction that federal revenues will rise by \$88 billion during FY 1990 as a result of the ongoing recovery and the invisible hand. This is based in turn on the notion that short-term interest rates will be about 7.4% for the Treasury; these rates are now one full percentage point above that figure and are headed higher. This means that the interest payments on the public debt, now \$168.8 billion, will rise above the projected level of \$173.3 billion Bush assumes for 1990. Related assumptions about "gross national product," inflation, and unemployment are equally utopian.

The other misleading aspect of the budget is the accounting method employed. In his press briefing, OMB chief Richard Darman ridiculed the old budgeting method, called "current services baseline" budgeting. The old method was that a budget item was thought of as holding steady if it continued to be funded at a level sufficient to provide the current service level, plus inflation. Above that was an increase, below that was a cut. According to Darman, this has a "curious Wonderland quality" since it suggests that "programs funded in the past must be funded at at least equivalent service levels in the future—with a built-in upward adjustment for inflation and other factors. In a sense, it treats spending programs as immortal. And it treats inflation as an acceptable given." Darman has replaced the "Wonderland" method with a "common sense approach," which measures budget cuts and budget growth simply by comparing the nominal amount spent one year with the nominal amount spent the next year. Using this sleight of hand, Bush can claim that he is adding \$2.4 billion, or 22%, to the NASA budget to fund the Space Station Freedom. In reality, Bush is adding nothing to the appropriation proposed by Reagan for FY 90, and is adding only \$126 million more in

spending authority. Bush intends to take all that back in 1991 by lopping off some \$270 million proposed by Reagan. Or, in the case of AIDS/HIV, including both "education" and research, Bush claims that he wants to spend \$1.6 billion, which he says is an increase of \$313 million, but this is in line with what Reagan had already proposed.

From Wonderland to sleight-of-hand

By virtue of the flexible freeze, a large number of domestic programs will be kept at their previous levels of funding, without even an allowance for inflation. These programs account for \$136 billion, or 12% of the overall budget. The defense budget is also frozen, but allowance is made for what the administration asserts to be the inflation level which is heavily underestimated in terms of the dollar's ability to command hard commodities in the real physical universe. According to Darman, the method was then to single out "headings," or general areas of spending, and fix a "lid" or maximum figure for each of these headings. The administration economic "Quadriad" is ready to talk to Congress about the dosage of austerity in each of these areas. Bush claims that with all this, he is bringing down the deficit by about 40% within one year, to meet the new targets set by the Gramm-Rudman-Hollings deficit reduction law. For FY 89, the Gramm-Rudman target was supposed to be a \$136 billion deficit, but various kinds of cheating got the deficit up to at least \$163.3 billion, by the administration's own figures. Now Bush claims that he will respect the FY 90 target of \$100 billion, coming in with \$91.1 billion of red ink. The fictitious assumptions of the budget make that feat impossible, as the vultures at the BIS were quick to note. Bush is trying to punt, to carry off one to two more years of the Gipper. In the meantime, there will be carnage:

- Defense will rise to \$291.2 billion, and even that will include the cleanup of old nuclear weapons production facilities and other burdens. Darman said that the budget requests for the Strategic Defense Initiative would stay at the Reagan FY 90 request level of \$5.6 billion, but he also referred ominously to a review of the SDI and other policy areas that Bush had ordered. Conventional wisdom is that the SDI will be very lucky to come through with this year's authorization of \$3.79 billion plus some allowance for inflation; after the Nunn and Aspin committees finish with it, the figure is likely to be lower. Bush plans to cut \$44.7 billion in authorization and \$30 billion in appropriations from the Pentagon over the next four years compared to Reagan's projections.

- Severe carnage is mandated for the farm sector. Agencies operating in the area of agricultural credit policy, including the Rural Electrification Administration, the Farmers Home Administration, and the Rural Housing Insurance Fund will have their outlays cut by \$3.63 billion. The Commodity Credit Corporation is slated to drop from \$13.9 billion to \$10.7 billion.

- Medicare will be savagely gouged under the heading of slowing the growth of mandatory entitlements. Projecting current trends, an increase of about \$13 billion in Medicare had been expected. The Bush budget slows that to an \$8 billion increase. Darman specified that the burden would fall on the providers of health care, not the users, indicating that this sum is to be taken out of the hides of the doctors and hospitals. Also under entitlements, Bush wants a freeze of the Cost of Living Allowances for retired federal workers, including retired military.

- Most of Bush's humanitarian programs add up to minuscule outlays. Rewarding successful schools will cost \$30 million in FY 90; recognizing superior teachers will cost \$6 million; the National Science Scholars Program (535 political patronage scholarships) will be just \$4 million; magnet schools will cost \$12 million. Designating the current Director of the White House Office of Science and Technology Policy as Assistant to the President for Science and Technology is even better—it costs nothing at all. For the War on Drugs, \$974 million of new money is sought, about a third of it for educational initiatives.

- On the FSLIC bailout, the budget pretends that total new outlays for FY 90 will amount to just \$1.9 billion, a mere bagatelle. Such subterfuge fools nobody.

- Bush's speech to the Congress was packed with Theodore Roosevelt-style environmentalism. He wants \$520 million in new money for clean air and fighting acid rain.

- Bush requested the creation of 70 Hong Kong sweatshop "Enterprise Zones," which would cause tax revenues to fall because of tax breaks provided. He proposes a cut in the capital gains tax to 15%, provided that the speculators hold onto their stocks for at least one year. Tax breaks for oil and gas producers are also envisaged.

Reactions to Bush's programs included a sharp drop in the dollar and Treasury securities on European markets, a sure signal that the BIS is not happy. There was also a steep decline in the New York Stock Market. Chairman Sasser of the Senate Budget Committee noted that Bush "can't tell us how he proposes to meet the necessary annual installment payments," and complained that Bush had included a "black hole" of cuts which Congress must decide. Chairman Leon Panetta of the House Budget Committee noted that "many of the tough choices were put off for another day." Chairman Rostenkowski of the House Ways and Means Committee predicted that the cut in capital gains would be defeated, and that tax increases would be required to reduce the deficit, saying "I'm not about to tell the wage earners in Chicago that they should pay a higher tax rate than the stockbrokers."

Chancellor Bruening held power in Germany from March 1930 until May 1932. He imposed draconian austerity by decree-laws (*Notverordnungen*) under a state of emergency. His government was repressive but highly unstable, and he was soon considered expendable by the bankers he sought to serve. Bush has not learned from this example.

LaRouche contests government move to dismiss Boston case

by Jeffrey Steinberg

In a hearing before U.S. District Court Judge Robert Keeton in Boston, Massachusetts on Feb. 9, attorneys representing Lyndon LaRouche and several of his co-defendants opposed the government's motion to dismiss the 124-count indictment against them. Defense counsel argue that, if the trial proceeds, the defendants would be vindicated of all charges, and the basis would be provided for reversal of the Alexandria "railroad"—the political frameup trial which resulted in the conviction of LaRouche and six associates on Dec. 16—on grounds of massive government misconduct.

On Jan. 27, Boston U.S. Attorney Frank L. McNamara, Jr. had filed a motion asking the dismissal of the case against LaRouche, a dozen associates, and four organizations, on charges of mail and wire fraud and conspiracy to obstruct justice.

Judge Keeton has not yet ruled on the matter.

Not at all coincidentally, the very same day that the Department of Justice was moving to dump *U.S.A. v. The LaRouche Campaign et al.*, another federal judge in Alexandria, Virginia was sentencing LaRouche to a draconian sentence of 15 years in jail—in effect a death sentence for the 66-year-old political economist and four-time presidential candidate—and ordering him and six associates to immediately begin serving their sentences. The Alexandria prosecution had centered around mail and wire fraud charges, merely replacing the Boston conspiracy to obstruct justice counts with a single-count conspiracy charge that LaRouche had concealed information from the IRS.

In all but the most legalistic and technical features, the two cases were identical, and were the handiwork of the same Department of Justice "Get LaRouche" squad that was convened under the direction of former U.S. Attorney and Criminal Division head William Weld, at the behest of such liberal Establishment bigshots as Henry Kissinger, Edward Bennett Williams, Donald Regan, and the leadership of the Democratic National Committee—with strong urging from Moscow and the City of London.

On the most immediate level, the government's decision to drop the Boston case on the eve of a scheduled retrial, was motivated by a decision within the Establishment to "bury" LaRouche by shutting off all public forums—including the Boston federal courtroom. More to the point, however, a retrial in Boston threatened to further bring to light the Justice Department's own criminality in its decade-long effort to frame up LaRouche and destroy the international

political association that he founded over 20 years ago. Such revelations, which did begin to come out during the lengthy first Boston trial last year, prompting the government to scramble for a mistrial, would have likely provided new evidence forcing the reopening of the Alexandria case.

A special case of 'graymail'

At least one current occupant of the West Wing of the White House breathed a sigh of relief when U.S. Attorney McNamara filed his dismissal motion. C. Boyden Gray, former general counsel to Vice President George Bush and now the White House general counsel, had emerged during the final weeks of the first Boston trial (which ended in mistrial in May 1988) as a major player in the second Reagan-Bush administration's "Get LaRouche" program, a program that intersected possibly criminal aspects of the Iran-Contra scandal that are now the subject of other prosecutions, including the Oliver North trial.

In the midst of the first Boston trial, a Freedom of Information Act (FOIA) suit by the defendants demanding all National Security Council documents referring to Lyndon LaRouche turned up a May 6, 1986 memorandum from Gen. Richard Secord to Oliver North which said, "Our man here has info against LaRouche." The document, in the possession of Irangate Special Prosecutor Lawrence Walsh, had been retrieved from the NSC office safe of North. A May 1, 1986 FBI memorandum released to defense attorneys revealed that "our man here" was a retired U.S. Army Special Forces sergeant major, Frederick Lewis. Lewis and his two partners, Gary Howard and Ron Tucker, had made repeated efforts, beginning in September 1984 to "infiltrate the LaRouche organization" on behalf of both the FBI and the CIA. By planting false information in FBI and CIA files against associates of LaRouche, the trio had successfully triggered a criminal investigation into LaRouche-linked organizations.

