

EIR

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The real story of Peru's terrorist-run prison
NASA ready to implement Shuttle recovery plan
How patriots can beat 'low-intensity warfare'

**Who in Washington
dances to Moscow's tune**



EIR

Quarterly Economic Report

The deflationary collapse of the Western banking system

First Quarter 1986



The 60% collapse in the world oil price between January and March has destabilized the international financial system, and accelerated the impetus toward what has been called, "a new depression, on top of the present depression."

What should be done? The answer is simple. Impose an emergency oil import tariff now. The free-marketeers, and their Soviet friends, will scream about it, but the measure is the most readily available alternative to halt the unraveling of the bankrupt international and national financial system.

Did you know that . . .

- **\$250 billion of U.S. banks' domestic assets will go bad, in the wake of the collapse of oil prices since November 1985.** The crash will by no means be limited to banks' loans to energy companies.
- **Conditions have been set for a general panic among savings-bank depositors,** whose \$1.2 trillion in deposits lack federal insurance backing.

- **The U.S. is on the verge of a revolution in medical technology.** But the Gramm-Rudman budget-cutters and Washington cost-accountants threaten to keep these technologies from being introduced, and are "reforming" the Medicare and medicaid system into a means for wholesale euthanasia against America's sick and elderly.

Since the fall of 1979 Lyndon LaRouche's forecasts have established a record unparalleled in accuracy by any other economic forecasting service in the nation. Data Resources International and Chase Econometrics proved unable, in the fall of 1979, to correctly forecast the consequences of the credit policy then being initiated from the Federal Reserve by Paul Volcker. LaRouche did, in the EIR Quarterly Economic Report. Those agencies, and their co-thinkers, have been repeatedly exposed as incompetent bunglers, while the LaRouche record has been maintained.

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EIR

From the Managing Editor

We are pleased to release this issue on the 210th anniversary of the American Declaration of Independence. When the Founding Fathers declared their dedication to uphold "certain inalienable rights," they intended these to apply to all peoples, and the sovereignty of all nations to be upheld. Today, these principles are mortally threatened by the "New Yalta" arrangement between the backers of the International Monetary Fund and the military dictatorship in the Kremlin. Therefore, we feature this week several items dedicated to the principle of national sovereignty:

- Our cover *Feature* addresses the treason in Washington, the congressional sabotage of the Strategic Defense Initiative. Under the rubric of "budgetary constraints" demanded by the Gramm-Rudman bill, Republicans and Democrats have joined forces against the most important U.S. military program of the postwar period. Behind this deadly capitulation to Moscow's demands, there lurks the elite policy-making grouping known as "The Trust."

- Our *Strategic Studies* section highlights the threat which Soviet low-intensity warfare currently poses to the Federal Republic of Germany. In such warfare, the psychological battle is always more important than military engagements per se, and Helga Zepp-La-Rouche shows how far German politicians have already given in to Soviet pressure. We also present the first English translation of excerpts from Brig.-Gen. F. A. von der Heydte's classical treatment of the subject.

- In Peru, President Alan García is waging a courageous battle for the sovereignty of the nation, against the Shining Path terrorists and their promoters from the international press and such groups as Amnesty International. Our report includes a first-hand study of the horrendous conditions in Peru's prisons, inherited by García from previous regimes.

- The lead to our *Economics* section addresses the debt crisis in Mexico, which bankers fear could bring down the world monetary system. In a statement excerpted here from a "press briefing" prepared as part of his campaign for the 1988 Democratic presidential nomination, Lyndon LaRouche analyzes the global strategic-financial context in which the Mexican developments are occurring.

Susan Welsh

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NSIPS/Stuart Lewis

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Central bankers warn of financial collapse

by David Goldman and William Engdahl

Two recently retired governors of European central banks, Fritz Leutwiler of Switzerland and Guido Carli of Italy, warned at the end of June that the Mexico crisis may lead to the early collapse of the world banking system. The mood among European central and private bankers is grim: They accurately characterize American efforts to contain the Mexico crisis, and the broader crisis from which it stems, as hopelessly flawed. But they offer no means out of a disaster which a growing number of them believe to be inevitable.

Leutwiler, who served first as head of the Swiss National Bank, and then as president of the Bank for International Settlements, was interviewed on West German television June 24. He said: "The world monetary system is extremely sensitive. If some debtor country, for example Mexico, were to declare a debt moratorium—and I must say that I do not think they will—this would create tremendous problems; it would lead to a collapse. This collapse would also hit the German banks, as well as others." Leutwiler insisted on the need to maintain the International Monetary Fund's austerity conditionalities to enforce orderly debt repayment.

The European central banks, according to senior officials of the Bank for International Settlements, have already decided that Mexico is America's problem, since the overwhelming majority of Mexico's \$100 billion in bank loans are owed to U.S. banks. But former Italian central bank governor Guido Carli, one of the principal architects of the monetary arrangements following the 1971 collapse of the Bretton Woods monetary system, warned a journalist June 26 that Mexico's impact would be global: "The Europeans must also come into the Mexico debt crisis situation and recognize their responsibility. We have an equal interest in preventing a major crisis at the periphery of the world finan-

cial system from spreading. Recall that it was a crisis in the periphery, at that time the collapse of Kreditanstalt in Vienna, which brought the world to collapse in 1931. Mexico today is similar in its potential.

"We are close to the edge of the second worldwide depression, and it could be worse than the first one," Carli warned in a speech on June 25 at the 20-year anniversary of the establishment of the Istituto Italo-Latino Americano in Rome.

Who picks up the bill?

A senior official of the Basel Bank for International Settlements said June 19 that the problems of Mexico's debt "are problems for Washington and the U.S. banks. The solution lies in Washington, and must be official. These are very serious problems." The spokesman added that the United States could do one of two things: directly aid Mexico, the more rational course, or directly aid its own banks.

Of course, as the Bank for International Settlements staff argues, the United States can bear alone the cost of a Mexican bailout—\$10 billion up front if Washington chooses to bail out the country, or much more afterwards, if Washington has to bail out Mexico bankers. That is also the view of the major Swiss banks.

A senior official of one of the "big three" Swiss private banks told *EIR*, "Although the U.S. banks are certainly in some ways more prepared for a shock than in 1982, the difficulties, as a whole, could be far greater than in 1982. In addition to their problems in less-developed countries' debt, you now have the considerable problems of the oil lending, agriculture debts, and now increasingly real-estate debt problems. If you add to that the proliferation in the U.S. banking

system of off-balance-sheet lending over the past four years, this is very serious." In event of a worst-case bank crisis breaking over Mexico, he emphasized, "It is the policy of our bank and the Swiss national bank as well, that, in such a case, this problem must be solved by the lender of last resort, the national country most concerned. The BIS would not assume this role; it is not intended to national basis."

Carli justifiably fears that American capitulation to Mexican nationalism would demonstrate the bankruptcy of Washington's entire policy since 1982, when the debt crisis first broke out. A bailout from Washington would immediately put the U.S. dollar at mortal risk: America needs \$150 billion from foreigners to finance its payments deficit, and the Mexico situation could provide the trigger for a general exodus of short-term foreign funds invested in the United States.

In turn, a collapse of the dollar would have a devastating impact upon the principal dollar market, the City of London. British bankers vehemently reject the notion that the Mexico crisis should be, or even can be, limited to banks. "Nobody discusses it, but the fact is that the overwhelming bulk of the dollars loaned to Mexico and other Latin countries during the

from the Bank in London said. "This is because of domestic restrictions limiting the loan exposure of U.S. banks. The multiplier of the unregulated Eurodollar markets, via Bahamas or other branches, were the way the banks evaded these restrictions. In 1982, this fact was largely put in the background as all banks internationally closed ranks to save the system. Today, the situation is different, and the issue of who is really

pressed. This is clear, even after the Banco Ambrosiano Luxembourg scandals." Swiss bank officials insist that the largest lending banks are American, and, therefore, the U.S. Federal Reserve must be the "lender of last resort," i.e., assume ultimate responsibility for a debt default crisis.

A further complication, from the British standpoint, is that the U.S. administration appears hell-bent on breaking the Mexicans' political will, at the cost of a confrontation that would devastate the banks. "There is a growing divergence in policy evident between some of the European banks and the U.S. banks on how to deal with the Mexican crisis," reported a well-informed British banker. "This policy divergence is certainly true for the Swiss, and I think also to an extent the West German banks. They feel the United States is going against its own self-interest as well as that of the international banking system by its persisting insistence that the letter of the debt agreements be observed."

But Mexico, upon which the attention of the world banking establishment now focuses, may not be the trigger for a financial panic. Some European bankers fear the political consequences of the isolation of South Africa much more. Another danger lies in the speculative financial markets

themselves, whose volume of trading has doubled in each of the past three years. One City of London analyst believes, "The imminent financial 'Big Bang' in London could be the trigger for a global financial crash." The "Big Bang" comes Oct. 26, when London financial markets will become fully deregulated, on the Wall Street model.

LaRouche comments on Mexico debt bomb

The following comments are excerpted from a news release issued on June 25 by Lyndon H. LaRouche, Jr., candidate for the 1988 U.S. presidential nomination of the Democratic Party. He was the author, in 1982, of a proposal for Western Hemisphere monetary reform, known as "Operation Juárez," which has been the central issue in policy fights at the highest level of government in the United States and other republics of this hemisphere.

. . . Any discussion of the Mexico debt-crisis must take the following sort of background information into account. This past March, leading Swiss bankers announced an imminent collapse of the U.S. banking system, and emphasized measures being taken by Swiss and German banks to insulate themselves against the effect of an American banking-system collapse. At present, Oct. 25, 1986, the date of deregulation of the British stock-market, is viewed as the probable time of outbreak of the new world depression. The word among the world's top banking circles today, is "quiet panic." I predict no exact date for the financial blow-out. The new worldwide financial crash could come at almost any time. . . .

The significance of the new outbreak of the Mexico debt-crisis, coinciding with the South African situation, and the situation in Peru, Brazil, and Argentina, could be the trigger to set off a chain-reaction inside the highly unstable U.S. banking-system. This is key to understanding the outright insanity coming out of the Helms Committee hearings on Mexico and Panama. The New York bankers are demanding that all of Central and South America be crushed into submission to the desperate bankers' new round of demands from these countries. . . .

It is most interesting to witness that the same sections of the Congress and Executive Branch which are usually the loudest in defending the civil liberties of some left-wing terrorist or drug-runner, are leading the pack with Senator Helms, backing bloody measures which will take the lives of many tens of thousands or perhaps millions of persons. Those who pride themselves in abhorring the memory of the U.S. war in

forces out of Europe, as part of turning perhaps all of Central and South America into a new "Vietnam war." I have no fear of exaggerating when I characterize such elements of the

Congress and the administration as the most despicable and bloody sort of hypocrisy.

There are those who instruct President Reagan that he must support such policies against Mexico and Panama, because, otherwise the savings-deposits of millions of U.S. citizens will be in jeopardy. That sort of advice to the President should be denounced as a cruel fraud. A bloody destabilization of Mexico will do nothing to save any U.S. bank from collapsing. The center of the problem is not approximately \$350 billion foreign debt of Latin American nations; the center of the problem is a minimum estimate of \$1.2 trillions of off-balance-sheet loans of the U.S. banking system. The center of the problem is a gigantic financial bubble inside U.S. financial markets, centered around Merrill Lynch and Walter Wriston's "creative financing" methods at Citibank. . . .

The chief source of the present danger of a U.S. banking collapse is not Third World debt; it is deteriorating conditions inside the U.S. economy itself. It is sufficient to mention a few of these intersecting factors:

- 1) The collapse of agriculture, and therefore of farm land-values.
- 2) The collapse of petroleum prices, and therefore a collapse of financial values and loans associated with petroleum investments.
- 3) The depressive impact of Gramm-Rudman-Hollings on several already depressed sectors of the economy, including manufacturing.
- 4) The catastrophic impact of the current tax-reform legislation on real-estate markets and upon all capital-intensive investment and employment.

Under present trends, the combined effect of these and other depressive factors are expected to hit the nation about the time of the second round of Gramm-Rudman cutbacks, about October.

These effects will hit a U.S. banking-system which is presently operating at a ratio of current liabilities to current assets of approximately 2.5 to 1. As real-estate and other markets sag, this ratio will increase. In other words, the U.S. banking system is already in a condition of hyperinstability. . . . With the passage of weeks and months, the size of the shock required to transform this instability into a financial chain-reaction blow-out, like that of 1931, becomes less and less.

South Africa the trigger?

The most probable external trigger for a general banking collapse comes not from Latin America, but from South Africa. Any step-up of sanctions action against South Africa will impel South Africa to unleash its economic super-weapon, the fact that the Soviet Union and South Africa control, combined, over 95% of the world's supply of strategic minerals. South Africa could bring the economies of the OECD nations to their knees. A bloody racial war in South Africa, or an escalation of the present Soviet military offensive in

southern Africa would shut down southern Africa's strategic minerals output, to similar effect. . . .

The time has come to do what is thinkable. The government of the United States must act immediately, through bilateral and multilateral negotiations with the governments of Mexico and leading South American republics, to scrap the present form of the international monetary system, and to reorganize the debts of these nations and of the United States under the terms of a reorganized monetary order. . . .

We have a not-unrelated situation in the Middle East. The crisis-points in front of us include July 1 in Egypt. Unless the government of the United States gives an immediate and credible signal to both the government of Egypt and the Israeli government of Prime Minister Shimon Peres, that the President is prepared to provide a negotiating table for rapid development of a "new Marshall Plan" for the Middle East, a series of destabilizations will erupt in the Middle East over the coming months of 1986, leading to early conquest of both Israel and Egypt by a Soviet-backed aggregation of Syria-led forces.

We have a not-unrelated failure in our policy toward Japan. The recent Tokyo monetary summit was a disastrous failure of the OECD nations' re-imminent international financial blow-out. The included reality of the situation is that Japan, the only functioning industrial economy of the OECD group, is forced to take international leadership in economic policy-shaping, a political role which Japan's leaders had not prepared themselves to undertake, and which the other OECD nations were unwilling to propose to Japan. The world urgently requires the scrapping of the so-called "floating exchange-rate system" established at the 1972 Azores conference, and general monetary reform based on a return to a gold-reserve system. Japan, the only OECD nation which has maintained the habit of a pro-scientific, pro-industrial outlook, has obvious special qualifications to contribute a leading role, and could do so if the U.S. government would show better insight in the manner Japan evolves policy-shifts.

We can not end the spiral of debt-to-income ratios without promoting rapid increases in the rate of physical output per-capita, especially among the principal industrialized nations. We can not accomplish this without long-range stability in exchange-rates of currencies, and return to low borrowing-costs for financing of world trade and hard-commodity production. To do this requires us to fall back to the precedents of Hamilton's American System of political-economy, both for our domestic economic and monetary policies, and respecting our relations with other nations. Any attempt to address the challenge of the impending financial blow-out will be a miserable failure, unless those specific kinds of measures are adopted in framing the new policies introduced. There is no longer any sort of patchwork action which could sustain the present monetary order over the medium-term ahead.

The debt bomb: Mexico in the hour of truth

by Hugo López Ochoa

The dumping of Jesús Silva Herzog as Mexico's finance minister "marks a turning point in the Latin American controversy over treatment of foreign debt," declared Carlos Alzamora, former permanent secretary of the Latin American Economic System (SELA) and current Peruvian ambassador to the United Nations, on June 19. "It is undeniable that there have been from the beginning two positions on this problem in Latin America: those who conform to it and those who contest it. Jesús Silva Herzog was the leader of the first group," he stated.

When negotiating debts, Alzamora reported, the "conformist tendency" would say, "It's wrong to discuss the international context which causes the debt, and we should not organize ourselves to negotiate jointly." SELA's position of joint action has won out, although, "four years delay and four years of hemorrhaging are four years too many."

During the almost four years in which he bled Mexico, Silva Herzog had grabbed a kind of "dual power" in Mexico. His sweetheart deals with Paul Volcker and the Citibank crowd practically cut President Miguel de la Madrid and the nation's political and economic institutions out of economic decision-making.

In contrast, his successor, Gustavo Petricioli, proclaimed on the eve of his June 26 departure for Washington that "an indispensable requisite" for any deals with creditors or the International Monetary Fund (IMF) is growth. "We cannot accept any arrangement which does not embrace the country's need to grow. We also need enough resources from abroad to permit us to achieve 3-4% growth through 1988, which is the equivalent of the [rate of] incorporation of the population" into the labor force, he said.

De la Madrid categorically renounced the creditors' dictates in a June 2 speech. He committed himself to defend Mexico's sovereignty and "make the usurers understand that the dead cannot pay, nor can the bankrupt be clients."

Gustavo Petricioli is a loyal friend of the President and has been described by the president of the Confederation of Chambers of Industry (Concamin) as "a man who is in favor of industrial growth."

Operation Juárez on the agenda

Alzamora's statements highlight why creditors have entered a kind of "quiet panic" since Silva's ouster. Since 1982,

U.S. economist Lyndon LaRouche's proposal for financial reform, known as "Operation Juárez," has been the central issue in policy fights at the highest levels of government in the United States and other republics of this hemisphere. Now, the new outbreak of the Mexico debt crisis has brought this proposal to the fore once again. The core of Operation Juárez is a debtor's club to impose the necessary reforms on the banking system. LaRouche holds that the debt of bankrupt nations must be refinanced on a very long-term basis at 2-4% interest. He insists that the developed capitalist countries finance sales of \$200 billion annually of capital equipment for the great projects needed to turn today's bankrupts into tomorrow's prosperous partners.

De la Madrid has joined Peru's Alan García in seeking such a reasonable solution.

Washington and Wall Street, however, are insanely fixated on forcing debtors to accept more hemorrhaging, more years of depression, and more social upheavals. Federal Reserve chairman Paul Volcker and Treasury Secretary James Baker III are braying like pathetic machos that they will make Mexico sign with the IMF, with threats of ripping apart Mexico if it resists. Fast-buck huckster Don Regan, the White House chief of staff, is telling president Ronald Reagan bedtime stories about little old ladies losing their life's savings if Mexico were to declare a moratorium.

Sen. Jesse Helms (R-N.C.), the *New York Times*, and the *Washington Post* lie about Panama, Mexico, and Peru to force them to their knees before the IMF, that awesome financial policeman. The threats to overthrow any government which resists have been crude. Helms asked on the U.S. Senate floor on Feb. 19, "Why do we not unseat President Miguel de la Madrid?" On June 22, he raved at Mexico on NBC, "You've got to denationalize your banks; you've got to give the people free elections." Were Ibero-American governments to submit to such dictates out of fear of being overthrown, they would be overthrowing themselves, by relinquishing national sovereignty.

Silvestre Fernández Barajas, president of Concamin, observed on June 20, "The question is not how long Mexico would survive without receiving credits from abroad, but how long the international banking community would survive?"

July 1 is the critical day—at least as far as bank balance

sheets are concerned. The creditors had scheduled Mexico to pay \$1.5 billion in debt service that day, the new finance minister told the press on June 24. But, he proclaimed, Mexico would not "sacrifice" its remaining dollar reserves—around \$3 billion—to meet this schedule.

On June 22, in an interview with American television, de la Madrid for the first time said explicitly that Mexico should adopt a debt payment criterion similar to that long advocated by Alzamora or SELA and adopted last July 28 by Peru. The Mexican President affirmed, "We believe that we have to measure the country's capacity to pay by its foreign currency earnings, and also by the Mexican economy's need to grow." He insisted at the same time, "When I say that Mexico can only pay what it is able to pay, I am not setting a political postulate. I am affirming reality."

During the entire interview, de la Madrid seemed to be preparing the American population for events to come. Over and over he insisted that economic growth is the only solution to the problems of debt, emigration, and narcotics traffic which concern the population. The interview was taped June 16, the day before Silva Herzog was fired.

The day it was broadcast, June 22, Peruvian President Alan García confirmed that he would visit Mexico in the middle of July. The nationalist faction in Mexico has been maximizing the attention paid to García and to his alternative economic policies for the past several months. His visit will help catalyze Mexico's will to resist creditor pressures.

Much less dramatic, but highly significant, have been a series of hush-hush meetings between Mexican and Argentine leaders, which took place under the cover of the World Cup soccer championship matches. Argentine Finance Secretary Mario Brodersohn confided on entering the stadium June 22 that the Mexican and Argentine Presidents had agreed to coordinate their treatment of the foreign debt. Argentine President Raúl Alfonsín will be in Mexico June 29, ostensibly for the World Cup finals. There will almost certainly be a working meeting with de la Madrid.

On June 23, Finance Minister Petricioli, told a Mexico City press conference that Mexico would "change the terms of foreign debt renegotiations" so that "we could pay without depressing the Mexican people's living standards. . . . We start from national necessities, priorities, and objectives, not from what the creditors want to concede." He outlined a growth program which was approved by the cabinet and the President two days later. It provides for this year's 5% contraction of the economy to be replaced by 3-4% growth during the last two years of de la Madrid's presidency, through "the liberation of credit to the private sector . . . support to productive industry and trying to lower interest rates. . . . Lower interest rates are indispensable to prevent interest payments from soaring, to alleviate the financial situation of private companies, and to facilitate credit to peasants and small industries."

"Mexico's path must not be stagnation and reces-

"EIR has commissioned this *White Paper* to bring the truth on the developing Panama crisis to American citizens and lawmakers, so that decisive action can be taken to stop this campaign, before the United States faces a new strategic crisis on its southern flank."

An EIR Special Report

White Paper on the Panama crisis: Who's out to destabilize the U.S. ally, and why

As this report shows, the principal figures in the "democratic opposition" movement are drug-money launderers, lawyers for cocaine and marijuana traffickers, terrorists, and gun-runners. Their presidential candidate, Arnulfo Arias Madrid, is a life-long Nazi.

The report includes:

- A "Who's Who" in the drug mob's campaign to overthrow Panama's government;
- The facts on how "conservative" Jesse Helms has joined with State Department one-worlders to implement a destabilization campaign designed by the U.S. Liberal Eastern Establishment;
- How David Rockefeller's Trilateral Commission and the New York Council on Foreign Relations created the "off-shore" banking center in Panama, to handle their debt-and-drug looting of South America;
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sion. . . . We firmly reject the option which only offers scarcity and despair to Mexicans with the sole purpose of continuing paying, in its entirety, the interest on the debt, as if the petroleum [price] collapse did not exist."

He concluded with the following rejoinder to the nakedly interventionist efforts of Volcker and the International Monetary Fund: "Through all its history, Mexico has been a country which has fought at the cost of thousands, perhaps millions, of Mexican lives to be a free country, to be an independent country, to decide its own destiny, its own priorities, its own economic policy. . . . Nobody is going to dictate our economic policy to us. . . . We will do battle for the Nation."

Renewed patriotism

Petricioli came to Washington to "do battle for the Nation" with the support of leaders of all the sectors which form the social basis of the Mexican state: industrialists, workers, peasants, the army, and also that of the Catholic Church. Patriotism has revived throughout Mexico; throughout Ibero-America the "conformity" characteristic of the Silva Herzogs of the continent has been wiped out at the stroke of a pen, giving way to the courage which characterizes Alan García, of Peru, who has already shown the way.

On June 24, the chief of the presidential military general staff, Gen. José García Elizalde, proclaimed, "Today, as in 1914, we are willing to defend the country." In 1914, U.S. Marines landed in the port of Veracruz, with the complicity of Mexican traitors, only to be repulsed by Mexican army cadets. The President's representative concluded, "We are the only ones who have a right to participate in our decisions, struggling united and in solidarity for better times. Let us learn from the past. Let the painful lessons not be repeated."

The same day, Mexican Workers Confederation chief Fidel Velázquez reiterated, "If the government decides to have a moratorium, we will support it." Sen. Rafael Armando Herrera of the National Peasant Federation said that a moratorium "would be a drastic measure, but perhaps rigorously necessary."

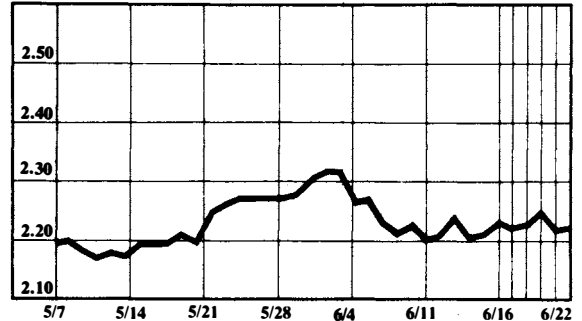
Fernando Gutierrez Barrios, ruling-party candidate for the governorship of the state of Veracruz, reminded his listeners of President Lazaro Cardenas, who expropriated foreign oil companies in 1938 and is the symbol of "our sovereignty and our national dignity." He was cheered by 10,000 members of the powerful oil workers union.

Attention is now focused on Bank of Mexico director Miguel Mancera. While Silva Herzog's demise put debt negotiations in the President's hands, Mancera's departure is vital for controlling the internal economy. Mancera responded to Petricioli's appointment by provocatively raising interest rates another 3.75%. On June 25, the *Wall Street Journal* reported that Mancera would accompany Petricioli on what it anticipated would be a continuation of Silva Herzog's negotiations. That afternoon, Petricioli jumped on a plane, but Mancera went home early.

Currency Rates

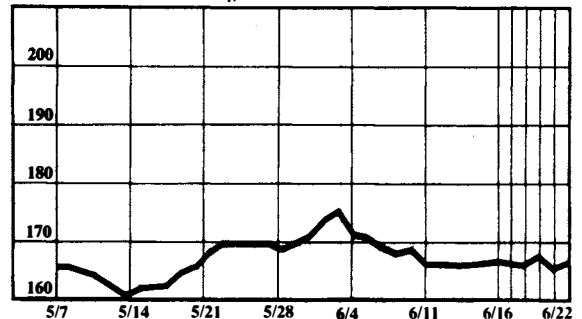
The dollar in deutschemarks

New York late afternoon fixing



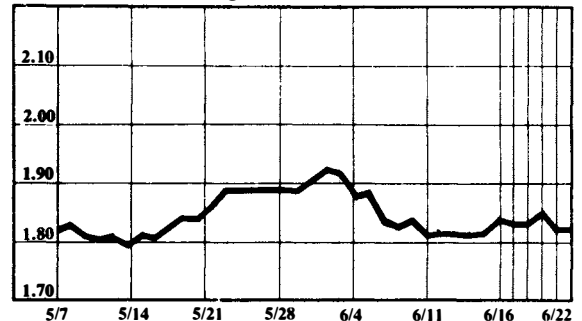
The dollar in yen

New York late afternoon fixing



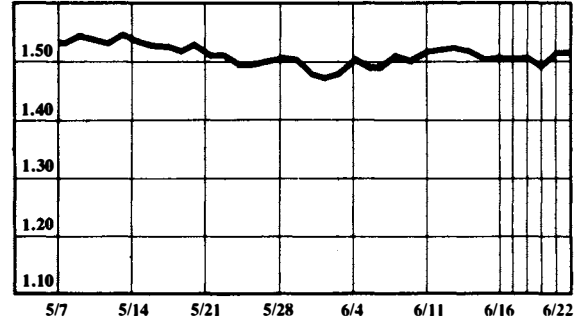
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Tax bill: a stampede of Senate rabbits

by Nicholas F. Benton

The Senate's tax reform bill, heralded by Sen. Robert Packwood (R-Oreg.)

American in 50 years," was assured passage by June 24 and on its way to a House-Senate conference committee. Led by the relentless efforts of Packwood and Bill Bradley (D—the Senate knocked down virtually every amendment offered by colleagues who had well-founded reservations about the impact of the bill on industry.

Three old-line liberals were the only opposition to the stampede, making the 97-3 passage one of the most remarkable events in recent political history. Supposedly, it is a triumph for the President. It is no such thing; it is the act of men in blind, uncontrolled panic, and will have incalculable effects

The secret of a successful rabbit hunter is the driver who scares the rabbits toward the shotgun. The secret of tax reform is Gramm-Rudman. After the cliffhanger last November over the passage of a new debt ceiling, and the subsequent passage of the Gramm-Rudman bill to limit the deficit, the U.S. government's position has been indistinguishable from that of a company acting under the guidance of a bankruptcy trustee. The breakdown of revenues left Washington at the mercy of the financier group represented by Donald Regan and George Shultz.

Gramm-Rudman drove the rabbits of the Senate right into the guns. The relevant portion of the tax bill is not what it promotes, but what it destroys. The low marginal tax rate offered is illusory; Dole, Domenici, and others are waiting until passage to force through emergency supplemental legislation (perhaps lapse of government revenues.

Indeed, a day after the Senate disgraced itself in this fashion, the Treasury announced that the May deficit exceeded \$39 billion, the second-worst month on record, and that revenues had fallen to the lowest level in a year! The administration faces not a \$30 billion reduction from last year's \$210 billion fiscal deficit, but a \$12 to \$15 billion increase. As employment and production continue to crumble, the decline of tax revenues could force the deficit up to \$250 billion and beyond—against a \$144 billion deficit ceiling mandated by Gramm-Rudman!

However, the bill also destroys every important area of tax protection, especially the investment tax credit, and accelerated-depreciation advantages for utilities, oil exploration, and other essential industries. By laying waste to long-standing areas of tax advantage, the bill clears the ground for

the kind of emergency tax increases which the International Monetary Fund has imposed upon its victims in the developing world.

Poor President Reagan, trapped by his continued, obsessive belief that the economy is in recovery, sealed his own doom. Not only did he give his personal endorsement to an expedient passage of the bill, but Treasury Secretary James Baker III went to the Hill on June 19 to help douse any amendments that would "begin to unravel [the] basic of the new conception."

The elimination of the so-called tax shelters will immediately affect two things in a radical way: 1) It will cause an instantaneous collapse in the values of overbuilt commercial real estate and land values in general. Thousands of thrift institutions already hanging on the overnight. 2) It will wipe out key areas of the productive economy, including agriculture, mining, timber, and energy exploration and production, which require outside funds.

Senator John Melcher (D-Mont.) denouncing this approach. "We have here unfolding . . . the effort to just hopefully get it moderated somewhat, about the speed of just steamrolling a huge, monstrous tax bill through the Senate without proper and adequate examination to see what amendments are essential for it."

He cited the fact that the loss of the ability to average out income and the loss of the loss. He said that the net effect of the new law will be to increase, not decrease, taxes for agriculture, mining, and timber.

Earlier, Sen. David Boren (D-Okla.) warned that removing the ability of investors to write off losses from oil exploration ventures will wipe out the independents in the United States, and leave the entire national economy at the mercy of foreign producers. The future shape of the entire U.S. economy, whether or not it would be conducive to independent enterprise, was being threatened by this bill.

The bill also raises the threshold for medical deductions, meaning higher taxes for 16 million Americans with high medical bills. A consortium of 36 organizations representing "citizens with developmental difficulties" drafted a letter to Congress to protest this, to no avail.

The bill forces double taxation of federal employees who have contributed after-tax income to their pensions, forcing them to pay taxes again on their pension when they claim it. In this, as in other components of the bill, the "retroactive" nature of the law penalizes those who "have been playing by the rules to this point," who suddenly find the rules changed in mid-stream, after they have been encouraged by existing laws to invest.

It is this "retroactive" impact of the bill which makes it so explosive as a trigger for a national economic blowout, as soon as it is implemented.

Who decides Venezuela's future?

With the oil price collapse, Venezuela faces hard times. Will the President challenge the financial "wizards"?

In the next few weeks, Venezuelan President Jaime Lusinchi will have to make a number of economic policy decisions upon which will depend the final years of his mandate and, in great measure, the future of the Venezuelan republic.

The President must present Congress with the 1987 national budget. He also must begin a new round of talks with Venezuela's creditor banks to try to win a modification in payment conditionalities to compensate for what is known as the "economic contingency": the collapse of oil prices upon which Venezuelan debt payment depends.

Official figures released by the finance minister on June 20 speak for themselves: The 1986 budget, of 122 billion bolivars, was elaborated on the basis of an average price of \$24.5 per barrel of oil (p/b). The real price in 1986 has officially been placed at \$13.5 p/b. The deficit in oil income for Venezuela has therefore been a whopping 45% (\$11 p/b), and will have to be absorbed by Treasury resources accumulated during 1984 and 1985.

The more serious problem lies in the years ahead. While calculating an increase in both volume and price of oil for the year 1987, official planners are admitting that even keeping the 1987 budget at the 1986 level, Venezuela will get hit with another deficit of between 25 and 30 billion bolivars.

Given this reality, the good monetarists doing the planning at the finance ministry have proposed the following options:

1) A devaluation of the bolivar to multiply the nominal value of the diminished national income. The result, of course, would be highly inflationary.

2) A drastic reduction of current public-sector expenditures, which would further aggravate already critical conditions of unemployment and misery.

3) A new leap in indebtedness, through issuance of state bonds, which would put off solving the problem by merely deferring it for explosion some time in the years ahead. This last option (with a good dose of each of the previous two) is what the economic cabinet has chosen, according to press reports.

As bad as the scenario looks, official projections on June 20 suggest that the reality is in fact a good deal worse. According to these projections, the payments deficit will grow from a 1986 figure of \$2.5 billion to \$3.6 billion by 1990. Central bank reserves will fall from \$11.2 billion at the end of 1986 to \$6.8 billion (below the "security" limit imposed by the creditor banks) by 1989, and to a mere \$3.2 billion by 1990.

And, although oil prices are estimated at \$13.5 p/b for 1986, and at an optimistic \$16.2 p/b by 1990 (equaling approximately \$7-10 billion annually for Venezuela), total anticipated official income has been exaggerated tremendously: \$12.9 billion in 1986, and \$15.2 billion by 1990. The difference can be explained by "foreign investment." In other words,

much of the national productive plant and equipment will have to be auctioned off to foreign investors, and state-sector companies will have to be "privatized"—and all to pay only interest on the foreign debt during these years, since amortization of principal on the debt has been postponed until 1989-2000.

These monetary calculations are terrifying in their implications, especially in view of the current social reality in Venezuela. According to current figures from Cordiplan (the planning ministry), of 6 million working-age Venezuelans, 3 million are currently in the "informal economy," that is, underemployed or unemployed. Five and a half million Venezuelans live in what has been characterized as "critical poverty," that is, with income below the minimal subsistence level established by Cordiplan.

