

# EIR

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Gnosticism—the Bulgarian link to drugs and terror  
USDA lies cover for grain cartel shortage plans  
Kissinger sows confusion in U.S. administration

**Infrastructure: the \$8 trillion  
hole no 'economist' counts**

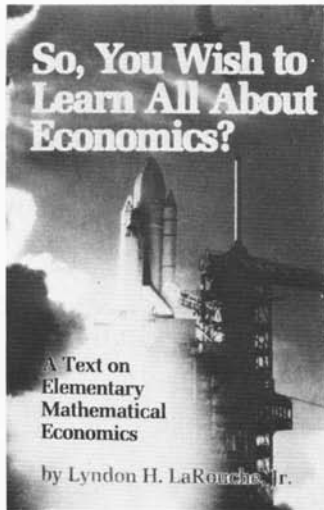


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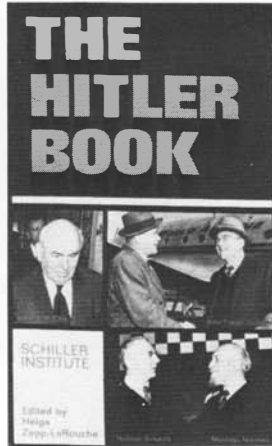
## By Lyndon H. LaRouche

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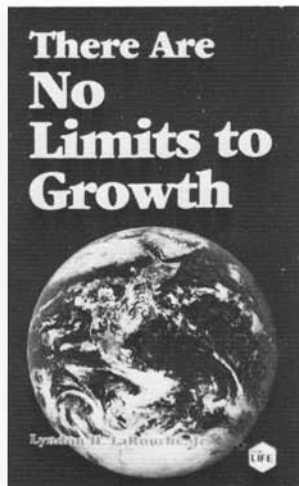
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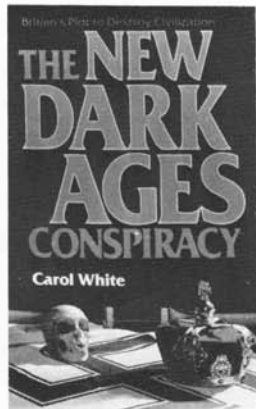
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The growing threat that a “New Yalta” deal plus Soviet military blackmail pressure will give the Kremlin hegemony over Europe is the greatest danger facing civilization over the coming six weeks. Our *International* section leads with a strategic analysis of the Soviet summer maneuvers, and their political context, by Uwe Henke von Parpart.

This week’s cover story is devoted to the most fundamental economic investment a society must make—its infrastructure. The study done by Richard Freeman for EIR’s June *Quarterly Economic Report*, condensed here, offers the preliminary estimate that over the next 20 years the United States will be minimally required to expend \$8-10 trillion to meet cumulative incurred costs of infrastructure’s restoration and expansion.

Two other items are very worthy of note:

- There is a “Bulgarian connection” with the Gnostic Church at its center, in the “Patty Hearst”-style abduction and torture of Colombian anti-drug figure Patricia Londoño—the subject of last week’s cover story. Details are in the *International* section.

- The Department of Agriculture has been caught lying again—this time about the size of the summer wheat harvest—enabling them to continue with the bogus “overproduction” argument used to justify the destruction of America’s farm sector. Christopher White continues his exposé of the grain cartel that owns the Agriculture Department and now plans food shortages, in *Economics*.

We also carry a report from on-the-scene correspondent Mark Burdman, also representing the Club of Life, at the Mexico City U.N. Conference on Population, where Malthusian genocide policies dominate the agenda. A Club of Life delegation there attempted to circulate a policy document, “How to Stop Global Depopulation by the Year 2000,” but was denied permission by the U.N. bureaucracy on grounds that its language “might offend” some conference participants. The document characterized a number of participants as “worse than Hitler”—certainly the truth. U.N. spokesman Virginia Saurwein was asked if they would also suppress a hypothetical document containing policy proposals identical to those of Adolf Hitler, but whose language met U.N. criteria. She replied: “In that case, we would accept the document for distribution.”

*Vin Berg*

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NSIPS/Stuart Lewis

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## Volcker's 'new' divide and conquer plan for the debtors

by David Goldman

Fed Chairman Volcker now argues that the trade surplus squeezed out of Ibero-America is large enough to prevent interest arrearages from piling up past the write-off point. These surpluses were won at the expense of total economic, social, and political dislocation. On paper, Volcker is right. If the countries accept this level of looting, there will be no Third World debt crisis until early 1985, when the economic systems of the affected countries give out from exhaustion.

Volcker's point concerning the debtors is right on paper, but not necessarily in the real world. Whether the political firestorm that must result from the current level of looting will break open at the September meeting of the debtors at Buenos Aires is impossible to predict in advance; the longer the debtor-countries submit to the current regime, the worse it will be.

Evidently, the fall in the yield curve (the difference between short- and medium-term borrowed funds), along with the much-touted rise of the stock and bond markets, is directly related to Volcker's ability to present the massive bailout of Continental Illinois Bank as the last big financial shock for a while. Eurodollar six-month interest rates are just over 12%; in July, they approached 13%. Although the base level of interest rates, measured by the unchanged Federal funds rate, has not fallen, the longer maturities have come in enough to make credible the current puff in the securities markets.

### Divide and conquer

The name of Volcker's game is divide and conquer, in anticipation of the early September meeting of the South American debtors at Buenos Aires, and the late September

annual meeting of the International Monetary Fund (IMF). Volcker told the Senate Foreign Affairs Committee Aug. 8 that the creditor nations should grant privileges on a "case-by-case" basis to the debtors, in order to prevent the emergence of a "sweeping re-organization" of Third World debt.

"I believe the stage has been set for a new phase in financing programs tailored to the progress and circumstances of individual countries," Volcker said. "As progress and performance justify it, it does seem to me critically important to move to a new phase in which individual borrowers will be able to refinance maturing debt for some period ahead at reasonable terms, permitting both borrowers and lenders to have a more certain and stable base of lending."

Volcker said that the so-called recovery in the U.S. economy has contributed to positive trade balances of "good boy" debtors such as Mexico and Venezuela to such an extent that it more than compensates for the effects of higher interest rates. "Notably, Brazil trade surpluses are significantly exceeding expectations."

### Enough blood from a stone?

The American economy is, in fact, looting the Ibero-American debtors by importing huge volumes of goods at less than half their production cost, while forcing these countries to shut down their imports, including imports of essentials such as medicine. U.S. imports from the Third World are way up from last year. The latest published figures (through April) show American imports from developing countries to be \$40.12 billion, compared to \$29.35 billion last year, a rise of 37% in dollar terms. Since the Third World's currencies

and commodity prices have fallen drastically over the past year, the actual increase is probably above 50%.

For example, Brazil is now projecting an \$11-\$12 billion trade surplus, which is roughly equivalent to their interest bill for this year. Mexico's trade surplus (rate of looting) is even higher, at \$5.2 billion trade surplus for the first four months, or a \$15.6 billion annual rate; at this rate, Mexico can repay principal.

Although Brazil's projected \$12 billion trade surplus involves a certain measure of statistical fakery, it is nonetheless true that the biggest of the Ibero-American debtors has managed to bring its net exports into the range of its annual interest bill.

In Argentina, the means by which this has been accomplished is illustrated by the bloodbanks next to the suburban commuter train stations of Sao Paõlo; before payday, industrial workers will sell blood to raise their train fare to work. The blood is frozen, and exported to the United States.

Both Brazil and Argentina are now sitting on interest arrearages just short of the 90-day cutoff level, after which banks would be forced to write down the value of the debtor's paper on their books. Brazil's present level of exports is barely sufficient to prevent the arrearages from climbing over the danger point, but hardly sufficient to build them down, leaving the country's finances at cliff's edge.

### Juggling interest rates

Volcker also said he has "sympathy" for the proposal to "cap" interest rates, i.e., reduce interest rates by some small margin for debtors on good behavior. The banks would capitalize the difference between market rates and the capped rate by adding it to the principal of the loan.

Volcker's scheme involves a continued murderous rate of looting of the debtors, combined with some concessions from the bankers (who cannot afford significant concessions without going bankrupt) and a certain margin of government subsidy for "good" debtors.

The London *Financial Times* reported Aug. 9, "One major central bank [obviously the Bank of England] has a dossier of over 100 proposals for restructuring world debt." Bank profits will not be "protected" by the solution, and "normal market lending will never be resumed" until many years after the reorganization. Most of the cost of relief should be "put onto banks rather than creditor governments."

The formula of this particular distillation of the available proposals is: let the countries pay 4% "real interest rate" plus 6% "inflation adjustment," i.e., 10% interest; that corresponds to New York Fed President Anthony Solomon's interest rate "cap" proposal. Secondly, let the governments put up sufficient money via the IMF or the World Bank to absorb 2%; and let the banks write off 2%, which is all they dare "without risking their solvency," and you get 14%, which is what they are now paying.

Although there is nothing new in the *Financial Times'*

version, it does make one point explicit that is often left out of focus, namely, that the interest which the debtor nations currently pay cannot rise much without bankrupting the debtors, and cannot fall much without bankrupting the creditors—unless the global cost of bank deposits were to fall.

However, the American requirement to bring in, net, over \$100 billion of foreign capital each year in the process of financing a staggering trade deficit and budget deficit prevents the global cost of funds from falling. It is significant that, in recent weeks, the base cost of short-term dollar borrowing has not moved at all, despite the wild fluctuations of the yield curve as market participants decide that Armageddon will happen later or sooner.

### Snags in negotiations

The divide-and-conquer operation is evident in the several sets of negotiations now under way with major debtors. The Swiss bankers' newspaper *Neue Zürcher Zeitung (NZZ)* reported Aug. 7 that the Argentine economics minister's current trip to Washington will likely produce an Argentine agreement with the International Monetary Fund, after nine months of cliffhanging. Both sides will reportedly make concessions. Contrary to earlier reports, economics minister Grinspun will stay in office, at least until the September IMF meeting, according to sources in Buenos Aires, which corroborate the *NZZ* account.

Argentine finance minister Bernardo Grinspun, reports of whose political death appear to have been exaggerated, met with the International Monetary Fund Aug. 10 in Washington, but there are no reports concerning the outcome.

Mexico, meanwhile, received a \$500 million loan from the World Bank on Aug. 9, following a series of similar official credits to Brazil.

It is not at all clear that the setup will proceed as smoothly as Volcker intends; European banks may not accept the squeeze, and objected furiously to proposed interest-rate concessions for Mexico, the test case for the Volcker "case-by-case" plan. Anticipating Volcker, or perhaps with his blessing, the Mexicans told the commercial banks that they wanted a fixed level of interest rates under the rate they are currently paying, and the banks objected furiously.

Venezuelan officials, meanwhile, began a round of talks with bank creditors in New York Aug. 9 on issues that touch directly on Volcker's intentions.

In late July, Venezuela met with the IMF for its annual "Surveillance" consultations, and was given "a clean bill of health by the IMF," according to administration sources.

Venezuela, thus far unsuccessfully, has proposed to re-schedule its \$22 billion public sector debt due through the end of 1985, into fixed annual payments of \$4.2 billion a year, at rates of 7/8% over the London interbank rate (the benchmark for banks' own cost of funds). The banks have rejected the Venezuelan proposal thus far, on the grounds that too little principal would be included in the repayment.

# 'Banks want to hang someone out to dry'

The following interview with an administration source close to Henry Kissinger's Bipartisan Commission on Central America was conducted on Aug. 9.

**Q:** What's behind the declaration of default by the banks on Bolivia?

**A:** They want to pick on someone they can pick on and hang them out to dry. Make an example of Bolivia. Try to show the other countries what happens when you start getting your assets attached.

**Q:** But what about the bigger debtors like Mexico?

**A:** The other debtors are being cleared up. Mexico is getting a multiple-year rescheduling, which will result in Mexico not needing any new flows of credit in the next year and still be able to pay their debt.

In that case, the big news is that Mexico may be able to get out of their IMF program. They won't need bank loans

and they won't need any more money from the IMF. So they will be out of IMF conditions.

The banks have also decided to do a multi-year rescheduling for Venezuela. The banks have seen the real world on this. The news is that the IMF went in and looked at Venezuela during their Article 4 Consultation [every country, whether it has an IMF program or not, does an annual non-conditional consultation with IMF under the Article 4 "Surveillance" clause—ed.]

told them "your're moving in the right direction."

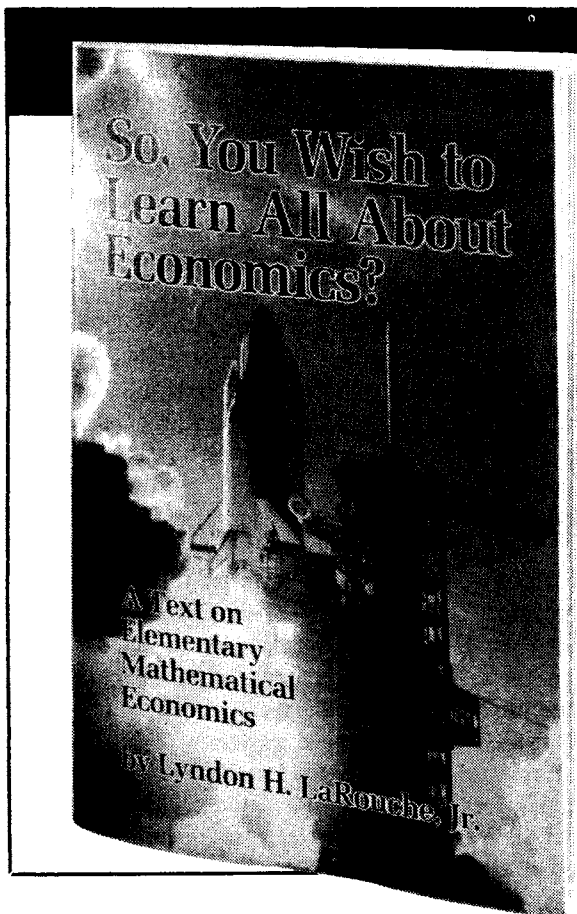
So Venezuela may be next after Mexico to get a bank deal even without the IMF.

**Q:** What happened to the debtors' cartel?

**A:** It's still a danger . . . especially if the prime rate moves up. But if we get Argentina dealt with, and the new guy coming in to replace Grinspun may be a bit more in the direction of what the IMF wants, then they'll reach a compromise.

**Q:** What about Mexico and Brazil and the cartel?

**A:** Mexico will wait to see what they get from the banks. If they like the deal, they are certainly not going to join a debtors' cartel. Neither will Brazil. I don't see them getting together.



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by Lyndon H. LaRouche, Jr.

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# 'Which debtors will we have to triage?'

*The following interview with a highly placed congressional source was conducted Aug. 9.*

**Q:** Is Volcker telling the banks to stretch out their debt?

**A:** Yes, and Volcker is getting a lot of support on the Hill for this. Fed has been saying banks ought to take a longer-term perspective on the debt problem and, in particular, come to an accommodation which might last more than a quarter at a time with those countries which are in a position to get on to a long-term solution—like Mexico—so that we could whittle down the problem to the countries which you could write off—where you really do have to build up reserves and write them off.

**Q:** You mean, don't write off Mexico?

**A:** No, negotiate it out with Mexico so that you could then have an example of what can be done with a country, of what can be done with an IMF adjustment policy. In other cases, Bolivia, the banks are already writing down the Bolivian debt, and when you've done that, you've already got some sort of a *triage* process you can implement. There's a lot of sympathy for that approach on the Hill.

**Q:** Who else should be triaged?

**A:** I don't know, it's a question of negotiations.

**Q:** What about Argentina?

**A:** Argentina is the case that will remain as a tough case.

**Q:** Why not just treat it like Bolivia?

**A:** It's bigger, a lot wealthier with its trade surplus; it's a special case because it's a democracy undergoing a process of de-Nazification and the government in power is not the one which contracted the debt. . . .

**Q:** But all of this is talk about what to do with the principal. Volcker wants the banks to take the principal due over 3 years and stretch it out over 10 or 15 years, right?

**A:** Right.

**Q:** But none of these countries are paying principal anyway.

What are they going to do about the real problem, paying the interest bill? The question remains, how does a country like Mexico pay its interest bill? What people have been scrambling about every quarter to get under the 90-day deadline is how do they pay their interest bill?

**A:** This has to be worked out between the debtors and the creditors.

**Q:** Isn't this a tempest in the teapot until you deal with the interest . . . the real sticking point? What does Volcker want to do about the interest?

**A:** What I've heard of is re-writing the loans at fixed rates.

**Q:** As part of the renegotiation package that Volcker's talking about? That's part of what he's asking the banks to do with Mexico?

**A:** Yes.

**Q:** How high a fixed rate, market rates?

**A:** That's a matter for negotiation with the creditors. But I've certainly heard sentiment for fixed-rate loans, not Volcker say-so officially, but staff.

**Q:** Fed staff?

**A:** Yes.

**Q:** You're going to fix them at market rates. Market rates are 13%. Thirteen percent of 100 billion is a \$13 billion interest bill a year, \$3.25 billion a quarter.

**A:** I understand, but there is no need that the market rates are the rates that have to be charged.

**Q:** So you mean there's talk of possibly fixing the rates on the new packages at below market rates?

**A:** Well, there is talk between the creditors and the debtors. . . . The question is whether the banks are going to have to absorb the reduction in their earnings.

**Q:** Is that being discussed at all?

**A:** Yes, I don't know how much and with whom. Sure that's being discussed, that's the question! But whose responsibility is that? This is up to the debtor-creditor negotiations and whatever comes out of that, i.e., the government should not subsidize the banks' losses. . . .

**Q:** There's been an incredible amount of criticism in Congress of the Conti bailout. Is this part of what Congress is getting at, that they want these banks to take some of these losses now, before getting into worse trouble later?

**A:** Yeah, yeah, I think that's a fair statement—that Congress does not like the idea of piling up, of lending to pay interest, and piling up the debt to a larger amount. That a prudent policy of reserving against these loans would be pretty welcome.

# USDA lies cover up for the grain companies' planned shortages

by Christopher White

The U.S. Department of Agriculture today released its first estimates of the size of this year's wheat crop. The Department estimates that the crop will be slightly larger than 2.5 billion bushels, harvested from just over 66 million acres. Today's release of the figures is part of a pattern that developed over the course of this spring and summer. The U.S. Department of Agriculture has steadily increased its estimate of what this year's wheat crop will be, and as official estimates have been puffed up to a level of more than 2.5 billion bushels, so the market price for the farmers' product has steadily declined.

However, a survey picture compiled from around the country goes flatly against the USDA's crop estimates. If the survey is right, there will be no bumper wheat crop this year. Rather, by the fall it will have become clear that this year's crop, added to held-over stocks from last year, will not be big enough to satisfy both export contracts and domestic consumption. Something will have to give.

Lying is nothing new to the Department of Agriculture. Since last November, the department, including its secretary, the unfortunate John Block, has been forced to fess up to at least four crimes committed under this heading. Each one would ordinarily have been enough to force a major shake-up. It seems that the USDA is protected by a higher authority than that which watched over an earlier administration liar, Alexander Haig, who was fired for his deceit.

Specifically, the USDA was found to have lied in:

- "The empty warehouse scandal": It was determined that 44% of the space the government had leased from primarily the grain companies was kept empty, but that the companies were being paid just the same;

- The non-existence of emergency feed grain stocks: Secretary Block wrote Sen. Lloyd Bentsen (D) of Texas that we had "more than 80 million bushels." Days later, on Nov. 30, 1983, the truth came out. Stocks were less than 26 million bushels;

- The national stocks of soybeans: In September 1983, the USDA announced an "error" of 60 million bushels of soybeans which had been wrongly reported to exist, but in fact were "lost"; and

- Farm income: In July 1984, the department finally admitted that it had over-estimated farm income in 1983. American farmers would not earn \$25 billion, the Depart-

ment of Agriculture indicated, but only \$15 billion.

With this record, it's no wonder that farmers have nothing but contempt for anything the department puts out. But it's about time the consumer wised up, too. Under this morass of official lying and deceit, the nation's food supply, and capacity to produce food, is being destroyed.

## Consumer beware

Top-ranking officials in the Department of Agriculture, like Daniel Amstutz, a 25-year-veteran of Cargill, Inc., the nation's largest grain company, and an employee of Goldman Sachs, Henry Kissinger's Wall Street Bank, are complicit in these lies, as part of a broader plan, drafted by the grain companies and related forces backing the presidential campaign of Mondale to create a genocidal food crisis this fall.

The same forces have cleared the way for another round of massive grain purchases by the Soviet Union, while leaving sub-Saharan Africa and parts of Ibero-America to starve. But if they have their way, by October the United States may not have enough supplies on hand to honor its contracts. This time, those who negotiated the deals, acting under the prompting of the grain companies and their lackeys in congress, like Rep. David Durenberger (R) from Mondale's Minnesota, abandoned the right to abrogate the contracts: *except under an official declaration of war, or national emergency.*

## Orville Freeman's role

Yet the same circles have not only acted to produce such an emergency during the three successive years the notorious Payment-in-Kind (PIK) program has been in effect, but have also drawn up the plans for a national food emergency this October. The key institutions and players behind the plan include the Hubert Humphrey Institute for Public Affairs in Minneapolis, which produced the fall food shortage and emergency plan earlier this year. Associated with the Humphrey Institute are Henry Kissinger, Orville Freeman, and the big grain companies, who have all collaborated in the development of the genocidal policy of population control through starvation. It was at the Humphrey Institute that the Mondale electoral campaign was worked out.

Though this crowd plans to pin the blame for the emerging food crisis on the Reagan administration and its lying

Agriculture Department, they are in fact the ones responsible, as the PIK program shows. No one is more associated with that program than genocidal Mondale braintruster Orville Freeman, agricultural secretary under Presidents Kennedy and Johnson. Freeman imposed a PIK program on feed-grain production during every year he was in the office. Similarly, it has been his circle of agricultural think-tankers who master-minded the last three years of production cut-backs which have brought U.S. agriculture to the brink.

### Planned beef shortage

It took these butchers two years, and a massive drought, to destroy U.S. production and stocks of feed-grains. By so doing, they eliminated the capacities of the world economy to sustain especially beef production, and have accelerated the decline of private-producer-owned herds, in favor of the consolidation of control of feed-lots, slaughterhouses, and meat-packing in the hands of Soviet asset Armand Hammer's

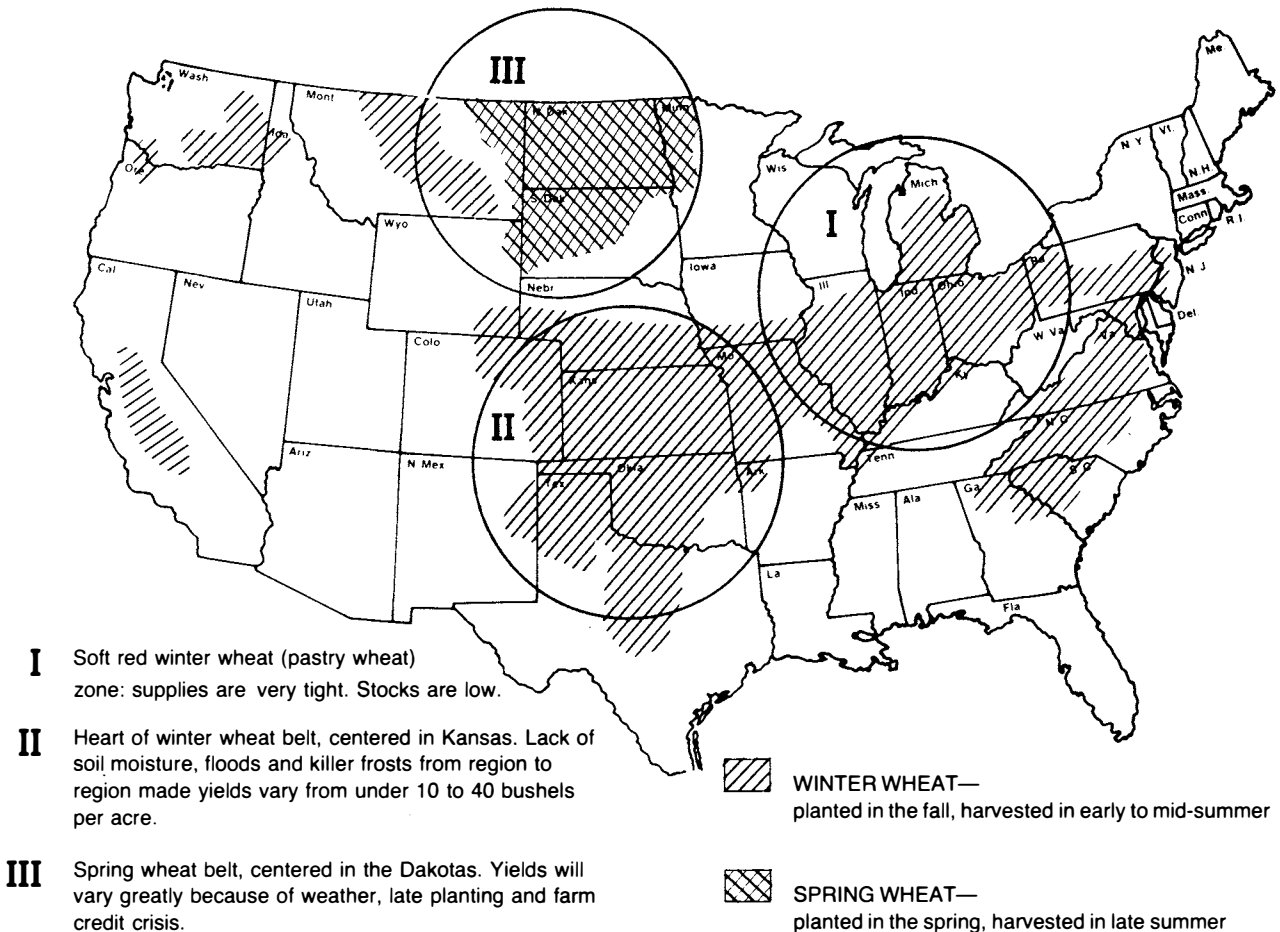
Iowa Beef Processing Company and Cargill Inc.'s Excel Corporation. Six hundred million bushels of wheat will be fed to cattle this year because of the destruction of feed grains.

Beef, under their control, is scheduled to become the "oil of the 80s" as far as American consumers are concerned. Prices will go up to the point where the protein source will be priced out of most peoples' reach. That is what the PIK attack on feed grains portended for the major beef-producing areas of the world. It used to be U.S. feed grains, for example, that provided fodder for European cattle-raisers.

### Reducing wheat acreage

Last year, however, the Freeman crowd turned their attention to wheat, and produced a PIK program designed to eliminate surpluses in that grain, too. If they accomplish their objective, price increases inside the United States will be accompanied by famine and mass starvation outside, espe-

## 1984 harvest: low in many regions of U.S. wheat belt



cially in areas dependent on U.S. grains, like sub-Saharan Africa and nations of Ibero-America whose capacity to import U.S. produced foods has already been wrecked by currency devaluations.

This purpose was announced in November 1983 in the journal of the American Bankers' Association by William G. Leshner, assistant secretary for economics in the USDA. Since his appointment in 1980, Leshner has consistently defended the interests of the powerful grain cartel. He took this view of his duty so far as to go on record against taxing the proceeds of commodity speculation in a letter to the U.S. Treasury Department. Leshner was not the only one to express the policy at the time, but his formulation was sufficiently concise. "... USDA has said many times before that the PIK program is a temporary emergency policy. It was designed to lower surplus stocks, which in turn would raise farm prices and improve farm income. This has been accomplished except for wheat, so there will be a PIK provision for wheat next year." Leshner's department was responsible for the over-estimation of farm income last year, for prices and income did not rise in the way he stated here.

The first reading on the harvest is that the USDA has accomplished its surplus-reduction effort. Acreage harvested is estimated to be 47 million acres, not the 51 million the USDA claims, for winter wheat. The lower figure is actually assessed from state figures which the USDA made available during the month of July. These sets of statistics estimated the total winter-wheat harvest by state, and the yield per acre by state. When the latter number is divided into the former the figure of 47 million acres is arrived at. But this count could go down further, because, for example, the Texas wheat harvest was one million acres less than the lower figure. Thus the USDA is actually circulating two alternate figures on the acreage of the winter-wheat crop harvested.

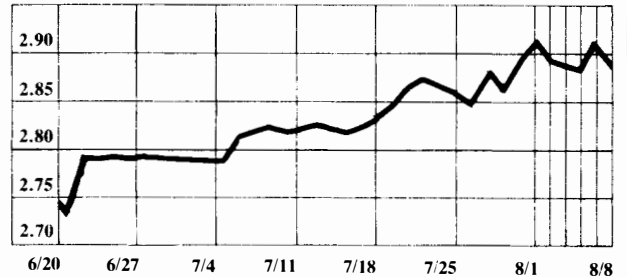
But acreage is only one of the elements considered. Yields per acre are reported by growers around the country to be at a level of 29 bushels an acre, not the more than 39 the USDA claims. These figures vary from region to region but on no way add up to the bumper crop the USDA claims. On these figures, the country could well produce a winter wheat harvest of 1.3 billion bushels, as opposed to the 1.9 billion bushels the department claims.

And then the supply situation could get really tight in the fall, for assuming the USDA has not lied about wheat stocks, the way it did with feedgrains and soybeans, the country would have just over 3 billion bushels of wheat available to satisfy requirements of about 1 billion bushels for domestic consumption, 1.5 billion for export, and over 500 million bushels for cattle-feed. And if the department has been lying about stocks, then supplies just won't be there. The Agriculture Department will have helped to give Mondale his 1973-style "food shock" for the election campaign, prices to the U.S. consumer will sky-rocket, and the Third World will starve.

## Currency Rates

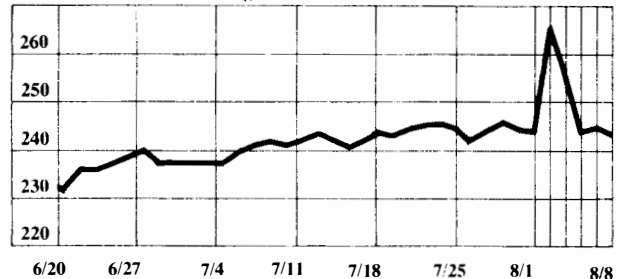
### The dollar in deutschemarks

New York late afternoon fixing



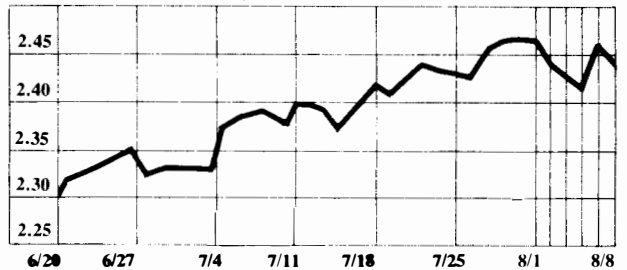
### The dollar in yen

New York late afternoon fixing



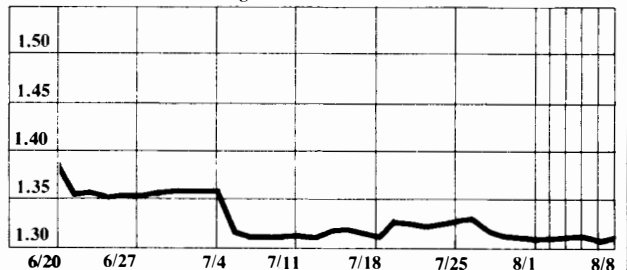
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



# Will the genocide lobby guarantee Soviet imperial rule in the 1980s?

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*Mark Burdman reports from the Second United Nations Conference on Population in Mexico City.*

The Second International United Nations Conference on Population in Mexico City from Aug. 6-13 occurs at a watershed in the world political-strategic situation. Unlike the First International Conference in Bucharest, Romania, in 1974, which officially put the global "Genocide Lobby" under United Nations imprimatur, the Mexico City sessions are being held in the midst of an international financial-economic collapse and an intensifying Soviet global imperial thrust.

