

EIR

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Is Russian culture ready for the nuclear age?
U.S. shipping collapse hurts national security

**Arms for Iranian terrorists:
the U.S.-Israeli connection**



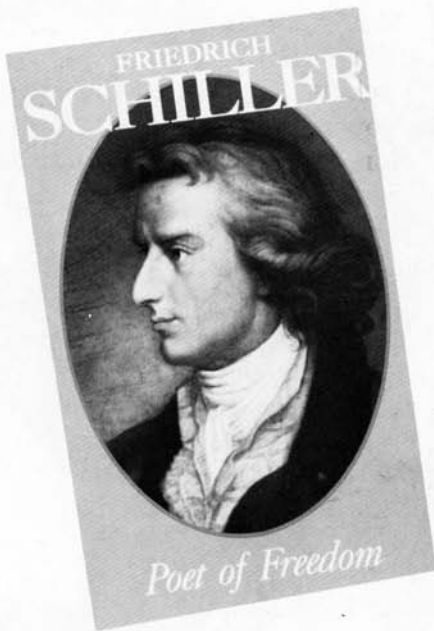
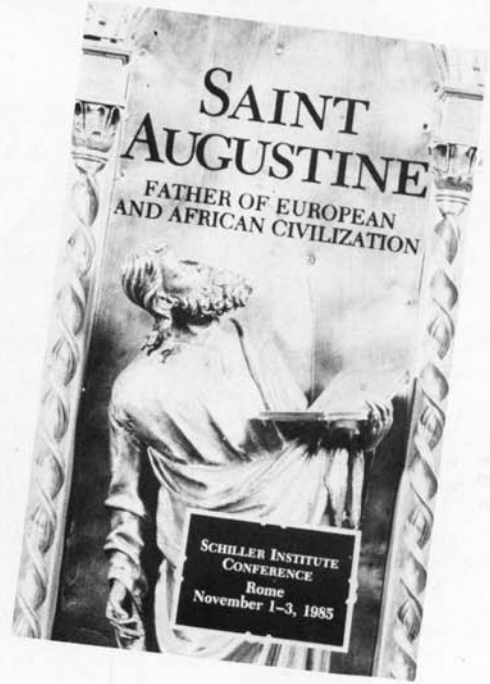
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EIR

From the Editor

We think *EIR* readers will want to know Lyndon LaRouche's comments on the nuclear power disaster at the Chernobyl power plant in the Ukraine. In a statement released on April 30, LaRouche stressed, "The type of nuclear power-plant failure which has occurred outside Kiev, in the Soviet Union, could never have happened to a nuclear generating facility in the U.S.A., France, or West Germany. The Soviet Russians have a different culture and morality than we do, and do not place the value on individual human life which Augustinian civilization does. The Soviet generator designs deliberately took an unnecessary risk, for the sake of cutting costs.

"The closest approximation of the Soviet nuclear incident in the United States is the case of the recent death of seven U.S. astronauts in the Shuttle disaster. Purely for budgetary and cost reasons, the U.S. used what it knew to be a high-risk system, when a far superior system could have been used instead. Also as a result of cost-cutting, a large part of the safety program for the Shuttle system, was cut from the budget. . . ."

LaRouche concluded: "The combined lesson of the Shuttle disaster and the Soviet nuclear incident, is: Don't cut quality and safety measures for the sake of the budget, and use the best technologies for safety's sake, rather than older technologies off the shelf. Also, don't you wish we had already developed the beam-weapons which would destroy nuclear warheads before any part of our nation could be struck?"

For further coverage on this subject, see page 42.

This leaves me just a few lines to direct you to highlights of this week's intelligence, besides the items headlined on the cover. Those of you who have been fighting the Federal Reserve will want to study an Italian parliamentarian's actions to curb the "independence" of that country's corrupt central bank (page 6). See page 44 for an exclusive exposé of Soviet moves against Scandinavia; page 10 for the shocking story of how the spread of AIDS and other diseases is being covered up in Maryland; and pages 9 and 46 for the names of Ibero-America's money-launderers, how they are doing it, and what that means for the sovereignty of our allies in this hemisphere.

As for the *Feature* and *Document*: The fight is on!

Nora Hamerman

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Feature



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Armed mullahs at a rally in front of the U.S. embassy in Teheran in June 1980, during the hostage crisis. Their weapons came then—and now—from a treasonous secret alliance spanning top levels of the Israeli defense and intelligence establishment, high officials of the State Department and Pentagon, and the Kremlin leadership.

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U.S. debt bomb spurs economy toward depression

by Christopher R. White

Now, apparently, the United States Federal Reserve believes there is a big problem looming because of the growth of public and private debt in the United States over the last three years.

That was the message Federal Reserve Board chairman Paul A. Volcker took to Capitol Hill during his last visit to those precincts during the week of April 21. He reported that the rapid growth of debt over the last three years is without historical precedent "except in highly disturbed economic circumstances—depressions, wars, or major inflations."

By the end of last year, according to the Fed's figures, outstanding U.S. debt had reached a staggering \$8.5 trillion, an increase of over \$1 trillion on the year before, and actually the fastest growing part of the U.S. economy. Over the last three years, indebtedness has been growing at double-digit annual rates. The reported growth in U.S. public and private debt over the last year, is itself larger than the debt principal of Ibero-American nations.

Contrary to Volcker, the accelerating growth in U.S. public and private debt is actually the main motor force behind the worsening descent into depression. This was shown in a recent *EIR* study which took apart the government's Gross National Product accounts to look at how financial transactions correlate with developments in the physical economy as such. Gross National Product accounting claims to account for all financial transactions occurring in the economy, and therefore includes interest payments.

Interest = 13% of GNP

Over the period Volcker addressed before Congress, that is, from 1979 to 1984, interest claims on the U.S. economy grew from \$233 billion to \$478 billion. By 1984, the usurious claims of interest accounted for nearly 13% of the transac-

tions recorded in the Commerce Department's Gross National Product accounts. The federal government is responsible for about one-quarter of the total.

Over the same period, claims of interest began to outstrip net investment in plant, equipment, and materials for the economy as a whole. In 1979, \$234 billion was so invested, against the \$233 billion paid in interest. By 1984, \$306.9 billion was so invested against the \$478 billion claimed in interest.

By comparison, back in the early 1960s, the total claim of interest was less than one-tenth of what it is today, approximately \$32 billion in 1963, or just over 5.4% of the gross national product as a whole.

Assuming that, on the basis of equity, interest payments ought to be sufficient to cover administrative expenses incurred in extending credit, and that interest ought not to be levied on interest, then a rate of 3% would be appropriate. On that scale, there is approximately \$400 billion being taken out of the economy in usurious interest charges.

The growth in the claims of interest is the second fastest growing component of the GNP accounts. The fastest growing is federal and state government transfer payments for unemployment benefits or income maintenance, rising from \$2.1 billion in 1963 to \$96.6 billion in 1984. Back in 1963, such payments were a minuscule one-fortieth of the productive sector's wage bill; by 1984, they were just under one-third of the same.

If the claims of interest, and the unemployed, happen to be the fastest growing components of the national accounts, that is pretty strong evidence that the indications of reality, against the recovery mongers, are correct. The United States is in fact in a depression. Therefore there is nothing unprecedented about the growth of debt, as Volcker asserted. It may



be on a bigger scale, but it's exactly what happened during the 1920s and 1930s, with exactly the same effects.

It is also the case that Volcker did more than any other single individual to bring the situation about. The acceleration in the total claims of usury, and in the claims of the unemployed, took place after 1979, when Jimmy Carter appointed him chairman of the Board of Governors of the Federal Reserve.

Tax breaks for usury

Then, in 1981 and 1982, after two years of Volcker's high interest rates increased the total claims of interest by 50%, it was Volcker and Donald Regan, then secretary of the treasury, who set in motion the tax changes which helped make the spiraling growth of such usury self-propagating. Thanks to tax-break structures, the federal government made it cheaper for individuals and corporations to build up accumulations of debt than accumulations of equity. Interest, after all, is tax deductible—earnings from equity are not.

The *Wall Street Journal* covered Volcker's remarks, reporting that "the Fed's concern isn't so much with debt's recent advance, but with its inevitable retreat. The market will eventually shrink an excessive debt burden, but the process may be unpleasant." Economist Albert Wojnilower of the Drug Lobby's First Boston Corporation was quoted: "If you have to reduce the burden of debt in a hurry, there are two ways. One is through inflation. That's what we did in the 1970s and early 1980s. The other way is through widespread default and liquidation."

That was the choice *EIR*'s Lyndon LaRouche warned the Fed was facing more than a year ago. At that point, he reported that efforts to avoid the hyperinflationary variant would feed deflationary collapse impulses, and the reverse.

And the combination of the two would feed the ongoing depression spiral, foredooming the financial system to ultimate collapse.

But it is now a year later. Volcker has been pumping money into the credit system to stave off deflationary collapse. And, on the other hand, the last months' collapse in the price of crude oil has taken the deflationary impetus of the spiral beyond the point of no return.

No more time to be bought

As before, in the period since 1967 when the Bretton Woods monetary system began to unravel, Volcker and company tried to buy time to preserve their bankrupt system, and forestall the inevitable consequences of their own policies. Now, it's too late. Even in the financial domain, the apparent choice Wojnilower presents, between inflation and deflation, is no longer a choice, because there is no longer a difference between the consequences of either option.

As has been seen before, pumping credit into a bankrupt financial and banking system to keep it afloat depreciates the nominal assets of that system. There comes a point when the holders of the assets determine that they will lose more by keeping their paper where it is than they will by pulling out, especially if they pull out before everybody else.

It could be avoided, by measures to counteract the deflationary momentum following from the oil-price collapse, such as the adoption of the emergency oil-parity tariff LaRouche has proposed. Such a measure would in fact buy time for the financial system, as a by-product of its principal function, the protection of domestic, and hemispheric production capabilities, for national security reasons. Volcker, however, opposes such measures, as do the ideologues in the administration. They, therefore, for their different reasons, are actually encouraging the development of the deflationary flight out of \$8.5 trillion dollars of bad paper.

Tokyo: the last Bretton Woods summit?

This provides good reason to believe that this year's ritual economic summit of the seven heads of state of the leading developed economies in Tokyo, will probably be the last to convene under the financial and economic arrangements that have been in force since their first such meeting back in 1975. These summits have only functioned to reaffirm the policies of buying time for the self-destruction of the Bretton Woods system, through such means as have accumulated \$8.5 trillion worth of debt on the back of the U.S. economy. In so doing, they have subjected Third World nations to policies of mass murder in effect, and plunged the "advanced" world into a new depression, led by the United States.

By the time of next year's such summit, either new, equitable financial arrangements will be in effect, which will have ended the depression from which the world is suffering, and wiped out the unsupportable burden of usury on the world economy, or Volcker's debt bubble will have collapsed itself.

'Independent' central bank dooms nation to dictatorship

The Hon. Luigi Tommaso Memmi, from Lecce (Puglia), became a member of the Italian Parliament on July 4, 1983. He belongs to the Budget and Internal Affairs Commission, and is a member of a group of Christian Democratic parliamentarians who are sponsoring a bill for the reform of the statute of the Bank of Italy. He was interviewed in Rome in April, by our correspondent Fiorella Operto Filippini.

EIR: In recent weeks the Bank of Italy has been at the center of a cyclone of protests, strikes, and polemics. On Jan. 7, you presented, together with a group of Italian deputies, a bill proposing a reform of the state of the most exclusive bank in Italy, the Bank of Italy. Could you go into detail on this?

Memmi: I would like to quote some passages from the bill presented by the group of deputies which you cited. We are spokesmen representing all the components of the Christian Democratic Party; we have been pushed to raise the problem of the Bank of Italy because of the intrinsic absurdity in the statute of our central institute, statutory absurdities which are linked to other similar deviations in its economic and financial policy.

At present, the Superior Council of the Bank of Italy is responsible for naming and revoking the governor, the general manager, and the two deputy general managers. True, these provisions depend on approval by decree of the President of the Republic, together with the prime minister and the minister of the treasury, but in reality, it is the Superior Council of the Bank of Italy that names its own directors, and which then, in turn, names the Superior Council of the central institute. It is an anti-democratic, medieval procedure, and unsuited to an advanced country.

Our bill provides that the President should name the governor of the Bank of Italy, by decree, on proposal of the prime minister in concert with the treasury minister, and that the governor remain in office for five years, renewable for no more than two times. And that the general manager and the two deputy general managers be named by the same procedure.

EIR: Your parliamentary action raised, at least in Italy, some sharp reactions. But also, many agreed, above all in Catholic circles.

Memmi: In fact, our bill represents a technical measure which is valid in itself, but the philosophical bases of which are represented, for us sponsors, by the social doctrine of the Catholic Church.

We maintain in fact that a free-market financial and monetary policy, like that presently being implemented by the Bank of Italy's management, is contrary to the Christian humanism which ought to guide our actions, at least, the actions of my party.

But even beyond our creed, as Italians, we must affirm that the reputation by which a central bank "decoupled" from

A country in which the central bank is independent from the executive is a country which has lost—or never had—sovereignty over its own national economy. The philosophical basis of our bill is that the Bank of Italy's policies should depend on the nation itself.

the government, such as ours is today, is thought to be synonymous with an advanced, modern, progressive country, is false.

Exactly the opposite is true. A country in which the central bank is independent from the Executive is a country which has lost—or national economy. Let us take for example the case of many countries of the developing sector: There, the central banks are often "decoupled" from the government, i.e., under the control of the International Monetary Fund or the big international banks which, through the central banks, impose their economic line on the governments. The philosophical basis of our bill is that the Bank of Italy's policies should depend on the government, i.e., the nation itself, and serve its interests.

EIR: One week ago, Joseph Cardinal Ratzinger, Prefect of the Congregation for the Doctrine of the Faith, present a document to the press, "Instruction on Christian Liberty and Liberation," in the final part of which it deals with the topic you mentioned, the social doctrine of the Church. How do you judge that document?

Memmi: Obviously, we agree with the theses presented by Cardinal Ratzinger, for the Church. In particular, we believe that "Instruction on Christian Liberty and Liberation," stresses in an adequate way the tragedy in which entire countries are crushed by foreign debt where the population can neither develop nor grow. We have to disprove the libertarian theory according to which state intervention into the economy is a Marxist or communist principle. It has always been a duty of the state to intervene to defend the population, the elderly, the poor, children, and youth, and liberate the nation from external conditionings dictated by usurious policies. Obviously, there is state policy and state policy: In Italy's Mezzogiorno, for example do we want to defeat the mafia? We need a greater state intervention to finance concrete economic projects: industries, agricultural development, reforestation, irrigation, and services.

EIR: As you know, in the United States the Gramm-Rudman law was voted up, which imposed harsh austerity programs on the U.S. economy. How do you judge it?

Memmi: The Gramm-Rudman Act acts on the United States budget similarly to, and perhaps to a greater degree, than what the Bank of Italy does, in the sense of automatically cutting, it seems to me, the "excesses" from the budget. In this case, even more than in Italy, the cuts are totally automatic, and the Executive no longer has any voice in the matter of the budget of the State. This is incredible; it is an extremely dangerous weakening of the state in the face of international speculative activities which play against nations, and, in particular, Western nations. The United States must take up again the economic policies of the 1950s, the program of "Atoms for Peace," and reestablish sovereignty over their finances. Otherwise, we are very close to the danger of an economic collapse.

EIR: Mrs. Helga Zepp-LaRouche, founder of the Schiller Institute, in the course of an international conference held in Rome for the year of St. Augustine, called for a decisive action against the austerity policies of the International Monetary Fund. What is your thinking on this point?

Memmi: The International Monetary Fund represents, from its founding, a supranational institution which interferes in national economic policies. Unfortunately, very often, with the central banks' approval. It is a question of a kind of elite reserved for the few, where governments have for the most part very little access. I would like to repeat: A nation whose central institution is decoupled from the Executive, sooner or later, will fall into the hands of a dictatorship.

Bank of Italy may lose its 'divorce'

by Umberto Pascali

The Bank of Italy, the Italian central bank, which years ago had its leaders arrested for corruption and yet won an official, total, and unique "independence" from the government and the parliament through a "divorce" from the Treasury Ministry, is in upheaval. On Jan. 7, four Christian Democratic parliamentarians called for "putting the Bank of Italy under surveillance" and reversing the "divorce" between the central bank and the Treasury.

Then, on Feb. 12, the corruption of the bank's "independent" leadership was sharply challenged by the three trade unions representing the majority of the bank's employees, with the publication of an Open Letter to the Governor, Carlo d'Azeglio Ciampi. The three unions that signed the letter were violently opposed by the Communist-controlled CGIL labor confederation. The unions attacked the Bank of Italy's collusion with the same international banking oligarchy that has been exposed for laundering the profits of the illegal drug trade.

The Open Letter was distributed on Feb. 12 in the context of a contract fight, against a plan to further increase the discretionary powers and "independence" of the Bank's directorate.

Referring to "the thousands of skeletons in your closet," the Open Letter attacked: "inadequate and thus partial monitoring of Italian credit institutions"; "the means by which the directorate's salaries are determined"; "the anomalous composition of a tame Superior Council"; "the unlimited duration of your mandate"; "the incorrect intervention in the naming of bank managers"; "cronyism"; and "administration of huge real-estate assets characterized by very high costs, waste, and favoritism."

The official and secret power exerted by governor Carlo Azeglio Ciampi and his directorate is even greater than Paul Volcker's.

Though there have been probes into the central bank in the past, and though the Communists, who still support the governor, admit that "the accusations are not new," no one has been able to nail the powerful gang that represents the local satrap of the International Monetary Fund.

One of the key powers of the central bank is the monitoring of all Italian banks. When asked for collaboration by

magistrates and law-enforcement agencies, the Bank of Italy usually comes up with the peculiar theory that they cannot reveal "confidential information," not even in the cases in which the bank investigated is positively found to be connected to mafia and drug money. One magistrate investigating the dirty-money recycling of certain Sicilian banks who was killed by the mafia, immediately after he had asked for information from the Bank of Italy!

Central bank's counterattack

After one day of frantic consultations in Italy and abroad, Ciampi finally decided to present a legal brief to the magistracy and denounce the authors of the Letter, while ordering a violent media campaign against the "trade unions' insults."

But a trade-union official told *EIR*, "We have all the proof of what we have said and we are happy to go in front of a court to present our evidence." He added that the monitoring sector of the Bank is totally inadequate: "One of our demands is to make this sector really work."

In its media counterattack, the Bank has insinuated that that the unions must be "accomplices" in any wrongdoing; threatened that since the "The Bank of Italy is the only internationally credible institution," any effort to undermine proves the politicians are corrupt; and finally, "This attack does not come from the union, but from political groups, namely the Socialist Party and Prime Minister Bettino Craxi, who unsuccessfully had attempted a policy of low interest rates to favor an investment policy and increase his electoral base."

Venice sends an SOS

On Feb. 13, the day after the Open Letter was published, in the sanctuary of the Venetian oligarchy, the Cini Foundation at the former Benedictine monastery in San Giorgio Maggiore island, an international conference took place. The issue? How to defend the "independence" of central banks in Italy, France, Germany, Great Britain and, above all, in the United States! It was a sort of SOS, organized by the Olivetti Foundation of Henry Kissinger's friend, Carlo De Benedetti. So, the illustrious professors gathered there to defend the sanctity of the central banks found out that the Bank of Italy had just been accused of being no less than a "criminal association."

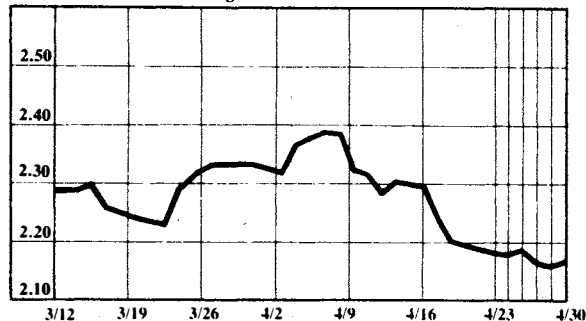
Interestingly, in the analysis of the U.S. Federal Reserve presented in Venice by Prof. Richard Sylla of North Carolina University, he stressed that "the independence of the Fed is real, but fragile. The independence can be compromised by government officials. . . . Besides, the independence can be put aside in periods of serious national emergency as showed by the two World Wars. . . . Where does the potential danger to the Fed's independence come from? In the U.S. situation the most effective way to attack the discretionary monetary policy of the central bank and its independence is to stress that the Fed has not always had a wise leadership."

If this is true, then not only Ciampi's position, but Volcker's, too, is quite "fragile."

Currency Rates

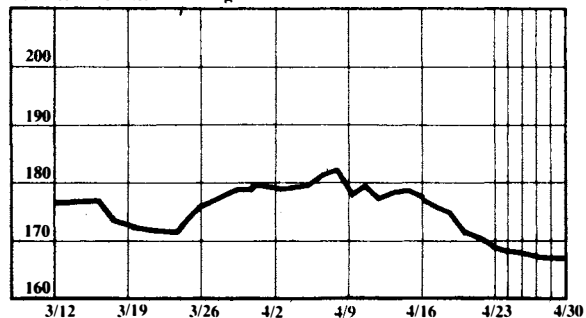
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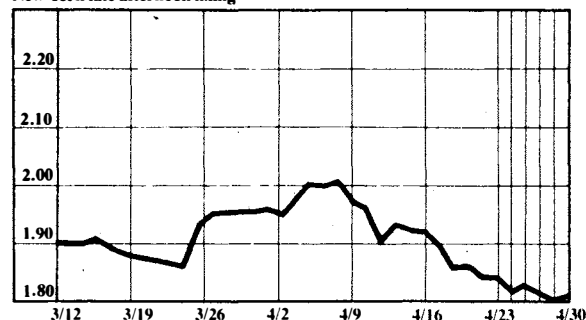
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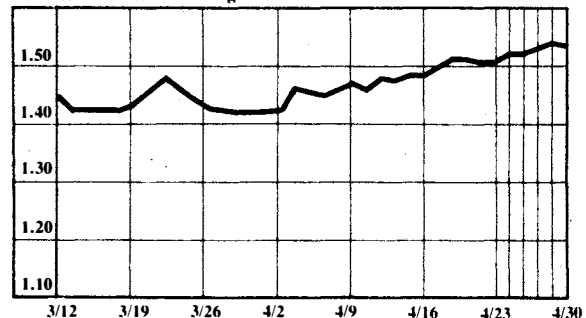
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



A tale of dirty money and the IMF

by Carlos Cota Meza

As a result of statements by Mexican Attorney General Sergio García Ramírez on the "laundering" of money from the illegal drug trade (see page 50), some Mexican newspapers have made public the inquiries of journalists specializing in national finance, who are uncovering an intricate network of illicit business which intersects the normal national banking system. Rumor has it that this could be a guide to investigations by the justice system.

The three-year-long application of the International Monetary Fund's "recommendations" has so drastically shrunk national credit, that for 1986 a reserve requirement of 100% has been established. Interest on domestic loans is climbing so fast that the annualized rate projected for the fourth month is already 118%.

With the reserve requirement of 100% now imposed by the Bank of Mexico on commercial banking, a breach has been opened between the rates paid to depositors and the interest rates for those taking out loans at 30-40%. Added to this is capital flight (\$2 billion for 1985, according to official figures), and the fall by more than 50% in hard-currency revenues from oil exports, which has led to further official budget cuts and suspension of payments by the semi-public companies to their private vendors.

With this suspension of payments and the "criminal" credit policy (as the businessmen put it), the industrialists' associations of the states of Jalisco and Nuevo León say they are plummeting into bankruptcy and may be forced to stop paying their domestic creditors.

The Business Center of Jalisco reported that its members owe more than 300 billion pesos to the national banking system and that they have no way of paying. Nuevo León's businessmen, who owe 100 billion pesos, have taken repeated holidays from their payments. Jalisco and Nuevo León are the second and third most important industrial states of Mexico. As for No. 1, the Federal District-Mexico state, figures on its status of bankruptcy are not even known.

The 'night markets'

While this process of economic cannibalization has been going on, since 1982 a lucrative business has sprung up, known as the "parallel market" or "night market," which has started to come out into daylight. This market, which inves-

tigators say "reminds us of the mafia," is run by "clubs of treasurers" of big companies who communicate among themselves "their financial availability and requirements" after having clinked their glasses of expensive cognac and smoked exquisite cigars in famous luxury restaurants all over the country.

Certain officials of brokerage houses on the National Stock Commission have also entered the game. A network of such firms set up "independent" or "parallel" offices to create their own portfolio of clients just like the famous "account executives" of the banks which handled the money for drug traffickers like Rafael Caro Quintero, Ernesto Fonseca (both in jail), and the recent escapee from a Colombian jail, Matta Ballesteros.

Investigators say one of the "operators" in this market, with a 100-person clientele, "confessed" to reporters that "in only one month he had had net profits of 25 million pesos." The same operators say that there is nothing illegal in this, given that they function as if somebody lent 100 pesos to his neighbor. They claim there is nothing in it that requires regulation.

Among the firms cited with a heavy involvement in the "night markets" are Aurrera (a chain of auto service stores), Celanese, General Motors, Union Carbide, Ford Motor Company, and Ingenieros Civiles Asociados (ICA,) famous in the south of the continent for the defects in the projects it builds. One of the brokerage houses most compromised in this business is the Compañía Operadora de Bolsa. Also participating are foreign banks with offices or branches in the country, who grant "letters of credit" or deposit-vouchers abroad, which are used as "collateral" for the participants in the "night market."

The restrictive credit policy of the Bank of Mexico director has helped these "parallel markets," with their heavy mafia involvement, to handle the equivalent of 20% of what is handled by normal commercial banking in deposits from citizens. According to Treasury figures, savings deposited in official banking institutions fell from 30.2% of the GNP in 1984 to 27.1% in 1985.

The sum of 900 billion pesos in "night money" equals 13.6% of the balance of financing granted by the commercial banks, and 37.5% of the balance of credit granted by the development banks and development funds. Moises Pardo Rodríguez, loan manager for the Security and Development Fund for Small and Medium Industry (Fogain) recently stated that his office had detected that "100,000 firms are operating with informal credits," and that Fogain has granted financing to 120,000 companies, mostly micro, small, and medium.

With the revelations of the attorney general of Mexico and the investigations carried out into "laundering" of money, it is clear that Miguel Mancera Aguayo, more than director of the Bank of Mexico, has been the general manager for the drug-trafficking mafia, to whom he has already turned over at least 20% of Mexico's national credit, and the control of innumerable firms of the national productive apparatus.

TB outbreak ignored by state officials

by Debra Freeman

Dr. Freeman, the public-health coordinator of EIR's Biological Holocaust Task Force, is also a candidate for the Democratic nomination for U.S. Senate from the state of Maryland. A Baltimore resident, she has a doctorate in public health. She has made the danger of an AIDS epidemic one of the principal issues of her campaign, focusing the reluctant attention of the media and public-health officials on the health crisis on Maryland's Eastern Shore.

When three workers employed as clam and oyster shuckers at B&S Fisheries, a seafood-processing plant in Kent Narrows, Maryland, were diagnosed as suffering from tuberculosis last June, Jeanette Rose, chief of tuberculosis control for the Maryland Department of Health and Mental Hygiene, routinely requested chest x-rays and skin tests for 100 shuckers at the plant. Within six months, 45 more workers in the plant were undergoing chemical therapy for tuberculosis and 3 were dead.

Although this constitutes the highest outbreak of tuberculosis in over 30 years, Rose was still insisting that there was nothing to worry about.

Privately, health officials voiced alarm. The vast majority of workers at the Eastern Shore packing houses live in shanties and other poor, overcrowded housing conditions. The rate of drug and alcohol abuse in this community is extraordinarily high, placing these individuals in a high risk category for tuberculosis.

At the time, I stated that the tuberculosis outbreak by itself constituted a public-health emergency and was a reflection of conditions of economic breakdown in the area. But I also pointed out that recent studies indicate that, particularly under conditions of economic squalor, tuberculosis is considered to be the best marker disease for immunosuppression—AIDS. I recommended the only sane course of action: to extend the tuberculosis testing and screen for AIDS all those individuals testing positive on tuberculosis.

Initially, those recommendations went completely unheeded. Then, two things occurred: 1) I and my collaborators launched a campaign to end the official cover-up and force implementation of emergency measures; and 2) it became increasingly clear to all concerned that the identified cases

are not responding to the standard isoniazid treatment. Those who merely skin-tested positive are also being treated with isoniazid, even though they are not symptomatic. Yet this aggressive treatment regimen is *not* stopping those who skin-tested positive from developing full-blown tuberculosis.

Obviously, we are dealing with a highly virulent, drug-resistant, and, in all likelihood, AIDS-related strain, not with traditional tuberculosis.

AIDS tests introduced

Finally, after months of stonewalling, the Maryland Department of Health gave in and began screening for AIDS. The results of the screening have not and will not be made public. Indeed, eight of the workers at B&S Fisheries who were tested for AIDS seem to have dropped off the face of the earth, raising questions about their test results.

It seems clear that we are dealing with AIDS-related tuberculosis. But, does this mean that all these tuberculosis cases—now numbering over 70 in a community of 25,000—are actually cases of AIDS or AIDS Related Complex (ARC)? Infectious disease specialists in Maryland say that it just isn't that simple.

The problem occurs as follows. There are a few AIDS carriers in a community—a community which already exhibits severe economic squalor and public-health breakdown. These carriers are the Petrie dishes for culturing new, more virulent strains of diseases like tuberculosis. Once this process occurs, the secondary infections spread like wildfire throughout an entire community.

Why? First of all, the population pool is probably suffering some degree of immunosuppression related to collapsing nutritional standards, breakdown in sanitation, high rates of drug and/or alcohol abuse, etc. But also, these are new AIDS-related strains of old diseases. People have not had any previous exposure and, therefore, they have not developed immunity. This process has occurred repeatedly in history. Thousands of American Indians, for instance, died when exposed to the equivalent of a common cold virus carried by European settlers.

This lends powerful support to EIR's insistence on a policy of quarantining AIDS victims, as one part of an emergency war plan to combat the disease. This policy has been strongly opposed by the combined forces of the Soviet-controlled World Health Organization and the Atlanta Centers for Disease Control (CDC).

We still cannot identify with certainty every mode by which AIDS is transmitted. The scientific evidence clearly points to many modes of transmission, including by mosquito—contrary to the CDC's "party line" that AIDS can only spread by sexual contact and exchange of body fluids. However, we do know precisely how diseases like tuberculosis are spread. And, in the words of one specialist, "When we are dealing with AIDS-related strains, without the ability to impose classic public-health measures, you have got an instant Code Red."

The dollar as a 'doomsday machine'

The latest ratchet-decline of the American currency pops the "recovery" bubble.

What was, until the week of April 21, a recovery only in the securities market, is now no recovery at all. Following the West German central bank's refusal to man the money-pumps in tempo with the Federal Reserve, the dollar fell by roughly 12% against the German mark since April 11, the date of the International Monetary Fund conference in Washington at which the German attitude became clear.

The "doomsday machine" produces a vicious cycle of declining U.S. output due to a declining dollar, and a declining dollar, due to declining U.S. economic output. It was kicked on last week, and the Reagan administration has no means to turn it off.

The 7% decline in 30-year U.S. government bonds during the week of April 21 may well have reflected traders' panic that foreign investors might pull funds out, more than an actual withdrawal of funds. Nonetheless, the 18-month-long bond market rally, fueled by \$50 billion a year in foreign purchases of U.S. government securities, has disintegrated. The point registered forcefully on the New York Stock Exchange on April 29 and April 30, when the stock market index fell by 57 points. That decline is small (3%) compared to the slaughter on the bond market, but it included a 42-point decline of the Dow-Jones industrial average, its single worst day in absolute terms.

There may well be a period of deceptive calm in the foreign-exchange markets until after the Tokyo summit,

where world leaders will agree to disagree about America's so-called locomotive theory. America generated a "world recovery," according to U.S. officials, by ruining its own economy, subjecting the rest of the world to usurious interest rates, forcing up the value of the dollar, and importing roughly one-sixth of its entire physical consumption bill.

Other nations had the privilege of subsidizing America's economic decline, in the official U.S. view. Now, "other nations should stimulate their economies in a non-inflationary way to promote worldwide economic recovery and bring trade among nations into better balance," Commerce Secretary Malcolm Baldrige said April 30.

The Japanese and West Germans will tell President Reagan, as politely as possible, that he is off his rocker. Don't blink after the summit, or you will miss the dollar as it falls.

Wall Street bond traders have reportedly programmed their office computers to continuously display the dollar-yen rate, in belated recognition that the financing of America's payments balance determines what will happen in domestic markets.

We read in Dr. Henry Kaufman's "Comments on Credit" of April 25: "A sharp plunge in the value of the U.S. dollar sparked a huge bond market sell-off this week. The events that produced this decline cast doubt on the continued viability of the rally; it is not clear, however, that the rally is finished. That view would have to be confirmed by an improving outlook

for economic growth. . . ."

Dr. Kaufman suggests that bonds will crash unless the economy does so faster, eliminating demand for credit, and permitting interest rates to sink even further. He does not appear to ask himself what America's creditors will think of the collapse of the economic recovery; almost certainly, they will decide that the dollar is a bad risk, liquidate investments in the bond market, and propel securities values downward and interest rates upward, despite the decline of the economy.

Making matters worse was the Commerce Department's report April 30 that the U.S. merchandise trade deficit is running at an annualized \$174 billion rate as of March. Despite lower oil prices, which lower the cost of U.S. imports, American imports grew to a record, including a record \$23.5 billion in manufactured products. In all probability, the huge number reflects a slightly lower volume of physical goods imports, particularly from Japan and other nations whose currencies have appreciated so strongly against the dollar. But the dollar's 30% decline since last September drastically increases the prices of goods we import.

Exactly the opposite of what the administration predicted from the dollar's decline has happened. Rather than stimulate domestic output, the rising cost of imports is suppressing domestic output. General Motors, for example, announced April 30 an 8% cut-back in third-quarter production plans, precisely at the point at which higher import prices supposedly should permit GM to sell more cars. The secret is that higher import costs hit first at the industrial component level, forcing up manufacturing costs in areas such as auto and electronics, in which much of manufacturing has been degraded to a domestic assembly operation.

The collapse of bank lending

With oil, agriculture, and real estate shutting down, the banks are contracting their loans, for the first time since the 1930s.

Commercial bank loans fell nationally as a result of the banking crisis in the oil, real-estate, and agricultural sectors, Salomon Brothers reported April 25. That is an extraordinary conclusion, since total commercial bank lending has increased during every year since World War II, including every recession year. If the first quarter's \$13 billion decline, brought on by banks' credit problems, were to continue through the year, the fairly modest decline in U.S. output during the first quarter will turn into a tailspin.

However, first-quarter results from Texas and Oklahoma institutions make clear that the worst has not yet hit. The first effects of the declining oil prices have already crippled those states' banking systems, ensuring that the credit contraction will worsen during succeeding quarters.

According to a the credit contraction will worsen during succeeding quarters.