A full 47% of the Caracas population has been "marginalized." Seventy percent of the national population has an income of from 0 to 5,000 bolivars (about \$250) a month. Some 4 million Venezuelans live in slums, and by the year 2000 the housing deficit will triple, reaching 2.2 million units. Put another way, by the year 2000 Venezuela will need to have developed a housing infrastructure and matching services equal to everything constructed from the last century to the present.

The option not offered by the "free-market wizards" of the finance ministry, but clearly the only path open to a government concerned to hand over a healthy nation to its successor, is to establish a limit on debt payments linked to a fixed percentage of its income. This would require establishing an alliance with countries like Peru and Mexico, which have been forced to exercise their sovereignty in defense of the national interest.

Can exchange markets be managed?

The issue is not "currency management," but who will kick in how much to bail out the American banks?

The U.S. dollar rose about 3% between June 17 and June 22 against the West German mark, in response to continued rumors of a secret central bankers' meeting to announce a new general lowering of interest rates on the part of West Germany and Japan. Lower Japanese and West German rates would, supposedly, bring more funds into dollar investments.

No such meeting transpired, and the dollar fell from DM 2.27 to about DM 2.22 in an hour's trading on the afternoon of June 23.

On the surface of things, the U.S. Treasury is warning that a new global recession may emerge, unless Europe and Japan take steps to "stimulate domestic demand," following the example of the United States. If the West Germans and Japanese "stimulate demand," by creating more money, the "supply" of other currencies will increase against the "supply" of dollars, bringing down the price of those other currencies against the dollar. That "soft landing for the dollar," in turn, will avoid what Paul Volcker most fears: a withdrawal of the \$150 billion per annum of foreign inflows into the United States, and the collapse of the bubble in U.S. securities and related markets.

Superficially, it all appears to repeat the so-called "locomotive theory" made laughable by Jimmy Carter's Treasury Secretary, W. Michael Blumenthal, in 1978. But the resemblance is misleading, because the U.S. Treasury has lied bald-faced about the

real terms of the discussion, while Europe and Japan have not seen fit to call the Treasury on its lie.

The problem starts from what the Treasury means when it uses the word, "currency."

Currency, or money, derives in earliest history not from precious metals, but from the transferable liabilities of deposit banks. (Metals took on a monetary character only as they were employed to settle clearing imbalances between deposit banks.)

"Cash money," i.e. currency, differs from "bank money" (checks or credit cards) only in one respect: it is the bank money of a central bank supported by the government's power to tax. When the central bank virtually guarantees the liabilities of ordinary deposit banks, by promising to bail them out in case of trouble, the distinction between cash and "bank money" blurs.

It happens that American banks have created a couple of trillion dollars of additional liabilities, the so-called "off-balance-sheet liabilities," in the last couple of years. As *EIR* has reported with some frequency, these "off-balance-sheet liabilities," which usually involve some form of direct or indirect guarantee, have become the bank regulators' nightmare. The banking system is more overextended than at any time in the 20th century.

The mushroom growth of "off-balance-sheet liabilities" culminates two decades in which the leading in-

ternational banks have arrogated into their own hands, the control of money-creation (the expansion of banks' transferable liabilities). First, the offshore, or "Eurodollar," market, grew to over \$2 trillion, more than the domestic banking system. With no reserves required upon bank deposits, the expansion of such low-quality bank liabilities is theoretically infinite. It was only possible with the Fed's implicit guarantee of the deposit banks, tested in 1983 when the authorities bailed out the \$20 billion Continental Illinois, following a run against its offshore deposits.

Now, on top of the \$2 trillion offshore market, the banks have invented another means to manufacture money, namely, "off-balance-sheet liabilities." By this means, they do not directly create credit, but make it possible for third parties to do so, by guaranteeing the repayment, or the interest-rate or other condition of repayment, of the new liabilities.

American banks have extended themselves past all reckoning; their total liabilities of \$2 trillion are now more than ten times the worth of the U.S. Federal Reserve. That is to say, the requirements of a Fed bailout, in the event of the collapse of a major section of these liabilities, would preserve "confidence" in the affected banks, only by destroying "confidence" in the U.S. currency and its central bank. There would be a crash landing for the dollar.

The real debate is not, therefore, over whether economic policies will be "coordinated" to manage exchange-rate value. The issue is: Who will kick in how much to bail out the American banks? All the public talk is rubbish. As long as the Europeans and Japanese remain adamant that the United States has to pay the costs of its own folly, the idea of "currency management" is a chimera.

Deflation confirms EIR's warning

In the 1930s, they called it "pushing on a string"; today, it would more appropriately be: "dangling on a rope."

Executive Intelligence Review's *Quarterly Economic Report* for Spring 1986, entitled, "The Deflationary Collapse of the Western Banking System," begins with the following statement:

"In our December 1985 *Quarterly Economic Report*, we concentrated attention on two features of the global financial crisis: the spiralling collapse of commodity prices, and the bubble in global financial markets. We predicted that the 10% decline of commodity prices would turn into a decline of at least 20% during 1986, with disastrous consequences for commercial-bank creditors of energy-producing nations and corporations; and, secondly, that the bubble in the foreign exchange and futures markets would become the epicenter of the global financial crisis."

Alarm bells should have rung in the Reagan administration when the International Monetary Fund reported this June, that commodity prices fell by about 4% during April and May, after an apparent stabilization earlier in the year. That is a 24% annual rate of decline, about the same as *EIR* projected

Economic Report. The decline occurred across the board: Coconut oil, a staple export item for African and Asian exporters, declined by 60%, for example.

For the first time since the trend became obvious late last year, something of a public debate has erupted concerning the fear of 1930s-style de-

flation. Prices in world trade fell by roughly half between 1929 and 1934. They have already fallen by that amount since 1984, if the collapse of the U.S. dollar is taken into account: The International Monetary Fund's index of world commodity prices has fallen by 20% in the past two years, while the dollar has fallen by 30% against other currencies.

On one side of the debate stands Rep. Jack Kemp (R-N.Y.), who hopes to blame the Reagan administration's economic disaster on the Federal Reserve Board in the course of his campaign for the Republican presidential nomination. Kemp and his economic advisers demand that the Federal Reserve print more money, to raise prices. Gerald Ford's economic adviser, Alan Greenspan, disagrees. "Any marked decline in the general price level would almost certainly be countered by a flood of money creation by the world's central banks. This, in turn, would bring any disinflation to an end," Greenspan told the *Washington Post* June 22.

"Inflation is too much money chasing too few goods," they deduce. "Therefore, if we print more money, it will chase prices up." No syllogism in the history of Aristotelian logic has done more damage than this idiocy.

Both sides agree on the minor premise, that more money should be set to chasing after goods, in order to solve the problem. Sometimes, it takes one's breath away, to consider what the academic study of economics can

do to the brain of the victim.

The "general price level" to which Greenspan refers has, of course, gone up, not down, as every consumer knows—despite the fall in pump prices for gasoline, and despite the collapse of commodity prices. There is an ugly reason for that: America's trade deficit accounts for one-sixth of all our physical consumption. That is, our physical production at home falls short of meeting the requirements of our current spending power by one-sixth, and we make up the difference with a subsidy from foreign producers. If we compare the rate of increase of Gross National Product (the sales), to the rate of increase of U.S. physical output, our inflation rate has exceeded 15% per year since President Reagan took office. The collapse of commodity prices on the international markets, in the short run, enabled the United States to buy this subsidy at a fraction of its true production cost. The overvalued U.S. dollar (since much fallen) did the same thing.

Eventually, the parasite destroys the host, as Mexico is now attempting to explain to its choleric bankers. The collapse of commodity prices wipes out the victim's capacity to repay debt to the banks, destroying the banks' capital, and the banks' capacity to lend.

If the borrowers are bankrupt, and the banks are insolvent, no one will borrow or lend. That is more or less the present state of affairs. If anyone lends, the money will merely refinance debt service, i.e., go from one teller to the next; not a penny will come within hailing distance of an actual commodity.

Back in the 1930s, the last time the Federal Reserve tried to print money against a general deflation, the problem was called "pushing on a string." In the interest of originality, why not change the phrase to "dangling from a rope"?

Brother Zlobin, hero of speed-up

Gorbachov's P.R. men are courting the American trade unions, and Kirkland's buddies are greeting them with open arms.

Just as many left-liberal congressmen make their traditional summertime junkets to Moscow, to demonstrate how peace-loving and anti-nuclear they are, so, too, do certain leaders of the American trade unions. But since union coffers are a little bare these days, Moscow sometimes obliges by sending its representatives to them.

According to an enthusiastic report in the *Washington Post* of June 18, a group of American trade-union officials spent the day with Mr. Nikolai Zlobin, the "labor leader" from the Soviet Union who is the Soviets' showcase "happy worker."

Not just an ordinary labor leader, Zlobin is a deputy in the Presidium of the Supreme Soviet, the Soviet equivalent of the U.S. Congress. Though this is not reported in the *Washington Post*, he was put on the Supreme Soviet as a result of his pioneering work in self-induced speed-up! Zlobin is the inventor of the "Zlobin Method," which uses a contract signed by teams of workers, who set for themselves a certain amount of work to accomplish in a delimited time, and receive bonuses if they surpass the agreed-to amount. No wonder Lane Kirkland's crew was so anxious to meet him!

Zlobin is on an extended visit of the United States, sponsored by the Washington, D.C./Moscow Capital Citizens' Exchange, a group launched last year "in the spirit of Geneva," as the *Post* puts it, by one Miss Charlotte Goodwin.

Zlobin has been all over America,

meeting "peace-loving people" wherever they are to be found. He met more than his quota of peaceful folk in Washington.

Breakfasting at the Gramercy Hotel with Zlobin were Josh Williams, president of the Metro Washington AFL-CIO, Bernard Demczuk of the American Federation of Government Employees, John McDermott of the Electrical Workers, John Johnson, also of the IBEW, and 20 other trade-union VIPS.

Williams introduced Zlobin with words that might have made Walter Mondale blush: "Brother Zlobin," he said, works in a nation where "every piece of work performed is performed by organized labor. We cannot say that in the United States." Brother Zlobin must have really enjoyed

But "Brother" Zlobin's mission here was not entirely peaceful. "We want disarmament," he told his American interlocutors. He didn't say whose arms he wanted to get rid of, but everyone probably already knew anyway.

He played his audience like a pro: "If you speak of the accident at Chernobyl, you can't have an insurance that this won't happen again. And not only with nuclear power, but with nuclear weapons. Who can guarantee? Who says that there might not be some weirdos or fools around? They could push the button and then we'll all fly." Does this line of argument sound familiar, like something coming from Lane Kirkland perhaps, or William Winpisinger? It should; they all read

Pravda or the *Washington Post*.

This reporter tried to reach Mr. Zlobin for an interview, but found that he and Miss Goodwin were unreachable before deadline. I wanted to ask which peace-loving members of Congress he was able to meet. I guess we'll know as soon as one of them starts babbling about how Chernobyl proves that the United States should disarm.

Winpisinger, president of the Machinists Union, apparently doesn't have money problems, because he and a delegation of Machinists made it over to Moscow on June 4, to meet with secretary of the CPSU Central Committee Anatolii Dobrynin, the former ambassador to the United States. Winpisinger, a leading light of the Socialist International, presented Dobrynin with a greetings message made in bronze by Mikhail Gorbachov, general secretary of the CPSU. The message "symbolizes the 41st anniversary of the join the U.S.S.R. and the United States and other countries over German Nazism, their fight for peace and general security," according to the Moscow publication *Trud*, the trade-union magazine.

"Nazism" is never referred to as "German Nazism" today, unless the reference is purposefully meant to emphasize what the Soviets term "revanchism"—an alleged return to Nazism—in modern West Germany today. Is it by accident that Winpisinger's delegation arrived at exactly the point when Moscow was revving up its Green Party terrorists to launch civil war against West Germany, under the guise of a movement for "disarmament" and "prevention of nuclear war"? This just happened to be Winpisinger's agenda, too, in a meeting which *Trud* characterized as "genial."

What happened to the days when traitors were supported by nooses, not votes?

Food or 'alternative agriculture'?

While cartel interests get ready to seize farmers' land, they're promoting a fairy-tale diversion.

While questions of what to do about mass bankruptcies of U.S. and European farmers should be foremost for every citizen, there is a diversion game being played by the media, and by food cartel policy circles: "alternative agriculture."

You hear stories about how financially-pressed farmers from coast to coast should "adjust" opportunities of the "changing diet," and produce specialty, gourmet foods. A front-page *Wall Street Journal* article featured this theme June 24, under the banner, "Surviving Farmers: To Remain in Business Requires Cultivating Crops and Ingenuity; Corngrower Tries Asparagus; Natural Beef Is a Godsend to a Colorado Cattleman."

What are presented are a few fairy tales of special crop diversification and marketing, as if this could produce the nation's daily requirements for bread, meat, and milk.

The real condition of our agriculture and food supply is disastrous, from the bankrupt farmer to collapsing farm infrastructure—machinery, independent seed stocks, fertilizer.

Meanwhile, the most intense attention in Washington, D.C. is focused on food trade war with our allies abroad.

What is needed is to force a fast change in state, local, and federal policies in order to guarantee the basic food supply. Emergency economic measures are needed to preserve and advance the traditional family farm, to increase food output of staples and

world food flows under equitable terms of trade for all involved.

In addition, anti-trust actions are required to end the domination of national and international food supply by a few cartel companies—Cargill, Continental, André, Bunge, Louis Dreyfus, Nestlé, Unilever, W. R. Grace, and the Armand Hammer beef and fertilizer group.

Through intermediary think tanks and lobby groups, they are the ones promoting the myth of "alternative agriculture" to divert both farmer and the public.

Such intermediate channels include the Washington-based Institute for Policy Studies, the Conservation Foundation (and its off-shoot, the American Farmland Trust), and others. These say, vast amounts of cropland should be taken out of production anyway, for "conservation" reasons. Of course, the cartel interests will then acquire the lands or place them in public "trust" to their advantage.

Cropland foreclosed from bankrupt farmers is being "warehoused" by the Farm Credit System "Capital Corp." By the end of this year, it is estimated that the Farmers Home Administration (the government lender of last resort) will possess 20,000 foreclosed farms—up from merely 283 only three years ago.

The cartel and bank interests after the land recommend that farmers can switch over to "pick-your-own" fruit and vegetable operations, homemade "sheep to shawl" woolens, no-chemical produce and meats, and raw cheese

and milk. For those few farms near centers with some purchasing power left, this may keep them in operation a while longer. Not so in Iowa.

The "alternative agriculture" advocates are frequently fanatics. On yuppie-catering menus, you may now see "free range chickens." Such offerings may increase the likelihood of salmonella and other barnyard diseases.

In its most extreme form, "alternative agriculture," has run to outright terrorism and anarchy. On May 4, in Delaware, a group calling itself the "Farm Freedom Fighters," removed 25 hens from an egg house at Sydel Egg Farm, claiming it was an act of animal liberation, and painting graffiti on the walls: "chicken Auschwitz."

State agriculture extension representatives are going along with the tide, advising farmers to "switch over" to special crops. Texas Agriculture Commissioner Jim Hightower, who was the "shadow" agriculture secretary choice of Walter Mondale (i.e., the Minneapolis cartel crowd), calls for a massive shift to "direct marketing" of crops—like watermelons along freeway ramps and other loony proposals.

Hightower was trained at the Institute for Policy Studies, and wrote part of the book, *Hard Tomatoes, Hard Times*, which is anti-technology.

In May, Hightower and others hosted a national conference pushing alternative agriculture approaches, an event of the "New Populist Forum." Present was Robert Rodale, of the Pennsylvania-based anti-technology publishing company, Rodale Press, which advocates the "Cornucopia Proj autonomous, state-level food "security" measures. He says that "spiritual" gains should govern the "new farmer."

Business Briefs

Space

Canadian firm to build African station

Spar Aero-Space Ltd. of Montreal is to build a new satellite-Earth station in Zambia to improve telecommunications in the region and reduce dependence on South Africa, Canadian diplomats said on June 19.

The contract is worth \$7.8 million; the Canadian government will provide \$500,000, and the Zambian government will provide the remainder.

Spar will build the satellite dish near an existing one, about 20 miles west of Lusaka. The new dish will be pointed over the Atlantic Ocean, to improve communications with North America. The present dish is aimed at the Indian Ocean.

Botswana, Mozambique, and Tanzania, as well as Zambia, are expected to benefit from the new station, which is to be built as part of plans by the South African Development Coordination Conference (SADCC) to make Zambia a regional telecommunications center.

The new installation is targeted for completion by the end of 1987.

Usury

Tanzania yields to creditor demands

Tanzania has bowed to the International Monetary Fund, and has set about overhauling its state-controlled economy.

Finance Minister Cleopa Msuya announced the annual budget on June 20, calling the move an olive branch toward international financial institutions that had refused more funds for Tanzania's virtually bankrupt economy. The institutions had demanded evidence that the government was willing to restructure the economy in favor of cash-crop producers and farmers.

During the week of June 9 in Paris, agreements in principle were reached with the IMF for a standby credit, and with other institutions for grants and loans totaling \$800

million, in exchange for the reforms. Msuya announced a new devaluation of the currency, completing a slow-motion devaluation of more than 57% since March.

The reforms also included large increases in food prices, increased interest rates for bank deposits, the introduction of school fees for the first time, and an increase in taxes on gasoline, cigarettes, and beer.

The government also announced new cost-of-living allowances for state employees, pending a major salary review in December.

International Credit

World Bank boosted at bankers' conference

The Overseas Development Council held a two-day conference in Washington, D.C. on June 23-24 on the subject, the "Future of the World Bank," in order to retool that institution into a "softer" version of the International Monetary Fund, in step with the so-called Baker Plan.

"The World Bank can be a coordinator of global capital flow; a mediator of political and economic differences between North and South; and a stabilizer in the global economy; and the leading intellectual center for thinking about development," ODC Vice-President Richard Feinberg stated. On June 24, the ODC released a study titled, "Between Two Worlds: The World Bank's Next Decade," in which they make five proposals to strengthen the "now flagging" Baker Plan—which proposed slightly increased credit to debtor nations in return for their selling their countries to "private investors."

Speakers at the ODC conference included: David Rockefeller, Paul Volcker, Katharine Graham, Helmut Schmidt, Felix Rohatyn, and Mexican Under-Secretary of Finance Francisco Suarez Davila, who filled in for the recently deposed finance minister Jesus Silva Herzog.

Felix Rohatyn demanded that Japan "commit \$50 billion over the next five years" to the capital of the World Bank, and further recommended that the World Bank help to "develop an approach, on a country-to-

country basis" which would include: interest-rate relief; new government guarantees, or new securities in exchange for interest-rate reductions and maturity stretch-outs.

Former West German Chancellor Helmut Schmidt warned: "There can be no doubt at all that the credits to the Third World will never be paid back, can never be paid back"; not even the interest "can be paid back as expected."

Agriculture

FmHA now owns over 1 million acres

The U.S. Farmers Home Administration (FmHA) now owns 1.2 million acres of farmland taken over from failed operations—an area larger than Rhode Island—and could take over five times that much land by the end of 1987.

The General Accounting Office criticized the FmHA for allowing farmers who lease land to grow crops held in surplus while government policies try to keep the surpluses under control. The GAO said that the agency's land inventory would be greater, were it not for its liberal lending policies from 1982 to 1985 and a two-year court-imposed moratorium on foreclosures, lifted last November.

As of March 31, FmHA owned 4,075 properties, worth \$715 million. FmHA officials predicted the FmHA "could become the largest holder of farmland in America, with inventory properties doubling during 1986 and 1987 to a total of 20,000 farms."

Pandemics

Vast African AIDS crisis confirmed

The full dimensions of the worldwide pandemic, Acquired Immune Deficiency Syndrome, were revealed at the June 23-25 Sec-

Briefly

ond International AIDS Conference in Paris, attended by 2,500 doctors and scientists.

Bila Kapita, the head of the Infectious Disease Center at Zaire's Kinshasa General Hospital, reported that 6% of the African population has been infected by the virus, and that an additional 1% is being infected every year. Those infected—half women and half men—did not come from a drug-abuse community.

Since the African population is in the range of 500 million people, these latest reports would put the total number of Africans *already* infected with the disease, almost certainly 100% lethal, at nearly 30 million. Thus, the estimates presented at the Paris conference fully confirm the estimates previously published by *EIR*.

Kapita reported that eastern and southern Africa are hardest hit, with 18-23% of the population infected, compared to 4-6% in Central and Western Africa. He stated: "AIDS is striking more and more people every year, and the number of infections, illnesses, and deaths is multiplying at a precocious rate. For Africa in general and Zaire in particular, we can say there is a hidden epidemic under way."

Kapita reported that African AIDS victims do not belong to any of the World Health Organization's or Atlanta Centers for Disease Control's so-called risk groups—homosexuals, intravenous drug users, recipients of blood transfusions, or babies of AIDS mothers. African AIDS victims come from all social groups. Most are young and urban dwellers, with the majority of women single and most male victims married.

Another study in Nairobi showed that nearly 60% of the prostitutes are infected with AIDS—up dramatically from 4% in 1981.

Debt Bomb

Peru to make only 'symbolic payment'

Peru will make only a symbolic payment to the IMF in August, a finance ministry official told the Peruvian daily *La Republica* in late June.

The IMF had given Peru an ultimatum to pay all \$140 million in arrears by August, but the decline in the prices of oil and minerals has cost Peru another \$400 million in export earnings. Its payment will be reduced accordingly.

The government's position was confirmed by Prime Minister Alva Castro; in a speech to a conference of the Socialist International in Lima on June 24, he said that, were Peru to make the interest payment demanded by the IMF, "that payment alone would be equal to 7% of our expected exports of goods and services in 1986."

Alva Castro also said that "old debt" should have interest rates of only 1-2%, while debts incurred in the future could be set at commercial rates.

Asia

Filipino negotiations with IMF continue

The Philippines is negotiating with the International Monetary Fund to limit its foreign debt repayments to 20-25% of its export income, Trade Minister José Concepcion said June 19.

Concepcion told a news conference in Manila that current debt repayments were at \$2.6 billion a year on a total foreign debt of \$26 billion. "We need to get it down to \$1.3-1.5 billion," he said. "We are in no position to pay the current debt where we are going to allocate 50% of export earnings."

The next stage of the negotiations will take place in July when an IMF team visits Manila.

Concepcion said that negotiations were also under way with Western and Japanese banks, to capitalize 50% of interest payments, and he was confident that those would be successful, even though U.S. banks found the idea "difficult." Concepcion added that the Philippines would seek fresh loans to help repay the other half of the interest on current loans. He will meet with executives of American Express in late June to discuss its purchase of 40% of Manila's Inter-Bank for \$17 million.

● **'IN TWENTY YEARS**, Niger will cease to exist and will disappear from the map," Niger's President Kouentche declared as he arrived in Paris on June 23. He warned that his country was unable to deal with the continuous advance of the Sahara Desert, and the collapse of the country's agricultural resources.

● **BANK OF ENGLAND** officials are worried over U.S. Sen. Jesse Helms's attacks on Mexico. A well-informed Bank of England source, speaking privately, declared that the recent tirades of Senator Helms against the government of President Miguel de la Madrid, "are not helping matters at all. They are only serving to fuel an intransigent nationalism inside Mexico, which we do not need at this moment."

● **BRITAIN** was awarded \$14.3 million in SDI contracts by the United States on June 24, including \$10 million to work on a plan to protect Western Europe from attacking nuclear missiles. The deal was signed by visiting British Defense Minister Younger and Defense Secretary Weinberger. In addition, Culham Laboratories, Abingdon, Oxfordshire, received \$4.3 million for research on particle-beam weapons.

● **JAPAN'S NISSAN** firm has put forward a policy of converting Mexican debt into investment. According to *Neue Zürcher Zeitung* on June 26, Nissan has agreed to convert the debt owed by Mexico to the firm into investment credits for building a factory to be constructed entirely by Mexicans.

● **MEXICAN** National Polytechnic Institute students have designed a type of telescope that is more effective and less expensive than those built in the Soviet Union and the United States. The FA-8 telescope uses a concave mirror to focus light toward a series of reflected mirrors. Its cost is only \$80. A comparable U.S. telescope costs \$1,000.

NASA ready to implement Shuttle recovery plan

Following the Challenger disaster, NASA and the Rogers Commission have drawn up plans to return to space. But will the money be there? Marsha Freeman reports.

Contrary to media propaganda, there is broad agreement by the Rogers Commission, charged with investigating the Space Shuttle Challenger's accident and the leadership of NASA, that the Shuttle can be ready to fly again by July 1987. In fact, if it were necessary for national security, a "quick fix" on the solid rocket boosters could be done, and a crack military team deployed, to fly the Shuttle under optimal weather conditions, to deploy, for example, a reconnaissance satellite.

NASA technical experts worked closely with the Presidential Commission on the Space Shuttle Challenger Accident, headed by William Rogers, throughout their 120-day investigation. The Commission's recommendations were, therefore, not a surprise to the space agency, and when the report was released to the public on June 6, NASA Administrator James Fletcher had already initiated implementation of many of the recommendations.

On June 14, President Ronald Reagan met with Dr. Fletcher at the White House, and directed him to report back in 30 days on how and when the NASA recovery plan will be put into effect. Fletcher will have to estimate for the President what the time and cost will be to put the Shuttle back in operation.

But the obstacle to meeting NASA's timetable, and getting the Shuttle up and flying as soon as possible, is political, not technical. The Donald Regan faction in the White House staff, and also the anti-science mob on Capitol Hill, are willing to sacrifice the whole of the U.S. space program to seal a deal with the Soviets, who continue to blame the Challenger accident on the "military" use of the Shuttle.

Congress has opted to stage a series of "media events," under the guise of oversight hearings. Sen. Ernest Hollings

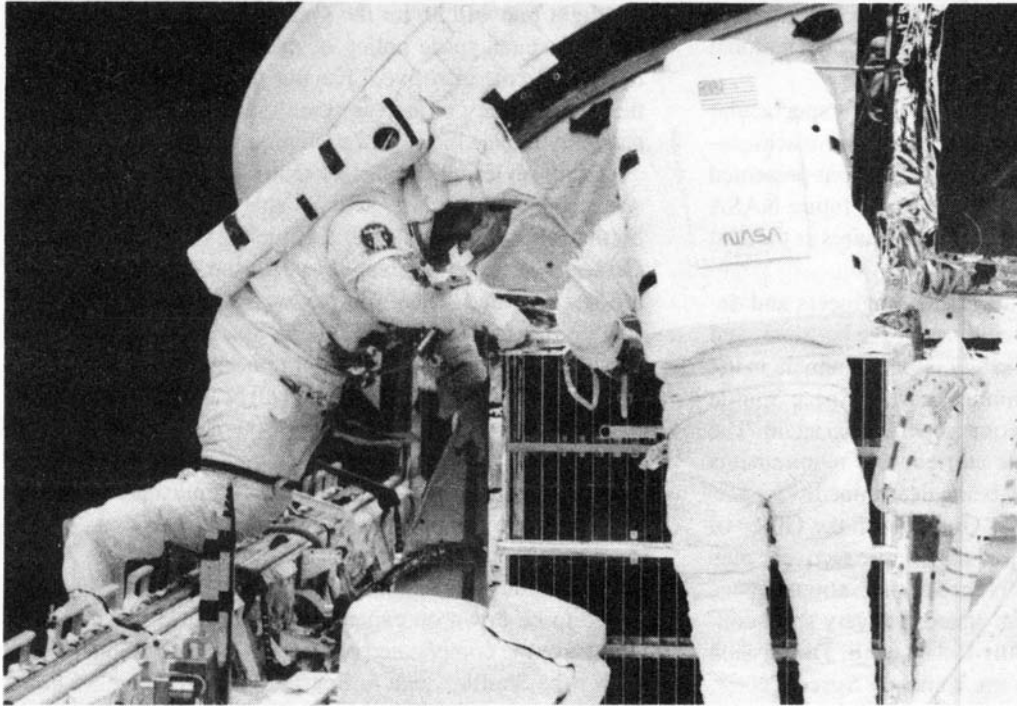
(R-S.C.), the head of the Space, Science, and Technology Subcommittee of the Senate Commerce Committee, for example, even called for a criminal investigation and indictment of key NASA management personnel, who were involved in the Challenger launch decision. This attack has been joined by ranking Democrats on the subcommittee, and by members of the House.

The Commission's recommendations

In his letter of transmittal to the President accompanying the Commission's report, Rogers stated that the Commission "fully recognizes that the risk associated with space flight cannot be totally eliminated." He concludes on an optimistic note, that "the nation's task now is to move ahead to return to safe space flight and to its recognized position of leadership in space." Holding true to that commitment, there is nothing the Commission recommends that would necessarily delay NASA's plan to resume the space program.

But the weakness in the Commission report, is its failure to place the blame on Congress and numerous administrations, for the penny-pinching in the space program which led to a situation where safety concerns could not be remedied due to budget cutbacks.

There was also no attempt by the Commission to question then-acting NASA Administrator William Graham, who as the head of the agency was ultimately responsible for the decision to launch. In fact, Graham had prevented the launch of the Challenger the Sunday preceding the Jan. 28 lift-off, for questionable reasons, but was not on the scene when the decision to launch was actually made. Graham's role in the Challenger accident has been covered up in all investigation, so far.



When will the United States return to space? Here, astronauts aboard the Space Shuttle Challenger, on an April 1984 mission, replace a faulty component of a satellite in the Shuttle's cargo bay.

NASA

The Commission made nine recommendations, stipulating that "no design options should be prematurely precluded because of schedule, cost or reliance on existing hardware."

First is the question of redesigning the Solid Rocket Booster. On June 12, the head of the NASA team studying booster redesign options, John Thomas, reported in congressional hearings that an array of alternative designs will be ready "in the next few weeks." This evaluation was seconded by Morton Thiokol engineer Alan McDonald, who is leading the industry redesign group, and by Arnold Aldrich, who heads the Shuttle program at the Johnson Space Center. Three days before, the team of Thiokol engineers had arrived at the NASA Marshall Space Flight Center in Huntsville, to present their preliminary recommendations to the NASA engineering team.

The Rogers Commission also recommended that an "independent oversight" panel be constituted to "review and evaluate certification requirements; provide technical oversight of the design, test program, and certification; and report to the Administrator of NASA on the adequacy of the design and make appropriate recommendations."

Before the public release of the report, Dr. Fletcher had requested the National Research Council to establish such an oversight group, and on June 9 the NRC announced its composition. The panel is made up primarily of retired industry experts in various fields of space technology, including propulsion, materials, structural analysis, and propellant combustion.

The Commission recommended a review of Shuttle management structure, as Rogers had stated at the beginning of the investigation that the NASA decision-making process was "flawed." Nearly a month before the release of the report,

Dr. Fletcher announced that former Apollo program manager Gen. Sam Phillips (ret.) will do a review of agency-wide NASA management. Dr. Fletcher expects that the Phillips review will be done within eight months.

In addition, on June 11, NASA announced that astronaut Navy Captain Robert Crippen, a veteran of four Space Shuttle missions, will "head a small group which will examine the overall Space Shuttle program management." This meets the Commission's recommendation that the astronauts be more involved in every aspect of Shuttle operations.

Soon after taking over as head of the Office of Space Flight on Feb. 20, 1986, Adm. Richard Truly began a thorough review of all "criticality items" and potential hazards. These are possible single-point failures in the system that can cause the "catastrophic" loss of crew and orbiter. Such a review was the third recommendation of the Commission.

The fourth was the establishment of an Office of Safety, Reliability, and Quality Assurance. On June 17, Dr. Fletcher reported at Senate hearings that this would be established soon.

Other recommendations included improvement in landing safety, reporting, communication, performance, and maintenance. The question of a crew escape system was left up to NASA, as the Commission stated, "NASA should make all efforts to provide a crew escape system for use during controlled gliding flight." The Commission recognized, however, that there is no known or imagined escape system that could have saved the Challenger crew.

The most important among the Commission's nine recommendations is the "concluding thought" at the end: "The Commission urges that NASA continue to receive the support of the Administration and the nation. The agency constitutes

a national resource that plays a critical role in space exploration and development. It also provides a symbol of national pride and technological leadership.

"The Commission applauds NASA's spectacular achievements of the past and anticipates impressive achievements to come. The findings and recommendations presented in this report are intended to contribute to the future NASA successes that the nation both expects and requires as the 21st century approaches."

While several dozen teams of NASA engineers and designers are making the "fixes" required for the boosters, and are reviewing all of the Shuttle safety issues, planners in the Office of Space Flight are examining how the Space Shuttle system will function when it becomes operational again. The flight rate, payloads that will be carried, and requirements for launch capability are all now being determined.

NASA representative Charles Gunn, from the Office of Space Flight, on June 17 presented the Shuttle recovery plan of the agency, at the annual conference of the National Space Club in Washington, D.C. Gunn stated that very strict constraints will be imposed for the July 1987 launch. The mission will be a daytime launch from the Kennedy Space Center. NASA has had to launch missions at night in the past, in order to deploy satellite payloads to extremely precise positions in orbit. In this first mission, the payload will not require a night launch.

The payload will likely be the spare Tracking and Data Relay Satellite, which is a twin of the one lost on the Challenger mission. NASA does not want to fly a new class of payloads on this mission, and the TDRS is also needed to upgrade in-orbit communications between the Shuttle and the ground crews, as well as for unmanned satellites. It is also a prerequisite for use of the Vandenberg launch site in California.

The launch will only be done under "conservative" weather conditions. At the time of any Shuttle launch, there must be good weather not only in Florida, but at the sites that would function as launch-abort airstrips, if the loss of one or two orbiter engines meant that the crew could not attain orbit, but had to land.

The crew will consist only of NASA personnel, and the engines will not be pushed to their maximum thrust levels. Landing will be at the lakebed at the Edwards Air Force Base in California, where the weather is generally good, and there is a virtually unconstrained landing area.