These realities have posed a somber challenge to the governments and anti-genocide institutions, mostly centered around the Vatican, that are in attendance in Mexico City: Should the Malthusian offensive being unleashed in the conference halls *as well as* the "free market" alternative being espoused by the U.S. government delegation *not* be opposed by a mobilization in favor of a new scientific and technological renaissance, then the collapse of civilization and/or Soviet global hegemony would be virtually guaranteed.

The linkage between Malthusian demographics and the world strategic crisis, as seen through the eyes of Henry Kissinger and the U.S. State Department, was made strikingly apparent to the 3,000-plus participants at the Mexico City event by the publication over the Aug. 4-5 weekend of a cover-story in *Time* magazine, entitled, "Mexico City: The Population Curse," with a cover picture depicting hordes of Mexicans drawn in racist caricature. Labeling the situation in Mexico City a "Malthusian nightmare," the article, by Otto Freilich, conjures up the strategic threat allegedly posed to the United States by the swarming of Mexican immigrants across the U.S. border.

It is no secret to insiders in Mexico City that there exist plans, drawn up by the U.S. State Department and by think-tanks like Georgetown University's Center for Strategic and International Studies—where Henry Kissinger holds sway—to treat the "Mexican demographic explosion" as the foremost strategic threat confronting the United States.

In the context of the current Soviet military-propaganda offensive against West Germany, nothing could be more convenient for the U.S.S.R. than the diversion of U.S. military attention away from Western Europe and toward its

southern borders, to accomplish more speedily the decoupling of the United States from the European continent. This was the subject of Henry Kissinger's call for the phased withdrawal of American troops from Western Europe, in a now-famous *Time* essay on March 5. The theme that Mexico's population problem is a strategic threat to the United States has also repeatedly been discussed in such elitist institutions as Britain's Ditchley Foundation over the past months.

## **The Club of Life's intervention**

From a political standpoint 180 degrees opposite to that of Kissinger and *Time*, the link between Malthusianism and the global strategic crisis has been uniquely made at the Mexico City event by the Club of Life, the organization founded in September-October 1982 by Helga Zepp-La-Rouche, also head of the recently established Schiller Institute. The Club of Life has submitted a document to the conference, entitled "How to Stop Global Depopulation by the Year 2000," which asserts, at variance with the predominant themes of the U.N. Malthusians, that *depopulation*, and not *overpopulation*, is the primary threat facing mankind.

The Club of Life's intervention at the conference was covered Aug. 8 in a front-page article in the second most widely read Mexico City daily, *El Sol de Mexico Mediodia*, entitled "Denunciation of a Genocide Project Against Ibero-America." The article outlined plans supported by "the Club of Rome, the Rockefeller Foundation, and the U.S. State Department," but "personally opposed by President Ronald Reagan," for a "military confrontation in the region" of Ibero-America "to stop population growth."

Then, on Aug. 9, the daily *El Heraldo*, citing charges made by Club of Life delegation head Nancy Spannaus at a press conference the previous day, headlined that "The Soviet Union Has an Interest in Creating the 'Genocide Lobby' to Gain a Hegemonic Position." The article detailed how the Soviet Union, cooperating with "transnational institutions" like the food-grain cartels, is contriving an artificial food crisis and mass starvation, and how the Mexico City U.N. Conference, "in the form of the depopulation lobby," is cre-

ating a situation in which “the Soviet Union especially can gain in its propaganda terrorism.”

The Mexican press has also covered the Club of Life’s charges that its conference position paper was suppressed by the U.N. Non-Governmental Organizations (NGO) bureaucracy, because of its identification of the Malthusian institutions and individuals behind the global genocide push. While the decision to suppress the document was made by NGO bureaucrat Virginia Saurwein, political pressure was believed to have come from delegations, both East and West, favoring Malthusianism as a national policy commitment.

### **East-West genocide command**

The agreement between oligarchical “transnational institutions” East and West to carry out a depopulation program was apparent from the first days of the conference.

The World Bank’s propagandists were in full force at the conference, distributing proposals by Bank president A. W. Clausen and a special economics task force, demanding that aid for population control programs be “tripled or quadrupled” in the years ahead, and damning “population growth” as the root cause of the ills of the developing-sector societies.

Former World Bank president Robert McNamara was rumored to be directing this campaign from behind the scenes somewhere in Mexico City. Prior to the conference, McNamara had stated that the Reagan White House’s opposition to population control policies was “absurd.”

On Aug. 6, the first day of the conference, a news release was widely distributed advertising a new study by the United Nations Fund for Population Activities (NFPA), the International Institute for Applied Systems Analysis (IIASA), and the Food and Agricultural Organization (FAO), explicitly calling for a “Malthusian” solution to the world problems of food and population. Based on a years-long study done by the Laxenberg, Austria-based IIASA organization on world food production, the release insisted that world food production is “limited” and that the “population-carrying capacity” of the globe is being rapidly exceeded. IIASA was established in the late 1960s-early 1970s following negotiations by U.S. Eastern Establishment head McGeorge Bundy and top Soviet KGB official Dzhermen Gvishiani.

In a private discussion with *EIR*, an East German delegation member at the Mexico City event boasted that his delegation was “cooperating with the programs of IIASA.” He praised his own nation’s demographics policy for “having achieved zero population growth.”

While it would seem most unusual for a representative of a Marxist country to be spouting the policy line of colonialist British East India Company propagandist Parson Malthus, it is clear that the East bloc perspective is equally motivated by cynical racist-imperialist goals. In a speech before the conference plenary, the delegate from Bulgaria stated that his government supports “higher fertility rates” *within Bulgaria*, but supports “specific measures to regulate population growth

. . . to counter the excessively high birth rates” in the developing countries!

With such high-level auspices for their policies, the U.N. Malthusians have been on a rampage in the first days of the proceedings.

In his general address before the conference, U.N. Conference head Rafael Salas of the Philippines stated that “population stabilization” must be the main aim of the conference participants in the years ahead. Claiming a direct correlation between “population growth and global security,” Salas insisted that there would be a growing “struggle for scarce resources” unless population growth were curbed.

Then 18 heads of state, primarily from the British Commonwealth, issued a document on Aug. 8 entitled, “Heads of State Declaration for Population Stabilization.” It claimed that “degradation of the world’s environment, income inequality, and the potential for conflict exist today because of over-consumption and over-population. . . . We believe that the time has come now to recognize the worldwide necessity to stop population growth within the near future.”

### **Genocide through the ‘free market’**

Potential opposition to Malthusianism has been obfuscated by the antics of the American delegation. While formally maintaining many of the anti-Malthusian formulations of the official American policy brought into the conference, a U.S. policy statement released Aug. 8 asserts that “it is sufficiently evident that the current exponential growth in global population cannot continue indefinitely. There is no question of the ultimate need to achieve a condition of population equilibrium.”

American delegation head James Buckley told Mexico City participants that “free-market economy,” rather than centralized planning, “is the natural way . . . to lower fertility rates.” Buckley, who poses as an “anti-Malthusian,” actually spent much of the conference huddling with U.S. Export-Import Bank head William Draper III, a leading zero-growther from the Population Crisis Committee.

Club of Life delegation head Nancy Spannaus issued a response to Buckley on Aug. 8, entitled, “Free-Market Malthusianism is Malthusianism Just the Same,” stressing that “it was the feudal leadership of the British East India Company which commissioned Malthus to write his apology for their policy of deliberate famine in India, Ireland, and elsewhere. . . . The fact that Mr. Buckley has the same aims as the genocidal population lobby, the lowering of fertility, should indicate that his program is no alternative.”

The potential for such exposés to rally anti-Malthusian forces is shown by the fact that a number of delegations, including from the Vatican, Brazil, and several other countries of Ibero-America and Africa, took positions opposing population-control and fertility reduction. The challenge facing these forces is to create a momentum that could destroy the influence of Malthusianism worldwide.

# Vienna UNIDO conference advises starvation for the Third World

by Mary Lalevée

Third World industry ministers attending the United Nations Industrial Development Organization (UNIDO) fourth general conference in Vienna were in for a rude shock if they arrived in the former center of the Austro-Hungarian Empire hoping that the governments of the “advanced” sector would declare their intention to help their former colonies industrialize. From the outset on Aug. 2, they heard that it was their own domestic policies which were to blame for the crisis they are facing. They should expect no help from the advanced sector, but let free-market forces go to work so that the “recovery” allegedly taking place in the advanced sector, would come to them, too.

The “industrialization” projects proposed by the U.N. organization amount to a piddling \$209 million over five years. In December 1980, the United Nations General Assembly had declared the 1980s to be the Industrial Development Decade for Africa; yet the objectives of this decade—now almost half over—are no where near being met. The program had planned for Africa to achieve a paltry 1.4% share in world industrial production by 1990, compared to current share of 1%. Other goals included the achievement of self-sufficiency in food, building materials, clothing, and energy to satisfy the basic needs of the people of Africa. Yet the executive director of UNIDO, Dr. Abd-El Rahman Khane, pointed out in his opening address to the conference that if current trends continue, Africa will still have to import 80% of simple agricultural tools in the year 2000.

## ‘Painful adjustments’

All the advanced countries had to offer to the developing sector countries was brutal “advice.” Their public statements were moderate compared to their statements in private discussions, according to one diplomat from southern Africa. The first two days of the conference were dominated by speakers from Europe, who called for Third World countries to make “painful adjustments” to “adapt” to the world economic crisis. Jim O’Keefe, minister of state for foreign affairs of Ireland and president of the Council of the European Community, instructed developing countries to create “reasonable conditions” for foreign investors and to maintain an “open market”—a theme which was taken up by other speakers, who stressed that developing countries should be “flexi-

ble” on repatriation of profits to investors from the industrialized sector.

The European Commission had issued a paper shortly before the conference stating bluntly that “industrialization is not necessarily a priority” for Third World nations—the equivalent of condemning millions of people to death.

The British Minister of State for Foreign and Commonwealth Affairs, Timothy Raison, said that Third World countries had “overestimated” market demand, and that they had not foreseen or reacted adequately to changes in demand and prices. Exactly how they should have reacted to falls in prices for their commodities he did not explain. “Misfortunes have been compounded by mistakes,” he coolly commented, instructing Third World countries that their approach “must be based on realism,” and holding up Britain as a model.

The West German representative, Development Minister Jürgen Warnke, repeated the charge that developing countries are to blame for their own problems. “External factors cannot be held responsible for all the difficulties facing our countries, be they developing or industrialized,” he said. “Many international problems are the result of deficiencies in national policies such as continuous budget deficits and subsidies for inefficiency, which now have to be corrected in an adjustment process painful both at the national and international level.” Among these “deficient” policies, he said, are “too many industrial projects and complementary investments in infrastructure.” Instead, he recommended “more emphasis on small and medium-sized industries . . . better utilization or rehabilitation of existing industrial capacities [rather than] new investment.”

The “Third Worldist” pseudo-opposition to this club-waving came from the secretary general of the British Commonwealth, Shridath Ramphal, who attacked the International Monetary Fund and the “creditors’ cartel” which refuses to lend to developing countries, in a press conference just before the start of the UNIDO meeting. The wily Ramphal hinted that the Commonwealth finance ministers’ meeting in Toronto, Canada, shortly before the IMF and World Bank meeting there in September, may come up with a (British Empire-style) alternative to the IMF.

The Swiss representative, Ambassador Philippe Levy, proceeded to hold up Switzerland as proof that countries with

no raw materials and dependent on the international market can still develop—to counter the argument of Dr. Abd-el Rahman Khane that Third World nations' dependence on outside economic markets was acting as a brake on their development. Levy said that the economic policies of the developing countries had prevented growth. Large deficits, high inflation rates, poor management of resources, growing indebtedness, and incapacity to adapt to international economic developments were the results, he said. Developing countries should “regain the trust of investors,” by moving “to increase the maneuvering room of private enterprise, reduce government intervention in the economy, follow liberal trade policy favoring free access to markets, and establish a favorable climate for investments by respecting the free transfer of capital and revenue.”

A delegate from one of the Sahel nations commented bitterly that this would mean industry would never develop in his country, for infant industries had to be protected or they would never grow. Indeed, all of today's industrialized nations practiced a healthy protectionism at the start of their industrialization.

The United States sent a conspicuously low-level delegation to the conference, indicating that little importance was attributed to the meeting.

The Soviet representatives also had nothing to offer: Denunciations of the “imperialist circles' exploitation of developing countries” have never been known to advance the process of industrialization, nor does the fact that African countries like Mozambique and Ethiopia are forced to divert hard-earned foreign exchange from food purchases to pay for Soviet equipment. “Soviet conditionalities are worse than the IMF's,” said one African delegate in private.

### **Africans demand industry**

Third World delegates repeated again and again that industrialization was essential to solve the problems facing them in the long term. The Somali delegate, for example, said that “Somalia wants industrialization to become an important part of the economic development of the country. Industry is limited in scope in Somalia and must be developed. An essential infrastructure for industrial development is required.”

In an attempt to stress the seriousness of their plight, one delegate from a French-speaking African country urged that the declaration to be issued by the developing sector countries should state that African nations had been “aggrieved” by drought. “I know it sounds strange in English,” he said, “but to say Africa has been ‘affected’ by drought just does not show how serious the situation is.”

UNIDO, supported by the developing countries, had proposed the creation of an Industrial Development Fund to spur industrialization of the developing sector, but this was rejected by the advanced countries, which declared their support for “existing financial institutions” like the IMF.

Representatives of the Club of Life attending the conference circulated proposals for an emergency African food aid and infrastructure development program (see *EIR* Aug. 7, “Emergency Food for Africa: A Plan to Get It There Now”), which were received with interest by the African delegations.

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## **Documentation**

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### **‘We must revive industry’**

*Speech by Dr. Abd-El Rahman Khane, executive director of the United Nations Industrial Development Organization, in Vienna Aug. 2:*

It should by now be common ground that the international economic environment in the last few years has acted as a major constraint to the industrialization efforts of developing countries. . . .

What we need is an agreed, massive, and integrated international effort that will bring the contribution of developing countries into play to invigorate the international economy. . . . Protectionism has not only to be halted but must also be rolled back. This will provide some relief to developing countries by helping them to increase their exports of manufactures.

But the consequent increase in export earnings will not help if an adequate solution cannot be found to the debt problem. If the debts are to be repaid, conditions must be created to help such repayment. Important among such conditions will be the ability of the developing countries to revive their industry and export manufactures and processed and semi-processed goods at fair prices. . . . It is necessary that the total export earnings of developing countries are not committed to debt servicing beyond a reasonable percentage, consistent with the maintenance of adequate levels of internal productive activity in each country. I consider a debt service ratio of 25%, including capital repayments, as a reasonable upper limit in this respect.

Pending the necessary steps to be taken, adequate financial resources should be provided urgently for industry, compatible with the overall requirements of each country, so that existing capacity may be utilized; as a next step sufficient financial flows should be made available for new industrial investments. . . .

Concerning Africa, the question has been raised as to whether the entire effort of the international community should not be concentrated on agriculture. I must say that such a question overlooks the contribution that industry could make to African agriculture. To cite only one example, if current trends continue, more than 80% of simple agricultural tools and implements used in Africa by the year 2000 will still have to be imported.



## Peru's President gets *EIR* study

*In a visit with Dennis Small and Ernesto Lanata Piaggio, President Belaunde viewed the alternative to IMF looting.*

The President of Peru, Fernando Belaunde Terry, met for 55 minutes on Aug. 2 in the Presidential Palace in Lima with Ernesto Lanata Piaggio, president of the Institute for Economic and Social Studies of the National Society of Industries (SNI), and Dennis Small, Ibero-American editor of *Executive Intelligence Review*.

The purpose of the visit was to present President Belaunde with the results of an econometric study which the *Executive Intelligence Review* recently completed on commission from the SNI, dealing with the Peruvian economy and its development potential through the year 2000.

Lanata and Small presented the President with a historical analysis of the contraction of the productive sectors of the Peruvian economy over the last two decades. In the last seven years in particular, since the International Monetary Fund began to dictate economic policy in the country, most major areas of agriculture and manufacturing have collapsed by upwards of 20% in physical terms. Particularly shocking is the statistic that Peru has reduced its acreage under food cultivation in the last decade by over 11%—and this in a country where per-capita caloric consumption averages well under 2,000 per day (compared to about 3,500 in the United States). Not surprisingly, infant mortality now stands at 80 per 1,000 live births, a rate exceeded only by some of the most impoverished nations of sub-Saharan Africa.

Small and Lanata recommended that the Belaunde government invest its way out of this crisis through a "bootstrap" operation which would give priority to the reactivation of the agricultural and capital goods sectors. The *EIR* study explains that growth rates of 3-5% per annum can be achieved through 1990 by productively reinvesting the capital generated in Peru in these priority areas—rather than exporting this capital as the International Monetary Fund (IMF) is currently demanding Peru do. The IMF is insisting that the country's current annual export surplus of about \$300 million be expanded immediately to the range of \$600 million per year.

Lanata and Small showed the President graphs generated by the *EIR* study, including several showing the dramatic decline of the economy which would follow from the full implementation of the IMF's recessionary demands. The IMF program would cause yet another 20% collapse of the productive sectors of the economy, except this time this would occur in scarcely three years, rather than seven.

The graphs prove conclusively that Peru would be better off by breaking with the IMF than by continuing to implement its policy recommendations—a fact of which the President took due note, while explaining to his visitors that his government's policy has been to accede to the IMF's demand for "austerity," but insisting that this be implemented "without recession." The President did not elaborate

on the specific ways in which he thought it was possible to implement "austerity without recession."

Belaunde was also briefed on the political motivation of the IMF and international creditor banks in calling for such destructive policies: their desire to keep the Third World countries as mere producers of cheap raw materials. Small also briefed President Belaunde on the present insolvency of the international banking system, explaining that this is caused principally, *not* by the Ibero-American debt, but by the bankruptcy of the postwar financial system as a whole.

When the subject of Ibero-American integration was raised as a way of solving the continent's common economic and political problems, Belaunde responded by elaborating his well-known proposal that the three great river basins of the continent be physically integrated. He emphasized the importance of such regional cooperation to develop waterways, and also for the production and distribution of electricity. Belaunde singled out the Itaipu dam, between Brazil and Paraguay, and the potential development of Lake Titicaca, between Peru and Bolivia, as good examples of regional cooperation on great infrastructure projects.

Small transmitted the personal greetings and congratulations of *EIR* founder and U.S. presidential candidate Lyndon LaRouche to President Belaunde for his work in favor of Ibero-American integration, and also for his development and use of the term "narco-terrorism" to describe this widespread problem in the Americas. Unfortunately few political leaders in Ibero-America have understood that there is a total international connection between terrorism and the drug trade. This is seen most clearly in the case of Peru's own Shining Path (Sendero Luminoso) narco-terrorists.

# CO<sub>2</sub> greenhouse effect: boon or bane?

by Dr. S. B. Idso, research physicist for the U.S. Department of Agriculture

*Dr. Idso is a research physicist with the USDA's Agricultural Research Service at the U.S. Water Conservation Laboratory in Phoenix, Arizona, as well as an adjunct professor in the departments of geology and geography at Arizona State University.*

An unprecedented global heat wave. Melting polar ice caps. Rising sea levels. Withered water supplies. Uncertain agricultural productivity. These are but a few of the calamities said in a recent report of the U.S. National Research Council (NRC) to be looming on the horizon, as the atmospheric concentration of carbon dioxide (CO<sub>2</sub>) continues to rise inexorably in response to mankind's gratification of its insatiable appetite for fossil fuels such as coal, gas, and oil. And, in the opinion of a recent report of the U.S. Environmental Agency (EPA), there is absolutely nothing we can do about it.

Pretty scary? You bet. Edgar Allan Poe must be smiling down (or is it up?) at his modern-day imitators.

But is it true? Now that's the rub. Whereas the great master of the macabre never intended that his words be read as gospel, the NRC and EPA reports come to us with the blessings of such venerable organizations as the U.S. National Academy of Sciences, whose good offices seem to rank close to those of Deity. At least that is the feeling one gets when confronted with the publicity hype generated by the two reports. Nevertheless, the question still remains, are the reports true?

There is no question that the atmospheric CO<sub>2</sub> content has been rising steadily over the past quarter-century. That much has been proven by direct measurement. Neither is there any question that it has been generally increasing ever since the inception of the Industrial Revolution, although some question still exists about the magnitude of rise. Even the proposition that atmospheric CO<sub>2</sub> will continue to rise for decades and centuries to come is questioned by but few people. Indeed, there is even no controversy over the NRC report's estimate that a nominal doubling of the atmospheric concentration from 300 to 600 parts per million (ppm) will most likely occur by the year 2065. So what's all the fuss about?

To answer this question, an elite cadre of the atmospheric sciences community has turned to complex numerical models of how the atmosphere is believed by them to function. Re-

quiring high-speed computers to obtain solutions to their many sets of simultaneous equations, these models predict that the most likely consequence of a 300 to 600 ppm doubling of the atmospheric CO<sub>2</sub> concentration will be a  $3 \pm 1.5^\circ\text{C}$  rise in mean global air temperature. The models additionally indicate that the warming in polar regions, particularly the north polar region, will be several times greater than the global mean. And from these two major conclusions flow all of the subsequent calamities mentioned at the beginning of this article.

### Numerical models vs. reality

A bothersome fact, however, is that the real world does not appear to behave as the models predict. For instance, from data and equations in the NRC report, it can be calculated that over the 100-year period from 1880 to 1980 the mean surface air temperature of the northern third of the globe should have increased by about  $3^\circ\text{C}$ . However, actual temperature data for this time period and region, also in the NRC report, indicate a warming of only  $0.3^\circ\text{C}$ . This result, as well as those of several other "natural experiments" conducted by myself and others (*Boundary-Layer Meteorol.* 1982 22 227), implies that Earth's surface air temperature sensitivity is a full order of magnitude less than that suggested by the models.

An even greater discrepancy is uncovered when the last four decades of this 100-year span are considered. During this period of most rapid increase in atmospheric CO<sub>2</sub> concentration, the temperature trend of the northern third of the globe was actually downward—and downward at the dramatic rate of over a tenth of a degree C per decade (*J. Environ. Qual.* 1983 12 159). Not only have temperatures dropped; snowfall has increased as well. Indeed, a recent satellite study (*Bull. Amer. Meteorol. Soc.* 1982 63 1132) has shown that between 1966 and 1980 there was a net increase in the areal extent of Northern Hemispheric seasonal snow cover amounting to 3,000,000 square kilometers, with the increase in snow cover being accompanied by a trend towards earlier accumulation in the fall and later ablation in the spring.

Of course, all of this is in contrast to the computer model predictions that with increasing CO<sub>2</sub> "snowmelt arrives earlier and snowfall begins later." But it is in striking harmony with a singularly unique model study (*Nature* 1979 280 668)

which neglected the conventional greenhouse effect of CO<sub>2</sub> and looked at the consequences of the supposedly weaker interaction of CO<sub>2</sub> with solar radiation. In that case, the predictions matched reality. Enhanced concentrations of atmospheric CO<sub>2</sub> were found to “delay the recrystallization of snow and dissipation of pack-ice and result in a cooling rather than a warming effect” and to “contribute to an extension of snow and ice seasons . . . marked by delayed snowmelt in spring, and early snow deposition in autumn.”

But that suggests that CO<sub>2</sub> is an *inverse* greenhouse gas, which is tantamount to scientific heresy. Perhaps. But let it be remembered that many heretics of yesteryear are the acknowledged fathers of many of today’s respected fields of research. Moreover, evidence is rapidly accumulating to indicate that the proponents of this radically new view of CO<sub>2</sub> may ultimately be so immortalized as well.

One compelling piece of evidence comes from a recent study of the so-called continuum absorption of water vapor (*J. Atmos. Sci.* 1982 39 2923). Previously neglected in all prior model studies of CO<sub>2</sub> effects on climate, inclusion of this factor reduced the size of the CO<sub>2</sub>-induced enhancement of thermal radiation to the Earth’s surface by a full order of magnitude over approximately 40% of the globe. This reduction was enough to make the CO<sub>2</sub>-induced enhancement of thermal radiation in this broad equatorial region less significant than the CO<sub>2</sub>-induced depletion of solar radiation, as I demonstrate in a forthcoming article in the *Journal of Climatology*. In addition, I also indicate in that article how the Arctic haze of high northern latitudes may similarly preempt the conventional greenhouse properties of CO<sub>2</sub>, to produce the dramatic north polar cooling of the past four decades.

Of course, none of this evidence actually *proves* the case one way or the other. But it certainly provides reason for keeping an open mind on the question—at least for the next few decades.

So what else is new? In addition to climatic consequences, the recent greenhouse reports consider a number of biological ramifications. One which is probably more of a cross between biology and physics involves streamflow. Based upon the supposition that runoff is the simple difference between precipitation and evapotranspiration, and the assumption that evapotranspiration is controlled solely by temperature, the NRC report concludes that streamflow rates of the major western U.S. watersheds will be reduced by some 40% to 75% with a doubling of the atmospheric CO<sub>2</sub> content.

Fortunately, this analysis fails to account for the proven effects of increased CO<sub>2</sub> concentrations on plant stomates. In a recent review of the literature pertinent to this topic, for instance, it was found that a 300-600 ppm doubling of the atmospheric CO<sub>2</sub> concentration generally reduces plant evaporative water losses by about a third (*Agric. Water Manage.* 1983 7 55). And including this effect in a model used to simulate the significance of changed stomatal resistances for streamflow, A. R. Aston of the Australian CSIRO has concluded that “we can expect streamflow to increase from 40 to

90% as a consequence of doubling the atmospheric CO<sub>2</sub> concentration” (*J. Hydrol.* 1984 67 273). Thus, once again, conventional wisdom, particularly as expressed in the NRC and EPA greenhouse reports, appears to be rebuffed by experimental data from the real world.

### Agricultural effects

In the area of agriculture the two reports appear more conservative, even exuding a mild optimism, as they conclude that the incremental yield increases of the recent past will probably continue into the future. However, this is the one area where the effects of CO<sub>2</sub> are well known, and simple extrapolations—and not speculations, as in the reports’ treatments of climate—provide a clear picture of *fantastic* benefits for the entire world.

To begin with, CO<sub>2</sub> is one of the prime raw materials consumed in the photosynthetic process, and well over a century of documented scientific research has demonstrated that when atmospheric CO<sub>2</sub> is increased, so also is photosynthesis increased. Indeed, B. A. Kimball has recently reviewed the literature on this topic and analyzed results of literally hundreds of observations of this phenomenon (*Agron. J.* 1983 75 779), concluding that a doubling of the CO<sub>2</sub> content of the atmosphere will in all likelihood lead to a 33% increase in global agricultural production, and that a tripling of the atmospheric CO<sub>2</sub> content will boost it by 67%. Consequently, it is not unreasonable to believe that the quadrupling or six-fold increase in atmospheric CO<sub>2</sub> foreseen in the NRC and EPA reports could well *double* crop yields the world over.

Concomitant with this yield increase is the reduction in plant evaporative water loss mentioned in connection with streamflow. When the two factors are combined to create a water use efficiency parameter, defined as the yield produced per unit of water used, it is found that plant water use efficiency doubles for a mere doubling of the atmospheric CO<sub>2</sub> content. And a recent report by H. H. Rogers *et al.* (*Science* 1983 220 428) indicates that this increase in plant water use efficiency is a linear function extending to at least a quadrupling of the atmospheric CO<sub>2</sub> concentration, for both C<sub>3</sub> and C<sub>4</sub> crops and even trees. As a result, the amount of water needed to produce the doubled yield foreseen in the previous paragraph should drop to a small fraction of what is currently needed to produce but half as much food.

Not only will these changes in plant water use efficiency benefit existing agriculture; they will also allow the bringing into profitable production of great tracts of arid and semi-arid lands presently not suitable for cultivation. In addition, the unmanaged biosphere will benefit as well; for natural plant communities should be able to greatly extend their ranges, pushing into areas where they are currently not able to survive and successfully reproduce due to lack of water. Indeed, the desert should “blossom as the rose” (Isaiah 35: 1) and the face of the whole terrestrial landscape be dramatically transformed. Nothing could be better for the planet.

## 'Let Continental be a lesson'

*New bank crises loom for the fall as Volcker asks bankers to take their lumps.*

**T**he government's forced nationalization of Continental Illinois bank on July 26 seems to have calmed the international debt crisis, but a new round of bank-stock drops and deposit losses could be coming up this fall. On July 25, Federal Reserve chairman Paul Volcker told the Senate Banking Committee that the Continental bailout "may be an object lesson" to other U.S. banks.

Volcker first praised what he called the "substantial progress" by Mexico, Brazil, and Venezuela, which thus far have adhered to the International Monetary Fund's (IMF) harsh austerity programs. He said that these "good" debtors—as distinct from Bolivia and Argentina, which have rebuffed the IMF—should be rewarded by "long-term restructuring of their external debt."

It is the U.S. banks, however, he said, which will have to make tough adjustments—or end up, like Continental, suffering major runs on their deposits. Conti's situation is "unique for a large bank, but the episode may be an object lesson about the importance of looking ahead to anticipate problems."

According to Volcker, Continental's downfall was to raise deposits at whatever rate was necessary and assume that "loan rates can be raised as fast as deposit rates." This approach tended to "undermine the creditworthiness of weaker borrowers," bringing down Conti's debtors until a run hit Continental itself.

Volcker concluded that the other major U.S. banks have put their Third

World debtors into just this position, which "impairs the ability of otherwise creditworthy borrowers to maintain debt service."

To avoid Continental's fate, major U.S. banks should move immediately to long-term renegotiation and stretch-out of LDC loans, Volcker said, as he has proposed for Mexico, Brazil, and Venezuela. "Prudent banking may indeed suggest forbearance and renegotiation of outstanding loans . . . restructuring of foreign credits over a substantial period . . . may be indispensable."

"The Fed has been saying banks ought to come to accommodations which might last more than a quarter at a time," said one congressional staff chief after Volcker's remarks.

Most of the virulent congressional criticism of the government's recent Conti bailout, led by that of House Banking Committee Chairman Ferdinand St Germain, has been directed at forcing other banks to take early losses, the source revealed. "They want these banks to take some of these losses now," he said. "Congress does not like the idea of lending to pay interest and piling up the debt to a larger amount."

