

# EIR

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LaRouche blasts Congress for treason  
Marcos hits back against 'New Yalta'  
Oil shock puts debt bomb on short fuse

**First Fidelity: LaRouche foe  
caught in bed with Dope, Inc.**



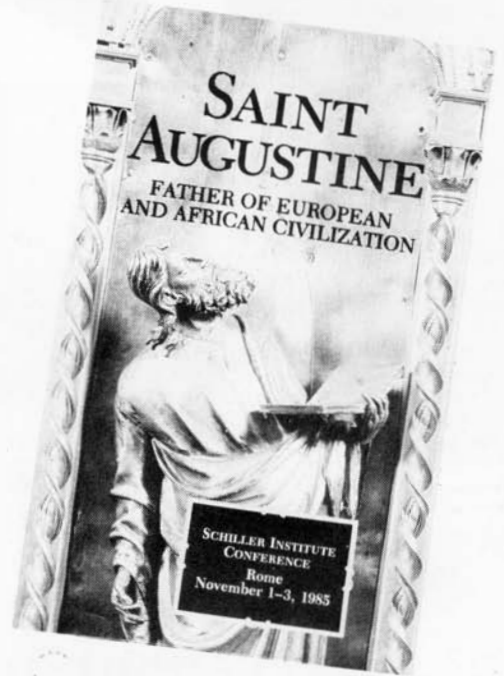
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# EIR

## From the Editor

This issue includes ammunition to be loaded up and discharged against some of the filthiest enemies of our nation and humanity in general. On page 26 begins the cover *Feature*, with a few facts about First Fidelity Bank of New Jersey, the bank that pulled the plug on one of Lyndon LaRouche's election-eve national TV broadcasts in 1984. Once again, it turns out that someone trying to silence LaRouche, is working for Dope, Inc. The *Feature* details the crime connections of the bank, some of which have leaked into such established press as the *Wall Street Journal*—but not yet, we hear, in the media of the state of New Jersey!

Then we have that would-be crusader against Philippines President Marcos, Rep. Stephen Solarz of Brooklyn. *EIR* pinpointed Solarz in 1980 as an advocate of marijuana decriminalization, the drug lobby's gambit to introduce full legalization of dangerous drugs into U.S. federal law. His stripes have not changed, and the effort he is heading to overturn the United States' most faithful ally in Asia is perfectly coherent with his Dope, Inc. pedigree, as the *Investigation*, pages 58-63, shows.

A hopeful piece of news reached us on Jan. 31, when South African President Pieter W. Botha announced steps to abolish apartheid (page 43). As our readers know, for years *EIR* has been fighting to save Africa from the IMF genocide and race war fomented by the Western Malthusians and their Soviet counterparts. The U.S. press quoted Mangosuthu G. Buthelezi, president of Inkatha and chairman of the South African Black alliance, that the tone of Botha's speech "encourages me to believe that the government is giving the question of Black political rights the highest of national priorities." We are pleased to present Buthelezi's own perspective for bringing about the radical changes needed in South Africa (speech, page 40).

LaRouche warned on Jan. 29 that the only hope for Africa, Ibero-America, and Asia is the drastic reversal of the Gramm-Rudman and Tax Reform policies devastating the U.S. economy. Many of our columns this week document the frightening country-by-country impact of the economic collapse. Next week, we will run a fuller treatment of Lyndon H. LaRouche's "State of the Union" address (cf. page 64) as well as a report on President Reagan's, which was postponed after the Shuttle Challenger tragedy.

Nora Hamerman

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NSIPS/Stuart Lewis

Elliot Greenspan, campaign organizer for Independent Democrats for LaRouche, confronts First Fidelity chairman Robert Ferguson, at bank headquarters in Newark, in November 1984.

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The congressman says the Philippines government is corrupt, but look at what is going on in Flatbush and Brighton Beach!

## Saudis' price war could mean \$5-\$10 per barrel oil

by William Engdahl

A unilateral decision on the part of Saudi Arabia sparked the dramatic collapse in traded crude oil prices after Jan. 21, with quoted prices for the marker crude, North Sea Brent, collapsing almost \$13 per barrel since its late November high of \$31. As of this writing, Brent—currently the most liquid crude traded on forward markets—was quoted at \$18.30 for March delivery.

By declaring a price war "to the finish" on the British-centered oil market, Saudi Arabia has become the loose cog in the world financial system. With their own production down to less than 2 million barrels per day at last year's low point, the Saudis were facing the prospect of burning off their entire financial reserves within two years. So instead, Saudi oil minister Sheikh Yamani decided to bring the British to their knees, while keeping his own war chest intact. The Saudis can produce oil for not much more than 50 cents a barrel, and there is no reason that the oil price should stand above \$5 to \$10 per barrel once the dust settles.

Oil prices on the spot market fell an additional \$2 per barrel Jan. 29, while OPEC specialists in Vienna debated a new marketing agreement. North Sea Brent Oil closed at \$17.90 for April delivery, the lowest since 1979. But British oil industry sources report that the Saudis are already selling oil in so-called "netback agreements" to major oil companies at \$16.80 per barrel.

The Saudis have, in effect, made the spot market irrelevant. The netback agreements already in place in November had the effect of taking oil off the spot market, artificially supporting the price through mid-December. Once the increased Saudi oil output had worked its way through the system, the price fell like a rock.

The "seven sisters" oil cartel regard this development with powerfully mixed emotions. True, their own refining operations will benefit handsomely from lower-cost oil; but the enormous reserves they have accumulated by borrowing high-priced money will shrivel in value. Texaco has already had to postpone a \$1 billion borrowing in order to post bond in its ongoing dispute with Pennzoil, since the collateral value of its oil reserves has collapsed. Financier interests associated with the oil cartel, such as the large American international banks, will be steamrolled by the effects of even a \$15 per barrel price on their debtors' capacity to pay.

The fall below the \$20 level, widely regarded in the industry as a kind of psychological barrier, has triggered near-panic in major centers of international banking and in major oil-exporting developing nations, especially Mexico and Nigeria.

The price collapse is also triggering regional bankruptcy crises in major oil regions of the domestic United States—Texas, Oklahoma, and parts of Colorado—and is feeding a precipitous decline of the British pound.

What is behind the sudden price collapse, and who potentially benefits from it? Below we detail the little understood but far-reaching structural changes which have taken place in world oil markets since the 1979 Iranian "oil shock," which drove official OPEC and world prices as high as \$40 per barrel for select grades of crude.

### How the panic began

The latest collapse—the first time in seven years that oil prices have fallen below \$20.00—was triggered on Jan. 21 when an article in the Cyprus-based *Middle East Economic*

*Survey*, a newsletter widely regarded as close to Saudi official circles, published a piece on a possible meeting between British Oil Minister Peter Walker and Saudi Oil Minister Sheikh Yamani. The article hinted at an "imminent threat of a disastrous collapse of the oil market," in the event that no production control agreement were reached between OPEC and such non-OPEC oil producers. The same day, Kuwaiti oil minister Sheikh Ali al-Khalifa repeated a call for non-OPEC producers to share the burden of reducing output in order to avert a price collapse.

Within hours of the two events, the rumor-hungry world oil trading markets of London, New York, Geneva, and Rotterdam unleashed a new wave of panic selling. Prices first dropped below \$20 dollars in some European trading. Two days later, the situation reached what most traders termed a full-fledged panic, when Yamani publicly stated that prices could fall below \$15 unless all producing countries, including those outside OPEC, agreed to limit production—in effect, unless they established a worldwide, if unofficial, cartel. Prices in London trading for Brent North Sea crude on Jan. 23 fell another catastrophic \$1.50 per barrel. Brent is considered the most sensitive "barometer" of demand in the West European oil market.

Public statements from the Saudi spokesmen in recent months have singled out Britain as the prime target of the OPEC strategy. Yamani and others in OPEC argue that, while the Saudis have reduced their output to a low last summer of 2 million barrels per day, British North Sea production has continued to increase to record output in 1985 of between 2.6 and 2.8 million barrels per day. Saudi Arabia, the world's largest and cheapest producer of crude oil, had sunk below the level of Britain.

### **Behind the price collapse**

World oil production has continued to plummet since the twin shock of the October 1979 U.S. Federal Reserve shift in monetary policy, which forced double-digit interest rates and industrial collapse throughout the industrial and developing sectors, and the negative impact on energy use of the 1979-80 Iran oil price shock, when major oil companies and OPEC producers shifted the traditional structure of world energy control and distribution.

But OPEC and member governments of the Western industrialized nations, despite overwhelming evidence to the contrary, continued to act on the basis of official reports from agencies such as the Kissinger-created International Energy Agency (IEA) at the Organization for Economic Cooperation and Development (OECD) headquarters in Paris. "The IEA, up until even last fall, continued to publish these optimistic reports of expected demand recovery and diminishing supply. OPEC, and in particular, Saudi Arabia, continued to believe these projections," according to Peter Odell of the Rotterdam Center for International Energy Studies. "The Western governments bought the myth that oil was scarce,

while it isn't. We are finding three barrels for every two we consume. OPEC is a disaster. What do the Saudis and British have to negotiate about?"

According to studies made by the Rotterdam institute, since the first OPEC price "shock" in 1973, when OPEC countries supplied 37% of all non-communist world energy, today that share has collapsed to only 16%.

It is also noteworthy, that over the same period, the Comecon countries more than doubled their share of Western and non-Communist energy markets, from 2.5% of total energy consumption in 1973 to 6% in 1985. Though small in absolute size, "the East European export of natural gas, oil, and coal has definitely helped to weaken the market," Odell indicated.

But the real context for this increased influence, Odell emphasized, is the overall reality of collapsing oil consumption, combined with expanding non-OPEC production. Mexico, the United Kingdom, and Norway have all significantly increased production in the past few years. At present, OPEC produces less than 40% of world oil: In their peak year 1982, OPEC produced about 32 million barrels per day; today, this has dropped to an estimated 17-18.5 million.

### **The Saudi role**

The present world crisis was actually triggered last September. This was the point at which, according to oil trading industry sources, Saudi Arabia abruptly reversed its policy of dropping production. At that point, the Saudi's began to sell to major international oil companies on a so-called "netback" basis. In such deals, a producer such as Saudi Arabia contracts, usually for a six-month term, renewable automatically, to deliver its crude to a major refiner at a price which guarantees the refiner a fixed profit. Exact estimates of the volume of netback deals are extremely difficult to pin down. However, discussions with major traders and industry analysts indicate that as much as 30% of major Saudi and other OPEC oil is being sold via netback deals today. Before last week's collapse in forward market prices, this oil was estimated by the authoritative London Petroleum Argus analysts to have sold at between \$16.83 to \$19.42 for delivery to northern European refineries. No estimate for latest netback prices is yet available, but it can be estimated to have fallen well below this level. Saudi production since the low last September of some 2 million barrels per day, has steadily climbed as high as 4.5-5.2 million barrels per day by the first week of January.

Saudi Arabia, in first week of 1986, reportedly compounded the crisis by contracting to sell an estimated additional 67.5 million barrels of crude which had been stockpiled on huge tankers in the Far East, according to a report in *Mideast Report*. About 48 million barrels were sold to Japanese customers, according to the report. The price was not disclosed, but was clearly attractive enough to soak up an additional 3 million barrels per day for the first three weeks

of January, the period of the most intense collapse in quoted traded prices of crude.

"If I were the OPEC, I would immediately turn on the spigot and increase the flow up to 22 million barrels per day. This would flood the market with cheap oil and force the marginal production and high-cost exploration out of the market. Then, maybe, OPEC would have a chance to rebuild its share of the world oil market. I doubt, however, they will do this." This was the view of one London trader for one of the two British oil multinationals. According to London industry analysts at a major brokerage house, the first to go out of business, were the price to fall to \$15 or below, would be the considerably higher-cost United States domestic production, followed by the Alaska North Slope.

British analysts claim that the North Sea "breakeven" price for 80% to 90% of today's British production will permit companies to continue at a profit until they hit a \$3-\$5 per barrel cost of production. The British may well be able to continue to pump oil out of their wells, which will be exhausted by the early 1990s; but at below \$20 per barrel, Britain will not be able to invest in any new production, so that Britain would be pushed out of an important role in world oil markets for the foreseeable future.

By comparison, estimates of Saudi cost of production vary, but are very likely to be below \$1 per barrel.

Hopes for some stabilizing sign center on the Feb. 3 special OPEC meeting, which will discuss details of the Dec. 9, 1985 OPEC ministers' decision. That Geneva meeting triggered the recent dramatic collapse, when leading OPEC ministers announced that the oil producers' cartel would abandon its three-year policy of controlling supply to maintain prices in world markets. Within hours, the pound sterling (whose value is widely regarded as heavily dependent on North Sea oil revenues) plummeted, and world oil "spot" traders launched panic selling for several days, until OPEC made public statements indicating a retreat from their new confrontation course.

But these hopes were dashed by British Prime Minister Thatcher, as by the chairman of government- and Bank of England-owned British Petroleum (BP). Both declared that the United Kingdom would not cut production to help stabilize the oil situation. Thatcher, herself under major political attack inside Britain, told Parliament that she would not intervene in the rights of oil companies to full production from the North Sea. Sir Peter Walters of BP said that no major world production-sharing agreement were possible without the consent of the world's two major oil producers in the world: the United States and the Soviet Union. (Russian daily production is estimated in excess of 12 million barrels.) The BP chairman declared that, lacking such agreement, OPEC is the only one which can stabilize prices by cutting production again. A spokesman for Royal Dutch Shell, who asked not to be named, said the "only thing realistically which can even stabilize the situation, is a Saudi cutback to 1.5 million barrels."

## Price drop triggers new debt crisis

In the wake of the latest collapse of world traded oil prices in U.S. and European futures and forward markets, Mexico's Treasury Secretary Jesús Silva Herzog told a London debt conference on Jan. 28 that Mexico, the second largest Third World debtor nation with \$97 billion in foreign debts, was "going through an emergency—a very real one—which, if not acted upon with speed and wisdom, could make the summer of 1982 [when Mexico was forced to abandon normal servicing of its debt] look like a relatively calm and quiet period." Mexico relies on oil export, mainly to the United States, for 70% of its foreign export earnings. Because of the oil price collapse, Mexico will need to borrow several billion dollars more just to meet interest payments to international banks.

Silva Herzog referred to three years of savage domestic austerity and indicated to the assembled, which included Chase Manhattan's David Rockefeller, that more sacrifice was not possible. Mexico City's influential daily, *Excelsior*, headlined on Jan. 24, "We must suspend debt service" if oil prices continue to collapse. Silva Herzog the same day cancelled scheduled talks with New York creditor banks on the debt.

Nigeria, where collapsing oil revenues have dealt disastrous blows to the repayment of that country's estimated \$12 billion foreign debt, announced several weeks before the latest price drop that it was limiting debt repayment to 30% of its export income. Nigeria is directly competing with North Sea oil for markets, as both produce crude oil of comparable quality.

Indonesia, another major developing-sector oil producer, announced an austerity budget which will reportedly cut industrial development projects. This was before the latest round of price cuts as well.

In the United States, the world's largest offshore drilling contractor, Global Marine, announced on Jan. 28 it was filing for bankruptcy leaving \$1.1 billion in debts, while the Dallas, Texas, Diamond Shamrock oil company, a major regional company, reported a net loss for 1985 of \$605 million, largely related to write-downs on the group's Indonesian oil and gas properties.

Texas Commerce Bank, one of the largest Texas banks, just reported \$29 million in loan losses from real estate and energy lending defaults. And the giant Bank of America, which has large energy loans in its portfolio, continues to report record losses.



# American cities in 1986 face plague and internal collapse

by Marcia Merry

As of the turn of the new year, reports coming in from around the nation on the condition of U.S. cities indicate a horrifying prospect of epidemic disease, infrastructural disasters, and rampant poverty, misery, and crime—as the Gramm-Rudman budget-cutters transform the process of urban decay into outright collapse. Only a Walter Read-style, jungle-clearing approach will be able to reclaim some of the human and material wilderness that was once urban America.

Although the year-end reports of the Commerce Department, the Bureau of Labor Statistics, and other government agencies are keeping up the myth that the economy is “growing” (though the December estimate of the growth rate was lowered to 2.4%), the actual consequences of this “growth” policy is evident in the numbers of homeless, hungry, and those dying of the once-conquered disease, tuberculosis—the “white plague.”

A survey of the condition of cities in the United States was provided by the standing committees of the U.S. Conference of Mayors, which held its mid-winter meeting Jan. 22-24 in Washington, D.C., where many mayors lobbied for help against the Gramm-Rudman budget cuts, the tax reform legislation, and other measures. The following is a summary report of the facts provided by the mayors, plus other reports that document the crisis status and impoverishment of our cities.

Their reports were not without ironies. Nine out of 10 present stated their belief in the “recovery” (see box). Many cited “the financial journals” as their authority for believing in the recovery. But most also felt that the recovery was “not as strong in my area as in other areas.” But meantime, they lobbied for help for their cities, which was saying, in effect, “Please save my city from the effects of the recovery.” Here is the overall picture from their combined reports.

The most comprehensive report on the condition of cities was provided by a U.S. Conference of Mayors Task Force on Hunger and Homelessness, which issued a 45-page report, “The Growth of Hunger, Homelessness, and Poverty in America’s Cities in 1985; a 25-City Survey.” The cities surveyed contain a total official population of 21,913,588, and include many of the nation’s top 50 cities, such as, New York, Chicago, Philadelphia, Detroit, Washington, D.C., and San Juan (Puerto Rico). The survey information was assembled in December 1985.

## Unemployment

According to the findings of the report’s survey of “economic conditions” prevailing in the 25 cities, “All but three of the Task Force cities reported that the ‘official’ unemployment rate does not accurately reflect the actual unemployment problem for their city. The reasons most often cited were the failure to include discouraged workers or the underemployed.”

This report confirms the *EIR Quarterly Report*’s national estimate that the real unemployment rate in the nation is running at about 20%, in contrast to the official federal government estimates of 7%.

The Mayors’ Conference report speaks in terms of the “new poor.” “Officials in more than half of the Task Force cities indicated that the number of poor residents increased during 1985. . . . All but three of the responding cities indicated that the problems of the ‘new poor’ have continued. Five cities specifically suggest that their numbers have increased.”

Although not assembled by the Mayors’ study, even the official unemployment rate for cities along the formerly industrialized Midwest manufacturing belt, from Western Pennsylvania to Illinois, shows this clearly. The official unemployment for Jeannette, Pennsylvania (east of Pittsburgh) is 17%; that of Flint, Michigan is over 20%.

The Gramm-Rudman budget cuts, combined with the effects of the expected tax reform bill, and the new five-year farm law, will have a “chain reaction of chain reactions” effect on the last remaining employment in and around cities. Without the factory orders and real services requirements generated by even low-employment in defense, agriculture, and construction sectors, all kinds of urban employment, from office work to the retail and restaurant trades, will shut down. The props holding up these categories of urban-area employment now are only various forms of real estate and other tax protection investments that are due to be undercut or wiped out in 1986.

## Hunger

The 25-city Mayors’ Conference report indicates vast malnutrition and hunger. “In every Task Force city save one the overall demand for emergency food assistance increased during 1985, on average by 28%. In all but two cities, or

92% of the Task Force cities, the number of families with children requesting emergency food assistance increased during 1985, by an average of 30%.”

The Physicians' Task Force on Hunger in America, released the preliminary results of its study on hunger Jan. 13, and provided additional documentation for estimating that there are a total of 20 million Americans hungry every month.

In the 25 cities surveyed, there are 2,517 food assistance facilities. In Chicago alone, there are 650 emergency food assistance facilities. New York City runs 357; Philadelphia runs 300. Both cities routinely turn people away for lack of food availability. In Boston, there are 136 food aid facilities, and the city reports that there has been a more than 65% increase in requests for food aid by families with children. Yet, they have to be turned away for lack of supplies. In terms of the average household income in the city, rents stand at 40% to 50% of income—25% more than what is considered tolerable for a family to have proper food, clothing, heat, and education, and to be productive in the community.

### Homelessness

The total number of homeless people reported to be in the 25 cities of the mayors' study is 126,300. The total number of city shelter beds is 47,198. As any city resident or tourist knows, there are people literally “living in the streets.” According to the conclusion of the survey, “The demand for emergency shelter increased in nearly nine out of 10 of the survey cities during 1985; the average increase was 25%. The demand did not decrease in any of the cities.”

### Disease

The city emergency shelters themselves are creating the opportunity for disease to take hold and spread among those who are ill fed, and whose immune systems are suppressed. In Boston, during the summer of 1985, a form of drug-resistant tuberculosis was traced to a homeless shelter. Secondary forms of drug treatment, less effective, were administered. Such outbreaks are expected to become common. In addition, the shelters are harboring grounds for influenza and other contagious, debilitating illnesses.

The deteriorating conditions for those in low and middle-level income housing are also fast becoming disease centers. A recent survey by the U.S. Agriculture Department showed that the average low-income apartment in the Southeastern United States is infested with about 26,000 cockroaches—a record rate of infestation. Conditions at these latitudes are most favorable for roaches, but studies done earlier in 1985, show that the same rate of infestation is present in northern cities during the summer months. Of the 1,022 apartments surveyed, 97% were infested at levels that posed an immediate medical threat to the residents. For example, roaches can transmit bacteria causing gastroenteritis. In any case, an estimated 7-8% percent of the American population suffers



NSIPS/Philip Ulanowsky

from allergies to the fumes and molting particles of roach infestations.

In south Florida's depressed agricultural areas, such as Belle Glade and Delray Beach, medical studies show levels of exposure to mosquito-carried viruses greater than in Africa and South America. In addition, AIDS is spreading as an epidemic among non-drug using, non-homosexual residents of Belle Glade and the slums of Miami.

In Miami recently, a \$1 million rat eradication program was cut to \$80,000, and this was before Gramm-Rudman.

### Infrastructure

The direction of the condition of infrastructure in the country is shown by the disease outbreaks from breakdowns in the sanitary water facilities in once-industrial cities. In 1984, both Scranton and McKeesport, Pennsylvania, had outbreaks of giardiasis from water supply breakdowns. Now, there is giardiasis in Pittsfield, Massachusetts, and for the second time, in McKeesport.

A report to the Mayors' Conference standing committee on infrastructure presented the financial and budgetary figures showing that breakdowns will be more widespread in 1986. The estimated national infrastructure requirement is

\$59 billion. Of this, in 1985, only about \$39 billion or so was met from federal and municipal bonds and budget sources. Under the Gramm-Rudman and tax reform bill's elimination of tax-exempt municipal bonds for sewage, water, and similar purposes, there will be an estimated additional \$18 to \$20 billion shortfall this year. Thus, the gap of infrastructure development and repair will be running at the rate of \$40 billion—in other words, at a rate of health-threatening breakdown.

### Growing liability, less insurance

Another report to the conference reported on exorbitant rates now being asked of cities for liability insurance, covering such areas as property damage, police, fire, and errors

and omissions. As infrastructure collapses and cities decline, liability claims against cities may be expected to rise. Of 40 cities surveyed only 13% (5) said that rates for municipal insurance had not increased during the past two years, and one of those was self-insured. Of the remainder, over one-half (20), had been hit with rate increases of more than 100% on one or more policies. Sixteen of those 20 suffered rate increases of more than 200%. Said the report, "The largest rise in liability insurance premiums identified was in Davenport, Iowa . . . 3,000% in two years. . . . The city was forced to reduce its coverage. . . . Between 1983 and 1985, general liability insurance for New Castle (Pa.) rose by 400%." In Toledo, Ohio, casualty insurance went up 300% in two years—for one-third the coverage.

As a result, numerous cities are now studying self-insurance options—setting aside the funds in advance of anticipated claims. But what, then, does a city do if claims exceed the set-aside? There are other plans to form a group of cities for mutual self insurance.

## Mayors puzzled by great recovery

A few comments from some of the mayors at the conference:

**Jon Rogers, El Paso, Texas.** "Information from financial journals says there's a recovery." Yes, oil is down. But Texas "pension people say there is a recovery." As for Gramm-Rudman, "it's going to happen." Congress voted it in, because, "this way it's automatic," and they won't have to take the blame for doing the job.

**Francis X. McCauley, Quincy, Massachusetts.** There is a "good economy in Massachusetts. Unemployment is below 4%. Overall the picture is not that bad." Of course, the shipyards are down. As for Gramm-Rudman, it is a "bad idea whose time has come."

**Don L. Robart, Cuyahoga Falls, Ohio.** The economy is bad in northeast Ohio, but in "some places" there is a recovery.

**Richard L. Berkley, Kansas City, Missouri.** Gramm-Rudman is "not good legislation, but it focuses in on a very real problem." It is an "ironic situation."

**Baltasar Corrada-Del Rio, San Juan, Puerto Rico.** Tourism should be promoted for the urban economy—pedestrian malls and so forth. "Harbor projects are a national trend."

### How to administer disaster?

After presenting the 25-city survey report to Rep. Tip O'Neill, Boston Mayor Raymond Flynn reported back to his Task Force, for which he is the chairman, that the situation in Washington was "depressing." Flynn said everyone was "gutless."

However, the Mayors' Conference overall did not put forth any kind of emergency action package appropriate to the level of crisis. Most lobbied for continuation of general revenue-sharing—scheduled to be cut by Gramm-Rudman, and, in any case, already being decreased yearly.

There are less than 1,400,000 municipal workers nationally (in cities over 50,000), and with the full-scale effects of the Gramm-Rudman "depression on top of depression," 400,000 could be laid off by the fall.

In the mayors' standing committee on Urban Economics, a report was given of the expected municipal lay-offs to occur immediately:

- 18,000 police
- 8,000 firefighters
- 18,000 teachers
- 20,000 human services workers
- 26,000 street maintenance workers

According to Congressional Budget Office reports, there has been a 24% decline in federal grants to state and local governments since 1980. In Fiscal Year 1986 and 1987 there will be another 27% cut. Of the \$500 billion spent by state and local governments, \$100 billion has come from federal sources.

Over 53% of U.S. cities have an operating budget deficit and are simply carrying it over year to year. Over 43% of those cities which receive federal revenue sharing use it for their operating budget, not for capital improvements.

# WHO officials nervous as truth on AIDS in Africa comes out

by Mark Burdman

*EIR* has received first-hand reports from Geneva that officials at the World Health Organization are beginning to exhibit nervous agitation whenever the subject of AIDS in Africa is broached. This, however, does not represent a belated expression of concern over the fact that millions of Africans have been infected with the deadly disease. Rather, charges first published in *EIR* that the Soviet-dominated WHO is covering up the African situation, in collusion with the Atlanta Centers for Disease Control (CDC), are beginning to be echoed in major circulation newspapers in Europe.

In October 1985, *EIR* obtained information from a WHO official that an internal evaluation was then circulating, secretly, within the agency's Geneva headquarters that the AIDS situation in Africa was desperate, and urgent public health measures would have to be adopted immediately to prevent a catastrophe on the continent. This, of course, conflicts sharply with the information and evaluations released by the WHO's Communicable Diseases division under Soviet health official Sergei Litvinov, who insists that AIDS originated in the decadent United States, and all talk of it spreading in Africa was nonsense. The author of the secret memo himself was determined that the contents of his memo not become widely known, out of fear "of what the truth about AIDS in Africa would do to the credibility of the WHO."

However, on Jan. 11, the French daily *Le Monde* published an article entitled "Censure on AIDS in Africa," echoing *EIR* charges that the extent of the AIDS epidemic on the African continent was being *deliberately misrepresented*.

*Le Monde* special correspondent Franck Nouchi charged, several days later, that the WHO was clearly involved in a coverup, given that WHO bulletins released in January 1986 listed only 31 cases of AIDS for the whole continent (some researchers have placed the number as high as 30 million)! Nouchi raised questions about the collusion of Atlanta CDC in this affair. The CDC's Dr. Jonathan Mann, until now head of the CDC's team in Zaire, had just been named the new WHO "Mr. AIDS," for all of WHO work internationally.

During mid-January, the French government-linked daily *Le Matin* also published an article, raising questions about the CDC's role in covering up the AIDS situation in Africa.

Nouchi's *Le Monde* report also took up the issue of intimidation directed against medical professionals, lest they make the truth known. Numbers of them are not willing to identify themselves with what they know of the AIDS catastrophe in Africa, for fear of the consequences to their professional reputations and careers. Nouchi quoted "anonymous" researchers only.

Nouchi filed his report from Fort-de-France, Martinique, where a conference on AIDS was being co-sponsored by the National Institutes of Health, the National Center of Bethesda, Maryland, U.S.A., and the French Association for Cancer Research. The release began, "In Africa, AIDS is much more widespread than the official statistics affirm." He wrote: "A certain number of researchers of global renown have decided to alert international public opinion, about the collusion that, according to them, exists between the Centers for Disease Control in Atlanta, and African governments, a collusion which definitively succeeds in undermining research and in masking the reality of the AIDS epidemic which is raging in certain regions of Africa."

According to Nouchi, "Some among the most significant American and European researchers have decided to say out loud what, for months, they were only mentioning among themselves, without daring to say it publicly: In Africa, where, they think, the situation concerning AIDS is very alarming, the Centers for Disease Control, whose links with the American government are very close, has decided, at the price of millions of dollars, to arrogate to itself the monopoly of research on AIDS."

This, the reporter noted, is preventing researchers outside the CDC wise from reporting the truth about AIDS in Africa, as happened at the conference on AIDS in Brussels in December 1985. Reported Nouchi, "This or that European speaker, at the last moment, at the pressing demand of the CDC, was pleaded with not to present the findings of an epidemiological study. Another researcher, an African this time, consciously presented truncated results."

At the Brussels conference, as *EIR* reported, Soviet delegates circulated among the attendees charging that the U.S. Central Intelligence Agency had manufactured AIDS, and



that all discussion of the epidemic in Africa was a Western racist plot against Africa.

Nouchi quoted one unnamed researcher, who agreed to talk on condition that "anonymity would be preserved": "No one knows what is happening in Africa. An iron curtain has fallen on this continent. It is a question of a power struggle, on the scale of a continent. For the CDC, it is a question, above all, of conserving its budgetary prerogatives. . . . We have good reasons to believe that the CDC and, most especially its director, James Curran, know what the situation in Africa is. He has carried out, for this purpose, large epidemiological inquests, but he refuses to communicate the results. . . . Is the African virus the same as that which is raging in the West? Impossible to answer. Why is AIDS, in Africa, a heterosexual malady, while in the West, it has a largely homosexual character? No response. How many Africans have been infected? No response. What are the co-factors of AIDS? No response. Etc."

Nouchi then comments that, according to available information, the U.S. government, which has "very close" relations to the CDC, has an attitude of "apathy" on the AIDS question in Africa. But, he concludes, this is not justified by the situation on the ground: "In certain cities of central Africa, one-third of the beds for treatment for internal medicine, are occupied by patients sick with AIDS. And they are dying to the general indifference of a disinformed public opinion."

Other sources are reporting equally alarming figures, confirming that an "AIDS Belt" has captured large parts of central Africa, and perhaps beyond.

One expert has informed *EIR* that a high percentage of African patients reporting to a sexually-transmitted diseases clinic in one African country, actually have AIDS. A second individual, with long experience in Africa, reports that there are, minimally, "a couple of hundred thousand infected with AIDS, in the eastern part of Zaire alone," and that in Zaire, Rwanda, and other countries, the disease only recently labeled "AIDS" has been rampant for years.

This last appraisal, contrasts graphically with the documentation of the WHO, which, while listing only 31 cases now, listed no official cases of AIDS in Africa prior to 1985!

### **The WHO reacts**

Two kinds of reactions have been emitted by WHO officials responsible for AIDS work.

One is typified by Dr. Fritz Deinhardt of West Germany, who is based in Munich and who heads the work of the "WHO Collaborating Center" for West Germany. Asked what he thought of the *Le Monde* piece, Deinhardt barked, "Absolute nonsense! It is very unfortunate that these claims are being made, all over the place, that there is a coverup about AIDS in Africa. This is total nonsense. . . . We won't know about AIDS in Africa for at least another 6-12 months, and we don't need wild statements."

Dr. Deinhardt claimed that certain African nations have

forbidden studies on AIDS, and that they were right for doing so, "because of the unfair publicity about AIDS in Africa, particularly from the United States."

Dr. Deinhardt claims, against all evidence, that there are only 350 cases of AIDS in all of West Germany! He is getting the strong backing of his Soviet masters at the WHO in Geneva. WHO Press and Information official Abramov was recently seconded to the WHO from his 11-year stint at Moscow Radio and Television. During a private discussion in late January, he contrasted the "objective medical" coverage of AIDS in the Soviet media with the "strictly sensational" coverage of the West German media, which seeks "to blow up the issue of AIDS."

By some special arrangement whose full details are not yet known, Deinhardt collaborates with a WHO "serum bank" based in *Czechoslovakia*, which studies historical blood samples of Africans from the late 1950s, and early 1960s, to

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*The French press is charging health officials with deliberately misreporting the extent of the AIDS epidemic in Africa. Le Monde special correspondent Franck Nouchi accuses the World Health Organization of a cover-up, since WHO bulletins released in January listed only 31 cases of AIDS for the whole continent, while some researchers have placed the number as high as 30 million!*

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ascertain whether AIDS already existed at that time, or is a new disease.

The second WHO line is from Dr. Fakhry Assad, AIDS Task Force coordinator at the WHO. Assad is less categorical, more cautious and defensive. His assertion, now, is that *Le Monde's* citation of the official WHO figure of 31 cases of AIDS in Africa, omits to mention that the WHO also asserts that "information reaching WHO indicates that AIDS may be a serious public health problem in Tropical Africa. Estimated incidence rates in some Central African cities are comparable to those in New York or San Francisco, and cases have been identified in residents or migrants from over a dozen African countries."