Gunn warned, however, that there are "threats" to achieving this July 1987 target. Certainly the redesigned and rebuilt booster will have to be tested and certified. There could be a delay if the National Research Council oversight panel, members of the Rogers Commission, or the Congress place obstacles in the way of getting the job done.

Gunn added an item called "budget availability" in his presentation, which is certainly going to be the major, and possibly only, real obstacle to fulfilling the NASA plan.

One of the major questions NASA must solve, is what

the flight rate will be for the system. In the past, the White House's stated space policy of making the Shuttle "operational and cost-effective," has put tremendous pressure on the space agency to increase the flight rate, in order to substantially reduce the cost of each mission.

Gunn reviewed the factors that will limit the frequency with which each orbiter will be able to fly. One potential bottleneck is the complex of facilities at the Kennedy Space Center, where the orbiter, boosters, and external fuel tank are stacked, and where the payloads are placed inside the orbiter and payload bay. Kennedy Space Center is also the site of orbiter refurbishment after returning from space.

The veteran orbiter Columbia will be used at the Kennedy Space Center to develop and check out new processing procedures. The payloads that will be flying on the Shuttle in the future, he pointed out, will be more complicated on the average than the payload mix of the past four years.

The reason is that many of the simpler payloads, particularly military and commercial satellites, will be reconfigured to be flown on expendable, unmanned rockets. This will leave the complicated payloads which are uniquely suited for the Shuttle, such as Spacelab, and these will require longer processing times at the Space Center.

Gunn pointed out that landings done in California, rather than Florida, add six days to the operation, because the orbiter has to be ferried back across the country. The Rogers Commission and numerous witnesses at congressional hearings have strongly recommended that NASA procure a second ferry plane, so that any mishap with the single one that now exists, does not leave an orbiter stranded in California, or en route.

A key factor limiting flight rate is the continuing disastrous situation regarding spare parts. NASA has been forced to cannibalize engines and other parts from orbiters to meet tight schedules, because there has been no proper inventory of spare parts. This process significantly increases the risks in the program. Gunn indicated that NASA will use this year of stand-down to build up a spare-parts inventory.

At the present time, NASA plans to fly six or seven Shuttle missions in the first 12 months of resumed operations. Between the first, second, and third flights, there will be a minimum eight-week launch interval. This will allow a thorough review of the performance of the solid rocket boosters, after they are recovered, and of other systems.

There is planned to be a six-week minimum launch interval for the rest of the flights the first year, with an improved orbiter turnaround time planned for the second year. Between 9 and 11 flights are planned for the second year, where a four-week rocket motor inspection and analysis period will be allowed. By the third year, 12-15 flights may be possible, but that would require an ambitious average of five flights per orbiter.

Two major policy questions which still need to be answered by the White House, are whether there will be a fourth orbiter, and whether NASA will be able to continue to launch

commercial and foreign payloads.

NASA is planning its payload manifest for the next three years, based on "critical national security needs," and major NASA payloads, such as the TDRS satellite, the planetary and space science programs, and Spacelab. Other payloads from the Pentagon, NASA, other U.S. government agencies, as well as commercial and foreign payloads, will take a lower priority.

Payloads may also have to be reassessed, according to Gunn, because the booster redesign could add several thousand pounds of weight to that component, which would reduce payload capability by 100-200 pounds.

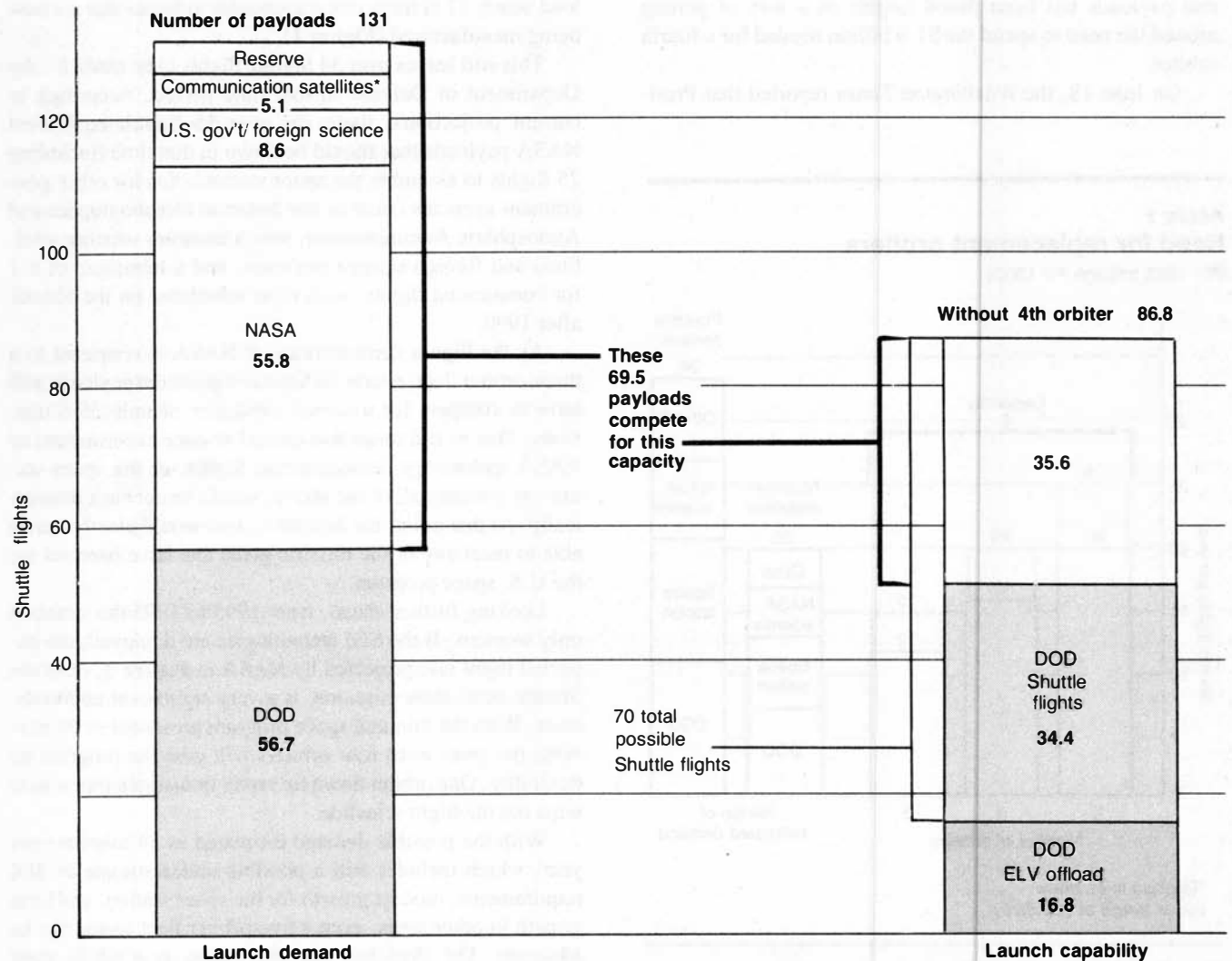
In answer to a question at the Space Club conference, Gunn stated that there are currently 32 communication sat-

ellites under commercial contract to be launched on the Space Shuttle. These payloads represent about \$1 billion in potential revenues to NASA. There are also foreign policy considerations, in whether or not to provide launch services for the commercial satellites that have been ordered from other nations.

Before the Challenger accident, NASA had been planning to launch an equivalent of 18.2 full Shuttles containing communication satellites between 1986 and 1992. Each launch could carry one or two satellites. In the preliminary post-Challenger launch schedule presented by Gunn, this has been reduced to 7.7 Shuttle-equivalent payloads.

While it is certainly true that the simpler communication satellite deployments, which have been done for 20 years on

FIGURE 1
The Shuttle program: demand vs. capability
 (FY 1986 through FY 1992)



*None after FY 1990

expendable launch vehicles, do not generally need the manned Shuttle, there are other issues involved in ending these payloads. These include the economic and security considerations involved in allowing a large share of satellite launch services to proceed without the United States—particularly as the Soviet Union has now offered its rockets for commercial payloads of other nations.

Though the White House has stressed creating a private expendable launch industry, even without the Shuttle, no U.S. aerospace company has been able to offer these services at a price that is competitive with the government-supported European Ariane rocket. The May 30 failure of an Ariane also indicates the need to ensure that there are multiply-redundant free-world launch capabilities.

Though the three-orbiter fleet, which will be all that is available for the next three years even if a decision is made to replace the Challenger, may not be able to support a large number of commercial payloads, it makes no sense to develop a policy which categorically takes the Space Shuttle out of the communication launch loop. The barring of commercial payloads has been posed largely as a way of getting around the need to spend the \$1.9 billion needed for a fourth orbiter.

On June 18, the *Washington Times* reported that Presi-

dent Reagan will release a National Security Defense Directive soon, which ceases commercial payloads on the Shuttle. This directive was apparently drafted by the White House Economic Policy Council. While the launching of payloads to bring money into the federal Treasury is not NASA's primary mission in space, it is ludicrous to prohibit this capability from being used.

How many orbiters do we need?

As *EIR* has documented, without a fourth Space Shuttle orbiter, there is little likelihood that there can be a robust space science program, a space station by 1994, and the development or deployment of the Strategic Defense Initiative, even if the Shuttle launches no commercial payloads.

Immediately following the loss of the Challenger, the Air Force made absolutely clear that though it could bump all other payloads from the Shuttle manifest in order to meet national security requirements, it would not do so. The military has stated that out of the estimated 56.7 Shuttle-equivalent missions it will need between now and 1992, it can off-load nearly 17 of them onto expendable vehicles that are now being manufactured (Figure 1).

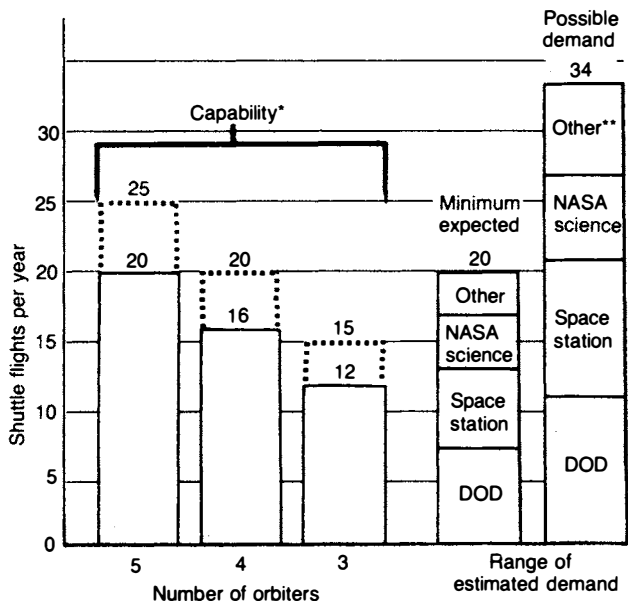
This still leaves over 34 Shuttle flights to be made for the Department of Defense in that time period. According to current projections, NASA payloads that should be flown in that time (including 25 flights to assemble the space station), 8.6 for other government agencies (such as the National Oceanographic and Atmospheric Administration, which launches weather satellites) and foreign science payloads, and a minimum of 5.1 for commercial flights, with none scheduled on the Shuttle after 1990.

As the Figure demonstrates, if NASA is restricted to a three-orbiter fleet, nearly 70 Shuttle-equivalent payloads will have to compete for a launch capability of only 35.6 missions. This would mean that crucial science experiments, or NASA technology demonstration flights, or the space station, or possibly all of the above, would be cut back dramatically. At that point, the Shuttle system would clearly not be able to meet any of the mission goals that have been set for the U.S. space program.

Looking further ahead, from 1993 to 1995 the situation only worsens. If the SDI technologies are deployed, the expected flight rate projected Shuttle-equivalent missions, is a very significant underestimate. With the minimal space program presented as 20 missions per year, even four orbiters will give the program no flexibility. One orbiter down for repair or maintenance would wipe out the flight schedule.

With the possible demand estimated as 34 missions per year, which includes still a possible underestimate of SDI requirements, modest growth for the space station, and little growth in other areas, even a five-orbiter fleet would not be adequate. The President and the nation as a whole must decide whether there will be a U.S. space program at all.

FIGURE 2
Need for replacement orbiters
(FY 1993 through FY 1995)



*Dashed lines show upper range of capability

**Includes U.S. government, foreign science, commercial payloads, opportunities, and reflights

Japan is ahead in laser fusion

U.S. physicist John Cox reports on his surprising findings during a recent tour of research facilities at Osaka University.

Laser physicist John Cox was a speaker at an April 22-23 conference in Tokyo on the Strategic Defense Initiative, sponsored by the Fusion Energy Foundation and the Schiller Institute. Dr. Cox is the president of Future Tech., located in Gainesville, Florida.

Dr. Cox was a research scientist at the University of Florida, and worked for U.S. Army Ballistic Missile Defense and for the National Aeronautics and Space Administration on the development of high-energy nuclear-powered lasers (1978-82).

While in Japan, Dr. Cox was able to visit the laser research laboratory at Osaka University. He discussed his observations and evaluation of the Japanese laser fusion program with Marsha Freeman.

Let me preface my statement by saying that I have visited Los Alamos [National Scientific Laboratory] as well as the Lawrence Livermore laser laboratory, and I've seen what we have here in the U.S., so my observations will be put in the context of comparing what we have here. I fell victim to typical prejudicial thoughts: that the Japanese were incapable of doing unique or novel research; that their bailiwick was taking what we had pioneered and making it cheaper, faster, better—but not necessarily doing anything novel. With that mindset, I went into this laser fusion laboratory, looking to see pretty much a duplicate copy of what we had done in the U.S.

The very first thing that was rubbed in my face, was that while their philosophy about their research was somewhat different, they had accomplished things that we will probably never be able to do. These accomplishments have a lot to do with their dedication to progress and cooperation with industry. The connection with industry in Japan was a much tighter system, and industry was taking an active role in the research. In the United States, laser fusion work is made up of isolated pockets of research. With the classification that is hanging over this research, there's a lot of wasted and duplicate effort here. In Japan there is an open society between research and industry, and the progress they've made is fantastic.

The main thrust of the laboratory is still basic physics.

They were not doing any studies actively to look at fusion reactors, to find out how you take this fusion energy and convert it to electricity at an economical price. That seemed to be a secondary or tertiary consideration. They were primarily looking at this as a research tool to study the physics of fusion. Their main thrust is to optimize the coupling between the energy in the laser pulse and the target, and that remains, in my opinion, one of the greatest challenges of laser fusion.

They were working on novel target designs and systems which would automate the procedure, and make the results more reproducible. They had an automatic focusing system which I was very impressed with. They're bringing something on the order of 15 laser beams, of a meter in diameter, all coming to bear on a target that is less than a millimeter in diameter, all within a nanosecond, which is a billionth of a second.

The ability to bring to bear that kind of power, within that short a time-frame and those spatial dimensions, is very impressive. They are trying to get a trillion-neutron yield, which means that during a single pulse they would generate a trillion neutrons from a fusion burn. That is an achievement that I don't think we've duplicated in the United States. They're able to do that, time and time again. One of the most frustrating things I've come across in research, is that it is difficult to reproduce something if it is very complex. The Japanese were able to get uniform results, which is very critical in terms of understanding cause and effect.

Another feature about the laser institute which impressed me, was that they've been in business there for 20 years, and over that 20-year period, they have developed between seven and nine laser systems, each being successively more powerful, more accurate, etc. In the U.S. we've had a similar progression of technologies from the 1960s to now. But in the U.S. when we build a better system, we cannibalize and disassemble the old system. At the laboratory in Japan, they had all of the laser systems completely operational and functioning at the same time.

You might say, well, what good is that? You've got old stuff that's no longer of interest. But when you're training a

new generation of laser or nuclear physicists, it's very valuable to let them gain experience on the other machines, and bring them along the same way the technology has been brought along. This is an incredible teaching resource, a learning tool for future scientists. That would be a paradise to me, if I were able to conduct classes or teach students in an environment like that; that would be a dream come true, to have that many systems available at one time.

Problem areas

They do have some problem areas that they are struggling with now. They have one of their latest systems up and running and they're getting a lot of information out of it and making a lot of progress. But in order to maintain that level of progress, they are having an employment crunch. This is a consequence of their philosophy of life.

Like all big organizations, the research laboratory has a localized need for labor, that is not a permanent need. For instance, they are just now finishing their implosion system. They need a lot of people to work on the diagnostics. They would like to hire 10 or 15 research scientists or engineers who are very knowledgeable about diagnostics.

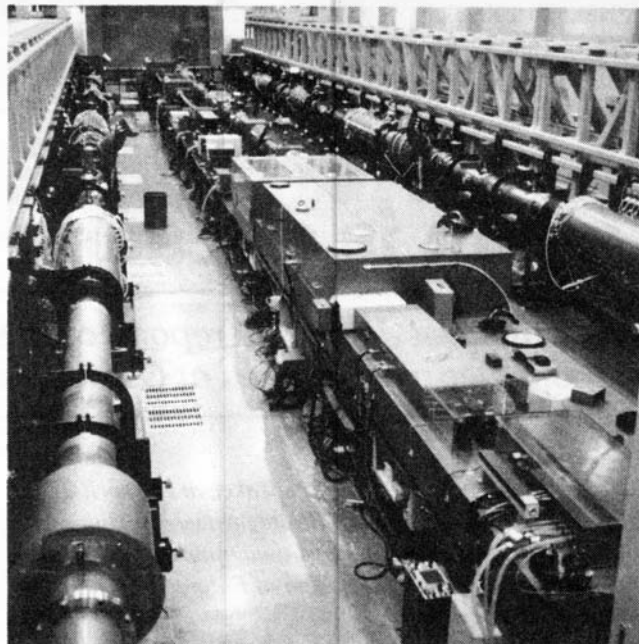
The problem they are having is that if they hire on someone at a university institute in a government position, that position is normally a position for life. But they only need him for a couple of years, and they cannot justify the expense of bringing on these extra staff people for a short time. I simply asked the head of laboratory, why don't you hire contractors, as we do in the United States? The contractor knows he has a job to do, and when it's over, he goes.

The director replied that it went beyond the regulations and the laws; he himself, as an administrator, could not look the guy in the eye three years from now, and tell him he's fired. It wasn't just the fact that they didn't have the money; the tradition had affected even the management and the top-level staff.

They are making an effort now, with the Diet [parliament—ed.], to open up these temporary positions—to create a new position, a temporary worker, who would be moved around.

I said, why don't you hire foreign contractors? I'd love to come over there and work for three years on your diagnostics and then leave. He said that they are considering that, too. The other benefit you'd get from hiring foreign contractors, is bringing in new blood, new thoughts, new ideas to invigorate the program. He said it is going to be a slow process.

The one area of technology where they are not as current as we are, was in the area of diagnostics. They were still using very crude diagnostic systems to acquire the data. I can't say that they're any less accurate or reliable in their data because of it. The newer technology would not make the detectors or systems intrinsically better; it would make them faster, increase their productivity. They're working on that now.



NSIPS

The Gekko glass laser at Osaka University's fusion research laboratory.

They are going to have to import some of that technology from the United States. The reason why the U.S. has that technology, is that the military has sensor technology which is very critical military technology, which we have spent billions of dollars on. We are the leaders in this area. If Japan had a defense budget, they would have an equal array of technology.

Scientific spinoffs

Though people talk about spinoffs into the private sector from this kind of technology, what is not mentioned, is the spinoff into scientific technology, which is even more obvious and straightforward. Our scientific research benefits 100-fold over what the private sector gets. Military research benefits private and industrial *research* far more than it benefits the commercial work of the private sector. The military research also pays overhead and other intangible things. I can't think of any major research effort that does not have at least some military contracts, which pay for the "basic necessities of life."

How that applies in the Japanese situation is not clear; but what is clear, is that those same scientists working on the problems of solving laser fusion, would also be swept up into the military-oriented research on the Strategic Defense Initiative, and there are a lot of common goals. They overlap so much, that it's difficult to disentangle them.

I'll give you a perfect example. I did work on a high-energy laser system for NASA that was not a military-funded research effort. However, I was doing the same work for NASA that I was doing for the military, so here you have a complete overlap in the basic research. As basic research

evolves into technology components and hardware, then you have a parting of the ways. In basic physics, laser fusion physics, the overlaps are enormous, and that's why our basic research is so good.

How classification cripples science

In the Japanese laser fusion laboratory, the contractors in private industry were able to work hand-in-hand with research scientists in a government facility. Here in the U.S., you have this classification network that shunts all of this information, and you have isolated pockets of people who don't communicate with each other.

It's like a synergy there. If everyone knows the same information, then the problems can be solved from within. Here, everything is isolated. For instance, in the Japanese research lab, they were doing everything in-house. They had a total capability in-house, which means they were making the pellets there, they had a complete facility to rebuild and repair their own laser systems. They do have contractors come in to support that effort, but they were doing everything there. Here, the pellets are made in Ann Arbor, Michigan by a private company, on contract with the federal government. The particles are shipped down to the labs, and the actual research and data comes out classified.

And here, even within the same laboratory, the information is not shared. The absurdity of this really strikes home when you realize that the Japanese are doing research in areas that we haven't gotten to yet. They have tried to publish the results of their work, and no U.S. publication will accept it, either because the work is not being done at all yet here, and no one can decide if it's good or not; or because the material is classified here and the Japanese are publishing what would be considered classified data, in the U.S. It's ridiculous. And that's just because of our closed society system. The information is not allowed to flow freely in this area.

When the laser fusion program in the U.S. first got started, it started producing data that was relevant to weapons, such as the so-called "EMP effect" or electromagnetic pulse. Scientists discovered that the magnetic fields propagating out from the explosion led them to re-write all of the bomb codes; it changed everything. The program got a big shot in the arm. Here was a tool that enabled them to do essentially mock-up explosions of microexplosions, enabled them to improve their models of explosives and design better weapons. That's where it all got classified.

Commercial spinoff potential

I raised the question of commercial spinoffs from laser science with the director of the laboratory, Dr. Sadao Nakai. He said that there was virtually no effort to speak of in looking at commercialization of the product. He tended to avoid the discussion about commercialization or anything to do with any other application other than basic physics. He did point out that they are trying to spin this technology off in other ways than just power.

That's what KMS Fusion in Michigan has done. The micropellet technology has spilled over to the private sector. They are making micropellets for pharmaceuticals, for cancer therapy research. This technology "oozes" spinoffs. The Japanese are not as eager or capable of spinning off this technology. That's not what drives them. That requires somebody's being a product champion, saying, "I'm going to get this company going." That American spirit is subdued there. That entrepreneurial spirit is there, but it is subdued.

Let me say a word about classification. I gave a paper at a conference—I was working on an optical processor for the Air Force and was funded at the University of Florida. We were trying to develop robotic machine vision using a new principle of optics. It's the same principle that the insect eye uses, a surface processor instead of a volume processor. In other words, our eyeball needs a volume—it has a focal length, and a diameter, and an aperture. An insect eye is a skin basically; it has no volume. We were developing optical sensors based on what Mother Nature invented millions of years ago. I was giving a paper at a conference and the Air Force had submitted an abstract of the paper.

I flew all the way out to California to give the paper, in 1983, and they withdrew my paper and classified it. And I said, "Why? This is basic physics. What good is this going to do the Russians?" They said, "Look, we just paid \$100,000 for this data. I don't want the Russians to have it, for the cost of a conference seat." They withdrew my paper, because they did not want the Russians to pay for an air fare and a conference fee, to get the same information they had just paid \$100,000 for. That totally changed my perception of why things are classified.

The Japanese said that they had spent \$300 million on the laser facility, and I assume that includes everything they've got up to today, that's the value of their assets. It's difficult to make dollar-for-dollar comparisons. When you spend a dollar in Japan, how does that compare to what you could get for that same dollar here? I have to place uncertainty on that \$300 million figure, plus or minus 50%.

They also teach there, so I don't think I could place a number on the people who are just dedicated to research. You typically spend \$100,000 per man, and if they had an annual budget of \$10 million, they would have about 100 employees there. A research scientist is paid about \$30,000 but in order for him to work, he consumes another \$70,000 in overhead, equipment. They're getting a lot of mileage out of their money. They've already got \$300 million in it, and that's a sizeable investment of any sort. I don't think you will find that investment in any of the two U.S. labs.

If the U.S. would wise up and at least transfer information back and forth between the two programs, there would be an enormous benefit to us. I don't know how it would happen. The SDI would certainly open the door, and get the thing rolling. If the Japanese would just get involved with defensive-type technology in general, the spinoffs that they would have, would be enormous.

How Soviet low-intensity warfare targets the West

by Helga Zepp-LaRouche

Since the May 16-18 weekend, when the German Green Party and associated "punkers" unleashed a campaign of violence and sabotage at the nuclear construction site at Wackersdorf, Bavaria, and in Lower Saxony, Moscow's drive for world domination has moved into a new phase. Helga Zepp-LaRouche, speaking to a conference of the Schiller Institute in Mainz-Hechtheim on June 21, underlined the significance of the Wackersdorf events: The Soviets are waging an undeclared war, a low-intensity war against Germany. She stressed the importance of the analysis of such low-intensity warfare by Friedrich August Freiherr von der Heydte, Brigadier General of the Reserves of the West German Bundeswehr, in his book Der Moderne Kleinkrieg als wehrpolitisches und militärisches Phänomen (Würzburg, 1972). We present here excerpts from her remarks, followed by selections from von der Heydte's study.

First, it must be stated that modern low-intensity warfare is *real war*, not a pre-form of war, and not between peace and war. It is real war with all the characteristics thereof. What von der Heydte notes, is that the peculiarity of modern low-intensity warfare, is that unlike a great war, it can remain unnoticed for a long period; the aggressor can disguise himself as a freedom-fighter—he likes to maintain the illusion for a long time that he can live in peace for eternity, while in fact he has begun the war. Modern low-intensity war is based on the strategy of targeting the totality of states and populations over a long period of time, with physical violence and confrontations of increasing intensity, such that the victor will be the person who, in the end, psychologically and physically has succeeded in isolating his adversary completely, so that he gives up politically.

If you apply that to the particular situation in West Germany, your hair stands on end, because this has already gone

very far. Our only defense is to wake up the population to what is actually happening.

The definition of modern low-intensity war, is that under certain conditions, irregular hordes of bandits, in the fight against regular troops of army or police, can be successful, because they conduct a war out of the darkness. They conduct terror, sabotage, bombings, kidnappings, and the aim is to exhaust and undermine the adversary, so that after some time, the adversary is physically and psychologically unable even to articulate a clear political will, and therefore becomes unable to act. West German politicians are already close to that point. . . . In the *Frankfurter Allgemeine Zeitung* of yesterday, on the front page, there is the report of Bundeswehr General Inspector Altenburg concerning the Soviet 9:1 superiority in short-range missiles and the real plans of the U.S.S.R. Two pages later, at the party congress of the Social Democratic Party in West Berlin, the SPD declares that the U.S.A. is the problem, and the U.S. must get out. They have already capitulated to the psychological blackmail. . . .

Like a real revolution, low-intensity warfare can also create new legal orders, if it succeeds. It is not simply a violation of law, because otherwise it would not be able to create such new legal orders. In a revolution, the political belief, will, decision, and act, are an inseparable unity, guided and motivated by a political formula, which leads, eventually, to a complete change of the existing political order in the social and economic form. Those who deploy this low-intensity war are motivated by the will to implement this New World Order. Once the guerrillas or terrorists are motivated by this new formula, which can be Greenie ideas or ideas of other kinds, they are ready to die for those ideas.

Those who were in Lower Saxony, both police and our own organizers, reported that what was absolutely shocking was the incredible criminal energy which these people dem-

onstrated. The punks—who were not real punks, but were rather intermixed with militarily trained spetsnaz terrorists—were not afraid to be hit over the head: They take it into account, and their training includes that possibility.

What we are really talking about, is that these people, who are willing to eliminate the nation-state, want to go back to the period preceding what they call “the ideas of 1789.” During the recent degenerate spectacle at the St. Emerich Castle of Regensburg—I will spare you the details—the high point of the birthday party for Prince von Thurn und Taxis, was a feast, where all the guests were dressed in the costumes of the absolutist system which preceded the French Revolution. . . .

In the U.S., Reagan’s promises were empty: There is no recovery. The political system in West Germany, in Western Europe is no longer convincing and is empty: The “change,” the *Wende* of the Christian Democratic Union did not take place, and Chancellor Kohl is a typical example of one of these old institutions, who want to make out that what they believe is true, even if it is not. . . .

This low-intensity war is based on the strategy of indirect action, avoiding direct confrontation, and rather outmaneuvering the enemy by deliberate misguidance, luring him into losing positions until the resistance collapses. In low-intensity war, the enemy is never beaten decisively in one battle, but outmaneuvered, and the main effect is psychological. If you can convince your enemy that the new political order is historically necessary, then you have won.

How many West Germans are convinced that the borders, the status quo, are historically necessary, that to say goodbye to the Americans is historically necessary? Then you can actually say that the manipulation—the threat on one side, the propaganda on the other—have succeeded to a great extent. . . .

This is a large-scale conspiracy, involving penetration of the Army, the churches, the party officials, the student movement. It means planting secret sympathizers in crucial positions, training the fighters, preparing the logistical bases, caches, weapons depots. The attack comes in three phases: first, the preparation; second, covert operations; third, the open fight. In West Germany, we are at the beginning of the open fight. The historians say one must determine *afterwards* when the low-intensity war actually started. One could say it started with the Baader-Meinhof terrorist group; then came the different phases of the Baader-Meinhof group, the Red Cells; and then Wackersdorf. But I would say that it started in 1815, and that it has been a back-and-forth war ever since. . . .

The strongest force working against all these different plans, is patriotism and nationalism in many countries of the world, and I am convinced, that as much as this war between the two systems has intensified, nonetheless, our concept of a new just world economic order can win, if we get the true collaboration of all patriots who will act as world citizens on behalf of the human family as a whole. . . .

Von der Heydte’s treatise on warfare

by George Gregory

Friedrich August Freiherr von der Heydte, Brigadier General of the Reserves of the West German Bundeswehr, and professor of international law at the University of Würzburg, is the author of a little-known masterpiece, *Der Moderne Kleinkrieg als wehrpolitisches und militärisches Phänomen (Modern Low-Intensity Warfare as a Military-Political and Military Phenomenon)* (Holzner Verlag, Würzburg, 1972). Professor von der Heydte’s 263-page work has mysteriously vanished from the bookshelves as far as the German-speaking world is concerned; but it was considered sufficiently important to warrant translation and covert circulation among the Soviet armed forces. It is most timely and urgent now to share von der Heydte’s insights into the nature of modern low-intensity warfare with the English-speaking public.

Low-intensity warfare was not invented in Russia, nor is it a product of “communism” or “Marxism-Leninism.” It is the special virtue of Professor von der Heydte’s treatment of low-intensity warfare as a military phenomenon, that the Soviet or Soviet-proxy “communist” and “Marxist-Leninist” variants are understood as mere selective adaptations of low-intensity warfare, which itself belongs in a comprehensive strategic setting.

Despite the fact that low-intensity warfare cannot be restricted to a particular ideological content, the political-military leadership of the Soviet Union attributes prominent importance to low-intensity warfare in its overall conception of war. The Soviets have avoided the mistaken assumption, that low-intensity warfare could take the place of a nuclear or conventional “large” war. For the Soviets, low-intensity warfare is a component of the totality of their conception of war. The Soviet conception is also not exhausted by the idea of spetsnaz commando units operating as the first wave of a blitzkrieg behind Western lines.

The bad habit of dividing post-World War II history into a “cold war phase,” followed by “détente,” with rather fluid transitions between the two, has become accepted as common wisdom in the West. This partitioning conveniently overlooks the fact, that in the entire period since 1945, with

varying intensity, the Soviet Union has pursued low-intensity warfare. The initial focus of this warfare was in the Third World. The Soviet Union played low-intensity warfare as the "interested third party," first in the de-colonialization process, and, subsequently, with more success in the post-colonial upheavals in Africa, Asia, and Latin America. As the process of low-intensity warfare unfolded, it was increasingly replaced by direct military presence and application of political power.

Since the beginning of the 1970s, and more so since the beginning of the 1980s, Soviet low-intensity-warfare strategy has shifted once again toward Western Europe. We may presume, that this is of first-rank importance for the current Gorbachov/Ogarkov leadership, working on the foundations laid by Yuri Andropov.

The following forms of battle in low-intensity warfare against Western Europe play the predominant role:

- Subversion, infiltration of institutions, with the ultimate purpose of cadre recruitment;
- Targeted terrorism against individuals, assassinations and kidnappings;
- Bomb attacks and arson, acts of sabotage;
- Disinformation campaigns and psycho-cultural demoralization;
- "Blind" terrorism, random murder or wounding of innocent people in public places;
- Kidnapping of innocent people to blackmail states;
- Civil war-like violent unrest and riots.

The climax of the Soviets' low-intensity-warfare strategy would be a condition of complete "ungovernability" and civil war in the nations of Western Europe. Under these conditions, the will to maintain the integrity of the nation and military resistance against the totalitarian East, armed to the teeth, would collapse.

The chief aim of low-intensity warfare operations is not to achieve the highest possible loss of life; nor is the material damage of acts of sabotage essential. The chief aim of low-intensity-warfare operations is the political-psychological effect. Soviet low-intensity warfare operations are aimed at terrorizing the leadership circles and the entire population of the nations of Western Europe, to wear them down intellectually and morally.

Soviet low-intensity warfare operations unfold over long periods of time, and they are not uniform. But it would be fatal to relegate them to the status of something one gets used to, something which is simply always there. The most recent escalation of low-intensity warfare in the Federal Republic of Germany emphasizes this point. The so-called Battle of Pentecost at the Wackersdorf nuclear fuel reprocessing plant in Bavaria demonstrated this with shocking clarity. To judge from its intensity, duration, centralized control, and the principles of deployment of the self-proclaimed "fighters" numbering in the thousands, the Battle of Pentecost was in fact a

low-intensity warfare operation, one that can not be considered merely a "violent demonstration."