On Aug. 6, St Germain filed formal demands with the Fed, the FDIC, and the Treasury's Comptroller of the Currency for all internal documents they might have regarding the Conti bailout. "They're asking for everything, including examination reports which we've never given," said one regulator. "There's going to be a big fight."

Volcker's idea is to divide and conquer the Third World debtors, the congressional official continued. "Work out a deal with those countries which are in a position to get on to a long-term solution—like Mexico—so that we could whittle down the problem to the countries which you could write off."

Bolivia is the first country to be "triaged," he said. "The banks are already writing down the Bolivian debt, and when you've done that, you've already got some sort of a triage process you can implement. There's a lot of sympathy for that approach on the Hill." Argentina, he said, could not be tackled yet because "it's bigger."

But if banks do stretch out billions of Mexican, Brazilian, and Venezuela debt this fall, to try to avoid non-performing loans at the end of the September quarter, they could be in worse shape than before.

Long-term renegotiations ostensibly do not change a bank's loan principal valuation, but bank analysts and investors will look askance at a \$1 billion bank loan due, not in 3, but in 10 to 15 years.

Furthermore, none of the debtors at present are repaying principal in any case. The real problem, unaddressed by Volcker, is how will Mexico and others continue to pay \$10-13 billion per year interest bills with interest rates at 13%?

Both the Fed staff and Congress would like the banks to take losses on interest income as well, my source said, by setting up "fixed rates" for the newly renegotiated loans. Some of these might even be below market rates, which would mean that the banks would be paying 13% to get money, but only earning 10%, or whatever the new low rate would be. "The question is whether the banks are going to have to absorb the reduction in their earnings," the staffer laughed.

## Profit ruse buoys stocks

*The money managers artificially boosted the market, but profits will be heading for a fall.*

**T**he Dow Jones industrial average settled down the week ending Aug. 10, rising only 16 points on the week, after an 86 point rise the week before. A record 755 million shares changed hands.

A number of people have been left scratching their heads. Why did the 100 point run-up in the market over two weeks happen, and will it continue?

We don't know and don't really care, but since many of you are interested, we'll say what we can about it. The stock market functions like the New York City subway system: Whether you get from one place to the next on time, or even at all, is a matter of daily chance.

Surely, the fall in interest rates, triggered by the ridiculous line that "inflation has been licked," had something to do with it; 30-year Treasury bonds, which traded at 13.6% at the start of July, were down to 12.5% by the first week of August, a 110 basis point drop in 30 days. Falling interest rates would indicate that inflation a few months hence should be lower (were higher inflation expected, according to conventional wisdom, then interest rates would rise).

Aside from market forces, there is also the more likely possibility that institutional investors—the large insurance companies and pension fund managers, such as Lazard Frères and Goldman Sachs—wanted to create a market rally for political reasons.

Reagan's inner cabinet has been urging the President to claim that the

stock market boom is the result of his economic policies. But what if this rally were pure fluff, so that once the President took credit for it, say in his keynote address at the Republican National Convention, the rally were aborted promptly and the President were made to look like a fool.

This would not be the first time that the insurance companies and investment bank pension managers had pulled such an operation. Keep in mind that 60% of all stocks are owned by money managers—corporations, pension funds, and insurance companies—and on any given day they trade 90% of all stock.

Lending credence to this view is the so-called Volcker element in the rally. Paul Volcker presented testimony July 25 which the press played as a refusal to tighten interest rates—a good sign for the stock market. But what Volcker actually said was that the Federal Reserve will lower the M1 and M2 monetary targets for 1985, which will tighten credit, and he warned that current "relatively rapid rates of growth in M3 and domestic credit are flashing cautionary signals."

The press somehow managed to interpret this as an endorsement of easing credit, which, in turn, helped ignite the rally.

The third element in the stock market rally is that with energy prices falling and with commodity prices in the doldrums, European and American investors found the stock market one of the few places they could put money short-term.

Most worrisome is what nobody is willing to talk about. The profits and dividends upon which the market rally was based are not real. Perhaps as much as one-tenth to one-fifth of corporate profits are based on stock market manipulations. In the first quarter of 1984, companies bought back \$60 billion of their own stock, and repeated this process for an additional \$15 billion in the second quarter. Low stock prices helped this process, suggesting that the market might have been artificially depressed to facilitate its occurrence.

Why should corporations be retiring their stock in the midst of a supposed recovery rather than issuing new stock? Because this way they could inflate earnings. Take the case of "leveraged buy-outs": If a company borrows from an outside lender, proceeds of the purchase of its own stock are booked as a gain on the income statement. If the company takes back its debt, then interest paid on it is chalked up to earnings.

Another trend of the first half of the year was mergers, in which companies traded or sold divisions. Often a company would sell its own division, only to lease it back. In this way the company could count the proceeds of the sale as earnings, and count any debt required to lease back its operations as an operating expense, thereby reducing, artificially, its debt-equity ratio.

Hence earnings were artificially inflated, debt-to-equity was artificially reduced, and with millions fewer shares because of buy-backs, the dividends distributed among fewer shares were higher per share.

In the market rally of the last three weeks, the corporations took advantage of the artificial situation they had set up. But these phony profits will soon evaporate, and the leveraged stock market will fall.

# Business Briefs

## Agriculture

### Farm Credit agency says 'no more loans'

An official of the Farm Credit Administration—the largest farm credit source in the United States—has announced a policy of cutting loans to the farm sector, regardless of impact on agricultural production.

George Irwin, chief economist for the agency, told reporters at a farm-credit conference at Mississippi State University during the first week in August: "Farm policy needs to focus on economic forces directly and not compromise the functioning of the credit delivery system. . . . Credit cannot be used to prevent adjustment to forces that alter conditions of American agriculture."

Irwin called for separating farm-credit policy from other farm matters in the upcoming 1985 farm bill process. He said that it was impossible to do anything about "heavily indebted farmers," and that farm lending should be returned to the private sector.

## Free Enterprise

### Economist demands truce with the dope pushers

British-born economist Arnold Trebach issued a call in the *Wall Street Journal* Aug. 2 for legalization of drugs and a "truce" with drug-traffickers. Trebach is director of the National Committee on the Treatment of Intractable Pain and a top propagandist for the legalization of heroin for "medicinal" purposes.

"President Reagan's War on Drugs is a failure," Trebach wrote. "That is not surprising. Every major effort in the 70-year American crusade against these chemicals has also failed. . . . My hope is that when sensible people look at what further escalation of the drug war would really mean, many of them will join me in declaring we have had enough of drug wars and deciding we can rationally co-exist with a good deal of drug use in our society because we do not have the power to make it go away. . . ."

"One sensible response to our heroin problems would be close to that now practiced in the United Kingdom, where doctors are allowed to provide heroin and a wide variety of other powerful drugs. . . ."

"The availability of legal marijuana would destroy demand in our largest illegal market.

"Of course, some experts argue that less-strict controls will produce an increase in the use, and, eventually, the abuse of drugs. Perhaps. However, there is strong evidence that there is a natural limit to the number of people who will use any drug, whether or not it is freely available."

## Ibero-American Trade

### Tri-national consortium group formed for trade

Latinequip, a tri-national consortium to finance exports of capital goods between Brazil, Argentina, and Mexico, was formed on Aug. 4. Within 90 days, machinery producers in each country will be able to finance their exports to the other two countries. The consortium is made up of three banks managed by the governments of Mexico and Argentina and the State of São Paulo.

Though vital for development, capital goods producers in Ibero-America have been badly hit by the depression caused by IMF policies, and have been producing at only 20-50% of their capacity.

## U.S. "Recovery"

### Volcker's manipulations holding up market

An actual reading of Paul Volcker's famous July 25 Senate testimony in which he supposedly created the "Volcker Rally," reveals that—he didn't. The *Wall Street Journal* and the press simply picked several words out of context to prove that the Fed has not and does not plan to tighten credit.

But, in fact, Volcker's testimony repeated demands for budget slashing and

threatened more rate rises if there are no slashes. Volcker touted the recovery, then said, "But the hard fact is the deficit remains huge in absolute and relative terms." The deficit is sucking in foreign funds, and the "sustainability of the process . . . is in question," he said. "As the U.S. becomes more and more dependent on foreign capital . . . interest rate pressures remain strong."

The market, in fact, is only being held up by the most insane of 1929-style stock manipulations. *BusinessWeek* reports corporate profits rose sharply in the first half of 1984, inflating a consumer and stock-market bubble. The rise in profits is, in part, artificial, totaling tens of billions of dollars attributable to buy-backs of stock by corporations and the fraudulent accounting practices the corporations employ.

After selling \$29 billion of equities in 1983, companies announced some \$60 billion in buybacks in this year's first quarter, and another \$15 billion in the second quarter. Of this total, nearly \$10 billion were in leveraged buy-backs. If the buyer borrows the money for the buy-back from the outside, the proceeds of the sale are booked as a gain on the income statement. If the company takes back the debt, interest paid on it flows to earnings.

Companies are also using leasing arrangements, whereby they sell an asset to an outside company, and then lease it back. The proceeds of the sale are counted as earnings, swelling profits, and the debt to lease the asset back is counted as operating debt and reduces the corporation's debt-to-equity ratio.

## International Trade

### Soviets continue to stockpile U.S. corn

The Soviet Union gobbled up U.S. corn supplies at record rates for the fourth consecutive week, the U.S. Agriculture Department reported on Aug. 6. The Soviets purchased another 100,000 metric tons of U.S. corn, bringing to over 8.5 million tons the total amount of corn and wheat the Russians have purchased since June 29. The Soviets have bought 12.9 million tons of grain since the

beginning of the year.

The *Des Moines Register* reported on Aug. 1 that Soviet Trade Representative Albert Melnikov told the National Corngrowers Association meeting in Indianapolis in late July that the Soviets will buy more grain if the United States opens up its domestic markets to Soviet goods. Melnikov said the first step would be to grant most-favored-nation status to the Soviet Union. He said this was important to U.S. farmers because 68% of U.S. exports to the Soviet Union are agricultural products, but the "great disequilibrium" in this trade "does not encourage the Soviets to stimulate its trade with the United States." Melnikov stopped short of saying the Russians would stop its massive buying spree if most favored nation status were not granted, but reminded the corn-growers that "the U.S. is not the only source of supply now" for farm products.

One side effect of the present trade is that the Port of Houston is becoming increasingly dependent on Soviet grain sales for its existence. The *Houston Post* reported Aug. 4 that the recent increase in Soviet grain sales is the only good news for the Houston port, since much of the grain purchased by the Russians is being shipped from there.

According to trade figures, in 1981 2.1 million tons of wheat were shipped from Houston to the Soviets, representing 25.6% of all wheat exports from that city. This year's figures are expected to be significantly higher.

### *The Invisible Hand*

## **'Stop U.S. farm parity, build down surpluses'**

"The parity price system is a notion totally incomprehensible to anyone but a U.S. farmer," a spokesman for the London-based International Wheat Council (IWC) said Aug. 9. The IWC, an inter-governmental organization, manages the International Wheat Agreement which began, in 1971, to impose a supranational, "order" on the grain markets backed by governments, to force individual nations to submit to the grain cartel.

"We're working at having the individual nations discuss their individual policies and eventually change them—the first point is that one country should not expand its production when another is building down, and in this way add to the surplus which we're trying to get rid of. A balance must be brought between supply and demand. Countries and national policies must work in the same direction at the same time. Under the previous U.S. administration, we were getting close to getting an agreement, but Reagan's free-market policies stopped it dead in its tracks."

"The first step to be taken now is to cut down the surplus production. The worst is that the overpriced U.S. parity prices, which cost a lot of money to the U.S. budget, tend to be trend setters not only for world prices, but also for volumes of output: If people think they can get away with it and sell their production at that price, they will produce more. U.S. target prices on the export price are too high."

### *Development*

## **Japanese consortium to assist Peru**

A Japanese consortium will pay for final construction needed at Peru's Cerro Verde II copper project, expected to begin operations within five months, a government spokesman said on Aug. 8.

The Mitsui and Marubeni firms of Japan will lend \$130 million to Peru to finish the important project, said Sen. Javier Diaz Orihuela, head of the energy and mines commission of the senate.

Cerro Verde II, located in the vast copper reserves of southern Peru, will have a processing capacity of 20,000 metric tons of ore a day.

Diaz Orihuela said the Japanese loan has a 14-year payback period with three-and-a-half-years grace.

The final leg of financing for Cerro Verde had been debated between the Japanese and a British consortium. With the Mitsui-Marubeni loan, the project should be ready to start up operations in January, according to government plans.

## *Briefly*

● **BILLY M. DAVIS**, running mate of independent-Democratic presidential candidate Lyndon H. LaRouche, as well as LaRouche agricultural advisor Lawrence Freeman of Baltimore, addressed 40 farmers in Dodge City, Kansas, at a meeting of the Kansas state American Agricultural Movement. Davis, a Mississippi-farmer, and Freeman demanded a return to parity pricing.

● **FRANCISCO Morales Bermudez**, former Peruvian President, proposed that Peru set up a free-trade zone in its jungle region bordering Colombia and Brazil, the area where some of the Colombian cocaine mafia has fled to avoid President Betancur's crack-down. Gen. (ret.) Morales Bermudez staged a Kissinger- and Cuban-supported coup against Gen. Juan Velasco in 1975 and then purged nationalists from the government, put the country under an IMF dictatorship, and opened the doors to the cocaine mafia. He has apparently begun fundraising for the 1985 elections.

● **MARTIN BANGEMANN**, West German economics minister, warned on Aug. 8 that his government may prohibit German companies from cooperating with any further tightening of U.S. restrictions on export trade in sensitive technology and equipment. Bangemann had met with U.S. government officials in mid-July in Washington, D.C. Commenting on possible U.S. "extraterritorial" trade restrictions, Bangemann said, "We would not accept that. . . . In the United States, I said I don't share the opinion of the Americans of the problem on technology transfers."

● **CARL H. LINDNER**, chairman of the Penn Central Corporation, Fisher Foods, Inc., and his own company, the American Financial Corporation, has been named chairman of the board of United Brands Company, a company most famous with the public for Chiquita brand bananas. With law-enforcement officials, especially those concerned with narcotics, the company is known for its connections with the import of cocaine and marijuana.

## Infrastructure: the \$8 trillion hole no 'economist' counts

by Richard Freeman

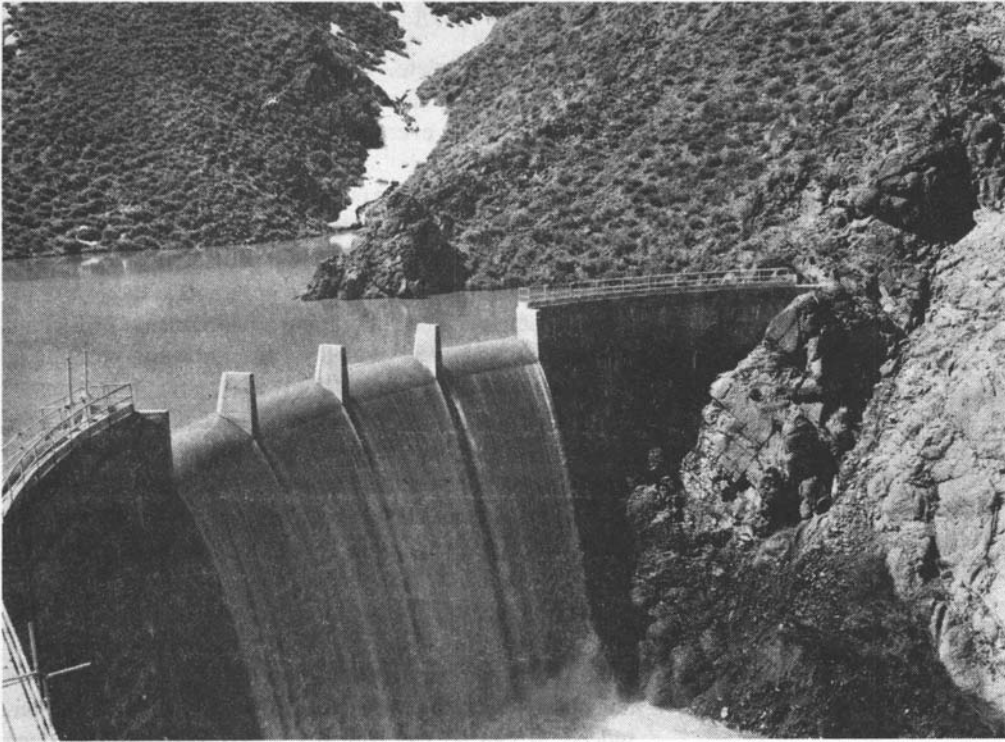
Had the United States diverted capital-goods and other inputs in the amounts required during 1983-84 to meet the incurred costs of maintaining basic infrastructure, what the economy recorded as a 1% increase in tangible output over that period would have become a 9.4% drop in tangible output over that period. That is the result reported in *EIR's* June 1984 *Quarterly Economic Report*.

The United States has suffered a growing annual deficit in spending on basic economic infrastructure since at least the 1965-66 period of the Johnson administration, the beginning of the "post-industrial" drive launched by the New York, London, and Swiss financial oligarchy. A detailed study appearing in the *EIR* report has now revealed the shocking condition into which this policy has thrust the U.S. economy's infrastructural foundations, without which no aspect of manufacturing or agricultural activity can long continue. The study offers the preliminary estimate that over the next 20 years the United States will be minimally required to expend \$8-10 trillion to meet cumulative incurred costs of infrastructure. This takes into account that no such expenditure could conceivably be met without the rapid transition to laser-based machine-tooling, plasma steelmaking, fusion-fission hybrids, and first-generation fusion reactors over the 20-year period, which, while it means expanded need for infrastructure, also means the higher levels of productivity required to pay for it.

Any economy, however apparently healthy, which is not repairing, replacing, and expanding basic infrastructure for the sake of future agro-industrial growth, is living on borrowed time. Environmental management, such as fresh-water management, general transportation systems, production and distribution of energy supplies, and basic urban industrial and social infrastructure, are as essential to agriculture, industry, and commerce in the economy as a whole as plant and equipment are to the industrial enterprise. These incur a calculable amount of expenditure for maintenance and depreciation. If those incurred costs are not paid, the economy collapses.

By deducting this unpaid cost of basic-infrastructure amortization from physical output, turning the economy's apparent performance of a 1% improvement





*Water from the snowmelt replenishes storage reservoirs like this one in Nevada, from which water is drawn for irrigation, industrial and domestic uses and electrical power. But many dams are now in hazardous condition, due to lack of maintenance and repair—part of U.S. infrastructure's collapse across the board.*

USDA

into an actual 9.4% decline, we represent the extent to which the economy's "superstructure" has operated in apparent health only by looting the economy's foundation.

### **What is infrastructure?**

Infrastructure, in principle, is not a luxury, nor an overhead expense, nor a matter of boondoggles. It is the primary investment a society must make, on penalty of watching its economy as a whole grind to a halt—despite even the most judicious economic policies otherwise. Infrastructure is the framework into which manufacturing and agriculture are "lowered." This may mean extensive dams, water systems, piping, electricity-generating plants, and transmission wires, before a single manufacturing or agricultural enterprise can begin operations. Should those systems fail, not a single manufacturing or agricultural enterprise can continue operations. Infrastructure is the limiting function, or better, the *potential* function of agro-industrial and population growth. For this reason, infrastructure expenditures do not "pay off" immediately. They are investments in the economy's future power to grow. If these costs are not met over an extended period, as in the United States today, no amount of investment in other enterprise will produce growth.

Traditionally, the bulk of expenditures for basic economic infrastructure are made by government (federal, state, local) and public utilities. Over the course of the 1970s, as governmental budgets were cut drastically, the national repair bill for infrastructure-maintenance went largely unpaid. By how much? We cannot measure this repair bill by standards of historical financial accounting; inflation drives up

the costs of the repairs. It is a fair estimate that to restore the basic economic infrastructure of the U.S.A. to 1970 levels, about \$3 trillion of such expenditures would be required. Since a great part of that repair bill occurs in the form of expenditures by government, this portion of the repair bill is not listed in profit and loss accounts for the U.S. economy as a whole. We must deduct a fair portion of \$3 trillion from the nominal U.S. GNP over the period 1970-83, with the greater part of this loss concentrated in the 1979-83 period.

Worse, basic economic infrastructure affects chiefly the production and transportation of physical-goods output, so that it is with the smaller portion of nominal GNP associated with that output that we must compare the repair bill for infrastructure. Now, the relative impact of unpaid infrastructure costs begins to be clearer.

As a matter of budget-balancing, infrastructure allotments are cut savagely in authorizations of federal, state, and local governments. Skyrocketing financial rates cripple investment programs of utilities. Budget-balancers, persuaded by the rhetoric of the Felix Rohatyns, walk smugly out of the budget-planning sessions, persuaded they have cut enough to get through the coming year, by cutting that which is not "cost effective," i.e., has no immediate pay-off. The cuts redound in such forms as a nationwide fresh-water crisis, collapsing transportation systems, rolling brown-outs, and imminently rolling power black-outs, and a general collapse of urban industrial and social infrastructure.

Entire chunks of highways fall off; bridges with passenger cars plunge into rivers; entire cities' populations line up for rations of potable drinking water; droughts ruin billions

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*“The study offers the preliminary estimate that over the next 20 years the United States will be minimally required to expend \$8-10 trillion to meet cumulative incurred costs of infrastructure.”*

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of dollars worth of crops on unirrigated land; subway riders are trapped on trains for an hour to travel only a few blocks; dams burst killing tens of people, and causing tens of millions of dollars in damage; hundreds of billions of dollars worth of commerce are lost as canals and rails are shut down for lack of maintenance.

These are everyday occurrences throughout America. One day, if this continues, the nation's infrastructure must become a giant junk pile, and the economy as a whole must collapse upon its shattered foundations.

### **The political problem**

The process of collapse of U.S. economic infrastructure has been partly deliberate and partly the result of economic stupidity. To the Swiss-based financial interests which control our energy, food, and banking-insurance cartels, the babbling of a Milton Friedman or more “liberal” variety of the same monetarism, also reflected in the “cost-effective” babbling of the budget balancers, has the special ideological usefulness that infrastructure spending is caused to disappear from view, and then reappear only as discredited “big government spending.” The typical Republican “fiscal conservative,” even if he is otherwise an honest patriot, as the Mont Pelerin Society and Hillsdale College's David Stockman is not, is led to a policy that would do the Kremlin proud, destroying the nation's economic underpinnings in the name of “curbing big government spending.”

More witting than most “fiscal conservatives” are the Soviet-influenced fellows in the Mondale wing of the Democratic Party, who don't like infrastructure because they don't like growth, and say so. The Congressional Budget Office's April 1983 report, “Public Works Infrastructure: Policy Considerations for the 1980s,” proposes to compel communities to do without basic infrastructure by imposing “user fees”: “Many projects now classified as needs could probably be eliminated if users were faced with paying the full costs of water-related services provided them.”

The witting policy of the financial oligarchy is typified by the May 24, 1984 *BusinessWeek*, whose cover story, “Are Utilities Obsolete?” proposes that “Thomas Edison's vision of the central power station as the sovereign source of elec-

tricity may be obsolete,” implicitly pointing toward the electrical-energy equivalent of Mao's Great Leap Forward—a generating-unit in every backyard, the “post-infrastructure society.”

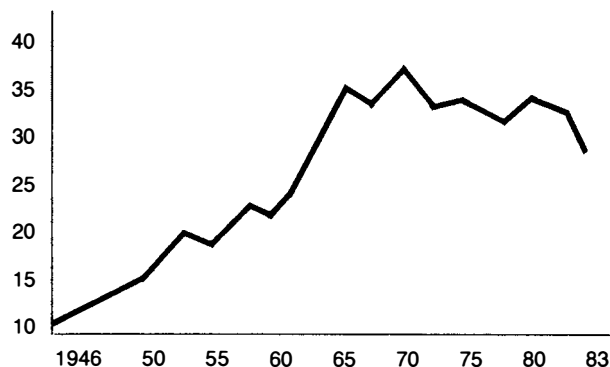
In the 1960s, policies conduited through London effected a paradigm shift in the Lyndon Johnson administration (1963-68). In place of economic development, Johnson's advisers substituted “quality of life” social programs as the core of his “Great Society.” The succeeding administration of Richard Nixon (1968-73) was guided by the imbecilic precepts of Friedman: that only money supply and market forces count. The physical economy be damned. This continued under the hapless Ford. The Carter administration (1976-80) then preached “conservation,” the cancellation of urgent water projects, and the shut-down of nuclear power. Carter also appointed Paul Volcker to head the Federal Reserve; his usury has looted the physical economy for five years.

Though state and local infrastructure building grew at a brisk pace in the 1950s and 1960s, peaking in 1969 at \$22 billion (1972 constant dollars), the “post-industrial shift” has left current infrastructure spending at less than \$2 billion. Indeed, it can be categorically stated that only the steep decline of industrial and agricultural activity imposed by the post-1979 double-digit interest-rate policy of the Federal Reserve has prevented infrastructure's deterioration from resulting in huge congestion, even catastrophe. The collapse in physical goods output since 1979 “saved” America from experiencing the effects of infrastructure's demise.

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### **Post-war trends of expenditure on basic economic infrastructure, 1946-83**

(In billions of 1972 dollars)



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We now examine the scope of the U.S. deficit in basic economic infrastructure.

# The American highway system: a case study in spending needs

by Richard Freeman

The United States has 3.9 million miles of roads and streets. Only half of these roads are paved. A large portion of them, including almost all of the most traveled portion of roads, will have to be resurfaced or rebuilt over the next 20 years.

Of these roads, 1.2 million miles or roughly 30%, represent the national "priority system," carrying 84% of the nation's traffic. This priority system is divided into major arteries and collector roads feeding into the major arteries, of which the most important components are:

- 42,000 miles of Interstate Highway System;
- 260,000 miles of major primary-system arterials;
- 400,000 miles of secondary-system rural collector roads;

and

- 125,000 miles of urban-system collector roads.

Four-fifths of the nation's road mileage was in place as early as 1920, although not in its present form. Legislation in 1916 and 1923 began to knit the country's road system into a unified whole. In 1956, the Highway Trust Fund was created to give aid to most federal roads but especially to the Interstate Highway System, which, while only 1% of the nation's roads, handles one-fifth of all traffic and nearly half of all travel by combination trucks (mostly 18-wheel tractor-trailer trucks).

## The Interstate System

As conceived, the Interstate System was to have been completed in 1972, well before the first cycle of major repairs was to begin. That goal was not met, but more than 96% of the system's planned 42,900 miles are now open to traffic, and the Congress has set a target date of 1990 for completion of the remaining 1,700 miles. The cost for completing the remaining miles, primarily in urban areas, is \$36.3 billion, or \$21.4 million per mile: High land costs and the confinement of urban construction space are responsible for the high cost. At current rates of repair, by 1990, 75% of the Interstate Highway System will have to be repaired or rebuilt.

Overall, capital spending for all major highways, inclusive of the Interstate System, began to plunge in the 1970s. Expenditures, measured in real dollars, declined steeply. Although the costs of driving on "poor" roads cannot be calculated precisely, one recent study by the Federal Highway Administration has found that operating costs on a road

in poor condition may be 15% to 29% higher than the costs of using a road in good condition.

The heavy wear and tear of traffic destroys highways, but doing as much or more damage is the weather: water seepage, freeze-thaw cycles, and soil erosion. Highways succumb to chemicals used for de-icing purposes, chemicals interacting in the construction materials themselves, defects in construction, and drainage problems. As long as highways use concrete, which is ideal for its compressive strength—it can withstand much pressure—or concrete-asphalt mixtures, there will be such problems. Concrete has no tensile strength or "give," i.e., a bar of concrete two feet long and an inch square can be snapped over one's knee like a dry stick. When water gets in, the highway buckles, curls, scales, faults, and so forth.

Highway roads have a life expectancy of 20 to 25 years. It costs \$125,000 per mile to resurface roads in "fair condition," i.e., tear off the top of the road and repour concrete, asphalt, etc.; it costs \$600,000 to reconstruct or rebuild roads in "poor condition"—tear up from the roadbed, and replace or fix the road-bed, the base, the dividers, and the surface. It costs \$1 million per mile to build a new road, including digging and rooting, grading and lining, and putting into place different layers as well as guard-rails, lights, and other items if necessary.

The Road Information Program (TRIP), a Washington, D.C.-based think-tank, estimated that in 1982, according to the engineering standards of the American Association of State Highway and Transportation Officials, 240,400 miles, or 12.3% of the nation's paved roads and streets were in "poor" or "very poor" condition. The TRIP group also estimated an additional 1,006,500 miles of road are only "fair"—also a substandard category, indicating serious problems with the road. The increase in road mileage in "fair" condition was 18% over the previous year's level; the increase in road mileage in "poor" condition was 30%. The accelerated rate of growth of poor or fair roads indicates the rapidity of depletion of the nation's highway system.

At the current rate, all of the nation's 1.2 million miles of priority highways are or will be over their useful life by the year 2000 and will need either resurfacing or rebuilding to stay in use.

The cost of putting the 1.2 million miles of priority roads in working order—rebuilding and repairing where necessary—is \$576 billion over 20 years (all figures in 1982 constant dollars). Another \$200 billion will be required for repair of the nearly 2.7 million miles of non-priority rural roads and urban streets, three-quarters of which are unpaved. Total expense, which includes nearly \$30 billion to complete the remaining 1,300 miles of the Interstate Highway System, is \$776 billion, or \$38.8 billion per year.

This figure, however, is premised on the assumption that

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*At the current rate, all of the nation's 1.2 million miles of priority highways are or will be over their useful life by the year 2000 and will need either resurfacing or rebuilding to stay in use.*

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the U.S. road system will need no expansion. The stagnation in freight tonnage, economic growth, and population growth characteristic of the United States for the past 5 to 10 years has led every agency that works on this problem, from the Association of General Contractors, to the Federal Highway Administration, to The Road Information Program to assume *virtually no growth in the road system in the future*. The Department of Transportation's National Transportation Policy Study Commission took a novel approach in its final report of June 1979, assuming a moderate level of growth, and coming up with a road repair and expansion program that would cost \$1.239 trillion dollars if adjusted to the period 1984-2004, or \$61.9 billion per year (all figures in 1982 constant dollars). This pro-growth policy assumption was made before Paul Volcker's appointment to head the Federal Reserve System persuaded most groups that growth is impossible.

If the specified critical parameters for population, shift in labor force, and energy are applied, real product output will be 4 to 10 times larger in 2004 than in 1984. The highway system, or at least its most crucial 1.2 million mile priority system, will have to be expanded at the rate of 3% to 4% annually. However, we must assume that the U.S. priority road system will have to expand at the *minimal rate of between 1% and 2% per year for the next two decades*, and that the cost of constructing a new mile of road for this priority system is \$1 million per mile: According to the Federal Highway Administration, the cost of building one mile of new

road varies from a low of \$275,000 for one mile of two-lane secondary road over flat terrain, to \$31.6 million for one mile of four-lane, urban Interstate highway. The priority system of roads will expand by 264,000 miles if the system expands at the rate of 1% per year, and by 583,000 miles if the system expands at the rate of 2% per year. At \$1 million per mile, the cost of new road construction, just for the priority system, will thus range between \$264 and \$583 billion.