This statement, itself vastly understating the situation according to the figures used by many researchers, reflects

new fear over WHO's credibility. Assad himself, barely 10 weeks ago, was pooh-poohing all expressions of alarm over AIDS in Africa, and insisting that the transmissibility of the disease was purely restricted to certain sexual activities.

### The deeper level of the coverup

The problem with the World Health Organization and the CDC, is that they deny the basic parameters of how diseases are spread in all their information and analyses of AIDS.

For example, the WHO's Media Service in January was distributing a bulletin, in its "In Point of Fact" series, called, "WHO Guidelines for Prevention of AIDS and Infection." The guidelines, expressing the official collective wisdom of the WHO, assert that the virus is spread in three ways, and only three ways: sexual contact with an infected person; direct contact with infected blood or blood products; and from infected mother to child before, during, or shortly after birth.

The same bulletin asserts how AIDS is *not* spread:

"AIDS is not spread through food, water, or air.

"AIDS is not spread by casual contact, such as occurs when people work together.

"AIDS is not spread among members of the same household, unless they have sexual contact or are born of an infected mother.

"AIDS is not spread by mosquitoes."

The last contention, in particular, demonstrates WHO's lying character. How do they know that AIDS is not spread by mosquitoes? Significant evidence shows it could be. Once it is admitted, widely, that AIDS is transmitted by infected blood, mosquito transmission seems eminently plausible as an hypothesis worth investigating. Why have the straightforward experiments to test this hypothesis not been done?

One reason may be that mosquito transmission is tied up with a broader issue: the manner in which public health breakdown, as a function of economic breakdown, necessarily leads to new pandemics, and to weakening of resistance in populations to pandemics.

The greatest coverup by the WHO and CDC, then, is to ignore, or deny, the matter of *causality* in disease. Of course, the truth would upset the economic deals and policies, East and West, that now prevail, with the International Monetary Fund as enforcer.

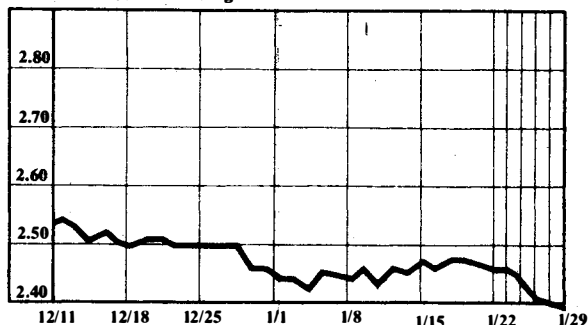
By the same token, autumn 1985 documents by the WHO, outlining what measures must be taken to deal with AIDS, list "Exchange of information" first, and *never once talk of improvement of, or revival of, public health infrastructures of nations.*

The same, finally, holds for how the WHO makes calculations about who or who does not have AIDS in Africa. According to internal minutes from the WHO's Oct. 22-25 AIDS/Africa conference in Bangui, Central African Republic, the "definition" of AIDS in African adults is dependent on several major or minor symptoms, but begins with the proviso, "Any patient without major malnutrition. . . ." For Central Africa, that is quite an extraordinary proviso.

## Currency Rates

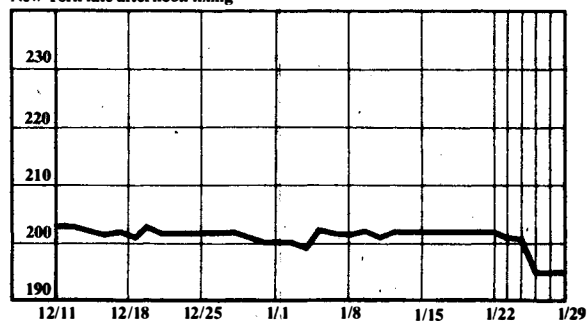
### The dollar in deutschemarks

New York late afternoon fixing



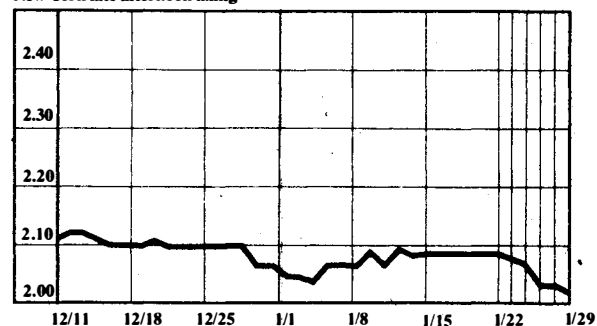
### The dollar in yen

New York late afternoon fixing



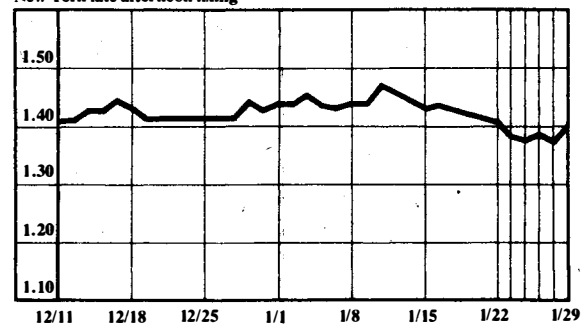
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



## 100,000 farms to fail in 1986?

*Latest figures show that the 1986 farm debt blow-out will dwarf that of any Third World nation.*

In mid-January, government spokesmen announced that their fall 1985 analysis of the degree of insolvency of the Farm Credit System (FCS) was an underestimate. The Government Accounting Office is preparing a report, for release soon, that is purported to show that the FCS third-quarter figures present a far more extensive farm debt crisis than originally reported. Over 220,000 farms are delinquent in payments to some part of the FCS—the Federal Land Banks or the Production Credit Associations.

The FCS accounts for about \$74 billion of the national farm debt, or about one-third of the total \$210 billion. In September, the FCS asked for a federal bail-out of \$5 to \$6 billion, and in December received an "assistance" package of a federally created farm liquidation authority—the FCS-Capital Corp.—and the promise of some Treasury money.

At the same time, the Farmers Home Administration (FmHA), which holds about \$24 billion of the total national farm debt, is engaged in court litigation from January through March with the courts, and fighting with Congress and the public, in order to proceed on delinquent farm debt. An estimated 80,000 farmers are delinquent in some degree to the FmHA.

Outside the FCS and FmHA, commercial banks hold about \$48 billion of the U.S. farm debt. Last year, of the 124 U.S. bank failures, 55 were farm banks, and the 1986 farm bank failures have already begun, with two bank failures in Utah in January. Part

of a "deal" with the White House last fall, was that the FCS would get its "assistance" package by January 1986, and then the commercial banks would get some assistance legislation in spring 1986.

The figures involved in a potential 1986 farm debt blow-out make the question of Third World debt minor by comparison:

**FCS:** 160,000 farms in crisis; 30,000 farms could close in 1986.

**FmHA:** 69,000 farms in crisis; 30,000 farms could close in 1986.

**Commercial banks:** 60,000 farms in crisis; 25,000 could close in 1986.

**Insurance companies and other debt holders:** 50,000 farms in crisis; 25,000 farms could close.

These figures show that a possible 150,000 farms could go under in 1986. Since 1979, 400,000 farms have been lost—including over 175,000 in the category of the middle-sized, independent family farm operation, that had accounted for the incomparable productivity of the U.S. farm sector. As of 1980, there were only about 600,000 farms in this category out of a total 2,500,000 farms in the United States (counting anything as a farm that sells over \$1,000 a year).

For every dollar of farm debt that goes under, the ripple effect in terms of shutdown of farm community services and businesses is multiplied many times over. The total farm debt blow-out could amount to \$30 billion, if one figures each farm debt value at about \$200,000, and 150,000 farms go under. The multiplied effect of this

easily reaches \$100 billion—dwarfing the debt of any Third World nation.

Various maneuvers are under way to postpone the debt collapse. Beginning Feb. 10, the FmHA is sending letters to 65,000 farmers notifying them of their "rights" to pursue one of seven "options" on their loan delinquencies. The options include: rescheduling, deferring payments for five years; reducing interest rates on loans; or selling off assets. There is no guarantee of FmHA agreement to any of these options in the case of the individual farmers. An estimated 14,000 of these farmers have been delinquent for more than five years.

By mid-February, the FmHA is supposed to publish guidelines for FmHA-coordinated interest reduction, or government interest "buy-down." This refers to a proposal to subsidize farm interest payments, provided the farmer can get his banker or FCS agency to make a matching subsidy—an unlikely contingency under the current general collapse process. In addition, under the Gramm-Rudman measures, the FmHA's own funding is to be cut back.

When called before the Senate Appropriations Subcommittee on Jan. 24, Vance Clark, the FmHA administrator, said, "There is no way we can guarantee the success of every farmer who appears at our door in 1986."

U.S. Department of Agriculture Undersecretary Frank Naylor also defended the FmHA's right to get tough, in terms of the budget cutting mania shown by the Congress itself, by pointing out that the Congress's GAO has criticized the FmHA for its leniency to farmers. Naylor said, "This administration has more than demonstrated its concern for the American farmers through the Farmers Home Administration."

## Babylonia comes to Bolivia

*The regime of Paz Estenssoro has turned to tax-farming to solve its economic woes—an old Babylonian specialty.*

**T**he government of Víctor Paz Estenssoro has resorted to the ancient Babylonian practice of tax-farming by hiring the Swiss company Société Générale de Surveillance to supervise tax collection on the country's imports, and mineral and agricultural exports. Despite charges from minority forces in Congress that the move is unconstitutional, the Paz government insists that "corruption among state officials" makes the measure necessary.

Bolivia's decision to auction off control of its foreign trade to the Swiss, similar to the 1926-30 period when the City of London's Council of Foreign Bondholders ran Bolivian customs to assure that tax revenues went to service defaulted bonds, is coherent with the overall economic model adopted by the Paz government since taking office last August.

At that time a brutal "shock therapy" program, imposed on recommendation of the International Monetary Fund, triggered a national protest strike, to which the government responded by declaring a state of siege and slamming the country's trade union leadership with mass arrests. Since then, the peso has been devalued 40 times, and prices have spiraled into the stratosphere. With the collapse of the price of tin on the world market, the only thing still being produced in the country is—you guessed it!—coca for the production of cocaine. What, then, will the Swiss be taxing, one may well ask?

None of this should be too surprising in a country where former presi-

dent Hugo Banzer—the man who invited in the Nazi International to organize the country's illegal narcotics trade—is openly described by President Paz Estenssoro as his co-ruler. In what the President termed a "pact for democracy" last December, Banzer's ADN party was handed control over a full 25% of the country's state sector companies and public institutions—including airports, railroads, banks, customs, and the crucial state mining corporation—in a word, everything one might need to run an efficient drug-trafficking business.

All of this could not have taken place without the approval of the International Monetary Fund, which has direct and total oversight over Bolivia. The IMF's man on the ground is one Guillermo Bedregal, a self-described "Marxist" and universally dubbed "superminister." Bedregal is the acknowledged mover and pusher behind Bolivia's economic program known as the National Economic Policy, or NEP. (Vladimir Lenin's 1920s economic known as the National Economic Policy, or NEP. (Vladimir Lenin's 1920s economic program was also known as the NEP.)

Bedregal, formerly planning minister and head of the Bolivian economic cabinet, maneuvered himself into a cozy place at the helm earlier this month when he submitted his resignation to President Paz, protesting that his economic program was being inadequately implemented. A charade of mutual recriminations between Bedregal and then-Senate head Gonzalo Sánchez de Lozada—an advocate of

strict IMF austerity enforcement—led to a presidential "compromise": a cabinet shakeup in which Bedregal was handed the powerful foreign relations ministry and Sánchez de Lozada, one of Bolivia's leading mining "industrialists," took the vacated planning ministry.

A series of central bank maneuvers ensued to bring the dollar, spinning out of control by flight capital and wild speculation, back to earth—maneuvers financially supported by a series of friendly IMF loans. Then, on Jan. 26, a number of cosmetic price reductions were decreed, including a much-touted 2% decline in the cost of gasoline.

The upshot of all this? Planning Minister Sánchez de Lozada announced to the nation that "the cost of living will fall in the upcoming weeks," thereby strengthening workers' buying power and obviating the need for any new wage increases.

The nation's organized labor movement—which mobilized a church-endorsed shutdown of the economy Jan. 23 in opposition to the regime's murderous policies—remains unconvinced, especially since the government's announced method of maintaining a "stable dollar" will be drastic reductions in the availability of government credit to the private sector. Cutting credit will drive up domestic interest rates, and may thereby convince flight capitalists to speculate in pesos instead of dollars; but the effect on what little remains of the country's productive apparatus will be bankruptcies, new waves of layoffs, and more starvation.

Bolivia, like the ancient Babylonians it would imitate, is about to reap what it has sown. Reports of dozens of cases of bubonic plague in Bolivia's northwest have been confirmed by health ministry sources.



### Debt now on the agenda

*The continent's situation is desperate, and in the absence of action on the debt, what is happening in Uganda may well spread.*

Preparations are now under way for an emergency United Nations conference on Africa, due to take place in May at the U.N. headquarters in New York. This is the first of two conferences called for by the Organization of African Unity summit last July, in response to Africa's worsening plight. The second conference called for is a conference on African debt.

This year's OAU chairman, Senegalese President Abdou Diouf, is expected to tour Europe in the next few weeks to drum up support for the debt conference.

France has given its support to the idea of a conference, in President Mitterrand's usual ambiguous style. A French foreign ministry spokesman told me that the French government had "agreed to study the project of a debt conference," adding that French policy was based on two principles:

"1) Debtor countries should assume their responsibility, and 2) there should be North-South solidarity."

Even such lukewarm support is more than has been given by other Western governments.

Diouf again stressed the urgency of the situation at the recent conference of the International Fund for Agricultural Development in Rome. Said the OAU head:

"Despite all the efforts which our countries must undertake, it would be an illusion to think that the African economies in general, and their agricultural sectors in particular, can have rates of growth that match their real needs, unless adequate solutions are

found with respect to certain externally caused barriers, which are out of our control, but whose burden weighs heavily on our prospects for development.

"Among those limitations, I refer above all to the burden of the foreign debt. The spectacular growth of the volume of foreign debt, as well as the accumulation of debt service, are a serious object of concern for the OAU countries. In fact, at the end of 1985, the cumulative debt of all of the African countries was more than \$170 billion.

"Payments related to debt service went from about \$13 billion in 1982 to over \$20 billion in 1985. These figures mean that debt service, which in 1982 was already at the level of about 20% of export income—a level which it is generally advisable not to exceed—represented, at the end of 1985, more than 27% of total export revenues."

Diouf pointed out, "The seriousness of this situation can be illustrated by the fact that, according to some estimates, the African countries will repay the International Monetary Fund more in 1986 than they have received."

Diouf's remark about 20% of export earnings which should be the maximum used for debt repayment, is a clear hint that the OAU is carefully considering Peru's step of unilaterally making 10% the ceiling on debt repayments.

Nigeria's decision to limit debt service payments to 30% of export

earnings, while at the same time imposing severe austerity measures, is not a solution that can last long. Nigeria's earnings from its oil exports, 95% of all its export earnings, are going to suffer greatly as the price of oil falls.

The future for much of Africa is bleak, according to the scenarios of financiers who have written off vast areas of the continent. The West's Malthusian genocidalists and the Russians agree that millions more Africans must die. Starvation and disease are a favored, but not the only means.

An example of what must tend to become widespread in the absence of a major policy change by the West, is the situation in Uganda, where civil war has been under way since 1979. The French daily *Le Figaro* has estimated that during the years of dictator Idi Amin, 1971-79, more than half a million people were killed, and since 1979, one million more may have lost their lives.

The government of Uganda had actually implemented many of the demands of the International Monetary Fund in 1983-84, benefiting no one, and contributing to the breakdown of the economy. The civil war in Uganda, by no means ended with the takeover of National Resistance Army leader Museveni, could spill over into southern Sudan and eastern Zaïre. A "Thirty Years War" scenario could be just beginning.

The need for a new world economic order and the end of IMF austerity measures will be the theme of an international conference to begin Feb. 2 in Paris, organized by the Schiller Institute and numerous other associations. Prominent speakers from Africa, Latin America, and Europe will speak on the need to create a North-South action committee to campaign for a new world economic order.

# Business Briefs

## Technology

### Voyager discovers Uranus phenomena

The space probe Voyager has discovered a magnetic field, new moons, a weather system, and variations in the colors of the rings of Uranus, on its third planetary encounter in eight years (Jupiter 1979 and Saturn 1981).

First observed on Jan. 23 were bursts of radio waves, which are produced when electrons spin along magnetic field lines. Then, on the day of closest encounter, Voyager traversed Uranus' bow shock, which is formed by the interaction of the planetary magnetic field with the solar wind.

The fact that a magnetic field exists at Uranus could have extraordinary consequences. Unlike all of the other planets in the solar system, the axis of rotation of Uranus is not perpendicular to the plane of the ecliptic. Rather, it is as if the planet is lying on its side. This means that it is likely that the solar wind material that flows around the planet, forming the magnetotail, will be twisted into a spiral by the motion of the planet rotating on its tilted axis.

It appears that the fuzzy planet, which looks nearly featureless from Earth, is revealing itself to be as intricate and complex as its giant neighbors.

## The Debt Bomb

### IMF thanks Germans who back Baker Plan

The International Monetary Fund formally thanked German banks for supporting the Baker Plan. The plan, authored by U.S. Treasury Secretary James Baker III, would permit roll-over of some loans of cooperating debtor countries, reducing outflow from debtor nations from the current annual rate of \$50 billion to about \$20 billion. To qualify, debtor nations must turn over their national resources to foreign creditors—in effect, become colonies again.

More than 40 West German banks, led

by Deutsche Bank, agreed to co-fund the plan with \$2 billion. Alfred Herrhausen, of the Deutsche Bank directorate, welcomed the IMF's letter of appreciation: "A signal that we are on the right way to solve the debt problem."

## International Credit

### Japanese official asks lower interest

Japanese Finance Minister Noboru Takeshita told an audience at New York's Columbia University that to solve the debt problem of the developing countries, the industrialized nations must make "further efforts to lower interest rates." Takeshita spoke on Jan. 24.

He also called upon the developed countries to expand their economies, roll back protectionism, promote liberalization of financial capital markets, increase official aid flow to developing nations, and create a larger base for the international development banks.

## Austerity

### Israel being crushed by debt service

Forty percent of Israel's 1986-87 state budget will be devoted to foreign debt repayment, according to figures released by the government and published in the Jan. 21 *Jerusalem Post*. The *Post* says that the government will pursue "a tough wage policy and fiscal restraint."

Prices for bread and milk, education, and health costs will rise, even as health care declines in availability and quality. This, says the *Post*, will maintain "the tendency of last year's budget to let the public shoulder part of the burden of financing public and social services."

The *Times* of London said Jan. 24 that there are grumblings in the military that the

budget will weaken Israel's defense capabilities, since the "lion's share" of the budget will go for debt service.

"The 'think big' era in Israel is dead," headlined a Jan. 23 feature in the *Post*. A report by former Bank of Israel governor Arnon Gafni has been approved by the cabinet, and recommends against the building of a new coal port, against new atomic power stations and new submarines. The Mediterranean-Dead Sea Canal project is now dead, and the Lavi jet project could also go, the paper adds.

## Corporate Strategy

### Exxon fined \$2 billion

Exxon has been fined \$2.1 billion for overpricing its products between 1975 and 1980, and must pay that amount to the Department of Energy, following the Supreme Court's refusal to reconsider a 1983 court ruling.

The fine is the second multi-billion-dollar legal claim against a major oil company in weeks. Texaco is still trying to post a \$1 billion bond to continue negotiations with Pennzoil after a jury awarded Pennzoil \$11 billion in a suit over Texaco's purchase of Getty Oil.

The collapse of oil prices has wiped out Texaco's collateral for the bond.

## Foreign Aid

### U.S. cuts funds to Panama

Washington is cutting aid loans to Panama, top government sources revealed Jan. 25. A 10-member delegation of Panamanian cabinet members and business leaders arrived in Washington on that day with high hopes for their lobbying to reinstitute U.S. AID and World Bank loans to Panama. But the delegation was so coldly treated that it flew back to Panama the following day.

A source close to the delegation told this news service that they were told to begin implementing the three-point program agreed between ex-president Nicolás Ardito Barletta and the World Bank. Barletta's attempt to implement the program prompted nationalists to overthrow him. The State Department rejected pleas that it would be politically impossible for President Eric del Valle to do the same.

Del Valle has offered to host an Ibero-American summit on collective action on the debt in June.

### ***Invisible Hand***

## **Treasury probes kickbacks in Jersey**

The Treasury Department is conducting a major investigation into corporate kickbacks and payoffs. The investigation is focused on New Jersey because the practice there is so widespread.

Two former employees of the Swiss-based Hoffmann-LaRoche pharmaceutical firm, Lawrence J. Westlake and John J. Wiczczak of Nutley, N.J., have pleaded guilty to charges of tax evasion, stemming from their receipt of at least \$400,000 in kickback payments from suppliers while working for the Swiss drug subsidiary.

According to Robert G. Roche, chief of the Internal Revenue Service criminal investigations division in Newark, at least six major New Jersey corporations are under investigation.

### ***The Budget***

## **Customs says cuts would gut drug war**

A Dec. 13 internal memo written by Deputy Customs Commissioner Alfred R. De Angelus to his superiors at the Treasury Department indicated that the Office of Management and Budget's proposed cuts for the service would "seriously undermine" the

administrations war on drugs.

The OMB is seeking to reduce Customs' funding for its airborne detection program from \$75 million this year to \$39.8 million in fiscal 1987. "Customs could not continue to operate any of the P-3As (military aircraft with sophisticated radar capabilities), leaving the entire Southwest border without any airborne detection capability," wrote De Angelus.

"With increased success of Customs anti-smuggling activities in Florida, drug smugglers are shifting their operations to areas where it is easier to avoid detection." Without the P-3As, he said, "the Southwest border offers an unhampered opportunity to smuggle drugs into the U.S. with marginal detection."

The memo was made public by members of Congress active in narcotics matters. "If OMB succeeds in bringing about the proposed reductions, then in effect the Reagan administration will be ending the war on drugs," said Rep. Glen English (D-Okla.).

Sen. Dennis DeConcini (D-Ariz.) said the cuts would "gut if not destroy the air interdiction program" of the Customs Service. Sens. DeConcini, James Abdnor (R-S.D.) and Rep. English are seeking meetings with OMB director James C. Miller III, Treasury Secretary James Baker III, and possibly Attorney General Edwin Meese.

### ***Poverty***

## **Homeless overrun New York City**

A report on New York City services shows that there are more homeless persons in the city today than during the Great Depression of the 1930s.

Released in January, the *Biannual Mayor's Management Report*, says the city houses more than 24,000 homeless, more than were sheltered during the '30s depression. Many, many more homeless are not sheltered by the city.

The report also shows that in 1985, only 476 children were formally adopted, out of a pool of more than 3,000 children.

## **Briefly**

● **DOCTORS** in Minneapolis have reported an increase in the number of injuries of people from digging into trash dumpsters for food. The informal study was reported in a letter to the *New England Journal of Medicine*. Six doctors from a local hospital signed the letter.

● **THE MAX PLANK** Society's Institute for Biophysical Chemistry has announced an improvement to nuclear magnetic resonance scanners. A new high speed process has been developed which takes only seconds, solving the problem of image blur when scanning living tissues over a period of several minutes. It can also produce three-dimensional images, and, with an electrocardiograph, can make 50 exposures a second to effectively examine heart disorders.

● **SEN. BOB DOLE** of Kansas and fellow Republican Bob Packwood (Ore.), in separate television interviews Jan. 26, stated that the national debt is sacred, and can't be touched, no matter how bad the U.S. economic situation is. "We have to pay the national debt," each stated.

● **'MICKEY, GO HOME!'** is the slogan of a newly created association defending the interests and investments of farmers threatened by the construction of an enormous "Euro-Disneyland" in Marne-La-Vallée, France. The new Disneyland would replace nearly 2,000 hectares of fertile farmland with activities a bit less "down to earth," such as games, games, and more games, and a few office buildings and hotels.

● **ARGENTINA** will denationalize two petrochemical plants worth \$1 billion, in the second phase of its "Austral Plan" for IMF-dictated austerity.

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## Safe highways of the future

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*Sylvia Brewda analyzes the relationship between highway fatality rates and population density, use of motor vehicles, and quality of transportation infrastructure. Part 3 in a series.*

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As part of our continuing study of transportation, in this report we are looking at the issue of safety. Factors determining transportation safety are examined for the United States, in comparison with Western European nations and Japan. Since highway traffic is the most dangerous mode of transport, and the most heavily used for personal travel, transportation safety is defined by the effective provision of alternate modes of transport, and the actions taken to improve safety.

Considering the present heavy use of motor vehicles, and the increases in their use which we would wish in the developing sector, even with increase of mass transit, it is useful to examine the U.S. record in highway safety. There has been a general trend toward a decrease in the death rate throughout the advanced sector. This is directly coupled with improvements in highway design; however, as the leveling off of accident reduction in New Zealand shows, this is by no means an automatic tendency. Unless significant progress is made in understanding and preventing highway accidents, industrializing countries will be facing death-tolls in the hundreds of thousands as they build up their transportation capabilities.

More people under the age of 40 die as a result of highway accidents, in the United States, than from any other cause (Figure 1). In absolute figures, highway deaths in the United States are the highest in the world, seven times those of Korea, and four times those of the Federal Republic of Ger-

many (Figure 2). While the death rate per capita as a result of highway accidents is also relatively high in the United States, this reflects the far greater use of highways. To focus on the per-capita death rate, would be to ignore the valuable function of the personal automobile in the economy. Instead, we will consider death rates as a function of the use of the transportation system, expressed in two different ways. The first focuses on the economic activity accomplished: death rate per *passenger*-mile or per *ton*-mile of freight movement. As we shall see, transportation safety can be decisively altered by changes in the mode by which people and freight are moved. The other method is to look at highway death rates per *vehicle*-mile. This concentrates attention on the safety of the highways themselves, the vehicles and the drivers, at a given intensity of highway use. In terms of this second measure, the United States has the best driving safety record in the world. In rank order, the United States is followed by Great Britain, with West Germany having double the accident rate per vehicle-mile, and South Korea at the bottom of the list with a rate 50 times greater.

Thus from the point of view of traffic on highways, the United States does not fare poorly—a fact emphasized by the decreasing trend in highway fatalities since the early part of the century. On the other hand, when we consider the waste of human life, it becomes clear that alternate modes of mass transit, such as the fast and efficient magnetically levitated

passenger trains (see *EIR*, Jan. 24, 1986, "Opening the age of magnetic flight"), are a preferable alternative to long-trip use of passenger cars.

### U.S. transport requirements

Any competent discussion of highway safety must locate it as a characteristic of the overall transportation system, a fundamental aspect of the national economy. This system encompasses highways, railroad track, waterways used by commercial shipping, and airports, as well as the vehicles

FIGURE 1  
**Highway safety in the United States**

Deaths from motor-vehicle accidents (1984)	46,200
Deaths per 1 million population	196
Deaths per 1 million registered vehicles	265
Deaths per 1 million licensed drivers	294
Deaths per 1 billion vehicle-miles	26.8

#### U.S. deaths by age group (1982)

Age	Cause*	Number	Rate per million pop. of that age
0-4	Total	50,311	2,911
	Motor vehicles	1,300	75
	Perinatal conditions	20,685	1,197
5-14	Total	9,625	282
	Motor vehicles	2,301	67
	Cancer	1,401	41
15-24	Total	41,971	1,013
	Motor vehicles	15,324	370
	Homicide	5,602	135
25-44	Total	107,615	1,594
	Motor vehicles	14,469	214
	Cancer	18,169	269
45-66	Total	410,103	9,205
	Motor vehicles	6,879	154
	Heart disease	141,567	3,177
65 and over	Total	1,355,172	49,706
	Motor vehicles	5,506	205
	Heart disease	596,800	22,218

\*Third cause shown is highest for that age group, or second following motor-vehicle accidents, if that is the highest.

FIGURE 2  
**Comparative death rates**

	Number of deaths	Per million persons	Per billion vehicle-miles
United States	45,799	199	27.2
Great Britain	5,934	106	35.2
Netherlands	1,710	122	36.8
Australia	3,252	214	41.6
Japan	11,795	100	47.8
Italy	8,400	147	48.0
New Zealand	674	213	56.0
Fed. Rep. Germany	11,608	187	56.0
France	12,856	238	59.2
Venezuela	5,353	364	86.4
Spain	5,719	150	94.4
Bolivia	629	106	96.0
Portugal	2,809	279	156.0
Turkey	5,893	127	291.0
Thailand	3,091	64	240.0
Kenya	1,462	82	432.0
S. Korea	6,110	105	1,008.0

which operate on them. In some poorer countries, bicycles are a part of the transportation system. Stop-signs, traffic lights, railroad crossing gates, even sidewalks are part of the transportation system.

The transportation system of the United States had one intrinsic problem to overcome: the large size and relative underpopulation of the American continent, compounded by the general lack of navigable rivers in the western section of the country. With the failure to implement ambitious water development projects, of the scope of the North American Water and Power Alliance (Nawapa), which would have diverted Canadian water over the Rockies, ultimately into the Mississippi River, the United States has not maintained an adequate system for internal communication of freight by waterways. Indeed, under the policy of deindustrialization which now underlies government economic planning, major ports such as that of Chicago are falling into disuse, while water-front property in the Baltimore port district is transformed to house a convention center. Within these parameters, the United States has developed a relatively high reliance on air travel for personal transportation, and on a combination of rail and water for freight transport (Figure 3).

While the U.S. level of per-capita passenger-miles is the highest in the world, if we compare the amount of transportation activity per capita and the relative weights of transport modes of passengers in a sampling of advanced-sector countries, we see that the average citizen of the United States travels perhaps 16% more within his own country than the

FIGURE 3

**Movement of passengers and freight by mode**

	Passenger- miles per person	% air	% rail	% hwy	% bus	% car
U.S.A.	6,940	13.4	0.7	86.0	1.7	84.3
Great Britain	5,356	0.6	6.5	92.9	8.5	84.4
Japan	4,150	3.8	40.4	55.8	11.4	44.4
France	6,774	1.7	10.0	88.3	9.7	78.6
Fed. Rep. Germany	5,854	1.3	6.6	92.1	12.8	79.3
Italy	5,716	0.0	8.3	91.7	17.4	74.3
Netherlands	5,804	0.7	6.9	92.5	9.5	83.0
Norway	5,796	4.1	6.8	89.1	11.3	77.8

	Surface freight ton-miles per person	% rail	% water	% hwy
U.S.A.	10,082	34.9	42.4	22.5
Great Britain	1,988	9.8	27.7	62.2
Japan	2,404	7.5	48.0	44.2
France	2,091	32.6	4.5	62.7
Fed. Rep. Germany	2,511	25.3	21.8	52.9
Italy	1,870	11.5	0.1	88.4
Netherlands	1,223	4.1	24.5	71.2
Norway	2,599	10.0	54.9	35.0
Spain	2,378	8.3	22.1	69.6

average citizen of Western Europe. (The difference for Japan is significantly greater, at about 40%.) The American traveler is way ahead of his or her European counterpart in use of airplanes (which is no doubt correlated to the lower U.S. airfares), a relatively uneconomical mode of travel. The Jap-

anese make impressive use of their railway system to handle 40% of their passenger traffic, while of the Europeans, the highest are the French, at 10%. With the present decline of the American rail system, U.S. passenger traffic by rail is now less than 1% of the whole. Except in Japan, the private automobile has become the overriding mode by which people move in industrialized countries, providing between 74% and 84% of the domestic passenger-miles in the seven countries shown.

FIGURE 4

**Intensity of highway use**  
(billion vehicle-miles per person)

	All vehicles	% from trucks	Passenger vehicles
U.S.A.	6,924	27.4	5,024
U.K.	2,986	15.6	2,484
Japan	2,392	31.2	1,613
France	3,935	17.6	3,206
Fed. Rep. Germany	3,371	9.0	3,035
Italy	3,132	12.9	2,691
Netherlands	3,454	11.7	3,023
Norway	2,791	12.7	2,388
Spain	1,231	22.0	942

In the realm of freight transport, the United States is faced with a unique situation. Due to the low population density and large size of the country, freight shipments per capita, in ton-miles, are four to five times as great as elsewhere in the industrialized world. To ship this freight, the United States relies very heavily on rail and water transport, and uses the lowest proportion of truck transport of any of the countries studied. The ability of the United States to use these two modes is the result of the great investments in infrastructure made as the country was being built. The maintenance and upgrading of these bulk transportation modes is clearly a requirement. It should be noted that the Japanese have planned the development of new industrial complexes in port cities, in order to minimize transportation requirements.

We can also examine the intensity of highway use from



the point of view of a highway designer, looking at the number of vehicles and drivers, and the extent of their use, expressed in the number of *vehicle*-miles traveled rather than passenger-miles or ton-miles (Figure 4). These figures reflect the fact that Americans drive more cars than their fellows in Europe and Japan, where there will be more passengers per car as a rule. Americans drive on their highways more than any other nation. As of 1982, almost 7,000 miles were traveled by some motor vehicle on the highways for every person in the United States, compared to just under 4,000 for France, the nearest competitor, and only 1,200 for Spain.