Terrorism and low-intensity warfare

Soviet low-intensity warfare is always—directly or indirectly—associated with terrorism. In the West, there is confusion on this point, stemming from a deeply rooted notion that terrorism is a "sociological phenomenon." Terrorism in and against Western Europe is thought to be attributable to anomalies of political, social, psychological, and mental development. In the case of Wackersdorf, the explanation is that the *Angst* and "desperation" of youth in the face of the "atomic danger" led to spontaneous, violent unrest.

The truth, however, is that the terrorist low-intensity-warfare operation in Wackersdorf was prepared with military precision and centrally deployed. Covert commanding cadre and cells of Eastern intelligence services controlled, logistically and tactically, the gang-like groups, in order to demonstrate to the government in Bonn just how far the destabilization potentials at the disposal of the Soviet Union in Germany already reach.

It is characteristic of Soviet low-intensity-warfare strategy, that the initial phase is that of infiltration, with the purpose of recruiting anti-constitutional persons and groups. This is done by cadre who operate covertly for the most part, so that, as a rule, the recruits are not aware of their actual assignment. Recruits are indoctrinated gradually, trained, and financially equipped, as well as psychologically controlled. Anti-constitutional groups and "movements" operate as surrogates for the East, which covertly controls and directs them. This holds just as well on the international level of state terrorism, in which countries like Libya, Syria, and Iran operate as Soviet surrogates.

We must expect that the Soviet low-intensity warfare strategy against Western Europe, and the Federal Republic of Germany in particular, will escalate in the near future.

Documentation

The following are translated excerpts from Der Moderne Kleinkrieg als wehrpolitisches und militärisches Phänomen (Modern Low-Intensity Warfare as a Military-Political and Military Phenomenon) by Friedrich August Freiherr von der Heyde, (Holzner Verlag, Würzburg, 1972).

Since the end of the Second World War, a considerable literature has accumulated about the nature of low-intensity

warfare and the principle of its conduct. From the Chinese party chairman Mao Tse-tung to the Swiss Major H. von Dach, from the South American rebel leader Ernesto "Che" Guevara to the Greek colonel Georgios Grivas-Dighenis, from the American military author Charles W. Thayer to the German Helmuth Rentsch, practitioners and theoreticians of modern warfare have studied the problem of irregular warfare, conducted by gangs, and have investigated the remarkable phenomenon, that in such a war, badly armed, badly trained, badly clothed gangs, led by amateurs, are often successful in battle against superior troops led by professional soldiers.

If one searches the contemporary literature about low-intensity warfare for a convincing definition of the nature of this form of the conduct of war, one surprisingly finds, that the majority of theoreticians who deal with low-intensity warfare still owe us a clear definition of what it is they are talking about. Everyone knows, what he imagines low-intensity warfare to be; but to draw a clear line between low-intensity warfare and a revolutionary uprising, on the one hand, and conventional war, on the other, is obviously difficult.

Usually low-intensity warfare is conceived to be an armed conflict, in which the parties are not large military units, but small and even the smallest action-groups, and in which the outcome is not decided in a few large battles, but the decision is sought, and ultimately achieved, in a very large number of small, individual operations, robberies, acts of terrorism and sabotage, bombings, and other attacks. Low-intensity warfare is "war from the darkness." In place of the powerful thrust, there is the multiplicity of no less dangerous pin-pricks; in place of the superiority of weapons—and therefore firepower in the broadest sense—there is the superiority of movement, which the enemy is no longer able to "pursue."

But in all of these characterizations, low-intensity warfare is only described by insinuation; it is neither clearly defined, nor is its nature exhaustively determined.

Low-intensity warfare is, in any case, war. It is "real" war and not a "substitute for war," not "a proxy for war," an "operation approximating war," a "condition short of war"—or whatever expression one might use in "semantic circumscription," to pick out the so-called great war, for one or another reason, as the only "real war," in which large military units and means of destruction manned by uniformed soldiers play the decisive role.

Some theoreticians do in fact recognize, that low-intensity warfare is real war; but they do not want to see low-intensity warfare as a *form of war*, but only as a *form of the conduct* of war in the context of a "big" war—comparable to submarine warfare or the bombing war of airforces. . . .

It is in low-intensity warfare that the connection between war and politics appears most clearly: Low-intensity warfare is, in a certain sense, the war of the politician, not the war of

the soldier.

The *essence* of the condition of war consists in the *encompassing reliance upon violence*, which threatens nearly all institutions of law of the state, and becomes the foundation of all relations between the states conducting war against each other. Violence need not necessarily occur as the violence of *weapons*: A war need not always be contested in the form of a *military* conflict; in war it is only essential, that the use of violence take the place of peaceful encounter, which is the basis for relations between states at peace. A single act of violence, or even a small number of such acts, does not yet mean war, as long as peaceful relations are maintained; on the other hand—and this is of particular importance for the problem of low-intensity warfare—the condition of war does exist, when the violence which the contesting states are intent upon using comprehensively is not only—or even not at all—military violence. . . .

The types of modern war

Today we confront a multiplicity of various types of wars, an entire spectrum, ranging from nuclear war—in which nuclear weapons are actually deployed, as one unconventional extreme—in contrast to the so-called non-nuclear war, in which each of the warring parties must expect that his opponent will take recourse to nuclear weapons at some point in time—and the conventional war, in which the use of nuclear weapons is improbable, if not ruled out—all the way to the modern low-intensity war, as the other, also unconventional, extreme.

The multiplicity of types of war necessarily leads to insecurities in strategic conceptions. Theoreticians who deal with questions of strategy today are generally inclined to pick just one type of war out of the colorful spectrum of various possible types of war—usually nuclear war—and focus their entire attention on that one type. The nuclear war-type is the central focus of attention in the writings of the Americans Kissinger, Strauss-Hupé, or Maxwell Taylor, in the studies of the French generals Ailleret and Gallois, or the team study produced under the aegis of Marshal Sokolovskii; each of these authors writes as if there were no other type of war—just as earlier centuries had their uniform war-type.

Among theoreticians, this fixation on only one type of war is perhaps understandable; but when the practice of overall planning of military and civil defense of a country also fixates on one single type of war, such one-sidedness can turn into disaster for the country in question.

Today it is impossible to assume merely one single type of war. All strategic considerations, as well as all concrete projects in the defense area, must have in mind the possibility of *various* types of war. The war-image of nuclear war requires a different strategic planning, different armament, different organization of troops, and, last but not least, a different training of officers and their troops, than the war-

image of a purely conventional war; the war-image of the modern low-intensity war, in turn, requires totally different strategic thinking, totally different tactics and battle technique, and, accordingly, different training.

“The essence of the condition of war consists in the reliance upon violence. . . . Violence need not necessarily occur as the violence of weapons: A war need not always be contested in the form of a military conflict; in war it is only essential, that the use of violence take the place of peaceful encounter, which is the basis for relations between states at peace.”

There is the additional element, that we must sketch the war-image of a nuclear war as well as that of low-intensity war, that conducted in a modern industrial nation, without any experience with either of these types. In the former as well as in the latter case, we have to imagine a phenomenon which we do not yet know from experience. Therefore speculation, if not fantasy, by and large takes the place of experience. Here is the first, great, and unsolved problem of all strategic thinking, all planning for military and civil defense, all armaments projects. . . .

Psychological and political combat

It would be a mistake . . . to believe in a kind of grand escalation, only one transition from the war-image of the modern low-intensity war to that of conventional war, or from conventional war to nuclear war. It is also conceivable, that, for example, a great war begun with nuclear weapons would, after the first nuclear battles, be continued by one of the parties conducting war in the form of a modern low-intensity war, and just as conceivable that the state in question had planned and prepared this transition to low-intensity warfare before the war began. That in the preparation of such a low-intensity war, which is supposed to follow the nuclear level of conflict, psychological armament obtains decisive importance, is evident. . . .

Every weapon requires a target appropriate to it. One way to prevent an opponent from employing nuclear weapons consists in offering him no targets for these weapons. He who wants to prevent the opponent from using nuclear weapons, must shape his conduct of warfare such that the opponent

will find no nuclear targets. From this standpoint, there is a remarkable connection between the two extremes of the types of war-image of the present day, between nuclear war and low-intensity war: Modern low-intensity warfare knows of no nuclear targets, and thus precludes, by and large, employment of nuclear weapons. It is the only fundamental alternative to nuclear war.

In more than one respect, low-intensity warfare is the contrary of nuclear war. . . . While employment of nuclear weapons requires clarity as concerns the disposition of lines and a clear differentiation between operationally or tactically relevant terrain, such that all doubts concerning the forward edge are removed, the conduct of low-intensity warfare forbids any strictly drawn line, any clear definition of terrain.

Nuclear war, by its nature, requires an approach which Liddell Hart has called “direct.” He who employs nuclear weapons takes the bull by the horns: He is willing to force the final—the nuclear—test of power, in order to impose his will upon the opponent by demonstration of a military superiority, a fearsome demonstration, and thus to end the war in a *military* victory. The modern low-intensity war, on the contrary, knows of *no* “direct” approach, by its very nature: The military balance of forces becomes irrelevant, because it is not the ultimate test of power which is at issue. He who conducts low-intensity warfare seeks to avoid such direct tests of power, and seeks instead to unsettle, surprise, and tire out his opponent, to throw him off balance, to wear him down intellectually and morally, without ever offering the opponent the opportunity to employ his weapons, which, as a rule, are superior. At the end of low-intensity war, there is not only a *military* victory, but also a total *political* victory. . . .

Low-intensity warfare is, in the first place, a fight of single fighters, or small groups. It is realized in the multiplicity of isolated acts of violence. These acts of violence, in the ideal case, are distributed over the entire territory of the state, against which low-intensity warfare is directed, or in which low-intensity warfare is conducted against a foreign occupier. Low-intensity warfare knows of no front and no limited battlefield. Its front is everywhere. The actual terrain of battle changes like a kaleidoscope, from one single action to another.

In low-intensity war, everywhere can suddenly be “forward.” If the *guerrillero* operates skillfully and successfully, his enemy will seek in vain to localize the conflict. Once he believes he has “reestablished order” in one place, this order will unexpectedly be shattered in another place by new low-intensity-warfare actions. *Guerrilleros* fight everywhere and nowhere. They turn up where they are least suspected, and they disappear when one attempts to pin them down. If an action is successfully conducted, they leave the battlefield to the enemy, because it no longer has any significance for them. . . .

The *guerrilleros'* adversary will often not have sufficient

forces at his disposal to control the entire area which has become a terrain of operations. He will then have to restrict "firm" control to key objects, and only exert an "insignificant" control over other areas of the territory in question. That creates a "spatial vacuum" on the part of the adversary in a military respect, in which the forces of the *guerrilleros* "operate freely or semi-freely, whereby they continuously develop their own assault capabilities."

Since low-intensity war knows of no "front" and no "forward," there is also no *forward* defense, no depth, no possibility to prepare oneself in the *rear*, and especially no movement forwards or backwards. Low-intensity-warfare operations—although always aggressive by nature—are not, by their very nature, a "moving forward," which would be comparable to the forward motion of an attack. The normal evasive movements after completed low-intensity operations, by the same token, cannot be compared to a "moving back" in a "large" war. . . .

Just as low-intensity warfare knows of no forward or backward movement in the usual sense, so it also knows of no "occupation" and no "holding" of space by *guerrilleros*.

In conventional war, troops *occupy* a strip of terrain. In low-intensity warfare, there are not only no troops who would be able to implement such an occupation; the very *conception* of occupying space contradicts the essence of low-intensity warfare.

A specific space is neither "occupied" nor "held" by the *guerrilleros*; it is rather "contaminated" by them. "Contaminate," in this connection, means the extensive limitation of the freedom of action of the enemy in the area in question, by means of a growing number of low-intensity-warfare actions, particularly in this area. Without offering one's own forces for engagement with the enemy in the "contaminated" area, the *guerrillero* disrupts and paralyzes the enemy with increasing acts of sabotage, especially against transportation routes, attacks on reporting stations, isolated weapons, solitary traveling vehicles, and small supply columns, and last, but not least, by terrorizing the civilian population. . . .

The conception of victory

Low-intensity warfare should lead to the adversary's gradually bleeding to death, physically and psychologically. To that purpose, it is first of all necessary to rid the adversary to the *belief in the possibility of a victory* over the *guerrilleros*. To the adversary, the guerrilla movement must appear as a form of Lernaean hydra: If one cuts off one head of this multi-headed monster, two heads grow in its place, and one of the heads is immortal. If a low-intensity-warfare action is unsuccessful, or if a group of *guerrilleros* is betrayed, discovered, captured, taken out of action, or destroyed, new actions must demonstrate to the adversary within a very short time that the movement is still alive, and that the unsuccessful action was no "decisive" blow against them. Just as no low-intensity-warfare action can be decisive by itself for the *guer-*

rilleros, it must be demonstrated to the adversary, on the other hand, that for him, too, there is no "decisive battle" against the *guerrilleros*.

It is the *order of the adversary* which is to be destroyed in low-intensity-warfare actions—in fact, *every* form of order, the military as well as civilian, the economic as well as political. Clausewitz, too, speaks of such a destruction of order; but he means by this only the destruction of the order of an army, which is to be obtained in a major battle, and he calls *this* destruction the *decision*. Low-intensity war is *total* war, in which the issue is not only the existence of armies, and in which therefore the destruction of the order of an army *alone* does not yet signify the decision. Just as nuclear war leads to chaos, the successful low-intensity war gradually dissolves *every* order of the *guerrillero's* enemy.

Beaufre characterizes low-intensity war accurately as "total, long-term fighting of lesser military intensity." At its conclusion stands the survival of whomever can hold his breath longer. Victory in low-intensity warfare comes unnoticed, to a certain extent through the back door.

Victory in low-intensity war does not signify—or at least not in every case—that the adversary has been *militarily* defeated, but it always signifies, that he is exhausted and bled dry, that he is *psychologically* defeated. If "victory" signifies *that* success in which, by means of violence, that aim is achieved, on account of which violence was resorted to—and Clausewitz also spoke of a victory, which is *more* than mere success on the battlefield—then there is also a *real* victory for the *guerrilleros*. The path to this victory, of course, does not lead through a decisive battle, but over countless single, small actions, and not seldom the world only discovers after the fact—as in the case of the low-intensity warfare of the Mau-Mau in Kenya, or of the Ukrainian freedom fighters in the first years after World War II—with a certain astonishment, that a low-intensity war has just ended with the victory of one or another party. It is even possible that he who has achieved victory, only becomes aware of his victory much later—possibly too late. . . .

The movement in low-intensity warfare, of course, is of a special kind. Low-intensity warfare knows of marches in the sense of "large" war only in rare exceptional cases. *Guerrilleros* normally do not march in more or less closed columns or units. Instead, they seep—individually, or in small and very small groups—silently and unnoticed into the area they want to reach. The seeping movement, infiltration, is the characteristic form of movement for low-intensity warfare, in the operational as well as tactical realm. On the other hand, it should be noted, the seeping movement is by no means restricted to low-intensity warfare. In World War II and afterward, the Soviet army demonstrated in numerous cases, that it has mastered the art of infiltration at every level—in the large and the small, from the seeping staging of entire armies to the infiltration of a shock force into enemy positions—also in "large" war. . . .

Washington traitors to kill the SDI on orders from Moscow

by Criton Zoakos

Between May 23 and June 20, the day that both Senate and House Armed Services panels voted drastic reductions in the funding of President Ronald Reagan's Strategic Defense Initiative, an ominous sequence of maneuvers, coordinated among the Kremlin, the State Department, and the U.S. Congress, has produced the greatest national security disaster for the United States since Pearl Harbor.

To reverse this Pearl Harbor's effects now, it will be necessary to purge the Reagan administration of all persons—including Secretary of State George Shultz, his arms-control adviser Paul Nitze, and chief arms-control negotiator Max Kampelman—who knowingly and willfully contributed to this debacle, and to sweep from Congress all those elected officials—such as Sens. Joseph Biden (D-Del.), Patrick Leahy (D-Va.), Bennett Johnston (D-La.), Sam Nunn (D-Ga.), and Reps. Dante Fascell (D-Fla.), Les Aspin (D-Wisc.), and Norman Dicks (D-Wash.), among others—who provided “aid and comfort” to the Soviet strategists who orchestrated this operation.

What happened?

The Strategic Defense Initiative, in the words of Defense Secretary Caspar Weinberger and SDI Director Lt.-Gen. James Abrahamson, has been “strangled in its cradle,” as a result of the extraordinary budget cuts voted by the Senate and House Armed Services Committees on June 20. If these votes are not reversed before October, then the principal Soviet objective at the Geneva arms-control negotiations, the “elimination of Star Wars,” will have been fully achieved. By October of this year, the Soviet Union will have no further reason to continue attending the Geneva sessions.

How did this happen?

The first public indication of collusion between Soviet officials and the State Department to kill the SDI emerged on Sunday, June 1, when Weinberger, on the television news program “Face the Nation,” said flatly that he had not been briefed on the—by then notorious—“new Soviet arms control proposals” made at Geneva during the May 29 session. Three days later, on June 4, Weinberger, now briefed on the Soviet proposals, appeared on the TV news show “Nightwatch” and stated



The rogues who are sabotaging SDI: from left, Sen. Ted Kennedy, Secretary of State George Shultz, Sen. John Heinz, Sen. Alan Cranston, Rep. Les Aspin.

that the Soviet proposals are “against the national interests of the United States,” and “an attempt to kill the SDI by the side door.”

It turned out that the “new Soviet offer” consisted of two parts: first, a stipulation that the United States abide by the 1972 Anti-Ballistic Missile treaty until the year 2000 and restrict SDI research to “laboratory-only” levels; second, a promise that, with the SDI killed, Moscow would promise to look into “drastic reductions of strategic offensive weapons.” Weinberger pointed out that the Soviet request to extend the duration of the ABM treaty was aimed at eliminating the possibility that Congress would fund the deployment of the SDI. “The Soviets know you can’t get funding for a program if you’ve said you are not going to use it for 10 years,” the defense secretary said.

Kampelman and ‘The Trust’

Even though the official legend was developed that this “new Soviet offer” was made on May 29, sources in Geneva close to the talks told *EIR* that, in fact, the idea of extending the ABM treaty had been discussed between Max Kampelman and Victor Karpov, the two chief negotiators, for “quite a while.” Not surprising: Max Kampelman is publicly associated with the idea that the SDI is useful only as a bargaining chip. During December 1984, shortly before he was named chief arms-control negotiator, Kampelman co-authored with Zbigniew Brzezinski an essay, published by the *New York Times Sunday Magazine*, which has become the “bible” for the entire arms-control mafia which, since March 23, 1983, has been committed to “whittling away” the Strategic De-

fense Initiative into a mere bargaining chip, never to be deployed.

At the time of Kampelman’s appointment as U.S. chief arms-control negotiator, and on repeated occasions ever since, this publication has warned that Kampelman ought not to be trusted with the fate of the SDI, or with anything to do with arms control. Kampelman’s political pedigree, like that of former U.N. ambassador Jeane Kirkpatrick and Paul Nitze—all three hail from the bowels of Jay Lovestone’s “right-wing Social Democracy”—places him squarely in the murky area known, in intelligence parlance, as “The Trust.” Famous among the previous generation’s Trust operatives were the notorious tycoon Alexander Helphand (Parvus), the spiritual father of both the theory of “permanent revolution” and the idea of the “Pan-European Union,” now espoused by Lord Carrington, Hans-Dietrich Genscher, Guilio Andreotti, and the Georgetown Center for Strategic and International Studies (CSIS). Other Trust operatives were Leon Trotsky, Nikolai Bukharin, and other associates of Jay Lovestone, who were eventually turned away by Soviet dictator Josef Stalin during the 1930s. The influential apparatus of the American right-wing Social Democracy later emerged out of the spurned Jay Lovestone’s political family. This group succeeded, with help from Sen. Joe McCarthy, in presenting its very special dispute with Stalin as some kind of genuine “anti-communism,” i.e., a set of fake credentials which bought a ticket of influence in the U.S. foreign policy and national security policy Establishment. This is what eventually gave us Max Kampelman, Paul Nitze, and the betrayal of the Strategic Defense Initiative.

The "new Soviet offer" at Geneva, though in the works for months, was made public exactly two days after President Reagan announced that the United States, in light of Soviet violations, will no longer abide by the SALT II treaty. To counter the impact of President Reagan's May 27 announcement that the SALT II treaty was dead, as a result of Soviet violations, the State Department, jointly media, launched a phony campaign to present the standard Soviet demand to scrap the SDI as "new," "surprising," and "unexpected." Moreover, Shultz sent his chief arms-control adviser, Paul Nitze, to the House Armed Services Committee on June 11, to give testimony which virtually amounted to coaching the Democrat-dominated committee on how to go about killing the President's Strategic Defense Initiative and why.

"The Soviets appear recently to have given some greater indications of potential movement in their position," Nitze told the committee. "Our negotiators in Geneva are attempting to determine whether there is any substance to these indications," he continued, referring to his colleague Kampelman's efforts to sell out the SDI in exchange for some imagined reductions in Soviet offensive weapons.

'Budgetary Constraints'

As for President Reagan's termination of compliance with the SALT treaty, Nitze ventured his own interpretation of events to the congressmen, pointing out that *under existing budget constraints*, he expects the President to continue, in the future, complying with the SALT II limits. Even after refitting more than 130 B-52s with nuclear-tipped cruise missiles, the United States might remain within SALT II limits, according to Nitze, because "the United States might dismantle another Poseidon submarine," scheduled for overhaul by June 1987, with the administration then invoking, again, reasons of cost, rather than adherence to the treaty for its own sake. According to Nitze, even though the administration may have renounced the treaty, it would still remain within its limits for "budgetary reasons."

Nitze's June 11 testimony catalyzed congressional forces into action, using budget authority to destroy the SDI, exactly as Weinberger had warned, on June 4, was the intent of the Soviet proposals.

To the applause of Soviet newspapers and television programs, a group of senators, led by Bennett Johnston, Joseph Biden, William Cohen (R-Maine), Patrick Leahy, John Chafee (R-R.I.), John Heinz (R-Pa.), and Dale Bumpers (D-Ark.), began a drive to "save the SALT treaty," and also to cut funding for the SDI. On the day of Nitze's testimony, Senator Biden took to the floor of the Senate to intone in more or less hysterical tones: "President Reagan's arms-control policy has fallen under the influence of right-wing advisers who want to destroy SALT II and the whole framework of nuclear arms limitations. . . . We face the functional equiv-

alent of a national emergency in the conduct of our strategic policy. . . . [Reagan's]

way to implementing a perverse policy that could inflict severe damage on the national security interests of the United States," Biden said, surprising everyone who knew his voting record, and his total past disregard for "national security interests."

On the same day, while Nitze and Biden were speaking in Washington, the Soviet news agency TASS announced the following: "On June 11 the U.S.S.R. delegation presented at Geneva an interim variant of a solution to problems connected with non-militarization of space and with reducing strategic weapons. It was proposed to reach an accord between the U.S.S.R. and the U.S.A. on staying within the ABM treaty for at least 15 years and to restrict work in the field of the SDI to the level of laboratory research, that is, the threshold which the U.S.A. has already in practice reached."

On June 16, Senator Leahy of the Senate Intelligence Committee announced that he was introducing a bill to force the United States to remain within SALT limits. "People are genuinely concerned by the abandonment of SALT," he said, "and that will affect the Strategic Defense Initiative."

On June 20, both the House and the Senate Armed Services committees voted to cut the requested SDI budget by some \$1.8 billion for fiscal 1987. Four days later, the U.S. and Soviet negotiating teams had their final meeting in Geneva, before recessing for the summer. Chief U.S. negotiator Kampelman announced, most pleased with himself: "The fifth round of negotiations on nuclear and space arms has just ended. We hope it has in some areas opened the way to a serious dialogue which will narrow our differences and lead to agreement. I do not want to minimize the very real and important substantive differences that remain between us. But at least in some areas, we may now have fresh opportunities for serious and constructive discussion."

Mr. Kampelman's dream of negotiating the SDI down the drain has almost come true. The relevant congressional committees have voted to limit its funding to levels of "laboratory research," already pronounced acceptable by the Soviet Union. These committee recommendations are to be voted by Congress into law, some time around Sept. 18, the day the Geneva talks resume, and certainly before Oct. 1, for the next fiscal year. If this happens, the SDI will be dead, as the Soviet Union intended. With this defeat, the United States at Geneva will have no other practical choice but affix its signature to whatever piece of paper the Soviets choose to present. What had once started as an "arms-reduction" negotiation, will have become the negotiated surrender of the United States.

Oust the traitors!

This can be reversed by events intervening between now and Oct. 1, only if such events lead to full restoration of the

SDI budget. The May 23 to June 20 developments demonstrate beyond reasonable doubt that the "arms-control mafia" is too deeply entrenched both inside the administration and in Congress, to permit any serious development of the SDI.

Responsible policymakers must therefore examine three sets of considerations: First, are the national security estimates which led to the decision to go with the SDI still valid? Second, are the national interests involved so overriding as to make it worthwhile to attempt to dislodge this "arms control mafia?" Third, what is really this political entity called the "arms control mafia?"

Those in the U. S. intelligence community who agree with the analysis of *EIR*, agree that the United States is menaced by an ongoing pre-general-war assault by the Soviet Union, whose leadership is bent on unchallenged world domination by the 1988-90 period. They also agree that the Soviet Union has achieved such an absolutely overwhelming superiority in offensive strategic weapons, that the only two choices allowed to the United States are: 1) an immediate crash effort to deploy a multi-layered system of strategic defenses as outlined by the SDI perspective, or 2) capitulation to Soviet dictates.

Rivaling this evaluation, the adherents of the "arms-control process" argue that no aggressive Soviet intentions exist; that the acknowledged Soviet violations are "militarily insignificant"; and that—following identically formulated Soviet arguments—the SDI is both unfeasible and destabilizing. These arguments have been refuted time and again. A review of the public record by any rational person will show that the "arms-control mafia" has abandoned any pretense to reasoned argument. This is not the place to repeat these arguments and refutations. Suffice it to say, that the "arms-control mafia," having abandoned all hope of winning by reasoned argument, has now resorted to the employment of crude force: Cut funding for the SDI and permit the military and diplomatic consequences of the cuts to take their effect.

If our evaluation is correct, that the Soviet Union is in a classical state of war against the United States, a state of war which, though undeclared, is nonetheless fully in effect according to the Soviets' own textbook definitions of what constitutes war in the era of nuclear weapons, then, in accordance with the Constitution of the United States, all those officials in the Reagan administration, from Shultz on down, and all those members of the Senate and the House, who voted for the SDI budget cuts, are, technically, traitors for "providing aid and comfort" to the enemies of the United States in time of war.

Respecting the employment of the term "arms-control mafia": No such political entity exists in reality. Many well-meaning persons have employed the term in an effort to understand why some of their colleagues in government and elsewhere in policy making, are so obstinately committed to "arms control," an exercise whose sole and exclusive product

has been, so far, the emergence of the Soviet Union as the world's most awesome, unchallenged thermonuclear offensive power, rather than the control of arms in any sense. The myth was developed that these partisans of "arms control" are blinded to the harsh strategic realities of Soviet strategic ruthlessness, simply because such partisans have grown up and been educated, and had their careers shaped by the philosophy of arms control of the late 1950s and the 1960s, and that to abandon such deeply engrained habits of thought, would be both psychologically traumatic and perceived as a threat to careers whose advancement always depended on an arrangement of "arms control" regulating relations between the United States and the Soviet Union.

This is a wrong way of looking at the phenomenon. The real cancer in the American political body is what, in specialist circles, has been known as The Trust—the general strategic orientation of the leading, financially powerful families of the U.S. Establishment, which include among their leading elements the Harrimans, the Rockefellers of the Trilateral Commission, the Mellons, the Bundy brothers, the Lodges, et al. For reasons of their own, this group had, in 1917 and during the early 1920s, played a critical role in assisting the Bolshevik Revolution in taking and consolidating power. With Josef Stalin's Russian chauvinist/nationalist turn, they experienced a falling-out which they repeatedly tried to mend, but did not succeed in mending, until, after Stalin's death, Lord Bertrand Russell and his World Association of Parliamentarians for World Government created, in 1955, the Pugwash Conference for World Peace, the principal agency for implementation of the "arms-control process," as it began, with certain final decisions adopted during 1958, at the New York Council on Foreign Relations, under the direction of McGeorge Bundy.

The modern form of the old Trust of the 1920s and 1930s—of which Jay Lovestone, the political granddad of Kampelman and Nitze, was a founding member—today, is these leading financial families which, under the spell of Lord Russell, created and nurtured the World Parliamentarians and Pugwash movements. Should some qualified U.S. national security/intelligence entity decide to develop a career profile of any of the senators and representatives who, from May 23 to June 20, participated in orchestrating the Soviet-ordered assault against the Strategic Defense Initiative, they will, without doubt, be able to situate the origins of these careers in some patronage by, association with, or dependency on the World Parliamentarians movement or the Pugwash movement, or the powerful financial families which, over the years, have cultivated these movements.

It is the power of this Establishment which must be curbed before the reconvening of the Geneva talks on Sept. 18, if the United States of America is to avoid the bitter fate of signing, at Geneva, a fateful instrument of surrender to Moscow's new czars.

A chronology of the treason in Congress

May 22: Forty-six Senators, including nine Republicans, sign a letter initiated by Sen. Bennett Johnston (D-La.) urging that SDI funding increases for FY1987 be kept to a maximum of 3%, thus slashing the administration's request by almost 50%. The senators claim that SDI has received "excessive and inappropriate emphasis," and "is being rushed to a premature development decision. . . ."

May 23: The administration "disagrees strongly" with the SDI funding cuts recommended by the 46 senators, White House spokesman Larry Speakes declares. "We hope this is not a course Congress will take. . . . The SDI is extremely important to the future security of the U.S., our allies, and the rest of the world." Further cuts would mean that "we would have to narrow the focus and would not be able to explore all the technologies we want."

May 27: President Reagan announces that the United States will abandon SALT II. "I have determined that in the future, the U.S. must base decisions regarding its strategic force structure on the nature and magnitude of the threat posed by Soviet strategic forces and not on standards contained in the SALT structure which have been undermined by Soviet non-compliance, and especially in a flawed Salt II treaty which was never ratified, would have expired if it had been ratified, and has been violated by the Soviet Union."

May 29: The Soviets privately propose a "new" arms-control gambit at the Geneva talks. The proposal, which first surfaces in the June 1 *New York Times*, calls for "strengthening" the terms of the ABM treaty, extending it for 15-20 years, and reducing U.S. and Soviet strategic nuclear arsenals.

May 29-30: NATO foreign ministers meet in Halifax, Nova Scotia. The gathering is characterized by violent opposition to Reagan's renunciation of SALT II. Secretary of State George Shultz tells the participants that the United States is "not throwing away the concept of mutual restraint, but is seeking to develop a truly effective form." NATO Secretary-General Lord Peter Carrington announces the formation of a "high-level task force" in anticipation of Soviet initiatives on troop reduction in Europe.

June 1: Asked to comment about the new Soviet arms pro-

posal during a television interview, Weinberger replies that he has not seen it, "but I would certainly oppose anything that blocked or in any way prevented our developing strategic defense. . . . I don't want ever to agree to anything that attempts . . . to prevent our doing the kinds of things [that would allow us to] deploy an effective defense against Soviet missiles."

June 2: Soviet President Andrei Gromyko charges that the U.S. decision to drop SALT is "a major American blunder."

June 3: Rep. Norm Dicks (D-Wash.) introduces a bill prohibiting the use of Pentagon funds for weapons that would exceed SALT II's limits. Over 120 members of Congress sign on as co-sponsors.

June 3: President Reagan sends message to Congress calling for full funding for the SDI, and stating that it "makes no sense for the U.S. to continue to support the SALT structure while the Soviet Union undermines the foundation of SALT by its continued, uncorrected non-compliance."

June 3: Key Republican senators meet with Reagan to state their opposition to the SALT decision. Sen. John Chafee (R-R.I.) tells the President of his "extreme distress" over the decision, warning him that if the United States scraps the treaty, the Soviets "are going to be way ahead." Other Republicans, including Senate Intelligence Committee chairman David Durenberger (R-Minn.) and Lowell Weicker (R-Conn.), also oppose the President.

June 4: Marshal Sergei Akhromeyev, chief of staff of the Soviet Armed Forces, and Deputy Foreign Minister Aleksandr Bessmertnykh, give a press conference in Moscow stating that the Soviet Union will have to increase its nuclear warhead arsenal so that his country could continue to deal with Washington "on an equal basis." "If the U.S. goes ahead with its plans to overstep the limits" of SALT, "we will have the legitimate right to undertake countermeasures."

June 4: Top House Democratic leaders and committee chairmen meet to discuss strategy for overturning the President's decision to drop SALT II. Jim Wright (D-Tex.) discloses that a letter is circulating among members—with at least 220 Democratic and Republican signatures—urging Reagan to comply with SALT II. House Democrats and "many Republicans" are prepared to push forward legislation to force Reagan to abide by the treaty, he says.

June 4: Secretary Weinberger, in a television interview, says that the Soviet proposal is "against the national interests of the United States," and "an attempt to kill the SDI by the side door." He adds: "The Soviets know you can't get funding for a program if you've said you're not going to use it for 10 years." Such an agreement, he added, would cause SDI re-

search "to lose a great deal of momentum" and cause a "loss of all public support or the possibility of ever deploying a strategic defense."

June 4: Chief U.S. arms-control negotiator Paul Nitze says the United States will continue to honor the 1972 ABM treaty despite Soviet non-compliance.

June 6: The latest Soviet arms-treaty initiative would "rule out effective testing for the SDI," Weinberger states. The Soviets are trying to achieve two things with their new proposal, he charges: 1) to buy time, in "the hopes that the next U.S. administration will assign less priority to the SDI," and 2) put testing of the SDI off so many years that Congress would be reluctant to fund even research for the SDI.

June 7: The White House and State Department denounce congressional legislation seeking to force continued U.S. compliance as "unwise and unhelpful."