According to a Salomon Brothers' report issued April 25, "In the first three months of the year, total loans and investments in the commercial banking sector fell by \$13 billion. Since 1982, the smallest first-quarter increase had been \$10 billion. This year's decline was concentrated in three Federal Reserve districts: Dallas, Minneapolis, and San Francisco. Behind this lack of steam were the impact of lower oil prices on banks, especially in oil-producing regions; the continued increase in the number of non-performing agricultural loans; and the effect of rising vacancy rates in

commercial real estate properties on that type of lending in several regions. Unusual weakness occurred in business and consumer loans. More than half of the first-quarter downturn in business loans occurred in the Dallas Fed district. Of the falloff of total loans, 88% was in the three districts mentioned above."

The average first-quarter increase in bank lending during the preceding four years was \$18.8 billion, compared to the \$13 billion reduction during the first quarter of this year.

Business loans declined by \$2.5 billion, while consumer loans were flat. The largest decline registered was in tax-exempt securities, due to "the ongoing uncertainty about the precise status of municipal securities, especially new issues," which "has prompted many institutions to allow tax-exempt holdings to run down with maturities."

All this explodes the myth that the crisis in oil and agriculture reduces to a sectoral problem. Banks' credit problems have forced a general reduction in outstanding bank credit.

This also suggests that the dominant influence upon interest rates during the first quarter was not the Federal Reserve's largesse, but the simple fact that the banking system was reducing its requirements for funds.

The worst victim of the credit crunch during the first quarter was, apparently, not the agricultural or oil sectors, but the overbuilt commercial real-estate sector. The chief economist for the F. W. Dodge company

reports total new construction contracts down 8% in March, due to a drop in office construction and a slowdown in public-works projects. The March annualized rate of contraction was \$209.9 billion, against February's \$229 billion. Sharp declines in office and industrial construction were responsible for a 13% fall in nonresidential building, to \$66.9 billion.

Dodge's chief economist said, "Homebuilding continues to provide good support in 1986, but not enough to compensate for some widening gaps in nonresidential construction. . . . Deficit reduction and tax reform have been creating a great deal of uncertainty about the future of both federal construction programs and local government bond financing of roads, sewers, and other public works."

The 13% fall in March brings the level of commercial construction down to a mere two-thirds of its 1985 monthly peak, and it is likely that the decline will continue much further. In our January analysis of the combined effects of the Gramm-Rudman legislation and the various tax-reform packages now on order, *EIR* warned of a disaster in the real-estate industry, which is apparently now underway.

The one sector that has held up is home construction, due to the temporary abundance of cheap mortgage credit. However, recent developments on the bond market suggest that mortgage rates have a long way to rise. Thirty-year Treasury bonds fell by more than 7 points the week of April 21, the largest one-week decline in history. But mortgage-backed securities, e.g., Government National Mortgage Association bonds, fell by only 2.5 points. The continuing problems which we expect in Treasury funding will force mortgage interest rates back upwards during the next two quarters.

New failures rock Southwest banking

The bankruptcy of Mainland Savings appears to have set off a chain reaction in the oil-producing states.

Another billion-dollar-plus bankruptcy will hit the United States' stricken oil-producing states at the beginning of May, according to sources at the Federal Savings and Loan Insurance Corporation (FSLIC), the chief regulatory agency for thrift institutions.

The next savings and loan to fail will be even bigger than Houston's Mainland Savings, which went under at the beginning of April. The Louisiana-based institution is one of several ready to be closed, according to bankers.

The Mainland failure marked a turning-point in FSLIC policy: For the first time, big depositors, who had lent Mainland more than the \$100,000 maximum guaranteed by the insurance fund, did not get their money back. The FSLIC has barely \$2 billion of ready cash available to cover \$1.2 trillion of savings and loans' deposits. At least \$60 billion of these deposits are in immediate danger.

Mainland's failure, and the way in which the nearly exhausted FSLIC handled it, appear to have set off a chain reaction. Big S&Ls in trouble were previously able to "bid" for big deposits from pension funds, life insurance companies, or other major lenders, with the understanding that the FSLIC would always stand behind them. Now that the big investors stand to lose, the market for "brokered" deposits has ceased to exist.

A long list of troubled institutions in the oil-producing states is ready to

fall, like a series of dominoes. As previous deposits come due, these institutions are unable to find new ones to replace those maturing.

Nine out of the 10 top Texas banks are in immediate danger, due to the 60% collapse of oil prices since last December. Six of them have already been warned by federal regulators that they are on the "danger list" prepared by the Treasury.

One of Texas's largest banks, First City Bancorp of Houston, has already begun to sell off its remaining assets in return for the short-term credit needed to stay in business. It fell below its required net worth after declaring a \$232.4 million loss for the first quarter of 1986. In desperation, First City has pledged the stock of all but one of the 64 banks it owns, as well as five of its non-bank subsidiaries, to obtain a \$250 million line of credit from its creditors. The one bank not pledged was First City National Bank of Houston, the flagship bank which accounts for half of First City's \$16.1 billion in assets and most of its energy loan problems. In other words, First City has sold off its good assets, and retained its bad assets.

Meantime, the top three Oklahoma bank holding companies have reported losses for the first quarter of 1986. The state's number one bank, Banks of Mid-America Inc., posted a loss of \$5.9 million, compared to a profit of \$4.2 million in the first quarter of 1985. BancOklahoma Corp., the state's second-largest, reported a net

loss of \$43.9 million, compared to a first-quarter 1985 profit of \$2.9 million. The third-largest bank, First Oklahoma Bancorp., announced losses of \$37-45 million for the quarter.

Comptroller of the Currency Robert Clarke is like a man caught in a rainstorm; when the tree under which he takes shelter soaks through, he looks for a bigger tree. That is a short-term strategy, at best, but it is all that the Treasury has to offer. It wants emergency legislation to allow out-of-state banks to take over failing banks and their holding companies, and singled out Texas as a particular trouble spot.

Clarke, in Houston to address a convention of the Texas Bankers Association, said he "would expect Texas bankers to have some fear about the introduction of a new competitor," and advised them "to make arrangements" to take care of troubled banks on their own if they want to keep the money-center banks out of the state.

However, the second-largest money-center bank, San Francisco-based Bank of America, admits that its own problems might place it in the firing line, along with the Texas institutions. A top bank officer said that Bank America Corp. would likely remain vulnerable to serious loan losses despite a modest return to profitability and increases to the bank's loss reserve in the first quarter. "The most important objectives are to get earnings growing consistently and not get any big shocks of the size to wipe out earnings," Bank America Chief Financial Officer John Poelker told Reuter news service April 29. "But we are still six to eight quarters away from that kind of dependability of earnings."

The bank reported a first quarter net profit of \$63 million, recouping some of its record \$337 million of net losses in 1985.

Business Briefs

Agriculture

Cattlemen try to stop slaughter of herds

Lawyers for U.S. cattlemen's associations have stepped up efforts to halt the slaughter of dairy cattle under a government program, and are awaiting a federal judge's ruling on a request for a temporary injunction, UPI reports.

The suit, filed in early April by the National Cattlemen's Association, the Texas Cattle Feeders Association, the Texas and Southwestern Cattle Feeders Association, and seven individuals, asks the court to halt the dairy buyout program until federal officials present a plan to stagger shipments of dairy cattle to slaughter.

The program, designed to trim milk surpluses by paying some dairy farmers to get out of business, was approved in December as part of the 1985 farm bill. During the first week of the program, cattle prices fell sharply, and cattlemen have lost \$25 million in expected revenue from cattle sales.

The Debt Bomb

García maps recovery strategy

In an interview with the Mexican daily *El Día* published on April 29, Peruvian President Alan García Pérez discussed his government's battle against the financial warfare measures of the International Monetary Fund, and his plans for achieving economic stability and growth.

Concerning Peru's debt to the IMF and credit banks, García stressed, "We never said we were not going to pay. We said: We will pay what it is in Peru's interest to pay and what we can pay."

García emphasized that Peru will continue to run its economy on a sovereign basis, contrary to the wishes of the IMF. "The Monetary Fund," he said, "lacks the authority to make itself the supervisor of the world economy, and, thus, it is necessary to pre-

vent it from continuing to manipulate the economies of Latin America. Fortunately, time is in our favor and, in the end, this grave debt problem is going to point us all to the same path of will and action."

Concerning the economic difficulties facing Peru, the President admitted, "We haven't been able to break our financial dependency, our industrial dependency, our food dependency on foreign countries. It is impossible to do that in eight months. We have not been able to redistribute the national income in the manner we wanted, although we've achieved something, and though we have tried to help sectors never before taken into account by the State."

He told industrialists that they would just have to get used to making a profit by producing huge quantities of goods at low prices, rather than small quantities at high prices. "What we have proposed is to link initiative to the social goals of national development. This disturbs many theoreticians of liberalism . . . but the proof is that despite this theoretical discomfort, they have not sought to profit . . . from the economic reactivation we are having."

War on Drugs

New edition of 'Dope, Inc.' released

EIR is pleased to announce the publication on April 30 of a new edition of its book *Dope, Inc.: Boston Bankers and Soviet Commissars*. The publication date was chosen in honor of anti-drug fighter Rodrigo Lara Bonilla, the Colombian justice minister who was assassinated on April 30, 1984 by the drug-runners.

Does the British aristocracy run drugs? Yes, but there's more to it than that. The expanded second edition of *Dope, Inc.*, written by an investigative team under the direction of Lyndon H. LaRouche, Jr., takes up the role of the International Monetary Fund and the Soviet Union, with explosive new material on the drug traffic in Ibero-America, in particular. It exposes the U.S. banks that launder much of *Dope, Inc.*'s

\$500-billion annual intake. It documents the role of White House Chief of Staff Donald Regan, and the company he headed for 12 years, Merrill Lynch, in opening up the financial system to the laundering of drug dollars.

Dope, Inc. was first published in 1978; its Spanish edition appeared in January 1985.

LaRouche, in a new introduction entitled "Yuri Andropov Put the Soviet KGB Into the Narco-terrorism Business," demonstrates that narcotics traffic has existed for hundreds of years, and that the English fought two opium wars against the Chinese in the 19th century to protect it. But between 1967 and 1969 there was a shift in the management of narcotics trafficking, as the Soviet Union and Bulgaria began large-scale involvement in the drug trade, finally achieving control over narcotics traffic and terrorism as instruments to destroy the West.

Other highlights from the table of contents:

- The IMF Recolonizes Ibero-America;
- The Nazi-Communist Mafia;
- The Bronfman Gang;
- The Kennedys: Organized Crime in Government; and,
- The Anti-Defamation League: *Dope Inc.*'s Public Relations Firm.

The Invisible Hand

Dept. of Energy opposes oil tariff

The Department of Energy came out flatly against an oil-import tariff, in a report issued by the Department's Energy Information Administration on April 25.

"Lower oil prices mean a lower price level overall and a general improvement in the economy, which more than outweighs losses associated with a depression in the domestic oil and gas industry," the report claimed.

"The imposition of energy taxes would take away some of these gains. The oil import fee is by a wide margin the most damaging of the taxes considered," the report said, adding that the "degree of harm" that

would ensue "is so large that the damage-compensating transfer payments nearly cancel the additional tax receipts."

President Reagan, in an interview with *Oil Daily* on April 27, stated, in response to warnings from industry and the governors of energy-dependent states, "Given present conditions, our current level of domestic oil production does not pose a national security threat, but we must be vigilant to be sure this does not happen. . . . I am also concerned about any efforts that would take us back to government tampering with the energy marketplace."

Banking

First Fidelity loses again in court

Lyndon LaRouche's 1984 presidential campaign committees won a second partial summary judgment motion against First Fidelity Bank of New Jersey on April 28, as Judge Harold A. Ackerman dismissed the bank's claims that the committees had conducted "malicious interference with business." He also denied a First Fidelity summary judgment motion, which would have held the committees liable for over half a million dollars in alleged credit card "chargebacks."

In 1984, First Fidelity seized \$200,000 in campaign funds belonging to Independent Democrats for LaRouche and The LaRouche Campaign. IDL and TLC sued the bank; the bank counter-sued, charging libel against the bank and its president Robert Ferguson, and claiming that IDL and TLC were involved in fraud.

Last year, the court found that the bank had illegally broken its contract with IDL and improperly seized \$170,000 in campaign funds.

Judge Ackerman's rulings represent a severe blow to First Fidelity, which is already smarting under the committees' exposure of its links to organized crime, particularly the Resorts International casino and drug interests. These charges were confirmed when the *Wall Street Journal* published a series of articles earlier this year,

documenting the bank's role in a \$22 million mafia insurance fraud scheme, involving convicted extortionist Richard Mamarrella.

First Fidelity's lawyer, Albert Besser, argued that these charges had nothing to do with the case. But, he added, "Even if they prove that Resorts is linked to drugs and money laundering, that doesn't prove that we are linked to drugs and money laundering. . . . The only link is that we loaned Resorts International \$12 million, and we have a continuing, ordinary commercial relationship with them."

Judge Ackerman reserved judgment on the libel issue.

On the role of Assistant U.S. Attorney from Boston Daniel Small, who had been ordered by the court to explain why he had refused to provide IDL and TLC documents in his keeping which were required for the First Fidelity case, Ackerman found that Small had acted with "some indifference" toward the committees' requests for documents, but did not accept the committees' claim that Small had lied in his testimony and been an "obstructionist."

Malthusianism

Red Chinese leader: no population growth

Chinese leader Teng Hsiao-Ping told a Japanese delegation visiting Peking the week of April 21 that curbing the population was "in line with China's vital interests," and that his aim was to hold China's population, now over 1 billion, to 1.2 billion by the end of the century.

Teng said that "certain people abroad" who opposed his plans "were secretly hoping China would stay poor forever." The campaigns of U.S. anthropologist Steven Mosher, who lived in a Chinese village in Kwangtung province, are particularly disturbing to the Chinese, according to a report in the April 26 London *Times*. Mosher reported in a paper distributed to the U.S. Congress, that "unauthorized" babies are often killed by poison injections in the womb or strangled at birth in South China.

Briefly

● **ALABAMA** Governor George Wallace has filed a lawsuit against Agriculture Secretary Richard Lyng and the Farm Credit Board, in order to halt the foreclosure of loans to Alabama farmers. The suit claims that the federal government is discriminating against farmers by foreclosing on farm loans, while extending loans to foreign countries and banks. It demands a permanent injunction to stop the Federal Land Bank from charging 12.25% interest on farm loans and to stop the FmHA from foreclosing on loans.

● **RESORTS** international has received the go-ahead to build two gambling casinos in the Canary Islands. President Jerónimo Saavedra, who recently returned to the islands after a prolonged trip to the Soviet Union, intervened with the government of Spain, which has nominal control over the Canary Islands, to lift restrictions on investments to make possible the entry of Dope, Inc.-linked Resorts International, reported the Spanish daily *El País*.

● **THE WEST GERMAN** firm Mannesmann Ltd., the leading steel pipe producer, plans a 20% reduction in its work force, reflecting the collapse in Soviet orders for West German wide-diameter seamless steel pipe for oil and gas pipelines. The news was reported by the trade union I. G. Metall in late April.

● **GRAMM-RUDMAN** will cause an estimated 300,000 college-bound students to lose some or all of their federal aid this fall, college administrators warned in late April, according to UPI. "It will be devastating," said Gene Miller of the Western Association of Student Financial Aid Administrators. "It's going to hurt the students who need the money most."

● **CHEMICAL BANK** of New York City has withheld a \$1 billion loan to Colombia announced in late 1985, on the grounds that some Colombian state entities are late in repaying other loans.

The collapse of the U.S. shipping industry

Thoula Frangos, an engineer with the Fusion Energy Foundation, documents the growing national security threat.

At the end of World War II, the United States had the largest fleet of ships in the world. Today its merchant marine (of 1,000 tons and over) ranks 14 in the world in number while the Soviets rank second. (see **Table 1**). The Navy ships have also dropped from 979 in 1970 to 550 today in the face of a growing Soviet Navy of three times that size. The general collapse of the shipbuilding industry in the United States poses a national security threat. If the present deterioration is allowed to continue much longer, it will be very difficult to recover the lost infrastructure base required for mobilization in the event of a national emergency.

During World War II, the United States showed how quickly it could mobilize its shipbuilding industry. Within five years it doubled the number of shipyards and increased the number of shipyard workers by a factor of 10. The United States has proven, with the advances in submarine developments, that it can quickly implement new advances in technologies when it has perceived a need to. It is through the development of submarines that the industry has realized recently new, more efficient construction methods and nuclear propulsion systems with potential use in other type of vessels for the Navy and merchant marine. Today it must mobilize, before it is too late, to modernize and integrate its infrastructure, as the Japanese and South Koreans have done, and to finally implement a nuclear merchant marine.

In the postwar years the Soviets have rapidly implemented new technologies into their ships and have increased their merchant marine from an insignificant, mainly coastal enterprise to numerically the world's largest fleet. Due to the strict centralized organization of its merchant fleet, it has a unified,

quickly mobilizable apparatus at its disposal.

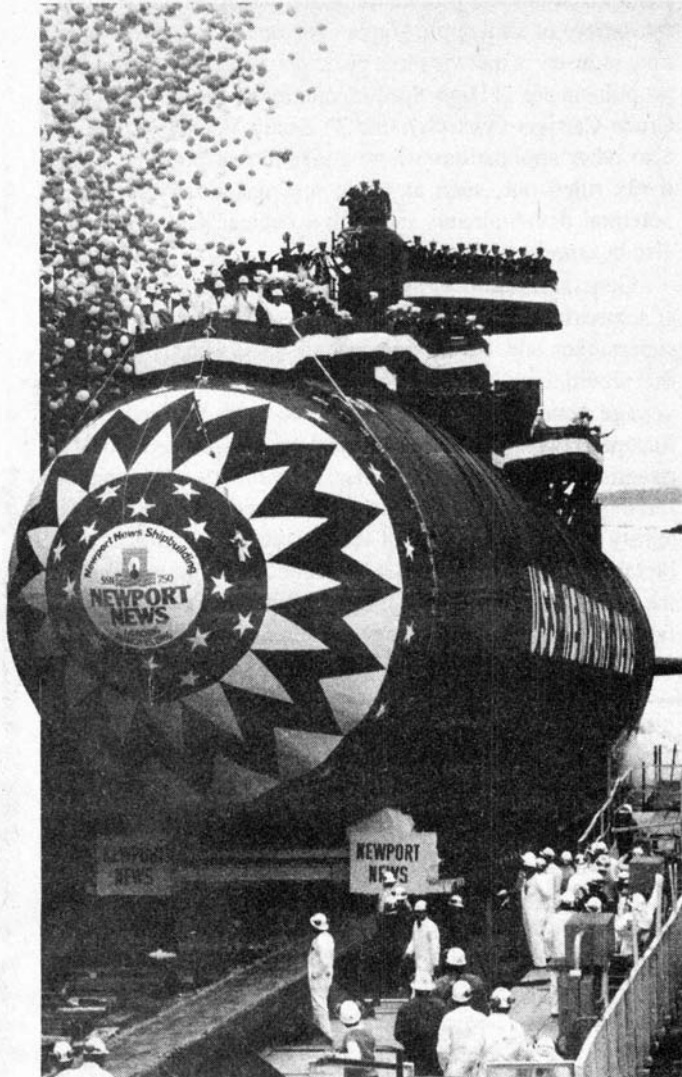
"The submarine plays an important part in our maritime strategy in that a submarine, because it operates undetected, is uniquely capable of deploying to forward areas, can do so on short notice and remain for long periods of time," said Captain T. J. Camilleri, acting chief of staff for the submarine force Atlantic in March of this year at Newport News.

The Soviets also see the importance of the submarine and its development. Last year, the then-Admiral of the Fleet of the U.S.S.R., Sergei G. Gorshkov, said that submarines are "most affected by successes in shipbuilding and nuclear power." He also attested to their primacy, saying that in nuclear submarines are concentrated all the main ingredients of modern naval power.

On March 15, 1986 *USS Newport News*, a nuclear-powered attack submarine of the Los Angeles class, was launched at the nation's largest private shipyard, Newport News Shipping. This 360-foot submarine is equipped with the most advanced anti-submarine warfare capabilities, and is considered by Navy officials as a deterrent against both enemy submarines and surface ships.

During the 20 years prior to the mid-1970s, the Navy built a series of larger, but slower nuclear-powered attack submarines. This fulfilled the Navy's need for more space for special equipment designed to reduce the noise of the reactor plant and other machinery in the subs. Speed was sacrificed in favor of a quieter vessel, one that was harder to detect.

By the late 1960s, Navy officials saw the need for a speedier attack submarine. Admiral Hyman Rickover pro-



Newport News Shipbuilding/Jim Hemeon

On March 15, 1986 *USS Newport News*, a nuclear-powered attack submarine of the Los Angeles class was launched at Newport News Shipbuilding. This 360 foot Los Angeles class submarine is equipped with the most advanced anti-submarine warfare capabilities.

posed two types: a slow, but quiet version, and a speedier, deeper-diving version. Budgetary constraints restricted the options and the Navy opted for speed, thus the Los Angeles class. This is the fast attack submarine first built in 1972 at Newport News. Since then the design has changed to meet new challenges from the Soviet fleet. "The fast attack role has not changed significantly with the introduction of the 688 [Los Angeles] class. However, as the Soviet navy has grown in size and capabilities, achievement of the fast attack sub mission has become more difficult," said Captain T. J. Camilleri. "The improvements realized in the 688 class sub have allowed us to continue successfully to operate our submarines in an increasingly demanding environment."

This class represents many new developments. Besides being anti-submarine and anti-surface ship vessels like the early versions, it is equipped with intelligence equipment for surveillance and mine-warfare capabilities. It carries a large sonar dome in the bow to track enemy submarines by picking up their sounds. There have been weapons improvement: The sub carries the MK-48 anti-submarine, anti-ship torpedo, which is guided by a trailing wire. It can also carry the Harpoon cruise missile, a longer range anti-ship weapon. The most significant design has been the development of the vertical launch system for the Tomahawk cruise missile, a long-range missile with a nuclear warhead that can be directed at land targets.

The Navy is trying to integrate all of the improvements in the Los Angeles-class sub into one major system known as Subacs, submarine advanced combat system. The Navy has nine Subacs-equipped attack subs under construction at Newport News and General Dynamics Electric Boat Division in Groton, Connecticut.

The Navy's new attack class, Seawolf, takes over in the 1990s. It will be larger, quieter, deeper-diving, faster and carry twice as many weapons as the current class.

U.S. advances in construction

The construction of the *USS Newport News* represents a new generation of submarine construction techniques in which fewer, bigger sections or modules will be built prior to being joined. The method will be in full swing in about two years when the shipyard completes a \$300 million modernization of its submarine facilities. The largest section ever built, a 540 ton bow section, was hauled from the assembly shop and raised on skids to the shipway. The bow section, the third of its kind to be built there, carries the sub's large sonar dome, and tubes for launching long-range missiles. It was, though, the first to be fitted to the rest of the sub hull through photogrammetry, the use of photographs to make very precise measurements. This resulted in increased precision from previous assemblies.

The Navy has embarked on a major program to integrate robotics into the fleet of the future. The Naval Surface Weapons Center has a new Robotics Research and Development Laboratory in White Oak, Maryland. It is intended initially to investigate the potential use of robotics to cut manufacturing and maintenance costs.

The application of lasers in shipping is also expanding. A portable 100-kW electron beam welding system for pressure vessel fabrication is being investigated at United Technologies which would reduce the time by a factor of 46.

Nuclear merchant marine

Nuclear-powered ships are more economical, less polluting, and more powerful than oil-fueled ships. But, most importantly, they can contain enough fuel to operate several

years without refueling. Three successful programs—*NS Savannah*, the MH-IA floating Nuclear Power Plant (christened *Sturgis*) and the West German *Otto Hahn*, each constructed without a preliminary prototype—provided confidence that nuclear powered ships could be constructed with little delay.

The world's first nuclear merchant ship, *NS Savannah*, was designed in the period 1956-58 and sailed in 1962. In the late 1950s, the Maritime Administration-Atomic Energy Commission joint project office, which directed the activity of *NS Savannah*, turned to a more advanced, second generation of nuclear merchant ships. This effort produced the Nuclear Steam Generator invented by Babcock and Wilcox Company and exported to West Germany for use in the *Otto Hahn*, which entered service in 1968. By early 1970, the Maritime Administration decided to expand its efforts toward more advanced nuclear-powered ships. "Our studies indicated that for certain applications, nuclear powered ships could be economically superior to the alternative fossil fueled ships," reported Dr. Zelvin Levine, former chief of the Office of Maritime Technology, in 1972.

The accomplishments have been the achievement of a

standardized nuclear propulsion system adaptable to the widest variety of ship applications. The consensus of the maritime industry is that the three principal candidates for nuclear propulsion are 1) High-Speed Containerships 2) Very Large Crude Carriers (VLCCs), and 3) Arctic Vessels. There are also other applications where conventional power is effectively ruled out, such as arctic icebreaker tankers. These potential developments show how nuclear submarines can also be commercial freight carriers.

General Dynamics, the nation's leading builder of nuclear submarines, was working on the concept of a commercial supertanker and building a fleet of underwater behemoths that would ferry liquefied natural gas (LNG) on a 3,200 mile voyage beneath the Arctic icecap to ports in Canada and Europe. This is finally the solution to transporting gas in large quantities to the world markets. The primary advantage offered by a submarine system over a surface ship system is the ability to deliver a constant cargo volume at uniform, predictable schedule intervals year-round, regardless of surface ice and weather conditions. Prevailing water depths of 200 fathoms or more would permit a submarine tanker to maintain

TABLE 1
Merchant fleets of the world
(Tonnage in thousands)

Country	January 1, 1984		January 1, 1974		January 1, 1964	
	No.	dwt	No.	dwt	No.	dwt
Liberia	2,019	131,545	2,211	95,315	967	20,705
Greece	2,454	68,612	1,724	32,315	828	9,988
Japan	1,712	61,191	2,145	57,286	1,267	12,893
Panama	3,290	57,781	1,111	15,246	521	6,054
Norway	529	32,470	1,102	40,781	1,401	20,014
United Kingdom	685	27,251	1,596	47,783	2,206	26,510
U.S.S.R.	2,497	23,157	2,262	16,507	1,124	7,032
United States	538	21,569	596	13,717	974	14,579
France	314	16,532	413	13,482	604	6,297
Italy	601	14,964	635	12,832	609	6,830
China (PRC)	861	12,628	293	2,368	165	793
Singapore	556	11,634	274	3,285	NA	NA
Spain	511	10,765	432	6,545	338	2,089
South Korea	499	10,585	122	1,647	30	167
India	375	9,847	264	4,669	191	1,842
Brazil	344	8,988	251	2,983	233	1,572
West Germany	437	8,869	702	11,417	883	6,834
Saudi Arabia	230	8,370	13	66	11	46
Cyprus	480	8,110	532	4,547	NA	NA
Denmark	261	7,444	299	6,553	346	3,132
World totals	25,579	666,404	21,600	446,370	18,033	194,274

Source: Shipbuilders Council of America, Statistical Summary, January 1985

cruising depth and speed over practically the entire length of any proposed shipping route. It is also considerably lower in cost than any of the proposed natural gas pipelines. General Dynamics proposed 17 nonnuclear subs and 14 nuclear subs with a combined capacity of 2 billion cubic feet per day every day. It would result in a floating pipeline, allowing subs to load and unload LNG at underwater terminals in an estimated economical 24-hour turn-around time.

Work on this project was, unfortunately, discontinued in 1982, as were many projects of this sort due to the world economic recession that collapsed world trade.

The application of nuclear propulsion for icebreakers enables the icebreaker to operate successfully in the hostile environment of the arctic by providing for extended times on station, increase range of operation, and a large power supply. Working with the Canadian Coast Guard and CECO Consultants Ltd., powerful icebreaking cutters have been studied. Russia's penetration to the North Pole with one of its nuclear icebreakers, the *Lenin*, demonstrated the potential for such vessels.

Unlike a conventional icebreaker, the nuclear-powered version would be able to remain on station for periods limited only by the requirement for hull maintenance. Advantages are immediately evident. The nuclear ship could deal with situations in heavy ice that the conventional ship could not handle because of the necessity for frequently returning to base for refueling; and, with virtually no restrictions on the rate of consumption of nuclear fuel, the nuclear icebreaker would be able to use full power whenever required, without the need to conserve fuel oil for the return trip to refuel. Missions would therefore be carried out more quickly and efficiently.

To date, the preliminary ship design and feasibility studies have been carried out on a 90,000 and 150,000 shaft-horsepower hybrid nuclear icebreaker. Such a vessel will have year-round arctic capability and will be able to extend commercial activities into hitherto inaccessible areas. The need for higher powered vessels for arctic operation will reinforce the already demonstrated advantages of nuclear propulsion.

It was the hope of Robert Young, former chairman of the American Bureau of Shipping, that nuclear-powered ships would sail the seas by 1990. In 1977 he recognized the potential that lay ahead with the proven technology and economic viability and the kind of bureaucratic issues that would be used to kill such a project. "The operating record of the nuclear merchant ships *Savannah* and *Otto Hahn*, together with the more than 200 nuclear naval vessels, clearly indicates that the technology exists today to provide sound and reliable nuclear-powered commercial vessels. These vessels have enabled the shipbuilding industry to gain considerable technical knowledge and experience. This expertise could be readily applied to building a nuclear-powered merchant fleet."

"Three major problems have hindered the advent of such

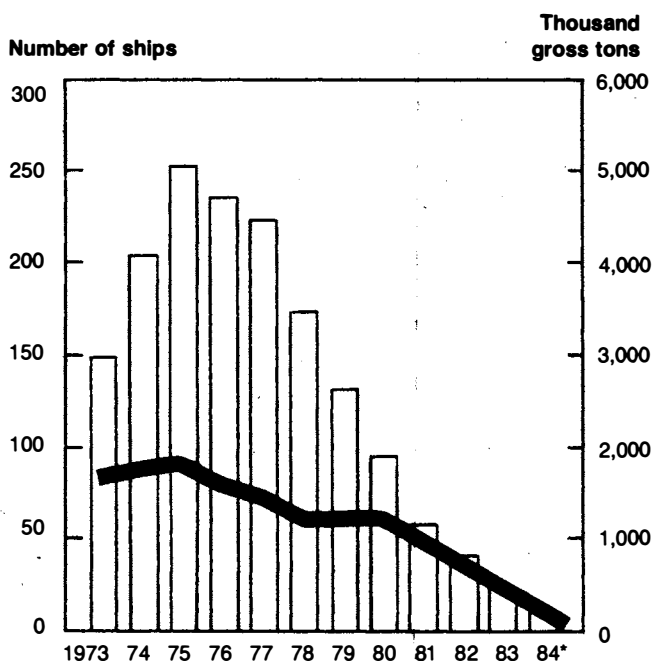
ships: questions concerning economic justification, indemnification and liability in case of damages, and port entry and international clearance." An overriding factor in this picture is, of course, the collapse in world trade that has discouraged many companies from making any large investments. For example, the goods loaded in international seaborne shipping in 1979 was 3.8 billion tons and dropped to 3.2 billion tons by 1983.

The national security issue

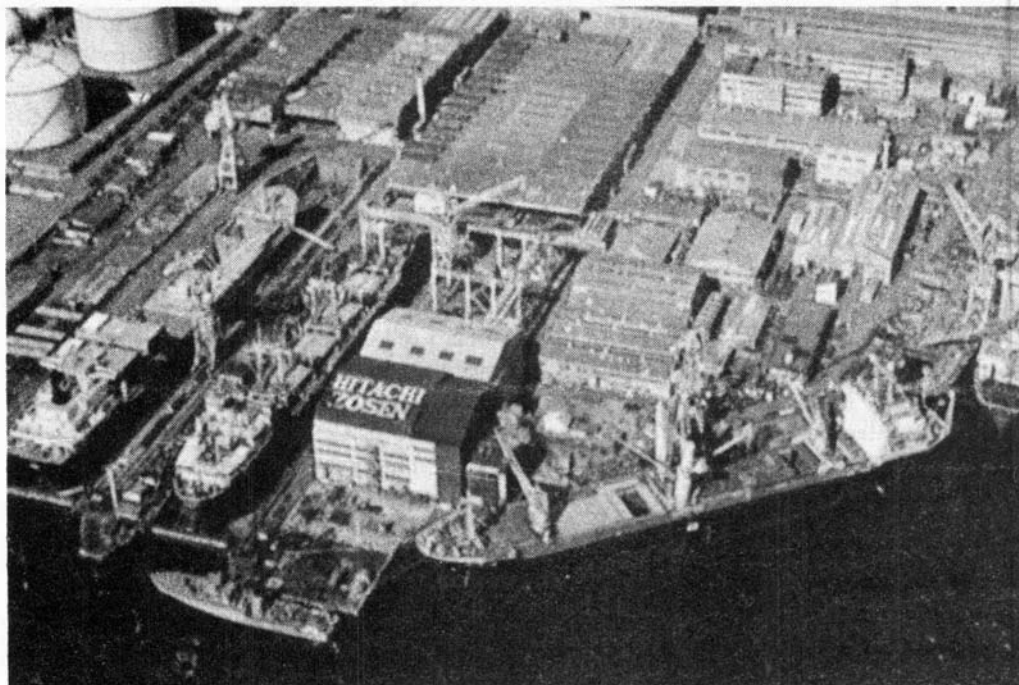
In 1984 Secretary of Defense Caspar Weinberger warned that U.S. national security is endangered by the decline in the U.S. merchant marine. He wrote to the transportation secretary: "The decline in U.S.-flag commercial shipping capable of carrying military unit equipment is of particular concern to the Department of Defense."

In a memorandum submitted to Weinberger in June 1983, the Navy said that the "shipyard mobilization base" as it then existed (27 major private shipyards, over 80 smaller private yards, 8 Navy yards, and 1 Coast Guard yard, collectively employing 165,000 skilled workers), is the minimum needed

FIGURE 1
Merchant vessels building or on order (as of January 1)
 (Ships of 1,000 gross tons and larger)



*Forecast
 Source: Maritime Administration



Hitachi Zosen

Kanagawa Works: Japanese yard for shipbuilding, ship repair and conversion, with plants and machinery. Japanese shipbuilders, who have long dominated the world market, have been able to decrease costs and increase productivity considerably through series production of identical or near identical design. The shipyards are vertically integrated such that major builders are integral units of large companies which also produce steel, propulsion equipment, and other ship components.

to meet mobilization demands through the first six months of a war. In the next 12 months, the Navy said, another 60,000 workers would be needed to meet the demands of the Navy and the merchant marine.

According to a Pentagon document, "Recent developments in the commercial fleet indicate that the U.S. commercial fleet of the 1980s/early 1990s may not be able to support adequately the military dry cargo requirements in the event of a war or national emergency."

Again, the House Arm Services Committee highlighted the problem in its report on the Defense Authorization Act for 1985: "The committee is concerned that the precipitous decline in the domestic shipbuilding and ship repair industry, if not reversed, will force the closure of additional private shipyards, leaving inadequate capacity to support mobilization in time of war or national emergency."

"America soon will be unable to supply and reinforce its naval, air, and ground forces overseas in a sustained conflict of any magnitude," commented Jed L. Babbin, general counsel of the Shipbuilders Council of America. (*Seapower*, December 1984).