According to a spring 1988 *Washington Post* article, the Lewis-Howard-Tucker trio had been reporting their activities directly to none other than C. Boyden Gray. The exposure of these ties prompted Judge Keeton to order a more thorough search of White House files for exculpatory documents. Keeton singled out the files in the Office of the Vice President for special scrutiny.

In addition to their efforts to "sting" LaRouche, the three Texas-based mercenaries had been simultaneously working as undercover agents for the U.S. Customs Service. Accord-

ing to British sources, while working in England between 1984-86, Howard, Lewis, and Tucker had been bagmen for a North-Secord Enterprise associate, Col. David Walker of the British SAS front company, KMS, Ltd. KMS had been brought in by North and by Secretary of the Navy John Lehman to carry out military covert operations in Nicaragua on behalf of the Contras, according to congressional testimony.

In short, the Howard-Lewis-Tucker issue threatened to unearth the otherwise successfully suppressed "Bush role" in Irangate.

The Emerson-FBI angle

From the very outset of the Boston prosecution, which began on Oct. 6, 1986 with a 400-man paramilitary raid on the offices of two LaRouche-linked Leesburg, Virginia companies and the unsealing of the original indictment, defense attorneys had labeled the prosecution a political frameup of LaRouche, capping a 17-year FBI COINTEL-PRO campaign against the National Caucus of Labor Committees (NCLC), the philosophical association LaRouche founded.

Despite agreements between defense attorneys and prosecutor John Markham committing the government to turn over all documents relating to FBI informants before the start of the trial, it was only on the 70th day of the trial that the government released an extensive FBI file on informant Ryan Quade Emerson, a.k.a. Ivan Nachman. An oftentimes paid informant for the FBI since 1966, Emerson had been used by the FBI to plant "evidence" on several LaRouche associates who were then accused of obstruction of justice; the "evidence" took the form of verbal briefings that were reflected in those defendants' personal notebooks, and then used to build a case against them. Markham used quotes from the FBI's Emerson, taken from seized notebooks of defendant Jeffrey Steinberg, in his opening statement before the jury as "proof" of the obstruction conspiracy. Seventy days into the trial, Markham was forced to submit an affidavit to the court acknowledging that he had *personally authored* the notebook entry delivered by Emerson as part of the informant's efforts to gain access to the offices of *EIR* in preparation of the search warrant.

Confronted with massive evidence of government misconduct, Judge Keeton eventually ordered an evidentiary hearing to determine the level of government abuse. Emerson was grilled by defense attorneys and Judge Keeton ordered FBI classified files on Emerson from half a dozen field offices to be declassified and made available to the defense. In the course of his testimony, Emerson revealed that during 1978-80, he had been paid by the FBI to publish a "private" law enforcement oriented newsletter filled with FBI-provided information. This FBI invasion of the media unleashed a storm of protests and investigations by investigative reporters around the country. This groundswell of interest in the

LaRouche case began to seriously jeopardize FBI "methods and procedures."

It was under these circumstances that the Department of Justice jumped at the first opportunity to "cut bait" and walk away from the Boston trial with a mistrial. The issue of government corruption and interference in the affairs of a legitimate political organization had become such a central issue in the trial that the jurors, in an informal poll taken moments after the case was ended, voted unanimously to acquit all defendants on all counts.

Fearful of the consequences of a repeat of the initial Boston experience, prosecutors went shopping for a new judge and a new jurisdiction. The Department of Justice handed down a November 1988 "new" indictment against LaRouche and six colleagues in Alexandria, a jurisdiction known as the "killing field," and scheduled the Alexandria trial to "leapfrog" the Boston retrial.

Lying their way in, lying their way out

At the time of the Oct. 6, 1986 raid, the Justice Department succeeded in having two of the Boston defendants, Jeffrey and Michele Steinberg, held without bail. In a highly charged hearing before Magistrate Grimsley of Alexandria, Va., U.S. Attorney Henry Hudson had argued that the Steinbergs were "kingpins" of the obstruction, and would continue to obstruct justice if allowed to remain free on bail. From the official transcript of the Oct. 9, 1986 hearing:

Hudson: "We will show that the failure to produce documents and the agreement to squirrel these witnesses off to Europe was the direct result of a conspiracy created by Jeff Steinberg and Michele Steinberg. . . . These individuals are a very bad flight risk because they, like the people who went before them, could easily go to Germany. . . . We would also ask for their detention because they are very likely to continue to engage in obstruction of justice that brings us here today."

FBI Special Agent Richard Egan, the case officer for the two-year grand jury probe in Boston, delivered wildly perjured testimony at that bail hearing. Among his lies, subsequently disproved during hearings and the trial: that four LaRouche-linked entities subpoenaed to provide documents to the Boston grand jury had failed to provide any documents—under orders from the Steinbergs. In later testimony, Egan acknowledged that *millions of pages* of material had been submitted to the grand juries.

The Steinbergs spent 100 days in jail without bail.

When the government filed its Jan. 27, 1989 motion to dismiss, an accompanying memorandum suddenly offered a radically different set of facts, belatedly admitting that their target was LaRouche. Edward Spannaus, the director of legal affairs for the NCLC, was now the secondary "kingpin." Since LaRouche and Spannaus had already been convicted in Alexandria, further prosecutions were now deemed "unnecessary" and a waste of government funds.

Knights of Malta launch a crusade in America

by Scott Thompson

On Jan. 13, the Sovereign Military Order of Malta presented its highest honor, the Collar of the Order of Merit, to President Ronald Reagan at a dinner at the Waldorf-Astoria Hotel. This was the first time that an American President had been offered and accepted an award from the Knights. It was also the first visit of the Knights' Grand Master, who holds the rank of Prince and Cardinal of the Catholic Church, to the United States in the 900 years of the Order's history. The award dinner was sponsored by the American Association of the Knights of Malta, which is the oldest and largest of three associations of the Catholic branch of the Knights of Malta in the United States, headed by J. Peter Grace.

His Most Eminent Highness Fra Andrew W.N. Bertie, the new Grand Master, presented President Reagan the award, stating: "You have defended the rights of the unborn, and the importance of moral spiritual values, at great political risk to yourself. The Order of Malta was and is an aristocracy of service, and you have personified this ideal in your service as President."

Fra Bertie, who became Grand Master of the Knights last year, is the first British Grand Master since Hugh de Revel (1258-77). In his speech, Fra Bertie stressed the potential importance of the Knights of Malta establishing closer ties with the United States, as symbolized by the award to President Reagan. Informed analysts believe that Fra Bertie is attempting to play the Anglo-American "special relationship" through the Knights of Malta.

Fra Bertie's appointment was widely regarded as a special favor to Queen Elizabeth II, who reportedly used her visit to meet Pope John Paul II to help save the Knights of Malta, which various Cardinals had decided should be disbanded as an anachronism and center of Gnosticism within the Church. Fra Bertie is the son of the Earl of Lindsey and Abington, who was a broker on the London Stock Exchange.

Otherwise, Fra Andrew Willoughby Ninian Bertie is a strange choice for the post of Grand Master. Born in London on May 15, 1929, he studied at Oxford and the School of Oriental Studies at London University. For 23 years, he taught modern languages at Worth School of the Benedictine Order, which was responsible for founding what became the Knights of Malta during the Crusades. Fra Bertie is considered one of the world's leading scholars on Tibet.

In his brief remarks on the first visit of a Grand Master to

the U.S., Fra Bertie spoke of the importance of closer ties between the Order (recognized as sovereign under international law) and the United States. The only earlier official contact between the Order and America had been when the Grand Master, after Napoleon's conquest of Malta, suggested to the American President that a portion of the United States be set aside so that the Knights could form a sovereign principality within the young republic.

Rejected in the United States, the Knights of Malta found refuge in Russia, under the insane Czar Paul I, who adopted the title of Grand Master and affiliated the Knights with the Russian Orthodox Church. Since the Bolshevik Revolution, the Kremlin has maintained a special office to keep tabs on the Knights, at least one faction of whom have remained a back-channel with Soviet intelligence, seeking to have Jerusalem made into an international city under the auspices of the Knights of Malta.

The real story of Irangate

President Reagan stressed in his speech to the Knights that private charity should become the principal means to supplant the welfare state. President Reagan was apparently unaware that the hospice movement, advocates that those with terminal illnesses or "more will than wallet" are permitted to "die with dignity," while being stupefied by painkillers. But there is another story underlying the Knights of Malta's version of charity. Under the cover of establishing hospitals for the poor, the Knights of Malta have become, according to U.S. intelligence sources, among the biggest arms-traffickers in the world.

Exemplary is the hospital maintained by the Knights of Malta under Prince Lobkowicz in the Syrian-occupied Bekaa Valley of Lebanon, the major breeding ground for international terrorism. The Knights are known to provide services to the terrorists, who fund their activities partly by having turned the Bekaa Valley into a major narcotics production spot.