### Urban vs. rural transport

In consideration of the functioning of the transportation grid, density of population and of traffic provide the best scale. What may appear as an expensive mode of transportation per mile can be cheap if the density of traffic or the value of land in the area is sufficiently high. We have exam-

FIGURE 5  
Population density (persons/square mile)

	Total	Urban	Rural
U.S.A.	64.95	8,030.31	14.77
Great Britain	594.16	13,003.56	55.35
Japan	821.87	23,343.37	179.09
France	254.13		
Fed. Rep. Germany	638.45		
Italy	484.36		
Netherlands	863.45		
Norway	32.56		
Spain	188.98		

FIGURE 6  
Percent of urbanization

	U.S.A.	Great Britain	Japan
Population	77.4%	91.1%	78.8%
Land area	0.6	4.2	2.8
Transportation land	56.3	50.9	60.4
Transportation use			
Passenger-miles	65.2	45.7	31.9
Freight ton-miles	8.9	20.8	19.2
Transportation deaths	37.2	46.9	42.2
Highway use (vehicle-miles)	56.6	47.2	48.3
Highway injury accidents	70.9	76.5	68.8
Highway fatalities	38.0	50.5	44.6

Note: Urban transport includes all commercial air transportation; rural transport includes all rail and water transportation. Water transport area calculated on the basis of a standardized ship channel of 250' width allocated to each mile of inland waterway, and air transport areas calculated from standard airport sizes.

ined three countries in terms of densities, the United States, Great Britain, and Japan. Figure 5 indicates the wide range of population densities which these encompass. In Figure 6, we examine the relative urbanization of these countries and their transportation grids. We have allocated airports and air traffic to urban transport, and considered all rail and water transport as occurring in inter-urban areas. In order to compare the various modes, we have expressed usage in terms of passenger-miles and ton-miles, rather than looking at vehicle-miles, which are not comparable between highways and mass transit modes such as trains, airlines, and water transport. In all three countries, the vast majority of the population is found in cities, although Great Britain shows the greatest urbanization both in population and in land use. In all cases, transportation land is approximately evenly divided between urban and inter-urban modes even though the transportation land use within rural areas is different in the different countries—e.g., the water transport system of Great Britain, although little used, requires 50% of such land, while that of Japan requires more than 25%, and that of the United States takes up just over 5%.

The United States shows a relatively high proportion of passenger traffic using urban modes, a distortion in our figures (which account airline transport totally to urban usage), since the United States has a high usage of airlines rather than railroads for commuter transport. For freight traffic, the situation is reversed, with the relatively low urban percentage in the United States coming from the heavy use of railways for freight. Although Great Britain and Japan show similar percentage utilization of urban modes of freight transport, the pattern of inter-urban transport is very different in the two countries, with Great Britain using trucking for more than 50% of the freight movements, and Japan using domestic shipping for almost 60%.

Total transportation deaths are somewhat more frequent in rural than in urban areas in all three countries, with Great Britain showing the greatest concentration of deaths in urban areas. One reason that Great Britain shows up so poorly, is undoubtedly the poor level of safety management in its cities. Highway accidents (resulting in injury or death) are distributed between urban and rural areas in a pattern similar to the population distribution itself, but highway fatalities show a much lower percentage in urban travel. The variation in the pattern of transport deaths is determined by those occurring on highways, which make up by far the greatest proportion of the total (97% in the United States, 93% in Great Britain, and 94% in Japan).

The occurrence of such deaths is very closely related to the mode of transport used for people and freight. Thus, in the United States, urban transportation includes a significant fraction of air travel, which has an excellent safety record, although the factors which created that record are being eroded under the pressure of deregulation and cost-cutting. Great Britain, on the other hand, which has allowed its railroad

FIGURE 7

**Death rates per billion passenger-miles, by mode**

	Highway rate	Car rate†	Bus rate†	Air rate	Rail rate*
U.S.A.	33.4	22.0	4.8	1.1	15.0
U.K.	21.3	14.0	1.3	0.0	16.1
Japan	43.2	n.a.	n.a.	1.3	2.3
France	39.8	32.1	1.0		
Fed. Rep. Germany	34.7	26.1	0.8		
Italy	28.3	22.6	0.4		
Netherlands	19.8	13.5	0.2		
Norway	18.9	14.6	0.8		
Spain	54.5	43.2	2.8		

\*Railway death rate calculated on fatalities of passengers plus the percentage of the remaining railway fatalities corresponding to the percentage which passenger trains make up of the total train-miles traveled.  
 †Occupant fatalities only.

FIGURE 8

**Death rates per billion ton-miles by various freight transport modes**

	Truck occupant death rate	Truck fatal accident rate	Freight train death rate	Water transport death rate
U.S.A.	12.1	30.0	1.2	0.2
U.K.	2.64	14.8†	3.8	3.4
Japan	n.a.	25.8*	0.2	1.7
France	8.69			
Fed. Rep. Germany	2.26			
Italy	5.11			
Netherlands	2.38			
Norway	3.56			
Spain	7.57			

\*Only those accidents in which truck driver was at fault, or was the least injured of those parties equally at fault.  
 †Estimated from fatalities to fatal accident relations of 1977.

system to collapse, and has not created a domestic air travel grid, carries a higher percentage than the United States of its urban traffic in private cars, the most dangerous mode, and combines this with a relatively high percentage of freight movement in urban areas.

**Modes of highway use**

Within the general category of highway use, a distinction can be made between the rates of death of car and bus occupants per billion passenger miles, as shown in Figure 7.

Clearly, the United States has adopted a relatively dangerous fashion of moving passengers on highways, using individual rather than mass transit, where the latter relies on the skills of fewer drivers, and the road-worthiness of fewer vehicles. The high rate of fatalities per passenger-mile for buses in the United States may be due to the presence on the highways of other vehicles which can inflict severe damage on a bus, in particular heavy trucks. In 1983, for example, 21 bus occupants were killed in collisions with heavy trucks. Even with this factor, passenger travel in buses is five times safer than in private cars in the United States.

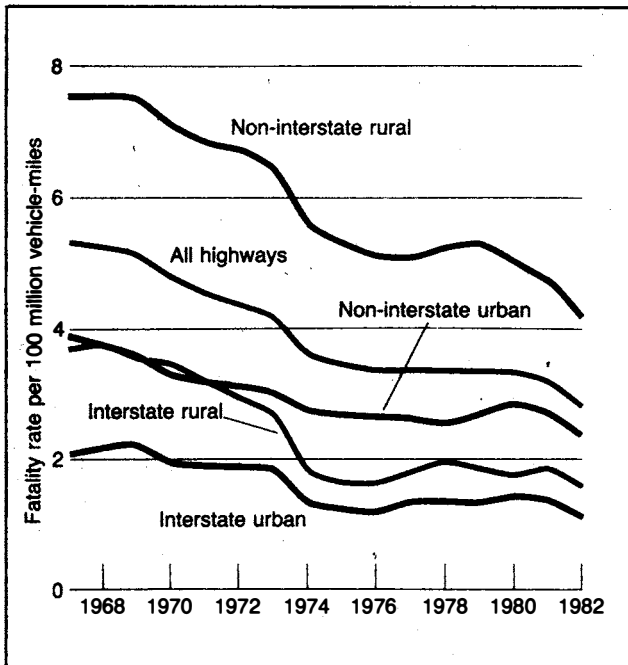
The use of highways for freight movement is the most dangerous mode for the ton-miles moved (Figure 8). Although a relatively high percentage of the vehicles on American roads is trucks, as we have shown, the percentage of freight movements occurring on these highways is low, indicating that the rail and water network by which the United States is served is another major aspect in the relative safety of its roads. It should be noted that studies which consider only the death rates by vehicle occupant underestimate the danger of this mode, since trucks are far safer for their occupants than other vehicles. U.S. statistics show that there are twice as many fatal accidents involving trucks as there are fatalities among truck occupants (15,600 vs. 6,300 in 1982; 16,600 vs. 7,100 in 1984).

**The U.S. super-highways**

Given the amount of use which it receives, the U.S. highway system is the safest in the world. Two internal features make significant contributions to this result: the relatively large extent and use of expressways, defined for the United States as the Interstate Highway System, and the effective separation of pedestrians and bicyclists from motor vehicle traffic. In order to analyze the internal characteristics of the system, we will be considering death rates in terms of vehicle-miles traveled.

Figure 9 shows the difference between expressway and non-expressway fatality rates for urban and rural roads. Figure 10 shows the percentage of pedestrian plus bicyclist ("external") fatalities in the United States as compared to eight other countries. Both these factors relate directly to infrastructure. The development of the Interstate Highway System required \$107 billion between 1956 and the present, but the effects of this investment can be seen in the low fatalities and the high use-rate on that system. As the graph shows, this is particularly important for rural roads, where the fatality rate is the highest. Figure 11 indicates that the United States is actually unusual in the low fatality rates in urban non-expressway driving, where fatalities to pedestrians are concentrated. The low rate of pedestrian and bicycle fatalities relates both to the high rate of car ownership and use, or personal infrastructure, and the provision of effective separation between motor vehicles and pedestrians or non-powered vehicles.

**FIGURE 9**  
**U.S. fatality rates for interstate and other highway systems**  
 (1967-82)



**FIGURE 10**  
**Percentage of highway fatalities that are not motorists**

	Pedestrians	Bicyclists	Total external
United States	18.8%	2.4%	18.9%
Great Britain	32.4	5.1	36.5
Japan	30.4	9.7	40.3
France	17.6	6.4	24.0
Fed. Rep. Germany	23.7	8.8	32.5
Italy	21.6	7.5	29.1
Netherlands	14.8	21.3	36.1
Norway	22.7	6.7	28.7
Spain	23.2	1.9	25.1

**Safety vs. density: Is there a trade-off?**

Figure 12 shows the density of use, in vehicle-miles per square mile of highway, and in passenger-miles and ton-miles per square mile, of the total transportation land in each of these three countries. In all cases, the expressways carry by far the greatest density of highway traffic. Other rural

**FIGURE 11**  
**Death rates by highway type and location**  
 (fatalities per billion vehicle-miles)

	Expressways	Other rural roads	Other urban roads
U.S.A.	12.76	41.81	23.21
Great Britain	10.58	39.83	37.96
Japan	10.26	53.06	40.11

highways carry a density of traffic which is greater than that of urban highways, since a large fraction of city streets, those in residential areas, carry very low flows. These patterns are consistent over the three countries, even though the average densities vary by more than three-fold.

In looking at the overall density of passenger and freight traffic, the patterns are more disparate. We see, for example, the high density of passenger-miles per square mile of rail-road land, a specific advantage for a country like Japan, where land is at a premium. The variation in the modes of transport in the three countries is pointed up by this table, as we see that the United States operates at a high density in the long-distance modes of passenger air traffic, and rail and water freight traffic, combined with extremely low density of highway and passenger rail use. Great Britain shows the opposite pattern, with relatively intense use of highways and passenger rail travel, but little else. Japan, as well as its intense use of rail area for passengers, shows heavy use of air area for passenger travel, and a relatively high use of all highways for freight movement.

For ease of comparison, a "ton"-mile estimate has been made of passenger traffic so that the total use of each area can be compared. For rail and air, passenger traffic is very similar to freight, with an estimate of .08 tons/person for rail, and .1 tons for air, where more baggage is carried and more facilities are required. For highways, the tonnage equivalents are calculated by the vehicle-miles, since one of the features of personal transportation is that the vehicle is transported and available at the end of the trip. Each vehicle mile is considered as 1.25 "ton"-miles for the United States, 1.0 for Great Britain, and 0.75 for Japan, a very general indication of the relative size of vehicles and the use of two-wheelers for transportation. The results of this approximation of overall densities are also shown in Figure 12, with density rankings diminishing from water, to rail, to airports or highways, depending on the development of domestic air travel.

The response of the different modes of travel to density can be seen in the fatality rate per "ton"-mile as shown in Figure 13. Air and water fatality rates are the lowest, with water rates being negatively correlated to density, and air rates positively correlated. Although these are indications,

FIGURE 12

**Density of use of transportation land**

	U.S.A.	Great Britain	Japan
Million vehicle miles/sq. mi. of highway			
Total	12.8	40.5	25.3
Expressways	58.8	102.9	93.7
Other urban	9.8	26.9	18.7
Other rural	12.2	68.3	34.6
Million passenger-mi./sq. mi.			
Air	414.0	18.2	323.4
Highway	11.0	67.5	24.6
Railroads	2.7	75.1	619.8
Million ton-miles/sq. mi.			
Highway	4.2	16.6	11.2
Railroads	200.1	42.4	66.6
Water transport	304.1	20.9	100.0
Million "ton"-miles/sq. mi.*			
Air	50.9	10.3	60.2
Highway	15.8	50.8	29.6
Railroads	200.3	48.4	116.1
Water	304.1	20.9	100.0

\*"Ton"-miles have been estimated using .08 tons/person for rail, .1 tons for air, and considering each vehicle mile as 1.25 "ton"-miles for the United States, 1.0 for Great Britain, and 0.75 for Japan, a very general indication of the relative size of vehicles and the use of two-wheelers for transportation.

FIGURE 13

**Fatalities per billion "ton"-miles, by mode**

	Air	Highway	Rail	Water
U.S.A.	10.9	23.0	1.4	0.2
Great Britain	0.0	28.5	28.3	3.4
Japan	12.8	44.1	12.5	1.7

not proofs, it appears probable that water safety would increase with the amount that the existing navigation routes are used, while air safety, given the available level of technology and the regulatory requirements on airports, would decrease with greater densities. Rail use tends to be safer with increasing density of use. This would not be expected to hold in a developing country, where equipment or signaling capability could easily be overloaded, but is a natural result in more advanced countries. For railroads in particular, where the major safety problem is the interaction of trains with cars and pedestrians, this relationship reflects the ability to invest heavily per square mile in resolving these conflicts. In the case of highways, no density effect can be seen, either in the totals, or in the breakdown into rural and urban areas. How-

ever, when the density and safety relationships of expressways are considered, we see that the high investment, justified by the high density of use, does result in a significant improvement in safety, but that such improvement is apparently independent of the density of use.

**The regulation of traffic flow**

One of the major reasons for the relative safety of American highways, is the lack of pedestrian accidents. The separation of passengers (and bicycles) from vehicles, of course, is most difficult to achieve in urban areas, and there becomes dependent both on the mapping of traffic flows and their control. In urban areas of the United States, 38% of the fatal accidents which occurred at junctions occurred where there were no traffic controls. This was not the result of such intersections being the most common, as is indicated by the results of a Canadian study, where the rate of accidents per pedestrian-vehicle interactions ranged from 12 to 200 times as great at uncontrolled intersections, compared to those with signs or signals.

This is one aspect in which the United States has a considerable advantage over European countries, since a large proportion of its residential areas have been developed since the advent of the automobile. In many European cities, the streets were laid out, and many of the buildings built, 500 years ago. An obvious answer to the problem is a modern urban railroad system like the Paris Metro.

Another aspect of separation and control is the interaction between trains and autos. In the United States, there has been an ongoing effort to decrease the number of at-grade crossings, and to improve the control at those intersections which remain. The importance of this aspect is illustrated by the fact that half of the train fatalities in the United States were motor-vehicle occupants at grade crossings. Between 1975 and 1984, the number of grade crossings in the United States decreased from 219,161 to 200,730, and the number of such crossings with active warning devices, such as gates, flashing lights or bells, has increased from 49,369 (22.5%) to 63,411 (31.6%). Some technological progress has been made in this area, most notably in the invention and installation of timed motion sensors, which provide a standard warning period, to replace the old distance-sensitive devices, which would provide too little warning time for a fast-moving train, and signal so early for a slow train that drivers were encouraged to disregard the signal and cross in front of the train.

**Auto size and safety**

The American automobile has long been derided as a gas-guzzler, a conspicuous consumer of energy, transportation funds, and affection. Although Americans have placed an excessive emphasis on the style and status characteristics of their transportation, large, heavy, and relatively powerful vehicles offer far greater safety than motorcycles or smaller, lighter cars.



NSIPS/Philip Ulanowsky

*The issue of highway safety must be located as a characteristic of the overall transportation system, a fundamental aspect of the national economy. In the United States, the system historically had one intrinsic problem to overcome: the large size and relative underpopulation of the continent.*

In the United States, the death rate for motorcyclists is approximately 350 per billion vehicle-miles, more than 100 times as great as that for motor-vehicles in general. Motorcycles actually suffer relatively few accidents in terms of the number registered, with 1.7% of the accidents for 3.2% of all registrations. This tends to disprove the theory that the high death rates on motorcycles are the result of incompetent or reckless driving. However, in 1984, when the total number of motorcycles involved in accidents was 570,000, the number of motorcycle riders injured in such accidents was 510,000. In other words, a rider in an accident had a 90% chance of injury, whereas an occupant of a car has less than a 5% chance

of injury. Thus, any country where motorcycles are widely used for transportation, for financial or energy-conservation reasons, is subjecting its citizens to an inordinately high risk of injury or death.

The contrast between the percentage of vehicle-miles from motorcycles and mopeds, and the percentage of highway fatalities for which they account, is shown in **Figure 14**. A similar, although less drastic difference is observed, when cars of different sizes are compared. The United States collects statistics on fatal accidents, which include the size of the autos involved. In 1983, cars with wheelbases under 96 inches were involved in 17.6% of the fatal accidents, but their occupants suffered 21.4% of the fatalities. Cars with wheelbases over 120 inches, on the other hand, were involved in 11.7% of the accidents, and their occupants incurred only 9.1% of the fatalities. Thus, another reason for the relative safety of American highways is the remaining tendency towards "full-size motor" vehicles.

In summary, then, the relatively high rate of highway deaths per person in the United States can be attributed to the heavy use of passenger cars, the most dangerous mode of personal transportation, rather than trains and buses. The low rate of deaths per vehicle-mile and per "ton"-mile on U.S. highways can be attributed to the reliance on non-highway modes of freight movement, the provision of a network of extremely well-engineered, high-quality roads, the ability and determination of American city planners to separate pedestrian and bicycle traffic from motor vehicles, and the general tendency and ability of Americans to buy larger and heavier vehicles for their personal use.

FIGURE 14

**Motorcycle death rates and fatalities and vehicle-miles as % of highway user totals**

	Deaths/billion vehicle mile	Fatality %	Vehicle-mile %
U.S.A.	203.27	13.59	1.51
Great Britain	156.61	29.48	4.24
Japan	40.98	17.65	10.74
France	108.43	24.42	10.35
Fed. Rep. Germany	265.30	22.68	3.20
Italy	63.30	27.60	14.55
Netherlands	130.26	25.15	4.36
Spain	387.57	15.37	3.63

## First Fidelity Bank: LaRouche foe in bed with Dope, Inc.

by Jeffrey Steinberg

According to an affidavit on file in federal court in the Southern District of New York, less than 48 hours after independent Democratic presidential candidate Lyndon H. LaRouche, Jr. exposed Walter Mondale as a "KGB agent of influence" before a prime-time national television audience, on Oct. 21, 1984, the Boston office of U.S. Attorney William Weld ordered the FBI to open a witchhunt investigation aimed at silencing LaRouche.

On Nov. 1, as the first move in that witchhunt, Boston-based FBI special agent Richard Egan contacted the First Fidelity Bank of Newark, New Jersey, the bank maintaining the campaign account of Independent Democrats for LaRouche (IDL). While the exact contents of that telephone discussion are not known to this author, within hours of the call, First Fidelity had illegally seized \$200,000 from the IDL account, thus blocking a scheduled LaRouche election-eve half-hour nationwide broadcast on CBS-TV.

At the time of this First Fidelity-FBI collusion, U.S. intelligence community sources had privately warned IDL representatives that a "November Offensive" to shut down the LaRouche political machine had been ordered by leading circles within the Boston/Lower Manhattan Liberal Establishment, including McGeorge Bundy and Averell Harriman, to ensure that the two-time independent Democratic presidential candidate would have no future role in the national electoral process. Since President Ronald Reagan's March 23, 1983 nationwide TV address announcing the Strategic Defense Initiative, a program publicly advocated by LaRouche for years, top figures within the Soviet state apparatus had burned the back channels with demands that the "LaRouche problem" be taken care of.

At the time of the theft, LaRouche campaign spokesmen charged that top officials of First Fidelity, including bank chairman Robert Ferguson, were up to their eyeballs in an organized crime network involving the old Meyer Lansky syndicate, top officials of the Boston Brahmin financial establishment who pioneered the opium trade and offshore money laundering, and corrupt leading officials of the Democratic Party. The spokesmen documented that the bank's organized crime ties revolved around the Lansky mob's invasion of Atlantic City





NSIPS/Stuart Lewis

*First Fidelity chairman Robert Ferguson attempts to prevent Elliot Greenspan, a campaign organizer for Independent Democrats for LaRouche, from entering bank headquarters in Newark, in November 1984. IDL charged First Fidelity with involvement in organized crime, through New Jersey's "casino gambling industry"; but it turns out that that was only the tip of the iceberg.*

through the legalization of casino gambling, a project in which bank head Ferguson had played a pivotal role. The fact that Ferguson and First Fidelity shared a lawyer with dope financier Robert Vesco merely added to an already rich mosaic of evidence.

Now, 15 months and thousands of pages of court papers, depositions, affidavits, and motions after the bank's rip off of Independent Democrats for LaRouche, the *Wall Street Journal* has published a pair of front-page stories confirming the IDL charges of First Fidelity/Dope, Inc. collusion, a collusion that has all the ingredients of a Grade-B mafia movie: loansharking, bigtime dope trafficking, a rash of gangland beatings, at least two murders, shakedown of legitimate—and not-so-legitimate—businesses, and a crew of Ivy League bankers who systematically passed \$22 million in cash into the mob and have managed, so far, to walk away from the scene scot free.

On Tuesday, Jan. 14, *Wall Street Journal* investigative reporter Jonathan Kwitny published the first of two articles exposing First Fidelity's relationship with Richard Mamarrella, a professional con man who apparently was picked up by the Gambino organized crime family and assigned to manage a New Jersey loan sharking and drug financing operations that made use of the Atlantic City casinos—and the accommodating facilities of a south Jersey branch of First Fidelity. Between early 1982 and September 1983, when he was found guilty of fraud and extortion and sentenced to seven years in federal prison, Mamarrella received a total of \$22 million in loans from First Fidelity Bank of South Jersey. A total of 139 such loans, all personally approved by the

president of the south Jersey branch, Joseph Petrycki, were issued to Mamarrella on collateral consisting of non-existent insurance policies, all fraudulently written by shell insurance companies owned by Mamarrella himself, on behalf of non-existent corporate clients.

According to court documents and Mamarrella's own testimony in a summer 1985 trial of two of his "business associates," the bulk of the \$22 million passed into the hands of organized crime to finance loansharking operations from Atlantic City to Chinatown, and to purchase Golden Triangle heroin from mafia refineries in Palermo, Florence, and Milan on behalf of the south Jersey "Pizza Connection."

Was First Fidelity the victim or the perpetrator of the \$22 million crime spree? According to author Kwitny, throughout the duration of the theft and fraud, Mamarrella's principal front company, IFA, Inc., was legally represented by Nathaniel Yohalem of the prominent Newark, New Jersey firm of Greenbaum Greenbaum, Rowe & Smith—a firm that had represented First Fidelity Bancorp. for the past 20 years. It was Yohalem who submitted the original letters to First Fidelity assuring the bank that Richard Mamarrella and IFA, Inc. were worthy of millions of dollars in credits—no questions asked.

Incredibly, when the Mamarrella fraud and organized crime ties came out publicly, following his April 29, 1983 Chinatown arrest on extortion charges (he and four associates were grabbed by the FBI while in the process of beating up a recalcitrant borrower who had fallen behind on his payments to Chinatown dope financier and loan shark Louis Chung), First Fidelity hired Mamarrella and his mob "toughs" as paid

consultants to aid in the collection of an estimated \$14.5 million in outstanding loans from the bank to Mamarella.

The "special arrangement" with Mamarella was sanctioned by no less an official of the bank than Chairman Robert Ferguson, according to the July 19, 1983 issue of *American Banker*.

In a statement issued to the shareholders of the bank, Ferguson stated:

"In February of 1982, one of our banks began purchasing a third party paper from a corporation licensed by the Department of Banking of the State of New Jersey, engaged in the business of insurance premium financing. . . . In early June of this year [over a month after Mamarella's extortion arrest in Chinatown—ed.], we began to question and investigate the authenticity of that paper. . . . At the present time, outstanding obligations total approximately \$15.5 million. . . . We are continuing to receive payments and, in the opinion of our counsel, unpaid balances, if any, after comprehensive collection efforts, will be covered by our blanket and fidelity bonds."

And what were those "comprehensive collection efforts" referred to by Ferguson?

According to Kwitny and other sources, from the very outset of the scam, Mamarella regularly reached out to his mob sponsor Joseph Paterno (a New Jersey syndicate captain who had fled to Fort Lauderdale, Florida to avoid a state court subpoena) and to other criminal elements, to help recover First Fidelity's missing funds.

For Mario Stacchini, a New Jersey restaurateur, and Anthony Turano, a New York shoe manufacturer who used his business as a distribution point for Sicilian-refined heroin, these "comprehensive efforts" cost them their lives. Both Stacchini and Turano were forced by Mamarella's mob high-erups to take out personal life insurance policies as "collateral" on their First Fidelity loans once they had fallen behind on their payments.

In Turano's case, he was arrested by U.S. Drug Enforcement Administration agents in late 1982 in New York City as he was about to take possession of 15 kilos of Golden Triangle heroin, purchased with \$290,000 provided by Mamarella. He was clearly in no position to keep up with his payments. However, when his body appeared in the trunk of an abandoned car in Queens, New York, the mob, Mamarella, and First Fidelity all collected on a \$1 million insurance policy.

Organized crime watchers are waiting to see whether the Kwitny series will force the Newark, New Jersey office of the U.S. Attorney to reopen the Mamarella affair—with a focus this time on the role of First Fidelity Bancorp. in the scheme. Meanwhile, reports from federal investigators suggest that a totally separate probe, involving another insurance scammer, Leo Israel Bloom of Pennsylvania and the Virgin Islands, will soon implicate officials of First Fidelity in a criminal conspiracy remarkably similar to the Mamarella operation.

## Robert Ferguson: banker to the mob

Is casino gambling in New Jersey linked to organized crime? As one New Jersey law-enforcement official put it, the allegation is ridiculous. Casino gambling *is* organized crime. In New Jersey, its leading spokesman has been Robert Ferguson of First Fidelity Bancorp.

A few of the "links" between organized crime and casino gambling have lately been coming out. In June 1985, investigators for the New Jersey state police testified to the President's Commission on Organized Crime that four Atlantic City casinos were giving kickbacks to junket operators associated with organized crime families who bring patrons to the casinos. In a separate case, a New York indictment named four Atlantic City casinos, including two under investigation in New Jersey, as receiving deposits of more than \$3 million in small bills from heroin and cocaine sales as part of an international money-laundering scheme.

Caesar's, Claridge, Sands, and Tropicana were identified as using junket enterprises with connections to a network operated by the Bonanno crime family.

Sgt. William Kisby of the New Jersey State Police testified that kickbacks of \$200 per bus and \$2,500 per plane were being paid to illegitimate operators and that a "massive network" coordinated by the Bonanno family was operating the system. He said that five other families were involved, the Buffalino family of northwest Pennsylvania, the La Rocca family of Pittsburgh, the Bruno family of Philadelphia, and the Patriarca family of New England.

Drug Enforcement Administration investigations brought before the President's Commission revealed that Maurice "Peanuts" King, a Baltimore heroin trafficker, used the Resorts International Casino in Atlantic City in effect as a bank to invest over \$400,000 in heroin street money in businesses and real estate, also exchanging small bills from street sales for \$100 bills. At first, Resorts classified King as a "Class 5" or off-the-street gambler, but later, as his heroin business grew, and more money flowed into the casino, his status changed to that of a "Class 1" gambler or "high roller." This entitled King to as many as 12 rooms at Resorts with complimentary food and drink.

The Golden Nugget, Tropicana, Caesar's World, and Bally's Park Place were also used to launder at least \$3 million in proceeds of "Pizza Connection" heroin and cocaine

sales, involving Anthony Turano and Gaetano Giuffrida. The former was murdered after taking out an insurance policy at the insistence of First Fidelity client/employee Richard Marmarella; the latter was arrested on heroin trafficking charges in Italy.

### How it all began

Before casino gambling was legalized in New Jersey in 1976, when the casinos were looking for someone to speak on their behalf and open doors to the business and legislative community of New Jersey, First Fidelity Bank's Robert Ferguson stepped forward to take the point. It proved to be a lucrative move on his part. Within eight years, the bank grew into the state's largest banking organization with \$10 billion in assets and 286 branch offices in every county of the state.

Early on, at the request of Resorts International lawyer Joel Sterns, Bob Ferguson hosted business luncheons to introduce casino executives to the community. Sterns had been a top fundraiser for then-Gov. Brendan Byrne, who was trying to assure the state that gambling would be a good healthy business. "Let me warn you," Byrne said in 1977 to a convention of state bankers, "against thinking that shady money will be coming in for the purpose of financing [casinos]. . . . It could be a self-fulfilling prophecy if banks, insurance companies, and other legitimate resources do shy away from the necessary financing."

David Probinsky, an alleged Vesco confidant, came to New Jersey on behalf of Resorts International, and with the help of Marvin Perski, and his nephew, state legislator Steven Perski, drafted the enabling legislation.

Ferguson's bank became the first to offer loans to Resorts. Before any other bank dared do so, First Fidelity led a syndicate of banks with a \$12 million loan. As a result, Ferguson met on several occasions with Resorts chief Jim Crosby and executives Jack Davis and Steve Norton. Resorts, Bally's, and Caesar's casinos were subsequent beneficiaries of First Fidelity's help.

Bally's president, Richard Gettlin, is another business associate of Ferguson, for whom the bank organized an \$80 million loan. Gettlin had previously arranged loans for Resorts International's predecessor, the Mary Carter Paint Company, when it was establishing operations in the Bahamas. According to Resorts' own security agency, Intertel, Gettlin was a close friend of international mobster Meyer Lansky.

On four different occasions, Bob Ferguson testified on behalf of Resorts International. In 1981, he spoke as a personal reference for the Perlman brothers, chief owners of Caesar's casinos, before the Casino Control Commission. The commission ruled that the Perlman brothers, who had connections to organized crime figures, would have to sell their shares in Caesar's Atlantic City hotel in order for a gambling license to be issued. Clifford Perlman, in testimony before the commission, acknowledged and defended his ties with one Alvin Malik, described by commission investiga-

tors as a close associate of Meyer Lansky. The attorney-general's office offered more than 50 memos, transcripts, and newspaper clippings to support that contention. A state appeals court upheld the commission's decision.

Undaunted by the controversy, Robert Ferguson continued to defend the casinos. Ferguson, speaking at an Atlantic City meeting of the Gaming Industry Conference in May of 1981, warned against "overzealousness" among state regulators and overconfidence concerning casino revenues among the public. Support to bring in private dollars for casino development was needed, he said.

"There is a growing and legitimate concern today among business people in New Jersey that the manner in which our state is carrying out its regulatory functions with respect to casino gaming in some instances goes beyond what is necessary to insure the integrity of the casino industry and the people in it," Ferguson said.

Earlier, in 1979, Ferguson had led the opposition to a proposed increase in taxes on casino revenues, saying it would inhibit the state's ability to attract new business.

As with Caesar's, when indictments in Nevada cast doubt on the Del Webb Corp., owners of the Claridge Hotel which had applied for a gambling license in New Jersey, it was Ferguson who testified on their behalf. The indictment charged the Webb Corp. and vice-president James Comer of conspiring with the Aladdin Hotel Corp. to defraud \$1 million from the Teamster Central States Pension Fund through a series of kickbacks on a construction project. Webb was the general contractor for the project. To the defense: Robert Ferguson. In 1982, he said that the corporation had undergone radical management changes:

"If the Claridge needed additional financing, we would find a way to get it for them. We are confident and comfortable with the people in control. The new philosophy and direction of management are indicators of financial stability."

### The payoff

Probably the most scandalous operation that First Fidelity ran for the casinos was the Governor's Management Improvement Plan, Inc. Although prohibited by the Casino Control Act from making political contributions, the gambling-casino industry made substantial donations of time and money to the Thomas Kean administration through this program, and, except for some irate legislators, might have gotten away with it.

In 1982, Governor Kean and Alfred J. Fasola, Jr., director of the state's Office of Management Services, solicited the aid of "private industry" to improve efficiency in the state government; 180 companies contributed \$2.6 million and the time of some 200 executives to form the Governors Management Improvement Plan, Inc. (GMPI), a nonprofit corporation that intended to develop recommendations for more efficient operations of the state's 20 cabinet-level departments and their subdivisions.

It was a thin disguise, indeed. The largest contributors

were the casinos, with Harrah's at \$75,000; Hilton Hotels at \$30,000; Caesar's World \$25,000 and the services of four top executives including the president and chief executive officer; Claridge (Del Webb) and Resorts International donated the services of top executives.

Heading the GMIP was, of course, Robert Ferguson.

"It is a clear case of influence peddling and influence buying," said Assembly Speaker Alan Karcher. "These corporations are not laying down tens of thousands of dollars without expecting the governor to remember. The political connection is obvious to them because the governor's campaign coordinator, Al Fasola, is the coordinator and fund raiser for the efficiency program. He is a political operative of the governor."

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*Before casino gambling was legalized in New Jersey in 1976, when the casinos were looking for someone to speak on their behalf to the business and legislative community, First Fidelity Bank's Robert Ferguson stepped forward to assume the role. It proved to be a lucrative move on his part. Within eight years, his bank grew into the state's largest banking organization with \$10 billion in assets and 286 branch offices.*

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Included in the recommendation of the GMIP was the streamlining of the Department of Law and Public Safety—which oversees the Division of Gaming Enforcement—by eliminating 13 management positions in the Division. This meant that nine division supervisors at the Atlantic City casinos, one for each casino, would be reduced to *one* supervisor for all nine!