America's commercial shipbuilding and ship repair industry continues to decline. Since 1981, 20 of the shipyards which could have responded to a general or at least major mobilization have passed out of existence, taking with them the jobs of about 40,000 skilled workers. Many are likely to go in the next three to five years. There have been only five contracts for major commercial ships awarded to American shipyards in the last three and a half years. (see **Figure 1**)

At the end of World War II, America had the largest

merchant fleet in the world as well as the largest shipbuilding industry. Since then, the U.S. merchant fleet has shrunk from over 5,000 vessels to fewer than 500—out of a current world fleet of 35,000 vessels. In the same time frame, U.S. commercial shipbuilding has shrunk from almost 100% of world orders to zero.

Since 1973, commercial shipbuilding worldwide has taken a nosedive. Ships on order around the world peaked in 1974 at 3,007, totaling over 235 million dwt (deadweight tons), and hit bottom in 1979 at 1,315, with a total deadweight tonnage at about 30 million. The collapse in world trade is the main reason accounting for the shrinking volume of merchant ship construction. Other combined factors are the oil embargo of 1973 and subsequent oil glut; global economic stagnation; a shipping recession; foreign exchange fluctuations; and a "wait and see" attitude on the part of ship owners. As a consequence, some old vessels, and some new ones as well, have been consigned to indefinite layup. In many cases, decisions to order fleet replacement ships have been purposely postponed.

Throughout 1984, Navy and Coast Guard contracts accounted for nearly 90% of ship construction employment within the yards in the Active Shipbuilding Base. The workload from the military orderbook has not offset the continuing decline in employment within the Active Shipbuilding Base, resulting mostly from the downtrend in commercial shipbuilding.

Projections for 1985, adjusted for inflation, show a decrease of 4% below the value of work completed by the industry in 1984.

"There is little prospect that significant opportunity will develop in the next several years for building commercial seagoing vessels. Regrettably this also is the prospect for both the offshore construction industry and for shipbuilders and ship repairers who support the river transportation system," commented Lee Rice, president of the Shipbuilders Council of America. (*Seapower Almanac*, 1985).

"Budgeteers may scream and free marketeers turn pale," Rice continued, "but the truth is that there is no free market in the world of international shipping and shipbuilding. Any solution to the problems created by a policy requiring defense needs to be met with commercial resources will have to take that fact into account. Because the issue is one involving national security, it should be defined in national security terms, and policies developed spelling out whatever government action is needed in the shipping and shipbuilding fields for national security. American political independence requires it. The United States cannot rely on foreign shippers or shipbuilders to meet its needs in time of mobilization or war. The President must act, and soon, to reduce what has become a very large, and growing, threat to the nation's security."

Alexander Hamilton stated in *The Federalist Papers* that, for the United States to be politically independent, there must be a large and flourishing U.S. merchant marine fleet to carry the nation's trade. If that fleet does not exist, he said, it will be in the power of those nations which do carry U.S. cargoes to control the nation's economy and thus limit its political freedom.

Many U.S. military observers and maritime experts have serious doubts about the reliability of foreign-flag, foreign crewed ships, even though owned by American citizens or corporations. The uncertainty about EUSC ships and crews is but one of many reasons why sealift, or the lack thereof, is so often called the "Achilles' heel" of the U.S. defense program. The United States is virtually the only major sea-trading nation which provides neither assistance to its commercial shipyards nor protection to its ship operators. The "free enterprise" economics of the Reagan administration has been ideologically opposed to any form of subsidies. For this reason, one of the first acts of the Reagan administration was to terminate the subsidy programs started in the Roosevelt era to maintain the U.S. sealift and shipyard mobilization base. The Department of Transportation immediately terminated ship construction differential subsidies, and began phasing out ship operating differential subsidies which allow U.S. ship operators to compete on an equitable basis with foreign shippers.

It is believed by experts within and outside of the maritime industry that to build the U.S. flag merchant fleet must necessarily include a revitalization of the U.S. shipbuilding industry as well. Due to the initial monetary investment needed at a time when the federal budget is being cut, the admin-

istration has rejected this approach. Its alternative maritime strategy is to resort to foreign building and repair of U.S.-flag merchant ships. That course can only lead to extinction of domestic assets—facilities, skills, suppliers, and workers—vital to national security. The cost of restoring these assets in a future time of national emergency could be tremendous, not only in dollars, but also in time.

Foreign building and repair of U.S. ships will deny work to domestic shipyards as jobs that could be performed by trained U.S. craftsmen will be "exported" to other countries. Without a sufficient workload, U.S. ships will miss—and perhaps lose permanently—opportunities for greater efficiency and greater productivity. "Without a countervailing mechanism to offset the economic and industrial advantages enjoyed by builders in other nations, there is no hope that American shipbuilders can again become competitive on the world market," emphasized Edwin M. Hood, president emeritus of the Shipbuilders Council of America. (*Seapower*, September 1983).

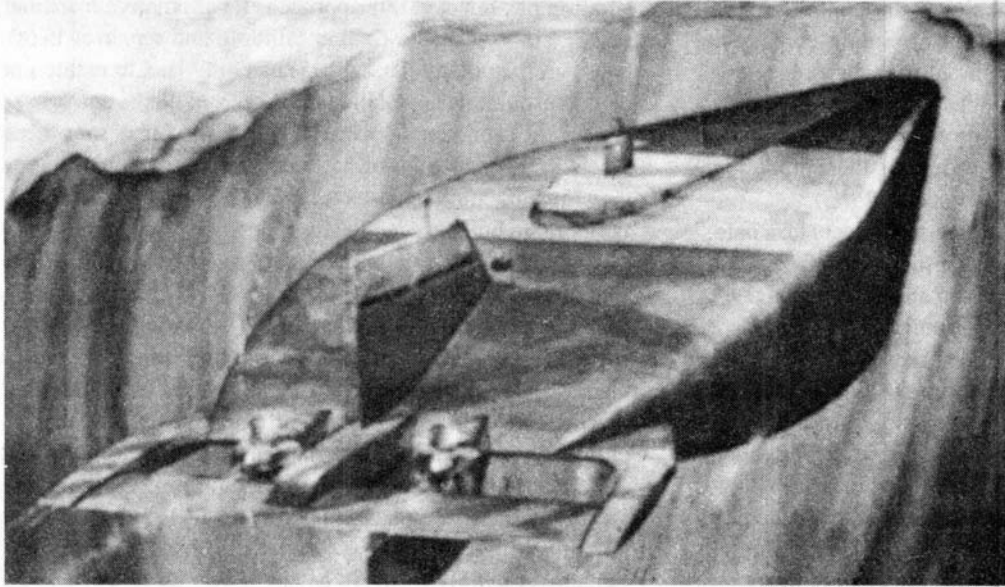
What are these economic and industrial advantages enjoyed by some other nations, particularly Japan and South Korea?

The Southeast Asian model

Japanese shipbuilders, who have long dominated the world market and, more recently, shipbuilders in South Korea, have been able to decrease costs and increase productivity considerably through series production or "runs" of ships of identical or near-identical design. This approach allows the shipyard to fit design details to its specialized capabilities and to control design, industrial engineering, and material procurement in a manner that will contribute to more efficient construction; such efficiency, of course, translates directly into cost reductions. Through series construction, moreover, economies of scale are possible for both shipbuilders and suppliers.

This situation is not the case in the United States, where production runs have been the exception rather than the rule. Due to unstable market opportunities, most U.S. shipbuilders of merchant vessels have rarely been able to enhance cost reductions and production efficiencies. Contracts have been awarded in units of two and three on average, and quite often more than one type of vessel has been under construction in a yard at the same time. Another factor in the United States is the decentralization of the shipbuilding process, which causes a lengthening of the construction cycle. At least 50% of the cost of merchant shipbuilding in the United States is represented by products, materials, and services which come from suppliers in virtually every state of the union. Any disruption in the flow of these items to the yard can delay assembly and final delivery of the ship.

An integrated infrastructure is of utmost importance for efficient shipbuilding. In South Korea and Japan, delays



General Dynamics, Electric Boat Div.

Artist's conception of General Dynamic's submarine liquefied natural gas (LNG) tanker. This nuclear propelled tanker would act as a pipeline for natural gas, delivering a constant cargo volume at uniform, predictable schedule intervals year-round, regardless of surface ice or weather conditions.

caused by slow delivery of components are minimal because of the infrastructure of those nations' shipbuilding industries. Major builders are integral units of large companies which also produce steel, propulsion equipment, and other ship components. Since all these components are produced within the same corporate structure, their production and delivery schedules can be more easily coordinated with the production milestones projected in the shipbuilding cycle. This interface not only enhances quality control, delivery commitments, and profit potentials; it also eliminates a substantial portion of the marketing costs associated with ordinary commercial selling. In the United States such vertical integration of shipyards within larger corporate entities simply does not exist.

Workload continuity along with series production of ships has proven in the past to be the key to progress. A shipyard building a series—or a run—of ships of the same design or type can organize its planning, engineering, facilities, work force, and requisitioning of supplies and materials in a manner that will assure productivity gains. This has been demonstrated in connection with the Oliver Hazard Perry (FFG-7)-class guided frigates and other U.S. Navy programs; it is a fundamental precept of Japanese and South Korean shipbuilding.

The cost/price gap between European and Far East merchant shipbuilders is now about 35%, noted Sir Robert Atkinson, chairman of British Shipbuilders. Political pricing in the Far East and Europe, though, will not end till there is stability in world shipbuilding through expanded world trade.

The Soviet Navy and merchant marine

"An important integral part of sea power is the equipment and personnel which make possible the practical utilization of the oceans and seas as transport routes connecting conti-

nents, countries, and peoples. For this it is essential to have a merchant marine, a network of ports and services supporting its operation, and a developed shipbuilding and ship repair industry. . . . The Soviet merchant fleet, like the fleet of any state, is a constituent part of sea power of the U.S.S.R. . . . The flag of the Soviet Navy flies over the oceans of the world. Sooner or later the United States will have to understand it no longer has mastery of the seas."—Admiral of the Fleet of the Soviet Union, S. G. Gorshkov.

According to an insider in the shipping industry what caused the Soviet takeover of much of the world's freight transport can be explained politically by the role of Henry Kissinger as secretary of state in 1972 in concluding the Russian grain deal. Prior to 1972, the Russian merchant fleet, while it was an active fleet in world trade, had no presence in the U.S. market. This was due to the fact that Russian ships were not permitted entry into U.S. ports on national security grounds, and because U.S. labor unions, such as the International Longshoremen's Association, refused to unload their ships. The grain deal overturned all that with a protocol that specified that U.S. grain going to the Soviet Union was to be carried 50-50 in U.S. and Russian ships. However, under and unprecedented port-access agreement, Russian vessels were given U.S. port-entry rights unrestricted to grain.

Immediately, as a result of this deal, Soviet military vessels, carrying military cargo to Cuba, then proceeded to U.S. ports for general freight destined for U.S. trading partners, instead of returning home to Russia empty as on their previous routes. The Soviets started a price war with Western shipping companies as they charged dumping-level freight rates. Western shipping companies weakened as the Soviets charged 40% less than reasonable levels. Within a month in, 1972, Russian sailings went from 0 to 200 sailings between

U.S. ports and non-Russian ports. The Russians captured the cargo between the United States and trading partners and assumed a strategic position. At one point, the Russian lines, particularly the Baltatlantic, took over 25% of the cargo between the United States and West Germany, and captured 13% of the general cargo between the United States and Western Europe.

"In the past 10-15 years Western shipping lines have been faced by growing competition from the Soviet merchant fleet, which has used cutthroat rate policy that has shaken the structure of commercial shipping worldwide, and in some places subjected it to severe pressure," commented Jurg Dedial, a Swiss journalist of the *Neue Zürcher Zeitung* in a report by the National Strategy Information Center Inc. entitled "The Challenge of Soviet Shipping."

Unlike the United States, the Soviets have launched a nuclear merchant shipbuilding program which, by the close of the 1980s, is considered certain to make the Soviet merchant marine the only one in the world to possess both nuclear-powered icebreakers and cargo vessels. They already have oceangoing nuclear icebreakers with an "unlimited sailing range, and an endurance of between 500-700 days," according to their reports. This compares with an endurance of Western icebreakers such as the Canadian *Diberville* and American *Glacier* and *Gletcher* of no more than 50 days. The Russians have already built another giant icebreaker, the *Rossiya*, the fourth in the Soviet fleet. The others are the *Lenin*, the *Arktika*, and the *Sibir*.

According to the U.S.S.R. merchant marine ministry, "The growth of Arctic shipments demanded by growth of the national economy, has called for a new effort to create a new dependable transportation system . . . the operation of oceangoing nuclear vessels has proven the efficiency of their reactors and the feasibility of such plants in other super icebreakers and transport ships."

Dedial emphasized: "In the shadow of this breathtaking build-up of Soviet naval forces, a no less startling expansion is the Soviet merchant marine, fishing and research fleets has taken place and, like that of the navy, appears to be continuing unabated. During the postwar years the Soviet merchant marine grew to numerically the world's largest fleet (7,500). . . . Its equipment is extremely modern, with 90% of its ships less than 20 years old (compared to only about 60% for the U.S.). The appearance of ultramodern Soviet freighters in Western shipping lanes also has a military aspect.

"The history of the Soviet merchant fleet is a true success story. Never before has any nation built up so mighty, modern and efficient a merchant marine in so short a time. . . . The result is not only a rate war in which Western shipping lines are steadily losing ground, but also an alarming overall weakening of the U.S. Merchant Marine. American ships now handle only about 6% of the country's foreign trade. Moreover . . . they bring in less than 5% of that import volume of critical raw materials regarded as essential for national security."

The history of submarines and nuclear propulsion

The submarine was introduced to America during the Revolutionary War with David Bushnell's *Turtle*. Incorporating ballast tanks, a conning tower, and a screw propeller, his attack on the British man-of-war *HMS Eagle* earned him the title "Father of Submarine Warfare."

By the late 1800s, the American Navy recognized the potential value of a ship that could operate both on and below the surface. So, in 1898 the Navy sponsored a competition open to the public for the design of such a vessel.

John Holland's vessel won the first competition, and his *USS Holland* officially joined the U.S. Navy on April 11, 1900. Powered by a 50-horsepower gasoline engine, the submarine was 53 feet long, almost 11 feet in diameter, and had a displacement of 74 tons.

As submarines evolved, diesel-powered engines replaced the old, dangerous gasoline engines. New designs produced boats that operated efficiently on the surface,

but were limited by their battery-powered propulsion systems while underwater. The submariners knew that a new source of power was needed to make their boats more effective weapons.

As early as 1939 a Navy report had noted that an atomic power plant would not require oxygen, and therefore would become "a tremendous military advantage that would enormously increase the range and military effectiveness of a submarine." Early that year the Navy appropriated \$1,500 to begin a study on nuclear power for its ships—the first government money set aside for nuclear research. In 1946, Admiral Harold Bowen, head of the Office of Naval Research argued: "The Navy is not only the greatest single user of power, it is also the largest technical organization in the world. . . . The use of atomic energy as a source of power for war vessels is now justified."

Finally on Jan. 21, 1954, the world's first nuclear-powered submarine, *Nautilus*, slid into the water. It was the first man-made conveyance of any kind to be propelled by nuclear power, which enabled it to endure months underwater rather than just hours.

Billions-dollar arms bust blows Israel's Khomeini connection

by Jeffrey Steinberg

The April 22 indictments of 17 men, including five Israelis, on charges that they attempted to sell over \$2.5 billion in illegal arms to Iran may have delivered an even more devastating blow to Moscow's international terrorist apparatus than last month's American air raid against Libya. If the full implications of this biggest single arms bust in history are played out through a successful extradition and trial process, the opportunity exists to break open one of the most treasonous secret alliances of the postwar period. This alliance implicates the U.S. State Department and high Pentagon officials, top figures within the Israeli defense and intelligence establishment, and the Soviet government—in the arming of Ayatollah Khomeini's war machine and international terrorist legions.

The entire affair centers around the secret clauses included in the Camp David accords signed by President Jimmy Carter, President Anwar Sadat, and Prime Minister Menachem Begin in 1979. Among those secret clauses was a U.S. green light for Israel to make millions selling American weapons to such clients as Central American narco-terrorists and the Ayatollah Khomeini.

In this respect, the breaking up of this latest Israeli arms-smuggling ring represents a significant and escalated continuation of the exposure begun with the arrest last December of Israeli spy Jonathan Jay Pollard, a man whom this magazine linked to Soviet KGB scientific espionage networks operating in secret alliance with the faction of Israeli intelligence linked to Gen. Ariel Sharon. Pollard was working under the Lekem unit of the Mossad, directed by Sharon's sidekick, Rafael "Dirty Rafi" Eytan, whose function is the passing of U.S. secrets to Moscow as part of Sharon's deal-making with the Kremlin.

Arrests announced

In announcing the 17 indictments and the arrests of 9 of the charged conspirators in New York and Bermuda on April 16, the U.S. Attorney for the Southern District of New York, Rudolph Giuliani, characterized the attempted arms sale, which included thousands of TOW missiles, F-4 fighter planes, F-5 fighter planes, helicopters, Python air-to-air missiles, C-130 transport planes, and Skyhawk aircraft, as "mindboggling."



U.S. Department of Defense/Paul Hayashi

Would you like to see this U.S. M-60 tank deployed against America's allies? One hundred engines, gearboxes, and fuel tanks for these tanks were among the equipment allegedly for sale to Khomeini's Iran by General Bar-Am's smuggling ring, indicted on April 22, 1986.

U.S. Customs Service Commissioner William von Raab, who joined Giuliani in an April 22 New York City press conference, accused the defendants of being "brokers of death who operated a terrorist flea market. . . . The Iranians would have used these weapons to make war against their neighbors or to spread international terrorism against the free West. Without a doubt, the bloody hand of international terrorism would have been on the trigger of the TOW missiles, really an ideal weapon for this dirty business."

According to the "Outline of Charges and Arrests, United States v. Samuel Evans, et Al.," the bulk of the \$2 billion-plus in weapons being offered to the Khomeini regime were located in Israel. U.S. and Israeli intelligence sources have confirmed to *EIR* that the weapons involved were part of official Israeli government stockpiles, and, therefore, the case represented official Israeli government policy to sell arms to the Ayatollah.

This allegation is underscored by the presence of a retired Israeli general, Avram Bar-Am, on the list of indicted conspirators. Bar-Am was one of three Israelis arrested along with two Americans at Bermuda international airport. He is charged, along with a Tel Aviv-based American citizen, William Northrop, with arranging phony "end-user certificates" for over \$800 million in arms they planned to ship from Israel to Iran through Northrop's Lichtenstein-registered Dergo Establishment firm.

"End-user certificates" are filed with the State Department by the recipient verifying the destination of the arms. This procedure is established to provide a paper trail, to prevent arms from getting into the hands of countries that have been legally banned from receiving U.S. arms for se-

curity or foreign-policy reasons.

When Bar-Am found himself sitting in a Bermuda jail, the subject of a brutal behind-the-scenes extradition battle between the U.S. and Israeli governments (which remains unresolved as we go to press), he threatened to "tell all" unless Israel bailed him out of the indictment. According to a Reuters wire released within days of Bar-Am's arrest, the former deputy chief of the Northern Army Command told interviewers, "What we tried to sell was the state's equipment. Let's say there are many people involved in this deal and in all of this we are only a small part."

Adding to the mounting evidence that the multi-billion-dollar arms deal was a "Mission Impossible" operation sanctioned by the Israeli government, were reports that the first telephone call that Bar-Am placed following his arrest was to the defense attaché at the Israeli embassy in Washington. The second call, according to an Israeli source, was to an official of the defense ministry back in Tel Aviv. According to the source, both calls were placed on special Mossad phone lines.

Previous instances of Israeli weapons trafficking into the Iranian Republic have been linked in the U.S. and Israeli press to an official of the Israeli Defense Ministry's Export Authorization Office, Zwi Reuter, and to the former Israeli defense attaché in Teheran during the regime of the Shah, Jacob Nimrodi.

Two other Israeli nationals, linked to another arms exporting syndicate, were also arrested in Bermuda. The father and son Guri and Israel Eisenberg are the proprietors of Bazelit International Trading Company (BIT). In a separate conspiracy indictment, the Eisenbergs and two other BIT

associates, Rabbi Yitzhak Hebroni and Mr. Humposa, are accused of arranging the sale and delivery of over \$415 million in arms to Iran. A Beverly Hills-based Greek shipper, Nikos Minardos, was indicted and arrested in New York as the shipping agent in the "Eisenberg conspiracy."

According to Israeli sources, BIT has recently been involved in opening up the People's Republic of China to Israeli weapons sales. This deal, which has been associated with Israeli billionaire Shaul Eisenberg and with his business associate, Armand Hammer of Occidental Petroleum, is widely believed to be part of a broader pact between Israel and the Soviet regime in which Israel—through the "good offices" of Soviet agent Hammer—has been given a Moscow green light to develop a major new market for its arms in Peking. What Hammer represents with respect to trade concessions from the Soviet Union, Eisenberg represents with Japan, the P.R.C., and both Koreas. Thus, the Eisenberg-Hammer partnership must be read as a commercial feature of Soviet expansion into the Pacific Rim, one in which Israel is slated to play a significant role.

If the Shaul Eisenberg ties to BIT are confirmed (and the U.S. Defense Intelligence Agency is reportedly sitting on confirmation that BIT's Eisenbergs are part of the Shaul Eisenberg organization), this places BIT at the very center of the Israeli arms industry, and in the middle of the Soviet foreign-operations branch known as The Trust—financial interests, like Hammer, built into wealth and power on the basis of Soviet state largesse. This role was underscored by a February 1983 business deal in which Eisenberg's New York City flagship company, Atasco, arranged to import to Israel a French-made nuclear power station in partnership with Al Schwimmer, then the director of Israeli Aviation Industry, the government-owned aeronautics and defense cartel, and Jacob Nimrodi, one of Israel's leading arms merchants to Iran.

A number of other men were also indicted on April 22 for attempting to fill the Iranian shopping list of sophisticated weapons and spare parts. These men included: French national Bernard Veillot; West Germans Hans Bihn, Ralph G. Kopka, Hans Schneider, and Mermann Moll; an American living in France named John De La Roque; Briton A. R. Flearmoy; and Greek nationals Dimitrios-Alexandros Kourantis and Stabouloupoulos Thanos.

The apparent lynchpin of all of the deals was an American attorney and business broker residing in London, Samuel Evans. Evans operated out of the fashionable London address of a consulting firm called Evans and Van Merkenstein, and was also the principal owner of a Bermuda-registered international trading firm called Galaxy Trading Company. Galaxy was representing the Iranian government in the purchasing effort.

While virtually no information exists in the public record regarding Evans, informed U.S. and Israeli intelligence

sources have placed him in the immediate orbit of former Israeli Defense Minister Ariel Sharon, presently the minister of industry and technology in the coalition government. According to one Israeli source, Sharon employed Evans as an attorney for some of his personal business affairs in London. Sharon, according to the source, spent several days in London with Evans just prior to the attorney's arrest in Bermuda.

Evans has also been identified by U.S. intelligence sources as the attorney for several defendants in a Libyan arms smuggling and assassination plot involving weapons conduited from the United States into the Libyan Peoples Bureau in London. That transaction occurred during the peak of the Billy Carter business ties to Qaddafi.

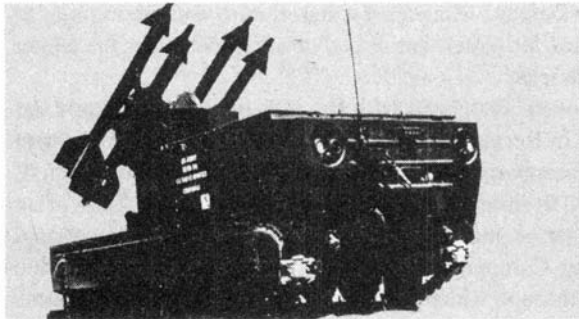
The enigmatic Cyrus Hashemi

Perhaps the cloudiest aspect of the entire billion-dollar arms bust is the role of one of Iran's most notorious arms traders, Cyrus Hashemi. According to sworn statements by U.S. Customs agent Dennis C. Doyle, whose infiltration of the arms-smuggling ring was essential to the indictments, Hashemi was the Iranian arms purchasing agent who contracted Evans to broker the arms deals. Beginning in December 1985 (see accompanying article), Hashemi—a fugitive from a 1984 arms trafficking indictment in the Southern District of New York—began entering the United States to participate in a series of meetings leading up to the scheduled arms deliveries. While Hashemi was not among the 17 indicted in the multi-billion-dollar arms deal, he was apparently either arrested, or turned himself in, on March 26, during one of his trips to the United States in conjunction with the Evans deal.

The complicating aspect of the Hashemi connection is the fact that Hashemi was initially set up smuggling arms to Khomeini by the Carter administration. According to sources close to the 1984 Hashemi case, he was put in business by the Carter National Security Council and by Carter CIA director Adm. Stansfield Turner. Reportedly, a former assistant U.S. attorney-general, Stanley Pottinger, was Hashemi's controller throughout this period. In a 1980 book, *Hostage to Khomeini*, the editors of *EIR* had exposed Hashemi as the "Carter connection" to Iranian terrorism and money laundering.

Camp David secret clauses?

In a recent Iran gun-running case tried before Federal Court Justice Sharp in Orlando, Florida, another Israeli-linked group of contrabandists was charged with trying to illegally fill the same shopping list that the Evans/Bar-Am group received from Hashemi. That group was led by Paul Sjeklocha (a.k.a. Paul Cutter), who had been personally recruited to the Israeli arms-smuggling networks by Ariel Sharon during a 1982 meeting in Israel. While Cutter was found guilty and sentenced to five years in federal prison, the majority of



U.S. Army/Redstone Arsenal

Left above: the TOW, the most powerful anti-tank weapon used by Army, which can penetrate armor and main battle tanks. U.S. Attorney Giuliani said, "Without a doubt, the bloody hand of international terrorism would have been on the trigger of the TOW missiles," of which more than 18,000 were to be sold to the Iranians in the conspiracies. Other weapons included, left, below: Chapparral short-range ground to air missile system. Right: Hawk all-weather ground to air missile system, used against aircraft.

defendants, including Lt. Col. Wayne Gillespie, an official of the Pentagon's Army Materiel Command, were let off. Their defense centered around the claim that they had been told that they were working on a U.S. government-sanctioned covert operation to secretly ship weapons to the Ayatollah to battle "Soviet-dominated" Iraq. The jury bought the story and the majority of the defendants walked.

EIR has been accumulating evidence for several years indicating that one of the key features of the 1979 Camp David accords between Israel, Egypt, and the United States was a series of secret clauses giving Israel carte blanche to sell U.S. military hardware on the black market to such clients as Khomeini and the Sandinistas—customers the United States obviously did not wish to be directly linked to, despite the complicity of the Carter administration in putting those renegade regimes in power in the first place. Apparently, cognizant of the prospect of a post-Carter administration cutting off the arms flows, the Trilateral Commission dominated Carter group provided Israel with secret authorization to pick up the arms traffic, thus establishing a "treaty" mechanism for protecting the ongoing activities under a national security umbrella.

The series of Israeli-linked weapons busts that began with the April 1985 Cutter arrests represent, according to some U.S. intelligence sources, a factional move from within the

intelligence establishment to revoke those secret clauses—and end the United States' "selective sanctioning" of international terrorist operations.

These sources say that the recent arms-buying effort by Khomeini was aimed at nothing short of a total victory in the protracted Iran-Iraq war. Such a victory, the sources say, would have meant an Iranian march on Kuwait and an eventual Iranian military move to take over Saudi Arabia. Whether such a move would succeed or fail, the results would be a thorough destabilization of the Persian Gulf region. Coincident with a massive increase in Soviet military operations inside Afghanistan, this string of developments—while pitting Israel's Islamic enemies at each others' throats—would have meant the virtual expulsion of the United States from the Persian Gulf, an objective that Moscow shares with the Sharon faction inside Israel and with Trust-contaminated circles within the U.S. government. These Trust networks dominate the State Department and have achieved heavy penetration into the Pentagon's arms-exports unit under Mossad "friends" Richard Perle and Steven Bryen.

The battle around the effort to cover up these more profound aspects of the Bar-Am case has just begun. The outcome will be critical in determining whether the Reagan administration has the capacity to fulfill its commitment to stamp out international terrorism.

Israel's Khomeini arms network

by Joseph Brewda

The U.S. State Department, British intelligence, and Israeli Mossad are currently conspiring to suppress the real story behind the five members of the Israeli-based, Iranian arms-smuggling ring now held in prison in Bermuda. The 17-man ring was indicted April 22, by the U.S. Attorney's Office in the Southern District of New York; five of the conspirators were arrested in Bermuda, and four in New York on the same day.

Although this bust of a ring conspiring to ship over \$2 billion of arms to Khomeini is the largest in U.S. history, it is unlikely that the conspirators being held in Bermuda will ever face trial. Among the reasons for the suppression of the case is that the conspirators, far from being the rogue operatives, or "con-men" described by the press, are intelligence operatives on the payroll of several governments, not the least being Israel.

Indeed, immediately after his arrest by Bermuda authorities, Israeli Gen. Avraham Bar-Am, a leader of the smuggling network, threatened to "tell all," if Israel made him a scapegoat for the blown operation. "The defense establishment [of Israel] knows about this group, of which I am an adviser," he stated. "What we tried to sell was the State's equipment. Let's say there are many people involved in this deal, and in all of this we are only a small part."

Predictably, since his arrest, Bar-Am and his associates have been described by Israeli spokesmen, and other damage-control specialists, as "stupid," "a dupe," and a "victim of anti-Semitism." "If Bar-Am is guilty of anything," one official claimed, "it is running a scam. He could never have delivered the weapons he offered." Similar formulations were used to cover up for Mossad spy Jonathan Pollard, after he and his wife were caught at the Israeli embassy compound in Washington with U.S. classified documents.

Despite massive disinformation in the U.S. media, *Executive Intelligence Review* has already assembled evidence, supportive of Bar-Am's confessions, as to the nature of his Israeli government-directed activities, and that of his cronies Israel and Guri Eisenberg, Sam Evans, Rabbi Yitzhak Hebroni, et al.

General Avraham Bar-Am is a career Israeli military officer, who spent 30 years in several responsible positions, including that held at his retirement in 1983—Chief of Staff

for Manpower for the Israeli Defense Forces. A specialist in armor, Bar-Am had been the number-two officer in the Israeli Northern Army during the Ariel Sharon-led invasion of Lebanon in 1982.

According to unconfirmed Israeli sources, Bar-Am is an official in a special commando unit of the Mossad. These sources also state that Bar-Am has long been tied to Gen. Rehavam Ze'evi, one of the Mossad's leading arms smugglers, who has concentrated on South America. Interestingly enough, Bar-Am had been expelled from Chile several months ago, on the personal orders of President Pinochet, for attempting to infiltrate army circles in Santiago.

Bar-Am's assertion that he had been given a letter by Israeli Defense Minister Yitzhak Rabin, authorizing him to sell arms for Israel, has already been admitted by the Israeli government.

Closely associated with Bar-Am, and also currently detained in Bermuda, is the father and son team of Israel and Guri Eisenberg. The Eisenbergs, together with the indicted, but still at large, Rabbi Yitzhak Hebroni, are officers of an Israeli arms-smuggling firm entitled Bazelet International Trading Company, or BIT. BIT was one of the corporate fronts through which the Israelis were intending to ship arms to Iran, according to the U.S. Justice Department.

Although unindicted, the key figure in BIT is the brother of Israel Eisenberg, according to sources; one David Eisen-

Although this bust of a ring conspiring to ship over \$2 billion in arms to Khomeini is the largest in U.S. history, it is unlikely that they will ever come to trial. Among the reasons is that they are intelligence operatives of several governments,

berg. According to these same sources, David Eisenberg was the actual ringleader of the entire conspiracy.

Back in the early 1980s, David Eisenberg used to travel to the United States frequently on business. In one case, Eisenberg induced a New Jersey firm, Childcraft, to buy toys from several kibbutzim in Israel. Eisenberg never delivered, leaving several enterprises out several million dollars. Among the reasons Eisenberg was trusted, was that his attorney and one-time business partner was Chaim Herzog, now President of Israel, former chief of Israeli Military Intelligence, and former ambassador to the United States. As one of his victims explained, "Eisenberg was obviously well connected to the government."

Eisenberg's BIT is currently heavily involved in not only

arms-trafficking, but also black market smuggling of various commodities into Israel and into China. The Israeli-China trade has massively increased over the years, especially in weapons. That trade was pioneered by the Mossad arms-trafficking kingpin, Shaul Eisenberg (apparently of no family relation to the owners of BIT).

According to unconfirmed sources, the actual owners of BIT is the Bronfman family of Seagrams whiskey, and heroin, fame. Not coincidentally, Bronfman and Shaul Eisenberg had jointly sold arms to Iran under the Shah in the 1970s, through their firm Space Research. These same networks now sell to the Ayatollah.

The New York 'corruption' angle

One of the more important figures in the BIT network is its treasurer, Rabbi Yitzhak Hebroni, currently in Israel, and out of the U.S. Justice Department's reach. Hebroni has denounced his indictment, claiming he was only involved in the financial aspects of the deal.

In addition to his admitted role for BIT, Hebroni is also the treasurer of one of the most powerful Yeshivas of Jerusalem, Yeshivat Hebron. Under the pretext of fundraising for the yeshiva, Hebroni frequently travels to the United States, where he serves as the yeshiva's bagman.

Since government financial scrutiny of religious institutions in many countries is notoriously weak, especially relating to charitable contributions to other nations, intelligence agencies, and their organized crime networks, frequently operate under such institutional cover. Typical of such arrangements were the financial flows which Meyer Lansky directed through the Orthodox "Agudat Israel." Not accidentally, Agudat Israel is the religious organization which sponsors Yeshivat Hebroni.

In fact, some U.S. sources have reported that following Rabbi Hebroni's financial operations in New York leads one directly to the real story behind the so-called corruption scandals in New York City. Those scandals erupted after the attempted (later actual) suicide of Bronx Borough President Donald Manes. Manes's first attempt occurred within hours of his meeting the Israeli consul general in New York.

According to Israeli and U.S. sources, Manes, and a significant faction of the New York Democratic Party, had been deeply involved in laundering money into Israeli real estate speculation on the West Bank, an operation in which Manhattan District Attorney Robert Morgenthau is said to be deeply involved. The loot is also used to fund such Mossad operations as running guns to Iran. Skimmed funds from the Parking Violations Bureau of New York were systematically laundered into Israel, especially through Bank Leumi, according to more than one source.

There is a direct connection between BIT arms smuggling, and two other laundering cases involving New York religious institutions, according to reports.

In May 1985, the oldest Yeshiva of New York, Mesivtha

Tefereth Jerusalem, was exposed for laundering at least \$28 million in cocaine revenues tied to the Gambino and Genovese organized crime families. Two school officials, Rabbi Yisrael Eidelman and Sender Berkowitz, utilized the Yeshiva accounts at Bank Leumi and Israeli Discount Bank, for this purpose, with Israeli nationals used as couriers. Despite their confessed guilt, Ariel Sharon's close friend Manhattan District Attorney Morgenthau, intervened to grant the two Yeshiva officers a conditional discharge.