June 9: "I am concerned at how frequently the threats to our freedom and world peace are ignored when considering the President's defense budget requests," Weinberger tells a Washington conference. "Unfortunately," he continues, "political expediencies seem to blind Congress to the very real threats faced by this nation."

June 9: SDIO head Lt.-Gen. James Abrahamson tells *Defense Daily* that proposed cuts in the SDI budget will have a "devastating" effect on the program. Work would have to be stopped in every one of the five major areas of SDI development, he says, emphasizing that he would "have to take chunks" out of priority areas. To make an early 1990s decision on whether to proceed to development, SDI must be funded at the requested level of \$4.8 billion.

June 11: Sens. Joe Biden (D-Del.) and Bill Cohen (R-Maine) introduce a resolution into the Senate that would mandate U.S. compliance with SALT II. "We face the functional equivalent of a national emergency in the conduct of our strategic policy."

June 11: Paul Nitze tells the House Armed Services Committee that "the Soviets appear recently to have given some greater indications of potential movement in their position." He states that he expects Reagan to continue to comply with the SALT II limits, because of budget restraints.

June 12: The House Foreign Affairs Committee approves a resolution, sponsored by Rep. Norm Dicks (D-Wash.) and chairman Dante Fascell (D-Fla.), calling on Reagan to adhere to SALT II. The vote is 29-11. Fascell, who met with Mikhail Gorbachov earlier this year, motivates the measure on the grounds that U.S. abandonment of the treaty will "open the door" to a Soviet military buildup.

June 12: The European Parliament condemns Reagan's abandonment of SALT.

June 12: Armand Hammer meets with Reagan to discuss getting the summitry process back on track. He then flies to London to brief British Prime Minister Margaret Thatcher and Soviet Ambassador Leonid Zamyatin, whom he assures that Reagan genuinely wants a summit.

June 13: Two more senators, Bill Bradley (D-N.J.) and Orrin Hatch (R-Utah), join 46 of their colleagues in calling for the SDI budget to be held to a 3% increase.

June 13: George Shultz declares, in a USIA interview, that the new Soviet proposal has "substance." Shultz also insists that Reagan had not declared SALT II "dead." "He didn't say that. He didn't use that word."

June 13: Sen. Lawton Chiles (D-Fla.) discloses that Senate budget negotiators have agreed to cut Reagan's proposed FY1987 defense budget from \$320 billion to \$293 billion. The House is insisting on a \$35 billion reduction.

June 14: "There is still time for the United States to think again," says Deputy Soviet Ambassador to the U.N. Oleg Sokolov, at a press conference in Washington. Sokolov says that the Soviet Union would take "corresponding measures . . . if the United States actually exceeds the limits."

June 14: The London *Observer* reports that Reagan sent a letter the previous week to Gorbachov proposing a meeting between their foreign ministers to prepare a summit agenda. A White House official confirms such a letter was delivered to Gorbachov by U.S. Ambassador Arthur Hartman.

June 16: Gorbachov for the first time outlines the Soviet proposals put forth at Geneva. "The Soviet Union had suggested that the sides agree on non-withdrawal from the ABM treaty in the course of at least 15 years and limit the SDI-related research to the level of laboratory tests," he says.

June 16: House Armed Services Committee chairman Les Aspin announces that his committee will begin writing a military-spending bill this week that cuts 11%—\$35 billion—from Reagan's Pentagon request.

June 17: The Soviet news agency TASS reports that a meeting of the Pugwash Conference took place in Moscow the week before, at which participants urged continuation of SALT II and the ABM Treaty, and consolidation of "the arms control regime . . . through a ban on the testing and deployment of anti-satellite weapons and on nuclear explosions and through achieving a mutual reduction of conventional armaments in Europe."

June 18: Rep. Les Aspin predicts Congress will freeze SDI funding at this year's level of \$2.8 billion. The members of the House Armed Services Committee, he says, rank SDI as a low priority.

June 18: Thirteen senators send a letter to Reagan calling for the United States to continue to abide by the so-called strict interpretation of the ABM treaty.

June 18: Four senators introduce a resolution challenging President Reagan's decision to abandon SALT II. The four, Patrick Leahy (D-Vt.), John Chafee (R-R.I.), Dale Bumpers (D-Ark.), and John Heinz (R-Pa.) are also preparing a bill preventing Reagan from spending money on programs that exceed the treaty's limits.

June 19: By a 256-145 vote, the House adopts a non-binding resolution directing Reagan to adhere to SALT II.

June 19: Sens. Bennett Johnston and Dan Evans (R-Wash.) hold a press conference to release a letter to Congress from 1,500 U.S. scientists, urging Congress to curb the growth of SDI funding."

June 19: President Reagan welcomes Moscow's latest arms proposals as the start of a serious effort to reduce nuclear weapons which could represent a "turning point" in negotiations.

June 20: Soviet parliamentarians propose to hold periodic discussions on arms-control questions with U.S. congressmen. The first meeting should take place shortly, they say, and should deal with "mutual concerns" over arms-control agreements, as well as a nuclear test ban.

June 20: The House Armed Services Subcommittee on Research and Development votes to cut \$1.4 billion from SDI research, and to eliminate all funds for the ASAT program.

June 20: Marshal Sergei Akhromeyev, chief of the General Staff of the Soviet armed forces, speaking at a meeting of the foreign affairs commission of the two chambers of the Soviet parliament, says that the United States is violating SALT II and the ABM accord in numerous areas, and Reagan's "Star Wars" plans represent the gravest danger.

June 20: The Senate Armed Services Committee chops \$19.2 billion from the FY1987 defense budget, with the largest chunk coming out of the SDI. Acting on an amendment introduced by Bill Cohen and Sam Nunn, the Senate slashes \$1.45 billion from strategic defense. Even deeper cuts may be necessary if the program continues to lack a coherent "concept," says Cohen. The two senators disclose they will also try to redirect the SDI away from population defense to point defense.

June 20: The Senate Armed Services Committee approves a measure to delay administration plans to create a new, semi-private SDI institute. Several committee members, including Carl Levin (D-Mich.), Paul Simon (D-Ill.), and William Proxmire (D-Wis.) say they will fight to eliminate the institute altogether when the defense authorization bill comes to the floor.

June 21: House Democrats produce a new defense blueprint calling for banning ASAT weapons, sharply limiting SDI funds, banning the MX, adhering to SALT II, etc. "It's a fusion of the main elements of the party—the hawk Democrats and the non-hawks," said Rep. Tom Downey (D-N.Y.).

June 23: Weinberger charges that the congressional effort to chop the SDI budget is "an attempt to strangle the program in its cradle. . . . An excuse, really, for avoiding serious thought concerning the strategic problems of our time." Speaking at a U.S. Space Foundation conference, Weinberger scolds members of Congress for "seeking to denature" the vast project "through anemic funding levels." He also states that the SDI would not be used as a bargaining chip at Geneva. "I think that the President is too firmly committed to it. . . . He is not putting it forward as something to be given away."

June 24: White House Chief of Staff Donald Regan declares that he is confident that Gorbachov and Reagan will meet this year. Gorbachov, he said, sent Reagan a letter which "discussed issues which you can well imagine have to do with disarmament and the talks in Geneva."

June 25: Soviet Ambassador to Washington Yuri Dubinin delivers a proposal for regular meetings between U.S. and Soviet legislators on arms-control issues to a group of Senate Democratic leaders. Meeting with Dubinin were Sens. Byrd (W.Va.), Pell (R.I.), Cranston (Calif.), and Moynihan (N.Y.).

June 26: House and Senate budget negotiators approve a compromise 1987 budget that slashes the administration's military spending request from \$320 billion to \$292 billion.

June 26: The House Armed Services Committee approves a FY1987 defense budget \$35 billion below the President's request. The budget is 5% less than the FY1986 budget—itsself massively cut by Congress—and gives only \$3.7 billion to SDI. The panel also slices ASAT research funds in half, and eliminates all funds for production.

June 26: Sen. Jesse Helms (R-N.C.) proposes to the Senate Foreign Relations Committee that it send the SALT II treaty to the Senate for a vote on ratification.

Who's who in the assault on the Strategic Defense Initiative

We present here political profiles of some of the ringleaders of the congressional offensive against U.S. national-security interests.

Sen. Claiborne Pell

The senior senator from Rhode Island, Pell (D) is one of the bluest of the bluebloods on Capitol Hill. He has openly boasted that his Brahmin forebears were diehard Tory sympathizers during the Revolutionary War; judging by his career, he seems bent on living up to his anti-American heritage.

Pell claims two other distinctions: He is "very proud" to be the only elected public office holder in the Club of Rome, the international oligarchical organization devoted to killing off billions of the world's "useless eaters" on grounds that the Earth's resources cannot support current population levels. In addition, Pell is one of the few members of Congress to attend meetings of International Pugwash, the Bertrand Russell-Leo Szilard movement which wants to supplant sovereign nation-states with One-World government.

Thus it is hardly surprising to find Pell in the midst of all sorts of operations against U.S. national interests, especially those aimed at undermining America's ability to defend itself and its allies.

Pell's hostility to America's well-being is strikingly illustrated by his involvement with the Washington-based Institute for Security and Cooperation in Outer Space (ISCOS). Headed by an aspiring Mata Hari named Carol Rosin, ISCOS was exposed by *EIR* two years ago (June 5, 1984) as a virtual KGB nest. By Rosin's own testimony, ISCOS transmitted anti-SDI and anti-ASAT legislation drafted by the Soviet embassy in Washington to congressmen associated with the Space Policy Working Group, an informal congressional caucus, who then introduced it as legislation.

Pell not only sits on ISCOS's board; he frequently hosts ISCOS functions and helps develop ISCOS policy, which, naturally, opposes U.S. development of a strategic defense system.

In May 1984, right at the time that Congress was preparing to vote on defense-spending legislation and related measures, Pell threw a reception on Capitol Hill for a visiting Soviet delegation, led by Georgii Arbatov and top laser sci-

entist, E. P. Velikhov. Key members of Congress and their aides participated, and discussion reportedly centered on how to derail President Reagan's SDI initiative.

Pell has historically had close relations with Moscow bigwigs. He was the last American to meet with Yuri Andropov before the former KGB chief's death in 1983.

Pell continues to work against all elements of U.S. military strength. Most recently, he joined 47 of his fellow senators in demanding that SDI budget increases be capped at a maximum 3% per year. He also signed a June 18 letter, along with 12 of his colleagues, which called on President Reagan to adhere to a "strict interpretation" of the ABM treaty. Released by the National Campaign to Save the ABM Treaty, a coalition which coordinates anti-SDI strategy, the letter claimed that the treaty bans all space-based defense systems, including those using new technologies such as lasers and directed energy, now being developed under the rubric of the SDI.

Pell also opposes Reagan's decision to break out of SALT II, supports a nuclear freeze and a ban on ASATs, and has recommended that the United States agree to bargain away the SDI for an arms-control agreement with Moscow.

Rep. Les Aspin

A former "whiz kid" in Robert Strange McNamara's Defense Department, Aspin (D-Wisc.) has singlemindedly pursued his patron's program for wrecking America's defenses and appeasing Moscow, since he was first elected to represent Wisconsin's first congressional district in 1970.

In his 15 years on the Hill, the Yale- and Oxford-educated Aspin has made a name for himself as a "defense maven," knowledgeable about arcane military matters. That carefully built reputation bore fruit in late 1984, when Aspin made a successful bid to oust Rep. Mel Price (D-Ill.) as chairman of the House Armed Services Committee, and then grabbed that powerful post for himself, leapfrogging over five more senior—and conservative—Democrats in the process.

Among Aspin's major claims to fame is the pivotal role he played in forging a "compromise" on the MX missile, which put major obstacles in the way of producing and deploying this desperately needed replacement for America's aging Minuteman ICBM force. In this, Aspin functioned in

tandem with the recommendations of the Scowcroft Commission, headed by Kissinger Associates partner Brent Scowcroft. Aspin has promoted two other key Scowcroft Commission recommendations: production of the single-warhead Midgetman missile, and a slowdown in implementation of the Strategic Defense Initiative.

Aspin greatly admires Kissinger. In a *Wall Street Journal* profile published last April—which accurately described Aspin as “one of the most crucial players in setting the course that will reshape the nation’s defense budget” in this period of Gramm-Rudman “retrenchment”—Aspin’s longtime working relationship with Kissinger was stressed as a key factor in his approach to defense and strategic issues. Foreign policy during the Kissinger-Nixon administration was “the best run in my experience in Washington,” Aspin told the *Journal*. Kissinger “knew how to make the system work. He knew how to make things happen.”

Aspin, too, appears to know how to make things happen: the wrong things. For example, Aspin took the point this spring in fashioning a House budget proposal for FY1987 that cut President Reagan’s defense request from \$320 billion, to \$285 billion.

Among Aspin’s major current projects is so-called military reform. A leading member of the Military Reform Caucus in Congress, Aspin helped shape and usher through Congress legislation that would provide for the most sweeping overhaul of the Pentagon since World War II.

Befitting his ties to Kissinger, Aspin has also emerged recently as a major force behind the “decoupling” of Europe and the United States. A top Aspin aide confirmed earlier this year, that Aspin is working closely with Norm Ornstein of the American Enterprise Institute (AEI) to develop a plan for the withdrawal of American troops stationed in Western Europe. Ornstein, in a *Washington Post* commentary last January, proposed that the United States withdraw and demobilize 90,000-100,000 of its troops from Europe, in order to meet the defense cutbacks mandated by the Gramm-Rudman bill. In a speech to the Washington World Affairs Council Feb. 13, Nunn stated that the search for defense budget cuts in Congress may lead to a “fundamental reexamination” of U.S. defense strategy and relations with the allies. In May, one of Aspin’s chief assistants privately charged that the number of troops which the United States has committed to the defense of Europe is “asinine.”

Aspin maintains close links to Georgetown’s Center for Strategic and International Studies (CSIS)—home to Kissinger, and a decoupling nest. He sits on the European Policy Group as well as the Strategy and Arms Control Group, where he rubs elbows with Scowcroft and former Mondale defense-adviser Walter Slocombe. Aspin also belongs to AEI’s National Defense Policy Studies Advisory Council, and to the Council on Foreign Relations. He frequently attends seminars sponsored by the Aspen Institute, a center for

the “New Yalta” faction.

Aspin has his share of chutzpah. Claiming to want to give the Democrats a “pro-defense” image, he recently helped author a House Democratic “defense blueprint,” which calls for eliminating the MX, sharply curtailing the SDI, banning ASAT tests in space, adhering to SALT II, strengthening the ABM treaty, and drastically cutting defense spending. According to Aspin, the proposals “ought to make Moscow sit up and take notice—notice that . . . if they’re willing to cooperate, we’ll hammer out arms control agreements that will leave the world safer and more secure.”

Sen. Sam Nunn

The Democratic senator from Georgia is a carbon copy of Les Aspin. He too is known as a whiz on defense matters, and this has allowed him to become possibly the major influence in the Senate Armed Services Committee, where he is now ranking Democrat. He could become chairman, if the Republicans lose control of the Senate in November.

In part, Nunn’s pro-defense image stems from his family background. His great-uncle was Carl Vinson, who headed the House Armed Services Committee for decades. But Vinson—who helped Nunn obtain a seat on the Senate Armed Services panel when he came to Washington in 1972—would probably turn over in his grave at the policies that Nunn is promoting under the guise of a “strong defense.”

Nunn is perhaps best known as the sponsor of the infamous “Nunn amendment.” Introduced as an amendment to the FY1985 defense bill, and only narrowly defeated, the bill would have mandated a phased pull-out of U.S. troops from Western Europe.

Sources in Nunn’s office admitted that the measure was partly inspired by Henry Kissinger’s March 4, 1984 *Time* magazine article proposing a restructuring of NATO which would have eventually dismembered the alliance.

If anything, Nunn’s support for decoupling has intensified since then. In an interview with Reuters on June 5, Nunn said he is seriously considering re-introducing his 1984 troop-withdrawal amendment, if NATO does not increase defense spending. A source at the Institute for East-West Security Studies predicts that Nunn will “lead the charge” on the Hill this year for a sharp reduction in the American troop presence in Western Europe, a view shared by AEI’s Norm Ornstein.

In the same Reuters interview, Nunn rapped President Reagan’s decision to abandon SALT II, calling it “counter-productive from the point of view of America’s relationship with the allies” and a move that “will give the Soviets a field day in terms of propaganda.”

Shortly thereafter, Nunn joined a new “study group” at CSIS, initiated by former Reagan national security adviser Robert McFarlane, aimed at designing a new “arms control regime” to replace SALT II.

Nunn also told Reuters his stand on SDI, claiming to back

vigorous research into defensive systems, but criticizing the Reagan administration for overemphasizing the SDI and other strategic programs, at the expense of conventional weaponry.

Nunn subsequently played a pivotal role in Senate attacks on the SDI budget. Together with Sen. Bill Cohen (R-Maine), one of the few Trilateral Commission members in the Congress, Nunn introduced an amendment, adopted by the Senate Armed Services Committee on June 20, that pared \$1.4 billion from the SDI budget, shifting some of the monies to conventional weapons technologies. Worse, the two announced they would fight to shift the entire structure and orientation of the program, away from the administration's concept of a multi-layered population defense, to a defense of missile sites only.

Nunn's supposedly "pro-defense" outlook is further discredited by his position on military spending overall. Nunn has been a promoter of the "realists" in Congress, who claim that budget constraints and other factors make it impossible for the United States to increase defense spending at the present time. When Reagan submitted his \$320 billion Pentagon budget to Congress in February, Nunn railed that the plan was "not in tune with fiscal reality," and asserted there was "no way" Congress would give Reagan what he asked.

Like Aspin, Nunn is a promoter of "military reform." Together with Armed Services chairman Barry Goldwater (R-Ariz.), Nunn secured unanimous Senate approval for a radical Pentagon reform bill this year, which some have dubbed the "McNamara Memorial Bill" because it would vastly extend the systems-accounting methodology through which McNamara nearly destroyed the U.S. military in the 1960s.

Every uniformed and civilian service head has violently objected to the Nunn-Goldwater bill, charging that it would reduce the services' role in strategic planning, and make a "hash" of the defense structure. Marine Corps Commandant Gen. P. X. Kelley reportedly is especially incensed, asserting that it would cause "significant degradation in the efficiency and effectiveness of the defense establishment—to the point where I have deep concerns for the future of the United States."

But Nunn, who has insisted that national strategy must be tailored to budgetary considerations, claims the bill would help remedy problems "that have plagued our national defense for decades."

Nunn's record in other areas vitally affecting U.S. national security is no better. For instance, Nunn lent his voice in February to the drive to force Philippines President Marcos out of office. On Feb. 13, while near-civil war conditions raged in the Philippines, following Marcos's re-election, Nunn fired off a letter to President Reagan declaring that "the Philippine people want President Marcos out and they have elected Corazon Aquino." Nunn urged Reagan to take several

measures aimed at forcing Marcos to step down, including cutting off all U.S. aid to the country, if Marcos did not hand over the government to the Aquino forces.

Where does Nunn get his "pro-defense" notions? From many of the same places Aspin does. He belongs to CSIS's European Policy Group, chairs the institute's Grand Strategy Forum, and sits on AEI's National Defense Policy Studies Advisory Council.

Nunn also was a major force behind the formation of the Democratic Leadership Council, another Democratic Party policy-group groping for ways to eliminate the party's richly deserved "better red than dead" image. Nunn has written a position paper on defense policy, which the DLC is scheduled to issue in July.

Rep. Dante Fascell

Fascell (D-Fla.) has adroitly exploited his position as chairman of the House Foreign Affairs Committee to promote every key item of the "New Yalta" agenda. He has particularly focused on arms control and military matters.

Fascell has been in the forefront of the effort to force the administration to negotiate a nuclear test ban with the Soviet Union. This would fit Moscow's purposes to a tee, since it would, among other things, prevent the testing of the x-ray laser, one of the most promising SDI-related technologies.

Fascell took up this and other issues when he led a congressional delegation to meet with Mikhail Gorbachov in early April.

A week and half later, Fascell and Les Aspin drafted a letter to Reagan, which was signed by more than 140 congressmen, urging the President to continue to abide by the unratified SALT II treaty. If the United States were to renounce it, they claimed, the Soviet Union would be able to "spurt out ahead of us in strategic power" because it has "hot production lines" for adding new nuclear weapons. Fascell and friends failed to add that this was a problem only because they have insisted in taking so much money out of the U.S. defense budget.

When Reagan failed to take this advice, Fascell took the lead in promoting several measures aimed at forcing Reagan to change his mind, including a non-binding resolution calling on Reagan to abide by SALT II's sublimits, which Fascell rushed through the House Armed Services Committee and onto the House floor in June.

Fascell has also distinguished himself by being one of the few members of Congress who objected to Reagan's operations against Libya in the Gulf of Sidra last March. Fascell shot off a letter to Reagan charging that the President had contravened the War Powers Act, by failing to consult sufficiently with Congress before ordering the strike.

Fascell has frequently spoken out against the SDI, claiming that the program won't work and doesn't merit the money being spent on it.

Socialist Int'l joins terrorist war against Peru

by Valerie Rush

A narco-terrorist uprising against the Peruvian government was crushed on June 18 when military and police units, on orders from President Alan García, seized control of three prisons that nearly 1,000 *Sendero Luminoso* (Shining Path) terrorists were using as their headquarters for the insurgency.

The aborted uprising was part of Soviet low-intensity-warfare operations—mafia-financed—against governments throughout the region. On June 17, the narco-terrorist M-19 in neighboring Colombia attempted to assassinate that country's interior minister.

Additional weapons for the insurgencies were kept out of narco-terrorist hands, however. On board a Danish boat was a 250-ton shipment of Soviet arms, enough to equip a 1,500-man battalion, but the boat was intercepted by Panamanian authorities. A 30-ton truck cargo, primarily submachine guns, was captured by Venezuelan National Guardsmen along the Colombia-Venezuela border.

Decisive action by García led to the successful suppression of the prison revolts, but the war against Peru has rapidly escalated. On June 20, a female terrorist penetrated security lines and blew herself up with a mortar trying to assassinate President García as he delivered the opening address to the Socialist International conference in Lima. One day after the prison affair, a car-bomb exploded in the central business district of San Isidro, Lima, damaging a two-block area.

On June 25, a suitcase-bomb exploded on a tourist train to the Inca ruins of Machu Pichu, killing several and wounding dozens. The train carried some delegates from the Socialist International conference. Also on June 25, the bodies of five civil engineers working on a government aid project in the rural province of Huanta were discovered with notes pinned to their bodies announcing that "10 Apristas (members of ruling APRA party) will die for each combatant killed,"

a reference to the Shining Path prisoners who died in the fighting.

International support for Shining Path

Behind this new escalation of *Senderista* terror, however, is a full-scale mobilization by the international liberal media and the Socialist International itself to bring down the García government for the alleged "massacre" of terrorist inmates during the 36-hour battle to retake the terrorist-occupied prisons. The campaign is identical to the one launched last November against García's Colombian colleague, President Belisario Betancur, who was forced to order troops to retake the Justice Palace housing the Colombian Supreme Court from 50 M-19 narco-terrorists occupying the building and systematically executing Supreme Court justices. Betancur was hit by a flood of denunciations for being a "fascist" and a "butcher," a destabilization campaign which has not ceased to this day.

García has now come in for his share of slanders. Exemplary is the *New York Times* editorial of June 21, which called the recapture of the prisons "premeditated massacre" and "an act of butchery that weakens the struggling new democracy" in Peru. Or the "open letter to García," written by Peruvian novelist Mario Vargas Llosa and carried in the *Washington Post*, which accused García of "weakening civilized life" and of using the prison revolts to "settle accounts with his enemies."

The Socialist International had debated canceling its conference to protest García's handling of the affair, but SI president Willy Brandt and his colleagues chose instead to use its presence to try to entrap García, starting with the creation of a commission to investigate the military's actions in putting down the prison rebellions. The conference also

passed a resolution expressing its "serious concern" at the number of dead terrorists, and urged international human rights organizations to probe the García government's handling of the affair. Several delegates attempted their own personal investigation, but were denied admission to the prisons by police guards.

Brandt met privately with the Peruvian President to demand an explanation for the events and, according to European press reports, to win the release from Peruvian prison of a "West German citizen," presumed to be the Red Brigade terrorist and Shining Path member Renate Herr! Brandt was carrying with him a telex from the Soviet-run Green Party of West Germany, asking him to intercede with García for an investigation of the "outrageous massacre" of their terrorist associates.

García retaliates

President García has succeeded in cutting through this destabilization campaign—and pinpointing the connection of the international banking community. In a ceremonial address honoring Brandt, García ordered an investigation of the prison events. However, he was explicit that he would resort to arms as often as necessary to defend the Peruvian nation. Then, he stated that the terrorist attempts to "blackmail our democracy before the other nations of the Earth . . . coincide with the intentions of that economic power which subjugates the destiny of mankind," the International Monetary Fund. "The government of Peru will not step back in its position on the foreign debt . . . and will not surrender to the International Monetary Fund."

In a televised address to the nation the night of June 24, President García announced that he had ordered the jailing of Republican Guard troops and officers responsible for murdering 30 to 40 Shining Path prisoners who had surrendered. Said García, "It is going beyond the law to annihilate rebels [who] had surrendered, were unarmed and with hands in the air, on the same principle of authority with which we severely defend order." García declared that to remain silent would be "to open the doors to the law of the jungle in Peru." The Republican Guard is one of Peru's three police forces, and is responsible for guarding prisons, borders, and the President himself. García had been forced to fire dozens of its officers, including its supreme commander, for their service to drug traffickers and organized crime.

The President went on: "The force of law must be above brutal first reactions. Only thus does it have the right to use the full energy of the law. I support the action of the joint command in using arms with firmness. But . . . I denounce those who have committed assassination that exceeds all orders received. If I did not denounce this to the nation, I would not be equal to my historic responsibility. . . ."

García sharply distinguished between the incident with the Republican Guard and the military's overall handling of the prison riots: "The Joint Command of the Armed Forces has carried out the order of the government with loyalty and

we support their actions. . . . Those who believe that avoiding excesses detracts from the moral authority of the forces of order are tremendously mistaken, because the fight against terrorism is not over, it has only just begun, and to face it with increasing firmness and severity, we must make sure there are no errors, excesses, or barbarity.

"I reject the comfortable position of those who believe one must negotiate with those who have only spread death across Peru. I reject the easy condemnation of those who now say we used too much force and believe that terrorism can take possession of the prisons, blackmail society, and mock democracy without the state affirming its authority. . . . All the weapons of the law must be used energetically, but when someone has yielded and is unarmed, no matter how perverse and demented he be, human law and the law of Christ commands we respect [his life]."

García concluded: "It is our historic power to triumph over barbarism. This is our moral force to lead the country to justice, freedom, and security. Towards these goals, and for them, we need to unite against terrorism. In these dramatic and difficult moments, I call for national unity against subversion. . . ."

What is the Socialist International?

It is generally acknowledged that the Sendero prison uprising was intended to coincide with the 17th annual congress of the Socialist International. One Peruvian anthropologist with roots in Shining Path, Carlos Ivan de Gregori, told the press that the narco-terrorists "figured that with the international conference going on here, the government wasn't going to respond with such force." De Gregori added, "It was a grave error."

However, the Socialist International itself, with its multitude of political front groups, parties, newspapers, human-rights movements, and so on, has served as a financial conduit, propaganda forum, and international safe-house for narco-terrorist groups.

The German Socialist paper, *Vorwärts*, gives favorable coverage to Colombia's M-19. A close collaborator of M-19 is Jeremy Corbin of the British Labour Party, affiliate of the Socialist International. The M-19's Zurich representative, Anna Salcedo, works closely with the Swiss Socialist Party and told a caller that Lima could soon be hit by "the same kind of action" that hit Bogota, a reference to the Justice Palace siege.

Shining Path itself has found common cause with such disparate "liberation" movements as the Turkish Workers Party/Marxist-Leninist, the Tamil Tigers of Sri Lanka, the Proletarian Party of Bangladesh, the Union of Iranian Communists, the Communist Collective of Agit/Prop of Italy, and the Sikh Progressive Writers and Artists of the Punjab. All of them are represented by a single office at 10 Rue de l'Échiquier, Paris, and their "common cause" is that they are up to their necks in the drug trade and receive sponsorship—directly or indirectly—from Moscow.

Peru's prisons: the true story

by Ricardo Martín

The author is a correspondent for the Centro de Investigaciones Económicas de Mexico.

El Frontón, the Peruvian prison where most of the captured terrorists of Shining Path (*Sendero Luminoso*) were held, who recently revolted with the well-known bloody results, had been turned years ago, by the previous government of Fernando Belaúnde Terry, into a political-military training center, and a hellhole where the "Senderistas" used clubs to force all the inmates, terrorists or not, to sing communist songs and learn by heart the *Red Book* of the "Fourth Sword" of international communism, the great Shining Path guru, Abimael Guzmán.

El Frontón was built as a maximum security prison in 1921, at the dawn of republican life in Peru. Located on an island two nautical miles off the coast of the Lima port of Callao, El Frontón was considered a high-security prison, since it was practically impossible to escape from the island. The two miles of sea which divide Callao from Frontón Isle are traversed by a strong maritime current, known as "El Camotal." In the long history of this penal island, only a handful managed to escape, while many failed or vanished into the sea.

During the dictatorships which Peru has suffered, El Frontón was used to imprison numerous political, labor, and student leaders, and many atrocities were committed there. This motivated the order by the Constituent Assembly of 1979 (which Alan García took part in) that it be shut down for good. Its installations, considered inhumane, were blown up with dynamite.

But later, when the Popular Action regime came to power, it decided to rehabilitate El Frontón as a maximum-security jail. The corrupt justice minister of President Belaúnde, Enrique Elías La Rosa (now accused by Peru's Congress of embezzling jail construction monies, the "Guvarte Case") started building new installations to house only inmates charged with terrorism. Starting in 1980, dozens of persons accused of belonging to Shining Path began to arrive from every corner of Peru, so many that "they lost count," and it was not known how many prisoners were inside El Frontón.

When El Sexto jail was closed, most of the inmates were

moved to Lurigancho jail. In March 1984 a bloody revolt exploded in El Sexto, expressly planned by Shining Path's ideologue, Guillermo (or Antonio) Díaz Martínez, in complicity with drug traffickers Guillermo Porto Cárdenas, alias "Crazy Fly," and Enrique Núñez Baraybar, "The Mute," (accomplice of the jailed drug smuggler Carlos Langberg), with whom he shared a cell in that prison, to facilitate their escape.

As to Lurigancho (or San Pedro) prison, another site of a terrorist revolt, this was designed only for indicted detainees and had a maximum capacity of 1,500 prisoners. But in 1985 it held more than 8,000, in an inhuman pile-up where common first offenders were mixed with hardened criminals, drug traffickers, and Shining Path terrorists.

Traditionally, the system of life was vegetative; idleness and all sorts of vices ruled, since the industrial shops, kitchen, and laundry where the convicts were supposed to work never functioned, thus denying all rights and possibilities for rehabilitation. This was all a product not so much of previous regimes' improvisations, but the moral and economic crisis into which Peru was plunged by the unscrupulous politicians of the regimes of Presidents Morales Bermúdez and Belaúnde Terry, at the service of international usury and in many cases also of drug trafficking. This crisis created a hotbed for the spread of the crazed, murderous communist group Shining Path and other equally communist and terrorist bands.

Nothing is more false and biased, then, than to ascribe to President Alan García's government the Peruvian prison situation, as the *New York Times* and others claim. In reality, when Alan García took office on July 28, 1985, he faced a serious problem of prison overcrowding inherited from the previous government. Of a total of about 35,000 inmates in Peru's prisons, about 85% were indicted, but had not been tried; only 15% were serving sentences meted out by the courts. Moreover, in most cases the detainees who had not been tried had already been incarcerated far longer than their penalty would have been, and in countless cases should have been freed as innocent of the crimes imputed to them.

Contrary to U.S. media slanders, it was precisely President García who, overcoming many obstacles, started a true prison reform, providing legal mechanisms that allowed the release of thousands of citizens unjustly in jail due to the slowness of the administration of justice and other arbitrary features. The Depenalization Law ended the corrupt system of stacking up accused persons in the jails to enrich judges, secretaries, dirty lawyers, and employees of the justice administration, who collected generous "quotas" from the prisoners to "bless them with liberty."

In early 1986, President García shut down El Sexto, a dungeon which had served the oligarchy as the prison of hundreds of political leaders and social fighters over many years, and where García's own father was held six long years for his political militancy.

All of the above becomes relevant because on the occa-

sion of the recent events in Peru's prisons, where jailed terrorists carried out a synchronized revolt in three prisons (El Frontón, Lurigancho, and the Women's Prison of Callao, Santa Bárbara), an international web of lies has been woven to attempt to denigrate the democratic regime of Alan García.

Shining Path, the criminal band that started its terrorist activities in the Ayacucho zone in 1980, has been distinguished for the savagery with which it commits its crimes. It is therefore downright suspicious that the defenders of the Shining Path's "human rights" do not consider the human rights of the more than 8,000 victims of their demented actions, which have reached the extreme of using children as "child-bombs" Khomeini-style, to carry out terrorist acts in which they inevitably die.

Or the multitude of children lined up by Shining Path, one behind the other, in order to execute them with one bullet and save munitions. Or the brutal murders committed by Shining Path against mayors and other officials by burning them alive. Or the number of human beings who have been left homeless, victims of the "scorched earth" campaign waged by Shining Path against all those who refuse to join their sinister ranks. Or the children who have remained orphaned and homeless because their parents were assassinated by Shining Path?

Those of us who know the modus operandi of these criminal psychotics cannot but be horrified in the face of these madmen. Has some international entity—such as Amnesty International or the Red Cross—taken the trouble to investigate what criminal methods are used by Shining Path to "annihilate" the humble peasants, workers, and regional officials of the various villages in which they have committed their outrages? No, absolutely not.

Nor can one forget the "totally devastated" peoples of the Peruvian mountains, as a result of the policy of the Shining Path, where they leave absolutely nothing alive, wiping out not just the old, children, and women, but also killing livestock which is the only sustenance for these humble mountain folk.