Adding the deficit of \$876 billion to the cost of expansion, the total cost of highway repair *and* expansion will vary between \$1,140 billion to \$1,459 billion over the next 20 years, depending on whether a 1% or 2% rate of growth of the road system is planned. The total highway expense is \$52 to \$68 billion per year.

The cost of the system will be much larger when inflation is added in, running from \$2.75 trillion to \$3.61 trillion when an average inflation rate of 5% is assumed for the 20 years from 1984-2004. In nominal dollars which account for inflation, the United States will have to spend between **\$138 billion and \$181 billion per year for 20 years**.

## **Bridges**

Obviously, even the finest highway system is not a reliable means of transporting goods or people if the bridges that system spans threaten to collapse at any time. And in fact, at present, sections of cities are dysfunctional, shut down to traffic by the closing of bridges, or by their collapse. Two-thirds of the nation's 557,516 bridges have been classified by a report from TRIP as "either structurally deficient or obsolete." Of these officially "deficient" bridges, 126,655 are so unsafe as to be restricted by federal law to light vehicles—no trucks, buses, truck trailers, or fire engines—or closed to traffic altogether pending rehabilitation. A bridge near Toledo is weight-restricted and heavy commercial traffic faces a 23-mile detour into the city. Consumers pay the increased costs for goods.

At the rate the nation is repairing its bridges, it would take 287 years to catch up with existing problems.

According to a report of the Federal Highway Administration on the "Highway Bridge Replacement and Rehabilitation Program" (issued March 1982), it will cost approximately \$14.7 billion to rehabilitate, and \$32.9 billion to replace all of the eligible deficient bridges in the country, for a total estimated cost of \$47.6 billion in 1980 dollars, or \$55.5 billion in 1982 dollars. This figure only represents *current* deficiencies and does not take into consideration the bridges that will become deficient in the future. This will cost \$10 billion, bringing the total 20 year expenditure bill to \$65.5 billion.

Finally, the 50 new cities one must take into account as a requirement will entail bridge construction at a cost of approximately \$30 billion.

Total bridge construction cost: **\$95.5 billion**.

# The scope of the infrastructure deficit: how much is needed where

by Richard Freeman

A study measuring the unmet amortization cost of U.S. infrastructure since 1960, and the future cost of meeting infrastructure needs from 1984-2004, arrived at the following overall figures for required spending over the next 20 years:

## Infrastructure costs, 1984-2004

(billions 1982 dollars)

Item	Cost	Per Year
Highways, streets	1,040.0-1,359.0	52-68
Bridges	95.5	4.78
Railroads	175.0-200.0	8.75-10.0
Locks, waterways	77.5-87.5	3.88- 4.38
Dams	110.5	5.53
Ports, harbors	108.7	5.44
Mfg plant, equipment	2,380.4	119.2
Airports	87.9	4.4
Electric. gen. capacity	2,795.0	139.75
Transit	206.3	10.3
Water supply, sewage treatment	635.0	31.75
New cities	<b>3,750.0</b>	<b>187.5</b>
<b>Total</b>	<b>8,666.4-10,515.8</b>	<b>433.3-525.8</b>

Here, we examine each element in turn. Electricity

Electricity is a more energy-intensive, organized, and divisible (by units) form of energy supply than the coal-, oil-, or nuclear-fired processes that go into producing it. An economy based on the new relativistic physics would have to vastly increase its electricity output and consumption. Lasers and other such devices consume very large amounts of electricity. While coal-fired plants, which can be erected in two to three years construction-time, may contribute additional output, most new electricity will come from nuclear-fission plants, and hopefully by the mid- to late-1990s, from fusion plants.

Assuming that by the year 2004, one thousand gigawatts of nuclear-generating capacity will be added, we are adding an average of 50 gigawatts per year, which can be supplied

by 50 plants of one gigawatt installed generating-capacity each. A single gigawatt nuclear plant costs \$2 billion to construct, and takes 5 to 6 years if safe procedures are used; current harassing environmental restrictions, which raise construction times to 10-14 years, must be halted. The construction of 1,000 single-gigawatt plants will cost \$2 trillion. For the first 6 years, no plants would be built, but production would accelerate through the last 14 years of the period such that the effect will be an average of 50 one-gigawatt plants per year.

The development phase the U.S. economy is entering will probably require an electricity throughput per person *two-and-one-half times* that currently existing. This would require 1,795.1 gigawatts above present installed generating capacity. The construction of 1,000 single-gigawatt nuclear plants will supply 1,000 gigawatts of this installed power. The remaining 795.1 gigawatts will be provided through constructing hydro-, coal-, and, to a smaller extent, oil- and gas-fired generating plants at a cost of roughly \$795 billion.

Total cost of new added electricity-generating capacity: **\$2.795 trillion.**

## Railroads

The estimated reconstruction costs for the nation's railroads assumes that we must attain at least the levels prevailing in Western European nations. Monorail systems and "bullet trains" such as those in Japan are also needed.

The American rail system has decreased in size rapidly. In 1929, the aggregate length of rail trackage of all line-haul railroads was 249,000 miles. At the end of the depression in 1939, this had shrunk to 235,000 miles. By 1975, there were 200,000 miles. And today, the Railroad Association of America reports there are but 168,000 miles of rails. Remarkable is the fact that between 1929 and 1939, the years of the Great Depression, the United States lost 14,000 miles of track, whereas between 1975 and 1982, a smaller period of time, 31,126 miles of track were abandoned, or twice the amount of the 1929-39 period.

One hundred years ago, freight cars on the rail lines traveled at an average speed of 65 miles per hour. Today,

because approximately half of the nation's 170,000 miles of track are at least 50 years old and beyond repair (rail experts insist that the maximum life of rail track under present technologies is 39 years), average freight car speed is a mere 25 miles per hour. Within the 17,000 miles of the Consolidated Rail network (Conrail) blanketing the northeast of the United States, over 40% of the track is under "slow order," which reduces maximum speed to 40 miles per hour.

Railroad safety experts estimate that the maximum life of a locomotive is 23 years, with at least one major overhaul. Of the 25,000 locomotives in operation today, over 30% are more than 23 years old.

The nation has 1.7 million freight cars. On the average, the rail lines use these cars only 6% of the time—22 days out of the entire year. No American industry has a capacity utilization rate as low as even 10 times that figure.

The cost of restoring the American rail system to a state of minimum operating capacity and repair is \$94 billion over 10 years, the American Railroad Association reports. The cost of repairing deficiencies for the next decade is estimated to be \$25 billion, or a total cost of \$119 billion.

But repairing the American rail system to its 1960 levels is not sufficient. Consider the inefficiency of the American rail system. More than three-quarters of the system is powered by diesel engines. In Europe, one-half to three-quarters of the rail system is powered by electric motors. Electricity ensures greater traveling speeds, fewer breakdowns, and other benefits. Monorail systems, or high-efficiency wheeled units called "bullet trains," now carry freight (and passengers) 280 miles per hour between Tokyo and Yokohama. The bullet trains travel at seven times the average speed of American freight trains. In addition, the magnetically levitated train is a "futuristic idea" whose time has come. A computer system that tracks and deploys railway cars, cutting down on "deadweight time" when rail cars sit idle or travel empty, is also essential.

Because rail is such an excellent method of freight transport, if the American population grows by 111 million and American goods production and transport by 4 to 10 times within the next 20 years, then 50,000 to 100,000 miles of new rail ties will have to be added to the system.

The cost for electrifying and expanding the American rail system: \$100 to \$150 billion. Total cost of repairing, expanding, and electrifying the system: \$200 to \$250 billion. Since some of the repair costs of the system can be spent electrifying it, if we eliminate the double counting, the total cost of rail repair and improvement: **\$175 to \$200 billion.**

## Water management

Water transport is the cheapest mode of goods transport, but in the United States, it has been vastly underutilized since the last century. Since Jimmy Carter expressed his fear of dams—almost as great as his fear of nuclear power—dam construction has been virtually abandoned. The water level

of aquifers, such as the Ogallala, is depleted year by year. The southwest over the last five years has been plagued by droughts, yet no plan is in operation for correcting this. Finally, only the sharp drop in physical-goods volume of trade through U.S. ports since 1979, which has improved only slightly since then, has kept the inadequacy of port development from being noticed.

## Locks and waterways

One of the primary forms of "internal improvements" that Alexander Hamilton had in mind when he wrote his 1789 Report on Manufactures, the nation's lock system, is made up of 184 principal locks. The average age of these locks is 40 years, and according to a National Waterways Study of the Army Corps of Engineers, 56 of these locks are 50 years old and/or technologically obsolete. As many as 54 of these may require major rehabilitation or replacement by 2003. The disrepair and congestion on the system is so great that it may prevent repair work on between 50% to 90% of the locks, which require an average of 20 years repair-work each.

The Corps of Engineers' study concludes that 70 million tons of shipping per year cannot be handled because of lock constraints, mostly affecting metals and ores, and that 100 million tons of shipping per year may be lost by the year 2003 because of the same problem. In time of war, the current state of locks would block the provision of war materiel and/or high priority industrial and agricultural goods.

The Tennessee-Tombigbee Waterway, a 232-mile navigation channel running from northeastern Mississippi into southwestern Alabama, is one of the few additions to the nation's waterway system begun in the last two decades. Undertaken in 1971, the waterway is still not completed, faces several challenges, and several miles may be chopped off its intended length. Numerous waterways need to be constructed, including a priority 80-mile canal which would connect Lake Erie in northeastern Ohio to the Ohio River running into Pittsburgh. This would create a continuous water route from Pittsburgh to Lake Erie, and thence into Cleveland which lies on Lake Erie.

The cost of making the elementary repairs in the lock system is \$15 billion, according to the Army Corps of Engineers National Waterways Study. The same authority puts the cost of constructing and rehabilitating the inland waterway system, mostly on the East Coast and Midwest, at \$32.5 billion. Total cost of rehabilitation of locks and waterways: \$47.5 billion. In addition, higher levels of growth will require expanding the system at a cost of \$30 to \$40 billion (not counting the North American Water and Power Alliance project). Total cost: **\$77.5 to \$87.5 billion.**

## Dams

The dams of the nation provide hydro-electric power, prevent flooding, supply drinking water, and allow for irrigation. The destruction of the Canyon Lake Dam in Rapid

City, South Dakota, in June 1972 exemplifies the potential great danger posed by the condition of our national system of dams. Rain started falling late in the afternoon of June 9. By nightfall, it was falling at the rate of 3 inches per hour, vastly exceeding the normal rainfall level. With no chance for absorption, rainwater accumulated rapidly in the Black Hills, quickly filling all streams and low-lying areas. Floodwaters rose rapidly, lapping against the rim of the 20-foot high earth-fill dam, constructed in 1938 by the Works Progress Administration.

Because of an inadequate spillway, the previous erosion of the embankment, soil saturation from the rainfall, and the clogging of debris into the spillway, the floodwaters overflowed the dam. The first flood wave was held back by the earth-fill restraining barrier, but a second, larger surge overtopped the dam and began scouring the spillway. A breach occurred and the floodwaters descended onto the city of Rapid City. Half the town was destroyed, 240 persons lost their lives, and 5,000 were left homeless. National Guardsmen, sent in for rescue operations, had limited mobility due to 5,000 wrecked automobiles strewn through downtown streets. Eighty blocks of streets and nine bridges were destroyed, along with approximately 1,500 buildings. Total property damage: \$60 million.

In 1976, the Teton River Dam burst, killing 11 people. A year later, a dam breached in Toccoa, Georgia, killing 39 people.

An Army Corps of Engineers report on the safety of non-federal dams indicates that there are over 65,586 "significant" non-federal dams in the country (higher than 25 feet or impounding more than 50 acre-feet of water), of which 8,794 are classified as high hazard: lives and property depend on their condition. *More than a third are also rated "unsafe."*

The average cost of repairing a high hazard dam is \$13.5 million. When applied to the 3,000 unsafe high-hazard dams, the cost for repairs is \$40.5 billion. The cost of repairing the remaining unsafe, significant dams (not high-hazard) is \$20 billion. The cost for building roughly 1,000 new dams of potentially 100 feet or higher for irrigation and hydro power is \$50 billion. The total cost for dam repair and construction: **\$110.5 billion.**

## Ports and harbors

Most of America's great cities are port cities—New York, Houston, Los Angeles, Philadelphia, Boston, and so forth. But the ports and harbors—the 189 commercial deep-draft seaports in the United States occupy 2% of its coastline—are outmoded, too shallow to accommodate coal collier and other large vessels, and lack interface with other modes of transport. American port freight volume fell from 823.1 million long tons in 1979 to 675.5 million long tons in 1982. This decline in world trade has alone prevented the inadequacies of the ports from being felt.

The Army Corps of Engineers estimates the cost of add-

ing needed terminal facilities to 189 deep-draft sea ports at \$5 billion. This presumes a 32% increase in shipping by 1990. The cost of deepening 10 to 12 ports to the 50- to 55-foot draft range is \$3.7 billion, the Corps states.

But U.S. physical goods trade should be *triple* its 1979 level by 2004, and the interface between shipping and other modes of transportation must be modernized. The efficient way to accomplish this is to institute the "Starport America" program. The program, conceived in the 1970s, calls for the creation of a fully integrated air-land-sea transport system, employing the most advanced transportation hardware, computer systems, and storage-conveyor facilities. The first Starport America was to have been built on the Gulf Coast of Mexico, probably near Houston, Texas. Subsequent Starport Americas would be located on both the East and West coasts.

The plan called for the construction of a jetport strictly earmarked for air cargo. The jetport was to be composed of 10 docking modules which could handle 15 jumbo jets each. The adjacent seaport was to be the most advanced containerized port facility, capable of handling 300 container ships in a day.

Rail integration into the Starports was planned around rail systems employing "unit trains"—approximately 100 cars permanently coupled—each having the same point of origin and destination each trip. The Starport center would also centralize truck shipments throughout the area. It is estimated that Starport's combining of unit trains with the air-sea-highway modules would rapidly bring rail-equipment utilization from the current 6% to between 70% and 80%.

The entire system would be controlled through an American Cargo Electronic Data Processing System linking all four modes into a continuous flow of cargo. It is estimated that Starport would double the through-put of the largest current port operations in the United States.

The cost of implementing Starport and enlarging America's port-handling capacity, not counting costs already included in rail and air transport: \$100 billion. Inclusive of the Starport costs, the cost for repairing and modernizing America's ports and harbors: **\$108.7 billion.**

## Manufacturing plant and equipment

The condition of plant and equipment in America is desperate. When artificial increases in productivity are eliminated—for example, labor-force speed-up—productivity growth in American industry has been negligible for five years.

Plant and equipment are obsolete from three standpoints. First, relative to normal replacement needs, the equipment has outlived its average life. Second, technology of equipment is backward relative to the principles of relativistic physics—directed energy beams, fusion plasmas, and engineering in biology—which must be applied to industry to permit the rates of productivity increase required under our three critical parameters. Third, shifting more workers into manufacturing will require a large expansion in capital stock.

The service life of a piece of industrial equipment averages 11 years, that of an industrial plant 27 years. At the end of this period, they must be replaced, according to the Capital Stock Estimates for Input-Output Industries of the Department of Labor. Comparing the value of capital stock in 1960 with the required replacement schedule, by 1984, the shortfall in replacement spending for manufacturing equipment was \$570.0 billion and the shortfall in replacement in manufacturing plant was \$350.9 billion (in 1982 dollars). The total cost is a staggering \$920.9 billion.

Some manufacturers have "extended" the life of plant 50 to 60 years (as in the case of U.S. steel plants) or the life of a machine 20 to 30 years, more than double their life expectancy period. Since these machines and plants are still in place, the cost of actually replacing them now, instead of the accumulated costs of the entire period 1960-84, is much less. Therefore, the total shortfall is placed at \$600 billion.

If 50% of a labor force with only a 4% unemployment rate is shifted into productive employment, and two-thirds of that productive employment is in manufacturing, 16,762,000 new manufacturing jobs are created. Because America needs a great increase in capital goods, two-thirds of the new manufacturing jobs should be in capital-goods production, and one-third in consumer-goods production. The amortization of a capital-goods worker, i.e., the amount of plant and equipment commanded by one capital-goods worker, is \$38,399. The capital amortization of a consumer-goods worker is \$23,146 (all figures in 1982 constant dollars). The capital amortization, i.e., new plant and equipment built to equip 16,762,000 workers with workplaces at the capital-intensity workers in those industries currently command, is \$431.3 billion for capital-goods workers, and \$230.1 billion for consumer goods workers. This defines a construction program of \$661.4 billion.

The total cost of replacing old manufacturing plant and equipment and creating enough new workplaces to house the presently non-productive workers who should and would be shifted into the manufacturing workforce is \$1,261.4 billion.

While this replacement and creation of new workplaces will go on for the decade of 1984-1994, during the next decade, there will be expansion of the workforce because of natural growth, requiring further expansion of plant and equipment. There will also be the constant plant and equipment replacement costs for the decade 1994-2004. At the current rate of manufacturing-industry expenditure for plant and equipment, \$119 billion per year for replacement and minimal expansion, this will come to \$1,190 billion over the decade of 1994-2004.

The total for expansion of plant and equipment, and replacement of accumulated decrepitude plus wear and tear in the decade 1994-2004, is \$2,380.4 billion. However, this is in 1982 constant dollars. Assuming a 5% annual inflation rate, the bill for manufacturing plant and equipment is \$6,315.9 billion.

The shift toward adoption of machine-technology based

on relativistic principles of physics will have far-ranging effects on the economy, increasing productivity by 200% to 300% between 1984-2004, and increasing output by even more. Exemplary is the shift toward laser machine tools, five times faster than existing machine tools and completing jobs at less than one-third the current cost. This, along with the expansion in the size of the manufacturing workforce, will produce the highest growth rates the United States has ever achieved.

That is truly fortunate. The accumulated obsolescence of

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*"No such expenditure could conceivably be met without the rapid transition to laser-based machine-tooling, plasma steelmaking, fusion-fission hybrids, and first-generation fusion reactors over the 20-year period, which, while it means expanded need for infrastructure, also means the higher levels of productivity required to pay for it."*

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infrastructure and industry produced by our "post-industrial" policymakers is of such a magnitude that only machine-technology capable of producing the productivity increases relativistic principles of physics will allow would permit United States to carry out its huge infrastructure projects. In other words, the cost of replacing and building infrastructure will be far too high to be met without the productivity increases relativistic technologies provide.

## **Airports**

The nation's airport and air control system is largely a product of the period immediately after World War II, which established coast-to-coast freight and passenger travel times of five hours or less. Since deregulation in the late 1970s, the air grid has been dangerously weakened. In event of war, it is uncertain how reliably the grid, airplane maintenance, and traffic control would operate.

There are 15,476 airports in the United States, and there are 3,650 airports in the National Airport System Plan. Of these, the 66 largest public airports—just 2% of all airports—serve almost 90% of the nation's passenger traffic. Federal Aviation Administration forecasts indicate that commercial aviation is expected to grow at an annual rate of 4.6% through 1993, which would increase the number of passengers from



the low of 277.8 million in 1981 to 492.2 million by 1993. The Administrator of the Federal Aviation Administration stated during congressional testimony:

“Of all the things that will limit the growth of aviation, it will be concrete or asphalt—the lack of runway capability. . . . It’s certain, airside congestion is going to get worse, since concrete will continue to be the primary limitation.”

In 1980, the airlines spent an estimated \$1 billion in added crew time and fuel, wasted more than 700 million gallons of fuel, and delayed airline passengers by 60 million hours—because of congestion.

To avert worse congestion as airport traffic doubles by the mid-1990s, \$13.5 billion will have to be spent to improve and expand the nation’s airports over 10 years, and an additional \$20 billion in the following 10 years.

The nation’s air traffic control system has evolved over 40 years, producing a mixture of equipment and technologies of many ages and types. Its vacuum tube equipment could be replaced by the far cheaper and more efficient microchip technology. The system consists of 25 enroute navigational centers, 188 terminal-area approach stations, and 442 airport-terminal control towers. It could be improved with the following additions:

- 1) a Microwave Landing System to replace the present VHF instrument landing system;
- 2) a Discrete Address Beacon System (high performance radar);
- 3) an Airborne Collision Avoidance System;
- 4) additional automation of enroute and tower air traffic control functions;
- 5) a Wake Vortex Avoidance System;
- 6) cooperative International Transoceanic Aeronautical Satellite development (AEROSAT);
- 7) modernization of flight service stations;
- 8) development of an Airport Surface Traffic Control System; and
- 9) implementation of Area Navigation Route (RNAV).

The cost of these improvements would be \$53.9 billion.

Total cost of airport and air control system improvement and expansion: **\$87.9 billion.**

## Transit

Inner-city transportation is in notoriously bad condition. Exemplary is the New York City subway system, the leader in notoriety, as in so much else. In 1971, the New York City Transit Authority’s older subway cars had a breakdown rate of once per 24,000 miles of operation. In 1982, the failure rate had increased to once every 6,500 miles—irrespective of whether the car was old or new.

Inner-city transit includes bus and rail (train) fleets and fixed facilities—stations, repair shops, etc. Heavy levels of bonded indebtedness, in some cases, such as New York City, dating back to the turn of the century, has constituted financial parasitism off many city transit systems. Transit maintenance is poor to disastrous as a result of city budget cuts.

Fares have risen. As a result of this combination of events, between 1945 and 1965 urban transit ridership declined by 65%.

Nationally, the train-and-bus share of all work-related travel has declined from 9% in 1970 to 6% in 1980. Most of the use of transit occurs in the five most densely populated cities in the United States: New York, Chicago, Philadelphia, Washington, D.C., and Los Angeles. In New York City, one-half of all work-trips are handled by public transportation.

Given the speed with which transit could travel, and the savings on fuel and expense, it is an irrational situation for car travel to constitute 94% of all work trips. Some cities are building new transit rail systems, such as Atlanta, Baltimore, Buffalo, Miami and Washington, but these systems, with the exception of Washington, will only cover small sections of the city.

A study by the National Transportation Policy Study Commission of the Department of Transportation (June 1979) put the cost for repair and expansion of the nation’s public transit system at \$206.3 billion (the figure is adjusted for 1982 constant dollars and to cover the 1984-2004 time frame).

This cost does allow for expansion of service in existing cities, but does not cover transit for new cities.

## Water supply and sewage treatment

The nation’s sewage treatment and water supply systems are closely related in function. One purifies and pipes drinking and bathing water to homes and apartments. The other disposes of wastes, especially in water.

In Jersey City, New Jersey, two years ago, after an 80-year-old water tunnel break shut down the water system, the town’s population of 300,000 lined up for nearly a week to get fresh water from National Guard supply trucks. This year, McKeesport, Pennsylvania was the home of a dysentery epidemic; a team from the Army Corps of Engineers had to set up emergency water provisions—as if it were in a Third World country.

In many cities, water-pumping stations break down; water travels in pipes which are much older than their reliable-life expectancy. The average age of water mains in New York City is 80 years old, and the replacement schedule currently operated on is to replace each pipe once every 150 years. Incrustation in pipes blocks the flow of water by as much as 30%, and by compressing the volume of the water flow, increases the pressure in the pipes to dangerous levels. Most pipes are so badly cracked, unwanted dirty ground water is let in, while potable water leaks out of pipes. Boston, the biggest loser, estimates that it loses 15% to 25% of its water supply because of leaks. Philadelphia loses 15%, Chicago 17%, Tulsa 14%, and Kansas City 11%. The leaks not only waste water, they also cause street cave-ins and other above-ground hazards.

The cost of maintaining and slightly expanding urban water systems will be \$125 billion (in 1982 dollars).

Meanwhile, 80% of all water use in the United States

goes for irrigation. Especially in the Southwest and the West, where population is currently shifting, the question of water supply is critical. While in older urban areas, the deterioration of old water distribution systems is of prime concern, it is inadequate sources of supply of water, or overdrafting of underground aquifers, that is the major danger in the Southwest and Far West. A report written on Oklahoma's infrastructure states:

"Ground water presently provides 61 % of total water use . . . serving about 300 communities. In addition, ground water supplies approximately 80% of the water for irrigation. . . .

"A prime source of ground water is the Ogallala Acquirer. . . . In 1977, the water stored in the aquifer was estimated at 59.9 million acre feet. If usage . . . continues at the present rate, estimated water storage . . . by 2020 will be 29 million acre feet. Although considerable water remains in the aquifer, the economic costs of pumping it could soon make its use prohibitive.

"Overdrafting [pumping out water at a faster rate than it is naturally replenished] of the Ogallala is of concern to many Oklahomans and the spectre of a return to dry-land farming becomes more real as the ground-water resource is depleted. . . .

The depletion of the Ogallala Acquirer affects other states as well. In New Mexico, 86,334 acres of land would be "converted from irrigated farming to dry farming or range due to depletion of the aquifer with obvious great losses in productivity."

The two obvious solutions to this problem are: water desalination and the North American Water and Power Alliance (NAWAPA) proposal.

The construction of a desalination plant in Yuma, Arizona, the largest of its kind, will be completed by the mid-1980s. The full-scale plant, using two different but similar processes, will have a design capacity of some 72 million gallons of desalted water per day. The water will be blended with an untreated drain water to yield about 92,000 acre-feet per year, with a quality higher than required. Desalting is accomplished by a process of reverse osmosis. Saline water is forced against a plastic membrane at a pressure of 300 to 400 pounds per square inch. Water passes through and salt is left behind. The glaring drawback is the cost: the reclaimed water will cost about \$250 per acre foot, more than 30 times the cost of irrigation water in the Imperial Valley. The cost will be lowered as this and other desalination processes are perfected. Total cost of a nationwide system of desalination plants: **\$20 billion.**

The large-scale diversion of water is embodied in the North American Water and Power Alliance proposal, which embodies the same bold imagination as the construction of the Hoover Dam in the 1930s (and proposed by a firm that worked on that dam, the Parsons engineering company of California). The plan would take water from the Yukon and Tanana rivers in Alaska which otherwise flow off into the

Pacific, and move it south through Canada in a huge ditch-reservoir that would be called the Rocky Mountain Trench. NAWAPA would yield between 160 and 250 million acre-feet of water per year, which would pour through Idaho and then Utah further south into Arizona and New Mexico (eventually into Mexico). Tributary canals and rivers would take water eastward to the Mississippi River. A series of hydroelectric plants would generate all the power needed for pumping and provide a surplus capacity of at least 100,000 megawatts annually. The reservoir and river system would provide inland water transit. Above all, it would generate water for industrial, agricultural, and municipal use and avert the depletion of aquifers.

The NAWAPA project would take 30 years to build; an expanded version of it, bringing water eastward and further south into Texas, would cost \$400 billion.

Finally, the disinfecting and disposal of America's waste is breaking down. The Council of State Planning Agencies warns that one-half of the nation's communities have wastewater treatment systems operating at full capacity (80% or more) and could not support further economic expansion. This eliminates industrial growth. The Environmental Protection Agency has compounded legitimate needs for sewage treatment and disease control by introducing a number of ridiculous harassment regulations, requiring secondary water treatment facilities which often don't result in cleaner water, but add to costs. Minus the non-necessary extras of the EPA, the cost for correcting the sewage treatment process is \$90 billion.

Total cost of water supply, waste treatment, and NAWAPA: **\$635 billion.**

## New cities

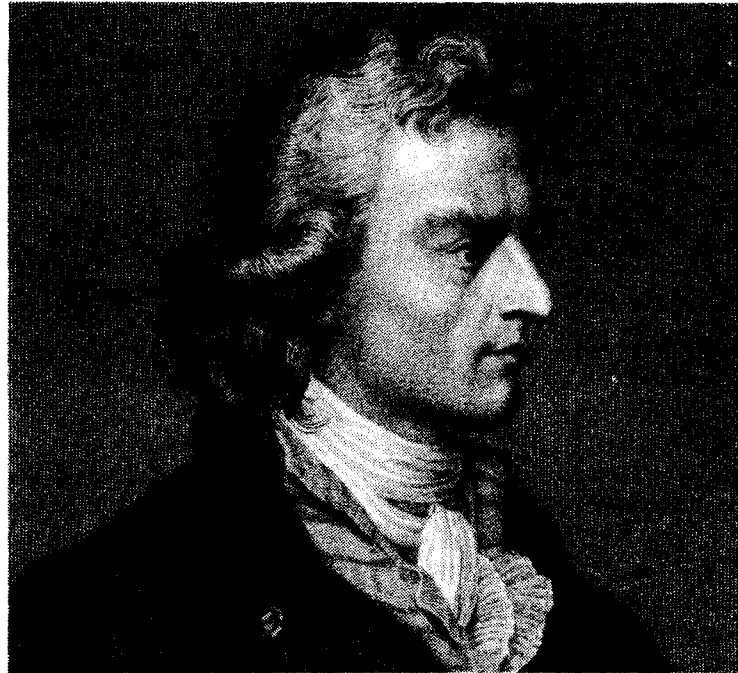
The U.S. population will grow by 111 million people between 1984 and 2004. Sixty-five million of these people can be absorbed into existing (restored) cities, which will push the resources of these cities to the limit. But for the remaining 50 million, 25 new cities of 2 million each will have to be created from scratch or through rapid upgrading of small towns.

A city of two million would best be built by installing modular electrical grids underneath the city that can be ripped out and replaced as the city's industry shifts from low and medium industry to heavy industry. The city will need a street system, a sewer and water supply system, a transit system, a school system, a court and jail system, police, fire and sanitary systems, an energy system, and some other expenditures. It will cost \$150 billion to construct each of these 25 cities. Total cost: **\$3.75 trillion.** To avoid double-counting, the cost excludes the cost of an energy system, especially electricity, which is accounted for separately above. Likewise, other costs above are not counted here. Most of the costs accounted for above were infrastructure allowing one access to a city—such as highway—or repair and slight expansion of *existing* systems.

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"And stake ye not your life thereon,  
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—Helga Zepp-LaRouche

## Soviet maneuvers in East Europe: an analysis

by Uwe Henke von Parpart

In late June and early July of this year, as previously reported in this journal, the Soviet Union conducted the largest integrated maneuvers of the Red Army on the territory of its Warsaw Pact "allies" since World War II. These maneuvers, stretching from the Baltic Sea through East Germany, Poland, and Czechoslovakia down to Hungary, took place in the presence and under the direct command of the top Soviet military leadership of Defense Minister Marshal Dmitrii Ustinov and Chief of the General Staff Marshal Nikolai Ogarkov.

While initially only scantily reported or misleadingly minimized in their significance by most of the Western press, some analysis of these maneuvers has recently been produced by certain Western military experts, and by NATO command.

### Potential deception

What prompts the writing of my own commentary on this matter is that this now published Western expert opinion, while valuable in certain regards and signaling an albeit belated recognition of the massive increase of the Soviet military threat in Europe, is nonetheless misled or misleading in several key points. It ignores in particular the element of *potential strategic deception*; by stressing an alleged "conventional" (non-nuclear) weapons orientation in these maneuvers simulating a high-speed surprise attack on the Federal Republic of Germany (and Austria), it can become actively and dangerously misleading.