When the Irangate scandal broke, U.S. intelligence sources informed *EIR* that finally the real story of the Knights of Malta might break through. Irangate Special Prosecutor Lawrence Walsh was allegedly investigating them. Among those members of the Knights of Malta who had a role in Irangate were: 1) Director of Central Intelligence William

Casey, a member of Grace's American Association of the Knights of Malta, who ran whole sections of the Irangate policy as a "vest pocket" operation; 2) Alexander Haig, who had a hand as NATO commander in toppling the Shah of Iran, also in 1982 initiated the strategic "Memorandum of Understanding" with Israel, under whose terms Israel supplied arms to Iran; 3) Cyrus Hashemi, the Iranian arms-trafficker and Savama paymaster, who was arrested in 1980 bearing a Knights of Malta passport; 4) Ibrahim Yazdi, the former foreign minister of Iran, who traveled to the U.S. secretly in June 1986 at the height of the arms-for-hostages deal, when he met with Oliver North; he now travels on a Knights of Malta passport.

This curious relationship of the Knights of Malta, who were always a private intelligence network in the Middle East for the old European nobility, with Iranian leaders and arms-traffickers, had been furthered when, shortly before the toppling of the Shah of Iran, the Knights of Malta opened an embassy in Teheran. The Knights reportedly also worked closely with the Shi'ite fundamentalist clergy led by Ruhollah Khomeini. Many awards similar to that given President Reagan and passports were handed out to Iranians on both sides of the conflict.

The Knights and the Narcontras

J. Peter Grace's branch of the Knights of Malta has been the primary distributor of at least \$50 million in aid to the Contras in Central America, raised by the New Canaan, Connecticut-based Americares Foundation. Some \$14 million was distributed in 1983 and another \$20 million in 1984. Figures for more recent years are not available, but the program is known to have continued apace.

This is not all private charity. Both Americares and the Knights of Malta have each, separately, become Private Volunteer Organizations (PVO) receiving grants and credits from the U.S. Agency for International Development, which has historically been employed for covert operations by the Central Intelligence Agency.

While there is no evidence that this aid was other than humanitarian, Robert Macauley of Americares has been quoted as saying that he would have also shipped weapons, if he were asked to do so by President Reagan. The Salvadoran Association of the Knights of Malta is also registered as a PVO, and it received \$178,500 for a project to build a "model town," which is believed to have been modeled upon the strategic hamlet program in Vietnam.

The chief Knight involved in distribution of the Americares aid is Roberto Alejos Arzu, who is president of the Guatemalan Association of the Knights of Malta and the Order's former ambassador to Honduras. He is a strong Contra supporter, who earlier lent his Guatemalan coffee estate for use by the CIA to train the Bay of Pigs invasion force. In interviews, Alejos Arzu admitted knowing well not only Alexander Haig, but also rogue CIA official Theodore Shack-

ley, who was the *éminence grise* in Irangate.

There is some question as to just how good a Catholic Alejos Arzu might be. In February 1968, Roberto Alejos Arzu was arrested and charged with kidnaping the Archbishop of Guatemala, Msgr. Mario Casariego (now a Cardinal).

Alejos Arzu has given interviews in which he claims to have helped create Vietnam-style strategic hamlets along the Honduran-Nicaraguan border. It is suspected that Americares aid was used in this project, which included major emigration from Nicaragua in 1982, and created bases for Contra operations. Moreover, Alejos Arzu has been an outspoken advocate of drug legalization at a time when factions of the Contras have been accused of drug-and-gun running to fund their operations.

Communists and Freemasons

The Kremlin has maintained a back-channel to the Knights of Malta since the Bolshevik Revolution. Stalin offered to restore the Knights' Russian and Polish Commanderies in exchange for the Knights' opening a legation in Moscow. This involved intricate negotiations over the status of Jerusalem, which Stalin believed the Knights might become the mandatory power over. A faction of the Knights liked Stalin's offer. At present, the Kremlin is again considering diplomatic recognition of the Knights, whose sovereign state encompasses one small building on the Via Condotti in Rome.

J. Peter Grace, head of the American Association that entertained President Reagan, comes from a family with an equally long history of dealing with the Bolsheviks. His father, Joseph Grace, whose family concern started as junior partners of the British in Peru, was on the board of the American International Corporation at 120 Broadway that traded extensively with Russia, before and after the Bolshevik Revolution. A Grace-Russia corporation was formed that stayed in business with the Bolsheviks.

Under the Reagan administration, J. Peter Grace headed the President's Private Sector Survey, which, while it viewed debt payments as sacrosanct, recommended massive budget cuts in national defense, as well as the "privatization" of critical areas of the military.

The Knights of Malta have also been scandalously close to the Satanic currents of Freemasonry since the 18th century, when Joseph, Count Cagliostro (a reputed bastard son of the Grand Master) entrapped Marie Antoinette in the "necklace scandal," which helped create the Jacobin French Revolution, which had been organized through Scottish Rite Freemasonic networks. Count Cagliostro, who was inducted into Freemasonry in London, founded his own "Egyptian Lodge" in Rome, which led to his imprisonment by the Holy Inquisition, as well as a secret lodge among English Knights on the island of Malta.

Several leading Knights have also been Freemasons in the 20th century. According to French author Jacques Peyrefitte, the same Comte de Pierredon (descended from an

Ottoman Pasha) who received Stalin's offer to the Order to become partners in the division of Jerusalem after World War II, was receiving funds to advance his factions power within the Order from the Grand Orient of France. Also, then Grand Master De Mojana—allegedly imposed upon the Knights of Malta by British intelligence MI-6—was a member of the Palazzo Giustiniani Lodge, a branch of Scottish Rite, while simultaneously holding the rank of Cardinal of the Catholic Church.

Even more recently, the Knights of Malta were involved in a major Freemasonic scandal. Within days after the May 13, 1981 attempt to murder Pope John Paul II by the assassin Ali Agca, Italian carabinieri raided the villa of former Mussolini secret police (OVRA) official Licio Gelli, where they discovered a 1,000 person membership list of the secret Propaganda 2 Masonic Lodge.

As it turned out a number of prominent Knights of Malta—including the top Italian military and intelligence officers—were also secret members of the P-2 Lodge, including: Defense Chief of Staff Giovanni Torisi; Gen. Giulio Grassini, chief of the SISDE (“FBI”); and Gen. Giuseppe Santovito, chief of the SISMI (“CIA”).

Likewise, Italian Foreign Minister Giulio Andreotti was later said to have held simultaneous membership in the Knights and in Gelli's P-2 Lodge, which had directed slush funds to parties ranging from the Communists to Christian Democracy.

The P-2 Lodge was further discovered to have been involved in a series of coup d'état attempts in Italy, which started with the Dec. 7, 1970 aborted coup attempt of Prince Junio Borghese, a member of both the Knights and Gelli's Lodge. It was also the P-2 Lodge that was behind a wave of “red” and “black” terrorism, which began in the 1960s in Italy as part of a “strategy of tension” that culminated in the bombing of the Bologna train station by the neo-fascist Ordine Nuovo.

According to extensive Italian court testimony, when Henry Kissinger was National Security Adviser to President Richard Nixon, Kissinger (whose name has been linked to Gelli's Monte Carlo Lodge) directed “crocodile” funds to the P-2 Lodge for destabilizing Italy. Other testimony has charged that Kissinger personally threatened Italian Christian Democratic Party president Aldo Moro, who was later killed by terrorists. Kissinger's accomplice in these NSC-coordinated operations was Gen. Alexander Haig, a member of Peter Grace's American Association.

Licio Gelli himself, who formed this arcane association with the Knights of Malta, is what the U.S. Counterintelligence Corps during World War II would call a “Nazi-Communist.” Saved by Communist partisans he had worked covertly with during the war, Gelli established elaborate connections with the same Bulgarian and related East bloc intelligence services, which were used by the KGB for the 1981 attempt to murder Pope John Paul II.

‘Wiseguy’ says he LaRouche for the

by Herbert Quinde

A series of articles in the *Buffalo News* during early February revealed the previously undisclosed activities of a government informant who for 10 years illegally spied on Lyndon H. LaRouche, Jr. and associates.

Ronald M. Fino, the former president of Buffalo Laborers Union Local 210, has been a Federal Bureau of Investigation and Central Intelligence Agency informant for two decades, primarily reporting on organized crime activity in the labor movement. But, Fino told the *News*, “He had infiltrated the organization of Lyndon H. LaRouche for the CIA.” Although FBI officials have denied it, Fino was reporting to the Bureau about LaRouche's political activities as recently as December 1988.

The revelation, coming on the heels of the jailing of LaRouche and six associates, on trumped-up conspiracy charges, again confirms the claims made by defense attorneys that government agencies have directed a COINTELPRO-style operation of political harassment against the American political figure and his associates for two decades.

During the 1960s and 1970s, COINTELPRO (counterintelligence program) was the codename for a broad FBI program of harassing political organizations under the guise of protecting U.S. national security.

The revelations of Ronald Fino could be the basis for reopening the LaRouche case in Alexandria, Virginia. Daniel S. Alcorn, a LaRouche defense lawyer, is quoted by the *News* saying that the Fino revelations “might be a break in the criminal case, if there was government misconduct.” Judge Albert V. Bryan, who presided over the Alexandria railroad, denied the defense much of the information sought by LaRouche attorneys. “There were hundreds of pages deleted for national security reasons,” Alcorn told the *Buffalo News*. “We don't know what's behind that shield.”

The earlier Boston trial against LaRouche and associates ended in a mistrial, in part due to the illegal activities of Ryan Quade Emerson, another FBI informant unearthed during the six-month trial. The Boston jury informally polled itself after the mistrial and told the media that it would have acquitted all of the defendants because of government misconduct against the former presidential candidate.

Fino, who had posed as a sympathetic supporter of LaRouche's presidential bids, is currently in hiding, his life threatened under a contract put out by the Buffalo mob. The FBI is trying to force Fino to join the Federal Witness

spied against CIA and FBI

Protection Program (FWPP), but Fino says he wants a new identity and money for his services. The FWPP is notorious for its bad record in protecting former snitches. Caught between the mob and the FBI, Fino is singing to the media.