The solicited companies were promised that their contributions and roles would remain secret. It was only after both houses of the legislature approved subpoena powers for the joint appropriations committee that Ferguson was forced to comply with the committee's request for the list of members and contributions. "Every effort was made to keep absolute secrecy until we threatened subpoenas. The motivation for giving was solely to curry political favor," Karcher said. In a letter to the chairman of the joint appropriations committee, Robert Ferguson defended the GMIP, saying, "I personally

consider it a shining example of corporate citizenship."

Not surprisingly, in both the Byrne and Kean administrations, Ferguson served on salary review boards that had recommended increased pay for the governor.

### **The tradition**

Bob Ferguson's activities and associates are actually not out of keeping with the traditions of his bank. Jonathan Kwitny's book, *Vicious Circles, The Mafia in the Marketplace* (1979), documents how the predecessor to First Fidelity financed shady land deals, including those of mafia captain Anthony Russo, gunned down in 1979. Russo, with the help of the Democratic Party's top law firm, Wilentz, Goldman & Spitzer, was able to finance land scams. A number of banks went under for such practices, including the Bank of Bloomfield, which was bought up by First Fidelity.

First Fidelity's chairman, until the position went to Ferguson, was Elwood Kirkman. Kwitny reports that in 1977, the state attorney-general brought a suit against Kirkman and some associates for fraud in acquiring title to large parcels of land in the Pine Barrens wilderness area of New Jersey. After lengthy litigation, Kirkman's titles were voided, and he was ordered to repay \$315,000 in proceeds from the land.

According to the proceedings, an employee of a land title company that Kirkman controlled had signed deeds conveying title to land that the employee never owned. The deeds were turned over to companies Kirkman controlled. The companies then traded the deeds and tax-payment certificates to enhance the validity of the titles. The judge in the case characterized Kirkman's practices as "fraudulent" and "egregious misconduct directed at the court itself."

In 1980, an Atlantic County Superior Court Judge ordered Kirkman to pay over \$870,000 to the Buzby family for violating his fiduciary duties in selling their hotel, the Dennis Hotel on the Atlantic City boardwalk. The hotel is now the Bally's Casino. As a result of a series of transactions made by the Buzby family while Kirkman was acting as their creditor, the family defaulted on a \$1.5 million loan from the bank. The bank subsequently foreclosed on the Dennis Hotel and, as sole bidder at a 1975 sheriff's sale, bought it for \$100. In 1977, the bank later sold it to the Bally Corp. for \$4 million. The judge also ordered the Central Ethics Committee of the State Supreme Court to investigate Kirkman for conflict of interest.

The law firm of Hannoeh Weisman, which has a representative on the board of First Fidelity and serves as counsel to the bank, represented Robert Vesco himself in a series of appeals in New Jersey federal court in the late 1970s, after Vesco had absented himself from the United States. Albert Besser, who represents Ferguson in other cases, represented Vesco in litigation stemming from the looting by Vesco of International Control Corporation. How the firm communicated with its client is at this time unknown.

# The case of Richard Mamarella: First Fidelity's 'Pizza Connection'

by Marilyn Murray Kay

Unlike First Fidelity's Robert Ferguson, Richard Mamarella, 38, never attended the renowned Wharton School of Business or Rutgers University. His education came on the streets of New York, and in the company of John Goepfert, the legendary insurance con artist and swindler. Such men make a living stealing yours, and the institutions they use in their schemes are looted and bankrupted. During the 1970s, Richard Mamarella and John Goepfert perpetrated multimillion dollar frauds involving insurance premiums, bank loans, stolen and/or counterfeit stocks and securities, bribery, loansharking, gambling, extortion, and murder.

Because of his reputation, Goepfert could not operate in his own name, but used Mamarella as a front in such schemes while operating in New York. Several insurance companies sued the con men for millions, and in 1981, both were indicted on 80 counts of conspiracy to fraud, fraud, and perjury.

Goepfert was convicted in Philadelphia for his role in a construction bond scheme, and entered a guilty plea in New York for diverting more than \$1 million in premiums from the Sasse Syndicate, an insurance underwriter for Lloyds of London. According to court records, Goepfert made a deal with the Federal Bureau of Investigation, to cooperate with their undercover probe, in return for which the prosecution would put in a good word with the judges in Philadelphia and New York.

Nevertheless, between the fall of 1981 and April 1982, he was busy in Chicago participating in a multimillion dollar premium theft from the Kenilworth Insurance Co. During the entire period of the Kenilworth theft, Goepfert was functioning as a full-time informant in what the FBI described as "a major undercover investigation." Strangely, the FBI did not warn the Chicago insurance company about its new partner; they did, however, warn their informant, Goepfert, that he would not be protected from prosecution for the fraud.

Goepfert's brief career at Kenilworth cost the company an estimated \$40 million in lost premiums. Guaranty funds from seven states paid out \$12.5 million in claims against the firm, and hundreds of policyholders were left holding the bag.

Yet, despite Goepfert's bankrupting of Kenilworth, the

Justice Department's attorneys requested reduced sentences in both the Philadelphia and New York convictions, which was granted. Goepfert's 10-year sentence was reduced to five. He served two years and was recently released from prison.

Richard Mamarella fronted for Goepfert in his East Coast operations. He managed to stay out of jail until 1982, when he had to plead guilty to three counts of perjury and accepting a \$25,000 bribe from Bernard Gold, an insurance broker who hired arsonists to torch buildings in New York's Harlem and South Bronx in order to collect on the policies. In some cases, the buildings were torched repeatedly. In 1976, the arsonists made a mistake by setting fire to a tenement on which the policy had lapsed. Mamarella came to the rescue, arranging for the reinstatement of the policy retroactively by the Sasse Syndicate, in exchange for a \$25,000 "fee" paid by Gold. Sasse lost \$300,000, seventeen firemen were injured, and countless families were left homeless.

Mamarella fought the convictions, but was finally sentenced in September 1983. He did not begin serving his seven-year term until March 1984. Mamarella is currently at the Danbury, Connecticut federal prison. He is now actively seeking an early release.

Mamarella is Goepfert's protégé, and while he never severed his connection to Goepfert, he did move on to bigger things. The key to his 1980s career was to be a relationship to mafioso Joe Paterno, on the one side, and First Fidelity Bank, on the other.

## In the beginning: Joe Paterno

Goepfert provided Richard Mamarella with an introduction to Nicholas Marino, a Verona, New Jersey lawyer. Marino is a nephew of Joseph Paterno, a caporegime in the Gambino organized crime family, handling the state's North Shore operations.

Paterno is currently facing charges of conspiracy to commit a double murder. These charges stem from a Florida fraud investigation involving stolen and counterfeit credit cards. Carl "Doc" Palo and Frank "the Bear" Basto, soldiers under Paterno in the Gambino family, were also arrested on the murder charges. Basto is a known "enforcer" and believed

by New Jersey law enforcement officials to be an effective contract killer. (Basto was cited in hearings before the Senate Permanent Investigations Subcommittee in 1971 and 1974 as working for organized crime families to safeguard their stakes in "white collar" crimes involving stolen and counterfeit securities, stocks, and insurance frauds.) At least five others were arrested in the Florida credit card investigation and indicted on a variety of charges, including tax evasion and narcotics trafficking.

With Marino's help, Mamarella established Louden-French, Ltd., a front for insurance fraud. Louden-French was sued in 1980 by Home State Insurance Co. of Orange County, California. Mamarella's firm had persuaded Home State to insure Interpool, a New Jersey-based shipping container leasing firm. Home State was bilked when Mamarella, using the name Richard Marshall, "a New Jersey insurance broker,"

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faked Interpool's prior claims record in order to reduce its premiums with Home State. Interpool then filed an excessive number of large claims, at which point the insurance company rescinded the policy. By this time, about half of the premium payments had been siphoned off by Mamarella. The case was settled out of court.

In the meantime, Mamarella was regularly visiting with Joe Paterno in Florida. His own operations became fronts for Paterno's, including the "Pizza Connection" heroin smuggling ring. The funds came from First Fidelity.

In 1981, Interpool's general counsel and vice-president, Joseph Simon, joined Mamarella in founding IFA, Inc. with legal assistance from First Fidelity Bank's legal counsel, Nathaniel Yohalem. In 1982, Mamarella's IFA was given \$22 million in loans from First National State Bank of South Jersey (now First Fidelity), which was apparently uncon-

cerned by the actions of the courts and the mounting civil suits by bilked insurance companies against Mamarella. Mamarella, after paying a percentage of the take to his mafia patrons, re-lent the remainder to loan sharks, bookmakers, gamblers, narcotics traffickers, and related types. Among other things, these funds provided an operating budget for the "Pizza Connection."

According to Jonathan Kwitny's *Wall Street Journal* article, the first \$135,000 loan from First Fidelity to Mamarella went to "J. P. Enterprises." Although defense attorneys for two Mamarella associates, Kerry Rodgers and Galen Ross, attempted to get Mamarella to admit in court that "J. P." stood for Joseph Paterno, he did not. Later, he stated that it stood for James Principe, a card dealer at Atlantic City's Claridge Casino. Orlando Garcia, an associate of Mamarella at IFA, provided clarification of this statement: Principe was also a loan shark.

Other First Fidelity loans re-lent by Mamarella included:

- \$5.5 million to clients of Louis Chung, a convicted loan shark and narcotics financier based in New York's Chinatown;
- \$3 million to Leslie Barth, a New Haven, Connecticut tax lawyer and "money lender";
- Approximately \$5 million to Kerry Rodgers and Galen Ross;
- \$380,000 to cover a debt owed by Mamarella to Interpool in connection with losses suffered in the Home State insurance scam;
- At least \$290,000 to loan sharks who re-lent it to Catia Footwear, a New York-based shoe importing company owned by Antonio Turano. Turano was engaged in heroin trafficking for the "Pizza Connection," so-named because of the extensive use of pizza parlors as fronts for their drug operations;
- Unspecified amounts also went to a business owned by Carl "Doc" Palo, Paterno's close associate.
- Regular monthly payments were made to Paterno in Florida, according to Mamarella's office assistant, Eugene Brew. Although denied by Mamarella, Brew would testify that between 1978 and 1983, Mamarella paid from his own pocket \$6,000 a year to cover the Paterno family's insurance needs. He also attempted to keep his mafia patron's name out of all his fraudulent dealings, despite the appearance of Paterno's signature on numerous documents. (Mamarella claimed he had forged the signatures.)

### **The 'comprehensive debt collection' plan**

In January 1983, Richard Mamarella's borrowing from First Fidelity was abruptly cut off, inasmuch as his outstanding obligations, \$22 million, exceeded the bank's insurance coverage. In March, First Fidelity obtained a new insurance bond from Wausau Insurance Co., increasing the bank's "forgery and unauthorized signature" coverage to precisely \$22 million.



During the first half of 1983, Mamarella would be indicted for extortion. The New York State insurance commissioner also filed a \$150 million suit against him for his involvement in fraudulent scams prior to the 1981 formation of IFA, Inc.

It appears that in this period, some of his loan clientele failed or refused to make their payments, which threatened to put the entire IFA-First Fidelity relationship in jeopardy. Mamarella resorted to the tried and true methods of physical intimidation and penalty of death to ensure debt collection. Involved in these collection efforts were Mamarella, Eugene Brew, Louis Chung, Frank Murello, a \$100,000-a-year New Jersey longshoreman's union official, and one Patrick "T-Ray," who has been described as a cross between Mr. T and Chicago Bear's tackle William "Refrigerator" Perry.

One borrower was Landy Tang, a Chinatown bar-owner who had received \$300,000, probably through Louis Chung, and then filed for bankruptcy. According to Kwitny, it was Tang who blew the whistle in April, resulting in the arrest and indictments on charges of extortion of Mamarella, Chung, Brew, Murello, and Ray.

Another borrower, who was physically beaten by Mamarella and his associates in February, was Antonio Turano, the shoe and narcotics importer.

Incredibly, Mamarella and a number of his IFA associates, despite the extortion indictments, the \$150 million fraud suit, and clear knowledge by First Fidelity of the nature of IFA, were hired by First Fidelity in June 1983 to ensure "comprehensive debt collection" of the outstanding loans.

### The 'Pizza Connection'

Anthony Turano, the "shoe importer" and recipient of loans from First Fidelity/Mamarella, was a key operative in the "Pizza Connection" heroin ring of the Gambino family. Among his drug connections was Florence, Italy shoe manufacturer Gaetano Giuffrida.

An investigation by the Drug Enforcement Administration and Internal Revenue Service showed that between May and December 1982, more than \$3 million in cash from heroin and cocaine sales was desposited at cashiers' cages at four Atlantic City casinos—Golden Nugget, Tropicana, Caesar's World, and Bally's Park Place. Turano and Giuffrida were also customers of Eduardo Orozco, a convicted money launderer who "washed" \$97 million in drug proceeds through the Deak-Perera foreign exchange company in New York. The investigation resulted in indictments against Giuffrida, Anthony Castelbuono (a.k.a. Tony Cakes), a Harvard-trained lawyer, and others in New York's Eastern District Court.

Turano was not indicted. By that time, he was dead, apparently courtesy of Richard Mamarella.

In 1982, Franklin Liu and Andrew Woo, two employees of a sportswear firm located in the same building as the Turano importing firm, were contacted by one Mayuret

Tankhanchophat, via a Hong Kong middleman. Mayuret was the wife of a Thai jewelry shop owner with connections to Chang Shee-fu (a.k.a. Khun Sa), an opium warlord in Southeast Asia's Golden Triangle. Mayuret was looking for a U.S. buyer for an initial 15 kilos of pure heroin. If this deal went smoothly, regular shipments of 200 kilos a month were to be established. Turano, who had already used Liu and Woo to launder monies for him, was the natural choice of the Gambino family to handle this important new pipeline for their "Pizza Connection" network. But the Drug Enforcement Administration got wind of the deal. When Mayuret arrived that month with the 15 kilos for Turano, everyone involved was arrested and the heroin confiscated.

Mayuret pleaded guilty and was sentenced to 7 years; Liu and Woo were sentenced to 10 years; Antonio's brother, Luigi Turano, was released due to a poorly worded indictment. Although arrested at the time of the DEA bust, Giuffrida, visting from Florence, was released from custody two days later and returned to Italy.

Unfortunately for Antonio, he was to be tried separately, a factor that lent itself to the perception that he was cooperating with the authorities. This perception, combined with the money owed to the "family" for the lost heroin shipment and the failure to repay the \$290,000 loan to Mamarella's loanshark associates, sealed his fate.

Mamarella had Turano take out a \$1 million life insurance policy, or face the alternative of having himself and his entire family killed. Needless to say, Antonio opted for the insurance policy and named his brother Luigi as the beneficiary; he was brutally murdered shortly thereafter. His bullet-riddled body wrapped in plastic was found on March 3, 1983 in a deserted lot in Queens, New York, just days before his trial on narcotics trafficking charges was to begin.

At the time of his death, law enforcement agents believed that Turano's life insurance policy went to pay for the money lost by the mob in the aborted heroin deal; his brother also made good on the \$290,000 owed Mamarella.

On Jan. 21, 1983, Giuffrida and 11 others were arrested in Florence and Palermo, Sicily in connection with the seizure of 80 kilos of heroin concealed in a shipment of ladies shoes destined for New York. It was one of Italy's largest single seizures up to that time. He was convicted in June 1985.

For Mamarella, life insurance policies on borrowers was standard practice. He arranged a \$2 million life insurance policy on Leslie Barth and a \$1.5 million policy on Galen Ross, both IFA borrowers. Mamarella has denied any shady inferences made with regards to such insurance policies. However, in statements made at the New Jersey trial of Rogers and Ross, in which Mamarella as part of his plea bargain testified against them, two of his associates had quoted him saying of a client who refused or failed to payback a loan, "I can have him knocked off and collect on the life insurance."

# The LaRouche suit against the bank

by Suzanne Rose

In November 1984, Independent Democrats for LaRouche (IDL) and The LaRouche Campaign (TLC), jointly filed suit against First Fidelity Bank, seeking \$2 million compensatory damages and \$5 million punitive damages from the bank for the theft of \$200,000 in campaign funds on Nov. 1, which prevented IDL from broadcasting an election eve message from presidential candidate Lyndon H. LaRouche on CBS, scheduled in conjunction with spots on ABC and NBC.

IDL learned nothing of the bank's disposition of its funds for several days after the bank refused to make the funds available. It was not until Nov. 5, after obtaining a court hearing, that the bank admitted to taking the funds. Prior to this, officials of the bank were unavailable for explanations to IDL. At a private meeting after the court hearing, officials claimed to be holding the \$200,000 against expected credit-card chargebacks.

On Nov. 16, Bernard Cribben, director of the bank's credit-card unit, filed a certification with the court. He stated that the bank had received a phone call from the FBI on Nov. 1 and decided to close down the account. But at a subsequent deposition in July, Mr. Cribben stated that the bank itself had decided to terminate the account in early October.

Following the theft, IDL issued six leaflets attacking the bank. By then, it was clear that the bank had long-standing ties to mobsters in New Jersey, as the leaflets elaborated. Its president, Robert Ferguson, was the first banker to lend to casinos, and had brought Meyer Lansky's Resorts International into the state.

The bank sought and won an injunction against two of the leaflets, but TLC and IDL successfully removed the case to federal court where the pressures from the Resorts crowd on officials did not appear as great.

The bank countersued for libel and fraud. IDL immediately attempted to get "discovery" on the bank's ties to organized crime. Robert Ferguson was deposed and readily admitted to business and social contacts with "criminal elements."

However, when IDL tried to get discovery on the bank's ties to Resorts International, the bank filed for a protective order which was upheld in substance by Federal Magistrate Serena Perretti. The bank's argument amounted to the following logic: "IDL should not be allowed to probe the relationship between Resorts and the bank because there is no proof that Resorts has ties to criminal elements. Even if there were," the bank's argument went, "the bank was just con-

ducting business and couldn't be held morally responsible." The Magistrate ruled that for IDL to get discovery, they would have to provide "rap sheets" on the principals.

On March 11, 1985, Judge Harold Ackerman, in response to a summary judgment motion by the bank, ruled that the bank had wrongfully seized \$170,000 from IDL. He left for a jury to decide whether TLC's contract had been violated by the bank's seizure of its funds. The bank immediately filed a "motion for reconsideration," but Judge Ackerman reaffirmed his original opinion eight months later.

The bank's strategy has been to flood the court with motions, full of innuendo and attempts to prejudice. They also submitted hundreds of harassing interrogatories for the campaign officials to answer. They have added a new defendant each time a new name was learned in connection with the leaflets. There are now 10 defendants, including the campaign committees. The bank's complaint has been amended four times, each time adding charges. They attempted to add new new counts in December, over a year after the case began. While the magistrate permitted two additional leaflets to be added to the libel counts, she rejected two Racketeer Influenced and Corrupt Organizations (RICO) charges and two other counts. She permitted addition of fraud charges. The bank is now appealing the RICO denial.

The bank is clearly relying on coordination with a Boston grand jury and the FBI, which launched a political witchhunt against TLC, IDL, and other organizations associated with LaRouche, not coincidentally at the time of the bank's theft of the campaign funds. Bank attorney Albert Besser admitted to IDL's counsel that he was out to make the government's case for them. Only by relying on leaks and back-up from the corrupt prosecutor's office in Boston can the bank hope to trump up a case for fraud against the campaign committees. The FBI has intervened several times to try help First Fidelity make its case. They have denied access to documents in the possession of the grand jury which IDL needs to make its case, and an assistant U.S. attorney in Boston, Daniel Small, submitted a lying affidavit in support of one of the bank's motions.

At the present time, both sides have moved for summary judgment on the libel counts and the Bank has moved to collect, by filing a summary judgment motion, \$500,000 worth of chargebacks which they claim to have paid out since the account was closed. Of course, the banks seizure of funds caused these chargebacks. The bank asks for a ruling that IDL has committed "libel per se," falsely accusing the bank and Ferguson of a crime.

The principal counterargument by IDL is: the truth. What the leaflets said is true, or, at the very least, opinion supported by ample documentation and entitled to complete protection under the First Amendment. Judge Ackerman will hold a hearing on Feb. 27 regarding the affidavit written by Assistant U.S. Attorney Small in Boston in support of the Bank. In March, the libel motions will be heard.

# First Fidelity: the IMF's enforcer

by Susan Welsh

Considering the thuggery which First Fidelity Bank of New Jersey uses against its own clients, it is not surprising to discover that it operates internationally as a mafia "enforcer" for the International Monetary Fund (IMF).

When the government of Costa Rica declared a debt moratorium in 1981, Fidelity Union Trust Co., the predecessor of First Fidelity, went to bat for the IMF, demanding that the debt be paid—in opposition to the stated policy of the President of the United States and the House of Representatives. The agent for the consortium of 39 affected banks, Allied Bank International, filed a lawsuit against three Costa Rican banks; it was dismissed by New York's Southern District court. The court argued that a judgment in favor of the creditors would force the Costa Rican banks to violate the directives of their own government, and would thereby place the judicial branch of the U.S. government in conflict with policies of central importance to a friendly, sovereign foreign government, risking embarrassment to the foreign relations of the United States.

Thirty-eight of the 39 banks accepted this ruling, and proceeded to work out orderly refinancing plans. Only Fidelity Union Trust refused, appealing the lawsuit to the U.S. Second Circuit Court of Appeals. On April 23, 1984, the appeals court upheld the lower court's ruling, declaring that when a country defaults on a loan granted to it by the United States, further aid is barred *unless* the President advises Congress that "assistance to such country is in the national interest." In the current case, "President Reagan and the Congress reacted sympathetically to Costa Rica's financial crisis and its default on Foreign Assistance Act loans." The President advised that "continuation of U.S. assistance to Costa Rica is consistent with the commitment of this administration and in Congress to help Costa Rica regain economic viability. We therefore regard such assistance, which is designed to help the Government with financial and management reforms and with needed credit to the private sector, as vital and in the national interest. We are hopeful that bilateral debt restructuring will be completed within the next several months."

The House of Representatives expressed "full support for the Republic of Costa Rica and its democratic institutions as

that country responds to the current economic crisis." The court concluded: "Because the decree and resolutions of the Costa Rican government that resulted in appellees' default were consistent with the law and policy of the United States, their validity should be recognized in United States courts."

The court argued that Costa Rica was not repudiating its debts, but merely deferring payments "while it attempted in good faith to renegotiate its obligation." Further, "Costa Rica's prohibition of payment of its external debts is analogous to the reorganization of a business pursuant to Chapter 11 of our Bankruptcy Code. . . . Under Chapter 11, all collection actions against a business filing an application for reorganization are automatically stayed to allow the business to prepare an acceptable plan for the reorganization of its debts."

### The Justice Department intervenes

The implications of this ruling were startling indeed, for it opened the door to a global renegotiation of the Third World debt, through treaty arrangements between sovereign states—the opposite of the IMF's approach. Such a reorganization would shatter the political power of the financial oligarchy. The bankers scrambled to recoup their losses. The *Wall Street Journal* quoted a New York banking lawyer, "This is the kind of thing that gives banks the shivers." John Warden, of the Eastern Establishment's top law firm Sullivan and Cromwell, declared that the court's reference to the goals of U.S. foreign policy as a basis for its decision was not "an appropriate decision for a court to make." The *New York Times* reported in horror that "in a little-noticed decision this week, a panel of the United States Court of Appeals for the Second Circuit appears to have given debt-ridden developing countries much the same legal protection from commercial bank creditors that is now afforded to troubled domestic corporations under Chapter 11 of the Bankruptcy Code."

With all of Wall Street mobilized on behalf of Fidelity Union Trust, the Justice Department suddenly leapt into the fray, petitioning, along with the plaintiff bank, for a rehearing. In the second appeal, the court reversed its position 180°, in a despicable statement dated March 18, 1985. Reporting that the Justice Department had intervened to "correct" the court's "mistaken" opinion that Costa Rica's actions were supported by the U.S. government, the court continued: "The Justice Department brief gave the following explanation of our government's support for the debt resolution procedure that operates through the auspices of the International Monetary Fund. Guided by the IMF, this long established approach encourages the cooperative adjustment of international debt problems. . . . Costa Rica's attempted unilateral restructuring of private obligations, the United States contends, was inconsistent with this system of international cooperation and negotiation and thus inconsistent with United States policy. . . . In light of the government's elucidation of its position, we believe that our earlier interpretation of United States policy was wrong."

## Oil shock lights fuse on debt bomb

by Mark Sonnenblick

The Presidents of Mexico and Venezuela huddled together in Cancún (Mexico) on Jan. 30 in a desperate search for some way to keep their countries afloat amid the collapse of oil prices. Both countries are dependent on oil revenues for more than 80% of the export income and for more than 60% of their government budgets. There is no quick fix, either for oil prices or for debt relief.

They have only two options:

- getting some quick cash to pay debt by auctioning off their natural resource bases and state industries at a dime on the dollar;
- joining with Peru in a fight for reordering the world economic system so that production, feeding populations, and development take primacy over speculation and usury.

The latter option entails breaking with the International Monetary Fund (IMF) and imposing sovereign conditions on their creditors, something which neither President has had the moral strength to do. With the oil shock, voices are increasingly being heard from business and labor sectors demanding that their governments follow Peru's policies, rather than submit to the increasingly destructive impositions of creditors. And, throughout Ibero-America, the Catholic Church is entering the fray on behalf of the immediate secular goal of economic justice as propounded by Pope John Paul II at the Extraordinary Synod in Rome in December. These are countries in which the Church has considerable moral suasion, as David Rockefeller himself has lamented.

### The debt game is over

Nowhere is the policy battle more up front than in Argentina. That country too has been saddled with a President allied to the Socialist International, who takes his marching orders from the IMF. But opposition to it has crystalized so rapidly during the past month that President Raúl Alfonsín's congressional chief accused the labor movement Jan. 27 of trying to set up a "parallel government." That may be an understatement (see accompanying article).

The reverse oil shock makes the \$21.2 billion debt refinancing agreement, which Venezuela expects to sign shortly with 450 creditor banks, as "dead on arrival" as the \$48 billion stretch-out which Mexico triumphantly signed on Aug. 29, 1985. The way oil prices look now, bankers would have to come forth with at least \$8 billion in new loans this year alone to keep Mexico out of default. The chances of that are nil, as can be inferred from the comments made by Citibank's vice-president in charge of intimidating debtors, William Rhodes, in London Jan. 27.

The most convincing signs that the old debt game is dead are that the Mexican officials, men who have served as the most supine servants of Wall Street, are feeling the pressure from below and are threatening to become nationalists, or even internationalists.

On Jan. 27, Mexican Finance Minister Jesús Silva Herzog told a debt conference in London attended by David Rockefeller that "the limit of our responsibility to our creditors is the responsibility to our people." Rocky responded haughtily, "That is a glib and easy suggestion to make. In a real sense they should, but the people won't be benefited if the creditors aren't repaid and there are no new loans."

Then, on Jan. 29, Luis Oréi Gandara, the president of the finance committee of the Chamber of Deputies, warned that Mexico would not act alone in case it was forced into a moratorium. "The crisis affects our country just like all the Latin American nations, so we have intensified our contacts to act in common and in concert. The citizens of our countries come first."

All sectors, except the tiny oligarchy of bankers and narcotics traffickers whose power has increased as the country disintegrates, are asking why Mexico should go on blood-letting itself if even that will not satisfy creditors. Mexico has paid \$53 billion in debt service over the past five years on a \$77 billion foreign debt, only to find it now owes \$97 billion. The president of Mexico's National Chamber of Manufacturers (Canacintra), Carlos Mireles García, con-

tended on Jan. 25: "The time has come to restrict debt service exclusively to revenues from non-oil exports," which are only about 15% of Mexico's exports. The leader of Mexico's industrialists recalled that his Canacintra has fought for years for that solution, "just as Peru is doing now."

In the back rooms of Mexican politics, the labor movement, the most powerful constituency of the ruling Revolutionary Institutional Party, is conspiring to make sure that the 1988 presidential succession goes to a nationalist and to block President de la Madrid from further imposing IMF policies.

Mexico's strongest union, the oil workers, has started publicly attacking de la Madrid to keep him from dismantling or even denationalizing the state oil entity, Pemex. Union leader José Sosa remonstrated the President in early January, "We are up to our ears in debt . . . without state budgets for public works; everything suspended in the country; the banks without money; a day's minimum wage buys only a kilogram of meat; every day there are more unemployed who have to hustle or rob." Mexico's Pemex has gotten back so little of its oil revenues that maintenance and equipment replacement have been cancelled, leading to fires, explosions, and reduced pumping capacity.

Sosa urged the President, "Save Pemex, which is about to collapse, because if Pemex sinks, you sink, we all sink, the country sinks." That is strong language to be told to a Mexican President.

While Citibank's William Rhodes pronounced in London, on Jan. 27, "Mexico has been responsible and we expect they'll continue that responsibility," other bankers are fearful. The *Wall Street Journal* quotes one New York banker with big loans to Mexico: "What's the impact of falling oil prices on Mexico? I don't know. I've been too busy adjusting my parachute. I'm on the 22nd floor."

### Venezuela and the García option

Venezuela should "take a position like that of Peru, of paying only 10% of the value of its exports for debt service," Cesar Olarte, secretary general of the Confederation of Venezuelan Workers, told the daily *El Nacional* on Jan. 23. He insisted the government do that, rather than compensate for the collapse of oil prices by further cutting the living standards of Venezuelan workers.

The oil shock woke up a complacent Venezuelan labor movement, which has taken a coherent stance on the debt for the first time in its history. In late January, several union federations signed telegrams drafted by the Schiller Institute Labor Commission, an international organization founded 14 months ago to fight for a New World Economic Order, supporting the leaders of the Jan. 24 Argentine general strike, in their fight for all countries to follow Peru's debt policy. Labor began to act days after the Venezuelan bishops issued a document describing the "drama of the unemployed and their families," and the "alarming fall of real incomes" of employed workers.

## Argentine strike shakes IMF regime

Argentina's three million unionized workers shut down the country on Jan. 24, with a general strike which their General Confederation of Labor (CGT) said was 97.4% effective. The CGT proclaimed, "The general strike has been, as we had foreseen, a popular referendum against the subordination of our economy to the demands of the International Monetary Fund. . . . The people have given a definite *no* to the socioeconomic policies" of the Alfonsín government.

The strike's leader, CGT president Saúl Ubaldini, a Catholic and a Peronist, declared: "When capital puts itself in the service of the economy, and thus of man, devotes itself to producing rather than speculating, understands that property has a social function, then we are not enemies of capital." Ubaldini's statements unmistakably echoed the words of Joseph Cardinal Ratzinger to reassert the primacy of moral law in economics, during the December 1985 Extraordinary Synod in Rome—an event which has a profound and growing impact in Ibero-America.

The CGT's strike call clearly spelled out the approach Argentina must take to solving the debt crisis now ravaging every nation in the Americas: "Until the government takes a clear and dignified position, as the President of Peru took with valor and patriotism, the position of the Argentine workers will be constant resistance to the looting of the product of our labors and of our goods."

This statement was dramatized by posters put up by the youth movements of all opposition political parties, posters which showed a little girl imploring, "Dear Fatherland, Give Me a President Like Alan García." Peruvian President Alan García set a policy of not paying more than 10% of export earning for debt service.

The "democratic" regime of Raúl Alfonsín blacked the CGT statement out of all the press, while filling the media with allegations that labor leaders were providing pretexts for the overthrow of democracy.

The strike action was provoked by Alfonsín's applying what Chemical Bank vice-president Terrence Canavan called "the most dramatic monetary reform in Latin America" and paying billions of dollars in interest which has helped bankrupt U.S. banks to report profits. While food prices have risen 59%, according to government calculations, since last

June's "wage-price freeze," Alfonsín refuses to give more than a 5% wage increase. Unemployment has risen by 58%, according to the CGT.

Most Argentines allowed themselves to be fooled into complacency when Alfonsín installed his "Austral Plan" on June 14, 1985 as a "shock" program to end inflation. As an Argentine banker mused, "Before we had inflation and no growth; now we have no inflation and no growth." Key economic indicators show he was being generous.

## Labor leader: No to orders from Rockefeller

Saul Ubaldini, 49, is a newcomer to Argentine labor leadership. In four months at the head of the General Workers Confederation (CGT), he has upstaged the old guard of Peronist union leadership, debilitated by decades of back-room intrigues, with his open manner toward the public and with his humility.

From the balcony of the labor headquarters Jan. 21, Ubaldini urged on 1,000 strike delegates from all over the country "to fight to confront the IMF. . . . The labor movement does not take orders from Rockefeller. . . . The CGT is the battle trench of the fatherland and the voice of the people; and governments which don't listen to the voice of the people better watch out because they are forgetting the voice of God."

*From an interview with the Spanish wire service EFE, on the eve of the general strike:*

**Ubaldini:** Most of the money the foreign banks demand from us as alleged foreign debt is deposited in the same creditor banks, which irresponsibly loaned to speculators from one window and received the money back in the other. The working people had nothing to do with that. However, the government made official the entirety of the debt and committed the efforts of all Argentines to pay it.

If Mr. President does not change the course of his economic policies, economic and social disaster will be inevitable; it's a question of mere survival. [The CGT proposes setting a term during which Argentina will not pay interest abroad, so those resources could be applied to internal economic development—ed.] Other solutions, on our part, are neither possible nor realistic. The creditors will have to accept it, if they want to save something of the adventure they embarked on by financing an unconstitutional regime.

**EFE:** If Argentina acts unilaterally on the debt, might not

● *Cement* consumption in 1985 was 11.8% below the previous year and 35.1% below that of 1980. Sixty-one percent of capacity was idle.