Talk of Soviet "conventional" orientation or preference, unless carefully qualified as applying only to highly singular and limited cases and events, plays directly into the Soviet overall strategic gameplan by reinforcing the illusion of a

"conventional" defense of Europe, motivating massively stepped-up "self-reliant" European efforts in this regard, and increasingly questioning both the need for and the dependability of the U.S. strategic nuclear guarantee of the integrity of the territory of the Western European NATO allies.

This, of course represents the familiar "New Yalta" decoupling (of Western Europe from the United States) strategy of the Lord Carrington-Henry Kissinger group, as well as of certain "conservative" circles in West Germany who seek a German arrangement with the Soviet Union exclusive of the United States.

### Is NATO fooled?

It may not have been the intention of Adalbert Weinstein, military expert of the West German *Frankfurter Allgemeine Zeitung*, to play into this strategy when he analyzed the Soviet maneuvers in the Aug. 5 issue of *Welt am Sonntag*. (See box) Still, his otherwise valuable piece has precisely this implication when he writes:

"Everything points to this, that in the case of actual outbreak of war [*im Ernstfall*], the Soviets will attempt to force the *strategic decision* [emphasis added] before NATO can bring into play tactical nuclear weapons. The so-called first strike [Weinstein's terminology; in NATO parlance "first use"] of the West is intended to be undercut. The for-now only convincing element of deterrence available to the West is intended to be eliminated." (*Welt am Sonntag*, Aug. 5, 1984, p. 2)

Undercut and eliminated presumably by a rapid, "conventional" surprise strike on the part of Soviet forces. And

NATO command analysis as reported in the *Air Force Times* (Aug. 9) is entirely unambiguous in this regard:

“The Soviet ‘Operational Maneuvers Group’ (OMG) is a division-sized formation of armor supported by heliborne forces. Injected deep into Western territory during the first day of any conflict, it would spread like a cancer to attack such vital defense nodes as command posts, airfields, and nuclear weapons sites.”

So, there you have it! The Soviet Union has reorganized and tested its forces so that on “X-Day” “conventional” rapid strike groups will invade West Germany, take out high priority targets and the strategic decision will have been forced before the West has had a chance to react with its nuclear potential.

I shall demonstrate that from a military standpoint, this is dangerous nonsense and that such a sequence of events becomes possible only if certain political circumstances come to prevail—precisely the kind of circumstances indicated by a “New Yalta” deal and de facto “ratified” by, say, a Mondale presidency.

It is also unfortunate that further credence is given to such alleged Soviet military schemes by some loose talk about a so-called “revolution” in Soviet tactics, the adoption of “blitzkrieg”-style notions, etc. Mainly, such talk has been generated by Edinburgh University’s John Erickson in his commentary on an otherwise interesting series of 1976/77 papers on “high speed offensive” in the Soviet military journal *Voyennyi Vestnik*. Analysis of this paper leads to conclusions different from Erickson’s preferred interpretation.

### Some fundamentals

To gain a proper and reliable understanding of the latest Soviet maneuvers, and associated military moves, let us sort things out carefully by recalling some fundamentals of military strategy and tactics under present conditions.

First, as things stand now and in the foreseeable future, a “conventional” defense of Western Europe against a full-scale Warsaw Pact forces’ attack is impossible. Neither precision-guided munitions or a proliferation of sophisticated anti-tank weapons have changed or will change this. Nor do certain numbers games, projecting that NATO conventional-forces increases will bring the Warsaw Pact/NATO ratio below the magical 3:1 ratio allegedly required for successful attack.

Such static ratios are relatively meaningless. Military operations occur in space and time, and even at much lower *average* ratios, concentration of attack forces at specific points with even 10:1 advantages is possible. (You might call this the “laser effect” in analogy to a comparison of the “action potential” of a laser and a light bulb of equal energy output.)

The crucial time factor then indicates that in the narrow space available for defensive operations, NATO will have no time to properly redeploy and reinforce. The NATO nuclear arsenal is indispensable for successful defense and the un-

ambiguous commitment to its use is the indispensable cornerstone of deterrence.

Second, we should acknowledge that this is the rather obvious state of affairs and therefore obviously known to the Soviets. So why should they even contemplate committing major combat units to “conventional” attack if these would certainly be hit by nuclear fire?! It would be the height of military stupidity and irresponsibility and, we should add, runs counter to *every* piece of Soviet military writing concerning their own doctrine and training from Sokolovskii to the latest available and relevant 1982 and 1983 pieces in *Voyennyi Vestnik*.

### The OMG

These basic points once established, let us now take a closer look at the recently celebrated Soviet “Operational Maneuvers Group” (OMG), and “new” “blitzkrieg” tactics and try to understand their significance.

Contrary to Erickson and his American epigones, following as usual in the tow of authoritative British opinion, it is certainly not some new Soviet preference for “conventional” means or belief in the attainability of their strategic objectives without recourse to nuclear weapons. Nor have the Soviets, as the terminology “new,” “blitzkrieg” tactics implies, given up their concept or preparation for protracted war even in a nuclear environment. Deplorably, such “analysis” is not only voiced by Erickson-style academic “specialists”; since his U.S. co-thinkers like John Hines and Phillip A. Petersen—authors, for example, of a 1983 *Orbis* article on “The Conventional Offensive in Soviet Theater Strategy” (*Orbis*, No. 3, Fall 1983)—have considerable input into official U.S. Defense Department opinion, it ended up being attributed to Secretary Weinberger in the March 1983 issue of *Soviet Military Power* (luckily, and hopefully intentionally, this bit of spurious analysis was not repeated in the 1984 version).

“The Soviets believe that successful OMG operations could severely disrupt the NATO rear area, thereby increasing the likelihood of maintaining a rapid advance without early resort to nuclear war. Operationally, the OMG would facilitate commitment of reinforcements by securing terrain over which additional Soviet forces could pass, while hindering NATO’s efforts to reinforce its forces. Additionally, although the OMG concept has been developed for conventional offensive operations, it is also well suited for exploitation of nuclear strikes.”

It is the last parenthetical thought in this quote that is most critically relevant. The combined-arms OMG formation reflects a most appropriate military-organizational adjustment to the special demands for high mobility and relative independence of operational action of combat in a nuclear battlefield environment.

As evidenced in the recent summer maneuvers, the Soviet have also made certain other adjustments to advances in military technology. The most notable is a renewed major

emphasis on artillery fire power (including nuclear) for suppression, in particular, of anti-tank defense that might otherwise hamper rapid tank column progress. Indeed, the formerly predominant role of the Chief of Tank Troops has been eclipsed by the new central role for the Commander of Missile Troops and Artillery.

But let me repeat: what we see here is not some “new blitzkrieg”-style tactical revolution. The emphasis on the high-speed offensive is at least as old as Tukhachevskii’s 1935-36 preventive attack plan on Nazi Germany. Technology changes and ever more refined analysis of the requirements of combat in a nuclear environment have prompted significant Soviet organizational, operational, and personnel adjustments since the mid-1970s.

### **Blatant intimidation**

In light of the above points, the lessons that should be drawn from the recent Soviet maneuvers are as follows:

1) In the last decade, especially since the ascendancy of Marshal Ogarkov to the position of Chief of General Staff in 1977, the Soviet Union has massively improved its overall military strategic might. The summer maneuvers ostentatiously and for the purpose of blatant intimidation—both of Soviet “allies” and potential adversaries—demonstrated that point for the first time in such concentration with regard to ground forces and integrated arms.

2) A major element of strategic deception was involved in these maneuvers to the extent that it succeeded in prompting Western analysts to focus their attention almost exclusively on the “conventional” aspects of the high speed offensive.

3) The Soviets have demonstrated their ability to launch a major offensive without large-scale obvious logistical preparation [aus dem Stand]. This, in particular, would also prepare them for a limited-objective “surgical” strike into West German NATO territory and be able to “make it stick” without requiring lengthy preparation.

Such a limited strike might very well be “conventional” if the political circumstances are right (see above) and permit it. But let us not fall for a moment for the “conventional preference” doctrine. This would be a “political” preference, not a military one.

### **There is no ‘third way’**

How do we deal with this situation? In its present Great Russian imperial mode, the Soviet Union will look in all directions and will exploit every opportunity and every inch of ground conceded to it—both politically and militarily. So, we shall not cede ground; but if we misinterpret or misrepresent their military moves and deployments, that is precisely to play into their hands.

There is not now nor will there be in the foreseeable future

## **The Soviet war maneuvers**

Military analyst Adalbert Weinstein presented a comprehensive rundown of the recent Soviet troop maneuvers in Eastern Europe, in the West German weekly *Welt am Sonntag* Aug. 5. Weinstein is a journalist accredited to NATO headquarters in Brussels.

Weinstein asks: “Are the Soviets preparing a war mobilization? Or are they testing their changed strategic planning?” He then describes “some peculiarities of the Russian maneuvers of this year,” such as the fact that on July 3, an air-landing division which came straight from Russia was landed at Jueterbog, or that all land forces involved in the maneuvers were equipped with new weapons. “Gunship combat units were deployed whose task it is to take NATO missile bases by surprise in case of war,” he writes.

The maneuver routes the troops took point to the following operational tasks, Weinstein states: “Cutting Schleswig-Holstein from West Germany, occupying all North Sea ports including the Dutch and Belgian bases on

the Channel, carrying forward rapid thrusts into the Fulda/Frankfurt region.

“Everything points to this, that in the case of actual outbreak of war, the Soviets will attempt to force the strategic decision before NATO can bring into play tactical nuclear weapons. The so-called first strike of the West is being preempted.”

Weinstein describes the surveillance which detected spetsnaz (special commando force) sabotage units in Czechoslovakia and East Germany, and in Hungary close to the Austrian border. According to CIA reports, there is also a massive increase of ammunition production in the area around the East German city of Ohrdruf, where the 8th Soviet Guard Army is stationed, and in Poland.

“Experts evaluating such intelligence point to parallels to the period of tensions which ended with the 1968 invasion of Czechoslovakia. Observers of domestic Soviet events are said to have noticed a certain nervousness among the Russian military. Even for the current harvest, the armed forces did not provide trucks; similar things happened only back in 1968.”

Having described the Soviet war preparations in detail, Weinstein then concludes hopefully that “none of this should be considered a prelude to war in Europe.”

a credible alternative to the “first use” NATO doctrine. We can escape the dilemma of defending Europe only by being prepared to destroy it, only to the extent that the early deployment of the Strategic Defense Initiative’s defensive systems provide an alternative. There is no “third way.”

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## Documentation:

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### ‘German revanchists beware’

*Kommunist, the theoretical journal of the Communist Party of the Soviet Union, published the threatening article by V. Nekrasov which we excerpt here, “Look Out Revanchism!” in issue No. 9, June 1984.*

Revanchism is raising its head anew on West German soil. If taken in isolation, perhaps, this phenomenon of scum on the surface of the complex socio-political life of the country would not deserve serious attention. . . . If behind it there were not to be discerned the actions of forces which are extremely important, and malicious in their intentions; if its appearance testified merely to attempts to galvanize the notorious “German spirit,” which suffered crushing collapse 40 years ago and which has nothing in common with the understandable national feelings of the German people.

In reality, what concretely can they expect to gain, all these, as they are justly called, “eternally yesterday’s men,” who are dreaming about the return to the bosom of the capitalist system of the irreversibly lost “Eastern territories,” or about the “living space,” which the rotted Führer promised them? . . .

Today, Europeans, justifiably alarmed by the noisy “statements of will” of all these “Silesians,” “Pomeranians,” “Prussians,” and whatnot that have floated up out of non-existence, are being soothed with assurances that a few million “expellees” allegedly represent nobody but themselves. But who then, if you please, is represented by the 44 deputies in the Bundestag, who are members of revanchist organizations? Or in whose name does the Bundestag come out with a declaration on relations between the FRG [Federal Republic of Germany] and the GDR [German Democratic Republic], which, as *Neues Deutschland* observed, is “chock-full of revanchist appeals?” . . .

It is becoming clear in the course of events, that what is involved is a maneuver of strategic scope, undertaken with the goal of subverting the whole complex of postwar peace settlements, agreed upon by the main participants in the anti-Hitler coalition—the Soviet Union, the United States of America, Great Britain, and France who joined them later.

To put it more precisely—it concerns the principles of Yalta and Potsdam, which have passed the test of time with honor. . . .

There are observations worthy of serious attention contained in the published materials of the Teheran Conference, whose participants—the leaders of the three powers who headed the anti-Hitler coalition—expressed apprehensions about the possible rebirth of German militarism. Thus, in the record of J. V. Stalin’s conversation with U.S. President F. Roosevelt on Nov. 29, 1943, it says: “If nothing restrains Germany, Stalin is apprehensive that Germany will soon be able to rebuild itself. Germany will require only a few years for this. The first great war, launched by Germany in 1870, ended in 1871. Only 42 years after that war, in 1914, Germany began a new war, and in 21 years, in 1939, Germany again began a war. As is evident, the period required for the rebuilding of Germany is becoming shorter.”. . .

### NATO faces ‘serious crisis’

*The West German daily Die Welt ran this article by Rüdiger Moniac Aug. 8, titled “NATO Must Rethink Its Nuclear Planning”:*

Western analysts of the Soviet Union’s foreign and security policy have recently been increasingly inclined toward the view that there has been a shift in Soviet military planning. With the theoretically possible outbreak of war with NATO in Europe, Moscow now plans to destroy NATO’s tactical nuclear potential by means of quick, comprehensive operations. Thus, the Western defensive alliance, which is already no match for the Warsaw Pact in terms of conventional weapons, would also be robbed of its only decisive means to prevent war through deterrence.

NATO’s policy for ensuring peace has always included the threat of the first use of nuclear weapons, which until now has prevented the use of armed might on the part of East or West. But now, experts are of the opinion that NATO is facing a serious crisis in its own military planning.

The debate within NATO has until now been confined to closed-door sessions between officers and politicians. However, a hint of it leaked out last fall, when the European NATO Supreme Commander, the American General Rogers, expressed his dissatisfaction with the Montebello Decision, in which the NATO defense ministers decided to withdraw 1,400 warheads from the European tactical nuclear arsenal. Rogers cast doubt upon the wisdom of this decision during an interview with journalists at the United States’ NATO embassy in Brussels.

In principle, the general did not oppose a reduction of NATO’s short-range nuclear potential (TNF). But he said

that such a reduction should be preceded by a rational analysis, which had not been adequately conducted before the Montebello Decision. Rogers reported that such an analysis of the operative tasks of TNF weapons was currently being prepared by SHAPE headquarters. Only in March 1985 would he be able to present the scheduled meeting of the NATO Nuclear Planning Group (NPG) with a finished concept for the necessary composition of the TNF potential in Western Europe.

In this connection, the general confirmed that Soviet military planning was directed toward depriving NATO of the possibility of first use of nuclear weapons in the event of war. Rogers stated: "At a certain alarm status, NATO will disperse its nuclear warheads among its field units. More of them would escape destruction there than at the supply depots. We must nevertheless take one thing very seriously: One of the Soviets' first objectives would be to eliminate our nuclear potential, so as to prevent NATO from being able to resort to the first use of nuclear weapons."

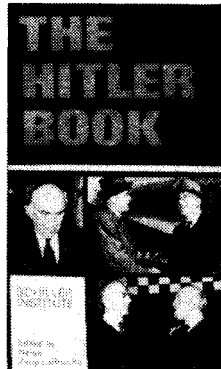
Western experts have pointed out in various studies that the Soviet Union would like to attain their objective of destroying NATO's TNF potential without deploying any nuclear weapons themselves. In their view, Moscow intends to accomplish this with solely conventional means. The reasoning behind this, in their judgment, is clear: The Soviet Union does not want the threat of nuclear attack on West European territory to endanger its own offensive forces and its hinterlands. This in turn will force the United States to immediately rely on the United States' strategic potential for the first use of nuclear weapons.

This would put the American President in the position of having to assume that the use of the United States' strategic weapons would receive a corresponding response from the Soviet Union, aimed at American targets. Western analysts' interpretation of Soviet thinking here is that Moscow wants to put the United States in this position because the East does not believe that the American President would then have the courage and decisiveness to launch strategic weapons against the Soviet Union.

According to the experts, there are very clear signs that the Soviet Union is concentrating on eliminating the West's TNF potential by conventional means. The Red Army is preparing for many contingencies, including the destruction of the potential with the aid of rapidly advancing ground troops, paratrooper landings at supply depots or at nuclear arsenals, and finally an effective type of attack whereby nuclear weapons are destroyed with the help of sabotage units.

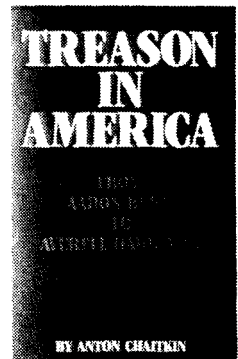
Recently NATO circles have been devoting great attention to the danger posed by such "special units." These covert combat troops would begin to operate behind NATO's front lines immediately before or simultaneously with the initiation of open hostilities. They are therefore occasioning a re-evaluation of the security of NATO's depots and of the nuclear weapons to be distributed among field units.

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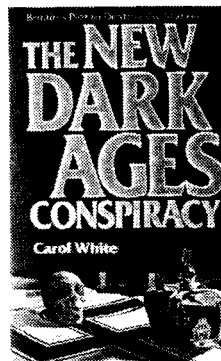
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# Soviets make bid for control of Pacific

by Linda de Hoyos

With the accusation, sounded in Moscow World Service July 31, that Japan has returned to "revanchism and militarism," the Soviet Union has embarked on a high-pressure campaign against Japan similar to the terror-blackmail it is waging against Western Europe, particularly West Germany.

The accusation is not a considered response to any shifts in Japanese policy. Although the Japanese have increased defense spending above the psychological benchmark of 1% of GNP, none of the diatribes against Japan's "militarism" appearing since July 25 note that. The motivation is different: Moscow is signaling that it is adding the Pacific theatre to its points of global confrontation with the United States and its allies.

The Soviet armed forces are upgrading their military capabilities in the region accordingly. Twice since the end of July, the Soviets have issued warnings to the effect that they would be engaged in military exercises which involved firing missiles from the Soviet mainland into the waters midway between the Marshall Islands and Hawaii.

In addition, reports appearing in the Soviet military newspaper *Red Star* July 31, indicated that the Soviets had appointed Army Gen. Ivan Moiseevich Tretyak as the new commander for its High Command-Far East. Tretyak succeeds Army Gen. Vladimir Govorov, who was promoted in late June to the post of deputy defense minister.

Govorov was the general who gave the order to shoot down the Korean airliner KAL-007 on Sept. 1, 1983, killing 269 civilian passengers. His successor is guaranteed to carry on this tradition. In a speech in late May before the national congress of Komsomol secretaries in the armed forces, Tretyak stated the commitment of his command: "Every Far Eastern soldier knows that through the fault of American imperialism, [the situation] is deteriorating in the Far East. . . . Our troops will always be ready to carry out the orders of the Motherland and to give a crushing rebuff to any aggressor if he should dare encroach upon our holy soil."

## Pre-War propaganda

As in the fall of 1983, when the Soviets downed the KAL-007 and then cheered the North Korean bombing-murder of the South Korean cabinet on Oct. 9, the targets of the Soviet

pressure campaign are South Korea and Japan, for whom Seoul functions as the front line of defense.

The outline of the Soviet campaign against these American allies was put forward by Mongolia Foreign Minister Mangalyn Dugersurn in the August issue of *Kommunist*. Attacking what he describes as a "Washington-Tokyo-Seoul" alliance, Dugersurn claims that the United States is planning to place Pershing II and cruise missiles in both countries and calls upon the peace movement of both countries to follow the example of the Greens in Europe and stage massive protests to stop their deployment.

He also calls for a campaign to force the United States to return to the Carter Doctrine and withdraw its troops from South Korea.

Toward Japan, Moscow is now repeating the same Goebbels-like claims of preemptive attacks from the West that has characterized its on-going terror campaign against West Germany. "One thing is clear," asserts Moscow World Service. "Militarism and revanchism are being revived in Japan. Japanese leaders have already outlined their program for the near future to turn the country into an unsinkable aircraft carrier, into a military power, and to put vast areas of the world ocean under Japanese control."

On July 25, the Soviet daily *Izvestia* reported that joint U.S.-Japanese naval exercises carried out in Mutsu Bay have turned the bay into a "veritable arena of combat action." The purpose of the exercise, said *Izvestia*, was to lay mines along the northern tip of Honshu Island.

The concept being put forward by Washington that Japan should be able to protect the sea-lanes that lie in a 1,000-mile perimeter around it, "is not defensive at all," charged Moscow in a July 25 broadcast in Japanese to Japan. "According to the idea of the [Japanese] Defense Agency, the sea-lane defense concept even presumes so-called 'preemptive strikes' at enemy bases. As you see, it is an undisguised militarist scheme designed to extend the Japanese Navy's activities to the Sea of Japan, the Yellow Sea, and the East China Sea. It directly involves the interests of the Soviet Union, North Korea, and China."

It is noteworthy that China is included on this list of mortally threatened friends. The Soviets are bidding to pry China away from a fledging military relationship with Japan and Washington. In his *Kommunist* article, the Mongolian puppet foreign minister Dugersurn accused the "imperialist powers" of trying to do "everything in their power to block an improvement in relations between China and the Soviet Union."

The carrot is being held out to Peking. It is also being held out to Tokyo. The Soviets are offering the Japanese participation in a multibillion-dollar project to tap undersea gas off the Sakhalin islands. This makes the Soviet strategy clear: Japan must capitulate to Soviet hegemony or bear the full weight of the steadily growing Soviet military might in the region.

# New dossier reveals Bulgarian-Gnostic link behind abduction in Colombia

by Nora Hamerman

The cultist thugs from the Universal Christian Gnostic Church who abducted Colombian anti-drug fighter Patricia Paredes de Londoño last July 26 and attempted to brainwash her, subscribe to a program for world domination through terrorism, Nazi eugenics, and mass brainwashing. These are some of the shocking conclusions documented in a second evidentiary dossier on the case, released Aug. 10 by the International Caucus of Labor Committees and the National Anti-Drug Coalition.

The 48-page dossier also shows that the Gnostic belief structure of Mrs. Londoño's abductors is the state religion of the People's Republic of Bulgaria, the government of which has recently been identified in U.S. government reports as a key center of the international drug- and arms-smuggling mafia and a nexus of international terrorism.

Finally, the dossier documents the connections between the Gnostic government of Bulgaria and former Colombian President Alfonso López Michelsen, the godfather of the Colombian dope mafia and protector of the Universal Christian Gnostic Church in Colombia.

On July 30, while Mrs. Londoño, the wife of Colombian National Anti-Drug Coalition vice-president Maximiliano Londoño, was still in captivity, a first dossier of 46 pages was released to press and relevant government agencies. It showed that Patricia Londoño's disappearance was part of an all-out war by the Colombia drug mafia against the Colombian government of President Belisario Betancur, and documented that ex-President Alfonso López Michelsen had come forward brazenly as the drug traffickers' spokesman in the very days when Patricia Londoño was abducted.

The international mobilization carried out in the press led to Patricia Londoño's release on Aug. 1, but she remains in an acutely disassociated state. She is hospitalized in the Hospital Departamental of Cali, Colombia, suffering from the effects of an attempted "Patty Hearst"-style brainwashing.

Dossier No. 2 pursues the lead opened by the case of Arturo Cortes Cadena, a member of Colombia's Universal Christian Gnostic Church, who presented himself on July 30 claiming to be Patricia Londoño's lawyer, while refusing to tell the whereabouts of the victim. Cortes Cadena revealed that his protector was José Vicente Márquez, the secretary of the Seventh commission of the Colombian Congress, in charge

of labor affairs. Vicente Márquez turned out to be a powerful influence in the Colombian trade-union movement who works closely with the labor attaché of the U.S. Embassy in Bogotá.

Vicente Márquez is a top-ranking member of the Universal Christian Gnostic Church of Colombia, which was first legalized in 1974 by Alfonso López Michelsen. A book by Gnostic patriarch Samael Aún Weor describing the method for "annihilation of the ego" is dedicated to Vicente Márquez, among others. Márquez is described throughout Weor's works as one of his leading disciples.

## What is Gnosticism?

The Gnostic cult is coherent with the ideology of a "Nazi-Communist" alliance which deploys hallucinogenic drugs and terrorism as weapons to destroy Western, Judeo-Christian civilization. From its emergence as a heresy against early Christianity, Gnosticism has insisted on:

- **The evil of the material world.** In practice, anything goes—murder, rape, pillage—in the material world, because it is not reality. Thus Gnostics did not worship their god through works in the world, but attacked the world and its population with unparalleled viciousness.

- **The paramount importance of the "feminine principle"** in the organization of the universe. That is, Man is not made in God's image as creator—for the "true God" would do nothing so stupid as to create the material world—but as passive object. In practice, the Gnostic "religion" consists mainly of sexual rituals in which men turn into women and women turn into men, with the explicit ideal being the "androgynous"—the sexually ambiguous being.

- **The unending battle between "good" and "evil."** There is no unifying principle in the world, but a chaos of apocalyptic battle between conflicting "cosmic armies."

- **Viewing Judaism and Christianity as the religion of stupid masses,** with their emphasis on the individual, his importance and creativity. Gnosticism is the property of elite masters who know that mankind is cattle. Gnosticism perverts the content of the traditions of Judeo-Christianity to create an amoral and ineffable spirit-world and a philosophy of "everything is permitted"—as Nazi philosophers expressed it.

The paramount example of a Gnostic movement come to

power in the 20th century is the case of Adolf Hitler, who, as the dossier documents, was trained by Gnostics and selected to bring into being their new world order.

In a 1965 book titled *The Social Transformation of Humanity*, Samael AÚn Weor makes no secret of the Gnostics' agreement with the Nazis on policies of race supremacy and sterilization of "undesirables," the crimes against humanity for which Nazi war criminals were hanged at Nuremberg. A sample of quotations from this tract:

"We need to control fertility and not births, because the latter would be criminal. . . . If we want a better world, it is necessary to improve the human seed. . . . Selecting seeds is not criminal. If we have the right to select plant and animal seeds, we also have the right to select human seeds. It is absurd to allow the continuation of thieves, homosexuals, prostitutes, etc., etc. . . . The Latin American Socialist Christian Party [the Gnostics' political arm] asks for the sterilization of delinquents. It is absurd not to control fertility. It is absurd to allow the reproduction of murderers, prostitutes, thieves, homosexuals, drug addicts, rapists, etc., etc. If preventive medicine uses vaccines to prevent diseases, why not use sterilization with X-rays to save society? By getting rid of delinquents, we could have a society without police, without borders, without jails, without governments, without armies. Without criminals we would have an Eden-like land, a true paradise where the rivers of the pure water of life would issue milk and honey. . . . The control of fertility can also extend to the realm of the sick. . . . It is absurd to allow the reproduction of syphilitics, lepers, mental cases, monsters, etc."—*Transformation*, Ch. XXX)

The same book tries to outdo Hitler in anti-Semitism:

"Yet Hitler's doctrine is not the doctrine of all German people. . . . Hitler was a reformer in Germany; that country was full of roads, railways, etc. Hitler eliminated poverty in Germany, and it is clear that the German population wisely responded to him, sacrificing itself for him and his absurd plans. . . . Hitler could have solved all of Germany's problems through wise negotiations, but he preferred violence, and violence never solves anything. The Germans are *Aryans*, but we Latin Americans are also *Aryans*. All races are composed of seven sub-races. The German people is the fifth sub-race of the Aryan race, and we Latin Americans are the sixth sub-race of the Aryan race. Hitler's mistake was to believe that only the German people was Aryan. It is necessary to know that all races in the world are Aryan, except the *Jews*."—(*Transformation*, Ch. VII)

Vicente Márquez's teacher, Samael AÚn Weor, proclaims that the "Aquarian" world "revolution" the Gnostics seek cannot be brought about without the transformation of the individual, which is to be achieved through sexual rites and a six-point program for "dissolution of the I." The points of this program correspond to a method of brainwashing, to which Patricia Paredes de Londoño's abductors subjected her, as extensive quotations from Weor's book in the dossier prove.

Also in the dossier is the full text of a Peruvian magazine's interview in November 1983 with Jaime Bateman, the head of the drug-running M-19 terrorist group in Colombia who was killed last year. Bateman avowed that he was "protected" by the Gnostics.

## Bulgaria, Gnosticism, and the drug mafia

by Rachel Douglas and Carlos Potes

Investigators working on diverse cases have uncovered voluminous evidence of involvement by the People's Republic of Bulgaria, its secret services, its foreign trade and other official organizations, in terrorism and narcotics and arms trafficking. The answer to *why* Bulgaria, as much or more than any other nominally "communist" state, should play this role, is to be found in its history as a hotbed of militant Gnosticism from the 10th century down to the present day.

If the Gnostic belief structure not only tolerates, but requires, terrorism—which it does, as a path to reach the Light (Mother) by destroying the "false" order of the world of Darkness—then Bulgaria is a natural for the production of terrorists.

Once the Gnostic belief structure of Bulgarian officialdom is revealed, the question arises as to whether the participation of Bulgarian agents in the assassination attempt against Pope John Paul II was motivated by an anti-Christian, Gnostic strategic purpose far more than putative "communist" goals.

The fact that Gnosticism, with its centuries-long history on Bulgarian soil, is thriving there today, is demonstrated by the career of **Lyudmila Zhivkova** (1942-1981). Daughter of **Todor Zhivkov**, the President of Bulgaria and first secretary of the Bulgarian Communist Party, Zhivkova presided over a transformation of official cultural policy in the direction of Gnosticism. As head of the government Committee on Art

and Culture in the 1970s, she glorified the pre-Christian death cults of Thrace (where Bulgaria is now), revived Bulgarian herbal folk medicine, built monuments to historical figures from the gnosticism-shaped Bulgarian Orthodox Church, and preached a classically Gnostic doctrine of “the path to light and truth.” Zhivkova promoted her cultural projects worldwide, including through the institutions of the United Nations, with a special emphasis on children in Third World nations.

### The Bogomils and hesychasm

From the 10th through 15th centuries, Bulgaria was the center of a Gnostic sect called the **Bogomils**, meaning “Beloved of God.” The Gnostic dualism of the Bogomils, based in part on the beliefs of Manichean sects flourishing in Asia Minor in that period, included a fanatical rejection of “matter”—eating meat, drinking wine, and sex for the purpose of procreation were proscribed. The Bogomils encouraged sodomy as an alternative to such “sin”; the word “bugger” and its cognates came into European languages when the Bulgarian Bogomils arrived in France.

Bogomilism made a lasting impression on Orthodox Christianity and on Islam in the Balkans.

The dominant practice of the Orthodox Church in Bulgaria was *hesychasm*, which the Bulgarians pioneered in the Slavic world. Although the Hesychasts would not admit to being Gnostics, their thought and practice is precisely Gnostic, in that they follow the first of the Gnostics’ two paths to Pure Light—withdrawal from the material world and violation of the material world. The Hesychasts developed the tradition of the ascetic Desert Fathers of the early church, who in turn modeled many practices on those of the Essenes, a Gnostic cult. The Hesychasts believed in union with God by means of withdrawal from the world and, especially, hyperventilation and contemplation of the navel.