"If I were Ron Fino, I would not be walking the streets. The mob does have a contract hit out on him. Although the Feds are also squeezing him, they cannot discredit him because they need him to testify against some union officials," said a source close to the affair. Some civil liberties activists who are following the story believe that Congress might take an interest in the case.

Fino feigns support for LaRouche

There are some humorous moments in Fino's work for the FBI against LaRouche.

During spring 1988, Marianna Wertz, representing LaRouche's presidential campaign committee, solicited a financial contribution from Fino. "Always glad to help" LaRouche, the FBI informant pledged and sent a check to the LaRouche Democratic Campaign. But Mrs. Wertz recalls that Fino sounded somewhat paranoid during the phone conversation. He said that he had read the press coverage about the Boston trial, and commented that he had noticed that an FBI informant had been exposed during the trial.

Mrs. Wertz is the wife of William Wertz, former coordinator of fundraising for LaRouche-affiliated entities prior to his jailing along with LaRouche.

Back in 1979, during the primary period leading to the 1980 presidential election, Fino met twice with LaRouche, who had entered the race for the Democratic nomination. According to the *Buffalo News*, Fino offered to seek out support for LaRouche among conservative Democrats. During a campaign swing through upstate New York in September 1979, LaRouche met privately with Fino in a hotel near Greater Buffalo International Airport. LaRouche security personnel who attended the meeting recall that Fino and LaRouche discussed ideas for building highways in underdeveloped countries. Fino detailed his technical knowledge on the subject, referencing his travels to Saudi Arabia. Sources who have known Fino report that he had traveled extensively throughout the Middle East, including Israel.

In 1980, Fino traveled to Pontiac, Michigan to meet privately with LaRouche again. It is not known if Fino was electronically "wired" when he met with LaRouche.

By the time of the Michigan meeting, Fino had become enmeshed in an FBI operation to destroy the "LaRouche organization." He became personally associated with an FBI-controlled and mob-linked group inside LaRouche's Detroit organization, led by Kenneth Dalto, an aide to LaRouche during the 1980 campaign. Dalto was instructed to advise LaRouche to go into business with certain Republican entrepreneurs—later identified as linked to organized crime. LaRouche and associates rejected the idea as crazy, leading to a break with Dalto and his coterie.

Dalto had developed a relationship with organized crime-linked labor operatives who were also being courted by the Reagan-Bush campaign. This placed Dalto in Fino's environment. Under the direction of CIA director William Casey and James Baker, the Republicans were vying for conservative Democratic voters out of this layer. Fino, like many blue collar unionists in the Teamsters and Building Trades, could not back Jimmy Carter for reelection. And LaRouche was developing a substantial following among what became known as Reagan Democrats, much to the chagrin of Republican Party operatives. So, unbeknownst to LaRouche, the Dalto grouping went to work with the FBI, the mob, and the Republican Party to undermine his campaign.

After the 1980 presidential elections, the same FBI-run operation shifted gears, focusing now on breaking all of the channels between LaRouche and the incoming Reagan administration that had been built up during the campaign period. An FBI document dated Oct. 1981, obtained under the Freedom of Information Act, referred to an FBI operation code named "PROBE-X," which focused on LaRouche and Teamster ties to the Reagan White House.

Part of the overall FBI maneuver had included promoting Fino for a position in the campaign.

Fino has now confirmed the story, quipping to the *News*, "He wanted me to run for vice president one year."

As the Fino story unfolds, it seems likely that, next, James Baker's involvement in "dirty tricks" with the mob and the FBI against LaRouche may see the light of day.

A Communist for the CIA

Fino started his life as an informant while a student at the State University of New York at Buffalo. He was recruited by the CIA to monitor the activities of the radical Students for a Democratic Society during the late 1960s. During this period, Fino was a member of the Young Workers Liberation League (YWLL), the official youth group of the Communist Party-USA. "Fino also said he had infiltrated the organization of Lyndon LaRouche for the CIA and used his Mafia connections to help the CIA look for possible mob connections in the assassination of John F. Kennedy," reported the Feb. 2 *Buffalo News*.

According to numerous published histories of the Vietnam era anti-war movement, Fino's early days as a snitch

were likely part of Operation Chaos, later exposed in a congressional hearing that led to a major shake-up of the U.S. intelligence community. Operation Chaos was the CIA codename for an unauthorized program of domestic surveillance targeting anti-war activists. After the exposé, the surveillance program, run out of the CIA Office of Security, was quietly turned over to the FBI.

A mobster for the FBI

Fino hooked up with the FBI in 1972. By 1973, with FBI backing, he took over as business manager for Laborers Union Local 210, running on a reform platform. Over the years, Fino rose in stature, becoming a "pillar of the community." His union's pension fund invested \$80 million in constructing hotels and office buildings in the downtown area of the industrially depressed city. The *News* reported, "The flamboyant Fino, a commercial pilot and low-handicap golfer who seemed more at home with corporate executives than the laborers he represented, enjoyed the company of bankers, leaders of the black community, and politicians during his 15 years as business manager of Local 210."

Although the son of a well-known Mafia lieutenant, Fino denied his union had any links to organized crime. But he was telling the FBI another story. He leaked the same information he was giving the FBI to selected reporters, which produced stories about impending indictments of mob figures, months before they occurred.

Fino maintained close connections with mobsters and Laborers Union officials in Cleveland and Chicago. His lawyer for 17 years, Paul Cambria, also represented Harold Friedman, the recently convicted Teamster vice president. Recently deceased Teamster president Jackie Presser was an FBI informant. Henry Rossbacher, an Assistant U.S. Attorney in Los Angeles until two years ago, is representing Fino in his negotiations with the FBI.

ACLU to LaRouche's defense?

The Fino case highlights a pattern which is increasingly disturbing to civil libertarians. The FBI is again out of control, but since the outrages are directed at LaRouche, the defenders of the First Amendment have been slow in shaking off their liberal ideological blinders to realize that if the government can silence LaRouche, they may well be next.

But a recent article in an anti-CIA publication is indicative that even some of LaRouche's harshest critics from the left are waking up.

The winter 1989 issue of *Covert Action Information Bulletin* (CAIB) reports on illegal FBI operations against the "LaRouche organization." In an article entitled "COINTEL-PRO in the '80s: The 'New' FBI," *Boston Globe* investigative reporter Ross Gelbspan highlights the LaRouche case in a section subtitled, "Spying on LaRouche." The article is a review of several illegal FBI operations, including those against the Committee in Solidarity with the People of El Salvador (CISPES).

Interview: Lyndon H. LaRouche, Jr.

'The court could have

Mr. LaRouche granted the following interview on Feb. 4 to Lonnie Wolfe of EIR News for Loudoun County, a local paper in Leesburg affiliated with EIR, from the Alexandria Detention Center in Alexandria, Virginia. We reprint it here in a slightly condensed version.

EIR: You and your associates have stated that the Alexandria trial was "rigged" to achieve a guilty verdict. Given the government's animus, and the campaign of vilification, do you think it possible that you could have gotten a fair trial anywhere in the U.S.?

LaRouche: Broadly, the answer is yes. You have to distinguish between two things. First of all, the rigging, the arrogant absolute rigging of the Alexandria trial, which was a fraud from beginning to end, by the government and by the court, as opposed from the difficulties of assuring a fair jury trial, say in the Eastern District of Alexandria. For example, the case of Boston, where three weeks approximately were spent in obtaining a jury selection, through proper voir dire processes, which of course was not allowed in Alexandria.

After the conclusion of some months, it ended in a mistrial caused by the government's dilatory tactics. The jury polled itself after discharge, and said it would have acquitted all the defendants on all charges, and said the case was dominated by government misconduct. So that demonstrates that a fair trial is possible, under proper conditions. In Alexandria, it was not.

There is of course a difficulty in the Eastern District of Virginia, where you have a very special kind of liberal ideological influence in the population, which makes it rather difficult to get an impartial jury for anyone who is not that type of liberal. But it would be possible if the court were to attempt to do it.

EIR: You have written that "all your enemies are evil." Could you explain that?

LaRouche: I distinguish between those who may disagree with me, who may be right or wrong, and those who are evil. An example of what I mean by evil is illustrated by the case of Uganda. Uganda, of course, according to my information, has 60% of its population infected with the HIV virus, otherwise known as the AIDS virus, which means the nation is extinct. The starvation and mass death in black Africa has been the result of a deliberate policy by the most powerful

held a fair trial'

international financial institutions in the world, who happen to be my enemies. They are quite evil.

And the Soviets, of course, are a related case there also. Moscow is quite evil. It's the same kind of problem. As I say, distinguish between those who are my enemies, who are behind the Alexandria process, for example, and those people who simply, for one reason or another, happen to disagree with me.

EIR: In several locations, both before and after the sentencing, you have said that the Alexandria trial would have a disastrous effect on the U.S. Could you tell us what you see that effect being, and whether there is any way to do something about it?

LaRouche: A good example of the influence on the foreign interests of the United States is the case of the impact in Europe. In West Germany for example, Austria, Switzerland, and elsewhere, the judge in Alexandria was characterized by knowledgeable circles, close to or in government, as comparable to the famous Nazi judge Freisler of the 1930s and 1940s. I think it's not an unfair comparison, but it was interesting to me that it would be volunteered by people as their immediate reaction to what they knew of the case.

The problem in Europe as such, as far as the effect in the United States goes, is around the proposal to more or less dissolve the sovereign borders among European states, under the title of what is called Europe 1992. The British are determined that shall work out to their advantage, to which effect they have put continental Europe under virtual British economic slavery. The U.S. is presently allied with those British interests against France, Italy, Germany, and other nations. And naturally, the French, Italians, and Germans, aren't happy with the United States engaging in this kind of thugery on Britain's behalf. And they reacted to this trial as the last straw.