● *Steel* consumption was down 38% from 1984.

● *Retail sales* in December were 27% below the previous Christmas season, the Buenos Aires Federation of Commerce reported.

● *Tractor sales* were down by 35% from 1984, which demonstrates that the impoverishment of urban workers was

angry international creditors blockade it?

**Ubaldini:** Aren't we already blockaded? Our industries are shut down or working at minimal levels; credit is managed by the creditor banks; unemployment has reached alarming figures; could a blockade produce more devastating effects?

[The CGT is anti-capitalist] if capital is the accumulation of money for speculative purposes. If by capitalism is understood a supranational power which decides the future and the development or the misery of the peoples, without consulting their opinion or respecting their will, we are anti-capitalists. When capital puts itself in the service of the economy, and thus of man, devotes itself to producing rather than speculating, understands that property has a social function, then we are not enemies of capital.

*Ubaldini told Radio Rivadavia on Jan. 27:*

If we go back for a round of conversations [with the government and businessmen], we will never exclude the Church. The Church would not be involved as a sector but to provide spiritual aid. . . . We have worked with it in difficult moments and at difficult moments, the Church is present.

*Excerpts from an interview with La Semana weekly, published Jan. 22, shortly before the strike:*

**Semana:** Do you still think the foreign debt does not have to be paid?

**Ubaldini:** I say that it is not possible to pay the presumed foreign debt with the hunger and misery of the people. The CGT affirms that a moratorium is necessary to permit first the recovery of the economic apparatus, to then be able to deal with those foreign commitments which were "genuinely" contracted. To determine the legitimacy of the debt is the job of Congress, not the Executive.

**Semana:** Do you think the Baker Plan holds any solution for the workers?

**Ubaldini:** For me it is a solution neither for the foreign



not for the benefit of agriculture as was alleged to have been the case in previous Argentine wage-cutting operations.

David Rockefeller visited Alfonsín on Jan. 14, to express his "great admiration" for what he had done to Argentina so far, while privately ordering him not to yield an inch to the strikers. A few days later, International Monetary Fund headquarters in Washington informed Alfonsín's emissaries that it was holding back \$235 million scheduled to be loaned to Argentina in late January to make sure Alfonsín ignored the

debt nor for the workers. It is an analgesic for a disease which really needs surgery.

**Semana:** What do you think about the fact that many North Americans say "that Argentina could be a model country" for them?

**Ubal dini:** Look, the CGT intends for Argentina to be a model country. But for the Argentines who live and work here. . . . The strike . . . is a valid step to get us out of the straitjacket which, with government acquiescence, the IMF put on us. . . .

**Semana:** What conditions does the CGT demand to go back to the negotiations table?

**Ubal dini:** With a stagnant economic policy like the one the government has adopted which is committed to foreign demands from international usury, there is nothing to negotiate. Simply because the right to social justice never will be material for negotiation. . . . The government's economic policy froze wages and increased tax pressure for the sole objective of the state paying, with the sacrifice of all, interest on the supposed foreign debt. All this in an economic context in which financial speculation did not lose its privileges.

### Other voices

The president of the Radical Youth, the youth movement of Argentine President Alfonsín's Radical Party, told the daily *La Capital* of Mar de Plata on Jan. 26 that Argentine society is politically prepared "to face the consequences which could come from taking a severe decision to resolve in some fashion, the conditionalities imposed by the payment of the foreign debt. The foreign debt implies a draining of foreign exchange, which cuts off the possibility of economic growth. . . . No solution of this theme can be taken by a country as an individual, but this must take place in the context of the integration, cooperation, and solidarity of Latin America."

"We are the only ones exercising democracy; and, to those who want to accuse us of destabilizing, let their little ears hear that this is a general strike and not a strike for any general."

strike and then applied even *greater* austerity and sold off more state-financed enterprises to speculators.

From the balcony of the labor headquarters, Jan. 21, Ubal dini called on 1,000 strike delegates from all over the country "to fight to confront the IMF. . . . The labor movement does not take orders from Rockefeller."

In Argentina, as elsewhere, the power of the organized labor movement has been sapped by labor leaders who, at best, look out only for the narrow interests of their own members. In this, the CGT's most successful strike in more than a decade, the CGT made clear it was fighting not just to regain the 30% of the wages which have been stolen from salaried workers since June. The CGT strike call proposed that Argentina tell creditors that, for a certain number of years, instead of using 40% of the country's export earnings to pay \$6 billion annually in interest on the foreign debt, that money would be better used for internal economic development.

The response of the majority of Argentines who are not union members was markedly different from what it had been to the three previous strikes called by the CGT in the last two years and to the significant electoral victories given Alfonsín's Radical Party in November's elections, which he considered a "mandate" for his policies.

*La Razón*, the daily which most supports the government, expressed the view on Jan. 25, "What is worth stressing was the extremely broad support which the act of force obtained in the middle layers of the population. In the face of such a definitive demonstration of rejection of the official economic policy," *La Razón* concluded, "it would be ingenuous to think that all could remain just like it was before."

While Alfonsín declared, "The strike is irrelevant," major chunks of his political base crumbled out from under him. The Buenos Aires Federation of Commerce announced it would violate government orders that strikers lose the day's pay. The president of the youth movement of his own Radical Party, Carlos Raimundi, argued on Jan. 26 for "a severe decision" radically changing the conditions of the foreign debt to be taken "in the context of integration, cooperation and solidarity of Latin America."

To consolidate the broad support for its leadership into a force capable of extracting Argentina from the jaws of the IMF, the CGT is convoking a Congress of National Unity for late February. Business, political, and social groups are already excited about helping forge an economic reactivation plan to impose on Alfonsín and the national Congress. The real coup is that CGT head Saúl Ubal dini is inviting the Church to participate in his congress and in whatever further talks the labor movement has with the government and business. Ubal dini commented on Jan. 27, "The Church will not intervene as a sector but will provide spiritual aid." Although it is up to the bishops to decide on participation, the head of the Social Pastorate, Monsignor Di Stefano, emphasized that his team is always willing "to mediate understandings between parties in conflict."

# 'Black South African choices are becoming more stark by the day'

by Mangosuthu G. Buthelezi

*The following remarks were delivered on the occasion of a meeting with the Danish Center Democratic parliamentary group by Mangosuthu G. Buthelezi, chief minister Kwazulu, president of Inkatha, the moderate South African liberation movement, and chairman, the South African Black Alliance, in Copenhagen on Jan. 22, 1986.*

I am very pleased to have been afforded the opportunity of addressing you here on this occasion. I have passed through Denmark in the past on visits to other Scandinavian countries, but this is in fact the first time that I have specifically come to your country. I have had to travel fairly extensively in recent times to North America, Britain, Europe, and Israel, and Denmark has always been a place where I would like to have gone.

Black South Africans know that the Scandinavian countries generally are a place where there is great sympathy for our cause. The South African struggle for liberation has been a long, hard, grinding struggle against terrible adversity, and we have always been encouraged by the fact that in Scandinavia there are a great many who sympathize with us in our suffering.

Scandinavians, as people elsewhere in the world, are confronted with very conflicting views expressed by Black South Africans about the situation in our country, and wherever I have traveled in the West, I find that people are confused about our situation, because somehow they anticipate a suffering people to be bonded together in their suffering and to speak with one voice about central issues. They forget that Black South Africans are human beings and behave as human beings the world over.

## **Long history of struggle**

It was as long ago as 1910 that Black South Africans were excluded from my country's parliamentary process. For generations, Black South Africans have been struggling against racist oppression and as the decades rolled by, our oppression deepened and successive South African governments took on

ever increasing powers to maintain White supremacy. When the National Party came to power in 1948, there was a phenomenal growth of oppressive measures, and now in South Africa, there are truly terrible draconian laws available to the government to enact its will against the wishes of the majority of the people of the country.

Ours is a very long history of struggling against terrible discrimination. For many decades after we were excluded from the parliamentary process, we struggled in isolation. The Western industrialized nations of the world themselves were either colonialists or accepted colonialism as inevitable in the order of things. It was only in the sixties that the international community began sensing the urgency with which the question of apartheid should be regarded.

During these many long decades, Blacks who demanded even minimal recognition as human beings with civic rights, were regarded as enemies of the State and were dealt with accordingly. Every tactic and strategy adopted failed to bring about change, until in the end, after the National Party took over in 1948, a great deal of confusion began reigning in Black politics. There never has been an easy solution to the South African problem and there is not now an easy solution to our problems. Faced with very difficult circumstances, which endured for generations, Black South Africans began disputing with each other how best to go about liberating their country. It is the very intensity with which Blacks demand the liberation of their country, which leads to views and counter-views being argued so vehemently. Ours is not the task of deciding which government policy we should adopt. Ours is not North American or European-type politics, where politics takes place within the framework of the acceptance of the kind of society in which people live. Ours is the kind of politics which needs to transform society. Ours is the politics which has to create a democracy where a democracy does not exist. Ours is the politics which has to face life and death issues. Europeans should accept that in these circumstances, where there is no blueprint, and where there is not a heritage which the people accept, that it is naive to

expect Black South Africans all to talk with one voice.

There is vast agreement amongst Black South Africans that we want an open, race-free democracy, where there is equality of opportunity for all, and where each is entitled with the other to pursue his or her life and to improve his or her lot as he or she desires to do so. There is a vast yearning for freedom and in this yearning, Black South Africans are bonded together. Across the broad spectrum of Black South African opinion, there is very considerable consensus that apartheid must be abolished for the scourge that it is; that the present constitution of the country must be rejected in part and in whole; and that any attempt to perpetuate racism by enshrining it in the constitution, which the ruling National Party has now done, must be resisted with all the means at our disposal. Over the generations, very considerable consensus has evolved that we do not want to exchange White oppressors for Black oppressors, and everywhere among ordinary South Africans there is a deep repugnance for racism.

It is about the means of bringing about change that disputes run so deep in Black South Africa. Every politician in the Western world knows that the pursuit of tactics and strategies in difficult circumstances involves one in the politics of gathering support for particular tactics and strategies in opposition to support for conflicting tactics and strategies.

In South Africa today, there is a fierce battle of minds going on, for Black South African support for the polar opposites of bringing about change through violence or bringing about change through the politics of negotiation and the utilization of non-violent tactics and strategies.

The Black South African political scene has, since the introduction of the new constitution in 1984 taken on a new dimension. Prior to 1984, Black South Africans could strive for inclusion in an existing parliament and in the existing institutionalized life of our country. Now we are faced with the need to strive, not for inclusion in the parliamentary system we accept, but for the rewriting of the very constitution of the land of our birth. This has radicalized politics, and the new constitution has dramatized differences of opinion about the kind of constitution we should end up with.

There is a great dividing line in Black South Africa between Blacks, on the one hand, who seek to further the politics of negotiation to produce the kind of national consensus which would result in a modern industrialized democracy which would take up its rightful place in the Western hemisphere of interests; and on the other hand, those who are committed now to the violent overthrow of the South African government, and adopt tactics and strategies aimed at reducing the country to chaos and ungovernability.

Black South African choices are becoming dramatically more stark by the day. We have to choose between tactics and strategies which will result in national reconciliation, while yet we struggle to bring about the liberation of our country with tactics and strategies which will consolidate the

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*For as far we can see ahead, the economic growth in South Africa will be entirely dependent on the continued inflow of capital, technology and managerial skills from the highly industrialized Western world. We need to create jobs, and whatever government rules South Africa, we need to create national wealth which will enable the government of the day to wipe out the backlogs and to wipe out mass poverty, ignorance, and disease.*

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power of the Black masses and achieve victories, regardless of whether or not those victories are victories against Whites or with Whites.

### **An outline of Inkatha's position**

I would like simply to give you an outline of Inkatha's position in the Black struggle for liberation. Inkatha is the largest Black political movement ever to have emerged in the history of South Africa. Inkatha has now over one million card-carrying paid-up members. No Black leader has ever gathered the constituency support in Black South Africa which I today enjoy. This massive membership of Inkatha is dominated numerically by peasants and workers. It has branches scattered across the length and breadth of the country, and it is as representative of Blacks in urban areas as it is of Blacks in rural areas. It is as representative of the old as it is of the young. Inkatha's Youth Brigade is the largest youth organization ever to have emerged in the history of the country. Its Women's Brigade is the largest women's brigade ever to have emerged in the history of the country.

Inkatha is intensely democratic. Its supreme authority is the Annual General Conference, where policies are determined and where tactics and strategies are accepted and rejected. Inkatha's leadership is elected by its ordinary members. At branch, regional, and national levels, Inkatha's representatives are chosen by the people, and its Annual General Conference is a conference of representatives chosen to be there by the people. I never speak for myself on public issues. I reflect only that which Inkatha's membership has endorsed. There is nothing that I have said today which does not have the solid endorsement of Inkatha.

The point I am making, is that when Black South Africans are given the freedom to choose and are given democratic machinery through which to exercise their choices, and through which to determine tactics and strategies in the Black struggle for liberation, choices are made which make a mockery of the media representation of South Africa.

Inkatha's mass membership has been drawn to it primarily by two factors. One is the democratic nature of Inkatha. Ordinary Black people know that it is their organization. They know that it is an organization where the general membership determines tactics and strategies and in which the leaders are appointed by the people. They are also attracted to Inkatha in their masses, because Inkatha's aims and objectives meet with their approval, and our tactics and strategies are tactics and strategies which ordinary people believe in the end will win.

Inkatha has read the lessons of history in Africa and elsewhere, and we know that the way a country sets about liberating itself, determines the kind of country which comes into existence after liberation. Inkatha has the advantage of being an organization in the last country on the African continent to throw off racist domination. The lessons that are there for us to learn as South Africans all combine to teach us that it is far easier to produce an empty victory after which people remain in terrible want, than it is to produce a victory which results in a better way of life for ordinary people.

We face the realities of a Black population growing at something like 3% per annum, which has produced a huge population bulge now moving towards the market place. Over 50% of all Black South Africans are 15 years old and younger. This statistic has very far-reaching consequences for us, which are pertinent to the manner in which we liberate our country. For us it would be suicidal to destroy the South African economy in the process of liberating our country from racism. The truly horrendous vast backlogs that exist in Black housing, education facilities, and health and welfare services, demand that we flee from purely ideological motivations and seek to keep our feet on the ground of reality. I do not make an ideological statement when I say that the free enterprise system is the most efficient system which mankind has devised with which to translate natural resources into human wealth. That is not an ideological statement because I have never argued that it is a universal truth. It is simply a pragmatic statement about our own circumstances.

For as far as we can see ahead, the economic growth in South Africa will be entirely dependent on the continued inflow of capital, technology, and managerial skills from the highly industrialized Western world. We need to create jobs, and whatever government rules South Africa, we need to create national wealth which will enable the government of the day to wipe out the backlogs and to wipe out mass poverty, ignorance, and disease.

For us, the struggle for liberation must therefore be dom-

inated by the politics of reconciliation. South Africa will only survive the future if it makes a truly national effort to make life worthwhile for ordinary people. That is what politics is all about for me. I am committed to ordinary people. I am committed to the victims of apartheid. I am committed to the poorest of the poor.

For me it is absolutely imperative that the process of liberating South Africa should be a process of uniting the people. That is one of the pertinent reasons why I rule out bringing about radical change through violence; and what is more, there is still no reason to believe that we cannot bring about radical change through the politics of negotiation and non-violent tactics and strategies.

### **The politics of reconciliation**

Apartheid set out to balkanize South Africa into separate Black and White states, but White survival meant the ever-increasing incorporation of Blacks into the economic life of the country. Today Whites are totally dependent on Blacks for their very survival, and the vertical mobility of Blacks through society resulting from their economic incorporation, has given Blacks immense bargaining powers. For me the politics of reconciliation demands that we make every effort to translate economic interdependence into political interdependence.

The threat of escalating violence and the threat of the international isolation of South Africa has always played a positive role in the struggle for liberation in my country. Scandinavians have a long track record of making their contribution to these threats. It would, in my opinion, be tragic if the West now overplayed its hand. The actuality of violence much beyond the levels which already exist in South Africa, and the actuality of the economic isolation of South Africa, would in my opinion be extremely counter-productive. There are in South Africa already Blacks who are adopting a scorched-earth policy to bring about radical change, and who are committed to the destruction of the economy and to making the country ungovernable through violence on our streets. They in turn are inviting a scorched-earth policy from the government. We who know our government, know that they are quite capable of doing just this, and they most certainly have the means of doing so. White South Africans cannot be battered into being democrats, and the continued upward spiraling of the levels of violence in our society, both from the State and from those who oppose the State, will result finally in a race war and in the production of a Beirut situation in which there will be no winners. South Africa has not yet witnessed anything but a small proportion of the total brutality which White racism could mount. Things are dangerously poised, and right now there is a very urgent need for the Western world to support Black forces working for national reconciliation through the politics of negotiation and non-violent tactics and strategies.

# Botha announces steps to abolish apartheid

On Jan. 31, 1986, P. W. Botha, President of the Republic of South Africa, announced major steps by his government to abolish the apartheid system bequeathed to South Africa by British colonialism, including abolition of the hated pass laws. In a speech opening parliament in Capetown, President Botha declared that South Africa has "outgrown the outdated colonial system of paternalism as well as the outdated concept of apartheid."

Botha announced a series of constitutional reforms based on the concept of "an individual Republic of South Africa where all regions and communities within its boundaries form part of the South African State, with the right to participate in institutions to be negotiated collectively."

"The peoples of the Republic of South Africa form one nation," Botha stated in motivating the bold measures his government will now implement. "But our nation is a nation of minorities. Given the multicultural nature of South African society, this of necessity implies participation by all communities and the sharing of power between these communities but also the devolution of power as far as possible and the protection of minority rights, without one group dominating the other."

Among the measures President Botha outlined to implement the abolition of the apartheid system are the following:

- "Restoring South African citizenship to black persons who reside permanently in the Republic of South Africa, but who forfeited their citizenship as a result of the conditions of independence of Transkei, Bophuthatswana, Venda, and Ciskei.
- "The amendment of the immigration selection policy by repealing discriminatory preference provisions.
- "The drafting of legislation to remove existing influx control measures which apply to South African citizens in the Republic of South Africa. The present system is too costly and has become obsolete.
- "The government is in favor of measures which will facilitate urbanization.
- "Extension of the powers of the self-governing states.
- "The involvement of black communities in decision making.

- "Freehold property rights for members of black communities and

- "A uniform identity document for all population groups."

President Botha reaffirmed the "government's commitment to equal provision of education for all population groups." "One of the most important steps" in the implementation of this process, the South African President stated, "was the establishment of a single education department for general policy for all communities." President Botha also called for "the equitable allocation of resources to the various communities in this reform process."

## Principles of constitutional reform

In the section of his speech devoted to "constitutional reforms," President Botha set forth the principles upon which his actions to abolish apartheid are based:

- "We accept one citizenship for all South Africans, implying equal treatment and opportunities.

- "We believe that human dignity, life, liberty, and property of all must be protected, regardless of color, race, creed or religion.

- "We believe in the sovereignty of the law as the basis for the protection of the fundamental rights of individuals as well as groups. We believe in the sanctity and indivisibility of law and the just application thereof.

- "We believe that a democratic system of government, which must accommodate all legitimate political aspirations of all South African communities, must be negotiated.

- "All South Africans must be placed in a position where they can participate in government through their elected representatives."

Concerning Southern Africa, he said: "We affirm our continued commitment to peaceful international coexistence through cooperation and negotiation. This applies to all nations, but particularly Southern Africa. In this regard, I wish to emphasize that there can be no peace and stability in our region as long as countries knowingly harbor terrorists who plan to execute acts of terror against a neighboring state."

On South West Africa, he said, "the Republic of South Africa remains prepared to implement resolution 435 provided agreement can be reached on Cuban withdrawal from Angola. Only then will the Republic of South Africa reduce its troops in terms of the agreed arrangements. In this area, lasting peace and freedom can only prevail if terrorism gives way to negotiation and constitutional development such as desired by the internal parties."

Lyndon H. LaRouche, Jr., candidate for the Democratic Party presidential nomination in the United States, welcomed President Botha's measures as "actions which I heartily endorse. They are consistent with what I have been advocating for approximately ten years."

# Colombia under renewed mob siege

by Valerie Rush

The leak of confidential minutes to an emergency Cabinet meeting called last Nov. 7 by Colombian President Betancur has fueled a renewed offensive by the dope mob to take that country from the top down, and as such represents a major breach of Colombia's national security. Presidential and congressional elections are both scheduled for the first half of this year, and a reemergence of the drug traffickers into positions of political power in that country will depend in large part on the discrediting of Betancur's anti-drug war and the silencing of nationalist elements both within and outside his government.

On Nov. 7 of last year, Colombia's Palace of Justice was seized by the narco-terrorist M-19, and the Supreme Court magistracy—among others—taken hostage. An emergency meeting of the presidential cabinet was convoked to determine strategy in the face of this criminal challenge to the Colombian state.

The minutes of that meeting, somehow acquired and made public by the dope-linked Radio Caracol, reveal that a number of cabinet members, prominently including Labor Minister Jorge Carrillo Rojas, demanded that the government stand firm against the narco-terrorists' blackmail. Carrillo, formerly a top trade union leader, is best known for his fierce opposition to the austerity policies of the International Monetary Fund, and for his advocacy of using drug repayment monies to finance large-scale development projects instead. Carrillo is cited in the minutes insisting that "any dialogue be with the Armed Forces, because the only message to be sent [the terrorists] is that of their surrender, and the only offer, that of respect for their lives and impartial trials."

With the unanimous backing of the cabinet, President Betancur resolved to send an offer with terms of surrender to the M-19 leadership, while rejecting any possibility of negotiating with the terrorists.

The publication of the minutes, which has triggered a storm of press commentary, has served to identify—and target—ministers like Carrillo for drug mob vengeance. At the same time, it has opened the way for the drug-tainted media to decry anew the specter of "militarization" of the country—at precisely the moment when the Colombian Armed Forces are engaged in bloody combat against a narco-

terrorist multinational army out to destabilize, and ultimately destroy, the Betancur government.

Exemplary is *El Espectador* columnist María Jimena Duzán, who accuses the cabinet hard-liners at that Nov. 7 meeting of resorting to a "militarist conception" for solving the Justice Palace siege. She sneers at "the Olympian manner" in which the ministers afterwards defended the handling of the Justice Palace siege as "protecting the institutions," noting that "if the institutions were saved, half of the members of the Supreme Court were sacrificed." Ignoring the fact that the magistrates were murdered by the M-19 narco-terrorists, Jimena Duzán concludes that the executive's "military criteria"—applied in numerous instances of public disorder—has now put at risk "the state of law in Colombia and the structures of political power."

The convergence of a heavily-armed, multinational brigade of rampaging narco-terrorists on Colombia's southeastern provinces during the past several weeks has forced a mass deployment of troops into that region, where they have found mass graves with the bullet-riddled corpses of guerrillas tried and executed by their own leaders for betraying "the cause." One can only wonder if Jimena Duzán and her liberal co-thinkers prefer the "democratic" criteria of the narco-terrorists.

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## Speech by Jorge Carrillo

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### 'Use coffee bonanza for great projects'

*Jorge Carrillo Rojas, Colombia's Minister of Labor and Social Security, gave the following speech at a testimonial dinner in his honor in Pasto (Province of Nariño) on Jan. 24. Nariño, bordering Ecuador, is a spectacularly beautiful region, which however has the most feudalistic social structure in the country.*

Since I took office as Minister of Labor, it has been one of my most ardent desires to visit Nariño, which I now see fulfilled. It is not just a question of paying tribute to this beautiful and generous province and its honest hard-working people. What is happening is that when I come to lands such as Nariño, where the geography has hardly been transformed by the hand of man, I become aware of the greatness of our people which does not faint despite the difficulties and the neglect to which it has been subjected for decades.

Things are improving of course, although not as speedily as the government of President Betancur would like. Nonetheless, the principal wealth, the population, and in particular



the unemployed, are there, waiting for an opportunity to make their contribution to the development of the nation. The advent of a new coffee bonanza necessarily means a unique chance to put to work a good portion of our workforce which at present has no jobs.

It is calculated that the increase in the world coffee prices, due to the fact that the latest Brazilian harvest was destroyed by frost, will bring in approximately \$1.6 billion more this year, and \$3-5 billion dollars more in the three to four years to come. If these funds are channeled into national development, the bonanza will have a permanent and positive effect, because it will serve to create capacities which the country does not presently have.

There are projects already studied by governmental agencies, ready to be implemented as soon as the financing exists; among them one can count projects for a total of approximately \$470 million, which were amply discussed in a forum on agro-industry and fishing last year in the city of Cali. There are many other already evaluated projects. With the coffee bonanza, we don't need to wait for foreign capital to arrive, in order to finance them.

Taking advantage of the coffee bonanza, problems can begin to be resolved that urgently require solution, such as that of producing food in a sufficient quantity so that every Colombian can have a balanced diet rich in proteins.

The national food problem consists of the fact that the great majority of our 29 million compatriots eat rice, potatoes, yucca, and bananas every day, while very few eat meat, milk, and eggs. Nationally, on the average, only one-fifth of the protein and 75% of the calories needed for good nutrition, are consumed.

The bad national diet is a reflection of poor agricultural production. We must create the conditions for our peasants to be turned into farmers. In no other way can we increase productivity in the countryside. To work in little tracts of land, by pick and shovel methods, without access to modern technology, degrades human beings to the condition of beasts who carry out a repetitive activity from generation to generation, without having access to adequate standards of living and culture for the human species. You, the people of Nariño, know very well this difficult situation.

### **Transforming the diet**

To establish what is necessary to do today in a correct program of agricultural production, we must start by estimating the quantity of milk, meat, and eggs which the population will need from now until the year 2000, to propose the great changes that must be realized in the countryside and in the related industrial base.

In the short term we must set up a livestock industry capable of producing four times as much meat, three times as much milk, and seven times as many eggs as are produced today. The key point to increase the production of animal protein is centered in rapidly increasing the cattle population

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*If we decide to defeat usury and impose the necessary unity between economics and morality, we could begin an era of real industrial growth and reaffirm our sovereignty in the face of the claims of international financial institutions.*

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and feeding it with a diet of high-grain content. We must double the number of head of cattle in the pasturelands and reduce the time of production of meat, since at present it takes up to three years to produce a piece of meat on the table of the consumer. This time can be halved if the cattle are confined in fattening barns and fed a balanced, high-grain-content diet.

The pro-hectare yields in cereals both for human and animal consumption, must be doubled between now and the year 2000, and the land under cultivation must increase to about 20 times as much as now.

A Colombian farmer in the year 2000 must develop the capacity to feed at least 11 citizens, instead of the two poorly fed ones of today. We must set as a goal that with the same economically active population working in agriculture as at present, the production and productivity shall be raised to the estimated levels. One million new jobs would be created in infrastructure building, provision of services in technical inputs, transport, warehousing, and meat processing, as well as research and development activities for new agricultural technologies.

To have an idea of the tremendous impact of the creation of new jobs in new industries, think about what it would mean to have to double the number of tractors in the fields and quintuple the production and supplying of fertilizers.

If we decide to defeat usury and impose the necessary unity between economics and morality, as was indicated by Cardinal Josef Ratzinger, prefect of the Congregation of the Doctrine of the Faith, and ratified by the recent Synod in Rome, we could begin an era of real industrial growth and reaffirm our sovereignty in the face of the claims of certain international financial institutions which only suggest to us adjustments and cutbacks, and never back us in our great projects for growth. As I said on other occasions, only a grand alliance for production between industrialists, farmers, and urban and rural workers, can implement the task of turning Colombia into an agricultural and industrial power. The important thing is that we are already taking steps in that direction.

Long live the people of Nariño!

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# Soviets in landmark military exercises

by Konstantin George

January 28, Washington: The originally scheduled date for President Reagan's State of the Union Address, and, symbolically, the date inaugurating the new Gramm-Rudman era of massive cuts in the U.S. defense budget and U.S. military capabilities.

January 28, Moscow: The Soviet News Agency TASS announces, in three dispatches, three large-scale military maneuvers, two Soviet and one Warsaw Pact, to take place before the Feb. 25 beginning of the 27th Party Congress.

The contrast between the two superpowers' development of warfighting capabilities could not be greater.

Regarding the European theater, TASS announced that major Warsaw Pact military exercises would begin in the following days in western Hungary, near the Austrian border, involving Soviet ground combat and staff units, plus combat aircraft and helicopters from the Central Group of Soviet Forces in Czechoslovakia, and the Southern Group of Soviet Forces in Hungary. The Russian forces will be joined by Czech and Hungarian ground and air force units, including reservist ground units, specially called up to take part in the exercises.

## Largest Baltic exercises in five years

Then came the next TASS announcement: that the largest combined land, sea, and air exercises in the Baltic region in five years would be held in mid-February—right before the Party Congress. TASS reported that "more than 50,000 troops" will take part, including ground forces and air force units drawn from the Baltic Military District and military districts of the western U. S. S. R., along with units of the Baltic Fleet.

Behind the terse TASS wording stands a military shock of major proportions. What will take place in the Baltic will be a landmark exercise, comparable to the famous *Zapad-81* (West-81) military exercises of Sept. 4-12, 1981. These were the largest maneuvers ever held in the Baltic. Then, for the first time in history, every element of Soviet ground, sea-borne, and airborne invasion capability were brought together in one, coordinated exercise. *Zapad-81* was also the first time Marine Infantry amphibious assault forces, an entire airborne division, the elite 103rd Guards Airborne Division based in Byelorussia (one of whose regiments had participated in the 1979 invasion of Afghanistan), ground forces, and air and naval units, all operated together in a coordinated manner. Tested was a major component of a surprise attack in the European theater—Baltic amphibious and airborne

invasion against West Germany, Denmark, and Sweden.

The 1981 exercises also marked the operational debut of Russia's largest amphibious landing ship, the 13,000-ton *Ivan Rogov*, which can carry a battalion of Marine Infantry with armored vehicles and equipment.

Since then, Russian Baltic amphibious landing capability has been even further upgraded through the addition of numerous modern high-speed hovercraft. Also, regarding the two airborne divisions which could theoretically participate—the 7th Guards Airborne Division at Kaunas, Lithuania, and the 103rd Guards Airborne Division in Byelorussia—all of their troops, following the rule that every Soviet airborne soldier is rotated through Afghanistan, are now combat veterans.

The third maneuver announced by TASS will take place in "the second half of February" in the Soviet republics of Georgia and Azerbaijan, near the border with Turkey and Iran. The maneuvers involve "more than 25,000" army and air force troops from the Trans-Caucasian Military District. While February maneuvers in the Trans-Caucasian Military District are an annual event, there is no reason for complacency. One should not forget that any Soviet decision to fly airborne units into South Yemen, for example, would mean airborne units from Trans-Caucasia.

There is more. Recently, Moscow has quietly made a significant move regarding its forces assigned to the Wartime High Command, Strategic Direction Southwest (headquarters Kiev), that augurs a crisis-ridden future for Turkey, the Balkans, and Middle East.

## 'Lion of Afghanistan' arrives in Odessa

In early January, *Krasnaya Zvezda* confirmed that Gen. Boris Pyankov, a veteran of years of combat command in Afghanistan, and, according to sources, nicknamed the "Lion of Afghanistan" in the Russian army, has been named First Deputy Commander of the Odessa Military District. Pyankov has been the commander of the 3rd Shock Army, headquartered at Magdeburg, one of the five Soviet Armies in East Germany. The 3rd Shock Army, an all-armored army of four tank divisions, is the most powerful of the Soviet armies in East Germany, and forms the invasion spearhead for any surprise attack into West Germany.

Pyankov was sent to East Germany from Afghanistan, as part of a program in which Russia's best young combat generals, all advocates of the high-speed offensive surprise attack doctrine dating from articles they wrote beginning in 1977, were moved into East Germany to oversee the transformation of the Soviet armies to war-readiness status. Pyankov's arrival confirms that Soviet forces stationed in the Odessa Military District will be upgraded to the same level of war-readiness now existing in East Germany.

The wartime mission of the forces based in the Odessa Military District was shown in the March 1984, *Soyuz-84* Soviet-Bulgarian military exercises, a rehearsal of a seizure of the Bosphorus and the Dardanelles.

# New book proposes Nordic defense pact

by William Jones

A book recently published in Norway, *Det Blaser i grenseland*, (*The Storm Brewing Next Door*), in shedding light on the political and military situation in Scandinavia right before and during World War II—the period of the Finnish Winter War—exposes some nasty aspects of the much-lauded policy of neutrality. The book was written by a Norwegian member of parliament (now in office), Ingvald Godal, with much preparatory archive work having been done in Oslo and Helsinki. The book, although not yet translated into Swedish, was obviously written with a Swedish public in mind.

The thesis of the book is that the entire political geography of the “northern flank,” in particular, the special relationship between the Soviet Union and Finland, was the result of the political balance of forces stemming from decisions made during World War II, and more specifically, decisions made in Stockholm by the Social Democratic government of Per Albin Hansson.

The political situation in 1939 found Finland a free and independent nation, thanks to the victory of Finnish military forces during the Finnish War of Independence, in which the Finns, under the legendary Marshal Mannerheim, succeeded in putting down a Soviet backed communist uprising.

In 1939, Stalin tried to blackmail the Finns into transferring a large chunk of Finnish territory around the Karelian Isthmus. When the Finns resisted this blackmail, Stalin prepared to move on Finland militarily.

The situation for Stalin was ideal. The signing of the Hitler-Stalin Pact gave him the necessary security to devote as many of his forces as he wanted to crush Finland. The goal was not merely to annex the Karelian Isthmus, but to impose a communist dictatorship on Finland under his lackey, Otto Kuusinen (the future mentor of Yuri Andropov).