On April 2, Rabbis Schnejer Zalman Gurary and Nochum Sternberg were charged with laundering some \$150 million through a variety of diamond industry and garment firms, into accounts at several Swiss banks. The rabbis' attorney, Nathan Lewin, is widely viewed as the leading Mossad attorney in the United States.

Bronfman sabotage

Despite the statements of the U.S. Attorney's office to the contrary, there was never any intention to arrest Bar-Am et al., in Bermuda, where they were simply laid over en route from London to Baltimore. Instead the plan was to lure them into the United States, where no difficult extradition problems could develop.

According to our sources, the reason why the conspirators never reboarded their flight, making their arrest in Bermuda necessary, was that they were "tipped," by an agent of the Special Branch of the police of this British colony. Bermuda Attorney General Saul Froomkin, who had caught wind of the planned bust while meeting with U.S. Department of Justice officials the previous week, ensured the Baltimore arrest would not occur, according to the sources. Froomkin had formerly been an official of the justice ministry in Toronto. He left for Bermuda, it is claimed, because his clean-up of the Yonge Street districts of Toronto had put him in conflict with the "mob." Cover stories aside, Froomkin's clean-up was of particular financial benefit to the Bronfman real-estate interests in the district, to whom, it is credibly asserted, Froomkin has longstanding ties.

Informed at the Bermuda airport of their planned arrest, the conspirators elected to stay on the island, where they are being held on the flimsiest of immigration charges. Since extradition from such a smuggling paradise as Bermuda is difficult under any circumstances, it is expected that the operatives will simply be deported back to Israel, saving many governments the embarrassment of a trial.

To ensure the plan's success, the State Department officer detailed to negotiate with Bermuda and Israel is Abraham Sofaer. Sofaer is not only the New York City judge who presided over the Ariel Sharon suit against *Time* magazine in such a way as to boost his friend's political standing in Israel. Sofaer was also the State Department officer detailed to cover up for "rogue spy," Jonathan Jay Pollard, and was deployed to Israel to work out the specifics of deep-sixing the Pollard espionage scandal.

Cyrus Hashemi: gun runner for sale

by Edward Spannaus

The name Cyrus Hashemi has consistently surfaced in all discussions of Iranian gun-running since 1980 in the United States and Europe. Now, Hashemi appears to have been instrumental in setting up the April 22 indictments of 17 persons for conspiracy to ship arms to Iran, in what may be an effort to "re-organize" the arms trade with Iran.

The April 22 indictments, involving Gen. Avraham Bar-Am, Samuel Evans, et al., cite a series of meetings between the conspirators and Cyrus Hashemi, in which Hashemi was the purported arms buyer for Iran. These meetings are alleged to have taken place between Dec. 3, 1985 and April 21, 1986—the day before the indictments and the arrests of five of the indicted conspirators.

Israeli officials are complaining that General Bar-Am and the two other Israelis arrested may be the victims of a frameup, and that they "may have been entrapped by an undercover FBI agent." According to *Yediot Ahronot* newspaper, that agent was Cyrus Hashemi.

If Hashemi was working for the FBI—as some Israelis charged—it just means his market value has declined in recent years. Hashemi—a shadowy swindler and con-man—has been regarded since the 1970s as an asset and stringer for a grouping within the U.S. Central Intelligence Agency; British Intelligence is also known to have a piece of him. Indicted in 1984 for arms smuggling, Hashemi was, until recently, a fugitive in London, protected by the British government. On March 26—during his "sting" meetings with the Bar-Am smuggling ring—he was quietly arraigned in federal court in New York City. What kind of deal did Cyrus make for himself? That remains to be seen.

Hostage negotiator?

On July 22, 1980, one of the most prominent anti-Khomeini spokesmen in the United States was shot to death in a Washington, D.C. suburb. He was Ali Akbar Tabatabai, formerly the press spokesman for the Iranian embassy. Information reaching *EIR* as well as other news media, identified Washington rug-merchant Bahram Nahidian as the controller of the assassins, and Cyrus Hashemi and his First Gulf Bank & Trust Co. as the bankrollers of the operation.

EIR, along with the *Washington Post* and other news

outlets, identified Hashemi as the financial conduit for pro-Khomeini protests and terrorism in the United States. At that point, former U.S. Assistant Attorney General J. Stanley Pottinger surfaced to pressure the *Post* and other media to retract the story. The *Post* didn't quite print a retraction, but it printed a "qualification" which was apparently sufficient to satisfy Pottinger. Knowledgeable sources at that time told *EIR* that a "national security" cover had been thrown over the whole issue of Iranian terrorism by the Justice Department, and that it was pressure from the Justice Department which caused the *Post* to change its story about Hashemi.

Pottinger then double-crossed the *Post*, and went ahead and sued them for libel, along with *EIR* and a number of other newspapers and also the Cable News Network. (Eventually, everyone else settled with Hashemi, except for *EIR* and associated publications.)

Perhaps one of the reasons Hashemi was so anxious to clear his "good name" was that he was also trying to sell himself to the Carter administration as a go-between in the hostage crisis. He met personally with officials in the State Department and Carter's National Security Council. Pottinger reportedly offered Hashemi's services to the CIA in trying to free the hostages.

There is much dispute as to what role Hashemi played in the hostage negotiations. One source, close to Hashemi, claims the United States owes a great deal to Hashemi for his aid in resolving the crisis. Other sources say Hashemi soon came to be regarded as a "charlatan" in NSC and related circles. On the day the hostages were released, NBC-TV described him as "a top adviser to the government in Iran," and suggested that he had played an undisclosed role in the negotiations.

Khomeini's banker in America

Depending on whom you talk to, Hashemi either left, or was thrown out of, Iran in the late 1960s. He spent the intervening years living in Geneva, Paris, and the United States, with frequent side trips to South America and the Caribbean. He earned himself a reputation as a con-man on a couple of continents, and was always followed by a string of lawsuits for fraud. He was thrown out of France in 1978 after being caught with stolen airline tickets, and while trying to use a Knights of Malta passport to claim "diplomatic immunity."

When the British and the U.S. State Department overthrew the Shah in 1979, Hashemi's fortunes suddenly got brighter. Precisely as Khomeini was returning to Iran from Paris in February 1979, Hashemi was being set up with a couple of offshore banks in the Netherlands Antilles, sponsored by Roger Tamraz's First Arabian Corp. One of these was the First Arabian Bank & Trust, whose name was soon changed to First Gulf Bank & Trust.

Hashemi's First Gulf quickly became a money conduit for Iranian funds used to finance protest demonstrations and

terrorism in the United States. (According to some intelligence sources, Hashemi was used by Pottinger and the CIA as a vehicle for funneling billions in weapons and spare parts used in Khomeini's overthrow of the Shah.)

With the outbreak of the Iran-Iraq war in the fall of 1980, Iran set up an international arms procurement operation, headed by Khomeini's son-in-law Sadegh Tabatabai. Tabatabai based his network on Israeli businessmen and military officials who had been in Iran under the Shah, including the former Israeli military attaché in Teheran, Jacob Nimrodi. Hashemi and his two brothers Djamshid and Reza were the U.S. end of this operation.

According to published sources, FBI counterintelligence agents bugged the offices of First Gulf Bank & Trust from October 1980 through January 1981. The hidden microphones picked up not only Cyrus and Reza Hashemi, but also Stanley Pottinger, who was advising the Hashemi brothers as to how to ship arms to Iran using phony invoices. Nevertheless, it wasn't until 1984 that the Hashemi brothers were indicted. (By that time the FBI had managed to "lose" the tapes on which Pottinger had been overheard, so he escaped indictment.)

But already by 1982, there was a full-scale federal grand-jury investigation in New York of Iranian arms smuggling. Subpoenas were issued covering Hashemi's companies as well as a number of Israeli-based operations such as Jetcraft Supply Corporation. A subpoena made available to *EIR* also cited Hashemi's Yorkhouse Trading Company, of which Pottinger had been an officer.

Still, no indictments. Then, funny things started to happen.

The cocaine connection

On Jan. 8, 1983, Sadegh Tabatabai was arrested in Dusseldorf, West Germany for smuggling cocaine. (He was later allowed to flee by Foreign Minister Hans-Dietrich Genscher.) German officials believe that Tabatabai was using narcotics to pay for arms.

On the same day, one George Perry, a U.S. businessman with reputed CIA connections, disappeared in New York. A few weeks earlier, he had met with Tabatabai in Zurich to arrange a \$1 billion arms deal for Iran with a Brazilian company called Stiiil Inc., for which he was an international consultant. When in New York, Perry usually met with the head of Stiiil's New York subsidiary, Milan Jedlicka. In June 1983, Jedlicka pleaded guilty in federal court in New York to conspiring to sell 13 pounds of cocaine. Jedlicka's key partner in the conspiracy case was killed with bullets through his eyes. The prime suspect in this murder was killed two weeks later.

Three months later, Perry's body was fished out of a lake in Bear Mountain Park north of New York City. He had been shot in the head with a .22 caliber weapon, and authorities believed that his weighted body had been dropped into Lake

Tiorati from a helicopter.

An account published in West Germany argued that the CIA had planted the drugs on Tabatabai to sabotage his arms deals. Later, the story was circulated that Tabatabai believed that Perry had planned the operation, and Tabatabai ordered that Perry be killed in retaliation. While most authorities believed that Tabatabai actually was smuggling drugs, a source very close to the Hashemi circle told this reporter that they believed the drugs had been planted. Perry's murder bears the earmarks of a highly professional operation, one which Iranian networks in the U.S. would have probably been incapable of carrying out by themselves. But if the Mossad thought Perry was sabotaging their arms dealings? The conclusion to this chapter has yet to be written.

Fugitive

Finally, in summer 1984, Hashemi, his two brothers, First Gulf Bank & Trust, Yorkhouse Trading Co., and a few other individuals were indicted in New York for conspiracy and violations of the U.S. arms embargo during 1980-81. Hashemi by that time was living in London, where he remained fugitive until late 1985 or early 1986. Some sources say that U.S. efforts to obtain his extradition were unsuccessful. It is known that U.S. officials were publicly expressing their anger at the British for their lack of cooperation in investigations of the arms trade with Iran.

Also during 1984, Hashemi's 1980 libel suit against *EIR* was thrown out of court, after he repeatedly failed to appear for his deposition in defiance of court orders. Still out to "protect his good name," Hashemi appealed; his appeal was rejected by the U.S. Court of Appeals for the Eleventh Circuit last year.

Then, on March 26, 1986, after having returned to New York City for a series of meetings with the members of the General Bar-Am ring, Hashemi appeared at an arraignment in federal court in New York City and pleaded not guilty. He was released on \$100,000 bond.

On April 28, Hashemi issued a statement saying that he cooperated with U.S. authorities in setting up the arms indictments "to prevent the Iranian government from being victimized by illegal arms merchants." "The Iranian government, as much as it is in need of military equipment to defend itself, will not do business with illegal arms merchants such as those involved in this matter," Hashemi was quoted as saying.

Two days later, columnist Jack Anderson wrote that proponents of a pro-Iran "tilt" in the U.S. government want to start supplying arms directly to Iran, hoping "to solidify relations with 'reasonable' leaders in Iran." Anderson said administration officials hope to by-pass Israel and "regularize" the arms trade; they expect Iran to welcome the change, since they have been paying markups of up to 2,000% for Israeli-brokered, U.S.-made spare parts.

Hashemi seems to have cut himself a new deal.

Ibero-Americans demand war on narco-banks

by Silvia Palacios and Valerie Rush

The war on drugs in Ibero-America advanced during the week of April 21, when the financiers of *Dope, Incorporated* were put on notice that they were no longer considered "citizens above suspicion."

A special inter-American conference on drugs, sponsored by the Organization of American States (OAS), was held in Rio de Janeiro from April 22-26, at which the question of laundering of drug money was put at the top of the agenda. And on April 30, the second anniversary of the mafia assassination of the anti-drug Colombian Justice Minister Rodrigo Lara Bonilla, the five member nations of the Andean Pact met in Lima, Peru to sign a multilateral treaty, dedicated to his memory.

As he presided over the signing ceremony of the anti-drug treaty, Peruvian President Alan García described the Lara Bonilla Accord as "the beginning of the moral integration of the continent." The only problem, as many of the 31 national delegations to the OAS conference in Rio noted, is: "When is the United States going to join?"

U.S. opposition

The Colombian delegation, headed by Justice Minister Enrique Parejo González, came to the Rio meeting armed with a five-point proposal (see *Documentation*), which not only urged confiscation of drug traffickers' assets, but also the long-overdue reform of banking laws ("transparency") and, most importantly, the creation of a regional financing mechanism to fight drugs, based on mandatory contributions from all member nations, in amounts determined as a fixed percentage of assets seized in drug busts. Given the relative impoverishment of the majority of Ibero-American countries, the regional fund proposal—with U.S. participation, of course—was intended to serve as the linchpin for an effective anti-drug action program.

The Colombians motivated their proposal with powerful

arguments: "Legal means are needed to hit the business in its profits, because the profits are the backbone of the narcotics trade. It is necessary to take immediate steps to end banking secrecy, to thus be able to trace the big capital; that touches the most important nerve of narcotics traffic. . . . We have insisted time and again that any agency that is set up must start by confiscating those enormous profits."

The Colombian proposal was first presented to the private sessions of the OAS first commission, which was specifically responsible for formulating recommendations to the General Assembly. Venezuela's delegation commented: "An inter-American judicial mechanism must be created against the drug traffickers to investigate the dirty money laundering, because it is the large financiers who are involved in this trade." Peru's representative said, "The assets and profits of the drug traffickers must be confiscated, and the U.S. and Europe should collaborate in this, because the money is deposited in the U.S., in Switzerland, and in Canada."

With sentiment running high in favor of the Colombian proposal, delegates to the meeting were stunned when the U.S. representative, Deputy Attorney General Lowell Jensen, opposed the proposal, and succeeded in ramming through an agreement from the other countries *not* to raise the regional fund proposal on the floor of the Assembly. With Donald Regan running policy as chief of staff at the White House, and Ed Meese running the Justice Department, there is no way that the War on Drugs is going to get any help from Washington.

U.S. sabotage was backed by the Bahamas and Trinidad and Tobago, both countries which—as the Bolivian justice minister appropriately noted to *EIR* (see *Interview*, below)—depend upon the vast flows of dirty money to sustain their financial systems. Delegates could be heard in the halls of the conference whispering that it was the United States which made the largest financial and property hauls when busting

OAS action program for a war on drugs

The following are excerpts from the Inter-American Action Program Against the Consumption, Production and Illegal Traffic in Drugs, approved on April 24 at the Specialized Inter-American Conference on Drugs, sponsored by the Organization of American States in Rio de Janeiro, Brazil.

Principles and objectives

The principal goal of socio-economic development consists of improving living standards; the policies adopted regarding the reduction of demand, the prevention of drug abuse, and the fight against its illegal traffic should be directed equally toward this same principal objective.

The illegal traffic in drugs is a global phenomena which threatens the sovereignty of states and the integrity and identity of peoples. International cooperation, be it bilateral or multilateral, is increasingly important for the effective reduction of demand and prevention of drug abuse in the fight against illegal trafficking; it is in the common interest of all producer and consumer nations, and nations serving as transit points in the drug trade, that this cooperation evolve free of pressures of any kind. . . .

Chapter II

The conference also recommends to the member states of the OAS the following measures to combat the production and illegal supply of narcotics and psychotropic substances.

1) The development and broadening of mechanisms for interchange of information on the structures of the illegal trade and any other aspects of the illegal traffic in drugs among affected nations.

2) The study of legislative bills whose effect would be:

a) To strengthen the ability of appropriate institutions to investigate the illegal drug trade and to try those responsible, including their ability to detect the origin of resources deposited in financial institutions or other commercial institutions and transfers made among these by the drug traffickers.

b) To confiscate the goods stemming from the illegal trade in drugs or used for same, independent of where said trafficking took place.

c) To define as a crime the purchase, possession, use, or so-called laundering of goods that are known to be directly or indirectly products of the drug trade, independent of where

drug rings, and therefore had the most to lose from the regional fund idea. Unspoken, but also on everyone's mind, was that such a fund would prevent Washington from practicing political blackmail by withholding the meager amounts of anti-drug aid to affected nations.

What surprised many at the conference was the fact that Mexico, which has taken a number of major steps forward in the fight against drugs recently—including the nomination of some notoriously tough anti-drug figures as candidates for governor of several states—allied itself with the United States for the first time in decades, against the majority of the Latin American countries. At least one observer noted that Mexico's position was possibly related to the fact that the Mexican House of Representatives had just approved the opening of dollar accounts in Mexican banks, in effect opening up another window for money laundering.

Drugs and the IMF

Don Regan's cronies on Wall Street, in London and Switzerland, together with the International Monetary Fund, have taken advantage of the severe economic crisis wracking Central and South America to push those countries into acquiescing to the "narco-dollarization" of their economies. Those bankers, most of whom are up to their necks in dirty-money laundering, were denounced as "narcofinanciers" by Venezuelan Justice Minister Manzo González, who headed his country's delegation to the conference.

In fact, the Venezuelans presented a study to the conference participants which demonstrated the links between the foreign debt and the drug trade. Drug traffickers buy social and political popularity by funding welfare programs and public works that legitimate governments can no longer afford, noted the study. "Thus arises a parallel state taking up social burdens and illegally legitimizing itself."

Pope John Paul II, who will be traveling to Ibero-America this summer, backed the effort to take effective action against the drug trade. In a personal message delivered to the conference by a Vatican delegation with observer status, the Pope urged the participants to take concrete actions: "The illegal trade in mind-altering substances is one of the most criminal expressions of our times. . . . The entire human community would have to be mobilized in order for a solution to be found to this problem, as one must be. This global solution must involve all components of society."

In the final resolution to the OAS special conference on drugs, several of the five points of the Colombian proposal appear in diluted form. Confiscation of drug traffickers' assets and tracing of drug-money flows through financial institutions are explicitly urged. There is no mention, however, of the critical regional fund proposal. As Colombian Justice Minister Parejo González noted, "To prosecute this war, it is imperative that total solidarity exist among the peoples of America, and that the most powerful help the weak. Otherwise, we will all perish."

said trafficking took place, and to make possible the confiscation of said goods.

3) The establishment of rigorous controls on production, import, export, transport, and trade of solvents, and other chemical products essential for the production of narcotics and psychotropic substances.

4) The establishment of mechanisms of cooperation at the judicial, police, and customs levels among member states, with the purpose of making measures taken in this area more effective.

6) The use of biologically and ecologically advisable methods—as defined by each State—to eradicate illegal cultivation of plants from which narcotics or psychotropic substances can be extracted.

7) The conducting of research for the purpose of developing biological methods of eradicating illegal cultivation. . . .

Chapter III

1) Recommendation to the OAS General Assembly: The creation of an Inter-American Commission for the Control of Drugs, made up of representatives of member states, with powers to develop, coordinate, evaluate, and add to the prescribed measures in this action program, and to present proposals for increasing the efficiency of efforts to prevent drug abuse and fight against the illegal drug trade.

2) Recommendation to the Inter-American Juridical Committee: To adopt specific bilateral or multilateral instruments regarding determined aspects of drug abuse and the illegal drug trade, including mechanisms of extradition and cooperation among judicial, police and customs authorities of member states, such that more efficient action against all drug traffickers be made possible.

Other Conference Documents

The following is an excerpt from a Feb. 12, 1986 study prepared by the staff of the Organization of American States for discussion at the Specialized Inter-American Conference on Drugs.

One of the important new dimensions of the drug business is the legitimization of ill-gotten gains. . . . It is not clear where the drug traffickers invest their profits, but it is believed that the major portion of the legitimized money is invested in stocks and bonds, in real estate, and in other assets of the most developed nations. The systematic tracing of these funds is only in its incipient phase, but it is one of the most important points for international cooperation in the control of the

drug trade: to strip the drug traffickers of their profits. While the profits remain uncontrolled and demand is not reduced, it is highly doubtful that effective action can be undertaken to reduce production and encourage other economic activities to substitute for the cultivation of coca, given that on the one hand cash is freely available and on the other hand, the incentives are too attractive.

The use of vast resources to dampen government anti-drug campaigns was evident in the assassination of Colombian Justice Minister Rodrigo Lara Bonilla, in the devastating assault carried out against the coca substitution project in Peru, in the abduction and assassination of the DEA agents in Mexico. The traffickers generally have the means to influence public opinion, and are often smart enough to enlist public support.

The magnitude of the drug market throughout the world is overwhelming. In the U.S., the House of Representatives' Select Committee on Narcotics Abuse estimated that the illegal traffic in drugs was in the range of \$10 billion during 1984, which suggests that during this decade it experienced an annual growth rate of 10 percent. . . .

The drug trade also distorts the domestic economies of the producer nations. The production of coca uses land and resources that could be allocated to the production of food. Further, since the police and military spend their limited resources battling the apparently unlimited resources of the traffickers, the national budget suffers additional pressures. . . . The tremendous profits made by the drug traffickers have been utilized to destabilize the political and economic systems of various countries. They have been used to buy newspapers, influence political parties, and corrupt local and national officials.

The following is the original five-point proposal submitted by the Colombian delegation to the first commission of the OAS conference:

1) Adopt legal norms that would allow for the seizure of goods and profits stemming from the illegal traffic in drugs;

2) Adopt norms of Inter-American cooperation for the identification, control and application of legal sanctions leading to the confiscation of all money and profits taken by drug traffickers in their illegal business;

3) In the case of the creation of a regional fund to fight this phenomena, it be established that a percentage of the seizures carried out by member states be given over to said fund;

4) In the spirit of harmonizing current legal norms, it is suggested that the Inter-American Juridical Committee cooperate to recommend reforms to banking laws and any others deemed appropriate;

5) Coordinate these efforts with those carried out by the United Nations Organization in this regard.

Conference Speeches

Drug trade: a crime against the state

The following is an excerpt from the speech by Venezuelan Justice Minister José Manzo González, delivered on April 22 to the OAS conference:

We have initiated an action of clear international focus, in which the fight against the traffic and consumption of drugs must take place within the sphere of international solidarity and cooperation to fight transnational and multinational organized crime. We must go beyond the notion of crime against health, to understand it as a multiple-offense crime against . . . the State. . . . This merchandise of organized crime serves, for example, 1) as a factor of dependency and corruption, 2) to weaken the State's combat capability, 3) as a

The behavior of the drug traffickers is similar to the vampire, which puts its victim to sleep while continuing to suck its blood

weapon of war or means of subversion of whatever form, 4) as a problem of public health, 5) against Latin American integration in economic and security terms.

The following are excerpts from a speech given by Colombian Justice Minister Enrique Parejo González on April 23 to the OAS conference:

It is not necessary to repeat here today the serious effects of the criminal action of those organized groups which control the most profitable business that any human being has ever managed, a macabre business that creates gigantic fortunes at the cost of the physical, economic, and moral impoverishment of entire populations.

The behavior of the drug traffickers is similar to the vampire, which puts its victim to sleep while continuing to suck its blood until it kills him.

The drug trade is conducted by the transnational organizations of crime, and requires similarly international mechanisms if its deadly effects are to be effectively contained. For Latin America, the fight against the drug trade is a fight for liberation.

The fight that must be undertaken demands resources, and perhaps substantial resources. The member states of the OAS may prove reticent to take on the new international commitments that such a battle demands. Faced with the risk that the institutions will be weakened and democracy will perish, any effort is worth undertaking. In case of an unjust aggression that threatens its supremacy, all nations have the right to defend themselves, to stand up, even at the cost of sacrificing all of their material goods.

This is the most serious and most just war that humanity has ever fought. But to prosecute this war, it is imperative that total solidarity exist among the peoples of America, and that the most powerful help the weak, or we will all perish. This is the only truth.

To create a fund is an absolute necessity. With all due respect, it doesn't seem to us that it should be based on voluntary contributions, because this emergency does not allow for this kind of solution. What is required is a continuous, uninterrupted, intense action that can only be carried out with a defined and certain budget."

Interview: Paolo Brossart

Brazil confronts the dirty-money problem

The following interview with Paolo Brossart, the justice minister of Brazil and judicial adviser to Brazilian President José Sarney, was conducted by EIR during the OAS conference in Rio de Janeiro.

Since the narco-terrorist groups M-19 (Colombia) and Shining Path (Sendero Luminoso—Peru) have joined forces, the Brazilian Amazon has served as a refuge from law-enforcement persecution from their respective countries. Despite this, the Brazilian government, headed in this matter by the foreign relations ministry, has turned a blind eye. It is also known that the M-19 and Shining Path groups receive training and arms from the terrorist regime of Libya's Muammar Qaddafi. Brazil is one of the principal suppliers of weapons to Libya.

EIR: In the prepared documents of the OAS meeting, the problem of laundering of dirty money is addressed. What specific measures are contemplated for dealing with this problem?

Brossart: As is known, the strength of the drug problem lies in the fantastic profits it produces, and which allows the drug traffickers, the merchants of contraband, use of a first-rate material and technical organization which significantly surpasses the available resources, and the reserves, of the State. And one of the real concerns of such an organization is

Continued on page 38

The global war on narco-terrorism: where it stands

Americans, and others, are increasingly fearful of international terrorism. Few, unfortunately, understand that terrorism is so tightly integrated with the international drug traffic that the two cannot be separated from one another. If we destroyed the narcotics traffic, terrorism's essential logistical base is destroyed. However, destroying the crops and shooting down the planes carrying the drugs is not enough. Unless the hundreds of billions of dollars of the drug-traffickers are confiscated, and the guilty bankers and financial brokers are sent to prison, the United States and Western Europe are helpless against terrorism. The map indicates highlights of the global battle against the narco-terrorists, since late March:

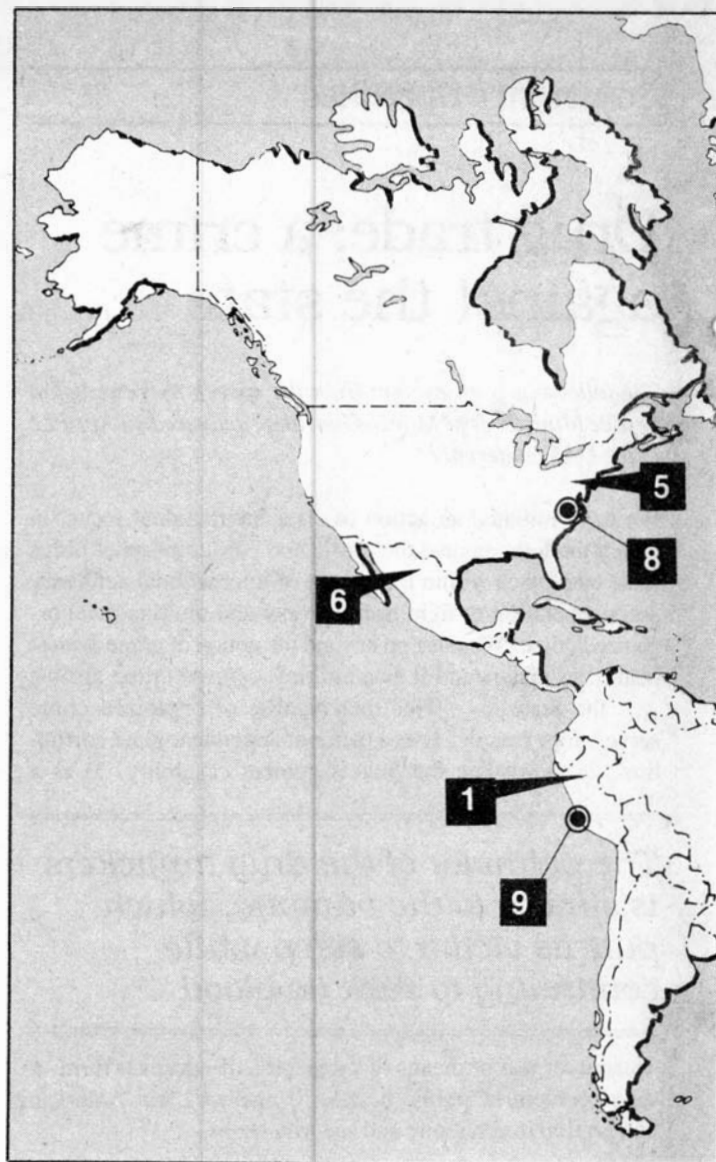
1. Upper Huallaga, Peru: The largest cocaine raid in world history takes place during a March 24-30 lightning war by Peruvian police, who seize 8.8 metric tons of pure cocaine crystals with an estimated street value of \$880 million in the United States (page 40).

2. Libya: American bombers strike military and terrorist training targets in Tripoli and Benghazi, on April 14, to hit at logistical support of massive Soviet-directed terror campaign in Europe and elsewhere.

3. Italy: Mafia trial in Palermo hears testimony in April by the state's witness Tommaso Buscetta, who documents the process by which the Mafia entered dope trafficking in a major way and became interfaced with Soviet-backed terrorism.

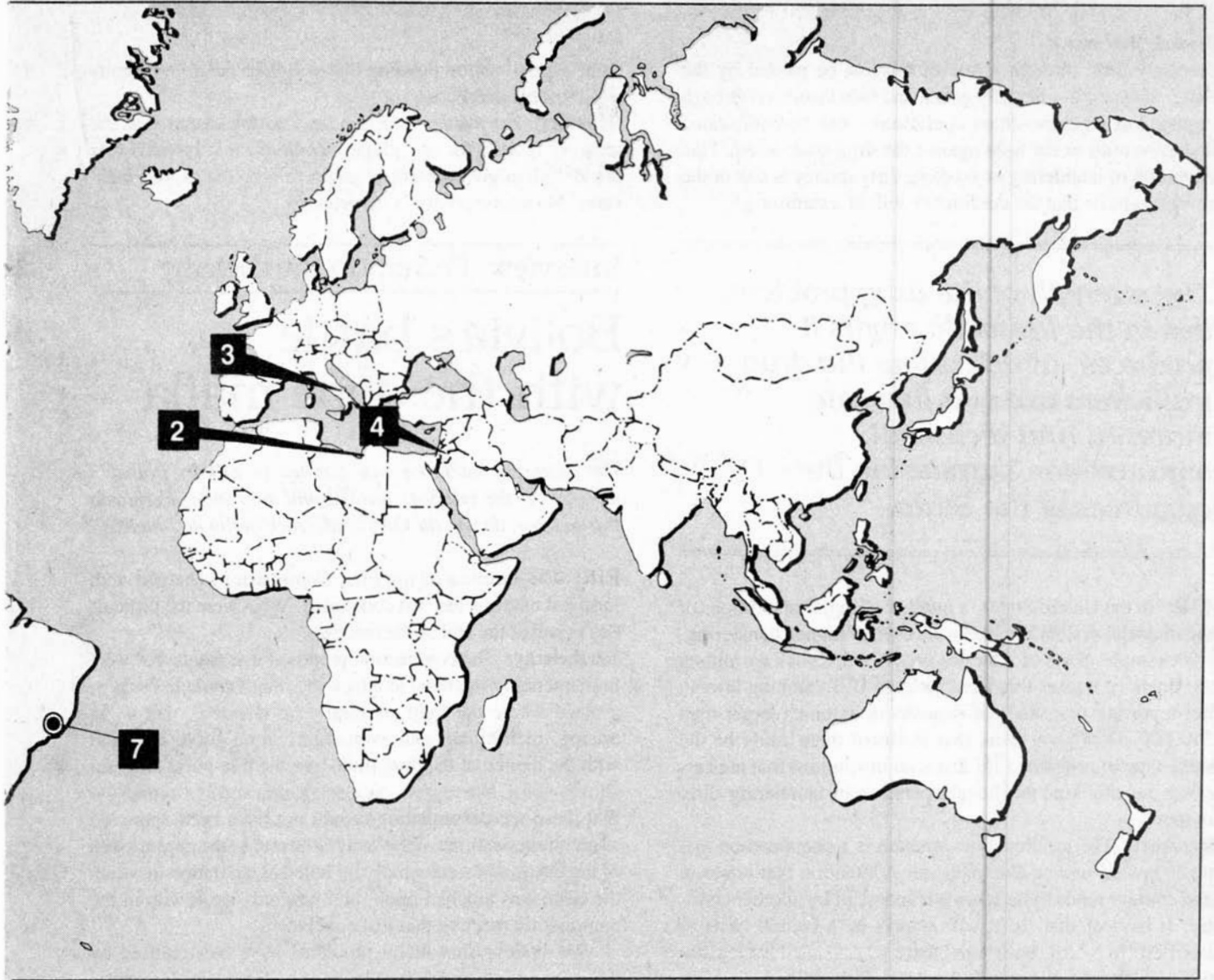
4. Israel: On April 20, a Commission of Inquiry under Supreme Court Justice Moshe Bejski releases a report indicting the heads of all the major Israeli banks for having acted to undermine the Israeli economy, and calls for their resignation by late May (*EIR*, May 2, 1986, page 4). The banks, including Bank Leumi, Union Bank, Bank Hapoalim, and United Mizrahi Bank, were named in the book *Dope, Inc.* for their key role in the diamonds-for-dope trade.

5. New York: On April 22, U.S. law-enforcement officials indict 17 suspects from six nations, striking a major blow at an Israeli Mossad-directed arms smuggling ring which has been funneling billions of dollars' worth of arms and military supplies to Khomeini's Iran (page 24).



6. Mexico: Nominations for state governorships in Veracruz, Sinaloa, Durango, and Oaxaca, key heroin- and marijuana-producing states, are announced in April, which promise to install nationalist, anti-drug leaders in those states. Operation Mangosta 86, launched in early April, will deploy 50,000 troops to block the harvest of marijuana and opium poppies. But the April 24 passage of a bill legalizing dollar accounts in border-state banks marks a grave setback to the anti-drug forces; the dollar accounts are notoriously used for "laundering" dirty money (page 9).

7. Rio de Janeiro: The Organization of American States concludes its conference on the narcotics trade on April 27, issuing a program of action which calls for "classifying as a crime the acquisition, possession, use or so-called laundering of the direct and indirect products of the drug traffic." A demand for creation of an Inter-American Fund to



finance the war on drugs from a percentage of the proceeds confiscated from narcotics traffickers, is sabotaged by the U.S. Justice Department's representative (page 32).

8. Washington: On April 30, *Dope, Inc.*, a book by a team of *EIR* investigators, is released in its second edition. The first (1978) edition pulled together four of the major features of the international drug-traffic: 1) the creation of the modern international drug-traffic, by the British government; 2) the evidence collected by the former U.S. Federal Bureau of Narcotics and Central Intelligence Agency on the international drug-traffic; 3) the role of the special operation, code-named "MK-Ultra," in unleashing a massive drug market inside the United States; and 4) the crucial role of the British Commonwealth-based "offshore" financial institutions, such as the HongShang Bank, in laundering what was, during 1978, a \$200-billion annual revenue from the drug

traffic. The new edition brings the picture up to date, emphasizing the dominant role of the Soviet KGB in taking over the traffic from the British, and in securing a dominant role in the international drug-trafficking and narco-terrorist operations of the late 1970s and 1980s.