It persuaded them that the United States may have gone all bad. As a result, there are much stiffer reactions to U.S. diplomacy now, than there were before the news of the trial hit Europe. Inside the United States, of course, this is an impairment of the system of justice. And therefore, to me, to permit such a travesty of justice to occur, particularly against a major figure with some fighting capability, where other people ordinarily could not fight this kind of thing, even to the degree we did, means that the system of justice has failed

and that the next unfortunate to come down the line to get the same treatment is going to find himself in the deep kimchee faster than we did.

EIR: Do you hold any hope of vindication in the appeal process?

LaRouche: There are always honest fellows in the process who may say, I don't care what the pressure is, this is a foul ball decision, and I am going to do something about it, somewhere in the appellate process. That can happen. Otherwise, barring such action, by simply honest judges, who have had their belly-full of this stuff, the political process will influence the ultimate outcome. One can say in summation, that if Gorbys goes up, I tend to go down, if Gorbys falls, I tend to go up. That's the way I think things will go.

EIR: There are people, not your friends, who have started circulating the story around these parts that your jailing will have the same kind of effect on the organization as the Soviet pullout on the puppet government in Afghanistan: that is, that there will be a collapse and dispersal of the organization from Loudoun County and elsewhere. What is your assessment of that?

LaRouche: These people are cheering for what would be called fascism, which indicates that such people represent a fascist mentality in the County. And they should begin to examine their own pedigrees on that account. But, however, they are wrong on every account. People who think like that are generally very stupid. The Soviets never intend to leave Afghanistan, and have not left, and have not begun to leave, and of their own volition, never will.

EIR: There is currently a trial going on here in Loudoun, directed by the state Attorney General's office and presided over by Judge Penn, which appears to be heading towards the same kind of prejudicial result as Alexandria. What would have to be done here to avoid a similar "railroading" as in Alexandria?

LaRouche: It's simply a fair trial. But undoubtedly there will be some political factors in that too. It could go badly. It's possible, but if it does, 99% of the citizens of Loudoun County will find that whatever can be done to us will be done to them next.

EIR: What role, if any, do you now see for yourself in helping steer the Bush administration?

LaRouche: There are some people in the Bush administration or around it who value my opinion—whether they accept it or not—very highly. They like to know what it is, even if they don't follow my advice. Under conditions of crisis, they will tend to have a stronger voice within the Bush counsel and George may have the good sense to say, okay, what my dear friend James Baker III has been proposing is a lot of garbage, and it isn't going to work; maybe I have to listen to what the other fellow says.

Fedex: Mr. Smith goes Aquarian

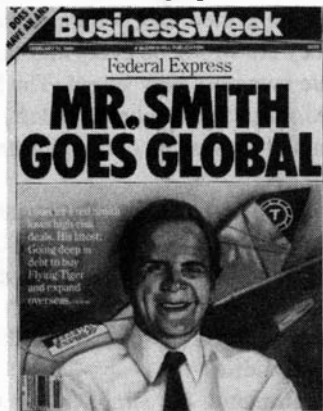
by Steven Meyer

On the cover of the Feb. 13 issue of *Business Week* is a painting of a smiling Federal Express chairman Fred Smith. In the background is a profile of a cargo plane tagged with both Federal Express and Flying Tiger, signifying the long-awaited merger between the two corporations. On Jan. 31, the U.S. government officially approved Smith's acquisition, giving Federal Express routes and cargo planes to the Orient and Southeast Asia.

Entitled "Mr. Smith Goes Global," the article details the risks and difficulties involved as Smith attempts to put together, in his own words, "the largest and best transportation company in the world." According to the admiring authors, "of all the factors that helped make Federal Express a \$4.6 billion-a-year juggernaut, including Smith's own prescience and plenty of good fortune, perhaps the most important is his overwhelming desire to be No. 1."

Contrary to that assertion, it was not Smith's desire that built Federal Express, but the omnipotent hand of "the goddess Fortuna" operating through Wall Street's powerful White, Weld and New Court Securities. Not only did they steal ownership from Smith outright and then reorganize the company, but they directed Federal Express in their fight for deregulation of the airline industry. According to one source, passage of deregulation saved a nearly bankrupt Federal Express and gave the moribund company a new lease on life by making available expanded routes and planes without which the company could not be profitable.

Probably for Smith, fortune's singular act was to save him from a hit-and run manslaughter rap on the evening of



Jan. 31, 1975. On that day, Smith was notified of a fraud indictment by the Little Rock, Arkansas district attorney and while driving home, he hit and killed 54-year-old George C. Srughill, who is reported to have been crossing Airways Boulevard in Memphis, Tennessee against a red light. Smith left the scene of the accident and later told police that he was not aware of what he had done! He was charged with leaving the scene of an accident and driving with an expired license. But once again, fortune intervened and the charges were dropped.

After this narrow escape, Smith went on to turn Federal Express into the flagship New Age corporation that it is today.

Making Fred Smith

In 1972, when he founded Federal Express, Fred Smith was 28 years old and a graduate of Yale University, where he was inducted into the super secret Eastern Establishment cult, the Skull and Bones Society. Smith was a highly decorated Vietnam War veteran. He began Federal Express using his family trust fund as backing, with the idea that a fast and efficient freight company could soon turn a profit. But in its very first months, the company hovered near bankruptcy, and Smith needed a huge infusion of credit to expand company operations.

Through friends, he sought the help of White, Weld which were interested in finding investors for Federal Express. Readers of this publication will recognize White, Weld. William Floyd Weld, the son of David Weld, now deceased partner of White, Weld, was the U.S. attorney who covered up the Bank of Boston's massive drug money laundering and who initiated the nationwide prosecutorial witchhunt against Lyndon H. LaRouche.

According to writer Robert A. Sigafos, when White, Weld agreed to help Smith, Federal Express was "absolutely broke," so they informed him that they would provide backing if Smith could provide \$1.5 million of equity for the company.

On Feb. 5, 1973, to meet their request, Smith frantically secured a \$2 million loan from the Union Bank in Little Rock, Arkansas by forging the signature of the lawyer for his family trust, which was the securer of the loan. It was this action which was the subject of the aforementioned indictment.

During Smith's trial he was asked by the prosecutor: "Were you pressured enough that you would do anything to get some money?" Smith answered, "I wouldn't kill someone, no sir." Prosecutor: "... but you would submit a false and fictitious statement on a document to a bank to get it, wouldn't you?" Smith: "I have never denied that... and that is correct, sir." Although he admitted forging the document, Smith was acquitted by a home-town jury.

Despite acquiring the loan, Federal Express racked up a deficit of over \$4.4 million by April 1973. Total stockhold-

ers' equity was only \$289,000. White, Weld still had not delivered on its promise to find investors when Henry W. "Brick" Meers, White, Weld's man on the scene, set up a meeting for Smith with Chicago's powerful Col. Henry Crown. According to Sigafos, "Smith realized this might be the last hope to keep Federal Express alive."

Publicly, Crown was a beneficent industrialist and real estate magnate. But according to criminal court documents, Crown was a man who had been convicted of swindling the U.S. Army Corps of Engineers out of millions of dollars in 1945 and had been indicted for stock fraud in 1963. Midwesterners also knew him for his decades-old ties to the mob syndicate of Meyer Lansky.

On May 12, 1973, through the help of Crown, Smith secured a four-month loan of \$23.7 million from Chase Manhattan bank. Smith was now hooked into the whirlwind game of high finance. Since the loan was due in a short period of time, Meers came to Smith's aid once again and contacted New Court Securities Corporation, the Wall Street investment house of the European Rothschilds. Charles Lea, New Court's executive vice president, agreed to co-manage a search for investment capital with White, Weld.

Wall Street takes over

Things got worse. By its due date, the Chase loan was in default. Federal Express could not meet its payroll. Smith and his family Trust were on the verge of losing \$7.9 million. After being kept dangling for months, on Nov. 13, 1973, White, Weld and New Court provided a \$52 million loan to Federal Express. A board meeting was set for March 19, 1974 to meet the next round of refinancing.

But on March 6, the Smith family trust, the Enterprise Company, was informed that the \$2 million loan that Fred Smith had fraudulently secured, was now overdue! Fred Smith's sisters, Fredette and Laura Ann, both board members of the trust, who knew nothing of the loan, also learned of their brother's fraudulent signature which secured it! The cat was out of the bag. Smith was a liability. Investors met with Meers and Lea and decided to remove Smith as Federal Express's chief operating officer.

After the smoke had cleared over the financial intrigue of the previous months and Fred Smith's fraud scandal, the Wall Streeters had taken away Federal Express from Fred Smith. At Federal Express's March 19, 1974 executive board meeting, Rothschild's New Court emerged holding the greatest number of voting shares of Federal Express, almost 21%, while Fred Smith held only 9.8%, and his family trust 9.25%. Smith and his trust had lost outright control of the company and financial analysts suspect he has never come close to owning it again.

Fred Smith: New Ager

In the ensuing years, Fred Smith has become a leading New Ager. He is a financial backer and member of the board

of directors of the Washington, D.C. based CATO Institute, the high powered libertarian think-tank which advocates the legalization of recreational drugs! He also sits on the Reebok (footwear) Foundation Human Rights Award Board, along with Rock Stars Sting and Peter Gabriel. The board recently issued an international award to Winona LaDuke, who is associated with the International Indian Treaty Council. The latter is officially administered by the terrorist American Indian Movement. Sources also report that Smith is a new factor in Democratic Party fundraising.

Smith admits that his New Age management policy is partially influenced by "Futurists" Alvin Toffler and John Naisbitt. Federal Express fosters the concept that all employees are part of an extended family and to his employees, Fred Smith's reign is that of guru and paterfamilias. He often appears on the company's internal television network, quietly motivating the need for speed-up and productivity increases. Big Brother?