No one has the right, least of all the Red Cross, to try to make the rest of the world believe differently.

As a Peruvian, I protest indignantly over the meddling in our affairs of these pseudo-humanitarian international institutions, which solidarize with the criminals of Shining Path, sponsoring them and encouraging their acts of genocide against the Peruvian people. It is absolutely to be repudiated that entities such as the International Red Cross and Amnesty International are ready to support and fund Shining Path and other terrorist gangs, like the Túpac Amaru Revolutionary Movement.

Amazing as it seems, these institutions back the crimes of Shining Path and other communist terror groups by financing publicity campaigns in their favor, and raising money to be turned over to the Shining Path to pay lawyers and, supposedly, to buy medicines and pay doctors, both things that

are given to the inmates by the Peruvian authorities.

The terrorists' mutiny

Given this panorama, in which control and the most elementary sense of authority has long since been lost in Peru's jails, Shining Path planned the use of the jails as military training quarters. The proof of this is the near-military discipline which ruled in the pavilions where the Shining Path terrorists were kept, as well as the memorization of the Red Book of Abimael Guzmán, the harangues and chants which they coerced all the inmates to sing. Many pavilions were adorned with drawings and slogans praising their idols and their crazy war.

In the few inspection tours that were able to be done, many military training manuals were discovered, in which among other things it was skillfully demonstrated how to manufacture weapons starting from the most elementary utensils, such as spoons, bamboo rods, glass panes, etc. The manuals also contained groundplans of the prisons and sketches for building escape tunnels. Also found were detailed descriptions of the number of prison guards, the type of weapons they used, the hours of the guard change, how long it took to make their rounds, etc., which indicates the developed military preparation and the premeditation with which the revolts were planned.

Not accidentally, the Shining Path revolt went off simultaneously at 6 a.m. on June 18 in the prisons of El Frontón, Lurigancho and Santa Bárbara, and on the same day, the civil service personnel working in the penitentiary system went out on strike. That union's leaders are members of the Communist Party and part of the so-called United Left. For that day, an indefinite strike had also been called by teachers in the SUTEP union, whose leadership is also affiliated to the Communist Party and United Left. Peruvian authorities suspect that the pistols and dynamite charges used by Shining Path in the revolt were provided by the communist personnel working in the jails.

More weapons were close at hand. The Danish-flag ship *Pia Vesta*, at the request of President García's office, was stopped by Panamanian authorities on its return trip across the Panama Canal, after having anchored off Peru for several days without docking.

Panamanian authorities discovered a cargo of 250 tons of Soviet weapons placed on board in the port of Rostock in East Germany, including 32 olive-drab painted trucks, 3,000 K-47 assault rifles, and 3,000 modern RPG launch missiles. All the matériel was of Soviet manufacture, and according to intelligence sources, destined for Shining Path. It is noteworthy that the Peruvian Army also uses Soviet-made weapons (acquired by the government of Juan Velasco Alvarado). Had the revolt succeeded and the arms been received by Shining Path or their allies, these could have created chaos: It would have been almost impossible to distinguish between an Army truck and one used by the terrorists.

Media silence hides big Soviet maneuvers

by Konstantin George

In the two weeks beginning about June 12, Soviet and Warsaw Pact naval forces conducted at least three nominally separate, but interconnected maneuvers in the Baltic Sea and the Norwegian Sea. The maneuvers are significant both in their own right, and as reflecting the policy of a "New Yalta" strategic accommodation with Soviet Union being pursued by the majority Liberal Establishment of the West on both sides of the Atlantic, since there was not one word of coverage in any news media of West Germany, Great Britain, Denmark, Norway, and Sweden.

Our reportage on the Soviet-Warsaw Pact naval maneuvers is based on *EIR*'s discussions with officials of the West German and Norwegian defense ministries.

According to officers of the West German Navy in the Bonn Defense Ministry, the weekend of June 14-15 saw the climax of one of the largest combined naval, air force, and amphibious landing exercises ever staged by the Russians, Poles, and East Germans in the Baltic, when "more than 30 landing ships" including the 13,500-ton *Ivan Rogov*—capable of transporting an entire marine infantry battalion with all of its equipment, tanks, armored vehicles and supplies—landed at least one entire Soviet and one entire Polish Marine Infantry Brigade on the Pommeranian coast of Poland, near the town of Stolpmuende. The convoy of landing ships was escorted by numerous warships drawn from the Soviet Baltic Fleet, joined by units from the Soviet Northern Fleet (headquartered at Murmansk on the Kola Peninsula), which some days earlier had entered the Baltic, and warships from the Polish and East German navies. Numerous Soviet fighter-bombers, from bases in Poland and the Baltic Military District of the Soviet Union also participated.

On June 23, a colonel at the Norwegian Defense Ministry in Oslo told *EIR* that since the end of the previous week (i.e., around June 13, and hence parallel to the big Baltic maneuvers), a large-scale Soviet naval exercise had been underway in the Norwegian Sea, northwest of the northern port of Tromso, and northwest of northern Norway's Lofoten Islands. The exercise involved numerous Soviet warships from the Northern Fleet from Murmansk, joined by a task force of nine Soviet warships which had reached the Norwegian Sea from the Mediterranean. This task force included a Kresta I Class ASW cruiser, a modern Udaloy Class ASW destroyer, two older Kashin-mod Class destroyers, and a Krivak II Class

modern ASW frigate.

We asked: "What are Soviet warships from the Mediterranean, which normally means they stem from the Black Sea Fleet, doing in the Norwegian Sea?" The Norwegian Defense Ministry replied: "No, these nine ships are part of the Northern Fleet. They were sent down to the Mediterranean for a few months as reinforcements (i.e., during the April Libyan Crisis, another transparent fact of Soviet military moves never reported in the Western press), and were returning to their home base on the Kola (Peninsula), and linked up with other units from the Northern Fleet to stage these exercises off our northern coast."

During the Libyan Crisis of mid-April, as *EIR* reported, the Soviet Northern Fleet, including a carrier task force and landing ships, staged large-scale maneuvers off the coast of Finnmark in the far north of Norway. The maneuvers climaxed with the landing of over a brigade of Soviet naval infantry a mere eight miles from the Soviet-Norwegian border.

On June 26, the Norwegian defense ministry told *EIR* that on June 19, "a Warsaw Pact task force of five warships left the Baltic, passing through the Danish Straits . . . the Skaggerak . . . and are now conducting apparently separate maneuvers in the Norwegian Sea. They are not operating together with the other group, but we think the exercises are interconnected." The task force was composed of two Soviet warships (a Kashin-mod Class destroyer and a Krivak I Class ASW frigate), an East German Kony Class frigate, and two Polish warships.

Subsequent discussions with officials at the West German Defense Ministry in Bonn led to a confirmation of all the facts on the two Norwegian Sea exercises submitted by the Norwegian Defense Ministry.

The theme of gaping holes in NATO's ability to counter Soviet naval moves in the Norwegian Sea and the North Atlantic was presented in Bonn on June 24 by British Vice-Admiral Dalton, the deputy commander in chief of NATO's SACLANT. Admiral Dalton declared that NATO "above all" lacked sufficient destroyers and frigates in the North Atlantic, that NATO's alleged naval "technological superiority" was now only "paper thin," following vast "qualitative improvements" in the Soviet Navy. Dalton also demanded that the Alliance urgently change its present crisis mobilization and reinforcement procedures, so that troop and equipment convoys from the United States actually arrive in Europe *before* war starts.

The admiral is demanding action from governments which look the other way when it comes to the Soviet threat. Soviet military moves are not even reported, by government or press, let alone taken as cause for alarm. The absence of coverage stems from a blackout policy by the media. That is clear from discussions with the military editors of leading newspapers in West Germany. They knew the facts we are reporting here. But the lid was on.

Progress on reform in South Africa

During recent weeks, there has been a public outcry over ongoing events in South Africa. But the Western press evidently lacks the honesty to report the facts about the changes taking place inside the country. The press is neglecting to mention that Chief Mangosuthu Buthelezi, chief minister of KwaZulu and head of the largest black-liberation organization in the country, Inkatha, has very successfully initiated a discussion in the province of KwaZulu/Natal for establishing a non-ethnic government. The body within which this discussion takes place is called Indaba and was formed at the beginning of 1986.

We publish here Indaba's May 30 formal declaration, showing how the moderates of all population groups are involved in negotiating a way out of the current crisis.

KwaZulu/Natal Indaba Progress Report of May 30, 1986

The text of the formal declaration, as we received it from South Africa, begins here:

The KwaZulu/Natal Indaba began on 3 April 1986 with representatives of over 30 organizations committed to reaching consensus (or as near consensus as possible) regarding the formulation of proposals to be put to the government of the Republic of South Africa regarding the creation of a single legislative body to govern the combined area of Natal and KwaZulu.

At a very early stage, the Indaba was able to agree upon the following six basic points of departure, which have since guided discussion:

1) The Indaba accepts that the KwaZulu/Natal region is a single unit and that its second-tier government should reflect this reality in its political structure.

2) This Indaba, aware of the economic and strategic interdependence between the KwaZulu/Natal region and the rest of South Africa, and aware of the patriotism of its people to its fatherland, South Africa, has no desire to be sovereignly independent of South Africa.

3) All people of the region should have a right to full political participation and effective representation.

4) This Indaba accepts the democratic principles of freedom, equality, justice, the rule of law, and access to the law. Legislation based on racial discrimination must be abolished.

5) Society in Natal/KwaZulu must be founded upon a free economic system and the provision of equal opportunities for all people. Provision must also be made for the protection of

the rights of individuals and groups.

6) Legislative and administrative power should be devolved as much as possible.

The major task of the Indaba is to design a constitution for the province which would give substance to the above principles and provide appropriate protection for the rights of the region's inhabitants. The Indaba is being advised on these matters by a committee of legal experts, who are now working on various constitutional options and a draft bill of rights.

The administration of the enlarged province also requires a lot of thought. Once the Indaba had decided on the powers of the provincial legislature, a committee of senior officials from the Natal provincial administration and the KwaZulu government was asked to recommend to the Indaba how the administration should be structured. The first proposals have been considered by the Indaba and the committee is now working on its second draft.

A committee of educators from all communities in the region is now being formed to consider the implications of a provincial constitution on education—both philosophically and practically. The Indaba recognizes that the issue of education has a very high focus in our society.

The Indaba continues in the spirit in which it began, with a willingness by all delegates to listen to the other person's point of view, recognizing that in South Africa we all need each other, and being determined to negotiate a peaceful way forward. The progress that has been made to date bodes well for the future of our land.

Indaba meets at the City Hall of Durban about two days in the week. The extremist organizations like ANC [African National Congress] and UDF [United Democratic Front] to the left and HNP [Purified National Party] and CP [Conservative Party] to the right have refused to participate despite invitations to do so. The following organizations are participating:

Afrikaanse Handelsinstitute (Natal); Black Allied Workers Union; Durban City Council; Durban Metropolitan Chamber of Commerce; Durbanese Afrikaanse Sakekamer; Inkatha; Inyanda Chamber of Commerce; Islamic Council; Kwa Loga; KwaZulu Cane Growers Association; KwaZulu Government; Labour Party; Natal Agricultural Union; Natal Association of Lac's; Natal Chamber of Industries; Natal Municipal Association; Natal Consultative Adhoc Committee; Natal Provincial Council; National Party of Natal (observer only).

New Republican Party; Peoples Congress Party; Progressive Federal Party; Pietermaritzburg City Council; Reform Party of South Africa; Regional Development Advisory Committee (Region E) SA; Hindu Maha Sabha; SA Sugar Association; Solidarity; National Council of African Women; Pietermaritzburg Chamber of Commerce; Metrocom; Natal Law Society; National Peoples Party; TUCSA (observer only).

Spanish voters rebuff Trilaterals; Strategic choices face the country

by Leonardo Servadio

The PSOE, the ruling Socialist party of Spain, won an absolute majority in the June 22 national political elections, which will permit it to rule alone another four years. The elections took place three months after the PSOE won a referendum which provides for Spain to stay in NATO, but under "neutralist" conditions (no nuclear weapons, no integration into the military command, withdrawal of U.S. troops from its territory). Spain's integration into NATO and into the European Community, pose the fundamental question of what its role will be in the context of the present dramatic strategic situation, now that these elections have defined the political situation of the next four years.

Three features of the election are notable. First, dissatisfaction over the dismal economic situation (700,000 more jobless in the past four years, lower living standards, and cuts in pension funds) caused voter abstention to rise from 20% in 1982 to over 29% this June. Second, voters trounced the bid of a new "centrist" party artificially created by the Trilateral Commission. Third, a danger signal for national morale is the election of the terrorist Herri Batasuna party to parliament.

In 1982 the PSOE won 202 seats in Congress and 134 in the Senate. Now it has won 184 seats in Congress and 121 in the Senate, with 44% of the votes. Popular Coalition (CP), a coalition made up of Popular Alliance (AP), the Liberal party (PL), and the Christian-Democratic Popular Democratic Party (PDP), won 105 seats in Congress, 66 in the Senate, losing 1 congressional seat and gaining 11 seats in the Senate, but with an overall reduction in the percentage of votes, from 29% to 26%. The Social and Democratic Center (CDS) came in third with 9% and 19 congressmen and 3 senators. Convergence and Union (CIU), a party which exists only in the Cataluña region, got 4.7% and 18 congressmen and 8 senators. United Left (IU), a coalition of several volatile extreme left parties, led by the Spanish Communist Party (PCE) and the Communist Party of the Peoples of Spain (PCPE), managed to poll 4.6%, 7 congressmen and no senator—a tiny increase over 1982, when the PCE elected 4 congressmen.

In the Basque region, three independentist parties (called "nationalist," meaning by nation only that small region) got 1 congressman, the Basque Nationalist Party (PNV) 1.6%, 6

congressmen and 7 senators, Herri Batasuna (HB) 1.2% and 5 congressmen and 1 senator, and Euskadiko Ezkerra 0.5% and 2 congressmen. The disparities between percentages and number of seats derives from the fact that parties which go above 20% get a further increase in representatives, as do parties with votes from only one region.

The most important "signal" that the PSOE should understand from the vote, is that the party which Trilateral Commission towel-boy Antonio Garrigues Walker tried to paste together as the "reformist alternative," elected no one. The aim of his PRD was to become the champion of the "center," to condition, in the style of the small German Liberal Party, the two major political forces, PSOE and Popular Coalition. Garrigues's PRD had an incredible amount of money fed into its election campaign by the Spanish banks, *officially* to the tune of 800 million pesetas, (the third-largest banking credit to a party after the PSOE and Popular Coalition). Since bank campaign loans are given in the expectation they will be repaid with the money the parties receive from the State for each parliamentarian they elect (1,630,000 pesetas apiece), Garrigues Walker's party will not be able to repay the loans, proving to the world that Trilateraloids are a very bad investment.

The defeat of Garrigues Walker is the rejection of the usurious economic policy of the International Monetary Fund and the Trilateral Commission, and of the arrogance with which the Trilaterals, led by that tyrannosaurus who responds to the name of David Rockefeller, came to Madrid in May to proclaim their domination over the world economy. It is also a rejection of the known connections between this financial apparatus and the drug traffic.

The end of Fraga?

As a result of its slight drop in percentage, as soon as the results of the election came out, Oscar Alzaga and José Antonio Segurado, the leaders of the two coalition partners of Popular Alliance, the Popular Democrats and Liberals respectively, started to contradict Manuel Fraga, who heads Popular Alliance and Popular Coalition, refusing to go along with his claims of victory. Alzaga and Segurado say they are dissatisfied and will have to "carefully evaluate" the results

before making any statement. The message is that the coalition might break up, unless something changes—probably Fraga's leadership. The line has been coming out from some conservative quarters that while a good man, Fraga lacks popular appeal.

It is a totally spurious argument, since if Fraga has little personal appeal to the voters, the others have even less. In reality, Fraga is probably a bit less corrupted and compromised with the Trilateral Commission than many other people in his Popular Alliance. Taking Fraga away will not make things better for these "right-wingers," but only make more obvious the Trilateral control over its economic policy. Conservatives also, instead of titillating their brains with sociological analysis on their "public image," ought to learn the lesson of Garrigues Walker and change their economic policy if they want to aspire to improve their electoral performance.

Herri Batasuna, which elected 6 people to parliament, is the "political arm" of the terrorist ETA, which kills dozens of people every year. The legalization of HB was decided at the outset of the campaign, creating the most dangerous precedent for a national state, of making its main internal subversive enemy a legitimate party. Its legalization will hasten the destabilization of Spain, which can only favor the Soviets.

Strategic issues

The strategic situation of Spain is key for Europe: At the gateway of the Mediterranean Sea, it is the natural strategic backup for the NATO front line in Germany and the obvious "bridge" between Europe and America.

The Soviets have an obvious interest in forming strong political links to Spain, and the fact that Premier Felipe González was the first Western chief of government to travel to the Soviet Union after Chernobyl is the concrete expression of what a big interest the dominant economic forces of Spain have, typified by the Garrigues Walker family and the Trilateral milieu, in reinforcing Spanish ties to Moscow, in the context of the "decoupling for peace" policy which Trilateral founder David Rockefeller and Soviet leader Mikhail Gorbachov share wholeheartedly.

The ideology of this country tends to be isolationist, and the Franco regime had favored that isolationism. The conservatives tend not to like the United States, which "stole" the last two Spanish colonies of Philippines and Cuba at the end of the last century. In the context of the recent referendum the various communist parties united in opposition against NATO and remained united around the Spanish Communist leader Carrillo. The "leftists" have made the fight against NATO and against nuclear energy their main campaign issue.

In this situation, will Spain work for decoupling? Will Spain work for the economic and strategic integration of Western Europe under Mother Russia?

To provide a documentary picture of the present situation of Spain, we have interviewed two spokesmen of the two main parties: the ruling PSOE, and the main opposition party, Popular Alliance (AP).

Interview: Carlos de Miranda

Socialists seek cut in U.S. troops

Carlos de Miranda is an aide to the Spanish defense minister and foreign policy adviser to the ruling party, the PSOE, of Prime Minister Felipe González. The interview, abridged here, was conducted by Leonardo Servadio and Elisabeth Hellenbroich shortly before the June 22 elections.

EIR: Now that Spain is integrated into NATO, what are the threats which you think the country must meet, and what are your responsibilities in the Alliance?

Miranda: I think that the threats are the same, before and after our belonging to the Atlantic Alliance. Spain is part of Western Europe, and therefore we are aware that the Warsaw Pact represents a possible threat. Since we became members of the European Community, perhaps the perception of this threat has become more emphasized, keeping in mind also that the present government considers that Europe should move toward a unified future.

The threat for us is not that of a country on the front line with the Warsaw Pact. Rather, we have the functions of a rearguard country, although very essential ones, e.g., protection of communications, if Germany is attacked. In the south, we don't feel threatened in general. We know that the political stability of North Africa is not that of Western Europe, so we see there a potential instability which, if it continues, could lead to certain consequences. We understand that our role in the Alliance, as a rearguard country, is to secure the more strategic areas which are properly ours. We have armed forces which are being modernized. As we are not a rich country, and cannot afford to secure everything, we understand that the defense of our territory must be our responsibility. We also have to assure, for our forces and for the Alliance, the communications between the Balears and Canaries archipelagos. The Strait of Gibraltar is also very important: Our projection is essentially naval and aeronautical, to hold the strait, and also we have an Atlantic projection in the north of Spain.

These are the zones where obviously the presence of other countries concerns us, in particular if they are not allied countries, as in the case of the Soviet Union. Recently the Soviet Union carried out exercises near the Spanish coasts. We are aware of this presence and dislike it, but we have to be prepared against them. We have to keep in mind that we are now inside the Alliance, and that we are going to carry out coordination accords in the most sensitive areas, where

the Allies were, but don't have to stay, now that we are members of the Alliance.

EIR: Qaddafi stated that that he was going to have some kind of alliance with the Soviet Union. Do you think this increases the threat from the southern zone?

Miranda: I think that Qaddafi is capable of saying anything. I doubt that the Soviet Union really would commit the imprudence of carrying out defensive accords with Libya. That would destroy the credibility of Gorbachov's whole offensive of presenting plans which are interesting to consider, and which I think the allies should study positively. But, if tomorrow Qaddafi points this at us and Gorbachov also makes a deal with Libya, this would be contradictory with a peace offer.

EIR: Recently, Israeli Prime Minister Shimon Peres proposed a "Marshall Plan" for the development of the Middle East, which we find very interesting. That plan would be constituted with funds from Europe, the United States, and Japan. What do you think of this plan for stabilizing the Middle East? Do you think that Spain could play a role in it?

Miranda: The basic issue in the Mediterranean is the Palestinian situation. True, we have established relations with Israel; our mission in the zone takes into account the need for an accord which respects the self-determination of the Palestinian people and respects those famous guarantees of the region's borders. We think that Israel has to return to the more original borders and reach a kind of accord with the Arab countries which would secure Israel's borders. We think that the issue of the Palestinian people has to be resolved. In this context, everything that could mean an improvement in the climate, seems positive to us. What I don't know is the Arab reaction, because sometimes things are presented very nicely, but then there is the fine print, which seems unacceptable to the other side.

EIR: Recently in Germany, there were Green demonstrations of a violence which is thought to be manipulated by the Soviet Union, with professional acts of sabotage. Do you think that this Green violence against nuclear plants could exist also in Spain?

Miranda: I think that the situation is very different from Germany. First of all, we have a tendency to avoid a conspiratorial vision of the problems that come up. We are aware that perhaps certain attitudes of the pacifists and the Greens are not in favor of the Allies, and that they indirectly help the propaganda of the Warsaw Pact countries. What we are more sceptical about is the notion that everything is organized from the East. In the Western world we have a freedom of expression, fortunately, which does not occur on the other side, so evidently there are people who don't think along the same lines. We don't think that all these movements are fomented by the Soviet Union; there are minorities who may think like

the policy of the Soviet Union.

Now, the situation in Germany is different, because it has a heavy installation of nuclear weapons, whereas we decided to have a different situation, of non-nuclearization of our territory. I think that the Greens don't have as much impact in Spain as in Germany because of this situation.

As for German terrorism, it is obvious that the destabilization of an allied country would have consequences even for our country. Let us say that, at present, our perception of threats, is a perception of external threats, because it is not really something being produced internally. That does not take away the fact that recently we had cases of Libyans here mounting terrorist acts. We don't accept the distinction that is sometimes made between national and international terrorism. We understand that terrorism is a phenomenon which always ends up having international connections. In our case, France has been, and continues to be to a much lesser extent, a sanctuary for ETA terrorism.

EIR: You mentioned anti-Americanism here in the population; can you say a couple of words about the causes and what can be done to improve understanding between the two peoples, the Spanish and the American?

Miranda: I don't think there is a virulent anti-Americanism. In general, nobody likes having foreign troops on their territory, so to be accepted, they have to have a very powerful reason for being there. When conflict definitely exists, in principle there is no opposition to foreign troops, allied troops, who help you. But in peacetime, the perception is different; the needs of a conflict are not there, and there is therefore a general feeling of distaste by those who think their country is theirs and why should other people's troops be there. The big difference between Spain and the rest of Europe is that in the rest of Europe, the United States waged a war that allowed it to be liberated from the Marxist or Nazi currents, and so the American presence has an origin in which there is an element of liberation—something which has permitted the consolidation or maintenance of the democratic system.

But not in Spain! Spain did not get involved in World War II; but afterward, every Spaniard whose democratic principles are well rooted, can't help but realize that from 1953 on, the United States made a pact with Franco. The United States got the bases and gave Franco international backing. This is why that there has never existed in Spain a feeling of gratitude to the Americans for concrete help in the process of democratization.

Then there was the unfortunate incident of the attempted coup d'état of Feb. 23 [1981]. Then-Secretary of State Alexander Haig was caught by some journalists with very confused information, and was asked his opinion. And he answered, it is an internal affair of the Spaniards. The perception was that to him, it didn't matter whether it's dictatorship or democracy; all he cared about was that the bases be upheld.

However, I think that relations between Spain and the

United States are very good. In the discussions we had in October and December, the Americans accepted that a reduction of their presence is logical, because the first thing is for Spain to be inside the Alliance. Spain is increasing its aid for the defense of Western Europe, because Spain was almost like Iceland, a base for American troops and no more. Now we are responsible for a zone, and our forces are modernizing.

The government has avoided demagogy in these issues and dealt with them with great serenity, and even with courage. I think that the government's decision to call the referendum [on NATO—ed.], was a decision in exercise of leadership. Public opinion, which at first was against keeping the Alliance, was convinced and in great part changed its mind.

The government's posture has always been that of a dialogue. On July 10 we start the negotiations for reductions. If we find ourselves with a situation where the U.S. is not reasonable, no doubt we will have the possibility of renouncing the present accords. But we would not want to get into this situation. I think everybody would lose, we would lose, the United States would lose, and the Allies. This means, as in all dialogues, there must be good faith on both sides.

EIR: Do you believe that Spanish cooperation with the United States on the Strategic Defense Initiative can be realized? And can this reinforce technical and scientific cooperation between the two countries?

Miranda: I must say that in technological cooperation, we have been tremendously defrauded. Following the latest decisions of the Spanish government, in the last two years, it is clear that the government wanted to stop being a simple customer. The government doesn't want to just be a paying customer, who pays with credits given to buy in the United States. We say that we are also disposed to give credits so that they can buy weapons in our country. . . .

. . . On the problem of the Strategic Defense Initiative, the politics and philosophy behind this project arouse a great deal of worry among us. We understand it more as a project that can provoke another arms race, than as a pacification of the international situation. I believe that it is very difficult for a shield to be introduced by only one power. If a shield is made on one side, the other will make a sharper sword—it's an old story. We think it is more reasonable to stop a new arms race between the superpowers, and negotiate nuclear disarmament at Geneva.

That said, we distinguish between the research phase and deployment. We think that one can investigate the technologies, because they are not subject to any treaty, because it is a product of human curiosity. For now, we are not thinking of having an accord with the SDI, because we are very critical, and worried about the attitude today. We don't want to make an accord with the United States on this issue that would be interpreted as support for the whole SDI concept, and not limited to research.

Interview: Carlos Robles Piquer

Spain needs U.S. military presence

Mr. Piquer is a deputy in the European Parliament for the Popular Alliance Party and coordinator of this party's electoral campaign policy. He was interviewed by Katherine Kanter and Leonardo Servadio.

EIR: It seems that here in Spain there is a certain anti-U.S. ideology, obviously favored by the way the referendum on NATO was conducted. How can this be changed?

Robles Piquer: The anti-U.S. feeling is very generalized, unfortunately, in the Western world, which is sometimes a frivolous world and with little sense of its responsibility and its danger. In Spain this feeling has been exacerbated in recent times on two occasions: when President Reagan came on an official visit, and when, effectively, the government organized the nonsensical referendum on Spain's continuing to belong to the defensive organization of the Free World [NATO]. We think that the Socialist government has a big responsibility, because the control of state radio and television depends on it. And since this television is the only one in Spain, the informational backing and enthusiasm with which the small anti-U.S. demonstrations were welcomed turned these, in public opinion, into very big demonstrations; it made them grow. We think that a different orientation, but conforming to the truth and less conforming to anti-U.S. propaganda, by the state-owned TV, is a decisive element to shift the status of opinion in a favorable direction.

EIR: What do you think can be done to keep from weakening Spanish defensive capability, which is in large part based on cooperation with the United States?

Robles Piquer: To attend, naturally, to the true reasons and interests of the Spanish state and its defense needs, and not to seek demagogically the applause of the more or less violent minorities, which make a permanent show of support to the anti-U.S. forces or those inimical to the defense of the West. I think that the Spanish bases, in which facilities are conceded to our U.S. allies, are assigned to strengthen Spain's defense and therefore that of the Free World to which Spain belongs.

I think that these bases could not be easily sustained if we had to pay the cost of their maintenance entirely by ourselves, and I think a good negotiation with the United States will

allow us to keep improving, as has been done in the last years, the control by the Spanish government over these bases, without renouncing the military, technical, and also financial support lent to us by the United States, which makes the Spanish bases better and more useful for the defense of Spain itself than they would be if we did not have this collaboration.

EIR: Recent paramilitary actions by the Green Party in Germany were evaluated as very dangerous, in the sense of actual

The Strategic Defense Initiative is a U.S. project, which the Americans have undertaken by exercise of their own sovereignty. We do not deny to the United States the right to mount a defense system as they think best. Once they take this decision, which seems to us perfectly logical, we believe that Spanish business should be incorporated into this project.

military attacks. It is thought that behind these people in Germany is the indirect war strategy of the Soviet Union. Is there a similar problem here in Spain? And what perception is there of direct or indirect destabilization carried out by the Russians in Western Europe?

Robles Piquer: In Spain, as in all the countries of the Free World, this problem is posed with the same characteristics insofar as the *quality* of the phenomenon, but, fortunately so far, with less importance in terms of the quantity or volume of the phenomenon. It is undoubtedly true that there were various movements flowing together: In the first place, a legitimate one, the defense of nature, of true ecologism. We favor this movement, and we have nothing, of course, against the conservation of nature and the protection of the environment. But it is true that there are groups that use the flag of ecology and nature for political actions, and naturally it is within the possible, and I think also the probable, that the intelligence system of the Soviet Union, which as we know is at the service of a world imperialist type of design, is supporting movements of this kind. That is to say, the very country that has its own nuclear plants in conditions of very poor security, as unfortunately was just proven in Chernobyl, is a country that attacks the nuclear plants in the Western world and favors those who attack them, and we have to be

fully conscious of this. In Spain, there are so-called ecologist groups which organize big demonstrations against nuclear waste facilities, but then they don't move a finger against much more serious destruction of nature, e.g., forest fires—which these groups don't care about, even though the risk of deforestation is probably the most serious that Spain faces, because it is a country which is being left without trees, because of these fires, which are sometimes deliberate, other times accidental.

EIR: What does [Popular Alliance head Manuel] Fraga propose to improve diplomatic and military relations between the United States and Spain?

Robles Piquer: He proposes something very simple, to be loyal allies, and not reticent allies. We are neither pro-American nor anti-American; we are Spaniards and we are partisans of the integration of Spain into the political, economic, and military system of the Free World to which Spain belongs. And for this integration, it is necessary to count on the first power of the Free World, which is the United States, without any complex of any kind, neither of inferiority, nor of vanity or arrogance, and we think that a serious, friendly relationship with the United States must naturally mean a clear cooperation on all matters, starting with defense.

We don't believe, for example, that the Socialist policy could be serious, with its tremendous hypocrisy of de facto integrating into the NATO military organization, while de jure staying outside it. This is a falsehood which the Spanish people are recognizing, and it is only done for electoral and demagogic reasons. We naturally are not always in agreement with U.S. policy, and we think, for example, that a part of the truth, a part of the blame for what occurred in Central America is due to previous errors of the Americans, very serious errors, perhaps because they have a poor knowledge of the Spanish-speaking world, which we Spaniards believe we know better. We are willing at all times to speak our opinion loyally and, of course, to defend at all times our national interests. But we think that the best way to do it is to be sincere friends of the power on which, in reality, the guarantee of survival of the Free World rests.

EIR: Do you think that Mr. Fraga's defense policy allows the possibility of cooperating with the U.S. Strategic Defense Initiative?

Robles Piquer: That's a U.S. project, which the Americans have undertaken by exercise of their own sovereignty. We do not deny to the United States the right to mount a defense system as they think best. Once they take this decision, which seems to us, as I say, legitimate, perfectly logical, we believe, that Spanish business should be incorporated into this project. We are pleased that numerous Spanish firms are now in fact participating in projects promoted by the strategic defense system.

The mullahs go for 'free enterprise'

by Thierry Lalevée

At the beginning of June, Ayatollah Khomeini intervened into Iran's economic debate. In a speech which would have made Donald Regan blush with pleasure, Khomeini called on the government to respect the "free market" and not to interfere with the economic activities of Iran's most powerful economic interest, the merchants of the Bazaar.

Not surprisingly, Khomeini's intervention was prompted by Iran's deepening economic crisis and a growing lack of foreign currency reserves because of the continuing war with Iraq. Immediately prior to his speech, leading, but unnamed, merchants of the Bazaar had also stepped in, warning the government that unless they ceased to interfere, the Bazaar merchants would go on strike. Last time they did so, the regime of the Shah collapsed.

Khomeini's intervention put a halt to a debate as old as the Iranian "Islamic Republic," between the proponents of an "Islamic socialist" economy led by the commanders of the Pasdaran (Revolutionary Guards) and hardcore Soviet-controlled fanatics like General Prosecutor Hojatessalam Mousavi-Khoeiniah, and the traditional mullahs whose understanding of economics extends as far as their personal profits.

This newly defined free-enterprise doctrine involves broader political and diplomatic goals aimed at widening Iran's diplomatic prestige abroad. A case in point is relations with France, which have steadily improved since last winter, in the framework of the French hostage situation in Lebanon.

Underlining the change was the mid-May arrival in Paris of Ali Reza Mo'ayeri, the former Iranian ambassador to France, who has become deputy prime minister. Primarily political, the visit has paved the way for the settlement of the issues both capitals consider really important: mutual debts of several billion dollars.

In the late 1970s, the Shah of Iran had extended a \$1 billion loan to help develop the "Eurodif" nuclear program. Teheran wants the money back. However, Teheran owes as much, if not more, to Paris because of some 200 financial and industrial contracts which were unilaterally broken by Teheran in late 1980.

On June 25, after the exchange of many technical mis-

sions, an important Iranian economic delegation arrived in Paris to settle that matter. In the balance is what could become a billion-dollar project: the building of a new petrochemical complex in the center of Iran. American, French, German, and many other European companies are competing.

Since two French hostages were released in Lebanon on June 20, following the expulsion from France in late May of Mujahedeen leader Massoud Rajavi, political problems are no longer considered an impediment to closer economic relations. As *Le Figaro* explained on June 23, France's rationale is simple enough: France has to deal with nations and not with political regimes.