9. Lima: Peruvian President Alan García presides over the signing of the "Rodrigo Lara Bonilla Agreement" against drugs on May 3, by the five nations of the Andean Pact: Peru, Ecuador, Colombia, Venezuela, and Bolivia. Peru's justice minister says the treaty hopes to bring about "interchange of extradition, a regionally maintained register of all sentences handed down to drug criminals," and an exchange of information which "will allow us to deal with a multinational of crime which sells on the U.S. market between 200 and 500 billion dollars worth of drugs a year, and has a captive population of 24 million consumers."

precisely that, through a law or laws to be passed by the State, this wealth—illegally gotten and then laundered through regular and legal merchant operations—can be confiscated and even used in the fight against the drug trade itself. This operation of laundering or washing dirty money is one of the several aspects that the conference will be examining.

The strength of the drug problem lies in the fantastic profits it produces, which allow the drug traffickers use of a first-rate material and technical organization surpassing the resources of the State.

EIR: In the United States, a number of major institutions of the financial system have been accused of money laundering. For example, Bank of America and Merrill Lynch are among the financial houses that have violated U.S. banking laws in not reporting thousands of deposits in amounts larger than \$10,000. Don't you think that in Brazil there could be the same type of problem with financial institutions that are carrying out this kind of illegal operation of laundering dirty money?

Brossart: The juridical phenomenon is a phenomenon that tends toward universal expansion. A situation that arises in one country tends to be taken advantage of by another country. It is clear that there will always be a factual basis to justify it. In Brazil, until now, there was no need for legislative measures of this sort. But what we are seeing is that this phenomena is growing, it is becoming huge. In the last few years, it has enormously advanced, such that this situation in the United States, can be taken advantage of. I believe that it should inspire Brazilian legislation also.

EIR: The terrorist groups like the Colombian M-19 and Peruvian Shining Path are the armed groups of the drug trade, as has been clearly demonstrated by the respective governments. Mr. Minister, is some action pending, from the Brazilian point of view, to help in the fight against narco-terrorism?

Brossart: No, no, no. I would say the following: In Brazil, the problem does not present itself in this form. It is possible that in other countries it has this connotation. . . . In Brazil, at least for now, it does not appear as such.

EIR: In the case of the M-19 and Shining Path, which according to various newspaper reports have been violating the Brazilian border and using the Amazon as a passageway, is

some type of action pending that will help the governments of Colombia and Peru?

Brossart: No matter who they are, to the extent that the territory is used for any illegal operation, it is obvious that the Brazilian government is going to take the proper measures. No matter what it's in regard to.

Interview: Fernando Barthelemy

Bolivia's battle with the dope mafia

The following interview was granted to EIR by Bolivia's minister of the interior, justice, and migration, Fernando Barthelemy, during the OAS conference in Rio de Janeiro:

EIR: The meeting of the First Commission, charged with juridical matters, has just concluded. What were the difficulties raised at the end of the meeting?

Barthelemy: The commission proposed five points that were fundamentally intended to attack the illegal trade in drugs at a place where the fight can really be effective, that is, in tracing, identifying, and even confiscating goods acquired with the money of the drug trade [see the five-point program above—ed.]. We regret—as a delegation and as a country—that these recommendations could not have been approved as recommendations to the secretariat and to the commission of the OAS, and were simply included as a notation in which the issue was touched upon, and was only dealt with in the commission meeting that just concluded.

We believe that many problems have been caused by those countries which receive money from the drug trade through their financial system, and have put so many obstacles in the way of approving this resolution. The mere act of raising a recommendation means that the OAS institutions can accept it or reject it, but now not even that possibility exists, because it has not been approved as a recommendation.

We believe that if there is not truly good faith, good will from all the countries involved in the problem, it is going to be very difficult to fight the drug trade. We cannot leave the burden of the fight exclusively to the weakest countries, to those which have enormous economic and financial difficulties, so that they have to shoulder the worst part, knowing all along that despite doing everything they can, it is impossible to diminish by these methods, by these means, the influence of the huge transnationals of the drug trade. We believe that the only way is to attack the economic power, destroy the economic power, and then we will see that the fight is effective and fruitful.

EIR: Why do you think that some countries [United States, Mexico, Bahamas, Trinidad and Tobago] opposed the five points proposed by the Colombian delegation as a recommendation?

Barthelemy: They are the countries which evidently are receiving, through their financial system, the flow of resources in the form of bank deposits and financial investments. Evidently these countries argue that they will have internal legal and even constitutional problems in accepting such a proposal as a recommendation, [especially since] it might then be possible that the OAS General Assembly would propose such a recommendation as a decision or a resolution that would be binding upon all the countries. These countries, the ones which fundamentally oppose it, are the countries which would be forced to give a contribution through this control mechanism. . . .

EIR: Don't you think that such a restriction on attacking—as you said—the backbone of the drug trade, limits the recommendations of the OAS, leaving them as mere declarations which will go nowhere?

Barthelemy: The key thing is to address this issue and raise it as a recommendation before the General Assembly. We had the hope that that document would have been approved today at the level of the commission, to then carry to the plenary. This clearly has not happened, and I believe that this is a limitation on the positive results that this Specialized Inter-American Conference on Drugs might have had.

EIR: Given the open opposition of the United States delegation, as manifested in the commission meeting, against the creation of an Inter-American fund in the fight against drugs, do you think it is hypocritical for the United States to talk about its war on drugs? They tell the media of their commitment to fight this plague, and yet they limit effective action against the profits of the drug trade.

Barthelemy: I don't want to issue an opinion on this matter. But what I do want to say is that in the Bolivian case, where our people have been assaulted by the international drug trade, which takes advantage of the very special conditions of underdevelopment in my country, Bolivia is not benefited in any way by the inflow of resources . . . from the drug trade. There exists a strange belief that Bolivia obtains tremendous income from the production and export of cocaine. What is clear is that there is income in the first step of acquiring the drug, and also from acquiring the agricultural product, the coca leaf, but this income is extracted from the country and deposited in bank accounts or financial investments abroad. And whatever doesn't leave by this route, leaves by another, which is by importing luxury manufactured goods which are deforming the patterns of consumption that our country has traditionally had due to its low living standards, its low per capita income. This money does not benefit the

Bolivian economy. All that money leaves the country in one way or another. . . .

EIR: Recently U.S. Democratic politician Lyndon H. LaRouche denounced the big banks, like Bank of Boston and Bank of America, and more recently Donald Regan, the chief of staff of the White House, for their role in laundering dirty money. What can you tell us of these charges?

Bolivia has an interest in fighting the drug trade, and is doing that to the best of its ability, because we understand that this is not a problem merely of other countries, but also our own—a problem in which our society is on the one hand being poisoned, and on the other hand, suffering from distortion of its moral values.

Barthelemy: I don't know the sources of this U.S. politician, but I suppose that if he dares to make such a public accusation, it is because his sources are good. Unfortunately, due to our difficulty in obtaining information, we don't know, the way a U.S. candidate might, all the ins and outs of the financial management of drug money.

EIR: Do you have anything to add, or some message for our readers in the United States?

Barthelemy: Not only to the United States, but to the entire world. Bolivia has an interest in fighting the drug trade, and is doing that to the best of its ability, because we understand that this is not a problem merely of other countries, but also our own—a problem in which our society is on the one hand being poisoned, and on the other hand, suffering from distortion of its moral values.

What we would truly like is for all the large and industrialized countries, all the populations of those countries, to understand the reality that the underdeveloped nations are facing from the pressure of the international mafia, with the problem of production and export of drugs. If the international mafia had never entered our country on such a vast scale, with such enormous power and resources, our country would not only not be viewed internationally as a country to blame, but also would not be suffering the level of addiction that a certain percentage of our population is suffering. Not to mention, of course, the distortion of moral values.

War against narco-terrorism rages in Peru's Upper Huallaga

by Orlando Carrera Lázaro

On April 21, a "civic strike" began in Tarapoto, a leading city in the Central Huallaga Valley of Peru. The strike quickly spread to cities and towns in the surrounding valley, as local citizens demanded "better conditions" from the government. But on April 23, Peru citizens received the news that narco-terrorists in the Valley had assaulted a police patrol, near the town of Paucayacu. Five members of the Civil Guard anti-drug unit, and a special anti-drug prosecutor accompanying the patrol, were murdered when their vehicle was blown up by dynamite charges, and then riddled with bullets by a commando of drug traffickers armed with machine guns.

The zone of Central Huallaga is perhaps one of the most beautiful regions of Peru. These lands, where the original settlers succeeded with difficulty in pushing back the jungle in order to develop an incipient but fruitful agriculture, today hold tremendous potential for high-yield intensive cultivation. But at the present time, hope of converting the region into a breadbasket for Peru has been stopped by the infiltration of narco-terrorists, who have incited the food producers in the area to stage protests and attacks in towns like Tarapoto, Juanjui, Uchiza, Tocache, and Nuevo Progreso.

The motivation behind these insurgencies makes clear their origins, since they demand nothing less than the suspension of the government-sponsored coca eradication programs and the withdrawal from the region of Umopar, the U.S.-trained elite anti-drug unit within the Peruvian Civil Guard. Peruvian newspapers have begun to talk of a "Little Cocaine Republic" in the Huallaga Valley.

It should come as no surprise that we find narco-terrorists stirring up the population in outlying regions with the idea of creating a separate state, free of law or any other impediment to the traffic in drugs. The government of Peru, headed by President Alan García Pérez, has dealt a number of major blows against narco-terrorism in the Upper Huallaga region. Until García took office on July 28, 1985, this zone was completely under the thumb of the international drug mafia, and not accidentally, was also the "turf" of the Shining Path (*Sendero Luminoso*) terrorists, who had established a perfect symbiosis with the narcotics mafia.

As a result of the complicity of the previous government of President Fernando Belaúnde Terry, and its criminal economic measures implemented by then-economics minister Manuel Ulloa Elías, Upper Huallaga was considered "liber-

ated territory" by the mafia. No rule of law existed, nor were any forces of public order permitted to enter the occupied zone; constant violations of Peruvian territorial sovereignty by unidentified airplanes were permitted; those airplanes not only smuggled drugs out of the country, but transported weapons and training personnel into the region to supply the bloody Shining Path narco-terrorists.

Operation Condor

Only 15 days after taking office, President García launched "Operation Condor," which, in close collaboration with the government of neighboring Colombia, uncovered and destroyed in the town of Caballococha a giant industrial complex for the production of cocaine. A vast quantity of the drug, refined to maximum purity and ready for export to the U.S. market, was seized—a hard blow to the drug mafia.

Following that initial success, the García government ordered a series of followup operations, penetrating the entire "red zone" of Upper Huallaga, where the largest coca plantations in the world were known to exist. Not only were plantations discovered, but also immense laboratories and infrastructure dedicated to the production of cocaine paste (PBC, *pasta basica de cocaína*), and gigantic clandestine airports from which the traffickers and their collaborators, the narco-terrorists, were able to operate with impunity.

During these operations, the García government seized more than 28 tons of PBC in the towns of Tocache, Nuevo Progreso, and Uchiza, with a value of several hundreds of millions of dollars on the international market. The police and armed forces destroyed laboratories and coca leaf soaking tanks, bombed two huge illegal airports, and captured airplanes and other craft utilized for the smuggling of drugs abroad.

These were bold interventions against a zone where "the law of the jungle" had always reigned supreme. For example, during the month of December 1985 alone, in the area of Uchiza, more than 200 assassinations directly linked to narco-terrorism were reported. From this region came the most notorious drug traffickers in Peru: the infamous Guillermo Porto Cárdenas ("Crazy Fly"), who in an audacious show of force had offered the government of President Francisco Morales Bermúdez to pay the country's foreign debt in exchange for release from jail to "work" for a year. Then there is the

bloodthirsty Catalino Escalante Calvo ("Cato"), whose presumed dead body was found in Bogota last December surrounded by propaganda of the Colombian M-19 narco-terrorists and the Shining Path of Peru. Escalante had gone to Bogota to negotiate a "pact" between the Peruvian drug mob and the M19, it was said.

Another case worthy of mention is that of Raul López Villar ("El Platanero"), who carried out dollar-sol exchange operations through the Tocache Credit Bank to the tune of over \$9 million—in less than a week's time! The dirty-money flows through the banks of the region are fantastic. For example, in the Tocache Credit Bank in 1982, an amount exceeding \$100 million was exchanged in less than 11 months of operations.

The drug mafia's takeover

At the beginning of the '80s, when a new democratic phase was launched in Peru, the sad truth came out about the Upper Huallaga Valley, where for a decade the drug trade had been wiping out the settlers who had conquered the virgin jungle. With the criminal complicity of the authorities, the drug traffickers had moved in, destroyed all food cultivation, and bankrupted the agricultural producers. The farmers were then offered a choice: Grow coca or die.

Later, during the early 1980s, the widespread corruption within the then ruling party Acción Popular (AP) provided certain important concessions to the drug mafia, concessions granted through the favor of such government officials as Manuel Ulloa Elías, prime minister and minister of economics and finance, and Luis Percovich Roca, an AP deputy. One such favor was Law 23556, Art. 201, which turned Peru into a fiscal paradise for the laundering of narco-dollars and established purely "contemplative" prison sentences for drug traffickers.

The concessions by the politicians were payment for the mafia financing of their electoral campaigns. Exemplary is the case of deputy Reynaldo Rivera of the coca center of Tingo María, tried by the Congress and judiciary for drug trafficking, and Sen. Eduardo Yashimura, lawyer and intimate friend of "Crazy Fly." Those concessions included suspension of all coca eradication programs in the country.

Then the narco-terrorists mobilized their forces to carry out pseudo-battles for the "rights" of the peasantry, implementing what was to become a pilot-project uprising, under the auspices of the Agrarian Federation of Selva Maestra (FASMA). FASMA was born as an arm of the pro-Cuban Confederation of Peruvian Peasants, headed at the time by the pro-Cuban agent Avelino Mar. At the head of FASMA was Segundo Centurion Pérez, trained in Cuba and arrested in 1982 as the intellectual author of seditious movements in the region. His arrest simultaneously revealed that many of the FASMA members were involved in the production of PBC.

The name "Agrarian Federation of Selva Maestra," by the way, is a product of Communist imagination, since in

Peru there is no region known as *selva maestra*; FASMA therefore draws its name from Cuba's famous Sierra Maestra.

It is this same FASMA which today incites the Peruvian peasantry, in the name of "civil rights" and "human rights," to demand the suspension of coca eradication programs, the legalization of coca cultivation, and the withdrawal of police forces—especially anti-drug units—from the region.

All of these factors have generated in the Upper Huallaga Valley the highest levels of corruption in the country. The local police "never see" drugs anywhere, and the mayors are

Until President García took office, this region was completely under the thumb of the drug mafia and the narco-terrorists. Today, it's an all-out battle, as the government battles to eliminate the drug traffickers and impose the rule of law.

pro-drug—like Tocache Mayor Eduardo Germani Terrorres who, together with his legal adviser Hernández Ninaquispe, proposes the legalization of drug cultivation. Ninaquispe spent the years 1981 to 1983 in the Lurigancho Penitentiary for drug trafficking and, during the investigation of his case, his close ties to the Maoist Communist Party were proven. An equally dramatic example is that of the penal judge of Tarpoto, Washington Castillo, protected by politicians of past and present regimes, who made a name for himself by freeing an entire band of drug traffickers made up of Colombian Air Force officials, who had been caught *in flagrante* with four airplanes loaded with two tons of PBS, valued at several hundred million dollars. Payment to the judge for facilitating their escape was one million dollars. Today, Washington Castillo is in jail, thanks to the anti-drug efforts of President García.

As President García has repeatedly declared, "My government will maintain a hard and fast battle against the drug trade." He has also pledged to continue with eradication of cultivation and smuggling, "because this is a decision adopted by my administration since taking power July 28, 1985." The war on drugs must be total war, President García says; but to accomplish this, the problem of laundering of drug money, which finances the entire cultivation-refining-trafficking network in the Upper Huallaga Valley, must be taken head-on. The Lima banks send two airplanes each week to the region, carrying shipments of clean money with which to wash the drug mafia's dirty profits. A dirty game, by the banks against the government of Alan García.

Is Soviet culture ready for the nuclear age?

by Criton Zoakos

By and large, if the Kremlin's handling of the Chernobyl nuclear reactor crisis of late April is any indication, the answer to the question in the headline is "No!" If the underlying causes which led to the Chernobyl accident are any indication, the answer, again, is, "No!" From the standpoint of scientific and technological competence, however, individual members of Soviet cultural background, no doubt, can handle the technical and scientific problems associated with the nuclear age. The question for the world community is whether Soviet society, as presently organized, is morally, not technologically, suited for the nuclear age or not.

Given the continuing, near total secrecy of the Soviet government on the worst nuclear disaster in history, only a few facts are certain, respecting the disaster's causes, and its magnitude. These are: The total amount of radiation released as a result of the accident was approximately 5 billion Curies, greater than the amount of radiation from the Hiroshima bomb. Western sensors identified in their measurements not only radioactive iodine and cesium, but also zirconium and uranium, the latter two signifying that meltdown had occurred. According to the Lawrence Livermore Laboratories' emission analysis, "extensive meltdown of the core" had taken place, and "the core is gone."

In terms of the accident's likely causes: The Chernobyl RBMK-1000 reactor, according to Western industry specialists familiar with the Soviet power program, was being overworked, to nearly 7,500-8,000 hours of operation per year, far in excess of the 6,000 hours per year safety limit set by the International Atomic Energy Agency. As a result, not enough time for maintenance and cleanup had been allocated. This particular reactor, using graphite to moderate the burn of the nuclear fuel, has the additional special maintenance requirement that the graphite must, at least once every year,

be cleansed of its "Wigner energy" deposit which regularly accumulates. Moreover, the particular reactor which was destroyed, had only one containment shell—compared to three in American reactors—and lacked most of the redundant, backup safety features characteristic of the American and Western European reactors. Most other Soviet reactors do not have even one containment shell.

But, most critical of all, according to U.S. nuclear experts familiar with this particular Soviet power plant, the Chernobyl reactor that was destroyed was not only producing electricity, but was also producing weapons-grade plutonium for nuclear warheads and, therefore, was using uranium metal and not uranium oxide for fuel. Normally, uranium metal would require even greater safety precautions than the more commonly used uranium oxide.

In short, the immediate causes of the accident, whatever sequence of events the breakdown may have followed, were: a) The reactor was overworked beyond the limits of safety, as a result of Mr. Gorbachov's wartime-style mobilization of the Soviet economy, and, b) the plant was doing double duty as a civilian power and a military nuclear munitions plant.

The specific sequence of events which led to the meltdown of the reactor's core is not yet known in the West, because of the total silence of Soviet authorities. A number of plausible scenarios has been suggested by Western experts familiar with the Soviet RBMK-1000 model, all based on the hypothesis of inadequate maintenance and work overload. The hypothesis coheres with the stated economic mobilization program of both Gorbachov and Marshal Ogarkov. The lack of safety redundancy is also coherent with Gorbachov's campaign against "waste."

There are two striking ironies involved in the Chernobyl nuclear accident. One is that the Soviet nuclear energy in-

dustry in particular had been singled out by Gorbachov and his political cronies as an exemplary industry, in which all problems of "inefficiency," "corruption," etc.—the evils associated with the "Brezhnev era"—had, presumably, been removed with the advent of "new style" leaders installed during the Gorbachov days. The second irony is that the RBKM-1000 model had been singled out by Soviet propaganda as the best, and safest possible, nuclear reactor.

Problems of the Soviet nuclear industry

During late summer 1983, when Yuri Andropov was dying and Mikhail Gorbachov was already organizing his transition to power, some major changes took place in the Soviet Union's civilian nuclear power industry. Beset by major problems during the previous, Brezhnev, years, the industry was targeted to be taken over by the Soviet Union's military interests, under Marshal Nikolai Ogarkov. The military were clamoring that nuclear power generation was not moving fast enough, because not enough nuclear reactors were being produced. In both civilian and military circles, it was already a settled conclusion that most of the country's electricity needs should be met by nuclear power, because fossil fuels should be reserved for exports and hard-currency earnings, with which to finance imports of much needed, military-related high-technology items. Therefore, attention was paid to matters of the so-called Medium Machine Building Industry, which is assigned to manufacture nuclear power reactors. During 1982, when the Andropov-Gorbachov "anti-corruption campaign" was taking off, the campaign against waste in the nuclear industry was taking pride of place in the newspaper *Sovietskaya Rossiya*, the flagship of the Gorbachovian "innovators."

In one of its issues, *Sovietskaya Rossiya* quoted extensively from Nikolai Derkach, construction chief of the Balakovo nuclear power station, complaining bitterly that the work day had been reduced from three shifts to one, and cursing the industry chiefs for the chaos in delivery of materials. One colorful quote from Derkach was: "We ask for 12 millimeter sheet, and they give us 20 millimeter, which is heavier and more expensive. When they give us 12 millimeter instead of 20, of course we can't work. Instead of giving us steel, they're giving us the finger, if you pardon the expression. And as a result, we're violating every normal rule of construction technology."

Some time in 1983, these self-righteous critics replaced the old, corrupt, and inefficient management leadership in the industry, when one Yevgeni Kulov moved from the Ministry of Medium Machine Building, which makes nuclear warheads, to head the new State Committee for the Safe Conduct of Work in the Atomic Power Industry. The Ogarkov-Gorbachov team was already heavily advertising the RBKM-1000 reactor as technology's greatest gift to mankind. The official praise for the disastrous reactor went like this: "Above all, the RBKM-1000—which is the official name of the widely used 'million kilowatt' reactor—has con-

centrated the best attributes and design features of many of the first nuclear installations. . . . We set the task of attaining 1 million kilowatts, of reaching a single standard, of ensuring the series production of energy units and supplying them to power stations under construction. The successful debut of RBKM-1000 near Leningrad proved the effectiveness of our quest. Naturally, this had the rapid effect of reducing the prime cost of new Atomic Energy Stations, since for each of these, there was now the opportunity to take a finished reactor—one did not have to be designed specially for it."

The Soviet economy employs the ill-fated RBKM-1000 reactor as its main workhorse. Besides the one that melted down at Chernobyl, 19 others are in operation—though unconfirmed reports say that their operations have been temporarily suspended after the accident. The last, 11th Five Year Plan envisaged the production of an additional 20 RBKM-1000 reactors.

The planners' principal reason for this choice was that this reactor was designed for relatively cheap serial production: It was deemed "cost effective," and it is Mikhail Gorbachov's centerpiece, upon which his entire ambitious economic mobilization scheme is based.

The matter gives us a unique insight into the nature of Gorbachov's much advertised "Scientific Technological Revolution." As *EIR* pointed out early on, this "revolution" of Mr. Gorbachov is a poorly disguised military mobilization of resources designed to place the Soviet Union within a margin of strategic superiority from which it can safely launch a nuclear first strike against the United States during the 1988-1992 interval. The principal characteristic of this wartime economic mobilization is the forced introduction on a large scale, of energy-intensive, labor-saving industrial processes and techniques. Without a large increase in the availability of industrial electricity, the Gorbachov plan cannot work.

In turn, without the ill-fated RBKM-1000, the Soviet planners do not seem to have the means of fueling their industry with the amount of electricity required by the Gorbachov plan of military mobilization. This unsafe reactor model was selected by the Russians because it enabled them to "cut corners," and economize on resources needed elsewhere in their mobilization plan. Had these planners envisaged the possibility of a nuclear disaster such as the one which occurred, and decided to take the risk, given their strategic priorities?

The question is easy to answer: The RBKM-1000 does not meet the safety standards of the International Atomic Energy Agency. If, in the near future, the Soviets continue to refuse to submit to standard international inspections of their nuclear power plants, it means that they decided to go ahead with this reactor despite the horrible risks involved. If they abandon this reactor design, then, for the next five years down the road, they not only will be unable to fuel the Gorbachov economic mobilization plan, but will be faced with the immediate prospect of a net reduction of their available electricity by about 6-8%.

Russians rehearse seizure of Norway

by Konstantin George

Less than 12 hours after the U.S. air strikes on Libya began on April 14, Moscow began staging a massive military-political response. While all Soviet noise was focused on protesting U.S. "criminal aggression" in the Mediterranean, the military forces of the Russian Empire were on the move in another sensitive and endangered region of NATO—the poorly defended Northern Flank.

The maneuvers began on the same day that Soviet leader Mikhail Gorbachov was "hosting"—"roasting" would better capture the spirit of those sessions, as we shall see below—the new Swedish prime minister, Ingvar Carlsson, who was in Moscow at the head of a large Swedish government, banking, and industrialist delegation. The maneuvers also began one day before Gorbachov departed for East Germany to attend and speak at the East German Party Congress, and, more importantly, as *EIR* reported in its last issue, to hold top-secret high-level military strategic meetings with Russia's wartime commander-in-chief, Marshal Nikolai Ogarkov, and the military leadership of the "Group of Soviet Forces in Germany" (GSFG), as the Soviet forces based in East Germany are called.

Gangster tactics against Norway

In a brazen intimidation move against Norway, the Soviet task force continued moving west till it was in the Barents Sea opposite the shore of Norway's northernmost province of Finnmark. There was no reason to go so far west, except to "give Norway a message" as one Norwegian defense source commented. Having delivered Gorbachov's "message," the task force suddenly turned 180 degrees due east, till it reached the western part of the Soviet Kola Peninsula, which borders on Norway's Finnmark. On April 17, the Soviet Marine Infantry Brigade, simulating a wartime landing operation in the Norwegian fjords, landed in fjord terrain on the Kola Peninsula, in what was pre-war Finnish territory, only eight miles from the Soviet-Norwegian border. Never before had such a large, provocative amphibious assault exercise been held so close to the Norwegian frontier.

The amphibious landing was the largest component of wide-ranging Soviet ground, air, and naval exercises staged in and around the Kola Peninsula during April 15-18. The exercises, which focused on surprise-attack airborne and sea-borne landing operations, rehearsed the Soviet wartime operations plan against Norway. The plan envisages, through lightning airborne and sea-borne landings, the seizure on the first day of war of all NATO's strategically vital ports and airfields in the northern part of Norway. If northern Norway falls, not only is the entire northern flank of NATO indefensible and incapable of receiving any reinforcements, but the largest concentration of Soviet ballistic missile submarine forces—stationed in the Barents Sea, north of Norway—are invulnerable to NATO military forces.

An examination of the types of units concentrated in the Kola Peninsula and Leningrad Military District, confirms that the Soviet military plans for the far north in wartime are based on airborne and sea-borne landing operations. Besides the reinforced marine infantry brigade and elite marine infantry spetsnaz units, air assault regiments and airborne/air assault spetsnaz units are based on the Kola Peninsula. One such air assault brigade is based along the same fjord where the marine brigade landed on April 17—a stone's throw from Norway. In addition, the Leningrad Military District contains the 76th Airborne Division, based near Pskov, south of Leningrad, which can be brought overnight to the Kola region, and used for seizing northern Norway.

Redrawing the map in the Baltic

Swedish Prime Minister Carlsson was "invited" by Gorbachov to Moscow for only one reason: to deliver his submission to Soviet demands that Sweden will play by the rules Moscow imposes—or else. Fresh in everyone's memory were the published Soviet warnings shortly before the late Premier Olof Palme's murder on Feb. 28, that Palme had "failed" to meet Soviet expectations.

While Carlsson gave every indication of caving in to Gorbachov during the Moscow talks, Gorbachov nonetheless warned Carlsson in the crassest terms not to abandon capitulation. The April 16 edition of *Krasnaya Zvezda*, the Soviet military newspaper, quotes Gorbachov telling Carlsson, "We want our relations to Sweden not to be called into question by any turn in the situation. Any problems which may arise must be judged openly and frankly, as it should be between good neighbors."

From Carlsson's behavior in Moscow during his visit, he clearly chose wholesale appeasement. This began with the Swedish leader's statements in Moscow, denouncing the U.S. air strikes against Libya, as "criminal aggression," "violations of international law," etc., all carbon-copies of the Soviet denunciation lexicon. That was Carlsson speaking on April 15. Then came the Kremlin banquet, with Gorbachov's "reminder." Carlsson made his full capitulation public the

next day, at his Moscow press conference, through the announcement, quoted in all Soviet newspapers on April 17: "I expect that soon in the course of negotiations we will reach an agreement on the question of demarcating our [respective] economic zones in the Baltic Sea."

Carlsson was referring to the "question" of drawing the dividing line in the Baltic Sea between Soviet and Swedish fishery and economic exploitation zones.

The Baltic fishery and economic exploitation zones is no more a "question" than the Sudetenland was a "question" in 1938. Just as Hitler made the Sudetenland a question, demanding that Czechoslovakia "negotiate" its annexation by Nazi Germany, a certain late Kremlin Führer, Yuri Andropov, unilaterally in 1983, made the Soviet-Swedish boundary in the Baltic a question.

In spring 1983, Russia suddenly demanded that then Swedish Prime Minister Palme "negotiate" a redrawing of the map in the Baltic, which would demarcate the boundary between the Russian and Swedish economic zones along a line midway between the Russian Baltic provinces and the Swedish mainland. Russia's demand—if submitted to—would place the large Swedish island of Gotland, located in the middle of the Baltic, inside the Russian Baltic Sea economic zone. It would only be a matter of time before Gotland became a *rayon*, or district, of Soviet Latvia. Even more devastating would be the precedent. To give but one example, in no time, Moscow's Warsaw Pact satellite, Poland, could proclaim a sovereign Baltic economic zone, placing the large island of Bornholm, belonging to NATO ally Denmark, in Polish—i.e. Soviet, jurisdiction.

Ever since that original Andropov demand, the Kremlin has been demanding, in near-ultimatum language, that Sweden negotiate redrawing the Baltic map. The late Olof Palme, while he was reported to have been several times on the verge of acceding to Moscow's demands on this question, never actually did so. The same cannot be said for Carlsson.

Even more alarming is the fact that Moscow's massive intimidation and blackmail campaign against the Northern Flank, has spurred a political mobilization by the Danish Social Democracy and the Norwegian Labor Party (the Socialist International party in Norway) to take power, and thus establish an appeasement bloc in all of Scandinavia.

Crises in Norway and Denmark

On April 23, the vice-chairman of the Danish Social Democracy, Sven Auken, in an interview in the Danish defense publication, *Forsvaret i Dag (Defense Today)*, called for adopting a doctrine of so-called "defensive defense." The proposal is nothing short of military insanity, and politically, surrender, being a Danish copy of the infamous defense paper drafted last year by the West German Social Democracy's so-called defense expert, Andreas von Bülow, and adopted by the Social Democratic Party executive. Von Bülow de-

manded the pull-out of U.S. forces from West Germany, and all nuclear weapons from German soil, together with a stipulation that no armored units be stationed near the border with East Germany or Czechoslovakia. Forward defense against a Warsaw Pact invasion would be based on infantry formations equipped with shoulder-fired anti-tank weapons—and perhaps a Bible and rabbit's foot.

Auken, in his "defensive defense" proposal, calls for huge slashes in Denmark's already inadequate naval and air force units, creating a so-called "on shore" defense with minefields, and "on shore" anti-ship and anti-aircraft missile batteries. And all this, as he states in the context of a "Nordic nuclear weapons free zone"—meaning free of NATO nuclear weapons. Auken goes so far as to insist that no nuclear weapons be introduced into Denmark even after a Warsaw Pact invasion has already begun. "Can we, for example, expect British forces to come to our rescue without bringing tactical nuclear weapons? We can, if we have a Treaty on a Nuclear Weapons Free Zone in the north. . . ."

Auken also explicitly writes off to Warsaw Pact seizure, West Germany's northernmost province of Schleswig-Holstein and the port of Hamburg, in the passage where he calls for setting up a "defensive zone" across the southern part of the Jutland Peninsula "to forestall a Warsaw Pact advance from neighboring West Germany."

Danish military sources are appalled at the level of insanity embodied in Auken's proposals. As one expressed his contempt for the "on shore" defense concept, "If they ever reach the shore, then it's all over," adding the same thought to the Jutland "defensive zone," because the fall of Schleswig-Holstein would ensure the occupation of Denmark.

Another Danish military source heaped yet more ridicule on Auken: "Cutting our naval and air forces, and relying on only ground forces to defend Denmark, is like basing the defense of Austria on the Navy."

In neighboring Norway, the ruling conservative prime minister, Kaare Willoch, lost a parliamentary vote of confidence on April 29 over his tax increase package. His desperation move was prompted by huge losses in Norwegian tax revenues caused by the fall in oil prices. Oil is Norway's main export. Willoch's margin of defeat was provided by the tiny hard-core-Friedmanite "Free Enterprise" Progress Party, which has two seats in the parliament, teaming up with the pro-appeasement Labor Party, led by the radical Mrs. Gro Harlem Brundtland.

On April 30, Willoch resigned as prime minister, and Norway is faced with the imminent danger of the Moscow-leaning Brundtland coming to power, if not immediately, then in the near future, either through elections or shady deals. Should that disaster indeed occur, then Gorbachov will be silently smiling in the Kremlin, reflecting on how his show of imperial gunboat diplomacy off the Norwegian coast in the middle of April paid off handsomely.

Panama denounces State Dept. plot; opposition's drug links exposed

by Valerie Rush

In an unprecedented show of unity, military and government leaders of Panama on April 24 went after the U.S. State Department as "merchants of hate" for seeking to destabilize Panama.

President Eric Delvalle held an extraordinary meeting on April 24 at the National Palace, with the General Staff of the Panamanian Defense Forces (PDF); 150 officers who had just attended graduation ceremonies for Defense Forces cadets; the entire civilian cabinet; and Defense Force Chief Gen. Manuel Noriega. The proceedings were nationally televised, including a statement by President Delvalle, in which he charged that "Our country is threatened . . . by enemies who are working from inside as well as from outside."

Delvalle stated that he has "proof" that foreign enemies are collaborating with "fascist-leaning oligarchs" inside the country. He went on: "I am gravely concerned and indignant at the campaign of lies, half-truths, and falsehoods of a minority of bad Panamanians who, protected by their economic means and unmentionable complicities, continue to encourage and fan national and international public opinion to create a climate of confusion and whirlpool of destabilization."

Delvalle urged Panamanians to "turn a deaf ear to these merchants of hate," and warned that if these destabilization plans proved successful, "it would have the most fatal consequences for our country."

The identity of the "merchants of hate" was no mystery in Panama. As two Panamanian papers reported, U.S. Assistant Secretary of State for Inter-American Affairs **Elliot Abrams** was the featured witness at two hearings held on Capitol Hill in Washington, one on April 21 at the Senate under the sponsorship of Sen. Jesse Helms (R-N.C.), and one on April 28 at the House of Representatives, under the joint, liberal sponsorship of Gus Yatron's Human Rights Subcommittee and Michael Barnes's Western Hemisphere Subcommittee.