An unequal battle ensued. Stalin devoted a significant number of his military forces to the Finnish invasion. All in all, 500,000 Russian soldiers were pitted against 175,000 Finnish troops. Furthermore, the Russians could throw in over 1,000 tanks and 800 planes. The Finns had, initially, neither planes nor tanks. Godal compares this with the German invasion of Norway, in which Hitler sent 11,000 troops against the Norwegian force of 100,000 men. The Norwegi-

ans, however, were totally unprepared. The Finns were not.

During the course of the Winter War (prior to Hitler's attack on the Soviet Union), the Finns sought assistance in their unequal fight. The most obvious candidates to help them were their neighbors to the West, Sweden and Norway. Sweden had a common border in the north with Finland, and only the easily navigable Gulf of Bothnia separated the long sea borders of these two countries. Sweden in 1939 was neutral, a situation which had existed for about 100 years. The Finnish dilemma, however, awakened warm feelings among the Swedes, many of whom had personal and family ties to Finland. (Finland was historically a part of Sweden for several centuries, until it was given to Russia by the Congress of Vienna in 1815.)

## Swedes turn a deaf ear

The Social Democratic government of Per Albin Hansson remained deaf to the pleas of the Finnish envoys. It preferred to let Finland bear the burden and hardships of war, and perhaps the loss of its hard-won independence, rather than risk the security of a comfortable neutrality (and the freedom to deal with both sides) during a possible European conflict. In spite of strong opinion in Sweden favoring intervention on the side of Finland, as well as the promotion of such a policy by Swedish foreign minister, Rickard Sandler, Prime Minister Hansson consistently refused to come to the aid of Finland. Not only that, but when the Finnish representative, Vaino Tanner, mooted the possibility of receiving possible British and French military assistance through Swedish or Norwegian territory, Hansson declared that Sweden would use military force to thwart any military assistance to Finland to transit through Swedish territory!

In the face of Swedish (and Norwegian) refusal to come to their assistance, Finland was forced to fight alone. And fight they did! Not since the illustrious period of the great Gustavus Adolphus, have Scandinavian military forces accomplished so much with so little means.

Under the brilliant direction of the somewhat aging Mannerheim, the Finnish forces achieved their first victories in the Lake Ladoga area. The dark forebodings of the first weeks

gave way to a hope of victory. The moral strength they received from knowing that they were fighting for their very existence and the existence of their newly independent nation combined with knowledge and agility in utilizing the harsh Finnish winter to stop the Russian in his tracks. The Russian soldiers, pulled from every part of the sprawling Russian empire, were not accustomed to fighting in such an environment.

Small Finnish patrols dressed in snow-white uniforms and traveling with lightning speed on skis, would harass the Russian lines, moving on them by surprise and spraying them with fire from their automatic rifles. The "white death," as the Russians called these patrols, would hit with incredible speed and disappear just as quickly in the desert of white snow.

But it is not simply to relate this tale of unquestionable valor that motivated Godal to write his book, but rather to draw some conclusions from this historical record for the present strategic situation in the "northern flank."

The refusal of their Scandinavian neighbors to come to

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*Would it not be possible for Sweden to sign a mutual defense pact with its neighbor Norway, where each country commits itself to use military force to ward off a possible aggressor attempting to use its territory for an attack on the other? A bold proposal, and well worth discussing.*

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their assistance to a large extent forced the Finns into an alliance with Hitler, at the point that Hitler invaded Russia. Godal raises the question as to whether the Germans would have ever invaded Norway had there developed a military alliance between Sweden and Finland, making a military move in Scandinavia a somewhat riskier venture. The demonstrated assurance that Sweden would not risk its neutrality for the sake of a neighboring country put all the cards in Hitler's hands.

### **Finland's dilemma**

Sweden's refusal to help Finland in its dire need also created the psychosis for Finns that in any eventual conflict, they would remain alone. Therefore, they have bent over backward in order to reach any agreements with the Soviet Union which would allow them to avoid such a conflict. In the immediate postwar period, the Soviets had again tried to manipulate the political situation to impose a Soviet-con-

trolled puppet government—a move which was decisively defeated. The cost, however, has been the successive sacrifice of national sovereignty in many vital areas, not least in the area of foreign policy, in order to maintain a modicum of independence.

Increased collaboration with the Soviet Union in the economic arena is, however, tightening the bands which might irrevocably tie the fate of Finland to that of the Soviet Union. Whether this process has become irreversible at this point remains to be seen. It is clear, however, that only the actions of forces outside of Finland would offer any solution to that problem.

One thing is certain. The maintenance of the Swedish neutrality which so devastatingly affected the balance of forces in the "northern flank" to the advantage of the Soviet Union would, under present conditions not even offer the modicum of "security" which Sweden so hypocritically enjoyed during World War II. In drawing conclusions for the present situation, Godal assists, quite correctly, that—then as now—the fate of the Scandinavian peninsula is dependent on decisions taken in Stockholm. To retain a stance of neutrality, especially under the treacherous hand of an Olof Palme, would only assure the Soviets that they would at least receive the same kind of guarantees that the Germans received during World War II. The recent submarine affairs should make it clear to even the most naïve that the Soviets have no respect for any declaration of neutrality when it is a question of their strategic interests.

### **A mutual defense pact?**

One obvious possibility for strengthening the situation in the northern flank would be for Sweden to join NATO, as was mooted (and rejected) during the immediate postwar period. Godal presents another, and quite interesting, proposal. Would it not be possible for Sweden to sign a mutual defense pact with its neighbor Norway, where each country commits itself to use military force to ward off a possible aggressor attempting to use its territory for an attack on the other?

This would be comparable to the treaty of friendship, cooperation, and mutual assistance signed between the neutral Finland and the Soviet Union. Such a treaty would tend to circumvent the formal objections which would undoubtedly be raised if Sweden joined NATO. At the same time, there should be no difficulty for Norway, as a member of NATO, to also have other commitments which would not jeopardize its NATO commitments. Godal goes a step further in posing the question as to whether such an agreement could then be extended to Finland to secure mutual defense against a potential aggressor.

A bold proposal—with interesting implications, and therefore well worth a discussion. One thing is certain. The continued Finlandization of Sweden, under the guise of "neutrality," can only bode ill—for all the countries in the northern flank, and for the entire Western world.

## Natta-Gorbachov pact against SDI

*Along the trail of the Communist Party leader's pilgrimage to Moscow, one spots the footprints of the Israeli Mossad.*

**O**n Jan. 27-28, Italian Communist Party (PCI) secretary-general Alessandro Natta met in Moscow with Soviet leader Mikhail Gorbachov. It was the first official visit by a PCI head since Leonid Brezhnev and Enrico Berlinguer, now both deceased, met in September 1979. Since then, relations between the Italian party and the Moscow "mother" have been limited to "funeral diplomacy": Berlinguer or his successor Natta trekked to Moscow for the rites of three Soviet party heads; Gorbachov came to Rome for Berlinguer's funeral in June 1984.

The timing of Natta's pilgrimage is suggestive, as it coincides with the Italian Communists' throwing of an apparent political "life-line" to Premier Bettino Craxi.

The major media are talking up a new perspective in Italian politics: the so-called "programmatic government," a proposal of Italian Communist Party chief Alessandro Natta. According to the Italian weekly *Panorama*, Premier Craxi might consider the "programmatic government" to get the support of the Communist Party for his government. In such an arrangement, the Communist Party, by direct or indirect involvement, would control the policies of the Italian state.

*Panorama* says that Premier Craxi, head of the small Socialist Party, might resort to allying with the Communists, because the leader of the Christian Democracy, Italy's largest party, wants to topple him and get a Christian Democrat back in as premier. In itself,

*Panorama's* script seems unlikely, since Craxi strongly backs the U.S. Strategic Defense Initiative, and the Italian Communists have just signed a pact against the SDI with the Soviets.

In Moscow, Natta and his comrades, including veteran Secretariat member and PCI "foreign minister" Gian Carlo Pajetta, held two four-hour meetings with Gorbachov. The meetings led to closer ties between the two parties following a period of apparent conflict—although in reality, the Italian party was always on the Soviet side on the major political issues such as disarmament, pacifism, anti-SDI propaganda, and neutralism.

At the dinner concluding the two-day visit, Gorbachov honed in on the SDI, blustering, "We are not afraid of being behind in the space race if it is imposed upon us," but, "The Soviet Union is, as a matter of principle, irreconcilably opposed to the 'Star Wars' project and not because it is an American project. . . . Any 'space shield' is easy to transform into a space sword, and whoever has it in his hand could not resist the temptation to use it."

Gorbachov added: "The democratic and leftist forces, including the Communists, should act in the struggle against the threat of war in a more concerted way. . . . We have to seek a common political denominator for mutual actions and cooperation on the cardinal problem of the present period. . . . That refers . . . in general to the democratic anti-missile move-

ment, to all the peace-loving forces."

In their final communiqué, Natta and Gorbachov called for the "need for all possible forces to be utilized by everyone to reject the arms race, to stop the militarization of space." It appears they also agreed on a certain Mediterranean outlook.

In its coverage of the Natta trip, Italy's *Corriere della Sera* reported on Jan. 29: "The U.S.S.R., interested in reestablishing dialogue with Israel, relaunched the proposal of an international conference which takes into account the rights of the Palestinian people and the guarantees of existence of the Jewish state. [PCI Secretariat member] Pajetta thought a statement by Gorbachov was significant in this context: 'We are among those who founded Israel,' as if to say that the question had never been put in doubt by Moscow."

This suggests another angle on the PCI trip—Italy's potential role in the ongoing deal between the Israeli Mossad and the Soviet KGB, to turn the Mediterranean into a Russian lake. On Jan. 30, the day after Natta's delegation got back from Moscow, the Italian politician reputed closest to the Mossad, Republican Party secretary Giovanni Spadolini, was quoted in the daily *Il Giornale* after his return from the World Jewish Congress in Jerusalem.

In his Jerusalem speech, ex-premier Spadolini revived "the invitation to an act of farsightedness and generosity on Israel's part, as well as the appeal to the Soviet Union to resume the flow of emigration of Soviet Jews into Israel, in the context reestablishing diplomatic relations between Moscow and the Jewish state, following the logic of the immediate postwar years, when the U.S.S.R. was the first to recognize Ben Gurion and Golda Meir's state."

## Danish role in NATO at stake

*Is Denmark about to become neutral—or is its Social Democratic Party on the verge of splitting over the issue?*

The spectacular rejection of the European Economic Community's reform package by a majority of the Danish Parliament has created an unusually tense political situation in the country, and many fear that this will be the first concrete step in pulling Denmark out of the Western alliance. But the outcome of the public referendum, which will occur on Feb. 27, could also mean another thing: the final end of the Danish Social Democratic Party.

It came as no surprise, that the three small socialist parties in the parliament voted against the EEC reform package. Neither was it any surprise that the small Liberal Party, the Radikale Venstre, followed its traditional anti-EEC inclination and rejected the reform. But it was certainly a surprise that the anti-NATO left wing of the Social Democratic Party was allowed to determine the party policy on this issue. It should be remembered, that it was the Social Democratic Party which pulled Denmark into the European Economic Community in 1971, and even though the party has taken a dramatic turn to the left in its defense and security policies since the Social Democrats handed over governmental power to the Conservative Party in 1982, it still maintained its pro-EEC attitude.

By rejecting the EEC reform package the Danish Social Democratic party has sided with the communist controlled "Popular Movement against the EEC" which has attempted to present the new reform as an "European Union" or a "Neuropa." But a closer

look at the new reform reveals a striking resemblance to exactly those types of changes in the EEC bureaucracy, which the Danish Social Democrats have demanded for years!

The reform package includes the following main points: 1) reduction of the technical trade barriers among the member nations, 2) cooperation on environmental issues as a part of the EEC treaty, 3) cooperation in research and technology, 4) Treaty on Foreign Policy (based on the declarations from Luxembourg 1970, Copenhagen 1973, and London 1981), 5) fusion of European Economic Community (EEC) and the European Policy Cooperation (EPC) and 6) increased consulting influence of the European Parliament.

It is only the last point, the increased consulting influence of the European Parliament, which the Social Democrats give as the reason why they cannot support the package. They will never accept increased power to the parliament, they say, since this will remove national sovereignty.

Yet a closer look at the reform package shows, that the parliament will get no increased power at all. And the Social Democrats know this, so why are they deliberately forcing this crisis?

In the parliamentary debate on Jan. 21, the head of the conservative Centrum Democratic Party, Erhard Jacobsen, formulated it this way: "The public referendum is not only a question of a 'yes' or 'no' to the EEC reform package. It is not even a question of 'yes' and 'no' to the EEC. But it is a question of the future of Denmark in

all of Western Europe. I have no doubt that a 'no' to the EEC reform package would be a signal to our friends in the EEC and in NATO that we are about to go our own way in the question of international cooperation. In reality a 'no' would be a signal to our allies, that Denmark is about to become neutral."

Mr. Jacobsen said exactly what many fear to be the real reason behind the Social Democratic rejection of the EEC reform package. The anti-NATO left wing of the Social Democratic Party hopes to provoke a government crisis resulting in an early election, which could bring the Social Democrats back to power. A coalition government consisting of the Social Democrats and the rabid anti-NATO Socialist Popular Party would pull Denmark out of NATO instantly.

With the Northern Flank already crippled by the pro-Soviet policies of Sweden's Olof Palme government, a Danish pull-out would imperil the entire Western alliance.

However, this scenario might never come true at all. One member of the party, Robert Pedersen, voted for the package on Jan. 21, and several prominent Social Democrats have already announced that they intend to rally support for the reform package before the public referendum on Feb. 27.

This split in the party is linked to a rapidly growing dissatisfaction with the party leadership coming from the powerful Social Democratic-controlled labor unions. An open war between central union leadership and the infamous Ritt Bjerregaard, the former health minister who tried to legalize euthanasia in Denmark, has broken out. It is not at all unlikely that the final outcome of this power struggle will be a split of the Social Democratic Party. The public referendum on Feb. 27 could precipitate this.



## A grim future for German housing

*Neue Heimat collapse leads to massive deregulation in construction branch.*

**T**he largest producer of private homes and social housing in the Federal Republic of Germany, Neue Heimat, is facing Chapter 11 bankruptcy. The firm, which has built 500,000 units in the social housing sector since 1945, has an accumulated debt burden of \$7 billion (17-18 billion deutschmarks), with old debt service of \$700 million still to pay in addition.

Neue Heimat was run down by three main factors: the collapse of homebuilding in Germany since 1979, criminal mismanagement, and the policy of fiscal austerity in public budgets. The drastic rise of interest after late 1979 strangled construction credit, and also the federal and state budgets for social housing—the main source of credit for Neue Heimat. The original policy of Neue Heimat, a non-profit complex owned by the organized labor movement, was to build homes for low-income families.

Most of the homes Neue Heimat built were subsidized by the federal and the state governments and municipalities, which kept initial rents cheap. It was expected that in the course of the 1960s and 1970s, living standards would rise and enable the families to buy the homes they lived in. The sale of the first generation of homes would cover part of the costs for building the second and third generation of homes. The rest would be funded by the labor movement and public budgets, with financial help from the private banks.

The first dramatic economic recession of 1966-67 put an abrupt end to

these plans. To make money, Neue Heimat went into risky real estate speculation, and began to shift its construction activities to the boom centers outside of Germany. Huge hotel complexes, whole suburbs, recreation centers, and other gigantic projects were built throughout the world, with a growing trend toward short-term borrowing. This was the period when the management of Neue Heimat resorted more and more to dirty business practices—which worked as long as the credit line was there.

The post-1979 economic recession and the government's shift to drastic fiscal austerity put an end to this period. Neither could Neue Heimat's plans to sell homes be realized, nor was cheap, short-term credit available any longer. Declining living standards of low-income households in Germany created an ever-growing need for public budget subsidizing of the rents in the social housing sector. Under the dictate of fiscal austerity, public orders for new social housing were cut drastically, rendering the Neue Heimat construction apparatus obsolete.

By early 1982, the Neue Heimat bubble collapsed. The impossibility of refinancing the old debts and the new short-term debts of Neue Heimat made the illegal practices and corruption of the concern's management public. The president, Albert Vietor, had ridden Neue Heimat into a financial hole of several billion dollars and impending bankruptcy by spring 1982. Vietor was

fired, but a full probe of the affair was prevented by a joint effort of the creditor banks, the labor unions, and the governments. The German Federation of Labor (DGB) pumped \$700 million into the Neue Heimat, a new management was installed, and an emergency scheme for debt rescheduling until the end of 1986 was imposed.

The crisis-management policy was to "get rid of the unprofitable sectors," which meant to start mass sales of homes, to refinance the old debts and pay the debt service. Real estate owned by Neue Heimat was kept as collateral for the banks. With no economic recovery, but deepening recession, the number of potential purchasers of homes declined, however, and predictably, only 60,000 of the originally planned 100,000 homes were sold.

As a matter of fact, many of those 60,000 were sold to sub-companies of the labor unions, with the aim of keeping the main burden on the union members, from whose dues this transaction was paid. This sales policy led straight into the current collapse: It is obvious that on the basis of these sales, Neue Heimat will not be able to pay the debts due by the end of 1986. A new crisis-management team has been installed, to go for crash sales of the remaining 300,000 homes in Neue Heimat's possession, plus other properties. The head of the new team is Andreas Meyer-Preschany, formerly of Dresdner Bank, who "cured" the bankrupt AEG Corporation by firing 60,000 of that company's 120,000 workers between 1982 and 1985.

The intended "cure" of this \$7 billion debt problem called Neue Heimat will inevitably lead to a general price deregulation, and depreciate the speculative bubble in real estate. This operation will also put a brutal end to 40 years of social housing in postwar Germany, with all the rents going up.

## **The Vichyous M. Raymond Barre**

*Why does he echo Marshal Pétain, and not end up with a rope around his neck?*

**N**ot surprisingly, among the most insidious of the political interventions made during France's current legislative-election combats have those been made by Raymond Barre, who owes his loyalties not to the Republic of France, but to the international insurance cartels.

In mid-December, Barre stunned Frenchmen by declaring, during a meeting in the south-central city of Lyon, "Yes to work, yes to family, yes to country" ("Oui au travail, oui à la famille, oui à la patrie"). He then added, "but in a Free France, because only free men would want this."

Asked on French television, approximately one month later, whether or not he had actually meant to say these words, Barre responded that, indeed, he stuck by his words.

Outside France, these words may not seem particularly controversial. Inside France, however, the phrase, "Yes to work, yes to family, yes to country," is known to everybody. It was the pet slogan of Marshal Philippe Pétain, the man who headed the Hitler-collaborator Vichy regime of the 1940s.

And, Barre received praise, soon after making his statement, from an association of "Friends of Marshal Pétain," who seek to restore the collaborator's reputation today.

But Barre is clever. The second part of Barre's Lyon declaration, that about a "Free France," is borrowed from Charles de Gaulle, Pétain's implacable foe! Barre, in this statement

and in his campaign generally, is trying to portray himself as the continuity of both traditions, Vichy and Gaullist France—something like an American President claiming the legacy of both George Washington and Benedict Arnold.

Barre, in no sense, is a French politician. Closer to reality, he might be called a Swiss-French politician, controlled out of Venice, and useful to Moscow. A bit confusing, but true.

Raymond Barre is the leading political representative in France of "The Trust," that East-West "business" agency developed in the past decades to build up Soviet imperial might. He is the most enthusiastic member within France of David Rockefeller's Trilateral Commission, which has been exposed, in various French journalistic exposés, as an arm of what we call "The Trust." He is honorary president of The Geneva Association, also known as The Association of Insurance Company Economists, whose head, Orio Giarini, is the chief economist of the Club of Rome, the insurance companies' Malthusian think-tank. To complete the circle, there is a strong overlap of French insurance executives and French members of the Trilateral Commission, such as Bernard Pagezy, a member of The Geneva Association's administrative council, and head of the *Groupe de Paris* insurance group.

As a representative of "outside" forces, Barre is not using the present moment to win legislative votes. His

followers, in the March Chamber of Deputies elections, are expected to gain no more than 25-30% of the vote total of the Union pour la Démocratie Française (UDF) party, the opposition party in which most "Barristes" are placed. Barre has showed his contempt for the current legislative process, by declaring, in mid-January, that he had no intention of supporting a new government, after March, run by RPR (Gaullist Party) head Jacques Chirac, should one be formed.

Barre's key aim is to run for President in later presidential elections; he has been lobbying to have presidential elections earlier than the anticipated 1988 date.

Barre's corollary aim, is to use his campaigns, to effect certain political and "paradigm" shifts in French politics. With his above-cited statement, he intends to confuse France's younger generation of voters, for whom the Vichy period is not a memory. He is hoping to blur, and confuse, the tradition of Gaullism, to eradicate a living notion of Charles de Gaulle in the French population.

Barre is running on a platform of "denationalizing" the French insurance industry, which was nationalized right after the war in 1945. He sees this as a step toward total removing the state from France's economy.

Ultimately, by mixing the famous statements of arch-collaborator and appeaser Pétain with those of de Gaulle, Barre's message is that he, Raymond Barre, is offering himself to the French people, and to the Russians, as the head of France's *next collaborator government*, this time, with France as a satrap to the Russian Empire. It would be sold, this time, through the brainwashing of mock-Gaullist verbiage, to make it seem palatable to the French population, but, in reality, it would be just as Vichyous as before, if not worse.

## A new boost to fundamentalism?

*An Islamic irrationalist assembly heard some ominous statements from its leaders.*

A small report on Jan. 20 from the port of city of Calicut in India's south-eastern Kerala state, may reflect the opening shots in a new fundamentalist upsurge in India. The daily *Hindu* of Madras reported on a just-concluded three-day convention of the Students' Islamic Movement of India (SIMI), whose adopted slogan was "Liberation of India through Islam" as the "panacea" for deliverance of the "repressed" among the Indian population.

SIMI's resolution claimed that India continues to be enslaved by Western culture and ideologies, while the upper class is exploiting the masses under an "umbrella of trade-union capitalism and bureaucratic feudalism." The SIMI called on all to transcend communal barriers and seek individual salvation and social welfare through Islam.

The highlight of the convention was a public meeting on the final day addressed by the Imam of Delhi, Abdulla Bukhari. Bukhari claimed that the Indian Supreme Court's ruling on the application of a marital law to Muslims and other matters, was irrelevant to Muslims, and that Shariat (Holy Law) is the Muslims' only supreme court.

Bukhari is a Mullah with close links to the fundamentalist Iranian regime of Ayatollah Khomeini. He has apparently not hesitated to propitiate these links, in defiance of his own government.

According to reports, Bukhari took a delegation of Indian Haj pilgrims to

Saudi Arabia this fall, to rendezvous with Iranian leaders, and also participated in the Ayatollah's demonstrations against the Saudi Royal House in Mecca. The demonstrations were aimed at inciting the pilgrims to disrupt the Haj, and had been banned by the Saudi authorities, and condemned by the Indian ambassador there.

Bukhari's decision to pick Calicut as the venue for SIMI is significant, since coastal Kerala has a large population of Muslims, many of whom had found greener pastures in the Gulf areas, where they were involved in the hectic construction activities succeeding the oil boom.

India's official relations with Iran are tentative. A promising economic relationship begun under the Shah was junked by the Ayatollah, and the damage is only now being painstakingly repaired. Prime Minister Gandhi's efforts to help bring an end to the Iran-Iraq war have led nowhere.

At the same time, the Iranian parliament is a regular arena for tirades against the Indian government, denouncing the government in general and the prime minister in particular for "oppression of the Muslims." Unconfirmed reports indicate that the Iranian regime has also cultivated ties with the Sikh separatists.

But it is not just his dubious foreign ties that make Imam Bukhari's participation in the SIMI convention significant. The Imam is a powerful figure in India in his own right: As head of the Jama Masjid, one of the largest mosques in Asia, he is the re-

ligious kingpin of India's 75-million-member Muslim minority.

Bukhari is an intensely political person, who uses his command over the huge Muslim voting bloc to earn many privileges. Prior to the general election, he was courted by all major political parties for public support. His baptism of an Islamic "liberation" campaign among Muslim youth reflects not only his own penchant for the communalist game, but something of the way the wind is generally blowing.

Not surprisingly, Bukhari seized on a recent Supreme Court issue, the case of a 73-year-old woman divorcee, Shah Bano. There have been previous awards of alimony or maintenance under various provisions of the Indian legal code, but what has stirred the hornet's nest this time is that the judgment exhorted the government to enact a uniform personal law throughout the country, as promised in the Constitution.

A uniform civil code for the different religious faiths in India was one of the thorny issues the republic had to face in its infancy, and after fierce debate the Constitutional Assembly produced Article 44, a compromise in which "the State shall endeavor to secure" a uniform code—but not draft and enforce one. It has been a bugbear to the Muslim religious leadership ever since.

In contrast with a deliberate communal provocation that surfaced in Calcutta last spring, when the suit of a nonexistent individual to ban the Koran in India was entertained at a high court level, the Shah Bano case raises fundamental issues, both internal to Islam and with regard to the requirements of a secular republic, that will ultimately have to be resolved. The worry here now, though, is that the fundamentalists may already have the upper hand.

### Borrowing just to eat

*Just when the central bank cancels all loans for investment, it is proposed that workers borrow to buy food!*

After four years of rule, in effect, by the International Monetary Fund, and constantly refurbished IMF prescriptions for the Mexican economy, Mexico is heading into a situation of "Fourth World" poverty and starvation. The actual outlook belies the illusions which many gullible businessmen accepted, when Mexico was strong-armed in December into joining GATT (General Agreement on Tariffs and Trade), an IMF-linked supranational entity, and told that the economy would revive from its death throes, supposedly because productivity would become more efficient and the "competitiveness of our products in the international market" would be stimulated.

The central bank, headed by a well-known follower of Milton Friedman, Gabriel Mancera, decided in December that "we must once again reverse the inflationary process, by eliminating the excessive liquidity of the last few months." Therefore, together with the Mexican Banking Association, the central bank decided "not to increase in December its portfolio of loans and stocks above the level reached on Oct. 31." In other words, loans to investors (which only a handful of businessmen have dared to apply for in this period) will be canceled, and according to financial sources, will be kept to a minimum, at least until the end of the first quarter of 1986.

This credit tightening in reality has been operating since 1985; according to the Bank of Mexico, the trends in credit during this year went down by

18.5% from the levels of 1984—from 1.84 billion pesos to 1.5 billion pesos—while in real terms, the drop was by 82.3%.

The shock of the latest decision was so great that some businessmen, who do not wish to be publicly named, have stated that this decision will force them to close plants or cut back the number of employees.

This dramatic reality is even more heart-rending in Mexican agriculture. The National Bank of Mexico recently published a study on the actual spending by the secretary of agriculture and water resources, where he suggests that the official budget earmarked for the agricultural area this year will be lower than that of the last 13 years; that is, it is the lowest budget authorized since 1973.

In real terms, 5 billion pesos would be destined for the countryside, at 1973 prices, which means the lowest contribution of the federal government to the agricultural sector. Prior to 1981, when the agriculture budget peaked, it had steadily risen since 1973. Now this budget is going downhill, to such an extent that in 1982 it was barely 17 billion pesos; in 1983 it was 10.9 billion pesos; in 1984 it fell to 10 billion, and for 1985 was only 7 billion pesos. In other words, from 1981 to the present, real spending fell by 75%.

As far as beef is concerned, it is predicted that because of the crisis there will be a reduction of between 700,000 and 900,000 tons of food imports. And industrial growth in the food-processing sector is calculated for

1985 to be less than 1.1%.

Clearly, the outlook is not uncertain—it is downright terrifying. Not only will there be no credit to produce raw materials (we have not even mentioned manufactured products), but there will be no food—purely as a result of a decision of the budget secretary, the treasury secretary, and the Bank of Mexico.

In the midst of all this, as an alleged relief measure for the working class, the National Fund for Workers Consumption (Fonacot) announced that it will extend loans to workers so they can buy basic consumer goods, i.e., food. Fonacot was originally set up as a credit institution for funding infrastructure; but given the dramatic drop in food consumption capacity, it has now proposed the granting of loans of between 10,000 and 70,000 pesos, payable in six months, to buy rice, beans, milk, sugar, and other staples.

The leadership of the working class is, understandably, outraged. The senator who speaks for the Mexican Confederation of Labor (CTM), Filiberto Viguera Lázaro declared that this is unconstitutional, since the Mexican Constitution establishes that the minimum wage must be able to cover such necessities. "Everything has a limit, and we workers are reaching ours," stated Sen. Viguera Lázaro, who is a member of the ruling PRI party.

What the senator forgot to say is that the purchase of staples may not be able to be resolved in the medium term, even with loans. This will put Mexico in a situation like that of Weimar Germany in the 1920s, the period immediately before Adolf Hitler came to power in 1933—when he was imposed on that country by the same oligarchical interests that today decide on the extermination of entire populations.

## Solarz meets the Khmer resistance

*A flurry of visits by U.S. dignitaries to Thailand and Vietnam in January intersects a bitter factional battle within Kampuchean anti-communist resistance groups.*

Congressman Stephen Solarz (D-N.Y.), chairman of the House Subcommittee on Asian and Pacific Affairs, arrived in Bangkok on Jan. 3 for meetings with the two rival factions of the Khmer resistance group KPNLF. Solarz is the sponsor of a \$5 million aid package, to be allocated to the competing factions of Son Sann and Prince Norodom Sihanouk. At stake in the quarrel among the Khmer leaders is, among other things, how the Solarz money is to be spent—and by whom.

It seems that for Solarz, U.S. aid has become an instrument to sow political divisions among the ASEAN nations of Southeast Asia. Solarz is currently working to cut U.S. aid to the Philippines.

Prior to the arrival of Solarz in Bangkok, the factional debate within the KPNLF broke out into the open. Dr. Abdul Gaffar Peang Meth and Hing Khunton, both former members of the executive committee of the KPNLF, temporarily split from the movement at the end of 1985 to form a Provisional Central Committee for Salvation, challenging the leadership of the American-backed Son Sann. The dissident group was joined by Gen. Dien Del, commander-in-chief and chief of staff of the KPNLF Army.

The "Salvation" group claimed that Son Sann had blocked plans to create a joint military council with the Sihanoukists. Son Sann was also blamed for the military setbacks of last year. For Son Sann, however, the dissidents were guilty of "insubordination and indiscipline," and, according to

KPNLF sources, are spending too much time at Bangkok's night-spots and not enough with the troops on the border.

Other observers say that the quarrel was also over how to distribute the \$5 million aid package between the two non-communist resistance movements. Son Sann favors channeling the funds directly to the Khmer resistance movements after the factional situation is settled. Dr. Gaffar, however, would like to see the American aid given through the new joint military command. As for the Thais, the authorities would prefer that the sum be processed through an ASEAN entity.

For the moment, nothing is being dished out. As of the meeting of the KPNLF's 10 base commanders held on Jan. 28, Jacques Bekaert of the *Bangkok Post* reported that a compromise is being worked out between the dissident Provisional Central Committee of Salvation and those loyal to Son Sann. Son Sann is to remain president of the KPNLF, while the reorganization of its military hierarchy is being discussed.

Henry Kissinger met back in November with both KPNLF factions. According to informed sources, he tossed out an outrageous proposal to the Thai authorities, that a "free zone" be carved out of Thai border territory for the settlement of Khmer resistance groups. Needless to say, the Thai military establishment, stunned, replied with a flat "no." Nothing would be more inviting for the continuation of border clashes and confrontation, than to set aside such a zone.

Here are some of the questions now being asked: Is the Kissinger proposal similar to that floated by the United Nations secretary general, which would involve stationing U.N. peace-keeping forces in a designated demilitarized zone along the border area? Was this "free zone" proposal discussed between Thai Foreign Minister Siddhi Savetsila and Singaporean Prime Minister Lee Kuan Yew, when the latter stopped over in Thailand on Jan. 18 following his two-day visit to Burma?

With his proposal, Kissinger is transposing to Southeast Asia the same negotiating method that he employed so successfully in the Middle East, that led to the destruction of the nation of Lebanon and of American influence in the region. Kissinger's standpoint continues the superpower chess games that he played during and after the Vietnam War. Carving a Khmer enclave out of Thailand sets up conditions of permanent instability in the region. And to whose benefit? To the satisfaction of China and of the Soviet Union—at the expense of Thailand.

Meanwhile, during the same period in January, visits by U.S. officials to Hanoi concerning the question of U.S. MIAs, according to Pentagon sources, indicate a thawing of relations. In the first week of January, a delegation composed of Paul Wolfowitz, then assistant secretary of state and now ambassador to Indonesia; Richard Armitage, assistant secretary of defense; Richard Childress, National Security Council staff member; and Ann Mills Griffiths, executive director of the National League of POW-MIA families, met with Vietnamese Foreign Minister Nguyen Co Thach and Deputy Foreign Minister Hoang Bich in Hanoi. A liaison office in Hanoi may be established in the not-so-distant future.

# International Intelligence

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## ***Soviets: shuttle tragedy to delay SDI***

The Soviet Union and its satrapies have begun a campaign to portray the disaster of the Space Shuttle Challenger as potentially helpful to world peace, because it will delay the U.S. space weapons program.

The Soviet press agency TASS suggested that the U.S. Space Shuttle, which exploded killing all aboard Jan. 28, was carrying secret explosives to be tested in space. Quoting from no less authoritative a source than Gus Hall of the Communist Party U.S.A., TASS said the mission was part of the Strategic Defense Initiative.

Reports that the U.S. Coast Guard had been warned not to touch part of the Shuttle's debris "confirm reports that have filtered into the press to the effect that the Challenger carried new secret explosives that were to have been tested in zero gravity," TASS quoted Hall saying.