According to Blaine Harden of the *Washington Post*, these in-house television addresses have made Smith a hero to his employees. Harden described the October 1980 "Employee Family Briefing" which was televised to employees and their families nationwide as a combination of "a Johnny Carson show with the atmosphere of a faith healer's festival."

An aide to Smith once joked, "He's the Massah of the great Federal Express plantation." According to *Business Week*, Smith gave an "eyebrow-raising speech last year, [where he] urged managers to follow the lead of three armies: the Israelis, the Nazis, and the Confederates."

If smashing the personal identities and independence of his employees through New Age gimmickry were not enough, Smith has personally installed the Consensor computer system to brainwash his management. Through computer polling which registers a manager's perceived expertise on a matter at hand as well registering his or her depth of "feelings," the computer generates a "consensus" and policy is made. According to Chief Operating Officer James L. Barksdale, this "muffles dominant personalities who can overrun any meeting." So much for individual creative assessment and intelligent debate on proposals.

Smith's boast that he intends to make Federal Express the largest and best transportation company in the world is not an idle threat. According to historians and financial specialists consulted by this reporter, it would appear that the powers behind Fred Smith and Federal Express are attempting to become the private mail carriers for the new trade agreements between East and West which are part of the U.S.-Soviet global condominium. They suggest that the powerful financier controllers of Federal Express are trying to reestablish control of the international mail for their own political and financial gain as the the Thurn and Taxis family of Germany did by running the mail or "taxi" service in 16th-century Europe.

Elephants & Donkeys

by Kathleen Klenetsky

New DNC chairman: pure Establishment

The election of Washington lawyer Ron Brown as chairman of the Democratic National Committee sends out several signals.

First and most obvious, it means that the party's policies will almost certainly keep to the same old anti-defense, soft-on-Moscow line, which has alienated large chunks of the party's traditional base, and led to the humiliating defeat of Democratic presidential hopefuls.

Second, it suggests that the Democrats will call an early end to their honeymoon with President Bush, and start exploiting the political problems which will soon start engulfing Bush, as the U.S. economy continues to nosedive. Brown threw a few punches at the Republicans in a speech to state party leaders Feb. 9, blasting them for not caring "about truth or about decency."

Much has been made of the fact that Brown, who will be the first black to head up either party, is close to Jesse Jackson. While it's certainly true that Brown was brought into Jackson's campaign after the primaries were over, to negotiate what kind of deal Jackson would get in exchange for backing Mike Dukakis, and his election as DNC chairman is likely to bolster Jackson's political muscle, Brown's more important links are to the Washington liberal Establishment.

A partner in the prestigious Washington law firm of Patton, Boggs & Blow, Brown has been heading down the Establishment track since his days at Middlebury College. He studied law under Mario Cuomo, became a

protégé of the Urban League's Whitney Young, and got his first taste of national politics when he served as deputy manager for Ted Kennedy's 1980 presidential bid. He served as deputy chairman of the Democratic Party from 1982 to 1985.

Although a number of prominent Democrats—several former Congressmen among them—were also contenders for the DNC post, Brown's election was assured after Kennedy, Cuomo, Sen. Bill Bradley (D-N.J.), and, finally, the AFL-CIO publicly endorsed him.

Brown's selection caused some grumbling among more conservative Democratic leaders, who objected that the party desperately needed a leader who wasn't cast in the McGovern-Mondale mold.

Texas hacks remove LaRouche Democrat

Ron Brown's fellow Democrats in the Texas state party were thrown into a tizzy last year, when Claude Jones, a LaRouche Democrat, won election as chairman of the Harris County (Houston) Democratic Party—the largest Democratic entity in the state.

Led by state party chairman Bob Slagle, the party leadership tried every trick in the book to prevent Jones from performing his duties.

Late last month, Slagle decided to resort to straight bonapartist tactics. He simply declared that he was throwing Jones out of the post, on the grounds that he had violated party rules by not supporting the 1988 Democratic presidential slate.

Jones fired back a letter in which he documented that Slagle's charges were fabrications, and that his action to remove Jones violates Texas State Law, the First Amendment of the Constitution, and the Statement of Principles of the Democratic Party.

Jones, known in Texas as an outspoken proponent of a strong defense, and pro-growth economic policies, is considering legal action against Slagle.

John Warner faces electoral challenge

In Virginia, LaRouche Democrat Nancy Spannaus, a longtime associate of the internationally famous economist, announced Feb. 3 that she will try to unseat Republican Sen. John Warner, more widely known as the former Mr. Elizabeth Taylor.

Spannaus told the press that she had decided to initiate her campaign now, even though the election won't be held until 1990, because of the urgent necessity of solving the massive crises currently facing the United States.

These crises, she said, range from the collapse of the U.S. and global economy, to the horrendous decline of culture, epitomized by the growth of AIDS, the rock-drug scene, and the frightening growth in overtly Satanic activities, through the destruction of the American justice system, most clearly seen in the jailing of LaRouche and six of his associates, including Mrs. Spannaus's husband, Edward.

Mrs. Spannaus said she believed it was her duty to run, because the United States is headed "into a devastating economic and financial crisis, where the Soviets will gain dictatorial power internationally, and where the opposition to the austerity in the U.S. and to the capitulation to the Russians will be crushed by a far over-reaching Justice Department." Is this the future you want for your children," she asked. "It is not the one I want for mine—nor do I believe that we have the right as human beings responsible before God, to allow such a future to come into being."

Mayors' panel evades youth gang issue

The discussion got interesting when panelists were challenged on the national security dimension of the threat.

You would think by its title that the most interesting panel slated for the Second Annual Conference on Crime and Drugs sponsored by the National Conference of Mayors here Feb. 5-7 would be the one entitled, "Drugs and the Growth of Youth Gangs." That's what many people thought. The room was packed with media as well as conference registrants—most of whom were either mayors or chiefs of police of major U.S. cities.

The local media were out in force because the District has become world famous for its escalating murder rate, now well over one a day, most of which are drug related, and many of which have the appearance of gangland-style executions.

But to say that the opening presentations by the panelists were a disappointment would be an understatement. Instead of talking about the topic, the three panelists spent all their time bragging about the great programs they have in their cities to combat drugs, from enforcement to community participation and education in the schools.

Panel chairman Bill Harris, the mayor of Lincoln, Nebraska, confessed that the subject of youth gangs and drugs was beyond his purview, because there was no evidence of it in his town of only 200,000.

But while Harris couldn't resist the chance to drone on about the wonderful programs in his town before the TV cameras, the audience expected the next speaker, Willie Williams, Police Commissioner for Philadelphia, to have a lot to say. After all, he had his mayor, Wilson Goode, sitting in the front row to back him up.

But when it became Williams's

turn, he amazed everyone by averring that there was no evidence that youth gangs were involved in drugs in his city—and he moved on to bore everyone with a laundry list of local anti-drug activities.

Patrick Fitzsimmons, Commissioner of Police for Seattle, a last-minute replacement for no-show Benjamin Ward, New York City's Police Commissioner, did slightly better than the other two. At least he talked about youth gangs—the appearance of members of the Los Angeles-based Crypts and Bloods in his area over the last year.

He said there are an estimated 50-70,000 members of youth gangs in the L.A. area, and that over 400 of them have been arrested in the Seattle area bringing drugs in. He said the ability to sell single "hits" of the potent cocaine derivative, "crack," for \$3 apiece has led to an unprecedented rise in trafficking. There is so much profit in it that gang members can jump a bus or plane from L.A. to Seattle and still make a killing in a new market in days.

When the question period began, I reminded the panelists of the title of their workshop, and noted that none of them had talked about it. I wondered, I said, why police in Washington, D.C. (like Philadelphia's Williams) officially deny the existence of gangs "when there is every evidence they exist, and officers admit privately they do."

There is a need for a real "threat assessment" of the growth of drug-trafficking youth gangs. "In Latin America," I pointed out, "the international drug cartels are working openly with politically motivated terrorist

groups, with East bloc backing, and have become paramilitary operations. It makes sense that they would insinuate similar operations into their distribution networks in the U.S.

"It may be the case that youth gangs are a foreign intelligence operation and a national security threat," I said. "Would anyone care to comment?"

The room broke into pandemonium. Fitzsimmons attempted a response. "There is a great deal of truth to what you say," he said. "There are very diabolical workings out there." He then took issue with Williams from Philadelphia by referring to the Jamaican networks that traffic on the East Coast as "youth gangs." They are called "posses" he said, "but that means 'gangs.'"

Williams admitted that youths do run drugs in Philadelphia, but only as low-level distributors. "They do not control any operations," he said.

Then, however, Police Chief Charles Reifsnyder of Lansing, Michigan, jumped up from the audience to take issue, citing the situation in Detroit. "You are talking only about 'scavenger gangs,'" he told Williams. "But in Detroit 'corporate gangs' exist, too. They are administrators, they run distribution networks, they are promoters, and they are between 14 and 20 years old," he said. "They used to make \$3.5 million in a week. Now they make a million a day."

Williams, now sweating, said, "I'll make a call to Detroit about that today."

Pittsburgh's Director of Public Safety chimed in about Detroit and New York gangs arriving in his city. Not only had the meeting begun to get interesting, but concerns about threatened cutbacks in federal funds for interagency intelligence sharing began to surface as well.

LaRouche activists descend on Capitol Hill

Some 50 supporters of Lyndon LaRouche from around the country descended on Capitol Hill during the second week in February to demand justice for LaRouche and his six imprisoned associates. They targeted, in particular, members of the Senate and House Judiciary Committees, which have oversight responsibilities over the judiciary system.