At both hearings, Abrams attacked the PDF and its chief Gen. Manuel Noriega for allegedly damaging Panama's civilian institutions with their "continued influence on political and governmental affairs," and noted the U.S. government was "deeply troubled by persistent rumors of corrupt official involvement of Panamanians in drug-trafficking." A "dicta-

torship" of this stripe is simply intolerable, he said. "The systemic problem of Panama is the excess of military and police involvement in the government which makes it hard to call Panama a democracy."

Abrams, this apostle of "democracy," was the sponsor of the relocation to Ecuador of the heroin-trafficking Sikh terrorists of the so-called Khalistan Republic!

The inside dope

On April 23, Panama's opposition newspapers, *La Prensa* and *Extra*, gave front-page coverage to Abrams's testimony. It was precisely the interests represented by these dailies which President Delvalle had denounced as the "bad Panamanians . . . with unmentionable complicities" conspiring against their country. Recent coverage in the *Wall Street Journal*, sheds light on their real, illicit interests.

On April 17, the *Journal* reported, front page and in great detail, the case of **Steven Samos**, a nationalized Panamanian who admitted in U.S. courts that he knowingly set up and ran the money laundering operations for a major Colombian-U.S. marijuana ring. The ring, headed by one **José Antonio Fernández**, was charged with smuggling at least 1.5 million pounds of the drug into the U.S. between 1977 and 1981. What the *Journal* did not mention is that the former editor-in-chief and current contributing editor to Panama's *La Prensa* is **Winston Robles**, one of Steven Samos's top lawyers in his money laundering operations.

Samos's drug money schemes, in fact, seem to be a Robles family affair. Winston's sister Alma was married to Steven Samos, and Alma fronted for Fernández's crew, when business required they buy a Miami bank, the **Sunshine State Bank**, to handle their millions in marijuana profits. Like Samos, Alma, although divorced from Samos, has agreed to testify in court, in order to receive immunity from U.S. prosecution. A third Robles sibling, Ivan, "also figured in the money-laundering scheme," the *Wall Street Journal* reports.

Another Samos client was the reputed organized crime figure, **Lawrence Iorizzo**. Samos has admitted he set up a series of companies for Iorizzo, which were used to steal some \$40 million in federal and state gasoline taxes in Flor-

ida, according to the *Wall Street Journal*, which adds that federal and Florida prosecutors describe Iorizzo as "a captain in the Colombo crime family." Panama sources say Winston Robles was also lawyer for an associate of Iorizzo, Salvatore Carlino. Carlino, too, it is said, is close to the Colombo family.

For months, *La Prensa* has been in the forefront of the State Department's campaign to vilify Panama's military. **Roberto Eisenmann**, a banker and associate of Robles who succeeded him as editor in chief of *La Prensa*, called Panama's military a "mafia gang" on U.S. television in January 1986, citing as his source one of Qaddafi's former gun-runners, the Panamanian Hugo Spadafora.

Drugs, and arms-trafficking too

The only other opposition newspaper, *Extra*, has also been implicated in the financial circles behind narco-terrorism. When U.S. Customs broke up the largest arms-trafficking ring in its history on April 22, it was learned that a principal in the network, Iranian financier **Cyrus Hashemi**, had as his associates and representative the law firm **Arias, Fabrega & Fabrega**, in which the director of *Extra*, **Mr. Gilberto Arias** is a principal partner, at the time Hashemi was known to be trafficking weapons for Khomeini's Iran.

Hashemi was the key inside informant on the arms-smuggling ring, U.S. news media have reported. According to sources close to the arresting agencies, Hashemi agreed to turn state's evidence, to protect himself from further prosecution. Hashemi fled to London in 1984 after a U.S. federal indictment was handed down against him for violating the U.S. arms embargo against Iran.

Hashemi was first exposed by *EIR* in 1980, for funding Iranian terrorist Bahram Nahidian for the 1980 assassination of anti-Khomeini leader Ali Akbar Tabatabai. Hashemi headed U.S. operations for Khomeini, as part of an international arms-procurement ring headed by Khomeini relative Sadegh Tabatabai, and involving Israeli businessmen expelled from Iran after the revolution (see *Feature*, this issue).

The Panamanian connection first surfaced when Hashemi was indicted in the summer of 1984. Two of his companies, **First Gulf Bank & Trust Co.**, and **York House Trading Co.**, were named in the indictment. According to court documents, **York House Trading** is owned by **Grosvenor Credit S.A.**, a corporation which is run by the Panama City law firm of Arias, Fabrega & Fabrega. Documents on file in federal court in New York show that Cyrus Hashemi approached Merrill Lynch Futures in 1982 seeking a line of credit for the Arias-run Grosvenor Credit. Hashemi gave Merrill Lynch a letter of reference from First Gulf Bank & Trust (later indicted) and stated that York House (also later indicted) was a wholly-owned subsidiary of Grosvenor. The officers of Grosvenor are all senior partners in the Arias law firm—an arrangement described as "very unusual" by a one Panamanian insider.

At the extraordinary meeting of Panama's leaders on April 24, PDF head General Noriega read a statement signed by all the PDF lieutenants. It denounced the "conspirators" for seeking to make Panama ungovernable, in order to prevent Panama from taking control in 1999 of "its principal natural resource," the Panama Canal. Those involved are "traitors to the fatherland," the statement charged.

On April 25, the executive committee of the Revolutionary Democratic Party (PRD), the largest party supporting the government, placed its members on "permanent alert" against "conspiracy and sedition. The political activity unleashed by a group of Panamanians," a PRD communiqué warned, "has the purpose of gaining the sympathy of ultra-reactionary groups in the United States, as a way of exerting pressure on Panama and destabilizing our democratic institutions." The destabilization is "part of a preconceived plan" which seeks to weaken "Panama's very independence," in order to make possible "non-compliance in 1999 with the Carter-Torrijos treaties."

It is no accident that Elliot Abrams linked his testimony on corruption in the Panamanian military to the transfer of the canal. During the April 29 hearings in the House of Representatives, Abrams insisted that the United States wants to see genuine "democracy" in Panama "as the best means of assuring our interests and those of the Panamanian people." He noted that the transfer of the Canal in 1999 "would not put an end to those shared interests."

The *Wall Street Journal* made Abrams's veiled threats of armed intervention explicit. In its April 29 international column, *Journal* writer Clifford Krauss chastised the State Department for being soft on Panama out of fear for a "leftist military coup" in that country, and demanded that Panama be given the Philippines treatment: "The Reagan administration's recent aggressive stance toward authoritarian regimes in Haiti, the Philippines, and to a lesser extent Chile, doesn't seem to apply to this longtime ally," Panama.

Krauss goes on to repeat the unsubstantiated charges of PDF involvement in "drug-trafficking, money laundering and arms-trafficking to terrorist groups." Further, the *Journal* columnist quotes from Abrams that Panama's financial system is "'virtually made to order for a criminal' with money to launder," but doesn't dare to mention that it was Nicolás Ardito Barletta, the man who resigned from the presidency of Panama in the fall of 1985, who authored that financial system.

Krauss quotes Sol Linowitz, the man who negotiated the Canal treaty, that "If we get into a confrontation with Panama, Panama is in the position to destroy the locks in the canal, hamper our shipping and interfere with our strategic plans." Perhaps Linowitz, whose Inter-American Dialogue has just proposed the "selective legalization" of drugs as an "alternative approach" to the war on drugs, fears that the Panamanian Defense Forces may interfere with his "strategic plans"!

Pro-life organizations rally against Holland's 'death lobby'

by Our Special Correspondent

"Whom do you intend to put on trial at Nuremberg?"

The question came from a reporter from one of Holland's leading dailies, and was addressed to two representatives of the Club of Life organization, during the course of the Club of Life's first-ever press conference in Holland, in The Hague, April 28. The two representatives, West German physician Dr. Jürgen Spahn and Mark Burdman, an international correspondent for *EIR*, had just presented the proposal by Club of Life founder Helga Zepp-LaRouche, for the formation, by Dutch citizens, of an "investigative commission" that would prepare dossiers on those individuals in Holland who are actively propagating the legalization and practice of euthanasia.

Mrs. Zepp-LaRouche had proposed the formation of this investigative commission, in the context of a statement-of-greetings to an April 26 mass meeting of Dutch anti-euthanasia activists in the city of Amersfoort; in the statement, she expressed her hope that the findings of this commission would be presented to reconstituted Nuremberg "Crimes Against Humanity" Tribunals, called for by the Schiller Institute, which she founded.

In response, Dr. Spahn emphasized that the choice of those to be indicted should be a sovereign decision of Dutch patriots, but that certain obvious "proposed candidates" might be suggested. "Who?" the reporter insisted. "One might be Dr. Admiraal, the most active proponent of euthanasia in this country, who has already murdered many patients," Spahn responded. "Another might be Johannes Witteveen, the banker and former head of the International Monetary Fund, whose financial policies have created untold misery in the world, and have created the financial justifications for the euthanasia lobby."

But, Spahn repeated, those would only be two preliminary suggestions. Many more would need to be suggested, in the face of the massive crimes being committed in Holland now, in the name of "mercy-killing," "death with dignity," and other lying euphemisms for murder.

The Club of Life had come to Holland as one of several pro-life organizations invited by Bert Dorenbos, head of the Dutch "Cry for Life" group, to map out strategy to prevent

Holland from becoming the first nation in history to *legalize* euthanasia.

It was in response to this situation, that the extraordinary April 26 gathering was pulled together by Dorenbos. During the morning and afternoon of April 26, his group congregated several hundred Dutch citizens in the centuries-old St. Joris Church in the eastern town of Amersfoort, to listen to speakers from Holland and elsewhere sound the alarm, about what is now unfolding in that nation. The citizens included both the elderly, who had lived through the occupation by and resistance against the Nazi barbarians, and the young, as well as a certain number of handicapped persons. The meeting, interspersing speeches and church music composed by Bach and others, had the moral tenor of a meeting of resistance against evil.

During the evening of April 26, Cry for Life, Club of Life, the International Right-to-Life Federation, Lawyers for Life, the World Federation of Doctors Who Respect Human Life, Pro-Vita, and other groups and individuals held a strategic brainstorming session, to decide what to do to stop the euthanasia movement in Holland.

Two nights earlier, on April 24, Dorenbos's group had presented a feature television program, on the national EO TV network, on "international reactions to the euthanasia situation in Holland." The show portrayed harshly critical reactions to the Dutch euthanasia movement from the United States, Israel, and Sweden, including a brief filmclip from a Club of Life rally in Washington, D.C., in which the chants said Holland was becoming a "Nazi state." There were, as well, some chilling excerpts from the January 1986 U.S. CBS-TV "60 Minutes" broadcast on euthanasia in Holland—a broadcast which has never been shown in Holland, despite that nation's pretensions to ultra-liberalism and freedom. "To see people from outside Holland, demonstrating in front of Dutch embassies, calling us Nazis—this really shocked people in a way I've not seen in a long time," one Dutch attendee at the Amersfoort meeting commented.

The producer of the show, Willem Glashouwer, commented, "To paraphrase William Shakespeare, 'There is something rotten in the state of Holland.' We, as Dutch, live

by our exports. Now, we have a new art: deadly injections for ill patients." Glashouwer named his show, "Spritzen-product from Holland," which is a play on words: "Spitzen-product," would mean, "product of high quality," while "Spritzenproduct," means "product for death injections."

During the course of the Amersfoort public and private sessions, some extremely shocking facts were reported about the euthanasia situation in Holland:

- According to Dr. Gunning, of the Dutch branch of the Doctors Who Respect Life, an estimated 18,000 people per year are already being killed by euthanasia, even before there has been any decision by the Parliament to legalize murder.

- Were Holland to legalize euthanasia, it would be the first nation in history to do so, according to various speakers. They underscored, that even the Nazis never went so far as to legalize euthanasia.

- Speakers documented how euthanasia evolved into mass-murder in Germany. One American right-to-life official reported: "German doctors killed 275,000 'Aryan people' before they killed the first Jew. They killed those who were useless eaters. They said there were those whose lives were not worth living, the hopelessly insane, idiot children. They began to *kill*. The first gas chamber was erected in a ward in a German mental hospital. They put a price tag on human life. . . . If it was too much of a burden, they would kill. . . ."

- Specifics of the legislation being proposed in the Parliament are, in some cases, worse than anything the Nazis advocated. The author of the legislation, Mrs. Wessel-Tuinstra of the left-liberal "Dem '66" Party, has proposed, for example, that young children be allowed to decide whether they want to die or not!

It was in this context that Mrs. Zepp-LaRouche's proposals, both for reconstitution of the Nuremberg Tribunals as such, and for the formation of a Dutch "investigative commission," were presented. This became a most-controversial issue among the pro-life activists: Some encouraged circulation of the idea and supported it, but others stated, nervously, that the idea was "too polemical," that it would undermine Holland's reputation as a liberal society that believes in "personal freedom," and that euthanasia advocates should be regarded "primarily as insane, not immoral." The objections showed how far the extremes of liberalism have penetrated Dutch society, even affecting its better citizens.

"Pro-life" organizations are also hampered by a very limited conception of what "life" is, and become uneasy when the Club of Life introduces questions like economic policy, cultural policy, and the necessity for a medical science/technology renaissance. Mr. Willke, the head of the U.S. branch of the Right-to-Life Federation, for example, responded to a Club of Life attack on the U.S. Gramm-Rudman bill, by saying that this attack was "too pessimistic," and that Gramm-

Rudman would have a negligible effect on the U.S. health-care situation!

Nonetheless, an independent Dutch pro-life group, Lawyers for Life, has just prepared a report, in Dutch, documenting the history of euthanasia advocacy during the past 100 years, and showing how, in the Nazi era, euthanasia spread from an apparently "limited" practice, among certain specific groups like the elderly and infirm, to a general practice of mass-murder against a wide array of target groups. The book-length report, entitled, "From Holocaust to Holocaust," also draws upon evidence from the original, post-World War II Nuremberg trials, that euthanasia is a crime against humanity. This is the first Dutch-language study to provide this documentation; an earlier, Dutch-language book on the history of euthanasia, drawing upon much of the same evidence, had been written to justify the practice. The Lawyers for Life report was presented at an April 28 Cry for Life press conference in The Hague, and copies were presented personally to the prime minister and other leading Dutch officials.

The strategic threat to the West

One of the more potent interventions during the April 26 sessions in Amersfoort, was made by Spanish Dr. Gonzalo Herranz, head of the Spanish Medical Association, representing 120,000 doctors in Spain. "We refuse euthanasia," he said, "and by fighting euthanasia here in Holland, we are protecting ourselves. Our nation has just held a referendum on participation in NATO, and to paraphrase Article 5 of the NATO charter, 'an attack against life in one member country, is an attack on us all.'"

This point was elaborated by *EIR's* Burdman, who stressed that euthanasia, is of a piece with AIDS, drugs, and other signs of "decadence" in the West, in aiding Soviet leader Gorbachov's propaganda campaign about the "decline of the West." Burdman noted the extraordinary coincidence of those in Holland who are closest to the KGB, and the Dutch "Death Lobby," thereby also demonstrating that euthanasia practice and advocacy in the West, is to all extents and purposes, a Soviet-encouraged conspiracy.

This points the way to the method for expanding the prospective Dutch "investigative commission" Nuremberg-indictment list. The list begins to come together: Admiraal, Witteveen, Labour Party leaders like Joop den Uyl and Hasberger, Dem '66's leader Wessel-Tuinstra, the IKV/Interchurch Council in Groningen, and many more who will emerge if Holland performs the ghastly action of legalizing murder.

As Mrs. Zepp-LaRouche reminds us in her statement-of-greetings, the essential difference between Germany then and Holland now, is that the leaders and people have been *forewarned* of the consequences of their acts, and have the historical precedent of Nazi Germany already before them.

Dollar accounts are for drug traffic

The military and attorney general are cracking down on drugs—but the weak flank is the financial one.

On April 24, the Mexican House of Deputies approved the legalization of opening dollar accounts in Mexican banks in the border areas. The vote is a victory for the international drug-trafficking mafia, because it was precisely such banks as Bank of Boston and Security Pacific, both under scrutiny for drug-money laundering, which ardently advocated it.

In a related development, the Acapulco hotel owners announced their plans to set up casinos in the port on April 17 and 18, in statements to the press. This offensive forced the secretary of the interior to officially state that no casinos will be opened in Mexico, but since the dollar accounts have been okayed, many don't believe the ban can last.

The dollar-accounts decision comes in the midst of an all-out battle between anti-drug political forces here, and the protectors of the drug trafficking interests.

Two weeks earlier, Mexican Attorney General Sergio García Ramírez, met with the Justice Commission of the House of Deputies, where he said: "I would like to incorporate one more element which concerns us and ought to concern us extraordinarily: the geography of the investment of the product of narcotics trafficking. We used to speak of dividing the spoils which came from investment of laundered money. . . . In many areas and in many businesses there is laundering going on in many ways. So we have to take note of this new problem, this new topic, that of the geography of the investment of the huge, substantial

profits of drug trafficking, capable of buying decisions, buying instruments of crime, buying consciences. . . . They would like, undoubtedly, to buy more, much more."

The next day, the state of Sinaloa, known as the capital of drug trafficking, woke up virtually militarized as the army set up military patrols all over the state. Meanwhile, three of the officials closest to Gov. Antonio Toledo Corro handed in their resignations: Gilberto Zazueta Felix, public prosecutor; Roberto Robles Rendón, director of the Judicial Police; and Atalo de la Rocha Tagle, executive board member of the Forestry and Mining Commission. Although the governor hasn't quit yet, on April 17 Francisco Labastida Ochoa was named as the candidate of the ruling PRI party to be the next state governor, de facto putting the Toledo Corro machine out of the picture in terms of political decisions. In his first public statement, the new PRI candidate warned that drug trafficking "is not an unsolvable problem."

In the first week of April, Gen. Juan Arevalo Gardoqui, secretary-general of National Defense, announced that Operation Mangosta 86 was under way with a deployment of 50,000 soldiers, encompassing states from the Pacific littoral to the Isthmus of Tehuantepec, to Veracruz. This special operation will last eight weeks and is aimed at stopping the harvest of opium poppies and marijuana. It will reinforce the permanent deployments, Plan Canador and Task Force Condor VII-82-88.

In Ciudad Victoria, Tamaulipas, García Ramírez said on April 28 that in the first three months of 1986, 2.5 tons of cocaine were confiscated, with a black market value of over \$2 million. "This figure is the equivalent of all drug seizures during last year, and is also the maximum achieved in seizures in the entire history of the combat against the drug traffic."

This was the context in which, on April 14-15, another meeting was held in Cancún between the Attorney General Sergio García Ramírez and his U.S. counterpart, Ed Meese. The meeting ended with a joint communiqué, and an unprecedented recognition by the United States, that since the "last meeting in San Antonio, Texas, in December 1985, the government of Mexico has made great progress in strengthening its programs of eradication of marijuana and opium poppy."

The most important announcement was made by the Mexican attorney general: At year-end, at the initiative of Mexico's President, a meeting will be held in Mexico of all the attorneys-general of the whole continent to discuss strategy for fighting drug trafficking.

In early April the Federal Judicial Police raided the Vog Discothèque, owned by fugitive Leopoldo Sánchez Celis (son of the former governor of Sinaloa, and a crony of the ex-mayor of Mexico City, Carlos Hank González).

Agents of the "narc" squad of the Federal Judicial Police who took part in the raid revealed that other similar night spots exist, but that strong interests oppose law enforcement action. Moreover, they say there was a delay of nearly a week in the "Vog" raid, during which "somebody blew the whistle," so that many regulars did not show up at the club the night of the sweep.

Africa facing economic disaster

The World Bank's remedy is as simple as it is cynical: 'Curb population growth.'

In its latest report, *Financing Adjustment with Growth in Sub-Saharan Africa 1986-90*, issued in April, the World Bank describes the economic situation facing most of sub-Saharan Africa as follows: By the end of 1986 in low-income Africa, "per capita income will have fallen by about 12% since the start of the decade. In countries such as Chad, Niger, Tanzania, and Togo, the drop since 1980 will be roughly 30%—similar to that in the United States during the Great Depression of the 1930s. The decline in Africa's per capita output during the 1980s, together with the decline in the 1970s, will wipe out all its rise in per capita output since 1960. As a result, low-income Africa is poorer today than in 1960. Improvements over those years in health, education, and infrastructure are increasingly at risk. For the first time since World War II, a whole region has suffered retrogression over a generation."

The report describes the fall in investment in Africa, the growth in debt, the growth in the proportion of exports needed to pay debt service, the drop in imports per capita, and the decline in consumption per capita. However, despite this grim picture, the World Bank's astonishing conclusion is that 1986 is a "year of opportunity" for Africa, as recovery from drought has increased food production and lowered food prices; imported oil will be cheaper, and higher coffee prices will benefit some countries. The World Bank proposes as priority measures "correcting overvalued exchange

rates," and major programs to cut population growth.

The report complains, "Only a handful of countries are seriously trying to control extremely high rates of population growth." While admitting that "Africa's vast empty spaces suggest that many more people can be accommodated, and, in the long run, that may well be true," the report says that this would mean "substantial investment." Therefore, the Malthusian argument is repeated: "On the basis of current experience, the existing rate of population growth in Africa is obviously higher than the rate at which the capacity to meet essential needs can be increased [emphasis in original]."

The World Bank concludes that Africa will be able to solve its economic crisis, provided governments massively devalue their currencies and cut population growth, and provided the advanced sector gives \$2.5 billion in increased aid per year. The World Bank estimates that the 29 poorest African countries need \$35.3 billion per year to take their annual growth rate to 3.4% by the end of the decade. This is the amount needed, in the World Bank's estimation, to pay debt service and stop the fall in per capita consumption. The experts estimate that the countries can get \$32.8 billion in exports, commercial credits, credits from the IMF, private investments, rescheduling, and foreign government aid. This leaves a \$2.5 billion deficit, to be made up by aid.

A report issued by the United Na-

tions Economic Commission for Africa (ECA) and the African Development Bank (ADB) is not so optimistic. "In 1986, Africa will face one of the biggest falls in the prices of its exports it has ever seen, while the prices of imported goods will increase." The ECA notes that falling oil prices will mean an 8% improvement in the terms of trade for non-oil producers, and that the increased coffee prices will benefit Ivory Coast, Kenya, and Madagascar, but stresses that apart from these, almost all African countries will have large balance of payments deficits, because of the increased price of imports and the fall in the price of exports. This will in turn lead to an increase in the percentage of export revenue needed for debt service.

Africa's external debt has now reached \$162 billion, with debt service annually \$19.5 billion, meaning 22.3% of Africa's exports. The annual rate of growth is 2.8%, the same as in 1985, and the same as the rate of population growth.

The ECA concludes: "There can be no more opportune moment than now to follow up the call launched by the 21st session of the Organization of African Unity to hold an international conference on the indebtedness of Africa."

At a meeting of African economics and finance ministers in Yaounde, Cameroon, April 17-22, discussions took place on the creation of an African Monetary Fund, which could replace the International Monetary Fund. Resolutions were passed calling for increased inter-regional trade and commerce, and for 20-25% of available resources to be concentrated on the development of agriculture. These resolutions will be presented at the emergency U.N. session on Africa, May 27-21, in New York, where African nations will call for external aid amounting to \$36 billion.

Model for 'South-South' cooperation?

Indian-Ibero-American ties are spotlighted for a new push, as the financial crisis hits the developing sector especially hard.

While a review of recent years shows some improvement in the volume of trade, attention was focused on the large gap between potential and performance at a one-day seminar on Latin American Trade and Cooperation here on April 24. The meeting was organized by the Indian Society for Latin America (ISLA), a group led by Member of Parliament Daulatsinhji P. Jadeja and dedicated to expansion of ties between India and the nations of Ibero-America.

Both the practical and political dimensions of Indian-Ibero-American economic relations were addressed in inaugural talks by Indian Trade Authority chief Mohammed Yunnus and former Foreign Secretary Romesh Bhandari. Bhandari, now Congress Party foreign-policy director, stressed the strategic importance of strengthening ties with Ibero-America, given the crisis of the world's financial system.

Total trade turnover between India and the Ibero-American countries rose in the last 10 years to nearly \$400 million, as of 1983-84. But this is only a small portion of Ibero-America's total trade, and, with the exception of edible oils, a similarly insignificant portion of India's total trade. Further, there is a very serious adverse balance of trade against India.

There are both business as well as political reasons for the snail-paced development of economic trade since the 1960s, when India signed "most favored nation agreements" with many Ibero-American nations. In the area of

traditional products, to which the trade has largely been confined, there is little scope for qualitative change in the trade pattern, even when current plans to set up direct transport links are taken into account.

As a number of speakers pointed out, it is actually joint ventures, consultancy, technical services, and project exports, etc.—technology transfer in the broadest sense—that offer the greatest promise. This point, echoed by several Ibero-American ambassadors during the day, was stressed by Minister of State for Science and Technology Shivraj Patil in his closing remarks.

The ambassador of Brazil referred pointedly to his country's unhappy experience in paying a high price to the multinationals for transfer of technology that was not always the most adequate, and cited India's parallel experience. Both countries attach great significance to the bilateral agreement for cooperation in science and technology signed several years ago.

India has a similar agreement with Mexico which, as Mexican Ambassador Prof. Garciela de la Lama pointed out, is already showing some exciting results in the frontier area of biotechnology. Just recently, India concluded a similar accord with Argentina.

For Brazil, at least, the impulse to Indian-Ibero-American economic cooperation is by no means simply defensive. The ambassador recalled that in 1927 Jawaharlal Nehru had projected the emergence of five superpowers

in the world: the United States, the U.S.S.R., China, India, and Brazil. This will become a reality by 2020, the ambassador predicted. Brazilian businessmen have become very active in India. Brazil's bid for steel pipe on India's giant HBJ gas pipeline, for instance, is credited with saving India \$70 million in foreign exchange. (The Mexican firm Condux had led the bidding, ahead of three advanced-sector consortia, for the overall HBJ project contract until the last round, when, according to Mrs. Garciela, they lost out because of financial services.)

The need to establish direct banking links was emphasized by Professor Garciela. She concluded with a plea to the politicians to transform words about "South-South" cooperation into concrete action to meet the crisis of "manipulation" that has set up barriers to development.

ISLA's mandate was underscored by Dr. V. K. Pande of the India Institute for Foreign Trade. Pande argued that the Indian-Ibero-American connection could be a showcase for South-South cooperation.

Pande pointed out that the Ibero-American nations' liquidity problem was by no means a problem of resources or inherent wealth. He cited the Andean region industrialization plan which has been projected to involve \$50 million in construction work by 1990, to illustrate the scope for project exports and technology transfer.

There is tremendous potential for trade, Pande reported. He offered two proposals: first, that India's Export-Import Bank establish credit lines with the national financial companies in Ibero-America; and, second, that India join the Inter-American Development Bank, which would qualify Indian companies to bid on the \$3 million worth of projects which the IADB funds annually.

Lara Bonilla policy still prevails

In Colombia, the President and trade unions pledged to carry on the slain justice minister's heroic work.

It is one of the greatest prides of this government," said Colombian President Belisario Betancur on April 30, in a speech in homage to Rodrigo Lara Bonilla, slain by the drug trafficking mafia on April 30, 1984, "to have had his immense collaboration as justice minister, to be able to say that the spirit of his conduct was the faithful interpretation of the unbreakable convictions to the President of the republic.

"And to be able to assure that beyond his sacrifice, beyond the enormous vacuum of his absence, our gratitude toward him is expressed in the ceaseless continuity of the struggle which he began and which must not conclude except in the victory of the forces of democracy, honesty, and national dignity, which are the aspirations of the human species all over the world. . . .

"There are moments in which individuals, overcoming their own circumstances, are transformed into symbols of historic processes, of collective thoughts and aspirations." President Betancur explained that prior to the fight engaged in by the late minister, Rodrigo Lara Bonilla, "our country was being dragged into dangerous situations in which crimes go unpunished, fascinated by easy enrichment at the cost of the health of society, of intimidation and of terror. It was then that the country learned with shock and with relief, that this young friend of the law and of reason, taking and disdaining risks, was speaking everywhere of the danger which was stalking us and convoking

a crusade against crime and lawlessness."

In fact, as Lara Bonilla himself said in an interview, a few days before he died: "Before I assumed the justice ministry, the big bosses were walking around like they were at home and the minister was the one who had to hide. Now they have learned that they are the ones who have to hide, and they are the ones who are in hiding."

The President recalled that "Rodrigo succeeded in prompting in Colombian society a new conscience and a new spirit in the face of the criminals' defiance. Many Colombians had reached the point of thinking that our historic problems, poverty, the conjunctural problems of the economy, explained, and somehow legitimized, succumbing to the enormous capacity of distributing ill-gotten gains and building mirages of prosperity which characterizes the activity of the universal drug groups."

Offering Lara Bonilla as an example to youth, he said, "In human history, only those societies have survived that affirm their ideals with daily devotion and turn them into a manifestation of their character, that do not fear the despotisms of money and crime, and that challenge and undertake great adventures with an elevated frame of mind."

Finally the President took the occasion to renew his pledge to totally destroy drug trafficking: "In his honor [Lara Bonilla's], in honor of his children and our children, we must extirpate this evil from its roots and shake off this opprobrium for ever. God is

watching us."

Besides the continental effect of the fight which Rodrigo Lara undertook against drug trafficking, as detailed in another article (page 32) on the Rodrigo Lara Bonilla Anti-Drug Pact signed in Lima, April 30 is now celebrated in Colombia as a day of national homage.

Three trade-union federations of Bogota and Cundinamarca, the Bogota Union of Workers and Cundinamarca (Utraboc), the Cundinamarca Union of Workers (Utracun), and the Cundinamarca Federation of Workers (FTC) decided to celebrate Labor Day, traditionally May 1, on April 30 instead.

The reasons are, first to commemorate the hero Rodrigo Lara Bonilla, and second, so that May 1 from now on shall be a day of total rest.

At twilight on April 30, the three federations carried out a march of about 10,000 people, each carrying a torch, traversing about 16 blocks. The torches lighted up the banners of the unions, some carrying the names of the organizations represented, others attacking the International Monetary Fund, and a very special one of Utraboc saying, "We Remember You Rodrigo Lara. Utraboc."

The text of the joint communiqué read at the end of the march said, "We reject the drug traffic, which two years ago cut off the life of the invaluable Rodrigo Lara Bonilla and which has brought only ruin and frustration to the country, and especially to the rural zones under its control." The communiqué mentions Lara Bonilla after condemning terrorism "in its various manifestations, both on the world level as well as in the afflicted conditions of Colombia. It is indispensable to banish violence as a form of defining political confrontations.

"And surely in this action God is watching us."

The fraud of the Italian recovery

The ideological flaw of the Craxians came into glaring focus at the Milan Fair, which ended on April 20.

The annual "April Fair" of Milan, which once-upon-a-time exhibited the newest industrial and agricultural technologies, this year was devoted to the dismal repertory of a depression made up of fashion, doodads from the service sector, computers, and "free time."

In the course of inaugurating the Fair, in early April, Italian Prime Minister Bettino Craxi announced that Italy was living through a period of the "fat cattle," referring to the Biblical story of Joseph's dream which foretold seven years of prosperity symbolized by seven fat cattle. According to Mr. Craxi, Italy and Japan are leading the world economic recovery, and Italy has entered into the phase of the post-industrial recovery, whose hub is Milan.

A week later, the governor of the Bank of Italy, Carlo d'Azeglio Ciampi, said that Italy is on the right track to defeating inflation, and forecast a future entirely free of inflation.

Italy's 3 million unemployed, 2 million underemployed, and 1.5 million laid-off workers on unemployment are a bit perplexed, not having noticed any change in their personal situation in the wake of these statements. Is the April stock market boom perhaps a recovery? Is the reduction in the rates the country will have to pay for oil a recovery, given the drop in oil prices?

Only a crass ignoramus could believe that the drop in oil prices is the mainspring of a real recovery in the world economy. An economic devel-

opment like the one which took place during the early 1960s in Italy showed an increased in production of 10-13% per year and an investment rate of about 10%. Today Italy's real production is sharply receding, and it has a zero rate of investment; indeed, we can speak of disinvestment, of dismantling of structures that were once productive.

The reduction in the oil price will have as its immediate effect the total shutdown of the Middle East market, and that of the Third World—hence, an even faster shrinkage of potential for Italian industries in Africa, the Middle East, Mexico, Venezuela, and so forth.

In Italy, not one private firm or governmental project is centered on investment in infrastructure or technological development. It is well known that the only activities that have flourished for years have been the speculative ones, led by the financing of the drug traffic that moves from the Middle East to Italy, to Switzerland, to the banks of Boston and New York. Offshoots of this activity are the burgeoning real-estate market, insurance, the stock market boom, and the flashy revenues of "*nouveaux riches*," along with the race to buy up Treasury Bonds and certificates which finance a state deficit no one knows how to cover in any other way.

If this is a recovery, then what is a depression?

The standards of living of the population keep getting lower: In fact, who today can allow himself to buy a house

or support a family with more than one child?

When Craxi speaks of a "recovery," to whom is he speaking? Who is the audience which, instead of loudly protesting, claps in glee?

Craxi's audience consists of the more or less seasoned "yuppies" of Milan, Rome, and Naples, whose incomes derive from post-industrial, speculative, or substantially useless activities. They are the newly wealthy, who often manage money that is not their own, investing other people's money in activities that correspond to no real production and which are therefore destined to fail before long—not only because of individual bankruptcies and internal mafia fights, but because the entire system is a soap bubble.

The typical Craxian is generally a pro-American, anti-Soviet "conservative," but often for the worst motives: He adores American free-market ideology and fears Soviet "dirigism." Fundamentally, he does not know the real America.

He has no idea of how a real economy functions and therefore he believes, like a blockhead, that there is a "recovery" in Italy. The "recovery" exists, for him and his circle, in a completely useless consumer boom. Sometimes, the Craxian feels himself to be a defender of Italian interests, at home and abroad, identified in the Italian fashion industry, and in all those superfluous activities which belong to the "post-industrial" genre. The Craxian is a "liberal-conservative": he has a burning desire for "conserving" his own wealth, which he perceives as a bit unstable. Hence, the games and political deals.

But his abysmal ignorance on economic problems, and an intellectual laziness which is difficult to overcome, could cost the country a lot.

Soviets court Thai government

Thai leaders are angry with Washington—and Moscow is moving into the breach.

As President Reagan embarks on a visit to Southeast Asia, meeting with the foreign ministers of the ASEAN countries in Indonesia, the Soviet Union has launched its own diplomatic drive to woo American allies in the region. This is the goal of the extended Southeast Asian tour of Soviet Deputy Foreign Minister Mikhail Kapitsa, which brought him to Thailand for, among other things, the April 22 opening of the 42nd annual session of the Economic and Social Commission for Asia and the Pacific (ESCAP).

Prior to Kapitsa's arrival, Soviet Ambassador to Bangkok Valentin Kasatkin had announced to the press that his country might soon decide to buy more Thai rice. Thailand is the world's top rice exporter, but the industry is now facing bankruptcy due to the effects of the U.S. Farm Act, which knocked the export price for American rice below the cost of production, as a service to the grain cartels. The consequences of this for the Thai economy have made Thai leaders furious at the United States, as Defense Secretary Caspar Weinberger found out when he visited Bangkok in mid-April. Weinberger was greeted by an angry "student demonstration," which sources report was organized by the government itself.