Said the Polish armed forces newspaper, *Zolnierz Wolnosci*, "The tragedy has a chance to serve a good cause. During preparations for 'Star Wars,' there can be an accidental explosion mistaken for an attack. In such a case, the whole of humanity would be the victim." The editorial insisted that the primary objective of all U.S. Shuttle flights was furtherance of the SDI, and that it was likely that pressure from the Department of Defense "seeking quick progress in militarizing space, created a climate of haste and nervousness at NASA, compromising safety."

As for Muammar Qaddafi, he called the Shuttle's crew "victims of imperialist impatience."

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## ***García: narco-terrorism 'is Pol Potism'***

Speaking about the Sendero Luminoso (Shining Path) terrorists who are laying siege to his nation, Peruvian President Alan García said, "I not only condemn the violence, but I condemn this type of inhuman and cruel violence which forces peasants from

far-off communities to confront, unarmed, the forces of order. . . . This is Pol Potism; this is inhumanity; this is cruelty. . . ."

Pol Pot was the Cambodian dictator, educated and groomed at the Sorbonne University in Paris, who killed 3 million of his countrymen during his short rule. Leaders of the Shining Path were also Paris-trained.

García made his statements after the resignation of all members of the peace commission he formed four months ago, to persuade the guerrillas to lay down their arms. Elements of his party linked to Amnesty International had wanted the commission to arrange a prompt amnesty for the narco-terrorists.

The extremist members of the commission told the press that they quit because of "the lack of support from the government."

On Jan. 24, García outlined his administration's peace policy for the press. He described the Shining Path as "intolerant people" who take advantage of peasants, using them as "cannon fodder." "The state will continue repressing them without committing excesses or falling into barbarism. This is a struggle in which I am convinced that the wrong ones will tire of their own mistakes; and the state will not appear as weak before them, but will continue applying all the rigor of the law and of the instruments which the Constitution provides in police action and repressive action."

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## ***Cardinal receives death threats***

Joseph Cardinal Ratzinger has received death threats, and is constantly accompanied by three agents of the Vatican secret services, according to the Jan. 26 issue of *L'Espresso*.

According to the newspaper, which says it relies on sources inside the Congregation for the Doctrine of the Faith headed by the Cardinal, death threats against Ratzinger have "alarmed the Holy See, where many fear a new attempt against a member of the Catholic hierarchy."

Ratzinger, in a Rome seminar on "The Church and the Economy," held on Nov. 19 in preparation for John Paul II's Extraordi-

nary Synod of Bishops (Nov. 26-Dec. 8), denounced both Marxist and "free enterprise" economics as immoral and, therefore, incompetent and unscientific. In the same speech, he denounced "Mr. Rockefeller" for handling the world debt problem in a way that produces widespread misery and death.

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## ***Israel agrees to SDI participation***

Israeli Defense Minister Yitzhak Rabin has accepted "in principle" the American invitation to participate in the initial research and development phase of the U.S. Strategic Defense Initiative. In his acceptance letter to Caspar Weinberger, quoted in the Jan. 23 *Jerusalem Post*, Rabin suggests that the U.S. and Israeli governments draft a memorandum of agreement on the subject.

According to the *Post*, U.S. officials report that lawyers are expected to start drafting the text for U.S.-Israeli cooperation on the SDI in the coming weeks.

Rabin stressed that U.S. and Israeli experts had already reviewed technical aspects of Israel's participation in the SDI, and a team of Israeli specialists had been in Washington, during December 1985, for meetings with SDI head Lt.-Gen. James Abrahamson, to discuss an Israeli role.

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## ***Soviets dump interior minister***

Gen. Vitali Fedorchuk, Soviet interior minister, has been moved out of his job to await a "new appointment," TASS reported on Jan. 26. The new Soviet minister of interior, who heads the civilian police, is Aleksander Vlasov (53).

Vlasov's ties to party leader Mikhail Gorbachov go back to the period in which Gorbachov was party chief in the Stavropol region of Soviet Russia. Vlasov headed the party organization, first, in the neighboring autonomous republic of Chechen-Ingush, and later the Don River port of Rostov. He



## Briefly

● **A MONARCHIST** party is being formed in Brazil to promote the return to power of Luis de Orléans e Braganza, the 48-year old claimant to the throne. Brazilian republicans ended the Braganza empire in 1889, but the family has kept active behind the scenes through such operations as the Tradition, Family, and Property pseudo-Catholic cult.

● **ADMIRAL SONTEE** Boonyachai, deputy prime minister of Thailand, has agreed to become president of the Advisory Board of the Schiller Institute in Thailand. The institute is strongly in favor of a new world economic order and the preservation of America's Atlantic and Pacific alliances. Sontee is a leader of the Citizens' Party, and has taken a firm stand against the looting of the underdeveloped sector by the International Monetary Fund.

● **BRAZILIAN** Federal Police broke up what they called one of the main narcotics mafias of Rondonia province. The operation began with the September arrest of a former federal deputy for Rondonia, Isaac Newton da Silva Pessoa, with 140 kilos of cocaine in his possession.

● **BULGARIAN** Politburo member Chudomir Aleksandrov, a possible successor to party chief Todor Zhivkov, has been promoted in a party reshuffle, reports the Bulgarian News agency BTA. The agency also said that Todor Bozinov, a full Politburo member, and Stamish Bonev, a candidate member, had been removed from their posts.

● **AUSTRIA** is studying the possibility of deploying plasma and particle-beam weapons against tanks, airplanes, and missiles. The creation of such a defensive weapon, Col.-Gen. Othmar Tauschitz told the Vienna daily *Die Presse* on Jan. 29, would not contradict the specifications of the Austrian State Treaty of 1955, which defines the country as "neutral." Tauschitz said that it will take about two years to determine the feasibility of such a weapon.

sat on the North Caucasus Military Council with Gorbachov.

Under Gorbachov, the most massive purges have been conducted since the Stalin era, with the "Brezhnev mafia" largely decimated, and replaced by figures who, by history and experience, are capable of improving efficiency in the militarized and mobilized Soviet economy.

### **Press attack Palme's foreign policy**

*Svenska Dagbladet*, the leading conservative newspaper in Sweden, has attacked the foreign policy of Socialist Prime Minister Olof Palme, characterizing it as appeasement toward the Soviet Union.

Citing a report on ongoing Soviet submarine violations of Swedish territorial waters, recently released by Swedish Commander-in-Chief Lennart Ljung, the Swedish daily in its Jan. 25 lead editorial, makes an unusually strong attack on the Palme policy:

"This report and the preceding one definitely remove all hopes that the submarine violations can be made to cease by Sweden's exerting all efforts to try to create friendly relations with the Soviet Union. This notion has characterized the Palme government's foreign policy ever since the spring of 1983," when the first discovery of Soviet violations was made.

"This appeasement policy has now definitely broken down in a confrontation with the bitter reality. . . . We have to forcefully strengthen our defense and stop making the Soviets' favorite proposals in disarmament our own." Palme is to travel to Moscow in April for the first time.

### **Three resign in Indian spy scandal**

Another spy scandal in India has forced two junior cabinet ministers and a high-ranking civil servant to resign from the Indian government of Rajiv Gandhi.

Newspaper reports indicate that the min-

isters were linked to a businessman, Ram Swaroop, accused of spying for Israel, Taiwan, and West Germany.

The Press Trust of India announced the resignations of K.P. Singh Deo, minister of state for food and civil supplies and Chandulal Chandrakar, minister for rural development. M.S. Sanjeevi Rao, chairman of the Electric Commission, also resigned.

Meanwhile, Nural Hassan, India's Ambassador to Moscow, has been recalled to Delhi and fired. Sources say that Hassan, who is considered pro-Soviet, repeatedly "sent false signals" between the two capitals. One result was Rajiv Gandhi's surprise trip to Moscow in October, which was unproductive.

Hassan had indicated to both Gorbachov and Gandhi then that both had something important to say to each other.

Appointed to replace Hassan is A. P. Venketaswaran, former ambassador to China and Syria. He is now foreign secretary in charge of East Asia.

### **Arafat meets with King Hussein**

PLO chief Yasser Arafat met with King Hussein of Jordan Jan. 27, but there has been no announcement of any breakthrough in terms of the Palestine Liberation Organization's willingness to endorse U.N. Resolutions 242 and 338, which recognize the existence of Israel and treat the Palestinians as refugees.

Arab sources report that Moscow has been applying pressure to the PLO not to endorse the U.N. Resolutions for fear that should the Palestinians do so, it will lead, as Arafat termed it, to "a second Camp David."

King Hussein plans to travel to Cairo for a visit with Egyptian President Hosni Mubarak to discuss the meetings with Arafat. Mubarak had warned Arafat that he would be "the big fat loser" if he failed to endorse the U.N. Resolutions. Arab sources report that the latest U.S. offer involves America acting as broker for Palestinian self-determination on the West Bank and Gaza strip, once a Jordanian-Palestinian confederated state has been created there.

## Marcos hits back against 'New Yalta'

by Linda de Hoyos

The Philippines will not expell U.S. Ambassador Stephen Bosworth from Manila for his blatant interference in the presidential elections scheduled for Feb. 7, President Ferdinand Marcos declared Jan. 30. "We do not conduct foreign policy that way," the President said, but then stated categorically: "I don't think there is any problem with the Reagan administration. The problem is with some bureaucrats and some members of Congress."

Later in the day, Philippines Labor Minister Blas Ople seconded the President, stating that President Reagan has retained his "essentially sound, pristine, political instincts" about Marcos, but was overwhelmed by the advice coming from the "lower echelons of the U.S. bureaucracy." The labor minister named those who, he charged, are bent on destabilizing the Philippines: Undersecretary of State for Political Affairs Michael Armacost; Assistant Secretary of Defense Richard Armitage; Assistant Secretary of State for Asia and Pacific Affairs Paul Wolfowitz; Rep. Stephen Solarz (D-N.Y.), chairman of the House Subcommittee on Asian and Pacific Affairs; and Sen. Richard Lugar (R-Ind.), chairman of the Senate Foreign Relations Committee.

With these announcements, the Marcos government is beginning to strike back at the New Yalta gang in Washington that has worked to bring down the Philippines government for the last two years, even knowing that such a policy will likely force withdrawal of the United States from its strategically crucial and absolutely irreplaceable bases at Clark Field and Subic Bay.

This is the nexus, under the direction of New Yalta strategist William Sullivan, former ambassador to Iran and the Philippines and now chairman of Averell Harriman's American Assembly in New York, that has taken increasing control over U.S. policy—even including hatching plans for a military coup against Marcos this summer—and that directs the actions of U.S. Ambassador Stephen Bosworth.

In the last two weeks, Bosworth has come under steady fire from the Marcos government. On Jan. 16, legislators from the ruling KBL party placed a resolution to declare Bosworth *persona non grata*. In a statement to the press, Minister of Political Affairs Leonardo Perez declared that Bosworth's continued demand for a "credible election" is an insult to the Philippines people, because "it implies that all past elections in the country had not been credible and that the government is incapable of holding clean, honest, and orderly elections." Bosworth does not have to behave like an "American governor-general during the Philippine Commonwealth days," he said.

Bosworth reportedly desisted for a period of time, but by Jan. 27, the U.S. ambassador delivered what was taken to be the next-best-thing to an endorsement for opposition candidates Aquino and Salvador Laurel. In a speech to the Manila Rotary Club, Bosworth said the United States is "disturbed" about reports of election violence and that such violence "is to be deplored." In the next breath, he accused the government of preparing massive election fraud.

The ambassador then offered his sympathy to the narco-terrorist New People's Army (NPA). "They operate out of a sense of frustration, alienation, vengeance or whatever," Bosworth claimed. "Any counterinsurgency program must come to grips with the underlying political, economic, and social causes of the insurgency," as if Marcos were the cause of the insurgency.

Two days later, Political Affairs Minister Perez, Rodolfo Albano, assistant parliamentary leader of Marcos's party, and Vicente Millora, vice-president of the Integrated Bar of the Philippines, demanded that Bosworth be summoned to the foreign ministry to explain himself. His speech, they charged, was "patently insulting to the Philippine government and people and clearly constitutes foreign intervention into the elections." Bosworth is acting like "the self-appointed

ed Praetorian guard of democracy in the Philippines," Perez declared.

Perez warned: "Bosworth speaks of vote-buying and bribery through the use of government funds. This is a statement that in the past has led to the rupture of diplomatic relations between two countries."

The next day, Labor Minister Ople further accused the United States of carrying out a "mindless policy toward a close ally." "I can see a whole arsenal of destabilizing weapons being trained against the Philippine government. If the Americans do not watch out, this kind of naked meddling can lose them the Philippines," he said.

### Countdown to the elections

By Jan. 30, President Reagan was forced by the increasing friction between Washington and Malacanang Palace to release his own statement on the elections, affirming not support for Marcos but "a free and fair election," which, "if also followed by a genuine reform effort in the economic and security areas, will assist the Philippines along a path of growth, prosperity, and stability." Reagan promised that if the elections are deemed to be fair, the United States will "consider" a "significantly larger program of economic and military assistance" for the Philippines for the next five years.

A less supportive note came from State Department spokesman Bernard Kalb, who, coming to Bosworth's defense, stated that the United States is "completely neutral with regard to the candidates and contending parties and believed that only a credible election could freely express the will of the Filipino people."

U.S. neutrality, however, is not the perception in the Philippines. Along with Bosworth's shenanigans in Manila, two major operations have been launched against the Philippines with the clear attempt to interfere in the Feb. 7 elections to the advantage of Corazon Aquino.

Beginning in mid-January, Rep. Stephen Solarz opened hearings designed to prove that President Marcos and his wife Imelda have squirreled away millions of dollars in buying up real estate in the United States, especially New York. Under the demands of Solarz and Sen. Edward Kennedy (D-Mass.), the General Accounting Office has sent not one, but two investigating teams to Manila to investigate the "possibility" that the Marcoses are embezzling U.S. aid money for their alleged real estate investments in New York. (It is not yet known how many U.S. taxpayers' dollars were drained in these junkets.) Columnists Rowland Evans and Robert Novak, writing from Manila Jan. 31, reported that the first GAO team "could find no evidence of first lady Imelda Marcos's converting U.S. foreign aid money to her own use. 'We can't go back to Kennedy empty-handed,' a GAO sleuth told a U.S. embassy official, who related the story to us. The result: a new four-member GAO team was sent to Manila"—with the same results.

In the Solarz hearings, no one except Solarz is satisfied that the subcommittee has "proof" that the Marcos owns any

property in the United States. Solarz was instead accused by Rep. Gerald Solomon (R-N.Y.) of running a "witchhunt" against Marcos to throw the Feb. 7 elections.

On Jan. 26, the *New York Times*, which has consistently demanded that the Reagan administration look for alternative base sites, aired a story by Alfred McCoy, an Australian intelligence operative forwarded to the CIA, to the effect that Marcos's record as a war hero is fraudulent. McCoy is the author of *Priests on Trial*, a propaganda piece on behalf of the Theology of Liberation-organized New People's Army.

The charge was laughed away by Marcos, but veterans of the Maharlika guerrilla group that Marcos worked with slapped the *New York Times* with a multimillion-peso libel suit for the "desecration" of the memories of the men fallen during the guerrilla war with the Japanese. From California, American war veteran Donald Jamieson stepped forward to state that during the time period cited by McCoy, Marcos had provided the Americans with invaluable intelligence of Japanese positions and had risked his own life to save the lives of Jamieson and six other GIs.

These "black propaganda" stunts are not designed primarily for consumption in the Philippines, where Marcos is already a known quantity. They are designed for consumption in the United States, and especially in the Oval Office. The message coming out from the State Department, and far more vociferously from Representative Solarz, is that if the elections in the Philippines are not "credible," then the United States would be forced to distance itself from a re-elected Marcos regime. Specifically, the United States would be prepared to cut all military aid to the Philippines, even though the military is already grossly underequipped to deal with the NPA insurgency.

This has handed the opposition the means to scream violence and fraud against the Marcos government, screams backed up by the Catholic Church in the Philippines, under the leadership of Theology of Liberation patriarch Cardinal Jaime Sin. Election violence has escalated daily, but in the last two days, this violence has been carried out by the New People's Army against mayors and others who are known to be organizing for Marcos. NPA leaders announced that they would be taking the guns from the troops on election day in their new role as self-appointed poll-watchers. A reign of terror is now shaping up behind Aquino, who has declared that, if elected, she will release all political prisoners—that is, jailed terrorists—allow the communists into the government if they "renounce violence," and make the Philippines a "neutral country."

This is the future if Aquino should win. Otherwise, she and her backers in Washington are preparing to make the Philippines ungovernable under a newly mandated Marcos government. But Marcos's winning is the first condition to resolving the Philippines crisis; the second is the removal of those "bureaucrats and some members of Congress" who have decided the Philippines is to be sacrificed as per the New Yalta agreement with Moscow.

# The dirty backyard of the dope lobby's Rep. Stephen Solarz

by David Hammer



Among all the voices from the State Department, Congress, and intelligence community raised against the Philippine government of President Ferdinand Marcos, by far the most strident is that of Rep. Stephen Solarz (D-N.Y.). Solarz's current set of hearings, on the alleged "hidden wealth" of President and Mrs. Marcos in New York real estate, has been denounced by his own congressional colleagues as a "witch-hunt" against the Philippine President.

In a TV interview Jan. 12, Solarz stated his purpose: If it could be proven that Marcos had siphoned off U.S. aid into his own coffer for real estate speculation in the United States, then "maybe the American people will think twice about sending aid to the Philippines." This has been Solarz's drum beat: Cut military aid to the Philippines.

Solarz's liberal record of disavowal of U.S. allies, his advocacy of drug decriminalization, and his commitment to the Carter administration's Global 2000 blueprint for the genocide of half the population of the developing sector, track him as an agent of the Eastern Establishment led by Nazi-booster Averell Harriman, which long ago made its deal to sell out the United States to the Soviet Union. Coming out of New York City in the late 1960s, Solarz was packaged as one of those "reform Democrats" who shoved their way into office by crying "foul corruption" at the nation's political machines.

Solarz had started out as a student radical at Brandeis and Columbia universities in the anti-Vietnam war activities organized by Ford Foundation President McGeorge Bundy. In his graduate work at Columbia, he was soon passed on to Zbigniew Brzezinski, professor of Russian studies. In 1966, he managed, and lost, one of the "first peace campaigns in the country," a congressional race against Brooklyn Democratic congressman, Bertram Podell. Two years later, however, he was boosted by his influential friends into the New York State Assembly, as part of the "reform Democratic" movement in New York.

In 1974, the "reform Democrats," led by such gay-rights activists as Ed Koch (now New York mayor), watergated Podell. Solarz became congressman for the 13th congressional district seat.

## A most curious district

The 13th congressional district, redrawn to fit Solarz, is the secret to his operations against the Philippines. An official election guidebook describes the district as "an egregious

example of gerrymandering. It stretches from the northernmost part of Brooklyn, the industrial area of Greenpoint, along most of the Brooklyn waterfront, to the southernmost, the beaches of Coney Island and Brighton Beach. It is seldom more than a mile wide and sometimes only a couple of blocks. Yet it is a district which makes a good deal of demographic sense . . . one of the few majority-Jewish districts in the nation."

If Solarz were the anti-corruption crusader he pretends to be, he would begin by investigating the businesses of some of his district's most prominent citizens. The 13th district is the home base of two overlapping ethnic mafias. The first is "Aleppo-in-Flatbush," home of the transplanted Syrian Jewish Ottoman trading families. Out of 2,000 adult males in this community, 150 of them are multimillionaires, making their money in textiles and dirty finance. Here are the financial godfathers of Solarz and his own personal political action committee.

The other is "Little Odessa-by-the-Sea," or Brighton Beach. Here is found the greatest concentration of Jewish emigrés from the Soviet Union since 1971, and also according to the Los Angeles and New York police reports, one of the fastest growing narcotics mafias in the U.S.A.

The first substantial report on the Little Odessa mafia was published in 1982 by the Organized Crime Division of the Los Angeles Police Department (LAPD). Entitled "Soviet Emigré Mafia," the report detailed how investigations of the terrorist danger to the 1984 Olympics in Los Angeles, had led police onto the track of a widespread criminal ring composed of Russian Jewish emigrés, active in Los Angeles. The headquarters of the operation was Solarz's Brighton Beach.

"Many knowledgeable people are of the opinion," the report said, "that the Soviets are selecting dangerous criminals and sending them to the United States as refugees via the Jewish Immigration Quota." LAPD Chief Darryl Gates added: "The Soviets realize they can aggravate our already serious crime problem. Intelligence agents and spies are infiltrating in the same way."

In the same period, drug busts in New York were turning up a clear thread of Russian-Jewish involvement in the drug traffic into New York. By the early 1980s, victims of Russian mafia "rub-outs" were turning up on Brooklyn streets. Brooklyn's FBI district head, James L. Murphy, told the press, "We don't know the full scope of their activities. But we do know they are growing fast and that they have been very

successful. We're talking about staggering amounts of money, in the multi-million dollar range. . . . If you assume the KGB has influence with the criminal element in the U.S.S.R., then it's safe to assume they have influence with criminals here." According to 1982 intelligence reports, the Russian mafia was moving to commandeer entire chunks of the rackets and drug trade in New York City.

### The Aleppan Jews

Among Solarz's major contributors is Stephen Shalom, one of the scions of the Syrian Jewish community in Flatbush. For centuries, a significant portion of the Syrian Jews functioned as retainers for the Venetian oligarchy in the Mediterranean Sea trade. Today, aside from Aleppo, this closely knit mafia is headquartered in three centers: Buenos Aires, Argentina; Flatbush, Brooklyn; and the Philippines.

Using their extended family structures and business fronts, the Aleppan Jewish families based in Solarz's district represent today a powerful faction in world politics and in the drugs/dirty money/real estate combine. One of their number, for example, is Edmund Safra, the former chairman of Shearson/American Express, perhaps the world's largest dirty-money launderer. The Philadelphia Amex branch alone was indicted on 180 counts of drug-money laundering, and Safra's personal fortune, based on both narcotics and gold smuggling, is estimated at over \$300 million.

Safra's name is featured on the outside of the Syrian Sephardic Community Center on Ocean Avenue in Brooklyn. His father ran the Aleppan banking firm of Safra Frères, and sent his son Edmund to the Milan-based Banca Commerciale Italiana for training. BCI is run by protégés of the Venetian economist Gino Luzzatto of the Luzzatto family, the "primus inter pares" of the Jewish Mediterranean retainer families of the Venetian oligarchy.

Another prominent mafioso from the same clans is Isaac Kattan, whose activities came to the attention of federal agencies in the late 1970s. By 1984, Kattan was a featured case in the report of the President's Commission on Organized Crime, "The Cash Connection: Organized Crime, Financial Institutions, and Money Laundering."

Kattan probably "constitutes a prototype of the traditional relationship between Colombian drug traffickers and money exchangers," the report said. "With his links to drug money movement already established, Kattan probably was one of the principals involved in the shift of cocaine money laundering from New York City to Miami in the 1970s. He subsequently functioned virtually as 'Chancellor of the Exchequer' for at least one major cocaine-trafficking organization—a degree of involvement that does not appear to have been duplicated, at least in the United States, since his arrest and the impoundment of his records."

Kattan was arrested along with one of his kinsmen, Victor Tesone Kassin. Kattan claimed that all his money was in Israel Bonds. Co-chairman for the Israel Bonds at the time was Stephen Shalom, the financial godfather and political

sidekick of Stephen Solarz.

In October 1982, *Sephardic World*, publication of the World Sephardic Federation, reported on the opening of the Syrian Sephardic Community Center of Brooklyn: "Chief Rabbi Kassin said that the new Sephardic Center has a holiness like the holiness of Jerusalem. . . . Stephen Shalom, immediate past president, United Jewish Appeal of Greater New York and chairman of the Sephardic Center's Executive Committee, told the audience how the idea for a center was born. . . . Rep. Stephen Solarz of Brooklyn lauded the Sephardic leaders. . . . Also present at this event was honorary board chairman Edmund J. Safra. Part of the Center is the Lilian and Edmund J. Safra Building. Executive Committee Chairman Eddie Cattan officially welcomed the guests."

With Shalom, Solarz has been instrumental in attaining the release of more Jews from Syria, and in 1977, Solarz and Shalom traveled to Damascus to meet with Syrian President Hafez Assad. In 1978, the duo went to Cuba, where they had a nine-hour meeting with Fidel Castro, protector of narcotics kingpin Robert Vesco, now resident in Havana. It was Vesco who set up Isaac Kattan in the drug business in 1962.

A younger member of the Aleppan Shalom clan is Steven Rosskamm Shalom, professor at William Paterson college in New Jersey. Shalom, author of *The U.S. and the Philippines: Neocolonialism in Action*, is associated with the clerical front for the Soviet-backed New People's Army (NPA), the "Task Force Detainees in the Philippines." A self-professed supporter of Kampuchean mass-murderer Pol Pot, Shalom writes: "There are many people, myself included, who have called for an end to the U.S. bases in the Philippines."

Another of Solarz's backers is the "godfather" of the Aleppan Brooklyn community, Sam Cattan, owner of "Candy Cattan Jeans" of W. 34th St. in New York. Cattan is a kingpin in the Syrian Jewish textile trade between New York's garment center and its runaway shops in Manila. This trade is best known for the pornographic jeans business associated with such names as Nakach, Jordache, and Sassoon. These are the same figures, according to Israeli sources, who finance Gen. Ariel Sharon's frequent trips to the United States and have poured money into the Ateret Cohanim Yeshiva in Jerusalem, the centerpiece of the Jewish fundamentalist plot to blow up the Dome of the Rock, the third-holiest shrine of the Muslim world.

Another of the kingpins of the New York-Manila textile trade is Jack Nasser, the owner of the Philippine-American Embroidery Co., and a close friend of Sharon's. Nasser is uncle to Joseph and Ralph Bernstein, the men accused by Solarz to be fronting for the Marcos's alleged New York real estate holdings.

### The Solarz hearings and the Bernstein boys

A series of articles in July 1985 in the *Village Voice* alleged that Marcos was hiding millions in New York real estate, through the Bernsteins. This material, repeated by the *San Jose Mercury News* in August, was the pretext for Solarz



to call his hearings.

The Bernstein brothers, Joseph, 37, and Ralph, 28, came out of nowhere several years ago, and achieved quick notoriety with their \$477 million bid to buy the New York Coliseum. According to newspaper accounts, the bulk of the money of the Bernsteins' firm, which specializes in placing "foreign investments" (i.e., flight capital), comes from their family members and business acquaintances in South America, Canada, and Israel.

Their mother, an Aleppan Jew named Olga Nasser, married one Victor Bernstein, an emigré from Hungary who moved first to Palestine and then to the Philippines. Olga's brother, Jack Nasser, is a leading Philippines textile magnate. After moving to the United States, the brothers worked for Nessim Gaon, head of the World Sephardic Federation. Gaon put on the Bernstein boys into real estate; Ralph married Gaon's daughter.

The Bernstein's first venture was a \$369 million bid for New York's Pan Am building. That same year, uncle Jack Nasser set the family up in a series of interlocked firms centered on the New York Land Co.

Based in Switzerland, Gaon was the subject of a series in the *Wall Street Journal* in 1981, on his shady international business empire. Gaon is a close associate of Solarz's benefactor, Stephen Shalom.

Gaon and Shalom are co-owners of the small Sephardi Tami Party in Israel, also funded by organized-crime figure Samuel Flatto-Sharon, who fled France and bought himself a seat in Israel's Knesset to avoid criminal prosecution. Liliane Shalom, a relation of Steven, convinced her good friend, drug-kingpin Edgar Bronfman, to also throw in a good chunk of money for Tami. Solarz sits on the board of the American Jewish Congress division of Bronfman's World Jewish Congress. Tami's leader, Aharon Abuhatzaira, won the key post

## A record of sabotage of U.S. national security

### U.S.-SOVIET RELATIONS:

**October 1980**—Solarz spent two weeks in Moscow, the first congressman to visit there in over a year, following the Soviet invasion of Afghanistan. After long meetings with top Soviet foreign policy figures, Solarz reported upon his return: "Based on my conversations with the Soviets I met, my feeling is that they are very worried. Relations with the United States are the foundation of their foreign policy. Only the United States has the capacity to destroy all that they have achieved. They feel that present potential for an escalation of hostility between us is a great danger for both." This trip was only one of numerous "solo trips" Solarz has taken to Moscow.

**1981**—Congressional Budget Committee member Solarz recommended eliminating the U.S. Space Shuttle program.

**June 1982**—One week before the U.S.-Soviet talks on Strategic Arms Reduction started in Geneva, the House Foreign Affairs Committee passed a resolution for the nuclear freeze, led by Solarz.

**January 1983**—Solarz recommended that the United States pull back its nuclear weapons from the eastern borders of West Germany, "so that they would not be in such perilous proximity to the first wave of advancing forces." The proposal was rightly taken in West Germany as U.S.

consideration of abandonment of part or all of West German territory to the Soviet Union.

**Jan. 21, 1985**—In a *New York Times* op-ed, Solarz argued that the United States must "negotiate away or reduce the deployment of our MX and Trident II missiles, which are designed to give us a first-strike capacity against their land-based missiles."

**July 3, 1985**—Solarz met in Moscow with Col.-Gen. Nikolai F. Chervov, the arms control specialist for the Soviet General Staff. Upon his return, he and Sen. Gary Hart (D-Colo.) introduced a resolution calling for no deployment of the U.S. Strategic Defense Initiative, in return for cuts in Soviet offensive missiles.

**1985**—Solarz argued that the United States must not compile a list of countries sponsoring state terrorism, arguing that it is impossible to distinguish between terrorists and legitimate revolutionary groups.

### ASIA:

**1980**—Over the bitter protests of South Korea, Solarz became the first U.S. congressman to visit North Korea in almost 30 years. The visit was timed with the Carter administration's proposal to pull all U.S. troops out of South Korea. After four hours of meetings with North Korean dictator Kim IlSung, Solarz stated, "I rather doubt they will attack the South. . . . I think war is unlikely because they feel over time they can achieve their objectives politically."

**1980**—Following several trips to China, Solarz stressed in a *New York Times* op-ed that the Reagan administration should not sell advanced weaponry to Taiwan, but should make the "China Card" the center of policy toward Asia. Solarz lied that "America's other friends in Asia find that friendly relations between Washington and Peking strengthen their security."



of Minister of Religious Affairs in the Likud government of Menachem Begin, which took office in 1977. Shortly thereafter, Abuhatzaira was convicted of embezzling and bribetaking.

When questioned, Joseph Bernstein says he cannot understand why Solarz is persecuting them, particularly since "he helped us so much in getting the Jews out of Aleppo." Look once again at the alleged Marcos frontmen, the Bernsteins, on whom hangs the entirety of Solarz's inquisition. The "prosecution" is Stephen Solarz, owned by the Aleppan Steven Shalom and friends. The "defense" is the Bernstein brothers, related by marriage to Steven Shalom's close associate, Nessim Gaon. The vast amount of money the Bernsteins wield, which Solarz claims to be Marcos money, is reported to be that of their business partners and extended family, a family that includes the likes of Isaac Kattan, Victor Kassin, and Edmund Safra.

**1981**—Solarz introduced a measure to curb U.S. aid to "countries which harass or spy on their own citizens living in the United States." The measure was aimed not at Iran or Libya, but at Taiwan.

**1983**—Solarz opposed the sale of F-16s to Thailand.

**May 31, 1984**—Solarz's subcommittee passed calls for a "shift of power" in Taiwan from the ruling Kuomintang Party, to the opposition.

**1985**—Solarz led the fight against a proposal to cut all funds to the U.N. Fund for Population Activities, unless the Fund ceased funding China's murderous population control program.

#### MIDDLE EAST:

Solarz has voted against all U.S. arms sales to moderate Arab allies. While pushing massive aid to Israel, he has demanded "a strong and sweeping austerity program in Israel," noting that unemployment would rise, the standard of living would decrease, but "such consequences are inevitable."

#### AFRICA:

**1985**—Solarz introduced a bill for trade sanctions against South Africa." He visited South Africa, where he met extensively with Winnie Mandela and helped to promote the Soviet-backed African National Congress as the sole representative of the black population.

#### IBERO-AMERICA:

**January 1983**—After meetings with Nicaragua's Sandinista leaders and Cuba's Fidel Castro, Solarz declared that he had "the impression that there is a potential basis for dialogue between the two countries."

**May 1983**—Solarz led the fight to pass a House resolution calling for a full cutoff of aid if the El Salvador government did not start peace talks with rebels within 90 days and "make progress on human rights reforms."

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## LaRouche blasts U.S. Congress for treason

by Susan Welsh

The current U.S. Congress, which voted up the Gramm-Rudman bill to destroy what is left of the U.S. economy, is "the worst Congress in at least 100 years," charged Lyndon H. LaRouche, Jr. in his State of the Union speech on Jan. 29. "Any citizen who doesn't do something about the Congress this year, has no one to blame but himself or herself. This Congress has to be roasted! If there's anything in the Congress, humanly, which is salvageable, it is half-baked and needs to be thoroughly cooked!"

LaRouche, the only announced candidate for the 1988 Democratic presidential nomination, threw out this challenge to an audience of 150 congressional candidates, diplomats, government officials, and press, gathered in Arlington, Virginia. The meeting was sponsored by the National Democratic Policy Committee, a political action committee which is currently backing 123 candidates for the House of Representatives and 14 for the Senate.