Bulgaria’s capital is the city of Sofia, named after St. Sophia (Greek: wisdom), who is supposed to embody Divine Wisdom, but is customarily venerated in Orthodoxy as Theotokos, or Mother of God.

### Gnostic priestess on the Politburo

After studies at Oxford, Lyudmila Zhivkova became first deputy chairman of the Committee on Friendship and Cultural Relations with Foreign Countries in 1971. She was made deputy chairman of the Committee on Art and Culture in March 1972 and became its chairman in June 1975. The next year, she vaulted onto the Central Committee of the Bulgarian Communist Party without any apprenticeship as a candidate member, and in 1979 she was put on the party’s highest body, the Politburo.

For the decade of the 1970s, until her death in 1981 at the age of 39, Lyudmila Zhivkova shaped Bulgarian cultural policy. The events she staged featured elaborate celebrations of Bulgaria’s ancient past, including the age of hesychasm.

Her 1973 book, *The Tomb of Kazanluk*, a study of arti-



Shown here is a painting by Russian artist and mystic Nikolai Roerich called “The Mother of the World.” Roerich, the darling of early 20th century Gnosticism, founded the Russian branch of the Theosophical Society and was hailed as “promising mankind the boundless creative path to the Temple of Light and Unity.”

facts and friezes excavated from a 4th-century, B.C. Thracian tomb, with special rapturous attention to the facial expressions of warriors depicted as they faced death, was turned into a play by Bulgarian poet Radko Radkov, who had undergone special training at the Orthodox monastic center at Mt. Athos.

In 1978, Zhivkova initiated a program to honor “Titans of the Spirit,” great figures in cultural history. Her first extravaganza was dedicated to **Nikolai Konstantinovich Roerich** (1874-1947), a Russian painter and mystic who spun a network of supporters from New York to the Himalayas to Moscow and back again. In 1908, Roerich founded the Russian branch of the Theosophical Society, from which he subsequently split to form his own cult. A central figure of his work is “The Mother of the World,” a robed and hooded female with Venus, the love-star, shining over her head. Roerich’s followers assert that the Mother’s appearance marks the beginning of “the era of woman,” the onset of a “feminine principle” in world history. Zhivkova organized an international exhibition of Roerich’s paintings in Sofia, where she hailed him—in unmistakably Gnostic language—for having understood “the profound symbolic significance of the Fiery Sign, of the Fiery Sword, promising mankind the boundless creative path to the temple of Light and Unity” and having

“felt the dynamic rhythm storming in the heart . . . of the basic evolutionary processes taking place on our planet,” and having appreciated “the beauty of the psychic energy emanating from the heart.”

Although he emigrated after the Bolshevik Revolution, Roerich remained on good terms with Soviet cultural officials such as Minister of Culture Anatolii Lunacharskii, whom he visited in Moscow in 1926. In the 1930s, when Soviet diplomacy was promoting the “peace movement” of the day, the campaign for “collective security,” Roerich launched his **Banner of Peace** movement. Its plan was not to prevent war, but to save art works and monuments—when war came—by marking their roofs with a large symbol, three red balls on a white background, encircled by a red band, symbolizing past, present, and future contained in eternity. In 1935, the United States and 21 Ibero-American countries signed the pact drafted by Roerich.

Lyudmila Zhivkova relaunched Roerich’s Banner of Peace movement in 1979. That year, to help mark the “Year of the Child” decreed by the United Nations Education, Science and Culture Organization (Unesco), Zhivkova convened, in Sofia, Children’s Assembly/Banner of Peace.

At this assembly, Zhivkova delivered one of her most insane flights into Gnostic rhetoric. “Clad in the fire of the indestructible,” she sermonized to an audience of children from around the world, “the wings of the free spirit have conquered and united, have discovered the infinite joy of labor and creativity, have built the steps to the temple of culture, have found the simple path to light and truth. . . . Let the fiery breath of life always ennoble your thoughts. . . . May consciousness embrace the infinity of the Cosmos. There will glow the fibration of electrons filling the vast expanse of iridescent spheres with their harmony and rhythm. . . . May the happiness of being eternally new as you create be . . . the most magnificent garment sparkling on you in the vibration of the seven-modal harmony of Eternity!”

### **The Zhivkova International Foundation**

After her death in 1981, the Golden Mercury International Association announced that it would fund the establishment of a Lyudmila Zhivkova International Foundation (LZIF), to continue her work. Headed by **Lorenzo Gallo** in Rome, the Golden Mercury International Association has been handing out awards since 1960, to individuals cited for contributing to the expansion of international economic cooperation.

A frequent collaborator of the Golden Mercury, is the long-time Soviet intimate and business partner of Libya’s Colonel Qaddafi, **Armand Hammer**, head of Occidental Petroleum. His personal representative, Occidental vice president James Austin, attended the first meeting of the LZIF Initiative Committee in Sofia in March 1982. Hammer himself was in Bulgaria in August 1983; he lent the country a collection of art works owned by him, in order to keep “my promise to the remarkable and beloved Lyudmila Zhivkova

. . . who did so much for the education of the younger generations and for cultural cooperation among nations.”

Bulgaria is a major transshipment point for drugs originating in Iran, Afghanistan, and Pakistan, and traveling across Turkey toward Europe. Cars and trucks, many of them commercially registered to Transporte Internationale Routier (TIR)—leave the major staging area in Istanbul, and make their way north via Sofia, reaching the main trans-Europe highway in Yugoslavia.

Bulgaria plays a role in weapons trafficking as well. At the center of both narcotics and arms shipments is **Kintex**, the Bulgarian state trading agency, which became known in the United States in 1974, with Long Island *Newsday*’s prize-winning series, “The Heroin Trail.” In a 22-part series published in the newspaper *Cumhuriyet* in 1982, called “Arms Smuggling: Yesterday and Today,” Turkish journalist Ugur Mumcu exposed an intricate web of smugglers, including Turkish organized crime figures operating in Sofia and the Bulgarian Black Sea port of Varna, responsible for the delivery of arms from Bulgaria to Turkey and their distribution within Turkey.

In November 1979, when Bulgaria’s International Motor Transport company announced expanded international freight services, the official Bulgarian news agency release described how this shipping would be handled start-to-finish by Bulgarians, who would fly Bulgarian cargo planes loaded with freight-carrying trucks and cars: “At the receiving port, Bulgarian personnel will take over the lorries and after delivering the cargo will take vehicles back to the port.” The announcement said that these trucks would be driving in Afghanistan, Pakistan, South Africa and throughout Latin America, among other routes.

Mumcu identified Kintex as the clearing house for all smuggling operations in and out of Bulgaria. He reported that it works closely with other government-owned Bulgarian companies, including Balkan Tourist, the employer of **Sergei Antonov**, charged by Italian authorities as the collaborator of would-be assassin of the Pope, Mehmet Ali Agca.

In the spring of 1982, it was revealed that the Bulgarian secret services were involved in the kidnapping in January of that year of NATO Gen. James Lee Dozier in Verona, Italy. Through trade unionist Luigi Scricciolo, the Bulgarians were in touch with the Red Brigades terrorists who held Dozier captive.

After further airing of these charges in the press, the U.S. Drug Enforcement Administration in July 1984 confirmed the extensive evidence of Kintex operations involving drugs and guns, including Kintex financing of the Syrian national **Henri Arsan**, who was arrested by Italian authorities in 1982 as a kingpin of Middle East-based drug traffickers. The DEA report, “The Involvement of the People’s Republic of Bulgaria in International Narcotics Trafficking,” is available to the public.

According to sources in Germany, one leading operator for Kintex is **Ivan Slavkov**, currently head of the Bulgarian

Olympic Committee, and the widower of Lyudmila Zhivkova.

Starting as a journalist, Slavkov rose to the leadership of Bulgaria's Committee for Television and Radio and, in 1977, became director-general of state-run Bulgarian Television. He was also head of the National Club of the Young Artistic and Creative Intelligentsia. In March 1982, nearly a year after his wife's death, Slavkov was "kicked upstairs" to the Olympic Committee post, which allegedly carries no power, but in fact provides tremendous freedom of maneuver for international operations. In July 1984, Slavkov reportedly arrived—no questions asked—in the United States to attend the Olympics in Los Angeles as an "observer."

According to sources in Germany, Slavkov is active in Kintex-facilitated arms-for-drugs and drugs-for-high-technology deals, and may have been a key figure in large deliveries of Bulgarian tanks to Nicaragua that have doubled the size of Nicaragua's tank forces. In April 1984, the London *Observer* reported that Slavkov was involved in a deal to smuggle arms to South Africa via Nigeria.

On March 28, 1984, Danish sources reported that a Danish shipper, Peter Getterman, arrested for helping smuggle 6,000 tons of arms and ammunition to South Africa, was working with Slavkov and one Peter Mulack, a German-born arms dealer based in California and Florida, who was also in touch with Slavkov. (Mulack also acquired, via Kintex, Bulgarian and other Soviet bloc-produced arms for guerrillas fighting against the Nicaraguan regime; thus Kintex and Slavkov's friends have been arming both sides in that Central American conflict.) A Danish TV documentary aired in April said that "Ivan Slavkov, Chairman of the Bulgarian Olympic Committee and son-in-law of President Zhivkov, helped smuggle 6,000 tons of Soviet-built arms to South Africa." Payment, according to documents signed by Mulack, could "be made in part in heroin or morphine base."

### The 'Bulgarian connection' in Colombia

Important indications have come to light of ties between the Colombian drug-running mafia and Gnostic networks directly connected to the government of the People's Republic of Bulgaria. The most important of these links is the person of **Alfonso López Michelsen**, President of Colombia between 1974 and 1978. López Michelsen has come to prominence as a public spokesman for the interests of the drug mafia after meeting privately with high-level drug mafiosi in the city of Panama on May 6, 1984, scarcely a week after Colombian Justice Minister Rodrigo Lara Bonilla was gunned down on April 30 in the streets of Bogotá by hired hands of these same underworld figures.

In an interview with the Bogotá daily *El Tiempo*, published July 29 [see *EIR*, Aug. 14, 1984, p. 25], López Michelsen defended that meeting and his mediating role for the drug runners, and insisted that the Betancur government "take advantage" of their offer. López's record on behalf of Colombian drug traffickers and growers goes back at least to his

1974-78 government, when he instituted financial reforms which opened the door to massive money laundering through the newly created "black market window" of the Banco de la Republica, Colombia's central bank.

These financial measures also made an instant billionaire of López's cousin, **Jaime Michelsen Uribe**, chairman of the Grupo Grancolombiano financial conglomerate, who has since then been indicted by the Betancur government for fraud and money laundering. Michelsen Uribe is now a fugitive of Colombian justice, and is reported to be living in Miami.

Shortly after his presidential term, in October 1979, López traveled to Bulgaria as head of a Liberal Party delegation invited by the Bulgarian Agrarian Union. He was hosted by President Todor Zhivkov, and formally received by Lyudmila Zhivkova and her husband, Ivan Slavkov. López's personal contact with Zhivkova and Slavkov is particularly significant in light of reports, as yet unconfirmed, of López's involvement with the outlawed Freemasonic lodge Propaganda-2. According to highly placed European intelligence sources, the Gnostic Church had a prominent role in the original creation of P-2, which has also come up in various investigations of terrorist assassinations and financial connections to illegal arms deals and drug-running.

Also in 1979, **Gabriel García Márquez** was invited to Sofia by Todor Zhivkov and awarded the "International Dimitrov Prize." García Márquez, the verbose novelist whose works abound with Gnostic themes and imagery, is an ardent supporter of López Michelsen and actively campaigned for him during his unsuccessful bid for reelection as president in 1982. García Márquez has made much of his support for terrorist groups throughout Ibero-America. In 1981, García Márquez would launch a campaign in the international press to argue that drug cultivation is an intrinsic part of Colombian peasant culture and therefore should not be suppressed. More recently, he has argued against the moral legitimacy of fighting the drug traffic, and compared drug trafficking to writing novels or being President—just another way of making a living.

According, again, to European intelligence sources, both García Márquez and López Michelsen were invited to Bulgaria personally by Todor Zhivkov, because "the late Lyudmila and her husband had connections with them."

In May, 1980, Colombian Liberal Party Chairman **Victor Mosquera Chaux**, one of López's kingpins in the Colombian Congress, visited Bulgaria. Mosquera Chaux has recently been the target of pointed attacks by journalist Jorge Child in the Colombian daily *El Espectador*, to the effect that since Mariano Ospina Pérez's 1946-50 government, Mosquera Chaux has been one of the most vehement defenders of the Colombian drug trade. Child discovered that Ospina Pérez's health minister had presented a law to eradicate coca plantations, whereafter, in 1947, Mosquera Chaux organized a loud movement of coca growers who had the law rescinded and the health minister deposed.

# Sweden urged to join the Western Alliance

by Konstantin George

Will Sweden abandon its traditional neutrality—which under current Prime Minister Olof Palme has become an accommodation with Moscow—and join the Western Alliance? For the first time in postwar history, a debate over this crucial question is raging through the country, despite Palme's best efforts to stifle it. A positive answer is not only vital to the future of Sweden itself; a pro-Western Sweden would provide Western Europe with a militarily defensible Northern Flank (Sweden, Norway, Denmark, and Germany north of the Elbe), in contrast to current vulnerability to a Soviet attack.

The debate was sparked by the European Labor Party (EAP), known as Palme's most vigorous opposition, which took out ads in national and regional press featuring the slogan, "Only an alliance with the West can save Sweden." This was also the theme of a July 20 rally in Almedalen Park, in the historic walled city of Visby on the island of Gotland. Four hundred participants came to cheer the EAP's campaign against Palme's deal with Moscow and his Orwellian police state.

Tradition has it that every party holds a speech rally in Almedalen Park in late July. Although the EAP is still too small to qualify for representation in the Parliament (Riksdag), the crowd at the rally was larger than those attending presentations by several parliamentary parties. It heard EAP chairwoman Kerstin Tegin-Gaddy; Alf Enerström, leader of the opposition to Palme in the Social Democratic Party; and the anti-Palme Social Democratic figure, Hans Ericson, head of the powerful Transport Workers Union until 1980.

Pro-Soviet Palme is sitting on a powderkeg, reported a two-article series in the *International Herald Tribune* on July 27 and July 28-29, titled "Swedish Neutrality: Crisis in the North?" "A decade ago, approximately one-fifth of all Swedes regarded the Soviet Union as unfriendly to Sweden. Today, four-fifths share that view."

"But," continued the Paris-based paper, "something unexpected has also happened. For the first time in postwar history there is an open debate about Swedish security options, which boil down to three—accommodation with the Soviet Union (the Palme course), traditional neutralism, or alliance with the Western powers. . . . The fact that there is even talk about the theoretical possibility of options, particularly the alliance concept, is a major departure in the postwar

Swedish defense debate."

Even the leading Swedish daily *Svenska Dagbladet*, whose chief editor, Ola Gummesson, is not only close to Palme but heaped adulation on East German leader Erich Honecker during Palme's June 28-29 visit to East Germany, was forced recently to cover blunt threats issued against Sweden by Soviet Central Committee member and Palme Commission member, Georgii Arbatov. Arbatov, speaking in Ottawa in May, had equated the Swedish shooting at Soviet submarines caught in Swedish territorial waters with the Soviets' brutal murder of 269 civilians aboard the Korean Airlines flight last Sept. 1.

Similarly, *Izvestia* of July 27 launched a tirade against an alleged "neo-Nazi" and "neo-Quisling revival" in Norway. As in the case of the Soviet intimidation campaign against West Germany for alleged "neo-Nazi revival," "revanchism," and "violations of the Potsdam Agreements," the Kremlin is building the pretext for a military move to occupy parts, or all, of Scandinavia.

## Palme strikes back

Five days after the combined EAP and anti-Palme Social Democratic forum on Gotland, Palme on July 25 delivered the Social Democratic keynote speech in Almedalen Park. He led the speech—rewritten after July 20—with a bellowing attack against "playground extremists . . . who want to change Sweden's traditional neutrality policy." The theme, the hysterical tone, and the refusal to name the object of attack, left no doubt in the mind of anyone who had read the "Western Alliance" ads as to whom and what Palme was talking about.

Palme's July 25 hysterics are nothing compared with the Palme-controlled Swedish media, which are doing everything to stop the next national ads, which were drafted by the Social Democratic opposition to Palme and signed by Alf Enerström and Hans Ericson, who state their support for the defense and economic policies of the EAP. The latest ad was scheduled to run in *Svenska Dagbladet* on Aug. 3. Palme's buddy, *Svenska Dagbladet* Chief Editor Ola Gummesson, phoned from his vacation spot to the paper's offices in Stockholm, killing the ad which was set to run. The following excerpts show why Palme felt compelled to throw the weight of his "1984" police state apparatus against it:

"We, along with tens of thousands of other Social Democrats of whom we are the spokesmen, say it is high time to stop Palme's kind of Orwellian language and his political disinformation. . . . The EAP, a small but very active and very forceful party, has made Palme and his apparat launch a violent attack on the EAP. . . . The EAP demanded at the big meeting at Visby that Sweden be defended at all costs, and it even could be very wise for Sweden to abolish its neutrality, and now, under the growing Soviet threat, ask for U.S. help in the form of beam-weapon anti-missile defense protection, as President Reagan has proposed, even to those who do not join NATO. . . ."

## ‘The opposition to Palme is growing’

*Hans Ericson, former head of Sweden’s Transport Workers Union and president of the Road Section of the International Transport Workers Federation (IFT), is the best known trade union leader Sweden has ever had. He was a tough negotiator who got very good contracts for his workers, and was also highly respected by the employers. He was forced into both retirement and personal bankruptcy by Prime Minister Olof Palme’s machine and mass media. But he has never stopped fighting. Under the title, “Only an Alliance with the West can Save Sweden,” he is appearing at rallies with European Labor Party (EAP) chairman Kerstin Tegin-Gaddy and the leader of the Social Democratic opposition to Palme, Dr. Alf Enerström, in cities throughout Sweden this summer. The following interview was conducted after the highly successful late July rally in Almedalen on the island of Gotland.*

**Q:** First of all, why were you forced out of your posts?

**A:** The real reason was that I was against the wave of “neo-socialism,” as I call it, which was gaining hegemony in the Swedish Social Democracy in the late 1960s and early 1970s. I am an old-time Social Democrat, of a kind you may find only in Sweden. I started as a taxi driver and always worked in the trade union to get better wages and working conditions for myself and my fellow-workers.

As an old-time Social Democrat I was always in favor of growth and technological innovations, like nuclear power. I was always in favor of a strong defense. I was against the idea of “politicizing” the trade unions, since that was only a cover to introduce Marxism. That is why I was against these academics who were taking over the party and the trade union leadership in Stockholm.

But the real reason they kicked me out was my open campaign against the so-called “wage-earner funds” that Palme’s government imposed on Sweden last year.

**Q:** Can you explain what wage-earner funds are?

**A:** Wage-earner funds were introduced as a means of socializing private companies in Sweden during the wave of radicalization in the late 1960s. Every company is forced by law to take a certain percentage of its payroll, as well as a certain tax on the company’s profit, and put this money aside

in a fund. This fund is owned and managed by the trade unions, who will use the money to “invest” in companies—in other words, to buy shares in the private companies. Within a period of five to ten years, the wage earner funds will have taken over full control of Swedish business and industry.

This is exactly what is happening now in Sweden. Since the vote in parliament last fall, eight of these funds have been created on a regional basis and they are now beginning to buy up the companies. According to the law, no company can prohibit them from buying up any company they want, and thereby taking it over.

As a result, what is happening now is that Swedish businessmen—entrepreneurs—are leaving Sweden by the thousands. The reason I have been and still am against this, is that it is just another way of turning Sweden into a totalitarian state like the East bloc countries. Under this fund system, the owners and the employees will be identical—they are the same people. Labor unions will no longer be an instrument for fighting for higher wages and better living standards, but a vast bureaucracy.

I know what this means, because I have seen the trade unions in the Communist countries. I used to travel there when I was headed the IMT Road Section, and we went there as a part of the ILO [International Labor Organization]. In the beginning I never knew if I was talking to a representative of the workers or of the state. It was all the same, and I soon realized that I was talking only to a representative of the state. The workers have no representatives.

**Q:** When did you first voice opposition to these funds?

**A:** My first big speech against the funds was in 1975 in Göteborg at a big trade union congress. At that time I had cleared my speech by talking to the head of the Swedish Trade Union Federation, Gunnar Nilsson. He told me that he totally agreed, and in fact most trade union leaders were against the funds. So, I made my speech. I said that the funds would lead to a system similar to the Soviet system and that we, as trade unionists, should not accept this kind of creeping socialization. Two weeks later Nilsson had changed his opinion. He was now for the funds and the campaign against me started full swing.



**Q:** How was this campaign conducted?

**A:** Well, it was never a debate on policy, but the neo-socialists in the media worked together with the almighty tax authorities, who accused me of irregularities. In Sweden, nobody stands a chance against the tax authorities. In fact, what I was accused of is an ordinary procedure among all parliamentarians, all trade union leaders, and many other categories of people in Sweden. I have not been convicted of anything yet, but am still in the process of trials, supplementary taxation, appeals, etc. But in the process, I was forced out of the union leadership and into personal bankruptcy.

**Q:** Didn't the attacks against you start earlier?

**A:** Yes, the operation is bigger. I have always been, like all traditional Swedish Social Democrats, against communism in any form. At the end of the 1960s, there was a general drive by the Moscow-directed communists to take over the trade unions throughout the West. I, of course, opposed this in my union. This led to a split of the Swedish Transport Workers Union in 1972. The communists had especially infiltrated the dockworkers, and they now formed their own union, which was totally steered by Moscow. The head of the new union was Gunnar Norberg, a high official in the communist party.

**Q:** You already saw it as a plot from Moscow?

**A:** Oh yes, I certainly did. I thought: of course, the Soviets want to control the ports and harbors, of vital significance to them if they want to occupy Sweden. And this I believed they could do, since I had seen what happened to some of our neighbors. Key points, harbors, airfields, and so on, the Soviets want to control.

The communists planned to form a communist trade union federation. This is not their goal anymore, since the Swedish Social Democracy is doing what they had planned at any rate. The communists are steered from Moscow, and the Social Democracy sits in their lap on both domestic and foreign policy. The present government could not rule a day without the communists, since the Social Democrats have no parliamentary majority. Every vote depends on what the communists do.

**Q:** Was Palme key to the party's transformation?

**A:** Undoubtedly. He is very skilled. First, he took the lead in creating a strata of young intellectual radicals in the 1968-72 period. It was the period of occupations and anti-war demonstrations. These youngsters did not become Social Democrats then. Instead, they joined all kinds of small, Moscow-controlled communist grouplets. Then they were given free reign to express themselves in the media. They took over important posts in society. They became journalists, economists, professors, teachers, lawyers, bureaucrats of all kinds. Then, under the "outside" pressure from these groups, the party started to change, and now 10-15 years later, all these radicals, schooled as Marxists, are back in the Social Dem-

ocratic party. They are the party hacks and the trade union leaders now. They are doing the legwork for Palme.

The old-time Social Democrats like myself and Alf Enerström and tens of thousands of others certainly feel that this is not our party anymore. And the trade unions are certainly not what they used to be.

**Q:** Was there no opposition then?

**A:** Most of the members did not notice what was going on. They did not notice the transformation until it was too late. Many of them had a very bad conscience because they thought "socialism" had not been implemented in Sweden. But of course, this was never the intention of the old Social Democracy; that is why it was so successful. The old Social Democracy wanted a free, capitalist society, where the fruits of labor should be used to increase the wealth of the society.

There were some people who protested, but they were out of any power positions inside the party. In fact, it is only now that an opposition is starting to grow. The meetings that we now are holding all over the country are creating a resistance movement where people come together from all different parties. These people want to do something before Sweden has become a complete totalitarian state, but time is running out.

**Q:** Why did you decide to join the ELP campaign to take Sweden into the Western alliance?

**A:** Well, first of all, I accept invitations to speak and answer questions from the public as a matter of principle. As long as people want to hear my point of view, I will be giving it. But more fundamentally, I think this question has to be addressed in a serious way. The present Russian military build-up around us, and in particular, the submarine incursions into Swedish waters, show that we must reconsider whether our neutral position can help us. The problem is that what Sweden has is not an "armed" neutrality any more. Under both the Social Democratic and the former non-socialist governments, Sweden has been disarmed. For instance, there is only one boat patrolling the whole coast line from just north of Stockholm up to the Finnish borders. They are closing down our air force bases for "vacation" and we are not able to stop the submarine incursions. At the same time Palme is turning Sweden towards the Soviets, and the whole parliament has accepted an invitation by the Supreme Soviet to visit them.

I think this must be changed. I am personally in favor of Sweden working together with the Western Alliance, and as a minimum I think this must be discussed as the main item in Sweden. I know the Swedish people and I know they don't want to live under Soviet rule.

I have been informed that the head of the U.S. beam defense program, Gen. James Abrahamson, has offered the neutral countries protection from missiles under the American "beam-weapons umbrella." I'm in favor of Sweden accepting that offer, and I think this might be a way of starting our cooperation with the Alliance.

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## Investigative Leads

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# Moscow's 'mullahs' launch terror wave

by Thierry Lalevée

Earlier in the month, Sheikh Islamzadeh, deputy foreign minister of Iran, whose presence in Damascus always precedes a major terror wave, had met with Syrian intelligence chief Gen. Ali Duba in Switzerland. That Islamzadeh was chosen for the job of liaison stems from the fact that his mother was a member of the Syrian Alawite clan, like the ruling clique in Damascus. In the first week of August, Duba's deputy, Col. Ezzedin Suleyman, arrived in Teheran, together with Dr. Mohammed Nassif, head of the security department of the Syrian interior ministry, while Iran's Minister of the Pasdarans, Mohsen Hashemi-Rafighdust, was himself in Damascus meeting with President Hafez al-Assad, on his way to Tripoli to meet Qaddafi!

### The mullahs who are not mullahs

Coordinating these operations in Teheran itself is a clique which donned the mullahs' robes only in 1979, after years of intelligence and political training in the Soviet Union or East Germany. This includes President Khamenei, and his brother, Prime Minister Mir-Moussavi; Hojatessalam Khomeinia, who led the assault of the "Student Followers of the Line of the Imam" against the American embassy in 1979; and the so-called "Ayatollah" Azari Ghomi, the former attorney general of Iran, whose presence in Europe last December reactivated the terror networks of "Carlos" in France.

Of those mullahs associated with the hardcore terrorist operation, the only one with any actual theological training is Ruhollah Khomeini's official heir, Ayatollah Montazeri, chairman of the "Imams of the Friday Prayers." This terrorist-control apparatus held a series of meetings July 27-30 in Canada and Europe. One conference took place in Hamburg, at the mosque formerly run by Ayatollah Beheshti, and now directed by Hojatessalam Mohammed Moghadam, a regular visitor to Leipzig, East Germany. Gathering Imams from throughout Europe, the meeting discussed the implementation of the decisions taken at the world congress of the organization in May. A day later a plane was hijacked in Frankfurt, as Azari-Ghomi's presence in Europe was spotted!

Ironically, except for the dying Khomeini and Speaker of the Parliament Hojatessalam Hashemi-Rafsanjani, there is not a single trained mullah ruling Iran's erstwhile theocracy; all have been removed from the political scene. After the decision to put Grand Ayatollah Shariat Madari under house-arrest two years ago, the process was completed in recent

months through the arrests by Hojatessalam Khomeinia of the leading Ayatollahs Shirazi, Golpayigani, Najafi-Marashi, and Qomi. These ayatollahs were advocating a diplomatic settlement of the war with Iraq—a process opposed by Moscow which, supporting Iraq militarily, wants the war to continue.

### Target: Mecca

It is out of this Soviet-controlled apparatus that recently discovered networks of Iranian terrorists have been operating. This has notably included a grouping based in Madrid and Barcelona. But apart from four Iranians arrested at the end of July, the network remains intact. In Barcelona, under the cover of the "Foundation of the Martyrs of the Revolution" (run by Ayatollah Kharroubi, a close associate of Azari Ghomi and Khomeinia), which sends war-wounded soldiers abroad for treatment, Iranian Pasdarans from the "Sepah Pasdarans" foundation in Teheran were running a three-year-old terror network, responsible for many murders and bombings. The operation was conducted from within Barcelona's best known hospitals! Four accomplices were arrested as they were about to hijack a Saudi airliner and assassinate leading Iranian opposition figures. As investigations proceeded, it was revealed that Barcelona is a key coordination center between Iranian and European terrorist leaders, as well as the Basque ETA. One founding-member of the French terrorist group Action Directe is known to reside there.

It was then reported to German authorities that similar "medical facilities" exist in Frankfurt; but little if anything was done. West German Foreign Minister Hans-Dietrich Genscher is reported to have been informed, while in Iran recently, of the plan for the hijacking of a French plane, but kept his mouth shut, later playing the role of mediator between Iran and France. Indeed, Genscher had other missions in Teheran, such as trying to obtain the release of some of the leading members of the communist Tudeh party and their passage to Moscow.

The discovery of such networks reflects the intensity and far-flung nature of Iranian operations worldwide; Saudi Arabia may soon be the next target. The mining of the Red Sea, probably done on behalf of broader Soviet military-strategic aims by the Iranians and the Libyans, is one such indication; another is the report that Khomeinia has been busy training the entirety of the expected 150,000 Iranian pilgrims in 15 specially equipped mosques in Teheran on "how to behave" in

Mecca. Complementing this is several months of propaganda work directed at parts of the Saudi army, designed to neutralize them in case of crisis.

A grave misestimation by U.S. intelligence agencies of the Soviet role in Iran is currently preventing an accurate understanding of the terrorist offensive now hitting Europe and the Middle East, as well as obscuring critical questions pertaining to the future of Iran itself. This error is the lingering heritage of Zbigniew Brzezinski's mad geopolitical dream of using the "Islamic fundamentalism" card as an anti-Soviet weapon.

Consider the following recent developments:

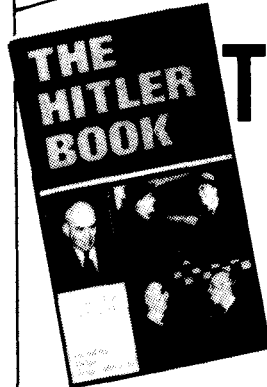
- Since July 9, dozens of sea-mines have exploded in the Gulf of Suez and the Red Sea up to the Strait of Bab el Mandeb, damaging many ships. The naval forces of the United States, France, Egypt, and England were placed in a state of alert.
- July 31: An Air France passenger jet leaving Frankfurt for Paris was hijacked and forced to land in Teheran.
- Aug. 5: A bomb exploded outside the American embassy in Amman, Jordan.
- Aug. 5: The Armenian separatist-terrorist organization ASALA announced that it would launch new operations in Los Angeles, scene of the summer Olympics, "regardless of innocent victims."
- Aug. 6: An assassination attempt took place in the Spanish resort city of Marbella against the owner of the Kuwaiti daily newspaper *Al Anbar*.
- Aug. 7: An Iranian airliner bound for Mecca with some 300 passengers aboard, many of them pilgrims, was hijacked and forced to land in Rome.