Last year, the Soviet Union bought 193,883 tons of A-1 special grade broken rice as food aid to Vietnam. The export of Thai rice last year totaled 4 million tons. Already in the first two months of 1986, the Soviet Union has bought 59,428 tons of rice, making

her the number-one buyer of Thai rice. In the meeting with Deputy Foreign Minister Arun Panupong, Kapitsa expressed the desire to buy more products from Thailand, such as tapioca, sugar, fluoride, rubber, and tin. The Soviet Union is also short of textile and construction materials.

Following closely upon the meeting of the U.N. Security Council on a resolution that would have condemned the April 14 U.S. air attacks on Libya, Kapitsa seized the opportunity created by the ESCAP meeting to praise Thailand for voting to condemn the U.S. raid on Libya.

"Thailand took a very serious and independent step," Kapitsa said. "Whether the Americans like that or not, it is a demonstration of wisdom and independence." ESCAP delegates from both India and Sri Lanka piped in their support for the Thai condemnation of the U.S. military raids, calling it "a show of independence and willingness to uphold principles."

The Thai vote "deeply disappointed" the U.S. government, State Department spokesman Bernard Kalb said. The Reuter news service reported that Washington was particularly disappointed, because the vote came in the midst of negotiations to finalize setting up a war reserve stockpile in Thailand.

However, many senior active and retired Thai foreign-affairs officials are not all in agreement with the Thai U.N. vote. They say that the vote in fact condoned the Libyan regime, with its acts of terrorism and subversion

worldwide. These senior Thai officials regret that Foreign Minister Siddhi Savetsila had not instead chosen to abstain from condemning either side.

As for the "Qaddafi connection" in Thailand, it is interesting to note that in an interview with the Thai-language *Daily News* published on April 22, the Muslim leader Khunying Saengdao Sayamvāla made an elaborate attempt to whitewash the Libyan leader's profile as a terrorist controller, portraying him as a genius, a leader loved by the Libyan people. Decorated with a royal title for her charity work among Muslim children, Khunying Saengdao is considered to be the person closest to Qaddafi in Thailand, so close that he refers to her as "mother." She has met with him four times.

In his address to ESCAP, which is widely regarded in Bangkok as a nest of Soviet spies anyway, Kapitsa attempted to portray Soviet policy toward the region as a counter to the "militarism" of the United States. "The arms race imposed by militarism instead of development," he said, "should be replaced by the reverse order of things—disarmament for development."

Following Kapitsa's meeting with Thai Foreign Minister Siddhi, the former accepted in principle an invitation to visit Moscow. Apparently the Kremlin is willing to arrange a meeting between him and Soviet party chief Mikhail Gorbachov, Prime Minister Nikolai Ryzhkov, Foreign Minister Eduard Shevardnadze, and other senior Soviet officials.

As a gesture of good will, Kapitsa promised Siddhi that Moscow would stop direct recruitment of Thai students to study in the Soviet Union. Kapitsa also offered to send a famous Soviet painter to draw portraits of the King and Queen here "as a gift from the Soviet people to their majesties."

International Intelligence

New 'anti-corruption' show trials in U.S.S.R.

For the first time since 1946, when the initial wave of executions of wartime German collaborators ended, a woman has been executed by a firing squad in the Soviet Union. The execution of the 59-year-old woman was the outcome of just one of many recent "anti-corruption" show trials. Other recent executions include two diplomats at the Soviet embassy in Kabul, Afghanistan, one a Russian, the other the former justice minister of Tadjikistan. Both were charged with black-market gold traffic with Afghan rebels.

In Moscow, the corruption trial will start soon of 130 arrested party and other functionaries. Other trials will begin in Leningrad, Kuibyshev, and Kishinev, the capital of the Soviet Moldavian Republic.

The biggest wave of arrests has occurred during the last year in Uzbekistan, involving well over 200 members of the "cotton mafia" alone, including many high-ranking party functionaries, several of whom have been executed.

Other highlights of the crackdown in Uzbekistan include: the first secretary of the Bukhara region, arrested for having taken 3.5 million rubles in bribes; a local party secretary found with 18 million rubles and 200 kg of gold; 37 members of the Uzbekistan interior ministry, currently under house arrest; and four department heads in jail. Both the interior minister and his deputy preempted the firing squad by committing suicide.

Schiller Institute branch will be founded in Japan

The Schiller Institute hosted a reception and dinner April 24 in Tokyo, which laid the foundation for the creation of a branch of the Institute in Japan. The reception was attended by Japanese scientists, military

personnel, and cultural figures, and was addressed by Elisabeth and Anno Hellenbroich, two leaders of the Institute from the Federal Republic of Germany.

The international Schiller Institute was founded by Helga Zepp-LaRouche, who sent the Tokyo gathering a message of greeting. "You might perhaps wonder," she wrote, "why an institute for formulating republican foreign policy options bears the name of a poet. It is because Friedrich Schiller clearly saw, that any improvement in the political realm would only be possible through the ennoblement of the human being's individual character. And even though the international crises confronting us today are far more serious than those in Schiller's time, his line of inquiry and his method are just as valid now, as they were then.

"Especially in Western Europe and North America, we have been asking the question, how will it be possible to ennoble man's character, when the leading institutions are responsible for bringing about these crises in the first place, and thus no solution can be expected from them? And conversely, whence is the mass of humanity, in its present state of moral lassitude, to suddenly summon the strength to overcome this condition of exhaustion or even degeneration?

"For Schiller, as for us, this problem can only be solved through art, because the great work of art is uniquely capable of penetrating into the deepest pores of the human soul, softening its hardened places, and filling it with a more beautiful content. . . ."

Philippines seeks 'Marshall Plan' aid

The new Philippines ambassador to the United States, Emmanuel Pelaez, called May 1 for a massive "Marshall Plan" of U.S. economic aid, to help the government overcome "insurmountable problems" left by deposed President Ferdinand Marcos, UPI reports.

Pelaez made these remarks in his first major speech since his arrival in Washing-

ton, to a seminar of the Washington Institute for Values in Public Policy. "Left to itself at this time," he said, the Philippines "will fall prey to despair, which would drive our people down the leftist road to disaster." He said that he welcomed the recommendation by U.S. officials to include the Philippines in the debt restructuring program proposed by U.S. Treasury Secretary James Baker, but that that was not enough. "If Europe was devastated by war during World War II, the Philippines underwent equal devastation by the Marcos-Imelda regime," he said. "We would need something more like a Marshall Plan. We are honest enough and humble enough to admit that our country is an emergency case which needs intensive care as well."

Pelaez did not point out, however, that it was the International Monetary Fund, whose austerity policies smashed the Philippines economy, that was primarily responsible for the current crisis. The IMF forced President Marcos to abandon the development projects which could have fostered national economic progress. The current government of President Corazon Aquino, and particularly its finance minister, have vowed to support the IMF at all costs.

South African moderates form new workers' union

South African black moderate leader M. G. Buthelezi, chief of the KwaZulu nation, on May 1 announced the formation of a new United Workers' Union of South Africa (UWUSA). Buthelezi inaugurated the new organization at a meeting of 80,000 supporters of his Inkatha movement in the city of Durban. Among the guests of honor at the ceremony were eight whites, including Schiller Institute members Uwe Friesecke (Federal Republic of Germany) and Roger Moore (U.S.A.)

Buthelezi announced that the new group will represent the black working people of South Africa, and will oppose a policy of "disinvestment"—economic sanctions

Briefly

● **LIBYAN DIPLOMAT** Ramadan Muhammad Ruhein was expelled on April 25 from Spain, for activities "harmful to the security of the state," including his relations with extra-parliamentary radicals and the pacifist movement. Ruhein had intervened with threatening statements at a March 1986 conference in Madrid of the Schiller Institute.

● **MARIANO RUMOR**, a former Italian prime minister from the Christian Democratic party, has warned of a "new Yalta" deal, according to the Italian daily *Il Giornale* of April 27. The more divided the Europeans, he said, the greater the possibility of a "new Yalta pact between the two superpowers, which would deliver some crucial areas of the Mediterranean to Moscow's influence."

● **EIR EDITOR** Uwe Henke v. Parpart addressed 80 people on April 29 at the University of the Philippines, on the subject of "Foreign Debt: Peru's Policy and Its Implications for the Philippines." The talk was sponsored by the Philippines Economics Society, the Philippines Institute for Development Studies, and the University of Philippines School of Economics.

● **PRINCESS GLORIA** von Thurn und Taxis, wife of the world's richest man, will hold a Don Giovanni Fantasy Ball on June 5-6 in honor of her husband's 60th birthday. "Great surprises" are promised. The guests will come dressed in Don Giovanni costumes. It is not yet known who is coming as The Stone Guest (No, not stoned, Stone!).

● **ELEVEN TERRORIST** suspects and one *New York Times* correspondent were prevented from entering Indonesia prior to President Reagan's visit there the week of April 28. The *Times'* Barbara Crossette had been denied an entry visa to cover the Reagan visit, but entered the country anyway on a tourist visa. She was put aboard a flight to Jakarta and Bangkok.

against South Africa—as demanded by black radical groups. Such a policy, he said, will only worsen the condition of black working people. He declared that capitalism based on exploitation of blacks cannot survive, but capitalism based on freedom will prosper in his country.

The Soviet-controlled African National Congress (ANC) held a counter-demonstration outside, of fewer than 8,000 people.

Pravda demands separate European arms discussions

The Soviet Communist Party daily *Pravda* on April 24 called for separate arms-control talks between Western Europe and the U.S.S.R., and appealed to Europe to "break away from the zigzag course" of the United States, by developing its "own initiatives" and agreeing to party chief Mikhail Gorbachov's latest arms-control proposal for conventional force reductions "from the Atlantic to the Urals."

Pravda asserted that if Western Europe shows a "decisive willingness for détente," this could lead to a "breakthrough in a historically short time. . . . Why should Western Europe follow the path of the United States to the brink of nuclear catastrophe?" *Pravda* noted ominously that Europe stands "not on the sidelines. . . . but at the center of the confrontationist policy pursued by NATO, along the line dividing the two blocs."

If Europe responds favorably, *Pravda* concluded, then it will be possible to reach agreement on negotiation sites, dates, and delegations.

Qaddafi wants to join the Warsaw Pact

Libya has begun negotiations with the Soviet Union and East bloc nations to join the Warsaw Pact, according to a report which

appeared in the United Arab Emirates newspaper *Al Ittihad* the week of April 21. The newspaper, quoting "reliable Libyan sources," reports that Libya has asked to be accepted as a member.

In an interview with Soviet journalists, Qaddafi meanwhile called for an international front "in alliance with the Soviet Union and the socialist camp" to fight imperialism. Qaddafi said that Libya's conflict with the United States was "in defense of socialist countries and the Soviet Union."

Referring to the take-off of U.S. F-111s from military bases in Britain, for the April 14 bombing run against Libya, Qaddafi said: "This operation was training for how NATO countries would cooperate strategically in an attack on the Soviet Union and the socialist countries."

Ariel Sharon brandishes threats against Jordan

Israeli Trade and Industry Minister Ariel Sharon is trying to incite war with Jordan, charging that it is the "center of terrorism against Israel," and attacking Israeli Prime Minister Shimon Peres for "political fantasies" about negotiating with Jordan.

Speaking to Jewish settlers in the town of Ariel in the occupied territories, the French daily *Le Figaro* reported on April 30, Sharon promised that, in October, after the government rotation that brings the Likud party to power, a policy of settling "Judea and Samaria" would be re-launched vigorously. He also declared that "the East Bank of the Jordan River is an integral part of the Land of Israel." The "East Bank of the Jordan River" is the nation of Jordan.

Sharon described Jordan's King Hussein as an illegitimate monarch, imposed by "British bayonets," and said that the Palestinian population of Jordan should overthrow the king and set up their own state, without the Palestine Liberation Organization.

Le Figaro speculates that Sharon's "hard line" could become the policy of the Israeli government in October.

Gramm-Rudmanized budget passed by Senate

by Nicholas F. Benton

The U.S. Senate moved with unprecedented haste and concord to avoid a political bloodbath over the terms for slashing the Fiscal Year 1987 budget down to fit the provisions of the Gramm-Rudman amendment, which mandates an arbitrary ceiling on each year's federal budget deficit.

The Senate, by a wide majority reflecting bipartisan support, swiftly voted up a \$1 trillion budget resolution on May 2, and sent it over to the House, which promised to pass its own version within a week. While the White House, learning of this news while the President was in Tokyo for the annual economic summit, voiced reservations over the modifications of Reagan's originally proposed FY87 budget in the direction of tax and domestic spending increases and cuts in defense, even its remarks were surprisingly mild.

The only explanation for this remarkable display of bipartisan concord is the almost paralyzing fear in Washington of the LaRouche phenomenon, and the conviction of all the incumbents that they must slip the new Gramm-Rudman budget through with as little fuss and furor as possible in this election year. In Illinois, two candidates associated with Democratic presidential candidate Lyndon H. LaRouche, Jr. won the March Democratic Party primaries on a platform which labeled Gramm-Rudman a national disaster.

Congress wants to be able to present the American population with a *fait accompli* as quickly and quietly as possible, comforting them with the consoling remark, "See, that wasn't so bad, now was it."

But while Washington continues to play this fantasy perception game, the figures in the Senate's proposed budget tell a different story. Massive cuts in defense (\$19 billion), federal revenue sharing to state and local governments, and Medicare are singled out in the proposal to make up almost all of the cuts. In addition, the Senate budget chisels Social Security and federal pension recipients and federal employees, by arbitrarily adjusting cost-of-living inflation estimates

down from 3.4% to 2% in order to save \$4 billion.

Despite the huge bite taken out of the defense budget, Senate Republicans voted 38-13 for the budget resolution, joined by a 28-16 Democratic vote for an overwhelming 66-29 majority. The Republicans were arm-twisted into accepting the "compromise" by their own boss, Senate majority leader and presidential aspirant Robert Dole (R-Kan.), because the figure, while \$19 billion below what the President wanted, was still \$6 billion above what the Senate Budget Committee, in the proposed budget they brought to the Senate floor earlier, advocated. Dole now figures that his ability to pull this one off will improve his presidential chances.

But now, the Democratic-controlled House is certain to take a much bigger bite out of the defense budget—the general estimate is around \$38 billion, or twice the Senate cut. This means that in order to resolve their differences, the House and Senate will ultimately come out with a compromise that will take some \$25 to \$28 billion out of defense.

This result, as Secretary of Defense Caspar Weinberger has stressed, will be disastrous for the future of the Western alliance. It will almost certainly mean a major U.S. troop withdrawal from Western Europe, which would tip the political balance—aggravated in the recent period by the efforts of pro-"decoupling" interests to exploit the lack of consensus on the Libyan attack, as well as threats of trade war—of many European nations away from NATO.

While the ultimate political "fallout" of the Russian nuclear disaster on Europe remains to be seen, the fall of the pro-NATO Norwegian government coalition is another potentially ominous step toward the disintegration of the alliance. It could become irreversible once Congress begins to translate its proposed defense cuts into troop withdrawals from Europe, especially with West German elections now less than a year away.

But this kind of reality does not find its way into the

hallowed corridors of Congress. Instead, it is the perception game, especially in an election year with hundreds of LaRouche-movement candidates challenging the incumbents, which motivates Congress. Instead of reacting to the reality principle as LaRouche and Weinberger have been spelling it out, the Congress has chosen to hide behind the chimera of consensus politics.

Euthanasia

Other aspects of the Gramm-Rudman insanity built into this Senate budget resolution are worth noting. While the President's original proposed budget called for eliminating 44 domestic programs to cut \$28 billion, the Senate version which passed calls for saving \$22.3 billion by cutting only two programs—federal revenue sharing and Conrail—and making deep cuts into Medicare.

That means that almost two-thirds of the Senate, including two-thirds of its Democrats, had no qualms about the deadly effects on the nation's elderly of taking such a huge cut from Medicare, despite the overwhelming evidence, provided through testimony before the Senate and House Committees on the Aging, of the abuses of care in hospitals around the nation under the constraints that exist even under current levels of Medicare funding.

The impact of these cuts is going to be a major escalation of active euthanasia against the nation's elderly—with a broad consensus of support from both Democratic and Republican leaders in the Senate. There is no reason to believe that the House will vote significantly differently on this issue, either.

Combined with the termination of federal revenue sharing, and the chiseling on cost-of-living increases for Social Security and federal pension recipients, the cutbacks in Medicare will result in unprecedented carnage against the nation's most vulnerable sectors, in particular, the elderly. The revenue-sharing cuts will mean either large tax increases and user fees at the state and local levels, or terminated services generally. Targeted will be programs such as rodent abatement programs and other sanitation and infrastructure improvement programs.

With diseases on the rise in the United States, ranging from the deadly pandemic AIDS to tuberculosis (see article, page 10), these cutbacks will further severely weaken the nation's ability to protect its health.

And while all of these draconian cuts are being built into the FY87 budget with overwhelming agreement from both sides of the aisle, the international investment houses and banks which own almost all of the nation's \$2 trillion debt have been ensured that no incumbent, anyway, has the slightest intention of tampering with their annual tribute of \$180 billion. There's no question but that every incumbent would cut as much defense or Medicare as is necessary to insure that the banks get paid every penny, on time.

It maybe has not sunk in yet, but that kind of consensus among these incumbents is precisely why they have so much to fear from LaRouche.

Budget law argued before Supreme Court

by Sanford Roberts

When the lawsuit popularly known as "the Gramm-Rudman case" went before the Supreme Court on April 23, who should be there to defend the role of the Comptroller of the Currency in cutting the federal budget, but Jimmy Carter's former White House counsel Lloyd Cutler—one of the most notorious foes of the U.S. Constitution.

On April 23, the nine Justices of the U.S. Supreme Court heard oral argument in the suit captioned *Bowsher v. Synar*, otherwise known as the Gramm-Rudman case. Their ruling is not expected until July.

Gramm-Rudman obligates Congress to meet a series of targeted budgetary deficits, shrinking in size over five years, until a balanced budget is achieved in 1991. If Congress fails to meet the targets, Gramm-Rudman automatically turns the authority to cut the budget over to a triumvirate of bureaucrats: the Director of the Office of Management and Budget (OMB), the Director of the Congressional Budget Office (CBO), and the Comptroller General. This "automatic pilot" mechanism is the focus of the *Bowsher v. Synar* litigation.

On Feb. 7, a special three-judge panel decided Gramm-Rudman was unconstitutional on separation of powers grounds. The panel ruled that because the statute invested the administration of budget cuts in the Comptroller General, an officer of the legislative branch, the Act unconstitutionally mandated a *legislative* official to carry out *executive* functions. A broader challenge over whether or not Congress could delegate the powers encapsulated in Gramm-Rudman to another branch of government was rejected by the three judges.

Before the Supreme Court, Lloyd Cutler, in a remarkably convoluted argument, declared that the lower court should not have voided Gramm-Rudman, but rather should have struck down the 1921 law which made the Comptroller a legislative official. This, according to Cutler, would have cured the constitutional deficiencies pointed to in the opinion of the three-judge panel.

Cutler was interrupted early along by Associate Justice Sandra O'Connor who asked him the obvious question, "Aren't we reviewing the 1985 act [Gramm-Rudman]?" Cutler said no, and gave a tortured explanation of how a Court reviewing a 1985 law could end up invalidating a 1921 statute as the remedy for the alleged wrong. The Achilles heel of Cutler's argument is the intent of Congress as expressed in the so-called "fallback" provision. Under this provision, if

the courts declared Gramm-Rudman unconstitutional, the power to cut the budget would revert to Congress. Congress clearly identified this as the intended remedy for any legal defect found by the judiciary, and manifestly did not intend for the courts to rummage through old statute books to cure the constitutional infirmities.

After Cutler, Steven Ross and Michael Davidson argued the positions of the House and Senate leadership, respectively. Both Ross and Davidson labored mightily, but seemingly in vain, to prove that the Comptroller General is an independent, not a legislative officer, and Gramm-Rudman was a carefully designed statute which leaves ultimate power in the hands of Congress. Ross used the metaphor employed by Judge Antonin Scalia, the presiding jurist of the three-judge panel and actual author of the opinion. Scalia claimed the role of the Comptroller under Gramm-Rudman was really an accountant's function, "a job for a guy with a green eyeshade." These assertions were strongly questioned by Justices O'Connor, William Rehnquist, Byron White, and John Paul Stevens.

The Department of Justice was represented by Solicitor-General Charles Fried. At the outset of the lower-court case, the Justice Department took the position that the statute was unconstitutional, a move which prompted Messrs. Ross and Davidson to intervene on behalf of the House and Senate. The solicitor contended the statute was unconstitutional because it gave the Comptroller authority to give orders to the President. This argument was put forward during the lower-court hearing, but the three-judge opinion apparently neglected any consideration of this issue.

Fried's basic proposition was that even if the Comptroller were an independent officer, who does not really belong to any of the three branches specified in the Constitution, the Act under consideration would still be unconstitutional, because the powers invested in the Comptroller are executive in nature. Executive officials serve at the pleasure of the President; independent officers, by contrast, are removable only upon a showing of good cause, such as incompetence or neglect of duty.

Justice O'Connor intervened, "Isn't this a novel doctrine? I don't think there are any previous decisions on this." Fried replied, "You said this is a novel doctrine, but the powers given by this statute are novel."

Alan Morrison, the attorney for the original plaintiff, Congressman Mike Synar (D-Okla.), and the other legislators who followed Synar's lead, contended the disputed powers in Gramm-Rudman were legislative, not executive, in nature, and could not be delegated away by the Congress. Under Gramm-Rudman, said Morrison, we will seemingly legislate as we have always done, with one vital exception. None of the appropriations bills passed by Congress will really count. After all the bills are passed, "the Gramm-Rudman override comes in as a permanent law" mandating cuts. This type of law "has never before been enacted in our history."

Weinberger asserts six-point doctrine

by Nicholas F. Benton

In an essay published in the just-released spring 1986 edition of *Foreign Affairs* magazine, Defense Secretary Caspar W. Weinberger reiterates the U.S. strategic military doctrine of the Reagan administration—to the extent, that is, the President listens to Weinberger instead of Secretary of State George Shultz.

Aside from firmly asserting the Strategic Defense Initiative as the cornerstone of U.S. strategic policy, the most important element of the essay is Weinberger's six-point "test" for deployment of the nation's conventional military forces.

This six-point "test," first articulated by Weinberger in a speech to the National Press Club in Washington on Nov. 28, 1984, is aimed at, simply put, avoiding another U.S. military involvement like Vietnam. It is extremely relevant to the current situation, where issues of the nature of follow-up to the U.S. raid against Libya, and especially of U.S. action in Central America, are on the front burner.

Weinberger said his "test" is aimed specifically at avoiding the disastrous policy of former Defense Secretary Robert McNamara, who ran the U.S. "limited war" in Vietnam, one of the greatest military disasters in U.S. history. McNamara is now a major critic of Weinberger as, among other things, a member of the Board of Directors of the *Washington Post*. Shultz, and the State Department as a whole, are rife with the McNamara influence, which is identical to the Henry Kissinger "balance of power" strategic doctrine that favors use of military force as part of a "diplomatic chessgame."

Weinberger said of McNamara's approach:

"Though he would have preferred to do so, President Roosevelt never considered sending American forces into combat without the approval of the Congress and the assurance of support of the American people. In Korea, and then Vietnam, America went to war without a strong consensus or support for our basic purposes and, as it turned out, without the firm commitment to win. Indeed, as one of my predecessors, Secretary Robert McNamara, once observed: 'The greatest contribution Vietnam is making—right or wrong is beside the point—is that it is developing an ability in the United States to fight a limited war, to go to war without the necessity of arousing the public ire.' As successive administrations discovered, the American people had the final word. The 'public ire' was aroused as perhaps never before—and

never again should the imperative of public support be ignored," Weinberger said.

In fact, Weinberger is asserting a time-honored conception of republican warfare, which involves use of military force only as a last resort, and then with the full commitment to succeed in achieving a specific objective. This requires, in democracy, public support to work, although gaining that support may not always be easy. But it is also not just a matter of "taking a public opinion poll." The secretary outlines this view in his "six major tests that should be applied by the U.S. in deciding to commit U.S. conventional military forces to combat:

"1) The U.S. should not commit forces to combat unless our vital interests are at stake. Our interests, of course, include the vital interests of our allies.

"2) Should the U.S. decide that it is necessary to commit its forces to combat, we must commit them in sufficient numbers and with sufficient support to win. If we are unwilling to commit the forces or resources necessary to achieve our objectives, or if the objective is not important enough so that we must achieve it, we should not commit our forces.

"3) If we decide to commit forces to combat, we must have clearly defined political and military objectives. Unless we know precisely what we intend to achieve by fighting, and how our forces can accomplish those clearly defined objectives, we cannot formulate or determine the size of forces properly, and therefore we should not commit our forces at all.

"4) The relationship between our objectives and the size, composition and disposition of our forces must be continually reassessed and adjusted as necessary. In the course of a conflict, conditions and objectives inevitably change. When they do, so must our combat requirements.

"5) Before the U.S. commits combat forces abroad, the U.S. government should have some reasonable assurance of the support of the American people and their elected representatives in Congress. Of course, this does not mean we should wait upon a public opinion poll. The public elects a President as a leader, not a follower. He takes an oath to protect and defend the Constitution. The people also expect a Congress sworn to the same principles and duties. To that end, the President and the leadership of the Congress must build the public consensus necessary to protect our vital interests. Sustainability of public support cannot be achieved unless the government is candid in making clear why our vital interests are threatened, and how, by the use, and only by the use of American military forces, we can achieve a clear, worthy goal. U.S. troops cannot be asked to fight a battle with the Congress at home, while attempting to win a war overseas. Nor will the American people sit by and watch U.S. troops committed as expendable pawns on some grand diplomatic chessboard.

"6) Finally, the commitment of U.S. forces to combat should be a last resort—only after diplomatic, political, and economic and other efforts have been made to protect our

vital interests."

While a great deal can be said about these six points, they do explain Weinberger's insistence that the raid against Libya was done "only as a last resort," failing effective economic boycott measures, while Shultz, reflecting the discredited McNamara approach, has always pushed for a tit-for-tat gradually escalating U.S. military response to terrorism.

Weinberger's approach also explains why Lyndon LaRouche's call for bombing the Libyan oil fields now is appropriate and effective militarily.

EIR releases report on crisis in education

Perhaps the most fundamental crisis confronting the United States of America, is the catastrophic situation in our educational institutions. Despairing parents, and concerned citizens from all walks of life, have long recognized that the effects of America's broken-down educational system on students' capacity to think, are threatening to become as devastating as the effects of the drug plague.

The collapse of the the average American student's educational level—a direct consequence of the National Education Association's policies—is quickly assuming the proportions of a threat to our national security. A future generation among whom illiteracy is so rampant, will no longer be capable of defending itself. But lurking behind the conceptions of the NEA, we can also discern a deliberate design and purpose; and for this, we have a word which describes the destruction of young people's minds: *menticide*.

American society exhibits a shocking number of the same symptoms which marked the fall of the Roman Empire. The brutality and ugliness of the porno films on the video market, the drug-rock counterculture, the films glorified and promoted by Satanic cults—all these are merely aspects of the brutal environment in which children must grow up in America today.

To confront this situation, *EIR* is releasing in May a \$250 Special Report, *The Libertarian Conspiracy to Destroy America's Schools*. It reviews the history of the NEA subversion of our schools, and their opponents—who more often than not, share the same libertarian ideology! The report features, for the first time in English, a major writing by the father of German classical education, Wilhelm von Humboldt, and Lyndon H. LaRouche, Jr.'s in-depth study, "Saving our children: reintroducing classical education to the secondary classroom."

Titan explosion creates emergency; U.S. without heavy launch capability

by Robert Gallagher

With the April 18 explosion of an Air Force Titan 34D missile while reportedly attempting to launch a "Big Bird" photo reconnaissance satellite from Vandenberg Air Force Base, U.S. heavy-lift space-launch capabilities fully collapsed. The Titan failure leaves the United States without any ability to launch the heavy KH series and "Big Bird" photo reconnaissance satellites, replace degraded missile early-warning satellites, or launch any other payloads heavier than 5,000-8,000 pounds into low-Earth orbit.

In February, after the explosion of Space Shuttle Challenger, U.S. Air Force Secretary Edward Aldridge told the House Science and Technology Committee that the Shuttle failure had already produced "a national security emergency," since the Shuttle is the nation's principal launch system. He shook up congressmen fantasizing over whether private industry would build a Shuttle, and urged them to fund construction of another orbiter to replace Challenger.

At present, there is only one Air Force KH-11 satellite deployed. At least two such satellites are required in orbit, to provide complete coverage of the Soviet Union. NASA Acting Administrator William Graham told the 100th annual convention of the American Newspaper Publishers that after the Challenger exploded, three secret Shuttle flights were cancelled and their payloads shifted to Titan missiles. Last year, the Shuttles and Titans were used in two-thirds of the nation's satellite launches.

The nation's Strategic Defense Initiative program will also be impaired by the crisis. With the grounding of the Shuttle, the SDI has temporarily lost the use of a major laboratory for many of its experiments. The satellite lost in the Titan incident, was the last Big Bird in the U.S. inventory, according to *Aviation Week and Space Technology* magazine; reportedly, one KH-11 remains.

Early warning system threatened

The impact of the launcher crisis on national security is across the board. One or two missile early-warning spacecraft have been routinely launched from Cape Canaveral by Titan 34D boosters every year, reports *Aviation Week*. In

1984, as many as three were launched from the Cape. No missile early-warning spacecraft were launched in 1985, however, and the inability to launch any more until the Titan and Shuttle problems are resolved will prevent the United States from replacing any degraded missile-warning satellites in space for the foreseeable future.

Continuous reconnaissance coverage of Soviet territory, is required to detect Russian military maneuvers. "It took the U.S. more than 18 months to detect and photograph the large phased-array radar at Pechora, and more than a year after construction began at Ablakova to detect construction of the radar there," reported *Aviation Week* on Jan. 16, 1984.

The Pechora and Ablakova radars are part of an anti-ballistic missile (ABM) battle management system; their construction directly violates the 1972 ABM Treaty. Only after intelligence sources *inside* the Soviet Union reported on the construction of the Ablakova radar somewhere in the country, did the United States finally launch a "Big Bird" to spot it on June 20, 1983, according to the magazine.

The present reconnaissance crisis would prevent the United States from detecting Soviet rapid deployment of, for example, its new, full-scale, mobile ABM system based on mobile versions of the new SH-04 and SH-08 ABM missiles installed around Moscow. "The radars [for the mobile system] are designed modularly so that components can be produced and stored until required. They can be concealed and assembled rapidly for use in the system," *Aviation Week* reported.

At this moment, the United States has only two rockets available for space launches; the payloads they can deliver to orbit are not great. The small Delta rocket can place a satellite of only 4,700 pounds into close Earth orbit (CEO—about 300 miles up), and the Atlas-Centaur, the old ICBM mated to the upper-stage developed by Dr. Krafft Ehrlicke, could orbit only a few thousand pounds more in CEO. The weight of the Big Birds and KH satellites is about 25,000 pounds.

Defense Daily reports that two SDI payloads have been transferred to the Delta for launch once this year and again in 1987. However, Rockwell officials told *Aviation Week* that

SDI use of the Shuttle in the next few years included plans for several satellites that had to be deployed *and retrieved*, and the testing of SDI-related technologies in space that might later be used in defensive weapons. Without the Shuttle, this work cannot be done.

They also stated that the Shuttle is required to deploy and retrieve a neutral particle beam system for discrimination of decoys from real targets. The spacecraft could be deployed and retrieved in a single Shuttle flight, but cannot be switched to an expendable rocket, even if the Titan is repaired.

Sabotage?

Industry representatives at the annual conference of the American Institute of Aeronautics and Astronautics (AIAA) April 30, expressed skepticism that the two consecutive Titan launch failures that have occurred since August, were produced by breakdown in technology. Sabotage, which has not been ruled out by the Vandenberg base commander, is "a likely explanation," one claimed.

The Titan 34D is composed of a Titan III liquid rocket, with two strap-on solid-rocket boosters with 5½ segments of solid propellant each. It has been launched successfully seven times in a row since its first deployment in 1981. Last August, the launch reportedly failed because of a turbo pump in one of the liquid rocket engines and a "massive oxidizer leak." This failure and the one in April reduced the system success rate from 100% to 78%. A total of 136 Titan liquid rockets have been launched, with a success rate of 94%.

In the launch that failed April 18, the possibility of sabotage coincides with a special motive for Libya and its Soviet backers. The "Big Bird" Low Altitude Surveillance Platform intended for launch that day, is deployed for relatively short-term, special surveillance tasks, as required to assess the situation in Libya, and designate targets for expected future U.S. attacks. Reconnaissance data is required not only for bombers, but also to program sea-launched Navy Tomahawk cruise missiles, to hit Libyan targets along the coast.

Once the cause of the Titan explosion is determined, an emergency program can quickly move to expand Titan production. Before the incident, Martin Marietta already had plans to do so, *Defense Daily* reported April 21, to complement the capabilities of the Shuttle system. A Martin Marietta spokesman said the company could "easily build 14 vehicles annually." He reported that a recent assessment conducted by the company in response to an Air Force request concluded that production of "a mix of five Titan 34D7 Complementary Expendable Launch Vehicles (CELVs), three Titan 34Ds, plus six Titan IIs at a total rate of 14 per year presented no difficulties and did not approach our historical production of 20 Titan IIs a year," he said.

Martin Marietta has a \$2.1 billion Air Force contract to build 10 CELVs in the 1988-92 period. The company also is under contract to the Air Force to refurbish up to 13 Titan II ICBMs as launch vehicles, with another 43 of the ICBMs available for conversion.

EIR

Quarterly Economic Report

The GRAMM-RUDMAN DISASTER

President Reagan's signing of the Gramm-Rudman amendment, which compels the federal government to reduce spending by about a quarter-trillion dollars over the next five years, completes the national bankruptcy of the United States. But even without Gramm-Rudman, living standards in 1986 will plunge 15-30% from the levels of the late 1960s.

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High stakes in Oregon primary

by Marla Minnicino

The stakes are high in Oregon's May 20 primary. With candidates associated with 1988 presidential candidate Lyndon H. LaRouche, Jr. on the ballot in 3 out of 5 congressional districts, 5 state legislative races, and vying for 11 party positions, the "Atari" Democrats and their dope-lobby cronies have their backs to the wall.

LaRouche has been the man the dope lobby fears the most since he commissioned the book *Dope, Inc.* back in 1978; and that book was just republished on April 30, in a much-expanded second edition. *Dope, Inc.* was originally written to fight efforts under the Carter administration to legalize marijuana.

At issue in November in Oregon is a state ballot initiative which goes beyond bills to decriminalize marijuana. The first of its kind in the country, the Oregon ballot initiative would, if passed, legalize "the personal possession and cultivation of marijuana." The National Organization to Reform Marijuana Laws (NORML), an arm of the dope lobby which entrenched itself in the federal government under Carter, is carrying out a nationwide campaign to ensure victory for the Oregon initiative, as a precedent for the rest of the country. The stakes are considered so "high" that NORML will be holding its June national convention in Portland. Its aim is to bring thousands of potheads to Oregon to work on the initiative and make it a major campaign issue.