LaRouche had originally intended his speech to be a reply to President Reagan's State of the Union message, which was scheduled to be delivered the evening before. But since the President postponed his speech for a week because of the tragic explosion of the space shuttle Challenger, LaRouche commented, "Now, we're going to switch it around and let the President reply to my State of the Union address. It's probably better." LaRouche declared his full support for the President in his response to the Challenger disaster, and said he would await the results of a commission of inquiry before commenting further.

### The Gramm-Rudman disaster

LaRouche reported that Soviet General Secretary Mikhail Gorbachov must be very happy today, surveying the wreckage of the U.S. economy. Unless the Gramm-Rudman bill is promptly repealed, along with the terrible, but less-noticed Rostenkowski tax-reform bill, the U.S. economy will blow

out during 1986. "President Reagan, under such conditions, would be very lucky to compare himself with Herbert Hoover. This means that at present, in terms of our defense, the gut of the logistical capability of the U.S. defense forces is being destroyed right now, as a result of the first round of Gramm-Rudman."

Compare this sober evaluation to the cheerful endorsement of Gramm-Rudman which President Reagan was preparing to give in his address. He told a meeting of lobby groups in Washington on Jan. 28, "There's no question that Gramm-Rudman-Hollings is going to demand some hard choices. But I am confident that our budget makes the right choices, and that it deserves your support. . . . Thomas Jefferson said that the Constitution has one glaring omission: It has no proviso prohibiting the federal government from borrowing money. It's about time we caught up with Thomas Jefferson, and made that a fact of life."

As the day of the President's State of the Union address neared, a not-so-behind-the-scenes battle was raging in the administration over which speechwriters would finalize the President's message. What the President's own views might have been, was scarcely even mentioned in the extensive press treatment of the factional brouhaha. Donald Regan, the White House chief of staff and principal representative of the Eastern banking Establishment, who runs the "palace guard" around the President, announced in a television interview on Jan. 26 that Reagan's theme would be, "America is not only back, it is going forward." Asked about reports that President Reagan would seek to exempt defense from budget cuts, Regan replied, "Let's put defense in perspective. Gorbachov is coming here later this year." There would be no need for special treatment for defense, he indicated, if "the state of the world" improves.

Following this interview, Regan assigned his aide Al Kingston, to tone down a draft speech prepared by presidential

speechwriter Bently Elliot. Kingon excised certain "hard-line" phrases, including a reference to Soviet arms-control violations, from the original draft, prompting protest from Press Secretary Pat Buchanan.

This is the "palace guard" that is responsible for shaping the President's economic policies, and has been since the first days of his administration. LaRouche commented in his speech that President Reagan cannot strictly be blamed for the disastrous economic policy which is now being enacted in his name. "President Reagan has not caused the disaster," he said; "as a matter of fact, in economic policy, despite all the talk, President Reagan has done absolutely nothing. Reaganomics does not exist! It is merely rhetoric. The policies of the Reagan administration are nothing but a continuation—in economics—of the policies of the Carter administration. . . . This policy was written down for Carter, under the direction of Cyrus Vance, Zbigniew Brzezinski, and similar fellows, back during 1975 and 1976, in a series of studies called *Project 1980s*. . . . So the President is no more to be blamed for the depression which his policies are threatening to bring about now, than Herbert Hoover was to be blamed for the policies of Calvin Coolidge; he had merely continued them."

## The defense budget

Where does the defense budget really stand under the Gramm-Rudman regime? President Reagan assured the Washington lobby groups that his proposed 1987 budget, which will be submitted by the administration shortly, "will go forward with the bare minimum that we need in defense spending growth, and without increasing taxes."

Wrong! said LaRouche. If you look at the actual rate of inflation, and deflate the defense budget by that amount, you find that "the big defense build-up under Reagan" never occurred, and in fact, "since 1982, the Reagan administration has been *cutting* the defense budget! There has been no growth in defense, over this period.

"Remember that the Soviet Union is spending, on direct military war preparations, \$25 billion a month. Not for defense, for *war*! The United States is about to cut out petroleum, bullets, shells, and similar items, from U.S. procurement. . . . That's what the initial round of Gramm-Rudman means: They're cutting below the bone! On the next round, in October, unless this thing is repealed, they'll take out \$50 to \$80 billion. And that means units, that means the U.S. position in Europe, it means the U.S. position in the Pacific; it means that the military is a hollow shell, what's left of it. And we're headed for a confrontation with the Soviets in the next couple of years. Under these conditions, what's the future of the human race? Under these conditions, we're gone!"

Even President Reagan himself had admitted to the lobby groups that "while doing our best to improve the nation's defenses, we've compromised with the Congress and given in on every defense budget since September 1982." The

President warned that to cut the defense budget now "would put at risk the developing nations of the Third World, including growing democracies like El Salvador and Ecuador, and would endanger the defense of Western Europe. It would cripple our hopes of successful arms talks with the Soviets, and we can't permit this."

Defense Secretary Caspar Weinberger put the question in much starker terms, warning on Jan. 30 that Gramm-Rudman would have a disastrous effect on defense. In a speech to the Economic Club of Detroit, he declared, "We are entering a period in which national strategy may be held hostage to the accountant's pencil, in which the desire for reduced deficits and domestic comfort overwhelms our common sense . . . and compels us to shrink from our obligation to resist the most tyrannical forces in the world. . . . Concern with the deficit has caused a wavering of Congressional commitment to national security. . . . Concern over the deficit without an appreciation for the [Soviet] threat endangers our ability to maintain the [strategic] modernization program. This is myopia, pure and simple, and, frankly, it is a poor excuse for serious strategic thought."

Yet Weinberger emphasized that he agreed with the aims of the sponsors of Gramm-Rudman; his complaint was that the budget-cutters' axe was hitting defense and social programs equally. He said he was "deeply concerned by the failure to discriminate between defense, which exists to ensure our freedom, and domestic programs, which exist because of our freedom. They are simply not equals and should not be treated as if they were."

## What Weinberger ignored

LaRouche's presentation shows why Weinberger's own approach is myopic, in its failure to recognize the causes of the economic crisis, and the actual solution. There cannot be a question of choosing between cuts in defense and cuts in health care, education, and infrastructure development. Instead, LaRouche called for an in-depth industrial mobilization like that carried out by Franklin D. Roosevelt from 1939 to 1943.

"We cannot solve our problems, unless we increase our tax revenue base," he stressed. "We cannot increase our tax revenue base without having a genuine recovery. Not the phony recovery that didn't happen, that they keep talking about in recent years. That means employing more people. It does not mean fast-food stands; it does not mean messenger boys; it does not mean people passing out flyers for massage parlors. It means, people employed in producing useful goods and services: genuine wealth. And when people produce genuine wealth, and per-capita income increases, the tax revenue increases, without having to raise taxes—or tax rates. Then, you can pay for government; the private sector can begin to pay for its own requirements; and we can get out of this mess. We will not do it, however, without government credit, or government-steered and government-created credit, to get the private sector, and government, moving again."

# Elephants and Donkeys by Stephen Pepper

## Bush won't wash in 1988 race

Both major parties are committed to putting up candidates for the 1988 presidential election, but beyond that commitment, nothing much more can be said about who these candidates may be, and what, if anything, they will stand for. Not since 1960 has the presidential race been so wide open, and beyond the uncertainties of political fortune there lies a political vacuum that well may persist until the election year. As one campaign professional, Lee Atwater, remarked, the potential winning candidate, may not yet be on the charts.

The cause of this political vacuum is the gulf between the reality of the United States today, mired in a depression, while boasting about a recovery, and the distorted image of reality reflected in the political rhetoric. Only the very rare political leader can overcome this discrepancy. The immense popularity of President Reagan, is in part due to the fact that his genuinely likable qualities, his real virtues, allow him to escape the task of forcing the American people to face the present crisis. As long as he is there, they reason, they won't have to deal with reality.

This popularity and mantle of leadership cannot be passed on to just anyone, least of all to George Bush. It should be recalled that in 1960, the political year comparable to the present one, Nixon lost the election, not because of the TV debate with Kennedy, and not even because of vote fraud in Chicago, but because of the lukewarm relationship that President

Eisenhower maintained toward him throughout the campaign. Reagan may very well adopt the same attitude.

In these circumstances, Bush would be in deep trouble. And now, according to the *Wall Street Journal*, a new candidate appears ready to announce soon after the November elections: Donald Rumsfeld. The Sunday magazine section of the *Chicago Tribune* (Jan. 26) carries a long cover story on the former Secretary of Defense: "For more than a decade the Illinois Republican has been developing strategies and enlisting political allies to help him claim the nation's highest office. . . . Now Donald Rumsfeld thinks that 1988 could be his year."

Rumsfeld challenges George Bush's hold on the center of the Republican Party in a way that Jack Kemp will never be able to do. His positions on defense, and on a hard line toward the Soviets, have a natural appeal to conservatives, while Bush will always appear to them as an "oligarch going slumming." When Lyndon LaRouche was able to pin the label of Yale's Skull and Bones Society on Bush in New Hampshire, it finished him politically.

## Chaos reigns in Democratic camp

On the Democratic side, the situation is every bit as chaotic. Only one thing stands out: No one left alive wants the label of Carter-Mondale Democrat. Democrats being how they are, it took not one but two national trouncings to get that point across. One of their bright young men, Governor Robb of Virginia, put it this way on national television: "We should thank them [the Mondalites] for laboring in the vineyard, but we don't need to defend their record."

Another truth uttered about today's party was spoken by columnist David Broder: "The Democrats lack only three things: money, ideas, and leaders."

They don't lack candidates, however. The press has discovered all kinds of "fresh faces": Rep. Gephardt of Missouri, Sen. Biden of Delaware, Gov. Robb, Gov. Babbitt of Arizona, Sen. Hart of Colorado—the original from which all the clones have been made—and, of course, Mario the-mafia-doesn't-exist Cuomo of New York. This situation also resembles the 1976 campaign when the Establishment lined up a gaggle of competitors and rigged a selection process to arrive at the candidate they had chosen in advance, Jimmy Carter. Only this time, they don't know who they want yet.

In these circumstances the already announced candidacy of Lyndon LaRouche takes on a special significance. He has just given a very hard-hitting assessment of the desperate economic situation, but it is too soon to tell whether the American people are sufficiently aroused to carry him to victory. But since in the past, LaRouche's Democratic and Republican supporters alike have tended to support Reagan as the "big" candidate, the fact that Reagan will longer be running is definitely a factor in his favor.

Never has the political environment in this country been more fluid. The conditions that will likely shape the outcome of 1988 will be set in motion in 1986. If the effects of Gramm-Rudman-Hollings work against incumbents, as Congressman Panetta of California has predicted, and the falling oil prices cause a blowout throughout the Southwest, then the current outsiders will benefit. These odds may favor both Rumsfeld and LaRouche.

## Peking's governor of New York?

*Time* Magazine, which not so long ago named a computer as "Man of the Year," has this year chosen China's leader Deng Xiaoping. Looking into the background of this change of mood, we assumed, knowing Henry Kissinger's fondness for advising the boardrooms of *Time*, that Dr. K. could not be far behind.

The wisdom of certain insiders in the world of business consultancy is that the leading selling-point of Kissinger, in his Kissinger Associates firm, is his supposed "inside connections" in Peking. Several companies have paid ridiculous sums, it is said, to hear the playback of the Chinese leaders' "Kissinger card." Especially now that the American ambassador in Peking, Winston Lord, is a creature who emerged from Henry Kissinger's back pocket when Lord was a Kissinger underling at the U. S. National Security Council, there are those who imagine there is quick money to be made from Henry's insights into Han wisdom.

Kissinger also offers an entrée, through his ties to the Chinese speculative-venture enterprise known as Everbright Industries. Famous for his illicit wheelings-and-dealings on the Israeli West Bank, Kissinger is never one to shy away from a scam.

Hence, it came as no surprise, when we saw the latest Kissinger syndicated column, appearing in the Jan. 20 *Jerusalem Post*, under the title, "The Long March to Modernization."

The article's special pleading suggests that Henry is getting a fancy sum from certain of his friends of China. Maybe that sum is being set aside, should the Republican Party of the State of New York, as is now rumored, play its own "Kissinger card," and run Henry Kissinger for New York governor.

For those who actually know the situation in China, Kissinger's Jan. 20 article is, at best, a bundle of lies. The Chinese internal economic situation is a powderkeg, as the parlous state of the Chinese economy is unable to sustain the population-density of the nation. Without the kind of extraordinary commitment to infrastructure-ventured "great projects," tied to an attack on the entrenched peasant base of Chinese society, the well-known Chinese "population problem," becomes the trigger for crises throughout Asia.

None of this sober reality appears in Kissinger's column, which is mainly a paean to Deng Xiaoping. "China alone among Communist nations has had the courage to seek to tackle head on" the crisis of bureaucratic rigidity, he writes. "Deng Xiaoping and his colleagues have chosen a path to modernization for which there is no precedent: They are sufficiently Communist to be suspicious of private ownership, but they are sufficiently practical to understand that central planning on the Soviet model is incompatible with modernization. They have stressed individual incentives and markets within the framework of a loose central plan. So far the successes have been startling. In agriculture, China is now an exporter in some categories. . . ."

"The question then becomes whether the remarkable achievements of the past six years can be perpetuated in a post-Deng period. The succession of a great man is always hard to predict—nowhere more so than in China,

which tends to clothe even the ephemeral in the appearance of permanence.

"Still, Deng has shown extraordinary wisdom and sensitivity in putting into place several layers of succession. The longer he lives the greater is the prospect that these will become unchallengeable."

## Two and a half empire game

Then, Kissinger puts forward the modified version of the old "China card" argument, while saying he is not proposing the China card. The game goes back to the belief in some Western quarters, particularly in the London circles associated with the ghost of Lord Bertrand Russell, that there must be a "two and a half empire" strategy, with China being "the half."

Continues Kissinger: "America has a major stake in China's success. A strong and independent China is in America's interest; not because it will be easy to deal with—quite the contrary—but because the threats to its security will for the foreseeable future come from countries the U.S. also considers threats to global security. In this sense, the modernization of China serves American interests—not as an American card against the Soviet Union—but because of maintaining its own security for its own purposes. China contributes to the global equilibrium."

Then: "The modernization of China will produce a new model for growth in the developing world, somewhere between unrestrained private enterprise, of which many new nations are afraid, and Soviet-style economics, which cannot work."

We can't say yet if Kissinger will also pose "the China model" as the basis of his potential campaign for governor of New York.

### Melcher hits 'meddling' with the Philippines

Senator John Melcher (D-Mont.) blasted the State Department for "misguided" policies toward the Philippines and for "persistent meddling" at the expense of the Marcos government.

Whether or not to end the Marcos government "is a decision for the Filipinos to make," Melcher said, "not for the United States to dictate."

Speaking on the Senate floor on Jan. 28, Melcher charged that "for the past 18 months or longer, relations with the Philippines have been misguided. The State Department has blocked sales of wheat, dairy products, and other goods, while orchestrating a chorus of charges of corruption about the election process and the principals involved. . . . This course loses sight of the objectives of the election itself."

Melcher reminded senators that "whatever internal changes the State Department is promoting in the Philippines, our job as Americans is to mend our vital military, trade, and cultural, alliances regardless of the outcome of the election." The Philippines, he noted, is the leading market for U.S. wheat and other agricultural products, and further, "there are no worthy substitute base locations" for U.S. forces in the Pacific.

"The slippage in United States-Philippines relations in recent years is the result of persistent meddling by the U.S. State Department in the long-standing trade and economic policies between our two countries," Melcher said.

"It is this inconsistency that is resented by the Filipinos and . . . is damaging to United States producers—especially farmers and ranch-

ers—whose products are exported to Southeast Asian markets."

Melcher's attack came as Rep. Stephen Solarz (D-N.Y.) escalated his blatant attempts to topple the Marcos government. The Mossad-linked Solarz has been holding hearings in an effort to scrape up some evidence that the Marcos family has funneled huge amounts of funds into New York real estate.

### Response to the Shuttle disaster

The cynical attempt by the Soviet Union and its satraps to make propaganda hay out of the disaster which befell the U.S. Space Shuttle Challenger, drew sharp responses from some members of Congress.

Speaking on the House floor the day after the tragedy, Rep. Robert Lagomarsino (R-Calif.) declared that "the shock of yesterday's events is compounded by what I learned this morning of the reaction of the Salvadoran guerrillas to this tragedy." The FMLN rebels had hailed the shuttle destruction as a victory against the "militarization of space," and characterized two of the Challenger crew as "war criminals."

Lagomarsino was seconded by Rep. William Broomfield (R-Mich.), who asked how this "Communist umbrella group," or "any group which claims national aspirations, dare to vilify the names of dedicated men and women who gave their lives in the exploration of space."

But as they spoke, Moscow's fellow travelers in Congress were proclaiming that the tragedy 1) proved that the Strategic Defense Initiative (SDI) was unfeasible, and 2) underscored the need for, "reevaluating"

(read: scrapping) the U.S. space program.

Senator Frank Lautenberg, a liberal Democrat from New Jersey and a member of the Senate space appropriations subcommittee, wanted to know: "Can we expect programs as exotic as SDI to be able to continue?"

Representative Bill Green (R-N.Y.), the ranking member of the House subcommittee on NASA appropriations, proclaimed: "There clearly is a need to pause and reevaluate the program. It will also reopen the debate about the value of manned space exploration vs. unmanned missions."

These are among the many indications that foes of the SDI, and of American technological superiority in general, intend to use the Challenger disaster, plus the Gramm-Rudman budget cuts, to slash funding for the missile-defense program, and to ice such key components of the U.S. space program as future shuttle flights and the manned space station scheduled to be built in the 1990s. As the *New York Post's* Niles Lathem commented Jan. 29: "Space cuts may now look enticing to those searching for ways to live under the constraints" of the balanced-budget law.

### Will Gramm-Rudman decouple NATO alliance?

The Gramm-Rudman bill is giving new life to the strategy, associated with Henry Kissinger and Zbigniew Brzezinski, among others, for "decoupling" the United States from Western Europe.

According to Norman Ornstein, a scholar at the American Enterprise Institute, an allegedly conservative Washington, D.C.-based think tank



with strong influence in the Reagan administration, the budgetary pressures Gramm-Rudman will exert on defense spending will force the United States to significantly reduce its troop strength in Europe.

He reports that several key members of Congress, including House Armed Services Committee chairman Les Aspin (D-Wisc.) and Sen. Sam Nunn (D-Ga.), will soon start raising the issue of withdrawing and demobilizing American troops now stationed in Europe, as both a cost-saving device and a strategic necessity. Nunn was the chief sponsor of an amendment to halve the number of American troops in Western Europe, which was narrowly defeated in June 1984.

Ornstein penned an op-ed for the Jan. 26 *Washington Post* in which he predicted that Congress will react to Gramm-Rudman's escalating cost-cutting pressures "by finally cutting the number of American troops in Europe." Ornstein believes that the United States must withdraw and demobilize a minimum of 90,000 troops, plus support personnel.

Ornstein's proposal is finding receptive ground in Congress. A top staff director on the House Armed Services Committee, who is in contact with Ornstein, confirmed that there is "serious talk" on the Hill that the United States may well have to drastically cut back its military presence in Europe because of the so-called balanced budget law.

"You have two choices under Gramm-Rudman," he explained. "You can either keep your force structure intact—but that would mean stopping procurement for an entire year, which is crazy; or, you can cut back on your force structure. The question is: Do we cut back on troops in Europe or in Kansas?"

The staffer disclosed that Aspin will be making speeches and holding hearings, in which the question of cutting back on European troop strength could be discussed in the broader context of American strategy and commitments. "Intellectually, we will have to take a new look at the issues of overall NATO structure and the future of Europe," he said.

### **T**ed Kennedy gets his marching orders

At the invitation of the Moscow Supreme Soviet, Sen. Ted Kennedy (D-Mass.) trots off to the Soviet Union in early February for a three-day visit, which will include a meeting with General-Secretary Mikhail Gorbachov.

According to a statement issued by his office, Kennedy will discuss a wide range of issues with the Soviet leader, including nuclear arms control and the progress of the Geneva arms talks. Kennedy will also meet with members of the Supreme Soviet and the Soviet Academy of Sciences.

One can expect him to return to the United States spouting new attacks against the U.S. military in general, and the Strategic Defense Initiative in particular.

### **G**overnment becoming 'a debt collection agency'

Rep. William Dannemeyer (R-Calif.) blasted the high cost of debt service on the federal debt, in a House floor speech Jan. 29, entitled "Gramm-Rudman Prescribes the Wrong Medicine." Dannemeyer said that servicing the federal debt will cost \$200 billion

for FY86, or 40% of federal tax revenues.

The congressman said that Congressional Budget Office projections show that this ratio will rise to 48¢ of every tax dollar by 1990, and that "Gramm-Rudman, for all its massive spending cuts, will not be able to change this outrageous ratio substantially, because no substantial reduction in the cost of debt-servicing is envisaged.

"Unless something more imaginative than the Gramm-Rudman proposals are adopted," Dannemeyer warned, "this government will be reduced to a collection agency, not to say a foreclosure agency, acting on behalf of the coupon-clipper class."

With these strong words, Dannemeyer laid the blame squarely on catastrophically high interest rates. "The cost of debt servicing is high because the value of the dollar was destabilized in 1971, sending interest rates into outer space," he said.

### **H**ouse Democrats demand protectionism

Congressional Democrats have seized upon new figures showing the U.S. trade deficit at a record \$148.5 billion, to push protectionist measures. The Democratic Leadership Council on Jan. 31 proposed a nine-point plan which would give the United States broader power to retaliate against unfair foreign trade practices, would require the U.S. Trade Representative to set targets for increased exports to a number of countries, and would establish a "war chest" to combat foreign export subsidies.

"We need to try to force open the doors of other markets," said sponsor Rep. Dan Mica (D-Fla.).

# National News

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## Is Henry Kissinger eyeing senate seat?

Henry Kissinger's presence at the New York Conservative Party's dinner the third week in January has renewed speculation that he wants to run for the Senate against incumbent Sen. Daniel Moynihan (D) in 1988.

"I have absolutely no plans to run," Kissinger said, claiming that he was at the dinner merely "as a friend of Bill Buckley."

But Conservative Party executive director Seraphin Maltese said that he discussed the matter with Kissinger in December. "He seemed interested in the fact that I expressed the view that Mr. Moynihan was vulnerable," Maltese said, adding that Kissinger would make a good candidate: "He has charisma, he attracts the press, he attracts the public. I think certainly he merits serious consideration."

Maltese said that Kissinger has been "changing some of his positions" to a more conservative line, and that "there has been a new appreciation" of his accomplishments by many conservatives.

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## Bush courts fundamentalists

Vice-President George Bush during the third week of January delivered the keynote speech to a leadership conference sponsored by the Liberty Federation in Washington, the successor organization to the Rev. Jerry Falwell's Moral Majority. It was established in December for the purpose of boosting the fundamentalist movement's political clout. Falwell has already endorsed Bush's presidential candidacy.

Bush, of course, is a charter member of the Eastern Establishment that Falwell and his followers claim to despise. But he bent over backward to prove his loyalty to the fundamentalist cause.

Introduced by Falwell's wife as the "next President of the United States," Bush exclaimed to the group: "What great goals you

have!" and vowed his support for the Liberty Foundation's positions, including prayer in the schools and an end to abortion.

"America is in crying need of the moral vision you have brought to our political life," Bush declared, and called on his listeners to get more deeply involved in politics. "Go for it!" Bush urged at one point.

"As a Baptist preacher, that's good preaching," Falwell told the Vice-President at the end of his address.

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## Space scientist refutes criticisms of SDI

In the January *Physics Today*, Dr. Robert Jastrow replies to the lying review by IBM's Richard Garwin of Jastrow's book, *How To Make Nuclear Weapons Obsolete*.

Jastrow shows that Garwin's calculations that missile defense cannot work are off by orders of magnitude: For example, Garwin contends that shielding SS-18 would cost 350 kilograms of payload. Jastrow shows this wrong by a factor of 10. Garwin's shielding proposal would leave the SS-18 without any payload capability, which as Jastrow ironically notes, would fulfill President Reagan's call for "making these missiles 'impotent and obsolete.'"

Many other examples are given. As to Garwin's method, Jastrow points out: "It is interesting to note, finally, that these order-of-magnitude errors are always in one direction—to make the proposed defenses against a Soviet nuclear attack seem costly and ineffective."

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## Washington considers legalizing murder

The Washington State Legislature is presently considering legislation to amend the 1979 Natural Death Act in order to permit the termination by guardians or relatives of naso-gastric tubes, intravenous feeding, and oral feeding to "terminal" patients, even if

the patient has not signed a "living will."

The bill defines a "terminal" patient as one who is comatose or in a permanent vegetative state, or one who has an incurable condition resulting from injury or disease.

This bill does not specify that death must be imminent to terminate treatment or feeding, just that the condition be deemed incurable. This bill, for example, would allow murder by termination of spoon-feeding for Alzheimer's disease patients, who have a life-expectancy of 8 to 10 years after contracting the disease.

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## Petra Kelly hires Ramsey Clark

On Jan. 23, German Green Party leader Petra Kelly served notice to a New York State court that she has hired Ramsey Clark, a former attorney-general of the United States, to pursue her libel claims against the newspaper *New Solidarity*, associated with EIR founder Lyndon LaRouche. Clark is a leading light of the "nuclear freeze" movement, and a supporter of the Ayatollah Khomeini.

Kelly's libel suit alleges that she was defamed because a June 1982 article called her a "whore," "Nazi," "fascist," and "terrorist."

In June 1985, the defendants served Kelly with a notice of deposition to be taken in mid-July. Kelly obtained one adjournment and then directed her attorneys to back out of the case. On Aug. 1, 1985, Kelly's attorneys met with lawyers for *New Solidarity* and probed the possibility of voluntarily withdrawing the lawsuit, but were informed that the defendants would not agree to such a withdrawal unless Kelly paid court costs and attorneys' fees.

After two months of negotiations, Kelly unilaterally moved to dismiss her own case. She supported her motion with a signed affidavit claiming she was too busy to continue the suit.

However, in her recent submission, Kelly declared that the articles and public statements of the defendants in the United States and Europe have prompted her and her supporters to reconsider the case.

Clark's entry into the fight indicates that the suit is too important to let go, especially in light of the defendants' threat of counter-suit for malicious prosecution as well as a potential motion to collect attorneys' fees and costs from Kelly.

## Governor to cure state problems with gambling

Louisiana Gov. Edwin Edwards (D), whose trial in December on charges of fraud and racketeering ended in a hung jury, declared his intention to cure the state's dire financial troubles by legalizing casino gambling and starting a state lottery.

Edwards has promised to make New Orleans a gambling mecca bigger than Atlantic City, bringing 100,000 new jobs and increasing revenue by about \$500 million annually if his proposals are adopted. Edwards also promised, "I will never make a wager at a casino in New Orleans as long as I am a public official." Apparently, he will gamble elsewhere.

The governor plans to establish a casino control commission modeled on the New Jersey Gaming Commission that oversees Atlantic City casinos. New Jersey law enforcement officials have reported that organized crime exerts extensive influence and control over all aspects of the gaming industry there.

A similar proposal to legalize casino gambling has been made in Florida.

## AIDS infects newborn in New York City

AIDS is the principal infection of newborn children in many regions of New York, according to an Agence France Presse wire covered in the Spanish press in late January.

AIDS develops more rapidly in newborns than in adults, and 69% of infected infants have died, as opposed to 52% of adults.

Dr. Howard Minkoff, director of the

Obstetrics Department of the Medical Center at the University of the State of New York, says that infant AIDS is extremely difficult to combat, since often no signs of infection are shown in the mother.

Rita O'Donnell, adviser to New York City health services, estimates that cases of infant AIDS in New York City will double in one year, faster than the doubling rate for adults. Most cases come from children of mothers who are drug-addicts.

## Judge hits FEC on Freeman suit

The Federal Election Commission received a kick in the teeth Jan. 29 from U.S. District Judge Thomas Griesa, when he refused to enforce a subpoena for documents and interrogatory answers against Caucus Distributors, Inc. (CDI). The FEC, shortly after the FBI and Justice Department closed its almost two-year-long investigation of Debra Freeman and her 1982 congressional campaign committee (Citizens for Freeman), reinitiated its witchhunt against Freeman and CFF. Mrs. Freeman is a "LaRouche Democrat" who is now a candidate for Senate; CDI is the national distributor for publications including *EIR*.

Judge Griesa took one look at the FEC's submission and said: "What idiot wrote this? Don't you have something better to spend taxpayers' money on? Can't you people ever draft these things in English? I'm not going to enforce this subpoena. Besides, you didn't comply with our local rule; you were to confer with your adversary before you ever filed this thing."

The FEC investigation was initiated by Freeman's opponent, Barbara Milkulski, who submitted a complaint, attaching a libelous three-part series by Mark Arax of the *Baltimore Sun*. Arax had conducted shotgun interviews of Freeman's supporters; he maintained that monies claimed by CFF were actually for subscriptions to "LaRouche publications," and that money raised for CFF went to purchasing such subscriptions. It was the Arax series which was used by the FBI as a pretext to open an investigation.

## Briefly

● **AVERAGE RENT** on new multi-family housing would have to rise by 30%, to compensate for the proposed elimination of tax subsidies to real estate under current versions of tax reform, a study by the Price Waterhouse accounting firm shows.

● **REP. JIM WRIGHT** (D-Tex.), House majority leader, appeared at the White House on Jan. 27 with a broken left arm. He said it happened in a fall from a make-shift podium on Jan. 26, and called it the "first cut under Gramm-Rudman." Others say it happened when the Soviets twisted too hard.

● **THE CDC** (Centers for Disease Control) will send a team to Belle Glade, Fla. in early February to find out why "non-risk groups" are getting AIDS. Many victims are not homosexuals, drug-users, or blood transmission recipients. Mosquitos are suspected by two north Miami physicians, Mark Whiteside and Carol MacLeod, who blame the squalid living conditions, but the CDC denies this possibility. Its team will test for AIDS and 10 mosquito-borne viruses, but CDC has made clear that prostitutes will be blamed if at all possible.

● **TOWN MEETINGS** around the country will be sponsored by the Jefferson Foundation, a think tank which works with the Committee on the Constitutional System, whose members include Lloyd Cutler, former counsel to President Carter. The purpose of the town meetings is to convince Americans that the U.S. Constitution is no good. Cutler is a member of the Trilateral Commission and the attorney defending the constitutionality of the Gramm-Rudman bill.

● **WATER CONTAMINATED** by giardia cysts from human and animal wastes has been found by authorities in McKeesport, Pennsylvania, for the second time in a year. One official blamed the find on the water authority's "very old plant," which has "not been maintained very well."

## Editorial

### *The right response to a tragedy*

When a tragedy such as that of the Space Shuttle Challenger hits, all good people are cruelly but ineluctably wrenched out of their day-to-day preoccupations with the petty, the smallness with which they usually conduct their daily lives, and made to feel something of the deeper side of human emotion. It is very much as if your nation has been attacked. Sadness at the immediate tragedy is coupled with something higher, an impassioned determination and commitment to what is greater than one's individual life.

In the nature of the tragedy, the question posed is the very purpose of a nation's existence, and what good for humanity, present and future generations, a nation and individuals within it might accomplish.

President Reagan best expressed that loftier sense of the tragedy, when, in the middle of his statement on the day of the Shuttle disaster, he addressed the nation's school children: "I know it's hard to understand, but sometimes painful things like this happen. It's all part of the process of exploration and discovery. It's all part of taking a chance and expanding man's horizons. The future doesn't belong to the faint-hearted; it belongs to the brave. The Challenger crew was pulling us into the future, and we'll continue to follow it. . . . We'll continue our quest in space. There will be more shuttle flights, and more shuttle crews, and yes, volunteers, more civilians, more teachers in space. Nothing ends here. . . . We will never forget them, nor the last time we saw them this morning as they prepared for their journey and waved good-bye, and slipped the surly bonds of Earth to touch the face of God."

Those who died on the Space Shuttle Challenger were engaged most directly in the future of mankind, expanding the knowledge and the scope of technologies that represent the last best hope of this tortured planet. This includes the Shuttle program's "military" connection, the Strategic Defense Initiative, whose laser and kindred technologies, while rendering nuclear weapons "impotent and obsolete," have already produced, and

will continue producing, civilian applications that are indispensable to save and raise millions of lives.

In what indescribable contempt, then, the American people hold the Soviet Union and its echo chambers in the West, who call for an end to the space program, an end to the Strategic Defense Initiative, and hail the tragedy of the Space Shuttle Challenger as "useful" for this purpose. And the dutiful, pro-Soviet major news media of the West, whose "reporters" could be everywhere seen, instructing school children that they were "traumatized" and feared the program; crawling around the streets, attempting to drag the sentiments of our population back down into the mud for the sake of eliciting any small hint of opposition to the programs that alone stand in the way of near-term Soviet domination of this world, that alone can take men beyond the surly bonds of Earth.

The *New York Times* did not even wait a decent interval before editorializing that this just goes to prove that manned space flight is "too dangerous," and it, SDI and all, should be scrapped.

In light of this cackling of the enemies of the nation, we are not surprised that of the many people we have spoken to since the Shuttle disaster, we have encountered very few who did not express their suspicion that Challenger was sabotaged. The nation *has* been attacked; we only await the results of investigation to determine in what sense that is true.

Since what we now have is perhaps the most corrupt, traitor-ridden Congress in history, you may expect that, after a decent interval, your senator and congressman will join a Soviet-orchestrated effort to kill, or "slow down," what must now be accelerated: SDI, Shuttle, and space exploration. Most will. But chances are, you will also, in this election year, have a La-Rouche candidate to vote for—there are hundreds now, and more each day in every part of the country. The tragedy of Tuesday, Jan. 28, produced a set of emotions that are not a bad thing on which to base one's vote.

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