This terror wave comes within the time frame of the Los Angeles Olympics. *EIR* has warned that the Soviet Union and allied forces in the Nazi International would take this opportunity to launch a wave of terrorist destabilization against the West. While limited measures by law enforcement authorities have so far prevented a replay in Los Angeles of the bloody Munich Olympics massacre of 1972, terrorism has been directed at Europe and the Middle East.

The Soviets are not operating directly, but through surrogates—Islamic fundamentalists, particularly an Iranian faction of self-proclaimed "mullahs" (with no religious training) and the Pasdarans (Revolutionary Guards).

Key to Soviet ability to deploy Iranian Islamic terrorism are the roles of Syria and Libya. "If it were not for Syria's continuous support, Khomeini's Iran would have collapsed a long time ago," commented an Iranian exile source. Prior to the present terror wave, many meetings occurred in Damascus, Teheran, and Tripoli. By mid-July, Colonel Qaddafi's key intelligence operative and cousin, Ahmed Qaddafi, was in Teheran, accompanied by Abdel Ghadir Bagdadi, a former student leader in Libya, expelled from Britain in March for his role in the assassination of a British policewoman.

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## **The Farnesina, Mata Hari, and the KGB**

*Italian diplomats in Stockholm are accused of working for the KGB; Andreotti is accused of complicit silence.*

**K**GB spies operate undisturbed in Stockholm thanks to the protection assured by Swedish Prime Minister Olof Palme. Although he continues to proclaim himself neutral, Palme has offered so many proofs of collaboration with the Soviet Union that many accuse him of belonging to the Russians. According to the French newspaper *VSD*, Norwegian spy Arne Treholt, currently in jail, revealed that Palme works as a ranking Russian agent. The same charges, slightly sugarcoated, were reported by the most important daily in Stockholm, *Aftonbladet*.

The Swedish European Labor Party has started a campaign to stop Palme's reelection in fall 1985, and won the support of leaders of the minority of Palme's Social Democratic Party.

In recent days another scandal blew up, which, besides involving Palme and Swedish authorities, throws a shadow of doubt over the activities of the Italian foreign ministry at Palazzo Farnesina, run by the "ductile" Giulio Andreotti.

A book came out in Sweden with the title, *The Soviet Threat Against Scandinavia*, written by the Yugoslav Dragan Jovius. The book reports that during the summer of 1980 the military attaché of the Italian embassy in Stockholm, Lorenzo Sferra, passed NATO secrets to the Soviet military attaché, Konovalov. Pretty serious charges. But when he was questioned by Italian journalists, Lorenzo Sferra, today director of the famous Morosini Naval College in Venice, denied

everything.

Sferra also denies that he had an affair with a KGB spy, an Italian lady who worked as a Russian translator at the Italian Cultural Institute in Stockholm. "It's out of the blue, I don't have the faintest idea about this story," Sferra said. "I don't know Konovalov, nor this Dragan Jovius, and much less this mysterious Mata Hari."

But a few questions would be enough to refresh Sferra's memory, provided Italian authorities were interested in asking them. For example, whether it is true that Sferra ever knew Nadia Salvetti, that he had an affair with her and bought her an elegant apartment on Odengatan 13 in Stockholm.

Nadia Salvetti, who had married a certain Cecon but divorced him in 1981, is an up-and-coming 25-year-old woman of Italian origin. Her father frequented the party school in Moscow during the postwar period, and subsequently directed the communist-party cell in Nacka, a small town near Stockholm. Salvetti herself allegedly put the Italian functionary she seduced in contact with Russian spies, who allegedly received important information on NATO weaponry from him.

Nadia Salvetti, who seems to have opened shop in New York as well, must not be any saint if it is true that Italian police had to stop her and search her about four years ago at Milan's Linate airport while she was en route from Stockholm to the Italian port city of La Spezia, to meet—no kidding—boat captain *Lorenzo Sferra*.

But the scandal detonated by Jovius's book no longer involves just the single isolated case of a corrupted functionary, aside from how out of place Sferra's presence in the administration of Morosini college seems now. It touches on all the activities relating to Italy's last few years of diplomatic presence in Stockholm.

For example, it would be useful to ask Remo Rapetti, the vice-director of the Italian Cultural Institute in Stockholm, what his relations with Nadia Salvetti were exactly. It should also be asked of Stefano Rastrelli, who at the time of the cited events was first counsellor of the embassy in Stockholm (now in the Political Affairs Department at the Farnesina) how it was that his daughter's Russian teacher was the Soviet secretary of the Sweden-U.S.S.R. Friendship Society and a noted KGB spy. And it might also be asked why the Italian Culture Institute was headed for a long time by a certain Signora Pallavicini, whose real name is Ranzini, and if it is appropriate for the cultural attaché of the embassy, Mario Nati, to represent the country since he is a notorious habitué of homosexual dives and therefore quite blackmailable.

In sum, the picture is a bit distressing: In the shadow of the protection of pro-Soviet Palme, the men of the Farnesina and the defense ministry have found a way of getting embroiled in a "dialogue" with the Russians that smells like espionage and treason. One wonders if the Italian ambassador in Stockholm, Antonio Ciarrapico (could he be a relative of the Andreottian financier Giuseppe Ciarrapico?) will want to open up a serious inquiry into this scandal or not.

Or rather, the question could be posed to Giulio Andreotti—who might actually think espionage is all right when it comes to "dialoguing" with the Soviets?

## War declared against Tamils

*The Tamils have finally produced the result they wanted: a bloodbath to justify their cause.*

**I**n the week of Aug. 3, the crisis between the Sinhalese majority of Sri Lanka and the Tamils, who are pressing for a separatist state, has escalated step by step into a declaration of bloody war between the Tamils and the government. On Aug. 3, a bomb went off in the Madras airport, killing 32 people. The explosion was the work of the Tamil separatists. It is believed that the explosive device, a time-bomb hidden in a suitcase, was supposed to be placed aboard a plane headed for Colombo, Sri Lanka. Instead, the suitcase was left behind, and exploded in the arrivals area of the airport.

Four days later, on Aug. 7, the Sri Lankan navy shelled Tamil majority towns along the northern coast, razing up to 1,000 towns and killing 100 people, most of them women and children.

This drastic action was taken, said the Colombo government, in order to crack down on smugglers going between the coast and southern India. But the following actions show that the Sri Lankan government has cordoned off entire areas of the north, where the Tamil minority is concentrated, and the Sri Lankan army is now patrolling the streets of the region.

This repression comes not unwelcomed by the Tamil extremists, who have been wishing to provoke it in hopes that it would produce an uproar in India and Indian government intervention for the establishment of a separate Tamil state. Indeed, during the parliamentary discussion of the action, six south Indian deputies stormed out in rage at the Indian government's

inaction. India will not intervene, Prime Minister Indira Gandhi told the nation. "This is not the Punjab; this is not Bangladesh in 1971." While she deplores the killing of innocent people and urges that a political solution be found for the representation of the Tamils in Sri Lankan decision-making, India is committed to not interfering in a matter the Sri Lankan government must itself resolve.

Not only are the Tamils of southern India predisposed to pressuring the Gandhi government to intervene. The Soviet-backed Communist Party of India is charging that the Tamil crisis is the work of a Pakistan-Chinese-Israel-U.S. axis against India. The CPI newspaper, the *Patriot*, has featured interviews with Tamil terrorists spouting this line and citing the fact that the Israeli intelligence agency, the Mossad, has been invited into Sri Lanka to help in the crackdown against the Tamils.

There is no question that the Tamil-Sinhalese problem in Sri Lanka is being exploited by the "foreign hands" who want to destroy the subcontinent. The Soviet Union must be numbered among the hands. In the last two years, the minority Tamil group has moved right into the Marxist-led extremist front seeking a separate "nation" through violence. All of the major Tamil extremist groups have a Marxist litany to mouth and Soviet backing to show. Inside Sri Lanka, these extremists have resorted to mindless terrorist acts designed to provoke the type of reaction the Sri Lankan government

delivered on Aug. 7.

Over the last year or so, the Tamil terrorist organizations have consolidated their base and spread their tentacles abroad. Tamil residents abroad, most of whom are wealthy professionals, have joined the "cause" to mobilize finances and political muscle to support their fellow Tamils in Sri Lanka.

In July, overseas Tamils held a conference in Nanuet, New York, to mobilize international support for a separate Tamil nation. A "Tamil international" with a five-man executive task force was set up, to be based in London, to develop the rationale for a separate Tamil nation. Tamil Nadu politician P. Nedumaran is prominent in the executive group.

This effort is being supported, according to one Tamil operative, by the National Council of Churches, and Sens. Ted Kennedy (D-Mass.), Alan Cranston (D-Calif.), and William Proxmire (D-Wisc.).

The Tamil terrorist campaign also has the blessings of the Christian missionaries of Somerville, Massachusetts, where there is a sizable Tamil exile community. The flag of the "independent Tamil nation" was brazenly displayed in the state capital of Massachusetts.

As with the Sikh secessionists operating abroad against India, the Tamils are seeking financial power, as well as arms, from terrorist nations controlled by the Switzerland-based Nazis and the British. Just as two top Sikh leaders—based in London and formal office bearers of the self-proclaimed "Republic of Khalistan"—visited Libya and met with Colonel Qaddafi to seek the support of his international terrorist network and oil money, the Sri Lankan terrorists are also obtaining arms from Qaddafi and from the radical left wing of the Palestine Liberation Organization.

### Private banking again?

*Mexico's "nationalized" bankers are trying to reassert their power to destroy the nation's economy.*

On July 9, Miguel Mancera Aguayo, the head of the nationalized Banco de Mexico, presented the annual report of the Government Trusts Related to Agriculture, and used the occasion to announce that the bank "functions under the principle of competitiveness and profitability." No one should think that the Banco de Mexico is merely "a department that just executes the central government's instructions." Instead, the Banco is an "organism that should answer to market conditions."

He was backed up by the head of the Mexican Association of Banks, José Juan de Olloqui, director of Banca Serfin and former ambassador to England. Serfin told the July 23 First Annual Meeting of the Nationalized Banking System in Guadalajara that the Banco de Mexico must "never be a political tool," but must be "efficient and competitive." He went on to call for stock brokerage houses to be allowed to become quasi-banking institutions, providing financial services as well as brokerage services to their clients—i.e., the re-emergence of private banking in Mexico.

The meaning of such statements could not be clearer. Miguel Mancera, in effect, was announcing that the Mexican banking system was determined to continue the usurious behavior that prompted its nationalization in the first place. Juan de Olloqui proposed private banking all over again.

Nationalization, undertaken by then-President José Lopez Portillo in 1982, was intended to eliminate the

"Federal Reserve" character of the Banco de Mexico, which acted as an "independent" branch of government under the control of the private financial interests—ultimately, Mexico's predatory foreign creditors. The Lopez Portillo measure created the potential for a national banking system along "Hamiltonian" lines—existing for the purpose of financing industrial and agricultural growth, and for no other independent (i.e., usurious) purpose.

But if the Banco de Mexico is now to "answer to market conditions" as its principal policy-criteria, then the banking system remains what it was before nationalization. The banks will continue their previous usurious policies of looting the country, of diverting funds from investment in real production, and flooding investments into speculative markets in search of "easy money." Prior to nationalization, Mexico's private banks extended credit almost solely for speculative purposes—and not necessarily, not even predominantly, legal ones. It also collaborated in foreign creditors' organized flight-capital expeditions against the country—the final straw that led to regular army troops' overnight occupation of the Banco at Lopez Portillo's order.

There is still more coming from the Banco de Mexico chief. At the July 23 conference, he announced that the Banco is now drawing up a new charter, whose leading feature will be its limitation on the power of the Mexican President to force credit into the

economy. "The tremendous expansion of credit from the central bank," he intoned, "would give too big a purchasing power to the government."

This amounted to an explicit announcement that the banking system would continue as a private entity independent of the constitutional powers of the Mexican republic.

Observers of the Mexican political scene note that Miguel Mancera's policy would be a serious blow to the political ambitions of Jesus Silva Herzog. Currently the finance minister, Silva Herzog's every action indicates that he wants to be the next President—and his control over a nationalized banking system, and thus over the tightening or easing of credit, would undoubtedly serve him well. But if Miguel Mancera's policy statement in fact governs the banking system for the foreseeable future, Silva Herzog has lost his lever.

Mr. Mancera's statements have effectively explained why 85% of Mexican industry has been receiving not a penny to finance their operations, and why agriculture has only received financing when producing for export that will earn foreign exchange for foreign-debt payments. At the same conference, Carlos Mireles, head of the Chamber of Processing Industries (Canacindra), stated that of 128,437 industries in Mexico, only 1,172 are considered large industries and the remaining 126,265 are small- or medium-sized industries. Of these, he charged, only 13.5% have had any access to credit from Mexico's banking institutions. In short, 86.5% of Mexico's small- and medium-sized industries are condemned by the Miguel Mancera policy to simply disappear.

Such policies are not final, of course. The final decision on Banco de Mexico policy and the proposed charter rests with Mexico's national congress.

### Israel hostage to extremists?

*While the major parties struggle to form a unity government, fascist Rabbi Meir Kahane is polarizing the country.*

Close to two weeks after the July 23 elections, on Aug. 5, President Chaim Herzog finally gave Shimon Perez, chairman of the Labor Party, the responsibility to form Israel's next government. According to Israeli rules, he has some 40 days to try to patch together a national coalition. While Labor with its 45 seats (or Likud with its 41) could try to form a coalition that falls short of a 61-seat majority as a caretaker government until new elections, it is expected that Perez will seek to form a national-unity government of Labor and Likud.

Intervention by former Prime Minister Menachem Begin proved key to the present situation. Begin had waited until July 22, one day before the vote, to endorse Shamir's Likud—a far cry from the outspoken campaign Likud had been counting on. The reason, according to the July 20 *Jerusalem Post*, was probably the presence of Ariel Sharon as number-four on the Likud list. "Don't ever mention that name to me again," Begin was quoted telling a friend. On July 25, he called for a national-unity government, reportedly in the belief that such a government would not include the dangerous general.

Begin's formulations otherwise indicated a concern to prevent a Likud government which would be a hotbed of extremism. He called on Likud never to negotiate with the Kach leader, Meir Kahane, who, having won a seat in the Knesset, would have had to have been included in a Likud government.

Both Labor and Likud got Begin's point, and by July 27, the first contacts

were made between them. But they have not yet been able to agree on anything. Meanwhile, as Begin rightly feared, the political scene has been dominated by the fascist Kahane, founder of the U.S.-based Jewish Defense League.

On July 24, he organized a mass rally at Jerusalem's Wall to celebrate his election, announcing that he would soon launch a "Jewish Holy War against the Arabs." On July 27, he warned President Herzog, that if he was not involved in the government talks, he would storm the presidential palace. On Aug. 1, he attempted it, and had to be driven back by police. "I am not stupid," he told followers. "I will wait to receive full parliamentary immunity. So far, we have only scared the Arabs a little. Next, I will destroy the walls which surround the Mosque of Omar in Jerusalem, and I will build a synagogue!"

Kahane, who received a sizeable 25,000 votes from predominantly poor oriental Jews—compared to 5,000 in the last elections—nightly spews racialist abuse on Israeli Arabs, whom he denounces as "reproducing themselves like rabbits." On Aug. 2 in Um el Faham, inhabited by 25,000 Arabs, he established an "Office for Arab Emigration," where, he said, Arabs who want to leave Israel should register immediately.

Two weeks of this have produced reactions. Outgoing Prime Minister Shamir, generally described in the press as a never-depressed fighter, told the press that "walking through the streets of Jerusalem, I feel the anguished and heavy atmosphere of Je-

rusalem besieged by the Roman armies, just prior to the destruction of the second temple." The press was quick to observe that the month of August, *Ab* in Hebrew tradition, is the month of catastrophes, and that, during the month, the roughly 1900th anniversary of the destruction of the temple occurs.

On Aug. 5, some 20,000 Israelis demonstrated in support of the Um el Faham Arabs against Kahane, and Attorney General Zamir announced an investigation to determine whether Kahane was still on probation from a past criminal conviction—which would invalidate his election.

That "Israel's Farakhan," as Theodore Mann of the American Jewish Congress termed him, could win an election is a clear sign of the crisis in Israeli society. But for his immediate electorate, Kahane has little support. The Knesset is expected to repudiate him by outlawing racial discrimination against Israel's Arabs.

But Kahane, and those behind him, are not entirely crazy. His extremism is creating a polarized environment for the next government, which may be driven into an accommodation with the more "moderate" brand of extremism, Yuval Ne'eman's Tehya party (five Knesset seats). Ne'eman, technology minister in Shamir's government, has asserted that he will not be left out of current talks. He announced that his aim was to create a "situation of no-return in the occupied territories with new settlements within a year," warning that if the government refuses, "I will go with the settlers and we will do it anyway"—waving the specter of Jewish revolt on the West Bank against the central government.

Kahane could not have said it better. In such an atmosphere, look for the political comeback of another extremist, despite Begin's warnings: Ariel Sharon.

# International Intelligence

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## **Ed says: 'Henry must go'**

The Aug. 4 edition of the *Washington Post* carried a front-page report of an interview in a French magazine with former Iranian President Bani-Sadr, in which the Paris-based Socialist International pet proclaimed that July 14 heralded the beginning of the "post-Khomeini era" in Iran. On that date, according to the *Post*, it was widely believed that Khomeini's death was imminent. As a result, a hasty unity agreement was reached between "pro-Western" Khomeini backers, including Ayatollah Montazeri, parliamentary leader Rafsanjani, and President Khomeini. The terms of the agreement specified a bloody repression of both pro-Moscow and pro-Shah opposition elements inside Iran. Reportedly, 150 leading sympathizers of the Young Shah were targeted for roundup and elimination.

The proof of the pro-Western tilt? The just-concluded Teheran trip of West German Foreign Minister and Kissinger stooge Hans-Dietrich Genscher.

Now the false alarm of July 14 has been updated by more serious reports of Khomeini's flagging health. Whether these reports prove accurate or not, it has become increasingly likely that Khomeini will die before the November elections in the United States.

This has led a growing chorus of Iran specialists including "Ed" to argue that the price of a continued U.S. policy of non-intervention into the rapidly changing Gulf crisis will be a Soviet-overrun Iran before Christmas. As long as Henry Kissinger and Kissinger assets prevailing in the Reagan inner circle block the United States from approving a Saudi-backed, popular move within Iran to dump Khomeini before he dies of "natural causes" and restore a secular pro-American regime in Teheran, Moscow will continue to hold all the cards in the Gulf region.

"Henry must go, now," stated Ed, an Iran specialist within U.S. intelligence who was identified in a spring, 1981 series of Farsee language articles published in Iran as President Reagan's replacement for Ramsey

Clark as special envoy to Iran. The Ed appointment at the time was heralded as a dramatic break from the Carter-Mondale policy of ushering in the Khomeini regime and the Islamic fundamentalist "card."

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## **Thai Malthusian pushes vasectomies**

Thai vasectomist Meechai, the biggest promoter of Malthusian genocide in his and a member of the executive board of the World Wildlife Fund, is being played up in the Thai press for his "success story" in vasectomies. Meechai is taking full credit for bringing the Thai population growth rate to below 2%.

Meechai, who was recently the object of a public attack by Thai Club of Life spokeswoman Sophie Tanapura, celebrates all national holidays, and even those of other nations, with vasectomy festivals. On July 4, he gave out free beer and hot dogs to anyone who would get a vasectomy. He has created a slush fund in which farmers are given shares if— A farmer who gets a vasectomy, gets 50 shares in the fund; a woman who is sterilized gets 40 shares; a woman who uses an IUD gets 40 shares.

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## **Sri Lanka cordons off northern coast**

The Sri Lankan government cordoned off the northern coast area of the country on Aug. 8, where the restive Tamil minority is concentrating, and imposed strict censorship on news coming out of the area. According to reports from UPI, the largest city in the region is now occupied by the army. Two days before, Sri Lankan naval vessels shelled a village coast town, killing 100 people and leaving another 3,000 homeless.

This action worsens the tensions in the southern section of the Indian subcontinent, especially because the Tamil state in India, Tamil Nadu, has break-away tendencies of its own and is in sympathy with the Tamil separatists of Sri Lanka. Indian Prime Min-

ister Indira Gandhi dashed the hopes of those who would like to see war between India and Sri Lanka by stating that India will not intervene in the Sri Lankan crisis. She condemned the killing of innocent people, and said that India must act to help the Tamils.

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## **Syria's Assad hails Kissinger**

Syrian President Hafez al Assad, whose regime is the leading Soviet asset in the Middle East, praised Henry Kissinger in an interview with the Paris daily *Le Monde* published Aug. 2. "Kissinger is different from most of the American politicians I have ever met," said Assad. "He is one of these Americans who has most often supported Israel. However he has a global view of the future. It seems to me that often he had a better view of Israel's interests than the Israeli leaders themselves. He would have understood later, as I did, that it would have been better for him to follow another political course. He was committed to a step-by-step policy. On this point we disagreed with him."

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## **Venezuela reveals 'Indian rights' plot**

A confidential Venezuelan government document details how anthropologists, ecologists, sociologists, and leftists have plotted to put the Amazon region under the control of the international oligarchy. It is a potent bill of indictment for cited government officials and politicians who are trying to have the Venezuelan state accept its own self-destruction.

The study, entitled "Distortions of the Indian problem in some plans," was prepared by the Frontiers Department of the foreign ministry for President Jaime Lusinchi. It was published in *El Universal* of Caracas on Aug. 8.

The study declares, "It is no accident that certain anthropologists, ecologists and sociologists are promoting 'plans for creating Indian or ecological reserves' in order to



end up with the Venezuelan state accepting the criteria of 'restricted sovereignty' or 'the shared patrimony of all mankind.' . . . These international and national sectors are building a lobby for Indian representation because they presume they would be able to manipulate them for their ulterior motives by triggering racial or historical conflicts."

The report describes "the pressure leveled to 'protect Indian interests' by international groups from countries like Denmark, England, Switzerland, France, and the United States. . . . It is interesting to note how these coincide with the interests which are concerned with the natural resources and strategic importance of countries like Venezuela."

The document cites the final document from a 1971 conference on "Inter-ethnic friction in South America" sponsored by the World Council of Churches and the Ethnology Institute of Berne-Geneva:

"The anthropology required by today's Latin America is not one which takes Indians as mere objects of study, but which sees them as colonized peoples and becomes committed to their liberation" and which "provides the colonized peoples with all anthropologic knowledge about themselves and about the society which represses them in order to collaborate with their liberation struggle."

The Venezuelan government report concludes, "It is evident that such recommendations must directly and negatively affect the basis of the state: 'a nation and territory, one and indivisible and sovereign.'" It also attacks the racist anthropologists for seeking "ethnic segregation in violation of the Latin American identity based on the fusion of races and cultures."

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### ***Argentine nuke power hit with budget cuts***

Alberto Constantini, head of the Argentinian National Atomic Energy Commission, charged Aug. 7 that budget cuts are jeopardizing the country's nuclear program. Several components of the program are "several years behind schedule," he said.

Constantini added that the government allocation is barely enough for research on radioisotopes and to train technicians, but will not cover the building of nuclear plants, forcing a halt in the construction of the Atucha II reactor. "I believe that my role has been reduced to administering the debt, when it should be to lead the development of the Argentine nuclear program," he said.

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### ***Terrorists bomb the European Space Agency***

Action Directe terrorists bombed the European Space Agency (ESA) building in Paris Aug. 2, wounding six passers-by and causing heavy damage to the building. ESA is the European state agency which runs the Ariane rocket program.

The bombing was the third in a series which began with an attack on the headquarters of the Institut Atlantique on July 12. Action Directe claimed that it had attacked the Institute to "initiate a new era of political-military offensive. The Institute is a point of practical convergence between the different sectors of international capital, scientific research, and its military application." The second target was a defense ministry building.

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### ***FAO: no food subsidies for the Third World***

The U.N. Food and Agriculture Organization (FAO) concluded at a meeting in Cairo in July that food subsidies by African governments to their people, many of whom live on a below-subsistence diet already, must be ended.

FAO official Jan van As declared: "Subsidies for specific food items have tended to improve nutrition, but have not shown positive overall results in food prices and overall wage and cost levels."

The decrease or cessation of food subsidies in Morocco, Tunisia, and Egypt has caused riots, threatening any government that moves to implement them.

## *Briefly*

● **A RECENT BUILD-UP** of amphibious landing capacity in the Soviet Navy, including the deployment of super-modern, high-speed hovercraft to shuttle troops ashore, implies a major threat to a number of U.S. allies, writes defense analyst Olav Trygge Storvik in the Norwegian daily *Aftenposten* on Aug. 7.

● **THE ARGENTINE** provinces of Tucuman and El Chaco face a strike by 5,000 armed policemen who have barricaded themselves in their headquarters demanding higher wages. "If we are able to fight and die to preserve the rights of others, then we're certainly going to in order to preserve our own rights," said a spokesman for the rebels in Tucuman. President Raul Alfonsín announced Aug. 6 that he would send border police and regular police to dislodge the protesters.

● **LITERATURNAYA GAZETA** on Aug. 10 reported on the Los Angeles Olympics that "Hatred gushes toward everyone who does not belong to the incomparable, God-chosen race of *white-teethed* Americans . . . [emphasis added]." Now it is alleged that Olympic security has been on the lookout for terrorism stemming from Soviet nationals using visitors' visas to get to Los Angeles. Security personnel are, according to the same source, screening visitors from the Soviet Union for signs of chronically dilapidated oral hygiene.

● **BELISARIO** Betancur, the President of Colombia, in a speech mostly dedicated to economic issues and policies on Aug. 8, reported that "Colombia is crossing a difficult path; to the problems of the international recession have been added those of smuggling, drug trafficking, and kidnapping—atrocious crimes that threaten human dignity and mental health, and the economy of our nation." He said he was not satisfied with what had been accomplished, and would try harder.

# Kissinger pushes Russian scenario at GOP convention

by Criton Zoakos

The Republican Party's convention in Dallas Aug. 20-24 will not be the dull affair everyone expects it to be. In large measure, it will tell us whether or not Henry Kissinger and his patrons and friends will have succeeded in surrendering the strategic interests of the United States to the Kremlin. Despite the facade of placidity, despite Michael Deaver's imagery of vacuous "new patriotism," this will perhaps be the most dramatic convention of an incumbent President's party ever. What Kissinger's friends and patrons in the Republican Party will attempt is nothing less than the strategic crippling of the United States and the delivery of this nation's security into the hands of the Kremlin's junta.

The convention is occurring in the midst of a well-calculated succession of Russian military provocations spanning from Europe—with a special threat hanging over the Federal Republic of Germany—to the Balkans, Near East, Middle East, the Indian subcontinent, Southeast Asia, Japan, the Pacific, and Central America. The entire Soviet state has been on a wartime-style economic mobilization since at least July-August of 1983 which, since March, has been complemented with wartime propaganda mobilization of the domestic population and a continuous stream of troop movements under the guise of "maneuvers."

The purpose of this mobilization: to cause the cancellation of President Reagan's anti-missile beam-weapon defense program and to prepare the ground for the emergence of Russia as the sole imperial arbiter of world affairs by not later than 1988.

The Republican convention is also occurring as Congress appears to have killed funding for the MX missile. Speaker of the House Tip O'Neill proudly announced that the "compromise process" in the House-Senate conference had broken down on the issue of next year's defense authorization bill. "For all intents and purposes, the MX missile is dead," the

Democrats in the House announced. At least one of the House conferees who caused the "death" of the MX missile has known KGB connections: Rep. George Brown (D-Calif.).

Numerous Senate Republicans broke with the administration and allowed the KGB-Democrats to carry the issue. Senator John Tower (R-Tex.), exasperated, announced that the Senate Republicans shall resume their efforts after they return from the Dallas convention. Alas, Senator Tower did not know at the time that Henry Kissinger would be addressing the Republican convention on issues of national security and foreign policy. In fact, not even Rep. Trent Lott (Miss.), the Republicans' Platform Committee Chairman was aware that Kissinger would be speaking on the shaping of the Republican platform. However, Sens. Charles Mathias (Md.), Mark Hatfield (Oreg.), Charles Percy (Ill.), Lowell Weicker (Conn.), John Chaffee (R.I.), Robert Stafford (Vt.), and Mark Andrews (N.Dak.) knew. White House Chief of Staff James A. Baker III knew; his deputy Michael Deaver and others in the "palace guard" knew. James Baker's buddy from the Howard Hughes days, Republican National Chairman Frank Fahrenkopf, probably also knew.

Of importance is not a mere speech by Kissinger but rather the behind-the-scenes intrigue at the convention, for which Kissinger is going to be a key prop. Have no doubt, dear reader, that there is a powerful group of influentials in the Republican Party who are currently planning the military defanging of the United States. They are the same "Republican" influentials who imposed Kissinger on the Nixon and Ford administrations and who caused the strategic betrayal of the United States in the 1969 to 1977 period of the SALT agreements. Some of the senators named above were members of this club; the "palace guard" of Baker, Deaver, et al., though only junior members in the Nixon and Ford years, now are full-fledged members of the club. Their purpose now

is to kill President Reagan's anti-missile beam-defense policy, his Strategic Defense Initiative (SDI), announced in his historic speech of March 23, 1983.

On behalf of this powerful group, Henry Kissinger dictated to President Reagan a set of terms of surrender in a major article published by the *Washington Post* on July 26. Kissinger, the "palace guard," and the liberal Republican power brokers are now using the congressional deadlock over the defense budget and the setting of the convention itself as the arena in which to force an isolated President and an increasingly frustrated military leadership to accept their terms of surrender.

Kissinger's July 26 article, with the authority of the entire crew of Republican appeasers behind it, offered President Reagan an end of all criticism of his foreign policies and, second, propaganda support to the President should the Vienna "Star Wars" talks fail to materialize. In return, the Kissinger ultimatum asked of Reagan the following:

- The President should appoint a bipartisan commission (preferably under Kissinger's business partner Lt. Gen. Brent Scowcroft) which will re-evaluate the beam-weapons program, the SDI;
- the President should transfer to this bipartisan commission the authority to conduct "secret and unpublicized" back-channel negotiations with the Russians on the SDI program;
- the President should surrender to this commission the authority to legislate a "definition" of what is and what is not a "defensive" weapon; and
- the Reagan administration should adopt the intelligence evaluation, concocted by Kissinger himself, that the current Russian leadership is not in an aggressive strategic course but that it is merely engaged in vociferous, rhetorical, "psychological warfare."

### Reagan under pressure

This is not what Kissinger alone is merely proposing to the President. All the mass media in the country are demanding it; the Mondale-Ferraro campaign is pushing it; the Democrats in the House and the Senate are, in effect, voting for it; the liberal wing of the Republicans is asking for it; Baker's and Deaver's palace guard is "re-phrasing" it to make it palatable to the President. Behind this determined campaign is all the power and all the resources of America's leading oligarchical families—the nominally Democratic such as Harriman, and the nominally Republican such as Rockefeller, Mellon, Temple, Weyerhaeuser, Baker, Annenberg, Armstrong, et al.—not to mention the "lesser evils" such as Max Fisher.