It is well known that marijuana is illegally grown in isolated rural and forest areas of the Pacific Northwest such as Oregon. Josephine, Jackson, Curry, Coos, and Douglas Counties in the southwestern corner of Oregon have been cited as major marijuana production centers. Organized crime links to local growers are suspected, but have never been investigated.

Therefore, it is not surprising that Oregon would be the test case for NORML's lobbying efforts. The rock-sex-drug counterculture has been firmly entrenched here since author and MK-Ultra dabbler Ken Kesey—one of Oregon's more famous "personalities"—dumped LSD into vats of Kool Aid on college campuses during the 1960s.

The dope lobby's hold on Oregon is exemplified by the current goings-on in Portland, the state's largest city. Once a conservative town populated by blue-collar workers, dockers, and lumbermen, Portland's new constituents are primarily "yuppies" who were key in electing Mayor Bud Clark. A

popular tavern owner, Clark's contribution to "culture" was to pose in an open trench coat for the best-selling poster "Expose Yourself to Art."

Clark then won notoriety by appointing a female police chief, Penny Harrington, who immediately eliminated the narcotics and vice divisions of the police force, giving its duties to overworked detectives and precinct officers. Since then, the city has been rocked by one drug scandal after another.

Harrington's husband—a police officer himself—is under departmental investigation for allegedly tipping off a friend that he was among the suspects in a citywide crack-down on drug trafficking. Recently, the mayor's top aide was forced to take a leave of absence while he was being scrutinized for his role in a cocaine scandal.

Veteran police officers have testified that anti-drug efforts in Portland have been crippled under this new regime, and that dealers openly peddle dope on downtown street corners. No wonder Portland, with only 350,000 people, has a crime rate that ranks among the top 10 in the country.

As a by-product of the dope culture, hearings are now being held throughout the state on Senate Bill 812, one of the most vicious and far-reaching euthanasia bills in the country. The law, if passed, will allow a relative to decide on the life or death of a patient. It will also mandate the withholding of food and water from incapacitated patients.

A bipartisan slate of LaRouche candidates is challenging the liberal Oregon politicians who have allowed such atrocities as the euthanasia bill and the marijuana ballot initiative to become popular measures. In CD 1, Tom Repasky is challenging arch-traitor Rep. Les AuCoin for the Democratic nomination. AuCoin is one of leading supporters of the nuclear freeze in Congress and an outspoken opponent of the MX missile.

Well-known LaRouche Democrat Sam Kahl is taking on Rep. Ron Wyden (3rd District), a major spokesman for pro-drug and anti-nuclear causes, who is trying to use the Russian nuclear disaster to bolster his attacks on the region's nuclear power facilities. LaRouche Republican Duane Fulmer is running against incumbent Rep. Denny Smith, a liberal Republican, in the 5th CD.

In the Oregon voter's guide, slate-leader Sam Kahl outlined the LaRouche platform for economic recovery which would go a long way to reversing the collapse of agriculture and industry and conditions of cultural pessimism. The crux of the LaRouche program, says Kahl, is to "throw-off the culture of death represented by the dope counterculture, and launch a cultural renaissance of reason, beauty and scientific progress."

State legislative candidates running on the LaRouche program are: Ruth Willis (Dist. 33); John Billows (Dist. 7); David Morgan (Dist. 8); David Kahl (Dist. 20); and Marian Robertson in the 30th District. Billows is running in the Democratic primary. Morgan, Kahl, Willis and Robertson are running in the Republican primary.

A man who thinks infanticide 'humane'

by Linda C. Everett

Dr. Joseph Fletcher, S.T.D., D.D., Litt.D., is president emeritus of the Society for the Right to Die and outspoken promoter of active and passive euthanasia (with or without the patient's request and knowledge) and the use of IQ quotient for determination of who is human. Born in 1905, he was educated at Yale and London University. Fletcher is an ordained Episcopalian minister, a leading member of Planned Parenthood, the Paddock Fund, and the Human Betterment Association of America (through the practice of race science or eugenics).

One wonders what "human betterment" Fletcher was up to when he was made a brave in the Clan of the Mohawk Indians, a group which has been viciously manipulated by anthropologists since the late 1840s and is being pressured by mobsters to establish casinos on their lands.

Fletcher's pivotal role in the Right to Die movement, stems from the days when the Right to Die and the Concern for Dying were called the Euthanasia Educational Council. He was an advisory board member and a regular contributor to their annual conferences.

He served as a dean of the Graduate School of Applied Religion in Cincinnati; professor of theology and Christian ethics at the Episcopal Theological School at Cambridge, Massachusetts, and Eli Lilly visiting professor at International Christian University in Tokyo.

The Christian ethics Fletcher supposedly taught had nothing to do with Christianity, for he was a major formulator of "situational ethics." Under this rubric, there exists no absolute good: No act is too evil or unacceptable, including the slaughter of the elderly and the handicapped—which he promotes, if the right time or "appropriate" circumstance presents itself.

He has written on this with Harvey Cox, a fellow lecturer and Gnostic "new religion" kook at the Harvard Divinity School.

Fletcher also signed on with the Humanist Manifesto crowd, whose pronounced aim is the elimination of traditional Judeo-Christian ethics as "a hindrance to human progress." Given that Manifesto signers also "deplore the division of mankind on nationalistic grounds," saying that we must

"transcend the limits of national sovereignty" and ban all war, it is no wonder that Fletcher has been a leading member in the Soviet-American Friendship Society and World Peace Council, both Soviet front groups.

What follows are excerpts of Fletcher's statements from a January 1982 interview:

"There is no doubt that the general trend in ethical thought is to terminate the lives of defective newborns. I wouldn't want to see termination of treatment for a child born simply with Down's syndrome, but if such a child had a demonstrably low IQ or had severe physical disabilities, then its life should be mercifully ended. The mere fact that a child is a moron, using the standard Stanford-Binet IQ classifications, doesn't necessarily suggest that it should not be allowed to live, but clearly, in the case of idiots, those with IQs of 20 or under, they are simply not human beings. . . . Why not end their lives? . . .

It is absolutely imperative that society put an emphasis on the quality of life, rather than the sanctity of life. . . .

"There is no question that population growth and the right to die are connected. Overpopulation is a very serious damage whenever it occurs. Some of us, myself included, go so far as to say where you have actual famine, it is wrong to send famine relief. You merely make it possible for people to reach the level of reproduction and produce more starving bellies. . . . There's no doubt that the awareness of excess population growth and the limits to resources has led people to accept the need for the right to die. . . . The same holds for infanticide. It's a common practice in areas where there is an excess of population; it is, of course, the most ancient form of family planning, you might say. Infanticide is actually a very humane thing when you are dealing with misbegotten infants. We might have to encourage it under certain conditions of excess population, especially when you're dealing with defective children.

"A lot of these religiously motivated do-gooders that send aid to starving babies are making things worse. . . ."

In his 1980 article, "Ethics and Euthanasia," Fletcher says that "death control" is as imperative as birth control and that "there must be quality control in the terminating of life as in its initiating." Fletcher says it is ridiculous to give ethical approval for therapeutic abortions and not to allow the "positively ending of a sub-human life in extremis." He calls not simply for the right to destroy "a terribly defective infant" but "we are equally obliged to put an end to a patient's hopeless misery" when brain cancer occurs.

Fletcher makes it very clear that his ethics have nothing to do with the "kind of ethics which follow universal rules of conduct and absolute norms," i.e., the basis of Western values, but rather, he calls for the ethics of "humanistic medicine" which deals "practically" with the allocation of scarce resources via "triage officers" when an "incorrigible human vegetable" is "constantly eating up private or public financial resources in violation of the distributive justice owed to others."

Kissinger Watch

by M.T. Upharsin

It's silly season for appeasers in Europe

Usually reliable sources report to *Kissinger Watch* that the Italian city of Milan, on May Day, was graced with the presence of Henry A. Kissinger.

Aside from his usual round of meetings with some of the more degenerate influentials among the northern Italian financial elites, and a likely rendezvous with the Schimberni family, which runs the Montedison conglomerate, Kissinger is also scheduled to hold a debate on Channel 5 television with Italian Defense Minister Giovanni Spadolini and others.

The Milan events may signal that the "Kissinger Season" has begun in Europe, as pressures intensify for the "decoupling" of Europe from the United States, and particularly for withdrawal of American military forces from Europe, as Kissinger has demanded.

As of this writing, the itinerary of history's worst U.S. secretary of state will also include a visit to Madrid during the period of May 17-19, to attend the international plenary of the Trilateral Commission in the Spanish capital.

Kissinger's "decoupling" program was placed on the agenda for European appeasers of Moscow during the March through May period of 1984, beginning with a March 5, 1984 interview in *Time* magazine, advocating a phased withdrawal of American troops from Europe. Now, two years later, the Kissinger networks in the American think-tanks and the State Department have gone on the warpath, in the aftermath of the American

military attack against Qaddafi's Libya. Kissinger sidekick Helmut Sonnenfeldt, now of the Brookings Institution, has recently been among the most vocal to warn that a withdrawal of American troops from Europe, beginning this year, is a strong possibility. In the year of budget cutting mandated by the Gramm-Rudman law, such a withdrawal is becoming increasingly possible.

A back channel to the U.S.S.R.

Kissinger's friends in Europe are preparing his grand entrance, by meetings with Soviet representatives and others. From April 18-20, also in Milan, at the Palazzo delle Stelline, there was a meeting of a curious New York City-based entity called the Institute for East-West Security Studies, one of the few think-tanks in the world that boasts directors and advisory board members from both the NATO and Warsaw Pact countries. Co-sponsored by the Italian foreign ministry, the meeting was on the theme, "Improving East-West Relations."

According to one insider at the event, the Soviets were doing their level best to charm and woo these discontented Westerners (both European and American), smarting from the decisiveness with which the United States had acted, only days before, against Qaddafi. The star of the occasion, we understand, was former Soviet ambassador to Italy Boris V. Petrovskii, now a member of the Collegium of the U.S.S.R. and the head of the International Organizations department of the Soviet foreign ministry.

The Institute is, in effect, an arm of the Kissinger machine at the U.S. State Department and the U.S. National Security Council. The founder

and leader of the Institute, John Edwin Mroz, has carried out special private diplomatic missions in the Middle East on behalf of the State Department.

EIR will have more to say on some of the Institute's suspicious financial connections, in upcoming issues.

The Bilderbergers and Bonnie Prince Charlie

The "silly season" could not be complete without British Prince Charles somehow being involved in it.

According to a German Press Agency release from London April 27, Charles was the featured attraction at the annual meeting of the secret Bilderberg Society, held outside Perthshire, Scotland, over the April 25-27 weekend. Our sources have not yet confirmed whether Bilderberg member Kissinger was there, but Kissinger associate Helmut Schmidt, former chancellor of West Germany, was indeed present. The Bilderberg group was founded in 1954 by Dutch Prince Bernhard and others, and Kissinger has attended many of its meetings since the early days.

Prince Charlie has built quite an array of East bloc connections of his own. He professes himself to be a great admirer of Occidental Petroleum chief and Soviet agent Armand Hammer. In early April, while vacationing in the area of Florence, Italy, at the estate of the Frescobaldi family, the unstable claimant to the British throne likely met with leaders of the Italian Communist Party, according to a leak in Italy's *La Repubblica* newspaper at the time. The PCI was holding its national convention in Florence during the first days of April, and one featured attraction was an unusually large delegation from the Communist Party of the Soviet Union.

Did Claiborne Pell save Qaddafi's life?

Charges levied against Sen. Claiborne Pell (D-R.I.) by one of his colleagues at a press conference here on April 30, if true, would constitute evidence of a capital crime. Only if the term "treason" were interpreted by the courts as reserved strictly for times of officially declared war, might such a judgment be averted.

Representative Newt Gingrich (R-Ga.) declared that he has numerous eyewitness accounts from journalists that, following a secret briefing from the President at the White House just hours preceding the April 14 U.S. raid against Libya, Pell went back to Capitol Hill and tipped off the press to the impending military action, by telling them, far in advance of an official announcement by the White House, to "watch out for a special announcement by the President on national television at 9 o'clock tonight."

According to Gingrich, this tip-off, which was witnessed by several network TV correspondents, combined with indications of the location of U.S. planes and ships, was a sure signal that an attack was going to occur within hours.

The leak gave Libya's Colonel Qaddafi enough time to put his planes into the air, shut down his radar, and move himself out of danger prior to the attack. This is a more credible conclusion than the media reports—denied by the White House—that the United States had "goofed" by noti-

fying the Soviets an hour in advance of the raid.

If Gingrich is right, it is hard to imagine more reprehensible behavior on the part of a high elected official of government. Pell was included in the special briefing by the President and Defense Secretary Caspar Weinberger to select members of Congress, by virtue of his being the ranking Democrat on the Senate Foreign Relations Committee.

The briefing was in keeping with Weinberger's policy on such matters (see a review of his article on U.S. strategic military policy on page 60). However, the White House, said Gingrich, was "being very, very careful to create the impression that nothing out of the ordinary was happening that day."

Pell's decision to "spill the beans" was apparently a personal one, according to Gingrich. Gingrich aide David Shed told this reporter that originally Sen. Robert Byrd (D-W.Va.) was also suspected of leaking advance notice that "something was up." But, according to Shed, Gingrich decided to drop his accusations against Byrd after consulting with the eyewitnesses from the TV networks and determining that Byrd did not, in fact, leak any advance notice, himself. (This reporter, however, recalls viewing network news footage of Byrd rolling down the window of his car to tell reporters, prior to any official announcement or news of the raid, that the President would be on television that night).

Gingrich has called for a Senate investigation, and will be circulating a "Dear Colleague" letter for this purpose. He did not indicate what he thought the penalty should be, should his accusations against Pell stand up, beyond calling for "appropriate sanctions."

One such appropriate penalty might be to strap Pell to a warhead aboard the next F-111 bound for Libya, aimed straight at the oilfields.

Soviet SDI goals 'different than ours'

Lieutenant-General James Abrahamson, director of the Strategic Defense Initiative (SDI), told this reporter at a press conference here April 29 that "one must not confuse the objectives of the U.S. SDI program with that of the Soviets."

This followed a discussion of the Soviets' intensive two-decade-long effort at developing a laser-based strategic defense system.

When asked to elaborate on his statement, Abrahamson did not answer directly, but said that the Soviets are proceeding to develop nuclear-tipped warheads for their "point" ABM defense. To defend against incoming U.S. missiles, they envision detonating nuclear explosives in the lower atmosphere, above targets on their own soil.

The implication of this is that the Soviets perceive their strategic defense program as an adjunct to an offensive, first-strike system, whose purpose would be to take out a "second strike" retaliation from the United States. This would cohere with the evaluation of Soviet strategic doctrine presented in the Pentagon's recent *Soviet Military Power 1986* report, that the Soviets perceive that a nuclear war can be fought and won.

Abrahamson contrasted this Soviet concept to the U.S. SDI approach, which is "strictly defensive," and in which enormous progress is being made in certain areas, although, he added, there are many areas in which the Soviets remain ahead.

Soviet accident fuels anti-nuclear campaign

Nuclear power opponents have seized upon the disaster at the Soviet Chernobyl nuclear reactor plant to demand even more stringent controls over the American domestic nuclear industry, which has already been brought to a standstill by more than a decade of attack from the lavishly financed ecology movement.

The Soviet incident went a long way to forestalling—and probably defeating—an amendment to the Price-Anderson Act which was supported by the nuclear industry. Sponsored by Rep. Ron Marlenee (R-Wyo.), the amendment to the act providing federal insurance for nuclear accidents, would have set a liability limit at \$2 billion. Liberal Democrats on the House Interior Committee, who had voted to raise the current \$650 million to \$8.2 billion, adjourned the committee April 30, and put off a vote for two weeks when the Marlenee proposal was nearing a showdown.

An angry Marlenee asserted that backers of his proposal would have won, if the vote had been forced. "We had everyone lined up on our side," he said.

An opponent of the \$2 billion figure, senior Democrat Rep. John Sieberling (Ohio), cited the Soviet accident as justification for postponing the vote. "I don't see how, in light of events in the Soviet Union the last three days, members can face their constituents and tell them they voted in committee . . . in the event of a similar accident in this country" to reduce the liability limit.

He said he wanted the higher figure to put "maximum pressure on the industry to support itself."

But Rep. Larry Craig (R-Idaho), a backer of the \$2 billion figure, count-

ered: "I don't know what else we can do to make a safe industry safer. Simply upping the limit does not necessarily ensure safety."

Meanwhile, resolutions were introduced in both the House and the Senate criticizing the Soviet Union for failing to fully inform other nations about the disaster, and calling for tighter international controls over nuclear power.

The Senate resolution, S. Res. 390, sponsored chiefly by Sen. William Roth (R-Del.), calls for the International Atomic Energy Agency to "initiate a thorough investigation of the Soviet civilian nuclear program, with a view to determining whether that program, as currently constituted, poses a continuing threat to the health and safety of the citizens of the Soviet Union and the international community at large."

Gang that overthrew Marcos targets S. Korea

Some of the key congressional participants in the coup which toppled the government of Filipino President Ferdinand Marcos, have set their sights on another long-time American ally, the Republic of Korea.

On April 30, Sens. John Kerry (D-Mass.) and Dennis Deconcini (D-Ariz.) introduced legislation calling on President Reagan to name a special envoy to South Korea, ostensibly to "expedite a peaceful solution" to the civil unrest whipped up by South Korean "dissidents" and their international network of supporters.

Presumably, the envoy would serve the same function as did Philip Habib, whom President Reagan appointed special emissary to the Philippines in February, and who pro-

ceeded to direct the destabilization of Marcos.

The resolution specifically calls on President Chun Doo Hwan to allow the people of South Korea to petition for a constitutional amendment to hold direct presidential elections. This has been the key agitational issue of the anti-government revolt.

Kerry, a Boston Brahmin of the first order (his mother is a member of the patrician Forbes family, although he uses his last name as currency among Massachusetts' large Irish-Catholic electorate), made no bones about the parallels he wishes to exist between the Philippines and South Korea. "While there are many differences between the Philippines and the Republic of Korea," he said, "there is one important similarity . . . an intense drive for democratic societies in both countries."

Kerry said the United States should take an important lesson from the Philippine experience, namely the need for a "strong identification of the United States with democratic movements abroad."

Co-sponsor Deconcini criticized the Reagan administration for taking "the path of silent diplomacy with the Chun government."

The resolution will probably be referred to the Senate Foreign Relations Committee, of which Kerry is a member.

Gore votes 'no' on space-agency nominee

Senator Albert Gore (D-Tenn.) cast the one dissenting vote, when the Senate Committee on Commerce, Science, and Transportation voted April 30 to approve Dr. James Fletcher's nomination to head the National Aero-

navics and Space Administration (NASA).

A nay vote from Gore came as no surprise to those familiar with his background as a superliberal on military and strategic policy issues; Gore's father, a former U.S. senator, is a business partner of Soviet agent-of-influence Armand Hammer.

In explaining why he voted against Fletcher, who served as NASA administrator once already, Gore cited a two-part exposé of NASA in the *New York Times*, which just happened to begin the day Fletcher's confirmation hearings took place. Allegedly based on federal audits 2 to 15 years old, the articles claimed that NASA was guilty of abuses, mismanagement, fraud, and cost overruns in the development of the Space Shuttle.

"I do not believe there is any question of integrity here, or personal fitness," Gore said, adding quickly: "I do not have confidence in Dr. Fletcher's judgment."

But what really seems to bother Gore is that Fletcher is a strong proponent of the Strategic Defense Initiative—a program which Gore despises. Gore complained that Fletcher, who headed an administration-appointed panel which confirmed the viability of strategic defense, had told him during a private meeting that "he thought there was a 50-50 chance" that the United States could develop a leakproof antimissile shield by the year 2000, a prediction Gore said he found "incredible."

Study warns of short-range missile threat

The Congressional Research Service has issued a report warning that significant numbers of short-range ballis-

tic missiles could be deployed "in most regions of the world in the not too distant future," and that this "new-found capability can alter a regional balance of power."

Prepared by CRS at the request of Sen. Dan Quayle (R-Ind.), the report also maintains that one method of meeting this threat would be development of anti-missile defense systems.

On April 24, the Senate Armed Services Subcommittee on Strategic and Theater Nuclear Forces held hearings at Quayle's behest on defense against short-range missiles.

Lieutenant-General James Abrahamson, director of the Strategic Defense Initiative Organization (SDIO), was joined by Undersecretary of Defense Fred Iklé in telling the panel that increasing emphasis should be placed on investigation of methods to counter shorter-range missiles, particularly for use in Europe.

"Soviet doctrine seems to be evolving along lines that place ever greater value on tactical ballistic missiles and the havoc they would wreak on NATO forces," Abrahamson said. He added that the SDIO "plans to sponsor architecture studies which will examine in detail the shorter-range missile threat confronting our allies."

Iklé and Abrahamson called on Congress to establish a special fund to finance research on a defense system to protect Europe from attack by conventional and nuclear Soviet missiles. Such a fund would "get us in a mode of sharing and matching money" with West European allies, Iklé said.

Both he and Abrahamson testified that such systems would not violate the 1972 ABM treaty "so long as they could not knock down strategic missiles." Until now, "Soviet military planners have had a free ride" on their threat to use ballistic missiles in Eu-

rope, Abrahamson said. "Even a modest defense . . . would have a major effect on the situation."

Quayle announced he would offer an amendment to next year's defense authorization bill asking \$50 million "for cooperative development" of a defensive system against tactical ballistic missiles.

Simon says Soviets are unfairly accused

Senator Paul Simon, a liberal Democrat from Illinois, has leveled the charge that the Reagan administration is using the Standing Consultative Commission (SCC)—a U.S.-Soviet organization which monitors treaty compliance—to unfairly attack the Soviet Union.

"Since 1981, with one exception, the SCC has been sorely hampered by an administration ill-disposed toward arms control," Simon said. "The SCC," he said, "has now become a forum for the United States to recite our grievances, demand Soviet action to remove our concerns, and reject out of hand Soviet concerns. By all accounts it has become a monologue. Our ambassador to the SCC, retired Gen. Richard Ellis, is in a tough spot. . . . [He] is no pushover, but the United States representation to the SCC must answer to an interagency working group dominated by the Defense Department hardliners. Much greater progress can occur if we give Ambassador Ellis the leeway he needs to negotiate."

The SCC has been criticized by Secretary of Defense Caspar Weinberger and others somewhat more skeptical of Soviet intentions than simple Simon, as a do-nothing organization that covers for Moscow's violations of treaty agreements.

Weinberger announces 'breakthrough' on SDI

Secretary of Defense Caspar Weinberger has announced that the Army scored a breakthrough in an April 20 experiment related to the Strategic Defense Initiative, in which a missile packed with new guidance technology destroyed a target 12,000 feet over the New Mexico desert. Guided by a miniaturized radar homing device and 216 thumb-sized rocket motors, the missile destroyed its target by smashing into it at a speed of 3,000 mph. The target, an aluminum sphere 44 inches in diameter, was destroyed by impact; no explosive warhead was involved.

Weinberger told a Virginia Polytechnic Institute gathering on April 26 that the test "takes us closer to the guidance technology needed for non-nuclear intercepts of missiles within the atmosphere." He added, "This program is part of SDI research toward an effective counter to the tactical missile threat we and our allies face."

Anti-nuclear activist throws in the towel

Helen Caldicott, an Australian who is one of the founders of Physicians for Social Responsibility and author of such disarmament tracts as *Missile Envy*, says she is quitting the anti-nuclear movement because it isn't working.

"I'm not inspired anymore," she told a Mills College audience April 26. "I can't save the Earth by myself. I used to think I could, but that was arrogant."

She now believes that Reagan administration policies have made nuclear war inevitable: "I think the political situation in this country is grim. We haven't stopped one bomb from being built." She said that she will go into permanent retirement in Australia.

The kooky Dr. Caldicott is notorious for her view that the arms race is caused by the

sexual insecurities of males. In a speech to a conference of the World Council of Churches in July 1983, she said: "It is significant that missiles are clear phallus symbols . . . [that] rise and explode with a big bang." She described her efforts to frighten workers at nuclear energy plants into quitting, including an appearance before a group of Australian uranium miners, dressed in "my black velvet pants. The first thing I had to do was make sure they looked at me. . . . I immediately started in by talking about their testicles" and the dangers to those organs as a result of uranium mining. The men passed a resolution to close the mine.

Washington Times vs. the Renaissance

Washington Times commentator John Lofton on April 23, in an article entitled, "LaRouche a Renaissance Man?" denounced presidential candidate Lyndon LaRouche as "a very dangerous man indeed," because of his adherence to the "individualism" of the 15th-century Italian Golden Renaissance. According to Lofton, the Renaissance was "one of the most wretched, immoral, and criminal periods in recorded human history." As the source for this characterization of the Renaissance, Lofton relied on the views of the 19th-century necrophiliac Jacob Burckhardt.

LaRouche replied, in a letter to the editor of the *Times* published April 28, that Burckhardt is a most dubious source indeed: His views developed under the tutelage of law professor Friedrich Karl Savigny, who fostered "malicious, Ruskin-like hatred of the Golden Renaissance" in Karl Marx, Burckhardt, and others.

LaRouche continued, "Yes, I am a 'Renaissance man,' in the Socratic tradition of St. Augustine's Christian Platonism, and of Cardinal Nicholas of Cusa and Mr. Leibniz after St. Augustine. If Mr. Lofton had read any of my published writings on this subject, rather than a mere skimming of the disreputable Mr. Burckhardt, Mr. Lofton

might still regard me as 'a very dangerous man,' but he would know what he was talking about, as he did not when he wrote his crib in your April 23 edition."

This is not the first time that the Rev. Sun Myung Moon's *Washington Times*, bible of the U.S. "New Right," has been at loggerheads with LaRouche on crucial policy matters. Following the release in July 1985 of *EIR*'s Special Report entitled *Global Showdown: The Russian Imperial War Plan for 1988*, the newspaper abruptly broke its contract to run a paid advertisement for the report, with no explanation offered. Instead, it opens its pages to commentaries advocating the legalization of heroin and the withdrawal of U.S. troops from Western Europe.

That is not surprising, given the oligarchical pedigree of Editor-in-Chief Arnaud, Count de Borchgrave. He is a naturalized American citizen of noble Belgian birth, and served with British intelligence services during World War II. He has been a lifetime intelligence asset of those oligarchical European households which maintain a friendly relationship with the Soviet KGB, in their efforts to destroy the values of Renaissance culture in Western civilization—especially in the United States.

Local TV stations interview LaRouche

Lyndon LaRouche taped interviews by satellite hook-up with local television stations around the country on April 29. Here is a sampling of the repartee:

• **Atlanta ABC:** LaRouche was asked whether he knew Jerry Belsky, a candidate for U.S. Senate who is backed by the National Democratic Policy Committee and has been attacked by Georgia Democratic Party officials. LaRouche replied: "I understand there's a problem with a little bit of anti-Semitism against Belsky down there. . . . Georgia has the reputation of being the core of the Carter belt. We'd like to free it from that reputation."

Briefly

● **New York City CBS:** The interviewer said, "Supporters of yours are running in the school board elections, but they are hiding the fact that they are your supporters." LaRouche pointed out that the school board campaign in question was two years ago, and that no candidates associated with him are currently running.

● **San Francisco NBC:** Asked what he has to offer the "gay constituency" of San Francisco, LaRouche described the danger of an AIDS pandemic and said: "Under present policies, they are all condemned to die. I don't think they should die. . . . They believe that AIDS is a homosexual disease; they are wrong. It is a tropical disease, a pandemic. . . . As human beings, they have rights, but I don't believe in the homosexual rights movement."

The reporter demanded a list of LaRouche Democrats and Republicans running for office in the state. He was told, "They are not secretive. If you want to find the candidates, organize a candidates' evening, and invite all the candidates to come express their views. Then they'll show up. If the news media were really interested in covering the elections, you would know who the candidates are." When the reporter insisted on a list, LaRouche retorted, "It's much more fun this way. . . . The Democratic party no longer exists. It's a tradition, with a group of liberal dictators on top."

Soviets provide 'proof' for OSI anti-Nazi cases

Evidence supplied by Soviet authorities has played a major role in investigation and prosecution of alleged Nazi war criminals by the U.S. Justice Department's Office of Special Investigations (OSI), reported Robert Gillette in the *Los Angeles Times* April 27. The lengthy feature, first of a two-part series, confirms charges long since made by *EIR*.

Gillette reports that in January 1980, "under terms largely set by the Soviet side, Soviet judicial authorities agreed to supply

documents and eyewitness testimony to the Justice Department's newly created Office of Special Investigations . . . the bulk of evidence would have to come from the Soviet Union." Six years later, 19 naturalized Americans have been stripped of their citizenship and 9 deported, while 35 cases are in the courts and 300 investigations are under way. In many cases, there has been "little corroborating evidence" from non-Soviet sources.

The use of Soviet evidence has been condemned by ethnic organizations of Baltic and Ukrainian nationalities, Gillette reports. But the OSI "dismisses such criticism as reflexive anti-communism tinged with anti-Semitism and motivated by a thinly veiled desire to protect war criminals." The Anti-Defamation League of B'nai B'rith released a 40-page report in defense of the OSI last June.

Over the last three years, however, "largely without public notice, a number of federal court jurists and defense lawyers have voiced serious misgivings about the use of Soviet evidence, especially witness testimony, in American courts." The Soviets control U.S. access to their witnesses, and Soviet prosecutors supervise the taking of depositions, restrict cross-examinations, and urge witnesses to adhere to written summaries of their earlier interrogations by the KGB.

United Methodists back weapons ban

The bishops of the United Methodist Church have issued a pastoral letter denouncing nuclear weapons and the doctrine of nuclear deterrence. The statement was released following a meeting of the church's leaders the week of April 21 with a delegation from the Russian Orthodox Church, headed by Metropolitan Filaret.

The letter was adopted at the semi-annual meeting of the United Methodist Council in Morristown, New Jersey. It rejects St. Augustine's notion of the just war, saying that this cannot be considered valid for nuclear wars.

● **CASPAR WEINBERGER** has ordered a clampdown on books by Pentagon officials on the "inner workings" of the government. Richard Perle and James Webb, both assistant secretaries of defense, will not be able to sign book contracts until they leave the DoD. Perle was planning a "fictional" account of the Washington bureaucracy.

● **SARGENT SHRIVER**, the former Peace Corps director, Kennedy family in-law, and father-in-law of Arnold Schwarzenegger, was told by a supporter of Democratic Party presidential contender Lyndon LaRouche that LaRouche's movement was going to "take over your Maryland machine." Shriver replied: "Go ahead; we don't have a Maryland machine anymore."

● **STEVEN SOLARZ** could become a contender for the Democratic presidential nomination, according to the British weekly *Private Eye*. The congressman from New York played a major role in toppling Philippines President Ferdinand Marcos; if he "could add [Pakistan President] Zia's scalp the same year," he would have a shot at the nomination, according to the magazine's correspondent in Pakistan.

● **MICHAEL PILLSBURY** has been fired from his post as assistant undersecretary of defense for policy planning, on suspicion of leaking information to reporters about the shipment of anti-aircraft missiles to rebels in Afghanistan and Angola. Pillsbury reportedly flunked a lie-detector test. He was an aide to the Pentagon's Fred Iklé, who serves on the "208 Committee on Covert Actions."

● **A MOVE IS AFOOT** to field a Democratic presidential slate including Texas Gov. Mark White and former Virginia Gov. Charles Robb, insiders report. Does this have something to do with recent Republican attacks on White?

Our British cousins' Queen

Since March 18, 1986, the day of the Illinois primary elections, our competitors in the mass media in the United States have insisted, for reasons of their own, on turning Queen Elizabeth into something of an American celebrity. If one is to believe the *Washington Post*, the *New York Times*, United Press International, Associated Press, NBC-TV, and their imitators, Queen Elizabeth is "that woman," who, "LaRouche says, pushes drugs."

LaRouche, of course, has never said anything of the sort. The *Post*, NBC and the others, however, keep insisting: "LaRouche says the Queen runs drugs." One wonders, what the real purpose of these detractors might be—to slight LaRouche by imputing to him wild exaggerations, or to give the Queen a bad name?

We would have let the matter drop without comment, had it not reached the mass circulation media in the United Kingdom. Recently, on the privately owned Channel Four of British television, a moderate-sized program on LaRouche's political movement in the United States was broadcast, which featured an episode between a LaRouche supporter and the British television interviewer. "Do you *really* think the Queen of England runs drugs?" the interviewer was shown on TV to ask. "I think the real problem is your Prince Charles trying to change our Constitution," was the LaRouche supporter's answer as seen by TV viewers in London.

Subsequently, the mass circulation, semi-pornographic newspaper the *Daily Mail*, in its May 2 edition, ran a huge slander against Mr. LaRouche and the U.S. political movement with which he is associated, accusing Mr. LaRouche of "anti-Semitism, racialism, violence and militarism," and calling the National Democratic Policy Committee a "neo-Nazi organization."

Fair though all may be, in love and war, as well as in politics which combines both, we believe our colleagues of the *Daily Mail* deserve a reprimand and a lecture in history. On the day they published their slander on Mr. LaRouche, the gentlemen of the London tabloid were also shedding burning tears over the death

of the Duchess of Windsor, wife of England's not "neo" but original "paleo-Nazi" King Edward VIII, uncle of Queen Elizabeth II. Of course, the owner of the pornographic *Daily Mail* is Lord Rothermere, a member of the British Royal family, whose daughter is married to Lord David John Ogilvy, the son of the Honorable Angus Ogilvy, husband of Princess Alexandra.

This royally married Ogilvy family, the in-laws, so to speak, of the pornographic *Daily Mail*, has long been associated with drug trade going back to the China Opium Wars, and is one of the very prominent financial powers of the Kingdom today.

There is a certain sense in which it can be said that the Queen of England is "not responsible," for policies of her country. Her peculiar circumstances are not similar to other monarchies, past or present. Since the 1701 Act of Succession, which, among other things, gave us the murder of Queen Anne and crazy George III, the British Queen, or King, is the tolerated head of a financial, titled oligarchy which specializes in conducting banking, trading, financial, and commodity and real-estate operations around the globe, regardless of flag or nationality.

These people, Lord Rothermere and the Honorable Ogilvy included, have chosen the convenience of the institution of monarchy to run their business operations which, as a rule, have been conducted against the lawful interests of many nations, including the national interests of the United Kingdom. It is an unfortunate fact that since the assassination of Queen Anne, all subsequent British monarchs, the Hanoverian/Windsor family, have chosen to be part of this rapacious, disloyal financial oligarchy, which they have found most enormously profitable.

So, do not imagine the "Queen of England runs drugs" in the style of a South Bronx high-school dropout. Instead, consider the Board of Directors of Jardine Matheson, or Hong Kong & Shanghai Banking Corp. deliberating on the distribution and investment of drug-trade proceeds before they change into the proper attire for attending the next royal ball.

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