While France maintained a policy of opposition to the mullahs, countries like West Germany and even the United States continued to enjoy profitable business relations with Teheran. For example, the West German company Krupp announced on June 24 that it had won a DM 190 million bid to build a chemical plant for fertilizer in Iran. From June 16 to June 18, Iranian Foreign Minister Ali Akhbar Velayati had a very successful visit to Austria, paving the way for many industrial contracts to be signed in coming weeks. According to the London *Economist*, it is only recently that the United States has stopped importing Iranian pistachios produced by the Rafsanjani family, which includes the Speaker of the Parliament; not because of a political decision, but under pressure from American pistachio producers.

That Teheran is ready to open so wide the door to foreign economic investments, has led to many political speculations of what could happen if . . . Khomeini were to die. But the fact is, Teheran is following its present economic course out of sheer necessity; whether it has any political bearing is quite another matter.

This is the message sent June 17 when 20 Iranian-trained terrorists attacked Kuwaiti oil installations and blew up some of them. The explosions were so spectacular that they immediately led to speculations that the Iranian Air Force had bombarded Kuwait. This was not the case, and the terrorists failed to bomb all their targets. Had they succeeded, Kuwait might still be burning.

Nonetheless, the incident made the point that Iran's opening to the West does not mean an immediate end to the Gulf war, nor does it mean an end to Iranian-sponsored terrorism.

Except for the Bazaar, the best politically and militarily organized group within Iran are the Revolutionary Guards who have been given the command over the war against Iraq. Such a new position has led to some changes in the ideology of the Pasdaran. For example, at the beginning of May, Commander-in-Chief Mohsen Rezaei made a speech dedicated to the idea of the "Greater Iranian nation," including Iraq, the Gulf, and Afghanistan. This is a certain shift away from Islamic fundamentalist ideology, but it portends no good either. This has to be seriously taken into account when dealing with the regime of the mullahs in economic matters.

Goethe Institute or Schiller Institute?

The factional battle in German politics has spread to the cultural field, and the corrupt Goethe Institute is under fire.

In January 1986, the Schiller Institute in West Germany issued a dossier exposing the role of the government-funded Goethe Institute in spreading zero-growth ideology and cultural decadence, instead of promoting the great German classics, through its many branches at home and abroad. Five months later, this debate has surfaced in the daily newspapers, with Bavarian Gov. Franz-Josef Strauss leading the charge against the Goethe Institute.

Addressing a gathering of department leaders of the Goethe Institute in Munich June 12, Strauss charged the Institute, which has the official mandate to present the best of Germany's culture abroad, with spreading cultural pessimism, distortions, and even pro-terrorist ideologies.

Strauss said that there is "a masochistic tendency to slander the Germany of today," and "to equate the rampaging 'chaotics' of the criminal, violence-prone pyromaniac scene, with today's German youth." This was a reference to the Goethe Institute's policy of promoting members of the Green Party, as well as featuring films of anti-nuclear protests, which present the image of West Germany as "an atomic police state." The Goethe Institute has become, said Strauss, an instrument of black propaganda against the Federal Republic of Germany.

Strauss charged the Institute with rendering German cultural policy abroad a "mere playground of the international culture 'chiqueria'" [the

decadent culture "mafia"—ed.], while leaving the cultivation of the German Classics to the Herder Institute of East Germany. The Herder Institute, cooperating closely with the Goethe Institute, dedicated most of its own efforts to "the promotion of the classical and humanistic side of German culture within a communist linguistic framework," charged Strauss.

"The light and festive colors used by the G.D.R. [German Democratic Republic] to paint her society abroad, will be more successful in the long run than the dark hues of the 'Twilight of the Gods' presented by the Federal Republic." Instead of taking up this challenge of cultural warfare between East and West, the Goethe Institute was looking for "the alleged special affinity of the Germans to the political and cultural structures of the European East."

The main institution responsible for this decline of the cultural profile of Germany's foreign policy, said Strauss, was the foreign ministry in Bonn, which funds the Institute with an annual budget of 170 million deutschmarks (about \$77 million). The transformation of the Goethe Institute proceeded over a period of more than 20 years, but the 10 years that Foreign Minister Hans-Dietrich Genscher has been in office have been the worst. During this period, the Institute has become a mouthpiece of propaganda against the West German society. Strauss demanded that the Institute undergo a profound change and be

provided with a "politically responsible leadership."

The Goethe Institute's officials listened to this speech in a state of shock. Never before had a prominent politician dared to take their policy head-on. The front-page headlines in the media on this open confrontation were bad publicity for the Institute, which took very seriously Strauss's announcement that after the next national elections in January 1987, the reform of the Institute was on top of the political agenda in Bonn.

Franz-Josef Strauss's speech reflected a broader sentiment among the non-leftist majority of West Germans. There have been, over the years, innumerable complaints from private citizens, from conservative German diplomats, from musicians, actors, and many others about the conduct of the Goethe Institute. Whenever Chancellor Helmut Kohl has visited foreign countries, he has been presented with more evidence on the Goethe Institute's nefarious activities. Yet he has chosen to remain silent, and not to risk a confrontation with his liberal coalition partners, the Free Democrats of Foreign Minister Genscher—the funder of the Institute.

This state of affairs was one of the motivations behind the foundation of the Schiller Institute, as a counterweight to the Goethe Institute, in May 1984. When making contact with representatives of nations in North and South America, Africa, and Asia, the Schiller Institute found that there was great interest in learning about the German classics, both in literature and in music. But instead the Goethe Institute was sending out the likes of the Green Party's Gen. (ret.) Gerd Bastian as a military expert to an event in Bombay, or showing videos in Brazil about the violent anti-runway movement of the Frankfurt Airport.

The wonderful adventures of a KGB spy

Two drug abusers and a safecracker failed to free convicted KGB spy Arne Treholt from his Norwegian prison.

As news broke of an attempt to free Norwegian KGB Colonel Arne Treholt from jail, an observer of the northern flank predicted that the next 24 hours would witness an upsurge of creativity in covering the tracks pointing to Soviet involvement in the attempt. Indeed, the next day saw some quite imaginative explanations of what had occurred.

Not only were the accomplices in the break-out revealed to be Treholt's 17-year-old, drug-addicted new girlfriend, a Gambian heroin smuggler jailed with the Norwegian master spy, and an ordinary safecracker, also a prison-mate of Treholt's, but the plot involved escaping from Norway to Africa—thousands of miles away—in a newly bought Volvo car, procured in Sweden by Treholt's girlfriend with money provided by his brother, Einar Treholt.

Lest anyone infer that Africa be merely a stopover en route to the East, it was disclosed that Treholt, his girlfriend, and the Gambian inmate were to settle in Senegal or Gambia, to open an export-import company for Italian shoes!

The safecracker, near the end of his prison term, would cut a hole in the fence through which the escapees would exit to the waiting Volvo, and then walk back into his cell to serve the rest of his sentence. The story omits any mention of whether, as a reward for helpfulness, he was to subsequently get hired in Treholt's new shoe trading business in Africa, or planned to resume his old profession.

The Danish press added the variant that Treholt, presumably once set up in African business, would offer voluntarily to return to Norway to face a reopened trial, on condition that he be granted free leave from Norway should a new trial fail to acquit him from charges of espionage!

This cock-and-bull story churned out for mass consumption did not make much sense, but it does serve the purpose of drawing attention away from the issues: What's the political context that made the break-out attempt possible, and who authored the plot?

Treholt, rapidly progressing in his Social Democratic career, with access to highly sensitive defense and foreign ministry documents, was caught red-handed on Jan. 20, 1984, as a Soviet spy, and given the strongest penalty possible in Norway since capital punishment was banned: 20 years in prison.

His friends in the Social Democracy, however, insisted that Treholt was innocent, and had acted in good faith, trying to build bridges between East and West, by proving to Moscow that top-secret NATO plans had no aggressive intent. Claims were made that Treholt was the victim of a "judicial murder." As late as April 29 he demanded before the Supreme Court that the case be reopened.

On May 2, Norway's conservative government resigned, to be replaced by the Social Democrats. An intimate Treholt friend, Johan Jörgen Holst, known for his membership in such dubious East-West policy vehicles as the

Trilateral Commission and the Palme Commission, became Norwegian defense minister.

Lo and behold, only days later, Treholt issued a surprise letter, abruptly withdrawing his appeal from ongoing Supreme Court deliberations. Something had made Treholt hope that other methods than an appeal would stand a better chance of shortening his term in prison.

In prison, Treholt was a celebrity, enjoying the full confidence of the director—and the prisoners, being their elected representative. Norway, like the other Scandinavian countries, a *democratic* kingdom, does not want to oppress its criminals. Treholt, being a top diplomat, had a key to his own cell, enabling him to come and go as he pleased, as long as he agreed to stay inside the guarded confines of the prison fences.

Exploiting the distraction of the prison guards expected during the June 21 telecast of the world championship soccer game between Argentina and France, Treholt and his Gambian fellow-inmate were to discreetly step out through the hole in the fence cut open by the safecracker.

Waiting behind the steering-wheel of the Volvo, Treholt's closest friend for two years, Egil Ulateig, journalist of a male fashion magazine, was to drive them to a safehouse provided by another friend, musician Kjetil Bjørnstad, give them money and false British passports, and have them leave for Africa a day or two later.

But, the story goes, Ulateig lost his nerve and leaked. Whatever the case may be, Treholt was preemptively moved on June 19 to the high-security Ullersmo prison, presumably without keys to his new cell. And Moscow still has to prove to its Western assets that they'll be rewarded for their services.

Foreign aid terms tighten on India

Aid from the World Bank and its affiliates will rise, but a growing proportion is on commercial terms.

The June 16-17 meeting of the Aid India Consortium at World Bank offices in Paris produced a \$4.5 billion foreign aid package for the year 1986-87. The package consists of \$2.4 billion in World Bank loans, \$600 million in concessional loans from the Bank's soft-loan affiliate, the International Development Association (IDA), and the balance in official development assistance (ODA) from the 13 donor nations which are members of the consortium.

A 16% increase over last year, the aid package represents a real net gain of only 8%, when dollar exchange-rate fluctuations are taken into account. The share of soft loans from the IDA continued to decline from a peak of \$1.5 billion in 1980 and now represents just over 7% of total foreign aid. The \$2.4 billion in World Bank loans is at nearly commercial rates.

Increased aid commitments from Japan and West Germany more than offset slight declines in U.S. and U.K. commitments. Japan, while not a large donor, has increased its commitment by about 50%, from \$179 to \$285 million, to rival West Germany, which in turn raised its commitment from \$240 to \$286 million.

Japan's cumulative ODA to India, about \$2.5 billion as of 1984, is now second only to its assistance to Indonesia. This growing Japanese involvement in India is tied to a number of large projects in basic industry, transportation, and telecommunications, including the recently contracted underground natural gas pipeline, one of

the longest in the world.

India's case was presented to the consortium meeting, chaired by World Bank Vice-President for Asia David Hopper, by Indian Finance Secretary S. Venkitaramanan and Dr. Bimal Jalan, chief economic adviser to the government.

Venkitaramanan explained that although India had to rely on external assistance for only a very tiny portion—about 6%—of its \$320 billion Seventh Five Year Plan, launched this year, this was nonetheless a critical margin. It was urgent, he stated, that the bulk of this assistance be on concessional terms to enable India to consolidate the gains chalked out in the new plan.

To India's dismay, the World Bank has been arguing for several years that this huge country of 800 million—with some 500 million people below the "poverty line"—ought to be competing in the commercial market for external funds. According to Bank oracles, India should be pushed off the IDA "dole."

This campaign was powerfully affected by China's newly staked claim for assistance. It became a virtual *fait accompli* with the cut imposed on World Bank funding levels by the Bank's own failure in the most recent years to raise sufficient new capital. The Bank and its minions have employed a combination of flattery and pragmatism to persuade India to accept this situation.

For the consortium meeting, the Bank couched its ritual endorsement

of India's aid requirements in a detailed evaluation of the Indian economy. The report joined fulsome praise for the economic management and "new" policy thrust of the Rajiv Gandhi government with the stipulation that more changes are necessary.

All of the Bank's old saws—devaluation, privatization, elimination of subsidies, trade liberalization—are now subsumed in a pragmatic "export or die" proposition made credible by the worsening environment for concessional aid. According to the Press Trust of India, instead of calling for currency devaluation, the Bank states that industrial policy changes must be complemented by direct export incentives, especially an exchange-rate policy that enhances the relative profitability of export sales.

The Bank itself projects that India's debt-service ratio will rise from today's 15.2% to 20% by 1989-90, largely because of the hardening of aid terms. It goes on to state that unless exports grow at the annual rate of 6.8% projected in the Seventh Plan, India will not be able to sustain the level of commercial borrowing, debt servicing, and importation required to meet the Plan's growth targets. So far this year, exports have been stagnant.

The dilemma is real. But it points not to the need for exports so much as to the urgency of a focused policy to generate domestic surpluses. That means one thing: increasing agricultural productivity. For a nation the size of India, with but a tiny fraction of the domestic market developed, the prescription for "export-led growth" is absurd. Without generating a real domestic surplus for reinvestment in agro-industrial expansion, a mere trade surplus—assuming it could be achieved—will be economically useless, no matter how pleasing it might be to the accountants at the World Bank.

Sanctions: prescription for genocide

Hypocrisy is the mildest term available for Western nations now backing the Soviet-controlled African National Congress.

South African President Pieter Botha had some harsh and very appropriate things to say about his country's Western detractors when he addressed a police graduation ceremony on June 20. "When South Africa has reached the greatest height of reform in its history, the outside world passes it off as nothing, as pretense," he stated bitterly.

Botha decried the international campaign for sanctions against South Africa as "hypocrisy." "The one country in Africa that has a chance of joining the industrialized world may conceivably be reduced by sanctions to the pre-medieval condition of the continent, left to stagnate like the rest of the continent.

"If our leftist critics abroad, and even radicals in this country, speak of 'genuine reform,' they mean something completely different. They speak of final transfer of power to the South African Communist Party and its front, the African National Congress."

Botha's speech characteristically received little press coverage in the United States, in the high publicity given South Africa in the wake of a government decree of emergency law to preempt the expected ANC-directed uprising set for June 16, the 10th anniversary of the Soweto uprising. The international press has put forward the Mandelas and Oliver Tambo of the Soviets' ANC as the heroes of the anti-apartheid movement, while blacking out the efforts of Mangosuthu Gatsha Buthelezi, chairman of the South African Black Alliance and president of the mass-based Inkatha

Black Liberation Movement, whose perspective is based on the premise that "violence is not the answer to apartheid."

Speaking on ABC's David Brinkley Show June 23, South African Information Minister Louis Nel noted that Pretoria has repeatedly stated that it would negotiate with the ANC if it were to renounce violence and self-avowed revolutionary goal. The ANC has steadfastly refused to do so. The South African government is "working for a new South Africa, a new constitutional dispensation," Nels said. "We don't want apartheid; we are moving away from that, but that doesn't fit the desires of some people."

Support for the Botha government came from an unexpected source. In a June 21 interview with the French magazine *Le Figaro*, Ivory Coast President Houphouet Boigny noted that there is apartheid against black Africans elsewhere in Africa, especially in Arab-dominated Saharan countries. No political prisoner in black Africa would have survived in jail for 20 years, as has Nelson Mandela; most are "killed" after a few years, he noted.

Nevertheless, on June 24, British Prime Minister Margaret Thatcher reversed a previous decision and invited ANC leader Oliver Tambo to meet with the British Foreign Ministry. Thatcher had previously refused any official contact with the ANC until it renounced violence. However, pressure came down on Thatcher from Queen Elizabeth, who wants sanctions against

her lost colony.

While Tambo was in London gathering diplomatic laurels, ANC military commander Joe Modise announced: "Informers, policemen, special branch police must be eliminated. The people must carry out acts of sabotage against industries and firms producing wealth for the racist regime. Power stations and lines must be sabotaged. Railway lines and bridges destroyed. Strikes must be undertaken to paralyze the economy."

This war has already begun. On June 22, industrial plants in Durban and Johannesburg were bombed, and strikes of workers organized into the ANC's COSATU trade union broke out in Transvaal mining operations outside Johannesburg.

Just before his trip to London, Tambo, in a speech to the International Labor Organization, stated that Black people in South Africa are now "ready to lay down their lives. . . . The choice between sanctions now and sanctions later, or never, is a choice between a solution based on limited violent conflict and tolerable destruction of property, and a solution based on a bloodbath and massive destruction of property."

The demand for sanctions is, in fact, a demand for genocide of blacks throughout southern Africa. Said one report: "We have population growth rate of 2.8% a year and that means the South African economy has to grow by about 4% to clear the job market. But since 1980, the average growth rate has been far less than 2%, unemployment is soaring, and any major sanctions will batter us into the ground."

Moreover, so dependent on South Africa are the black African nations of the region, that knocking out the South African economy would destroy the last prop to the economies of southern Africa as a whole, which are already threatened with starvation.

New plots by Islamic International

The last three months' terror in the Mideast and North Africa was planned at a secret meeting in Switzerland.

An international seminar organized in Geneva on March 10, by the London-based Islamic Council of Europe chaired by Saudi diplomat Salam Azzam, has served as a cover for secret meetings between leaders of the so-called Islamic International. Many key leaders from Asia, the Middle East, and Africa gathered in Geneva for two days to give speeches on the "historic role of Islam" in liberation movements. Although attendance never exceeded 30-40 participants, the real reason for their coming to Switzerland was a secret reunion days later at the suburban residence of Algerian fundamentalist Ahmed Ben Bella.

To this extraordinary gathering came Salem Azzam; Turkey's Necet Erbakan; the leadership of the Egyptian Muslim Brotherhood; Hafez Salama of the Islamic Guidance Association; and the blind Sheikh Omar Abder Rahmane, founder of the Egyptian Jihad terrorist movement. Also present were Sheikh Mohammed Hussein Fadlallah, spiritual guide of the Hezbollah in Lebanon, and Ali Shamskhani, deputy commander of the Iranian Revolutionary Guard.

The conference was chaired by the little-known Swiss-based Egyptian Brotherhood leader Yussuf Nada, confirming his role as an international coordinator of the Muslim Brotherhood or "Islamic International." A Lugano-based Egyptian businessman who runs maritime and cement companies all over Black Africa, Nada came to notoriety in 1979 when he loaned \$10 million to the U.S.-based

Muslim Student Association to build a computerized intelligence data file at its Plainfield, Indiana headquarters.

In recent years, Nada's name emerged around the activities of Ben Bella, as well as of Lebanese Shi'ite squads touring Europe, and the activities of Islamic centers in West Germany. According to intelligence sources, Nada was named in the last two years as one of the Guides of the Brotherhood, coordinating its activities through a network which, thanks to Ben Bella, intersects the Nazi International of Swiss banker François Genoud. Hence, Nada's activities are closely watched by European intelligence units.

Under his chairmanship, two intertwined campaigns were launched: to organize larger, more regular financial aid to Middle Eastern and North African fundamentalist organizations, and to plan for a summer offensive in the region. For the first time, all pretenses were swept away, as the leader of the underground terrorist Jihad, Sheikh Abder Rahmane, agreed to work hand in hand with the mainstream of the Brotherhood. A radical splinter from the Ikhwan (Brotherhood), the Jihad has often considered it too moderate, refusing to coordinate activities on a regular basis. All the more extraordinary, the fanatic blind Sheikh agreed to extend such coordination to the other participants, such as Turkey and Iran. The actual leader of the Ikhwan, Sheikh Telemsani, had not been invited, and had no say. He died in April, not long after the Ge-

neva meeting, and was replaced by the more radical Mohammed Hameed Abu El Nasr.

The plotters put special stress on their operations in Egypt. Less than two weeks after the clandestine gathering, the Ikhwan launched assaults against the town of Asyut in Upper Egypt.

Their planned operations against North Africa were momentarily set back in April, when the new French government launched police operations against the Ben Bella network, in the wake of the U.S. raid on Libya. Dozens of members of Ben Bella's organizations were arrested; some deported. Fundamentalist operations in Tunisia had an uneasy fate too, as Paris has established close security cooperation with Tunis in recent months.

However, Tunisian fundamentalists succeeded in April and May in staging anti-American demonstrations at the universities, and clashing with the police, forcing the government to close the universities for several weeks. Unable to run their usual smuggling routes between France and Tunisia, the fundamentalists have shifted tactics for getting weapons. Tunisian intelligence reports several cases where policemen have been attacked, and had their weapons seized by the fundamentalists.

None of the participants at the Lausanne conference had any serious hope that they could successfully take over either Tunisia or Algeria, but they thought that Egypt is ripe for spectacular operations which could catalyze mass fundamentalist movements in the region, as Khomeini's takeover of Iran did in 1979. Egyptian fundamentalists are reported to have committed 350 terrorist acts in the last three months, including boobytrapping cars and carrying out machine-gun attacks on U.S. military targets.

'Revisionist' campaign hits France

Is the Nazi Swiss banker François Genoud behind the propaganda drive to deny the concentration camps?

The latest issue of *Troisième Voie* (*Third Way*), organ of the raving anti-American "revolutionary nationalists" in France, now allied with the neo-Nazi pagans of the "New Right" to destroy "Western civilization," has a feature denouncing the "Auschwitz myth" as the "massive foundation of a blind and totalitarian faith." Gas chambers never existed, argues *Troisième Voie*, and this "myth," the biggest of our time, was concocted as a result of a "plot" between the United States and the "Zionists" in order to create the state of Israel, to degrade the peoples of Europe, to prevent the "reunification of the German Reich," and to crush the "defense of the fundamental values of Blood and Soil."

This disgusting provocation is part of a Soviet-orchestrated revival in France of the pro-Nazi, so-called revisionist school. The operation was kicked off last month with the announcement that one Henri Rocques had successfully presented a doctoral thesis last year in Nantes, denying the existence of gas chambers under the Nazi regime.

The jury which accepted Rocques's thesis was mostly composed of academics belonging to or close to the national-bolshevist "New Right."

As this column previously documented (*EIR*, June 6, 1986, p. 59), the French "New Right" has most blatantly exposed its partnership with the Kremlin in its attacks on Lyndon LaRouche and his associates. In its November-December 1985 issue, *Troisième Voie* had published a slanderous "dossier" on Lyndon La-

Rouche and the Parti Ouvrier Européen, which is led by co-thinkers of LaRouche in France.

Who stands to benefit from the current wave of "revisionism," denying the Nazi concentration camps? An insight was given in a 1979 interview of Albert Speer by M. Jean Pierre-Bloch, the president of the French anti-racist LICRA association. Speer, who pleaded guilty to Nazi war crimes at the Nuremberg Tribunal, declared: "In Germany, a whole bunch of writers are trying to deny the existence of the crematorium furnaces. This campaign is coming from far away. I am convinced that Qaddafi and the Russians are behind this propaganda. Don't let it go on. Tomorrow everything could start again."

Indeed, despite the hullabaloo stirred up recently, almost nobody has reacted to the fact that Rocques let slip his desire for a "New Yalta" deal with the Soviets, by stating during a radio interview, his support for the "Russian people with whom we have to build a united Europe. . . ."

As the conservative daily paper *Quotidien de Paris* reported in its May 26 issue, all four members of that Nantes University jury are either close collaborators or leaders of the French "New Right" neo-Nazi movement called GRECE, directed by Alain de Benoist. GRECE published in its quarterly magazine *Élément* several attacks against the movement associated with Lyndon LaRouche in France. GRECE is a think-tank which tries to infiltrate French institutions in order to spread its pagan neo-Nazi ideology,

which is "anti-communist" but supportive of the creed of "Moscow as the Third Rome," which is in fact the ruling ideology of Soviet Russia.

The "New Right" doesn't hide its pro-Qaddafi feelings. One of its leaders, Guillaume Faye, recently wrote for the *El Badil* magazine of Ahmed Ben Bella, part of the same "Islamic" terrorist network as Qaddafi, and a protégé of Swiss banker François Genoud, the pivot of the Nazi International. Nor does the "New Right" hide its positive feelings toward former Socialist Education Minister Jean-Pierre Chevènement. This could perhaps explain the toleration for Rocques's scandalous thesis. It must be noted that there exists in France a "revisionist" current denying the Jewish holocaust by the Nazis, and which is not only linked to the extreme right-wing National Front, but also to the radical wing of the Socialist Party. This "revisionist" current was founded by Paul Rassinier, who happened to be a socialist and anarchist militant!

Quotidien de Paris printed an interesting report on M. Rocques's past which reveals that he has been, since World War II, the Paris correspondent of the Lausanne-based paper of the pro-Nazi European New Order, called *The Real Europe*. The European New Order is led by another protégé of Genoud, the co-founder of the Malmö International in 1951, M. Gaston Guy Amaudruz. These were the networks which helped both the right-wing OAS and the left-wing FLN in the 1960s during the Algerian war, and which then attempted to destabilize General de Gaulle.

The French "New Right" is also working closely with the Belgium-based "Young Europe" of Jean François Thiriart, another well-known Genoud protégé.

International Intelligence

Carrington says Soviet offers 'encouraging'

NATO Secretary-General Lord Peter Carrington, on a four-day visit to Norway, told a press conference in Oslo on June 25 that the Soviet stance in arms-control and troop-reduction negotiations is "encouraging."

Carrington said that the softening of the Soviet position at the Geneva disarmament talks indicates that Moscow is ready for serious negotiations. He met with Defense Minister Johan Holst, a Trilateral Commission member, and discussed the new Labor government's decision last month to add a dissenting "footnote" to an allied communiqué on President Reagan's Strategic Defense Initiative.

Norwegian defense sources said that Holst's footnote had infuriated U.S. officials in Brussels. Carrington, however, said he did not view the Norwegian footnote as a great tragedy, adding that there were differences of opinion within NATO over the SDI.

Irish to vote on divorce referendum

Prime Minister Garrett Fitzgerald may be "heading for a defeat" according to polls taken in Ireland on a divorce referendum to be voted on June 26. The defeat would "affect his personal standing and the stability of his minority coalition government," the London *Times* writes.

The polls show a "remarkable shift of opinion in the six weeks since the government announced its plan to hold a referendum to allow divorce on the basis of marriage failure and after a couple have lived apart for five years."

Fitzgerald, associated with Trilateral Commission circles, was "influenced by the Catholic philosopher Jacques Maritain, who argued for greater pluralism in Catholic societies of the future," according to the *Times*. It notes that he grew up in a "bohemian household" frequented by Ezra Pound, T. S. Eliot, and W. B. Yeats.

The referendum has been opposed by a total mobilization of the Catholic Church, headed by Dublin Archbishop Kevin McNamara, who has written many articles locating the fight against legalization of divorce in the context of a fight to preserve the concepts of truth, reason, and natural law. The pro-divorce legislation is a pretext for introducing a wide array of liberal reforms into Ireland, he has argued.

Briton meets with Soviet-puppet Tambo

The leader of the Soviet-run African National Congress, Oliver Tambo, was entertained by a senior British Foreign Office official June 25 in London. Tambo spent 75 minutes with Foreign Office Minister Lynda Chalker.

Tambo's ANC, whose terrorists are trained in East Germany and deployed by an executive board dominated by South African Communist Party members, has devoted itself to fomenting violence "against apartheid"—principally the murder of other South African blacks.

The unprecedented talks in London were described by both Tambo and his interlocutor as "candid and useful."

Afterwards, he told waiting journalists, "We thought it was a very good meeting, very cordial and candid. We had the views of the British government put to the ANC, and the views of the ANC put to the British government."

It was the first official meeting between a British minister and any ANC leader.

Kissinger attends Bonn cabinet meeting

In a "surprise" June 25 visit to Bonn, West Germany's capital, former U.S. Secretary of State Henry Kissinger had a breakfast meeting with Chancellor Helmut Kohl. The

subject of discussions were the Gorbachov proposals on mutual troop reductions in Central Europe.

Then, according to several Bonn sources, Kissinger was brought into the full cabinet ministers' meeting as the "personal guest" of Kohl.

According to an aide of Foreign Minister Hans-Dietrich Genscher, Kissinger had a "comprehensive exchange of views" with the ministers and several discussions with Genscher, including one on "East-West relations."

From Bonn, Kissinger went to Amsterdam, and then to Munich, Bavaria, where he is rumored to have held at least one June 26 meeting with Gov. Franz-Josef Strauss. In Amsterdam June 25, he spoke before a meeting sponsored by the Amsterdam Association, a collection of prominent businessmen and bankers, including directors of KLM Airlines and the Trilateral Commission-linked NMB Bank. Amsterdam sources say that his talks included "relations between Europe, America, and the Soviet Union, and the economic and political aspects of Western relations with the Soviets." The American and German ambassadors to Holland and the state secretary of the Dutch government were among those in attendance.

One unconfirmed report is that Kissinger also met with Holland's Prince Bernhard, with whom he has built close ties via the Bilderberg Group, an elite organization of Europe aristocrats and their retainers on both sides of the Atlantic.

U.S.(S.R.) News and World Report

A leading "conservative" U.S. news magazine is demanding a sharp cutback in American troops in Europe, and acceptance of Gorbachov "disarmament proposals" which would effectively force NATO allies into an accommodation with the Soviet empire. *U.S. News and World Report* prints an editorial by editor-in-chief Mortimer Zuckerman charging, "America's nuclear umbrella and

the U.S. overdeployment of troops to NATO seem to have encouraged Europeans to economize on conventional forces and use the funds to augment their welfare states."

The editorial continues: "It is time to end the free ride. . . . The disproportionality of the American effort in Europe is aggravated by the failure of Europeans to help elsewhere. . . . Europeans must do more to maximize their capabilities to defend their own territory. . . . This would free up U.S. military and financial resources so that we could strengthen areas where we are most vulnerable. *Some 150,000 troops should be phased out of Europe over a five-to-10 year period* and redeployed as an additional strategic reserve in the United States, able to move to the world's trouble spots. We must build U.S. airlift and sealift capabilities and enhance the Rapid Deployment Force so that, if needed, America could project adequate military power into the Persian Gulf area, the Middle East and Southwest Asia where the risks and stakes to the Western geostrategic position are the highest. . . ."

"For even quicker substantial troop reductions, we should treat constructively Gorbachov's recent proposals for major mutual reductions in both NATO and Warsaw Pact forces at the Mutual and Balanced Force Reduction talks now going on in Vienna. At last, Gorbachov seems willing to acknowledge the need for verification. Here is something that is very much in the U.S. strategic interest. . . . It is time for the U.S. to bite the European bullet."

Germans document Soviet buildup

The annual *Situation Report* of the West German armed forces documents in detail the "wide margin of superiority" in force concentrations held by the Soviet Union in Europe. Prepared by the Bundeswehr's head, Inspector-General Altenburg, the report emphasizes that the Soviets will use this superiority to "politically blackmail" Western Europe with the "threat of military action."

The report describes the Soviet buildup as the largest ever conducted in history, emphasizing that it is "a Soviet buildup of such a dimension as to far exceed not only defense requirements, but also in excess of its role as a superpower."

Altenburg notes that the greatest single point of concentration has occurred among the Soviet forces stationed in East Germany and Central Europe—in other words, along the borders of West Germany.

Soviet tank strength in East Germany has now risen to between 8,000 and 9,000, a 50% increase over the past five years. In the same five-year time frame, the Soviets have added 3,000 artillery pieces, most of them self-propelled guns. Since 1970, Soviet artillery strength in East Germany has tripled. Soviet fighter-plane superiority in Central Europe is put at 5:1 over NATO, and short-range missile superiority at 9:1.

Altenburg is especially alarmed at the mass emplacement of the modern, extremely accurate SS-21s, SS-22s, and SS-23s.

Soviets admit AIDS cases, begin screening

More than a dozen cases of AIDS have been diagnosed in the Soviet Union, Victor M. Zhdanov, director of the D. I. Ivanovskii Institute of Virology in Moscow, told an international conference on AIDS in Paris June 24. His admission came as a surprise; the Soviets have heretofore denied the existence of AIDS among Soviet citizens.

Dr. Zhdanov said studies showed the virus has probably existed in the Soviet Union since the early 1970s. He told the gathering that the Soviet health ministry had just begun a systematic screening program to try to limit the disease.

"We have diagnosed 12 cases of the disease. I don't know how many have been diagnosed in other centers, but I know there have been some other positive diagnoses." He said his institute, one of four centers studying the virus in the Soviet Union, has screened 10,000 people for AIDS.

● **CARDINAL O'CONNOR** of New York told the *New York Times* June 25 that "we are creating a monster" by keeping Palestinians in refugee camps. "Somehow a homeland has to be provided for the Palestinian people." The Cardinal had just returned from a visit to Lebanon. He immediately came under attack from the Anti-Defamation League's Nathan Perlmutter and the World Jewish Congress's Elan Steinberg, who demanded that the Vatican recognize Israel, and get the Arabs into the "Camp David peace process."

● **GERMAN INDUSTRY** is against sanctions for South Africa. Denouncing apartheid, West Germany's leading industry group stated that South Africa needs a functioning economy in order to be able to solve its social and economic difficulties. The best contribution German firms can make would be to improve the educational opportunities available to their black workers, said the group.

● **GEN. GERHARD MACK**, NATO's second-in-command in Europe, said that if U.S. troops are withdrawn, the continent will be total indefensible, in an interview in the *Frankfurter Allgemeine Zeitung* June 21. General Mack, a West German, also said that there was no strategic substitute for the American intercontinental ballistic missile forces.

● **AT LEAST 20** West German parliamentarians are homosexuals, but "won't say so openly," a leading West German homosexual activist has estimated. "Gays are 5% of the population, higher among intellectuals; so, if you do the calculations, you come up with at least 20." The only admitted homosexual in parliament is Herbert Ruesche, chief pederast of the Green Party.

Donald T. Regan plays palace politics . . . again

by Jeffrey Steinberg

White House Chief of Staff Donald T. Regan is apparently using the *Washington Post* and the *New York Times* as leak sheets for stories targeted against other ranking officials in the Reagan administration—despite recent efforts by the President and several cabinet secretaries to crack down against the use of leaks to sabotage administration policies and endanger national security.

In a June 26 telephone interview, an aide to White House spokesman Edward Djerejian confirmed to *EIR* that *New York Times* scribbler Seymour Hersh had received a White House background briefing on Panama from either Donald Regan or one of Regan's staff, who are not-so-affectionately referred to in Washington inner circles as Don Regan's "mice," just before Hersh's front-page story.