Reactions from congressmen varied widely. One congressman, Barney Frank (D-Mass.), a closet liberal who recently came out of the closet, lost his cool and sent for the police to clear his office of these uncomfortable constituents.

Sen. Al D'Amato's (R-N.Y.) office was subjected to a sit-in by angry constituents who wanted to speak with the senator on the LaRouche case. D'Amato's brother, who was accosted in the halls by the New York delegation, mistakenly taken for the senator, was given a dressing-down for his brother's refusal to meet with his constituents.

The office of Sen. Bill Bradley (D-N.J.) gave the excuse that they wouldn't interfere in matters of the judiciary branch. This was also the response of the offices of congressmen who themselves were on the judiciary committee. Sen. Lloyd Bentsen (D-Tex.) had instructed his aides not to talk to anyone about court cases.

Staffers from the office of Rep. Frank Wolf (R-Va.), the congressman from the district where LaRouche lives, were generally snide and abrasive. One aide to a Texas Democrat who said that "some people think LaRouche should be kept in jail" also commented on the problem of the collapse of farming by saying that "farm-

ers are three-quarters responsible for their own problems."

Although the general reaction to the lobbying effort was hysteria and fright, a number of people took the matter more seriously. A letter from former Attorney General Ramsey Clark to Judge Albert V. Bryan questioning the rapidity of a trial involving complex charges, which the lobbyists circulated, created quite a bit of interest. One northeastern congressman commented, "I know more about LaRouche than you think, and I know about the use of these conspiracy charges by the federal government." Another congressman commented, "The Department of Justice is out of control."

During lunch hour on Feb. 7, fifty LaRouche supporters held a demonstration on Capitol Hill, featuring slogans like "J-U-S-T-I-C-E: we won't leave 'till LaRouche is free," and "Gulag justice we must abort; close Judge Bryan's Nazi court." They also demanded a "sub-minimum wage for Congress." Several congressmen passed by during the course of the demonstration. Barney Frank yelled, "LaRouche got the justice he deserved. I hope you have your bail money ready."

House votes against a pay raise

Congress yielded to intense public pressure and voted on Feb. 7 to reject a 50% pay raise for its members, federal judges, and top administration officials. Forced into a recorded vote that its leaders had tried for weeks to avoid, the House of Representatives disapproved the pay raise 380-48. The Senate then voted 94-6 against the pay

raise and sent the measure to President Bush, who signed it just hours before the midnight deadline. The defeat of the congressional pay raise also killed raises of 16-50% for 6,200 members of the Senior Executive Service, made up of career civil service employees above the rank of GS-15.

Yeutter approved as Agriculture Dept. head

On Feb. 8, the Senate approved Clayton Yeutter as head of the Department of Agriculture in a unanimous 100-0 vote. Yeutter said that he plans to be "deeply involved" in the final two years of negotiations of the General Agreement on Tariffs and Trade (GATT), which will be led by the new Trade Representative Carla Hills.

Yeutter told the Senate Agriculture Committee, "If we hang tough and negotiate skillfully, we can open markets." Yeutter plans to cut income supports to U.S. farmers because they are "trade distorting." He also plans to increase funds for export subsidies to use as "leverage for trade reform."

Yeutter told the committee that "American agriculture is still far too dependent on the generosity of the American taxpayer for its livelihood." One "cannot realistically hope to escape" farm spending cuts, he said.

The budget for the USDA is projected to be \$52.1 billion during 1989, including \$13.8 billion in crop price supports.

The Yeutter confirmation had been delayed because of questions concerning his relation to the scandal on the Chicago commodity futures markets.

Tower still dangling

While President Bush reiterated his support for his Defense Secretary-designate John Tower, expressing his confidence that Tower would win Senate confirmation, Senate committee members are still expressing skepticism about the nomination.

Although the major objections to the Tower nomination, sensationally played up by the mass media, have concerned Tower's alleged drinking problem and womanizing, the latest question marks were raised in connection with contributions which Tower (while a senator) may have received from companies now under investigation in the FBI's "Ill Wind" probe of defense procurement. According to a report in the *Washington Times*, the FBI is also looking into charges that aides to the former senator profited by selling classified documents to defense firms.

Some senators are expressing doubts that Tower will be confirmed, with all these "snags." Even Republican stalwarts are starting to balk. Sen. Malcolm Wallop (R-Wyo.) said that the Tower situation was "beginning to look a little Bork-like" (Robert Bork was the failed 1987 nominee for Supreme Court Justice.) Sen. Sam Nunn, chairman of the Senate Armed Services Committee, said that, although Tower may still be confirmed, "certainly he has been damaged."

Tower has been subject, ever since his nomination, to a negative media campaign. Despite his compatibility with the new Bush team and his statements endorsing limits on the Strategic Defense Initiative, Tower is still suspected of being a defense advocate, who might under some circumstances oppose the policy of disarmament and appeasement.

In spite of all the flap, Tower has been carrying out some of the functions of secretary of defense, attending the annual meeting of the Wehrkunde defense association in West Germany, and on Feb. 4, addressing the American Friends of Turkey. At the AFOT meeting, Tower stressed two major points: 1) that NATO has placed too much emphasis upon the central front (West Germany), and it needs to place greater emphasis upon the northern and southern flanks; and 2) that the greatest foreign policy debacle of the Congress in recent history was the decision to embargo Turkey after the Cyprus war.

New budget procedure proposed by senators

What is billed as a "radical reform" of the budget process, which would adopt some of the streamlined procedures used after the 1987 stock market crash, was put forth by Sen. J. Bennett Johnston (D-La.) and Sen. Pete Domenici (R-N.M.).

"The budget process is not working," said Senator Johnston. "This will work, just as the last summit meeting worked." the reform proposal would: 1) create a new, 18-member budget committee, which would include congressional leaders and the key players on each house's budget committee, appropriations committee, and the Senate Finance and House Ways and Means committees; 2) replace the current year-by-year budget system with two-year budgeting; 3) require the President's signature on budget resolutions, making them binding laws rather than "blueprints" for spending.

If not passed by May 15, a budget

resolution based on Gramm-Rudman deficit-reduction targets would automatically become law. Providing for a high-powered budget committee and an early deadline for action, say the proposal's advocates, would accommodate the White House's interest in early budget negotiations with Congress.

Senate Budget Committee chairman James Sasser (D-Tenn.) questioned the need to reform the budget process. "There's continued tinkering with the process, but the process is not the problem," said Sasser. "The problem is, there's not enough money to go around."

Carlucci gives advice to Congress

In a letter published in the Jan. 29 issue of *Roll Call* magazine, outgoing Defense Secretary Frank Carlucci gave a few words of advice to the Congress. "There has been an erosion of trust [between the Executive and Legislative branches], without which no partnership can function effectively," he wrote. "This cannot continue without doing serious damage to the national interest."

Abuse in the defense industry should be prevented and violations of the law prosecuted, Carlucci wrote. "But we must also provide the stability and incentives for private industry to seek defense business and produce quality goods as efficiently as possible. . . . The impact of further defense reductions on America's coalition strategy would be severe, since our force structure is now stretched as thin as it can be stretched, while still allowing us to maintain our deployment rotation schedules."

SDI is officially on chopping block

The lead story of the U.S. Army newspaper *Stars and Stripes* on Feb. 5 reports that U.S. National Security Adviser Brent Scowcroft participated in a report calling for dropping the idea of a "Star Wars shield," and concentrating instead on making land-based intercontinental ballistic missiles mobile.

President Bush has significantly upgraded the role of NSC director, and Scowcroft's role in the preparation of the report puts the Strategic Defense Initiative officially on the chopping block.

The report, "issued with unusual bipartisan support" on Feb. 3, was sent to the White House in hopes that Bush would accept its basic premises and ask Congress to act on them.

Stars and Stripes comments, "If the main recommendations of the 18-month study are adopted, it will mean official recognition that former President Reagan's dream of a space-based missile defense system—under the Strategic Defense Initiative, popularly known as Star Wars—is dead. It also will mean a renewed U.S. commitment to completing a broad arms control agreement with the Soviets at the Strategic Arms Reduction Talks (START)."

Carter administration Defense Secretary Harold Brown, who co-chaired the panel that compiled the report, claimed that a nationwide defense against missiles is not feasible and that the United States must retain and improve the doctrine of nuclear deterrence.

The panel also included "members of the national security priesthood," including Sen. Sam Nunn (D-Ga.), chairman of the Senate Armed Services Committee; Sen. John Warner of Virginia, the ranking minority member on the committee; Sen. William Cohen (R-Me.); Rep. Les Aspin (D-Wisc.), chairman of the House Armed Services Committee; Robert McFarlane, former U.S. national security adviser; R. James Woolsey, former Undersecretary of

the Navy; and Amos A. Jordan of the Center for Strategic and International Studies at Georgetown.

Urban decay a self-feeding process

Roderick Wallace, at the Department of Epidemiology and Social Medicine of Albert Einstein College of Medicine, released a new study in January entitled, "A Synergism of Plagues: 'Planned Shrinkage,' Contagious Housing Destruction and AIDS in the Bronx," which demonstrates that urban decay creates a self-feeding shockwave of murder, drugs, and AIDS.

Wallace attacks the policy of "planned shrinkage" developed by the New York City RAND Institute which closed many fire stations, and which triggered a process he termed "contagious urban decay." When fires break out, people are driven into other neighborhoods, which become overcrowded, leading to more fires and further abandonment of housing.

Wallace points out that the spread of drugs is ordinarily contained by a kind of social immune system, a network of personal relationships mediated by churches, clubs, schools, and community groups, which are destroyed by contagious urban decay. The result is accelerated drug addiction, skyrocketing homicide rates, infant mortality, and, most recently, rampant AIDS spread as the forced migrations have mixed IV drug users into previously relatively drug free populations.