Beside the hoopla of the convention floor in Dallas, beside the speechifying and the "photo opportunities" which Dr. Kissinger will certainly enjoy, there will be the brutal pressuring and wheeling-and-dealing in the hotel suites and the back rooms. Most of this is not likely to become headline news. None of it will appear on your television screen. The

results, however, will trickle down during the "transition period" between November 6 and January 20.

If on Jan. 20, 1985, you hear the news that James Baker has been appointed director of the CIA and Henry Kissinger secretary of state, you will be hearing news which in fact occurred between Aug. 20 and 24 in Dallas, Texas—with a five-month lapse before the news reached you. In this, you will be suffering a severe disadvantage vis-à-vis the Kremlin leadership. They will know the results of the Aug. 20-24 back-room sessions five months before you do. And during those five months, including the 11-week period prior to Election Day, the Russian command will be making its military moves and will be taking its decisions on the basis of the knowledge that the National Command Authority of the United States has been "captured," "bought," or "blackmailed" by the friends of Henry Kissinger.

### Will Danny Graham gut the SDI?

On Aug. 9, the House Republican Study Committee in Congress, under the chairmanship of Rep. Duncan Hunter of California, held a special hearing on the President's SDI in order to prepare itself for the convention. Among the many excellent things said there by Gen. James Abrahamson and Dr. Edward Teller, some items of exceptional importance were brought up by Sen. Malcolm Wallop (R-Wy.) and Dr. Lowell Wood. Both gentlemen emphasized that with its current mandate and charter, the SDI Organization under General Abrahamson is very severely hampered. They both pointed out that the SDIO charter contains no clearly stated objectives, only generalities pertaining to "research"; they both emphasized that no deadlines and timetables have been mandated to the SDIO; Senator Wallop stressed that according to the best U.S. intelligence, the Soviet Union will be testing, in outer space, its anti-missile beam weapons *not later than 1985*.

As a result of this impressive testimony, Rep. Henry Hyde (R-Ill.) was obviously alarmed and turned to Dr. Wood and Gen. (ret.) Danny Graham present in the room and asked them if they would draft an alternate charter for the SDIO. Representative Hyde promised that they would urgently take it to the President through the back door and bypass the morass of the bureaucracy.

The problem with this otherwise excellent and well-meant concern is Gen. Danny Graham who, in the last six years, has been employing the argument of military "urgency" to convince responsible people to turn away from effective laser-beam-based anti-missile defense in favor of the scientifically and militarily incompetent panacea of what he calls "kinetic-energy weapons" or "marshmallows" alternately. If a suspicious person such as General Graham, who made his career in the Defense Intelligence Agency while Kissinger was running the U.S. government, is being so successful in taking for a ride persons who are otherwise both well informed and genuinely concerned, how far has Kissinger's takeover operation really gone?

## Kissinger Watch by M. T. Upharsin

### Endorsement from the East

Kissinger Watch has reported in previous columns on the recent unofficial formation of a behind-the-scenes "Committee to Bring Back Henry Kissinger" into the U.S. government as Secretary of State.

It was therefore surprising, but not entirely shocking, to find informal endorsements for that initiative coming during the Aug. 6-13 International Conference on Population, from, of all places, the East German delegation attending the event in the halls of the Mexican Foreign Ministry in Mexico City.

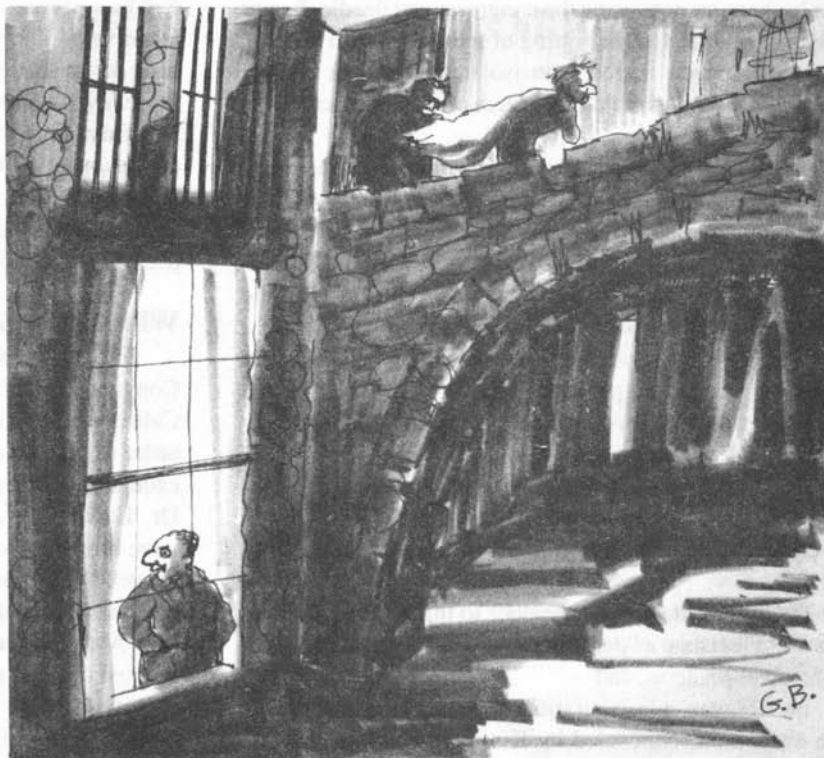
A certain Dr. Peter Giersdorf, head of the East German Institute of Health Care and a confirmed and passionate believer in population control, told *EIR* representatives that "Henry Kissinger was the best Foreign Minister [sic] that the United States has had in years. For us, he is something special and important, [especially in] the quality of his ideas."

There may well be something more here than meets the eye.

For one thing, Dr. Giersdorf stressed that his delegation, headed by one Herr Winkler of the Institute for Sociology and Social Policy in East Germany, cooperates closely with the International Institute for Applied Systems Analysis (IIASA) in Laxenberg, Austria.

IIASA, we have learned, was primarily created in the first place to study how food could be controlled, both in production and distribution, on a global basis, to the advantage of the Soviet Union and to the disadvantage of food-needy developing sector countries.

The organization emerged in late 1972, right after the Soviet-American food-grain deals that were a hallmark in Dr. K's global sell-out known as



*Go back to sleep, Nancy. It's just one of the help leaving.*

the political posture of "détente."

Kissinger became the principal spokesman for this deal, not only because of his vaunted obsession with geopolitical wheeling and dealing, but also because his political career, which was about to be hacked to pieces because of his role in the Watergate affair, was salvaged by the political intervention of grain-cartel agent Sen. Hubert Humphrey of Minnesota.

The Soviets, East Germans, and others of their ilk have a strong affinity for population-control measures, insofar as these are a component of weakening the impulses for progress and growth in the Western world.

Hence, the other datum which has emerged in the halls of the Mexico City conference is not surprising: According to sources at the ultra-Malthu-

sian Population Crisis Committee, it was only in Henry Kissinger's National Security Council that the idea first began to be propagated that population control should become a focal point of the American national-policy commitment.

Before that, the tendency of most Americans and most American governments was to become nauseous at the thought of Malthusianism being a centerpiece of American policy.

With Dr. K., apparently, politics makes strange bedfellows, and the kind of interaction going on between these bedfellows would be enough to make even the casual observer understand that the Bring Back Henry Kissinger Committee and what is generally known as the "Genocide Lobby" are one and the same.

# Elephants and Donkeys

by Kathleen Klenetsky

## Eagleton replay?

Is Geraldine Ferraro headed for the same fate as Thomas Eagleton? Will Mondale be forced to dump her as his running-mate like he dumped Bert Lance or, more to the point, like George McGovern dropped Eagleton in 1972? And, if Mondale does have to get rid of her, will he himself survive till November?

These are some of the burning questions which are now dominating the inner councils of the Mondale campaign, prompted by a seemingly endless series of revelations about Ms. Ferraro's "slum and slut" connections which have hit the press.

The prospect of an Eagleton replay has increased dramatically over the past week. The conservative Washington Legal Foundation filed a complaint with the House Committee on Standards of Official Conduct and the U.S. Department of Justice Aug. 7, contending that Ferraro did not properly disclose her finances in documents submitted to Congress.

The Committee announced that it will act on the charges by Sept. 12. According to the *New York Tribune*, House Democrats had already launched their own "informal investigation" and found such "serious errors" that "certain circles" on Capitol Hill are betting on what date Ferraro will withdraw from the ticket.

These developments are generating such heat that Mondale, Ferraro, and Ferraro's patron, House Speaker Tip O'Neill, have all been compelled to issue official denials of any wrongdoing.

Mondale is said to be extremely upset about the situation, as well he should be, since his running-mate is rapidly turning out to be a female Frankenstein.

## Bottomless pit

This column reported July 31 on some of the early information that had emerged concerning Ferraro's failure to disclose her husband's substantial business holdings. We also reported our suspicions that "Mr. Ferraro" (John Zaccaro) might be linked to organized crime.

But even we were somewhat shocked by the extent of the Zaccaro-Ferraro tie to what can only be termed some of the dirtiest and most sordid of criminal activities.

According to copyrighted articles in the *Tribune*, which *EIR* has subsequently confirmed, Zaccaro is manager and part-owner of a building which houses a major pornography distribution center linked to the DeCavalcante and Gambino organized crime families. The building, at 200 Lafayette Street, houses the distribution headquarters of Star Enterprises, Media Distributors, and Bonate, Inc., which disseminate such hardcore filth as *Whips & Chains*, *Screw*, and *Smut* magazines. *EIR* is now investigating leads that these outfits may also be involved in child pornography.

That's only the beginning of the scandal. The officers of Star Distributors are Theodore Rothstein and Robert DiBernardo. The latter is listed by the New York Police Department and the Justice Department as a member of the Sam DeCavalcante family, as well as a close associate of Ettore Zappi, capo of the New York Gambino family.

According to Pat Casey, director of the California Attorney General's Bureau of Organized Crime and Criminal Intelligence, "Star is one of the biggest [pornography] distributors. . . . DiBernardo was in charge of distribution of pornography for the two families."

That's not all. It turns out that an-

other building managed by Zaccaro's company, P. Zaccaro & Co., houses one of the largest gambling dens in New York's Chinatown. The building, at 68 Mott Street, has been the scene of more than 100 arrests for illegal gambling in the past five years.

According to Sgt. James McVeety of the New York Police Department's "Jade Squad," which probes Chinatown vice activities, the club is "one of the well-known gambling holes. We have raided them pretty consistently over the years." Police sources cited by the *Tribune* confirmed that the gambling club has ties to Chinese organized crime.

Although Zaccaro has denied any knowledge of the building or what goes on in it, police spokesman Norris Holoman told the *Tribune* that under department policy, the manager of a building that has been raided by police is notified of the action by city authorities.

## Smut queen

It's bad enough that the spouse of a vice-presidential candidate is involved in such activities, but in this case, Ferraro herself is directly implicated. Ferraro lists herself as secretary-treasurer and stockholder in her husband's firm—meaning, among other things, that she makes money from the sale of pornographic materials.

No doubt this is the major reason why Ferraro has consistently omitted her husband's business dealings on her financial disclosure forms.

The problem here is that members of Congress are legally exempted from reporting their spouse's holdings *only* if they are not aware of, or do not benefit from them. Given Ferraro's direct relationship to P. Zaccaro and Co., it's awfully hard to see how she could claim either exemption.

## Senator says population growth is 'communist'

Senator Bob Packwood (R-Oreg.) has denounced the Reagan administration's stand against Malthusian population control, charging that it is the communist countries that have promoted economic growth "in and of itself," at the expense of "population stabilization."

In Senate testimony, Packwood argued that in 1974 the communist bloc countries opposed the population-stabilization policies of the West. "They were still operating under the theory of economic determinism, that growth in and of itself was good. The logic went, the more people the better and if countries simply followed proper economic policies, they could accommodate all of their population growth."

On Aug. 8, Packwood and Sen. Bill Bradley (D-N.J.) attempted to pass a "sense of the Senate" resolution reaffirming the U.S. commitment to a population control policy. The Reagan administration had announced that it would withdraw funding from programs designed to force population control on Third World populations.

Packwood correctly argued that the United States has taken the lead, over the last 10 years, in spreading the Malthusian dogma to the rest of the world. Citing the role played by the United States at the 1974 Bucharest Population conference, he called the United States "the godfather in encouraging other countries to undertake programs of population stabilization."

Senator Bradley, a leading supporter of the International Monetary Fund, attacked the administration head-on: "For over 20 years, the philosophy justifying U.S. policy on population aid has been that 'continued high rates of population growth

significantly place burdens on economies unable to provide sufficient goods and services for the growing population.' . . . Yet this administration will assert this week that more people do not necessarily mean less economic growth."

Senator Jesse Helms (R-N.C.) launched a successful effort to amend the Packwood-Bradley resolution with language praising President Reagan's anti-abortion stand. The Helms amendment passed by a vote of 52 to 43, at which point Packwood withdrew his bid.

## Investigate terrorist link to the drug trade

Senator Paula Hawkins (R-Fla.) convened hearings Aug. 2 in the Subcommittee on Alcoholism and Drug Abuse to examine the link between drugs and terrorism. The subcommittee took telephone testimony directly from Judge Fernando Imposimato—the Italian magistrate leading the investigation of the Bulgarian connection into the assassination attempt against Pope John Paul II.

In her opening statement, Hawkins charged that the connection between drugs and terrorism is "irrefutable," and listed Cuba, Nicaragua, Bulgaria, and Vietnam as countries which foster international narcotics trafficking. "The dollars generated from this nefarious business," she said, "were plowed into promoting terrorism in this hemisphere." In addition, she pointed out that the illegal-drug business in Colombia, Peru, and Thailand is used to bankroll terrorism.

Also testifying at the hearings were the director of the U.S. Drug Enforcement Administration, State Department and Customs officials, and a for-

mer Nicaraguan diplomat who provided evidence of Nicaraguan government complicity in drug-running. On Aug. 8, Hawkins released photographs showing uniformed Nicaraguan military personnel loading drugs onto a transport plane.

In a related development, Sen. Alfonso D'Amato (R-N.Y.) and Rep. Edward Feighan (D-Ohio) have introduced two bills aimed at hitting the Bulgarian guns-for-drugs connection.

One bill calls on the United States to review its relations with the government of Bulgaria, given the evidence developed by the Italian magistrates about the role of the official Bulgarian trading company Kintex in encouraging and facilitating illicit narcotics trafficking and in the assassination attempt against the Pope. The second bill calls for the United States to request a U.N. review of Bulgaria's and Kintex's compliance with international customs treaties.

## Hearings held on increase in child porn

The Senate Subcommittee on Juvenile Justice opened hearings Aug. 8 on the issue of the increase in child pornography. Testifying before the hearings were Kenneth Lanning of the FBI, a Texas prosecutor, the head of Women Against Pornography, and others. Witnesses charged that the United States is suffering from an "incest epidemic," and that child pornography and molestation are directly related phenomena.

Senator Arlen Specter (R-Penn.) seems to be attempting to build a case against the position of the American Civil Liberties Union that pornography must be protected by First Amendment rights. He told the wit-

nesses, "You're essentially saying stop publication, but when it comes up to that line you run smack against a very fundamental First Amendment right of the Constitution." He urged the witnesses to document their claim that pornography is not a victimless activity.

According to Senate sources, the activities of the North American Man-Boy Love Association (Nambla), which advocates the right to have sexual relations with children, are being investigated. *EIR* has documented direct ties between Nambla and high-level supporters of the Mondale campaign.

## House sets commission to boost the grain cartels

The House approved by voice vote on Aug. 6 House Joint Resolution 600, establishing a study commission to recommend steps to "improve" U.S. agriculture-related trade and export policies. While the findings of the commission are not binding, its structure indicates that it will serve as a lobby group for the international grain cartels.

First, the commission will be funded by private contributions, with as much as 5% of costs allowed from any one contributor. The secretary of agriculture may draw up to \$1 million in additional funds from the Commodity Credit Corporation. Then, in addition to the members of Congress who will serve and three appointments by the President, 20 individuals will be selected by the President pro tempore of the Senate and the Speaker of the House.

These individuals will be drawn from among "producers of major agricultural commodities, . . . proces-

sors or refiners, . . . exporters, transporters, or shippers, . . . suppliers of production equipment or materials, . . . providers of financing or credit, . . . [and, finally] organizations representing general farm and rural interests in the United States."

The supposed safeguard against a "link between any private contributions and the makeup or work of the Commission," according to Rep. Tom Foley (D-Wash.), is that "the contributions can be accepted only after the appointments to the Commission are completed."

While the drop in the value of U.S. agricultural goods has gone from \$43.8 billion in FY 1981 to a projected \$38 billion for FY 1984, the commission is not charged with looking at major debt and financing problems or the issue of world parity prices for agricultural goods, but rather is to focus on trade competition and export programs.

## House restores funds for Project Democracy

The House reversed itself once again and approved \$18.5 million for the National Endowment for Democracy (NED) on Aug. 8 by a vote of 237 to 181. Functioning through the offices of the U.S. Information Agency, the funds go to the Chamber of Commerce and the AFL-CIO for their private activities, which, they claim, promote democracy abroad.

In May 1984, the House had voted 226 to 173 to delete these funds, after abuses by the AFL-CIO were publicized, including using such financing to interfere in the internal affairs of Panama. The AFL-CIO used NED funds to contribute to a labor group that backed a political candidate in the

Panamanian elections. The U.S. ambassador cabled to Washington at that time: "Please stop this activity before it causes us irreparable harm and embarrassment in Panama."

While supporters of the NED proclaimed that safeguards were now in place against such interference in the internal affairs of foreign nations, all they could point to were that the NED records would now be audited and open to the public, and that the board of the NED "is all agreed, no interference in foreign elections and political processes."

## Goldwater hits O'Neill sabotage of MX missile

Senator Barry Goldwater (R-Az.), in an Aug. 2 statement on the Senate floor, charged House Speaker Tip O'Neill with sabotaging the House-Senate Conference on the administration's defense bill.

Responding to Senate Minority Leader Robert Byrd's charge that the conference was being held up because of administration intransigence, Goldwater retorted, "I do not want to hear the President or the administration blamed for holding up this conference, when the holdup comes from the obstinacy of the House—and I do not say the House committee. I think it comes from above, from Mr. O'Neill."

Several days later, the Senate Appropriations Committee tabled its efforts to vote on appropriations for the MX missile, citing the stalled defense authorization conference. As the Congress recessed on Aug. 10 for the Republican convention, Speaker O'Neill declared that the MX missile program would be ultimately killed by the Congress.

# National News

## NSC chief disputes value of arms control

National Security Adviser Robert McFarlane called into question the value of arms-control agreements with the Soviet Union, in a speech Aug. 2 at San Francisco's Commonwealth Club.

"It is one of the most bitter ironies of our time," he said, "that arms-control agreements have served to codify building more arms. Since the SALT I talks started in 1969, the Soviets have added over 7,000 nuclear weapons to their arsenal" and "since SALT II was signed, over 3,800.

"Think about that. Arms control agreements do not necessarily reduce the level of arms. . . . Agreements have not induced a Soviet attitude of restraint." McFarlane maintained that arms-control negotiations appear to have a psychological restraining effect on the United States, but not on the Soviet Union. Since the signing of SALT I, the United States has built two strategic systems, while the Soviet Union has built 31.

McFarlane also argued that there is no basis for the belief that arms-control agreements provide "ground for greater confidence in our safety," because the Soviet Union has violated agreements it has made. The U.S.S.R. "almost certainly" violated the 1972 ABM Treaty, as well as pacts banning the use of chemical and biological weapons, he said.

McFarlane's speech was a report on the conclusions of an eight-month-long review of U.S. policy toward the Soviet Union, which President Reagan commissioned after the Russians walked out of the arms-control talks last winter.

Explaining what he termed the "six realities" of the U.S.-Soviet relationship, McFarlane called the Soviet Union an expansionist power whose military growth is "designed to change the correlation of forces that thwarted them at the time of the Berlin Blockade and the Cuban Missile Crisis."

The fundamental differences between the United States and Soviet Union are not like-

ly to diminish in the foreseeable future, he said, and "low-intensity conflict" will continue. "A combination of quasi-religious ideology, national interest, and enormous personal investment in a system that gives them personal power beyond the dreams of the czars makes it unlikely that the Soviet leadership will seek any changes in their system."

## Administration rift over population policy

There are two different U.S. policies being circulated at the United Nations Population Conference in Mexico City, declared an avid proponent of population control Aug. 6: "one from the White House, the other from the State Department."

The speaker was conference delegate Larry Kagan, an organizer for the Population Crisis Committee. "If you think there's a contradiction in the fact that the official U.S. position condemns Malthusianism, while William Draper III [a leading Population Crisis Committee member] is a member of the U.S. delegation, you're right," he said.

"The official U.S. position is seven pages. The White House wrote the first four, the State Department the last three. The last three are the carryovers from the days of the Nixon National Security Council, yes, when Henry Kissinger was running it."

## Abrahamson: Soviets ahead in beam defense

The Soviet Union will in all likelihood develop advanced antiballistic-missile defense capabilities before the United States does, according to Lt. Gen. James Abrahamson, the head of the Pentagon's Strategic Defense Initiative (SDI). Abrahamson's statements, part of the administration's report to the Congress on the program, were quoted by

*Defense Daily* on Aug. 7.

"In view of the fact that the Soviets have been working on the appropriate technologies since the 1960s, and, in fact, lead the United States in some of these technologies," Abrahamson said, "it is unlikely that we would have an opportunity to deploy an effective defense system unilaterally, even if we wished to do so. What we must strive for is a mutual, U.S. and Soviet deployment. What we must avoid is a unilateral Soviet deployment."

As for the possibility of eventually sharing strategic defense technologies with the Soviets, Abrahamson said he thought that was a plan "worth thinking about." He added, however, that "a great deal more needs to be known about the Soviet program and the nature of their intentions with respect to the technology they are developing," before such a plan is put into action.

Abrahamson acknowledged—for the first time officially—that "the United States has twice proposed substantive discussions with the Soviet Union" on this subject. "We have received no reply to our proposals."

The United States "does not intend to strive for nuclear superiority over the Soviet Union through the unilateral deployment of an effective defense against ballistic missiles," he said.

## LaRouche Dems score in Michigan primary

Two LaRouche Democrats backed by the National Democratic Policy Committee (NDPC) in their campaigns for Congress polled 34% and 26%, respectively, in the Michigan Democratic primary on Aug. 7.

In the 9th C.D., Paul Vandermus, an electrical engineer, polled 34% in a two-way race against John Senger, a former congressional aide. Senger will now face leading Republican Congressman Guy Vander Jagt.

In the 4th C.D., Jerome Coryell, a machinist at Rockwell International, and an ardent opponent of the Trilateral Commis-



sion, polled 26% in a three-way race. His opponent, Charles Rodebaugh, polled 52% and will now stand against Republican Mark Siljander in the November election. A third candidate polled 21%.

Thirteen LaRouche candidates initially entered the Michigan election but all but Coryell and Vandermus were bumped from the ballot through the connivance of State Democratic Party leaders and Dope, Inc. kingpin Max Fisher.

The leader of the LaRouche slate, Max Dean, a prominent Flint attorney who was dropped from the Democratic primary ballot, has filed a lawsuit in the state capital to be placed on the ballot as an Independent. Dean was planning to challenge Sen. Carl Levin, who thus faced no opposition in the Aug. 7 Democratic primary.

## Mondale men on pilgrimage to Moscow

A delegation of Soviet apologists close to the Mondale machine went to Moscow during the first week in August to attend a "private conference" on U.S.-Soviet relations. The major topic was how to kill the Reagan administration's Strategic Defense Initiative.

The group included Mondale's crony and former law partner Don Fraser, now the mayor of Minneapolis, as well as Richard Barnett and Marcus Raskin from the radical-left Institute for Policy Studies.

On the space-defense issue, Raskin told UPI's Moscow correspondent, "both sides United States earlier this summer, and for the gang of KGB agents led by Fyodor Burlatskii, KGB mouthpiece and writer for *Lit'eraturnaya Gazeta*, that deployed throughout the United States in the spring and summer of 1983.

The Soviet contingent attended a conference in Minneapolis in May 1983, where plans were laid to derail the administration's beam-weapons program. The Minneapolis meeting was sponsored by the Hubert Humphrey Institute, which is a key point of convergence between Henry Kissinger and the

Mondale machine. Mondale met privately with the Soviet delegation, and one of the conference's leading organizers was Don Fraser.

## Dems blackmail Reagan on defense budget

A group of congressional Democrats is holding hostage funds for the administration's 1985 defense budget. At stake are allocations for the MX missile and the Strategic Defense Initiative (SDI).

The group, which includes Tip O'Neill (Mass.), Robert Byrd (W.Va.), and Sam Nunn (Ga.), has told Reagan that unless he gives up the MX missile and accepts a 5% (as opposed to the requested 7.5%) increase in defense spending, the entire FY1985 defense budget will be held up past the Oct. 1 deadline. If that occurs, defense spending will be funded through a continuing resolution, which will contain significantly less money.

Both the defense appropriations and defense authorization bills for FY1985 are now stalled by Capitol Hill allies of Walter Mondale and Henry Kissinger. Earlier this week, O'Neill and Byrd personally told Reagan that he was responsible for the deadlock, because he has refused to "compromise" on the MX. Byrd told the press, "I told him national security should not be held hostage to a particular weapons system or overall defense figures."

On Aug. 10 Sen. Sam Nunn—the leading Senate proponent of Henry Kissinger's proposal to withdraw U.S. troops from Europe—jumped into the fray. He proposed a compromise whereby funds for 21 MX missiles would be provided (the administration had originally requested 40), but only if the Soviets do not return to the arms-control talks, and then only if the House and Senate vote to go ahead with construction of the missiles. Nunn denounced the administration for rejecting his scheme, and warned that the entire MX missile program is in jeopardy as a result.

## Briefly

● **'JAMES BUCKLEY** shouldn't have cited Hong Kong, of all places, as a model for successful birth control," said Population Crisis Committee propagandist Philander Claxton in a private discussion at the Mexico City U.N. Population Conference. "This won't go over well, this will just undermine what we're trying to do." Buckley heads the U.S. delegation, and has been arguing that government population control programs are not necessary, since "free market forces" can do the same job better.

● **YOUNG REPUBLICANS** of Idaho are charging that several top-ranking Democrats have been running drugs and using the profits to finance election campaigns. The group recently planned to show videotapes from a televised 1979 press conference in Salt Lake City, implicating state Democratic Party chairman Mel Morgan in drug charges. When Democratic Party officials got wind of this, threats to sue the Young Republicans were made and then retracted by Morgan and former governor and Carter Interior Secretary Cecil Andrus.

● **ATTORNEY GENERAL** William French Smith charged that Cuba and Bulgaria are using drug trafficking to assist terrorists. Speaking before the American Bar Association on Aug. 7, he said, "The damage done in this country by trafficking in drugs is well known in the ruined lives of drug users, the tremendous illicit and untaxed profits generated for criminals, and the violence spawned by users and traffickers."

● **GERALDINE FERRARO** frequently shares her apartment on Capitol Hill with Rep. Barbara Mikulski, who chairs the Mondale-Ferraro election campaign. The two are "close friends," said an aide to Mikulski. According to reliable sources, Mikulski's former roommate was a Marxist-Leninist lesbian from Australia.

## Editorial

### *Who will fight for Europe?*

Now is the time for all Americans to make their voices heard in defense of the Atlantic Alliance, and, in particular West Germany, the cornerstone of our own defense. What you do, and what you get your friends and neighbors to do over the few weeks ahead, may well determine the kind of world we will all be living in very soon.

Concretely, Americans must support the efforts of the Schiller Institute of Helga Zepp-LaRouche to transform U.S. defense and foreign policies.

Some people in the United States have begun to wake up to what she and her husband, the independent Democrat Lyndon LaRouche, have been saying about Russian intentions to split Europe from the United States, and the military threat thereby posed. But those people are a minority. Consider:

This week the Russians started to accuse the U.S. of organizing to overthrow what they call "the post-war order" in Europe. Modeled on Hitler's tactics in the cases of Austria, Czechoslovakia and Poland, this is the pretext the Russians have been developing for a military move into West Germany. But from within the U.S. command the word is going out that we have to be ready to pull forces out of Europe to deploy into "colonial"-style population-control wars in such areas as Ibero-America or the Near East. This is to hand our allies over defenseless to Russian blackmail.

General Tolubko, the head of the Soviet Strategic Rocket Corps, announced in a rare interview the completion of tests on new missiles which are equivalent to the U.S. MX and cruise. And what answer is given on this side of the Atlantic? Tip O'Neill announces that the MX missile program is as good as dead.

Experts working on the President's Strategic Defense Initiative have emphasized the Soviets are far ahead in development of defense technologies. But the *New York Times* proposes that the administration adopt the Russian proposal to ban all weapons from space. The Russians count on the fact that it is, for example, the employers of Henry Kissinger, who ultimately decide U.S. policy. And that such circles, for reasons accounted for by the ideological insanity of their 'Establishment family' outlook, have determined to appease and appease again. Like Hitler the Russians are not interested in deals. They want to break West Germany out

of the Alliance as the most efficient way to destroy the world power of the United States.

There are many here who argue that a fractured and disunited Europe is not globally significant. Or that if Germany is lost, it doesn't matter because France will still be there. These are the rationalizations which cede the policy terrain to Kissinger's employers, who have already decided the U.S. should be destroyed as a superpower.

Europe's population is larger than that of the United States. Its industrial potential is as large if not larger. If Western Europe, by means of the relentless, and escalating pressures on the Federal Republic of Germany is, in consequence, pulled into the sphere of Soviet influence, those potentials will be put at the disposal of the Soviets, on terms the Soviets will dictate. There will then be a one superpower world.

Still others argue, misreading the governing outlook of the Russian military and political leadership, that such purposes are far from what the Soviets intend. That they have too many problems internal to their system to ever contemplate such a course. And for such reasons, the efforts of Henry Kissinger, his friends in the *New York Times*, and in the Mondale wing of the Democratic Party, go unanswered by those who should know better.

Such an incapacity emboldened Hitler before, just as it emboldens the Russians now. They kick twice as hard when their opponent refuses to notice he's been kicked, as they've proven repeatedly since the brutal downing of Korean Air flight 007 almost a year ago.

If this country is to defend its allies in Europe, and therefore defend itself, this must be changed. But new methods of thinking, that can correct prevailing pragmatic incompetence, and new institutions, freed of the incapacities of the old, are required to do the job.

Twice before this century we have blundered into war under the illusion that "it can never happen." Twice before, in the month of August, and early September, it did happen. This time the country needs a new policy to make sure the "unthinkable" does not happen again. Therefore you must make sure that the voice of the modern appeasers, or decouplers, is not left as the only voice representing U.S. policy to the world. Mobilize to help the Schiller Institute rebuild the Atlantic Alliance.

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