Top Democrats call Bush 'one of us'

New York Gov. Mario Cuomo told 140 House Democrats gathered at the Greenbrier resort in White Sulphur Springs, West Virginia, for their annual "issues conference" on Feb. 4, that the presidency of George Bush presents Democrats with "a

moment of extraordinary opportunity" to implement the Democratic agenda.

Bush has heard "the voices of people crying for help. . . . The man chosen to be our President, after having tried it another way for a long time, has begun talking like one of us," Cuomo said. "We should make the most of it."

Clark Clifford, a longtime fixture of the Washington establishment, extolled Bush in a *Washington Post Magazine* story on Feb. 5 on the preparation of his memoirs. "I had a fairly close relationship with Prescott Bush, George Bush's father," Clifford said. "I found him to be intelligent, a splendid public servant. He brought the boys up exceedingly well."

Clifford insists that for Bush to be successful, he must not "buckle under to the ideology of the right wing," which he has shown himself sensitive to in the past. On whether Bush really agreed with Reagan, Clifford comments, "He's had to take a public position of having to approve everything that's gone on. But I would be surprised if he did approve of everything. Eight years ago, when he took a look at Reagan's economic policy, he delivered himself of a striking expression: voodoo economics—an interesting little indicator. But then he had to suppress any indicators of criticism."

Soviet spetsnaz threat to U.S. energy grid

For the first time, a U.S. government official has publicly acknowledged that Soviet unconventional war-fighting units, or *spetsnaz*, are a threat to U.S. targets, especially the nation's energy grid.

Edward Bodolato, deputy assistant secretary for energy emergencies, told the Senate Governmental Affairs Committee on Feb. 8 that his office has developed procedures to determine possible threats and to respond to energy emergencies, and is taking steps to improve security. Top priority, he said, would be given to protecting electrical power systems, because power lines are most vulnerable to attack.

"The Soviet Union has an unconventional warfare capability, *spetsnaz* units, to which it has assigned the mission of crippling the West's industrial infrastructure, particularly its vulnerable energy systems, before an outbreak of hostilities," Bodolato said. "Although the main *spetsnaz* target appears to be Western Europe, the potential for such action in the United States cannot be ruled out."

Michael Gent, president of the North American Electric Reliability Council, an industry association, said that the utilities had been asked by the National Security Council in 1983 to set up a nationwide security system after terrorist attacks against U.S. targets. "They were concerned that trained teams of foreign-sponsored saboteurs could attack a number of key electric system facilities and cause extended and widespread outages that would compromise national security and seriously disrupt the economy," Gent testified.

A staffer for the committee, which is conducting hearings to examine the vulnerability of telecommunications and energy resources to terrorism, testified that duplicating systems would prevent full-scale loss of service, but major disruptions could occur from widespread attacks.

Unexpected reversal in LaRouche case

A motion by defense attorneys brought about an unexpected reversal by the government on Feb. 9, in the Alexandria, Virginia federal case against Lyndon LaRouche and six associates. The "Alexandria Seven" were imprisoned on Jan. 27, on conspiracy charges. LaRouche and his five male associates won the right to remain together in the Alexandria jail for 100 days, to assist their counsel in preparation of their appeal, rather than being dispersed to federal prisons all around the country.

Defense attorneys had attempted to get Assistant U.S. Attorney Kent Robinson to agree to this arrangement earlier in the week, but Robinson, unmoved by argu-

ments of fairness and due process for these defendants, refused to cooperate.

Defense attorneys determined that they would have to file a motion before Judge Albert V. Bryan to get the relief they were seeking for the prisoners. Once the government was served with the motion, Robinson reversed his position, and asked the judge for the prisoners to be allowed to remain in Alexandria for 100 days. Judge Bryan reportedly signed the order immediately.

One in 200 N.J. newborns carries AIDS

The results of a statewide study sponsored by the Centers for Disease Control testing newborns in New Jersey for AIDS infection has shown that one in 200 are carriers of the virus, the *Newark Star Ledger* reported Feb. 10.

The study tested the blood of virtually all babies born during a three-month period. Dr. Molly Joel Coye, the state's health commissioner, reported that this was "the first time in the nation" that such a study was conducted on a statewide scale. Of the nearly 30,000 newborns tested, 0.49% tested positive for antibodies to HIV.

"The numbers in our study are disturbing, but extremely useful, because they help us more accurately project the future needs of HIV positive mothers and children for health service. These levels of infant exposure to the AIDS virus tell us that there will be a rapidly growing need for the network of services we now have in place," Dr. Coye told the press.

According to Coye New Jersey ranks second only to New York in the number of pediatric AIDS cases. New Jersey ranks fourth among states in the number of AIDS cases.

The *Hudson Dispatch* added that, by Jan. 31, 187 children under the age of 13 had developed AIDS. Of those, 149 were black or Hispanic, and 171 were the children of parents who were at a high risk of contracting AIDS, mostly because they were intravenous drug users.

Briefly

● **RICHARD ARMITAGE** has been chosen to replace Gaston Sigur as assistant secretary of state for East Asian and Pacific affairs. Armitage, 43, has been assistant secretary of defense for the past five years. In 1985, he was involved in the overthrow of the Ferdinand Marcos government in the Philippines.

● **LAWRENCE** Eagleburger, the nominee for deputy secretary of state and a Kissinger associate, is likely to be hit by a scandal because he "was until last month director of a bank facing charges for money laundering," according to the *Sunday Times* of London Feb. 5. LBS Bank of New York was indicted by a grand jury in Philadelphia in November 1988, after a government sting codenamed "Operation Flying Kite."

● **HENRY KISSINGER**, along with former French President Giscard d'Estaing and former Japanese Premier Yasuhiro Nakasone, is drafting a book for the Trilateral Commission which will be a review of East-West policy. The book is supposed to be the main foreign policy intervention of the Commission into the Bush administration, and will be released at their April meeting in Paris. Assisted by Bill Hyland, Kissinger will concentrate on arms control policy.

● **A PARTICLE BEAM** test on a rocket will take place soon, according to a statement by O'Dean Judd of the Strategic Defense Initiative Organization, made at a Feb. 8 press conference sponsored by the Global Foundation.

● **PRESIDENT BUSH** presided over a meeting of the National Security Council Feb. 10 to review U.S. policy options toward Afghanistan after Feb. 15, the date when the last Soviet troops are supposed to have pulled out. Among the issues said to have been discussed was whether the U.S. should "rethink" its large covert military aid program to Afghan rebels.

Editorial

Policing the crisis won't work

President Bush's speech unveiling his proposed budget has been widely recognized as an exercise in empty rhetoric. So long as he remains committed to the vicious mythology of the Reagan recovery, nothing more could be expected. A collapsing stock market and higher interest rates were the immediate response of the international financial community to his platitudes, and his "rescue plan" for the savings and loans.

The wag was right, who said that Bush's eulogy to Winston Churchill, which included Longfellow's famous lines: "Sail on, O ship of state," was recited from the helm of the *Titanic*.

One of the nastiest aspects of Bush's latest exercise in crisis management, the reorganization of the savings and loan institutions, has been his contention that the failure of these institutions is due, not to mismanagement of the U.S. economy by the Reagan administration of which he was a part, but of criminal malfeasance by S&L managers.

Thus Bush's answer to the collapse in the banking system, is to jail bank managers. Were he to point the finger at David Rockefeller and his ilk, we would not have too much to complain about, but of course, this is not the case! On the contrary, Bush's reorganization scheme will turn the S&Ls over to the commercial banks, which are themselves also bankrupt. The end result will be still less credit available to productive sectors of the economy still functioning.

It is Paul Volcker, Donald Regan, and James Baker III who are criminally responsible for the destruction of the U.S. economy. Their financial policies—along with those of former Agriculture Secretary Richard Lyng—will result in famine on a global scale, and these policies are being continued by the Bush administration.

In the face of drought and other anomalous weather conditions, with spreading crop damage, U.S. policy remains to drive the family farmer off his land, and to keep farmland out of production. Even the U.N. Food and Agriculture Organization has begun to hit the panic button, warning that world cereals reserves are lower now than even during the food crisis that hit the world

in the years 1974-75.

U.S. regional banks and S&Ls are insolvent because the farm and the energy sectors have been ruined by the free-market policies of the Reagan administration, coming on top of the Volcker high-interest rate policy and Jimmy Carter's attacks on the energy sector. Those Texans who thought the Bush government would offer them a new deal, now have reason indeed to be bitter, although Bush himself is on record as opposing the only measure which could have put Texas back on its feet, Lyndon LaRouche's proposal of an oil import tax.

Despite the President's emphasis on ethics in government, it now turns out that his secretary of state, James Baker, is demanding a special exemption so that he can maintain his sizable shares in Chemical Bank's holding company. He has had a personal financial incentive for his policies, which bled the U.S. economy and the Ibero-American nations in debt to the New York banks.

Baker's excuse, that while he was Treasury Secretary, he recused himself from policy decisions having to do with Chemical Bank, is a farce, since every policy of the Treasury under the Reagan administration favored Chemical and its sister commercial banks.

George Bush may believe that he can crisis-manage his way out of any situation, and use the strong arm of the Justice Department to silence any opposition to his policies; but reality has a way of asserting itself, even in the most tightly run police states.

There is no solution to the savings and loan crisis except the LaRouche solution, which calls for massive infrastructure and high-technology investment in the United States, and credits for development to the Third World. Such a program could only be implemented by strengthening the foundations of the regional credit structure, as a support to industrial entrepreneurs and the family farmer.

Whether Bush means to deliver an impoverished United States into the clutches of the world's central bankers, or not, that will be the result of his policies. His budget proposals are a step in that direction.

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