A June 12 Hersh story on alleged corruption in Panama reported that Panama Defense Forces chief Gen. Manuel Noriega has been aiding the U.S. Central Intelligence Agency by spying on Nicaragua and Cuba. The Hersh article, the first of a two-part series that carried a broadside and slanderous attack against Noriega, coincided with Senate hearings on Panama chaired by Jesse Helms (R-N.C.).

Helms has been the Senate leader of a violent campaign of Mexico- and Panama-bashing ordered from Wall Street to ensure that no debtors' cartel emerges out of the current round of debt negotiations between the banks, the Treasury Department, the International Monetary Fund, and several major Ibero-American nations.

The Hersh revelations about Noriega's assistance to the CIA are the crassest form of assassination set-up. The claim that Noriega is a U.S. intelligence asset poses a direct threat to General Noriega, who could now be targeted for assassination by the Soviets for his alleged cooperation with the CIA. According to a Defense Intelligence Agency official interviewed by *EIR*, the source of much of the material for

the Hersh article was Donald T. Regan.

The DIA official, who is intimately familiar with the Panama situation and the backroom diplomatic war that erupted as the result of the Helms hearings and the *New York Times* smears, said Regan sought to ensure himself a "credible denial" that he leaked the material by timing the leak to coincide with the closed-door Helms hearings.

Hersh's published charges of Noriega involvement in drug-running and money-laundering were sharply contradicted by officials of the U.S. Drug Enforcement Administration, both in testimony before closed-door sessions of the Helms Subcommittee on Hemispheric Affairs, and in a personal letter sent by DEA administrator John Lawn to General Noriega 24 hours after the Helms hearings.

The Lawn letter, according to an official DEA statement, praised the Panamanian general as one of the strongest U.S. allies in the war on drugs. One ranking DEA official who had delivered sealed testimony before the Helms committee pointed out, as one example, that a Panama City bank that Hersh alleged was a money-laundering spot controlled by Noriega had actually been shut down as the result of a joint U.S.-Panama investigation. The information that launched that probe, directed at the First Interamericas Bank, had come from Noriega.

On June 24, the *Washington Post* carried a front-page attack on National Security Adviser Vice-Adm. John M. Poindexter, by Lou Cannon and David Hoffman, accusing Poindexter, among other things, of having failed to adequately warn the President of the anticipated political fallout from his announcement of dropping U.S. compliance with the unratified SALT II treaty. Once again, according to the *Post* article itself, the primary source of the information was either Donald T. Regan, or senior members of his staff, the "mice."

Sources close to the administration say that the Regan

attacks against Poindexter reflect both substantive disagreements that Regan has with several recent administration initiatives, and a more general, longstanding desire to minimize the role of national security adviser. When Robert McFarlane resigned as national security adviser last December, both Regan and Secretary of State George Shultz called for downgrading the post as a means of enhancing their own policy influence with the President. It was widely reported at the time that Shultz and Regan believed that Poindexter, a career military officer, would play a low-key staff role outside the mainstream of administration policy making.

The issue in the "Get Poindexter" bid is strategic, having to do with evaluations of Soviet intentions. According to the sources, Poindexter has tended to align himself inside administration policy circles with Defense Secretary Caspar Weinberger on such decisions as the President's May 17 repudiation of SALT II, and the general upgrading of U.S. strategic assessments of Soviet intentions following the February congress of the Communist Party of the Soviet Union.

The Cannon-Hoffman knife-attack on Poindexter was based on interviews with White House "senior" staffers who insisted on remaining unnamed. The "mice" again?

Keeping security loose

Earlier this year, several major newspapers published classified "leaks" on U.S. intelligence methods used in gathering evidence of Libyan involvement in a series of terrorist bombing attacks in West Germany. In response, CIA Director William Casey called the editors of five major U.S. newspapers on the carpet and threatened prosecution under a 1950 national security law.

A case is now awaiting decision by the Justice Department against an NBC journalist, James Polk, an associate of the radical-liberal Institute for Policy Studies, who did a televised newscast leaking information about U.S. submarine spying on the Soviet Union.

In the wake of those leaks, Admiral Poindexter ordered a staff report recommending tightening of security procedures within the administration—including broad use of polygraph tests and the creation of a special FBI unit with fulltime responsibility for probing leaks damaging to national security. At a cabinet working-group meeting several months ago, Poindexter presented the staff report and recommendations. It won the enthusiastic support of Casey, Weinberger, and National Security Agency director Gen. William E. Odom. Donald T. Regan, Treasury Secretary James Baker III, and George Shultz opposed the recommendations as too severe. A stalemate resulted. Apparently, no further initiatives were taken to stop the leaks.

Not surprisingly, the public disclosure of the cabinet-level debate over the needed tightening of security came as a result of leaks—again from Don Regan's "mice"—who passed to the press the minutes of the cabinet working-group session and the text of the staff memorandum prepared for Admiral Poindexter.

California AIDS initiative certified

by Marianna Wertz

A citizens' initiative, mandating the application of public health measures to the deadly disease AIDS, was officially certified for the Nov. 3 ballot in California on June 25. The office of Secretary of State March Fong Eu released a statement to the press, stating that initiative petitions were found by random sampling to bear the valid signatures of 505,510 registered voters. As 443,219 signatures are required to qualify an initiative for the ballot, the measure was certified.

The announcement of certification came on the same day that press headlines reported to the world on findings at an international conference on AIDS, being held in Paris, that AIDS is "epidemic" in Africa, the tropics, and in the United States.

In press conferences held simultaneously in Los Angeles and Sacramento, Prevent AIDS Now Initiative Committee (PANIC) president Khushro Gandhi and vice president Brian Lantz explained what the initiative will require, if it is voted up in the November election. The measure mandates that "AIDS" and "the condition of being a carrier of the HTLV-III virus" shall "be placed and maintained by the director of the Department of Health Services on the list of reportable diseases and conditions mandated by Health and Safety Code Section 3123." The California Code provides for standard measures of public health—including population screening and quarantine—for all diseases which are so placed on its list of reportable diseases and conditions.

Hottest political issue

The PANIC Initiative, as it is called, is the hottest political item in California since Proposition 13. Its foes are attempting to portray it as the "LaRouche initiative," associating it with Democratic presidential candidate Lyndon LaRouche, founder of the National Democratic Policy Committee. Gandhi and Lantz are both officers of the NDPC, and NDPC activists gathered a large number of the signatures to qualify PANIC for the ballot.

The initiative has drawn widespread support in California and from around the nation, from those Americans who are outraged that a deadly disease is being treated as a question of civil rights, rather than a question of public health. Even in the Bay Area, with the highest concentration of AIDS victims per capita in the nation, a June 23 radio poll conducted by the largest Bay Area radio station, KGO, resulted

in 53% of the record number of 768 callers supporting the "separation" of AIDS victims from the general population.

Khushro Gandhi states in his circular letter in support of the initiative, "AIDS is the only disease in recent U.S. history to which we have not applied the usual measures applied to every other such epidemic. It should be obvious, that the only reason for the unusual way in which AIDS has been handled by public health officials, is pure, naked political pressure."

Just how naked, and how heavy that pressure is, has begun to surface in opposition to the initiative. One of its prominent detractors, Los Angeles City Councilman Joel Wachs, called the initiative "the single greatest threat to civil liberty since Nazi Germany." Wachs, who said on June 25 that he will devote "110%" of his time to defeating the initiative, is a leading "gay rights" advocate.

In West Hollywood, a major homosexual center in the state, the homosexual paper *Frontiers* titled its coverage of the initiative: "This is War." A parade on June 22 in West Los Angeles drew out close to 200,000 activists to demonstrate on "Gay Pride Day" against the initiative and its connection to Lyndon LaRouche. Placards with the slogan "No to LaRouche" were prominently displayed throughout the line of march.

The opposition effort has reportedly raised \$275,000 in pledges to date, and has set a goal of \$6 million to finance its campaign to defeat the initiative. The leadership of the "Stop LaRouche" movement, as it is being called, includes the following individuals:

- Harry Britt, homosexual member of the San Francisco Board of Supervisors and a vice-president of Social Democrats U.S.A., Michael Harrington's branch of the Socialist International.

- Bruce Decker, Chairman of the California AIDS Advisory Committee, appointed by Gov. George Deukmejian (R); board member of the gay-rights electoral organization, the Municipal Election Committee of Los Angeles (MECLA).

- Roberto Esteves, president of the Alice B. Toklas Gay Democratic Club, who is assuming responsibility for liaison with "the straight community."

- The Revolutionary Workers League, a Maoist sect that advocates "worker-community defense guards" to protect against "racist, sexist, homophobic cops."

- The American Civil Liberties Union, which is arranging free legal help for anyone associated with the campaign to defeat the initiative.

The effort to defeat the initiative was to be formally launched on June 29, at the annual San Francisco Gay Pride parade, which traditionally draws up to 300,000. Plans were made to focus the entire parade against the initiative, and to make "Defeat LaRouche" the most prominent slogan. The anti-initiative leadership has made clear that their efforts have only two goals: ensuring that the issue is not "gay vs. anti-gay"; and "stopping LaRouche from getting a foothold in California."

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Moynihan orders Kirk attack on LaRouche

by Stephen Pepper

In a most extraordinary display of muddled thinking and outright lies, Democratic National Committee chairman Paul Kirk delivered a diatribe in Albany, New York against 1988 presidential candidate Lyndon LaRouche and LaRouche Democrats, in which he introduced a program of vicious measures to cut off the ballot-access of the LaRouche movement. The speech served as the opening of a forum series on topics of the party, and to judge from this performance, it got off on the wrong foot.

Kirk reviewed the usual litany of lies from such sources as the drug-lobby's *High Times* writer Dennis King and the long discredited report compiled by the Anti-Defamation League (ADL) on LaRouche organizations. What was new in Kirk's peroration was the decibel level of the name-calling. Invoking the names of Hitler and Mussolini, Kirk alleged that the LaRouche forces were imposters who used fraud and violence. Adding to the verbal assault was Gov. Mario Cuomo of New York, who was reported by the *New York Times* to "literally tremble with anger" as he called the LaRouche Democrats, "a dangerous cult" prone to "brutal and violent conduct."

Even compensating for the general proclivity among politicians—especially of the radical stripe—to use hyperbole and outright lies, this performance is highly unusual. It becomes clearer, however, when one knows that Kirk was invited, or rather ordered, to come to New York to deliver this jeremiad by none other than Sen. Daniel Patrick Moynihan. It is Moynihan who has undertaken, on behalf of the ADL, a personal effort to eliminate the LaRouche factor from Democratic politics.

Moynihan knows that LaRouche is right about his appeal to the "forgotten voter" within the Democratic Party, partly because Moynihan is responsible for leading the Democrats into forgetting about the "minorities" that play such an important role in the party. A trace of this concern came through in the answer period following Kirk's speech. When asked why so many people vote for the LaRouche candidates despite the foghorn of lies that are broadcast in all directions, Kirk replied, "Perhaps there is a void in the party. . . . Some say the voters are attracted to what the LaRouchies have to say. I have always said you can never take the voters for granted."

The day before, at a separate forum that brought together a spectrum of party leaders including former Virginia Gov.

Charles Robb, Moynihan said that the party was in the worst shape since the Civil War. "The parallel is not perfect. The Copperhead Democrats of the Civil War never repented. The veterans and inheritors of the New Deal and Great Society do little else."

Behind the blow-hard rhetoric that is coming out of so-called Democratic leaders is a clear recognition that the LaRouche movement is addressing a real and growing discontent among traditional Democratic constituencies: minorities, blue-collar workers, farmers, and small and middle-level business and management.

Confirmation of this came from J. Michael McKeon, who was the only Democratic pollster to predict the LaRouche victories in Illinois. McKeon told a reporter, "Senator Moynihan is the only person in the Democratic Party who is thinking seriously of how to respond to LaRouche. That's why he brought me to Washington." McKeon is now a consultant to both Moynihan and the American-Israel Political Action Committee. McKeon's analysis is: "LaRouche has about a 25% core vote throughout the country. With the increasing impoverishment of the population, they are becoming more radicalized and therefore more attentive to LaRouche. Moynihan has just written a book on urban poverty and understands there is a political vacuum out there. That's why he is listening to me. Moynihan is most worried about LaRouche's grassroots organizing and has no delusions. He knows the LaRouche movement is not dead as has been declared by the media. . . . Look at how mainstream LaRouche came across on Nightline, ending with that brilliant comment about colonizing Mars."

ADL on the defensive

Moynihan is personally pleading for a heightened and coordinated response to the LaRouche threat. He is acting directly to protect the Anti-Defamation League, which is under immediate attack from LaRouche Democrats, and increasingly coming under indirect attack from corruption exposés fostered by Republican-linked U.S. Attorneys in several cities, most notably New York. It was not lost on observers that Jerry Rosen, New York State head of the ADL, ostentatiously delivered to Kirk a copy of the ADL's notorious report on LaRouche, and Kirk just as ostentatiously thanked him.

But most important, Kirk put the imprint of the Democratic national apparatus behind a declaration of war against a substantial part of the party—the LaRouche wing. He said that the party would put together a National Lawyers Council to go after all petitions submitted by LaRouche candidates; it would do background checks on LaRouche candidates. He urged doing everything, "legal, political or otherwise, to get these folks off the ballot." While the name-calling and the bravura about stopping LaRouche is for the edification of the gullible, the reality is that the great defenders of democracy are convinced that only a mailed-fist approach will stop LaRouche and his supporters.

Latest Supreme Court ruling condemns handicapped newborns

by Linda C. Everett

The Supreme Court's June 9 decision to strike down the Reagan administration's controversial Baby Doe Rulings opens the floodgates for Sparta-like slaughter of the nation's handicapped newborns.

In the opinion of four judges, an infant born with a handicap cannot be considered a "qualified" handicapped individual who has his right to life-saving medical treatment protected by the federal government, if his parents refuse to consent to medical treatment. The 5-3 decision argues that since it is usually the parents who instruct doctors not to treat their child but to "let him die," then there is no "evidence" of discrimination by doctors or hospitals against the handicapped child, and thus no "reasoning" that warrants federal intervention into the state's traditional role of protecting handicapped infants' lives. After reducing the role of the nation's highest court in protecting and guiding its people, to a mechanical exercise, this court goes on to eliminate that responsibility altogether.

The decision states that the Rehabilitation Act of 1973 did not authorize the government "to give unsolicited advice to parents, to hospitals, or to states who are faced with difficult treatment decisions concerning handicapped children." Justice John Paul Stevens announced the decision which was joined by Justices Thurgood Marshall, Harry Blackmun, and Lewis Powell. Chief Justice Warren E. Burger concurred with Stevens's conclusion, but undercut the majority opinion by not joining in its reasoning and in an unusual move, provided no concurring opinion to explain why. Justice White entered a dissenting opinion with Justice Brennan joining. Justice O'Connor wrote a separate dissenting opinion, agreeing with four of the five points discussed by Justice White.

Four years of legal battles

The hotly contested issue of government intervention into the fate of handicapped newborns began in April 1982, when an Indiana baby, born with mild Down's Syndrome, was starved to death when its parents refused to allow life-saving surgery to remove an esophageal obstruction that blocked oral feeding. Within weeks of the murder, President Reagan directed the Secretary of Health and Human Services (HHS)

to instruct all federally funded facilities that Section 504 of the Rehabilitation Act of 1973 provides: "that no otherwise qualified individual . . . shall solely by reason of his handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance."

HHS established procedures to assure enforcement of Section 504 by posting notices in health-care facilities, requiring state child-protection agencies to prevent unlawful medical neglect of the handicapped, expedited access to medical records, and expedited action compliance to protect the infant's life, with a temporary restraining order if necessary. These Interim Rules, which require the availability of a telephone "hot line" to report suspected violations, were overturned in April 1983 by the U.S. District Court of Washington, D.C. which called the regulations "arbitrary and capricious."

By February 1984, the "Baby Doe" regulations were re-tailored into "interpretive guidelines" calling for no "heroics" to prolong the "dying process" and for setting up Infant Care Review Committees to decide who gets treatment. In March, these, too, were challenged by the American Medical Association, the American Hospital Association, American Academy of Pediatrics, etc. in the District Court for the Southern District of New York, which held that the regulations were beyond HHS's statutory authority under Section 504 and enjoined the HHS Secretary and its officers and agents in a sweeping nationwide injunction against undertaking any decision, investigation, or regulation regarding the treatment of handicapped newborns in any federally funded program.

The U.S. Court of Appeals affirmed that judgment in December 1984, based on its own prior decision that the government had no right to the medical records of a New York infant with spina bifida ("Baby Jane Doe"), because Section 504 is "wholly inapplicable to the withholding or withdrawal of nutrition or medically beneficial treatment from handicapped infants—no matter how egregious the circumstances."

HHS then petitioned for the Supreme Court to review the district court decision, citing directly the dissenting statement

of Judge Winter. Judge Winter stressed that Congress explicitly patterned Section 504 after Title VI of the Civil Rights Act of 1964, which prohibits discrimination on the basis of race in federally assisted programs, and had determined that "discrimination on the basis of handicap should be on a statutory par with discrimination on the basis of race." Winter concluded that the logic of the government's position is "about as flawless as a legal argument can be." The Supreme Court agreed to review the case, and heard oral argument in January 1986.

The Supreme Court's conclusion is based on a review of the two possible categories of violations of Section 504 which HHS offered: 1) when a hospital refuses to treat a handicapped newborn "solely by reason of his handicap" or 2) when a hospital fails to report cases of medical neglect to a state child-protective agency. According to HHS, the 49 cases investigated "resulted in finding no discriminatory withholding of medical care" because it was the parents, not the hospitals, who refused to allow treatment. HHS also conceded that its Final Rules show that Section 504 cannot mandate that a hospital overrule a parental decision not to treat, no matter how discriminatory. Thus, Justice Stevens concludes there is neither evidence of violation of Section 504, nor need for federal intervention.

The overly narrow and mechanical application of the 504 law by Justice Stevens totally misses the attempt by HHS to address the slaughter of thousands in the nation's nurseries. The Senate Committee on Labor and Human Resources conducted hearings on the incidence and denial of medical treatment to the handicapped newborns and concluded, "This practice is not isolated to one or two instances." Of the estimated 30,000 severely handicapped children born yearly in the United States, non-treatment results in the death of 5,000 of them. In 1985 the U.S. Commission on Civil Rights concluded: "While occasional denial of routine medical care has been reported, a much more serious problem involves the apparent withholding of life-saving treatment for . . . infants, solely because they are handicapped."

Properly, the dissenting opinion of Justice White et al. attacks the sleight-of-hand justice that Stevens displays in the decision. It suggests that regulation of health-care providers is justified since doctors' attitudes play a large role in shaping a parent's decision to treat or not. Increasingly, hospitals and doctors are pressed to buckle under to treatment restrictions devised by cost-benefit analysis, insurance coverage, and, even more insidious, as the following case demonstrates, by the "new medicine" shaped by the "new ethicists," who are not out to save your life. This new breed, which includes the hospital "ethics" committees, decides that only those whose quality of life would benefit from treatment, will get it.

The American Academy of Pediatrics, which brought suit to stop HHS's Baby Doe intervention, published in its October 1983 *Pediatrics* magazine the results of a five-year experiment by a group of Oklahoma doctors, who unbeknownst to the parents decided which of 69 babies born with

spina bifida would receive life-saving treatment based on the doctors' quality-of-life assessments of the child and family. The doctors recommended against life-saving treatment for 33 of the infants; 24 died.

Justice Stevens faults HHS for imposing an "absolute obligation" on state agencies, and quotes an earlier decision that Section 504 is concerned only with discrimination in the relative treatment of the handicapped and not with the absolute right to receive a particular treatment. He states that nothing in the statute authorizes the Secretary of HHS "to dispense with the law's focus on discrimination and instead to employ federal resources to save the lives of handicapped newborns without regard to whether they are victims of discrimination by recipients of federal funds or not."

The focus of Section 504 was to save lives, as one of the principal sponsors of Section 504, Sen. Hubert Humphrey, originally cited in congressional testimony in 1972: "I am insisting that the civil rights of 40 million Americans now be affirmed and effectively guaranteed by Congress . . . the 22 million people with a severe physically disabling condition . . . the hundreds of thousands crippled by accidents and the destructive forces of poverty, and the 100,000 babies born with defects each year. These people have the right to live, to work to the best of their ability—to know the dignity to which every human being is entitled. . . . Every child—gifted, normal, and handicapped—has a fundamental right to educational opportunity and the right to health."

Majority ruling 'indefensible' and 'misguided'

Justice White slams the majority opinion in his dissent for oversimplifying the complexity of the crisis which Section 504 and HHS address. The majority, he says, never denies that discrimination occurs, yet it resolves the issue for the nation at large, not by fully determining what situations Section 504 might cover, but by focusing on whether the cases which HHS presented qualify in the two narrow types of discrimination defined by HHS. White says the majority decision is "sidetracked from the straightforward issue of statutory construction that the case presents." White sees no justification for the majority's acceptance of the lower court conclusion that the HHS Secretary was "without power to issue any regulations whatsoever that dealt with infants' medical care."

The Supreme Court had only one real issue before it, the one which the principal sponsor of Section 504, Congressman Vanik, presented in his testimony in 1973: "In ancient Greece, in the city-state of Sparta, the people would take the handicapped newborn, and leave them to die of exposure on the mountainside. Are we guilty of the same type of gross neglect in this country?"

The Supreme Court gave its answer, along with those medical institutions like the American Medical Association which fought for and received, from the nation's highest court, the right to choose which infants get treatment and which starve.

Seymour Hersh and the DeMoss affairs

by Scott Thompson

On June 19, CIA Director William Casey called investigative reporter Seymour Hersh to warn that he faced possible prosecution, if Hersh should include "communications intelligence" in his forthcoming book on the Soviet downing of the Korean airliner KAL-007. Informed sources believe Casey was partially prompted to take this step, because a June 12 *New York Times* article by Hersh had recklessly endangered the life of Gen. Manuel Noriega, commander of the Panamanian Defense Forces.

That article, timed to coincide with leaks about General Noriega from closed-door hearings held by Sen. Jesse Helms (R-N.C.) at the Senate Foreign Relations Subcommittee on Western Hemispheric Affairs, cited unnamed CIA sources claiming that General Noriega served as a "double agent," providing the Agency with intelligence on Soviet and Cuban activities in Central America. Hersh's piece revealed that the Agency was even able to read the Cubans' analysis of what Noriega fed them—a story that, if true, puts the general's life in jeopardy from Cuban assassins.

Asked about Casey's call, Hersh said: "I'm not interested in hurting national security, but I'm very aware of competing interests and that national security is often used to justify other things." In an earlier statement, Hersh was more direct: "I hate secrets. I don't think there should be secrets. . . . I happen to believe that making sure every car gets 25 miles to the gallon is the most important kind of national security."

Strange bedfellows

Many conservative supporters of Senator Helms have expressed shock to find him a political bedfellow of Seymour "Psywar" Hersh. But on June 21, Helms praised the innuendo and slander that Hersh had poured out against General Noriega—all purportedly from high-level sources with access to "highly classified intelligence." Helms is thus on record praising the reckless endangerment of U.S. intelligence assets abroad.

Hersh is the perfect shill for Helms's plan to "democratize" Panama by installing a lackey of Adolf Hitler, Arnulfo Arias, whom Helms claims is the rightful President. Hundreds of U.S. intelligence documents from the National Archives show Arias to have met with SS chief Heinrich Himmler; to have opened meetings with the Nazi salute and "Heil Hitler"; to have trafficked in narcotics; to have sought to drive the U.S. from Panama during World War II; and to have rewrit-

ten the Panamanian Constitution upon taking office to discriminate against Jews. Since a 1941 coup co-sponsored by the U.S. embassy, the Panamanian Defense Forces have kept this goosestepping Nazi out of power. Hersh claims he did not know that Helms is so committed to Arias, that he would topple the Panamanian military to put him in power.

Informed sources report that an employee in the firm of Colby, Bailey, Werner, who assisted Helms in preparing hearings to back Arias, may have also fed material to Hersh. While the exact identity of Hersh's sources is still under investigation, it is notable that almost the same charges appeared later in a piece under the name of Washington syndicated columnist Georgie Anne Geyer—except she claimed they had been discussed at Senator Helms's hearings. A member of Geyer's staff disclosed that she had talked with Helms aide Deborah DeMoss about the hearings. Informed sources allege that Geyer's article was drafted by DeMoss's superior in Helms's office, Jim-Lucier.

When investigating leaks, the operating procedure is: "Don't look under the bed, look in it." An earlier case involving DeMoss, may prove this rule. A government official, a leading journalist, and a noted author all claim that she had an affair with Col. Roberto D'Aubuisson, the El Salvador right-winger who was Helms's favorite to be installed as President. Helms's staff had picked up D'Aubuisson at a 1980 Buenos Aires meeting of the World Anti-Communist League (also attended by Bologna train-station bomber and hired assassin of the Bolivian "cocaine colonels," Stefano Delle Chiaie). DeMoss was assigned to introduce D'Aubuisson to Washington, and she later visited him frequently in El Salvador.

Senator Helms was on such intimate terms with D'Aubuisson's ARENA Party, that his staff allegedly leaked a fabricated story that U.S. Ambassador to El Salvador Thomas Pickering was "the purchasing agent" through which the CIA funneled an estimated \$600,000 to D'Aubuisson's opponent, José Napoleón Duarte. This phony story, similar to allegations concerning Noriega from the recent Helms Panama hearings, triggered a plot, which may have been linked to D'Aubuisson, to murder the U.S. ambassador.

But DeMoss did more. When the White House warned Senator Helms on May 17, 1984 that it had sent special presidential-envoy Vernon Walters to confront D'Aubuisson on the plot, she warned D'Aubuisson. Before the President's envoy could deplane the next day, D'Aubuisson called a press conference claiming he had just discovered a left-wing plot to murder the U.S. ambassador.

DeMoss would not return calls about the leaks from the Helms hearings. But, asked about reports of an affair with D'Aubuisson, she phoned back to say: "I categorically deny, and if you do not print my denial, I'll sue." As for leaking to her alleged lover that he was suspected of being part of a murder conspiracy, DeMoss said: "I did it on orders from President Reagan, relayed by Senator Helms." White House spokesmen have not confirmed this story.

Regan sets up Reagan for disgrace

Putting a major chink in President Ronald Reagan's armor prior to the bigger battles over the budget to come, White House Chief of Staff Donald T. Regan suckered the President into a disgraceful game of "tricking" House Speaker Tip O'Neill (D-Mass.) on the eve of the contra aid vote here June 24.

O'Neill properly blamed Regan for the set-up, which seriously hurt the credibility of the President's modus operandi of leaning, heavily and visibly, on the Congress to get his way—a talent which has gotten a lot of results to this point, and which he will need more than ever to salvage the defense budget, prevent troop withdrawals from Europe, and maintain adequate funding for the Strategic Defense Initiative.

Regan apparently talked the President into asking the impossible of O'Neill—an unprecedented opportunity to address the House on the eve of a major vote. That O'Neill would say "no" was certain. Regan then used that answer to try to embarrass O'Neill by opting for a direct speech to the nation from the Oval Office.

However, with help from the three major networks, the entire affair blew up in the President's face—not unanticipated by his own chief of staff.

Not only did O'Neill blow the whistle on the whole thing, but when Regan announced that he wanted to address the nation from the White

House, lo and behold, the major networks decided, in concert, not to carry the speech. Their noon-hour soap operas were more important than what the President had to say. Only the cable network, CNN, carried the speech live.

This disgrace to the President is also a precedent, designed to diminish his powers over the coming crucial months—and Regan probably had it all mapped out in advance.

State Department 'leak' methods justified

The fine art of greeting someone with one hand and stabbing him in the back with the other was explained to this reporter by a State Department official following recent open hearings on Panama.

The official, on the staff of Undersecretary of State Elliot Abrams, explained that there is "really no contradiction" between the "official" State Department line denying that there is any substance to drug-running charges made against Panama's Gen. Manuel Noriega at those hearings, and the State Department's refusal to denounce the allegations as "irresponsible." The charges also ran in the *New York Times*.

Officially, the staffer told me, "We cannot risk our diplomatic relations with the government of Panama by making these accusations ourselves. We have to say that, as far as we know, they are without foundation. However, the press, of course, is not bound by any such restraints, and neither is any individual congressman—although other nations sometimes have a hard time understanding this."

When asked why the State Department wouldn't settle the whole affair simply by denouncing the *New York Times*, the staffer said, "Oh, we would never do that. What if the *Times* is right?" In other words, the name of the game is to use the *New York Times*

to run a dirty operation, while maintaining relations with the people you are running the operation against.

So much for the crackdown on "leaks" imposed at the State Department recently, in which one staffer's head was sacrificed. Still, the press corps at the State Department is genuinely rattled over new security measures there which restrict the areas in the building where the press can go after hours. It's always good to remind the press that they are a security risk.

Public Health Service condemns itself

When the Public Health Service announced that 179,000 Americans would be dead from AIDS over the next five years, the generally overlooked fact was the self-condemning nature of the forecast.

Based on the average "incubation period" for the AIDS virus, the vast majority of the 179,000 people projected to die between now and 1991 are people exposed to the virus since 1983—the year the virus was discovered and an antibody test developed to identify it.

That means that if the U.S. Public Health Service had acted appropriately in accordance with the severity of the disease and implemented immediate, emergency universal screening and quarantine as soon as this test was developed, most of the 179,000 people who are going to die would have been saved.

In other words, we are talking about 179,000 "avoidable deaths" attributable to one thing only—the criminal inaction of our government. The cruel irony is that the majority of the victims of these avoidable deaths are the very people who have been duped, based on economic cost-cutting motives, into opposing such screening and quarantining on "civil rights" grounds.

Bigger military role in war on drugs

The Reagan administration has proposed an increased role for the U.S. military in the war on drugs, Pentagon spokesman Chapman Cox disclosed on June 20.

Cox said the military would supply more materiel and other services, including intelligence gathering and the use of radar planes, to the Coast Guard and other anti-drug units. The military could not take a direct role in arresting drug runners because of federal laws, he said, "but [drug smuggling] does have some national security implications . . . and we can give civilian law-enforcement people access to intelligence and equipment."

According to Cox, the proposals were an outgrowth of an extensive Navy exercise in the Caribbean in October in which drug smugglers in planes and boats were singled out as "targets of opportunity" that resulted in netting drugs worth \$27 billion, about 10% of this year's defense budget. Called Operation Hat Trick I, the operation was the first coordinated, military-style operation against drug smuggling.

'Monroe Society' pushes gunboat diplomacy

The James Monroe Society of Fredericksburg, Virginia has been taken over by Jon Speller and the KGB ring around Sen. Jesse Helms (R-N.C.), and is being used to manufacture a fraudulent "revisionist" version of the Monroe Doctrine. Speller, a top adviser to Helms, is one of the leading U.S. operatives of the "Trust," the Soviet-allied financial apparatus in the West.

According to sources in U.S. intelligence, the Monroe Society, which maintains the official Monroe presidential archives, is preparing a series of monographs aiming at convincing President Ronald Reagan that the Monroe Doctrine demands U.S. gunboat interventions into any nation in the Hemisphere that does not conform to "two-

party pluralist democracy" and free-enterprise economics—i.e., fails to pay debts to international bankers.

The immediate two targets of this Soviet-inspired perversion of the 19th-century American anti-colonial tradition are Mexico and Panama.

According to the source, the revised doctrine is designed to condition the President to the New Yalta deal, the Soviet-Eastern Establishment arrangement to divide the world into U.S. and Soviet "sphere of influences," by riveting his attention on the Western Hemisphere and the Pacific Rim—to the exclusion of Europe, which goes to the Soviets.

DEA head defends Noriega against Helms

On May 8, the day that Sen. Jesse Helms (R-N.C.) began closed hearings on Gen. Manuel Noriega, head of Panama's Defense Forces and the object of attacks recently in such journals as the *New York Times* and *Washington Post*, Drug Enforcement Administrator John C. Lawn sent General Noriega a letter.

The complete text of the letter was published in Lima, Peru, in the daily *El Comercio*, on June 18. We reprint excerpts here:

" . . . I would like to take this opportunity to reiterate my deep appreciation for the vigorous anti-drug-trafficking policy that you have adopted, which is reflected in the numerous expulsions from Panama of accused traffickers, the large seizures of cocaine and precursor chemicals that have occurred in Panama and the eradication of marijuana cultivations in Panamanian territory.

"Regarding the question of attacking the profits accumulated by drug traffickers, I look forward to the day when all governments develop the means to systematically identify and seize those illegal profits. . . ."

The letter was distributed by the Panamanian embassy with a note, also printed, which asserts that all the charges against Noriega are an attempt to discredit the Defense Forces and prevent handing over the canal to Panama.

Roy Cohn disbarred by New York court

A New York State Court on June 24 ordered Roy M. Cohn disbarred, calling his conduct "unethical, unprofessional" and in one case "particularly reprehensible."

The unanimous decision by a five-judge panel of the Appellate Division of the State Supreme Court stated, "We find the evidence so compelling . . . as to leave no recourse but to order disbarment."

The order for disbarment was based on four cases dating back to the 1960s, including a charge that his law firm misappropriated funds; that he lied on his application to the Washington, D.C. bar, and attempted to get the senile head of Schenley Industries, Lewis Rosenstiel, to name Cohn an executor of his will.

Roy Cohn's political machine is being torn apart by corruption scandals in New York, including charges against his law partner, Bronx Democratic Party chief Stanley Friedman. In the past, Cohn served as the right-hand man to Sen. Joe McCarthy during his 1950s "anti-Communist" witch-hunts. He has also been the attorney to several big-name organized-crime bosses.

Suspected spy hired by senators

Suspected Israeli secret-service (Mossad) operative Michael Pillsbury, who was fired as assistant undersecretary of defense for policy planning on the pretext he was responsible for leaks to the press, but who was suspected of more serious espionage activities, was hired on June 24 by Sens. Gordon Humphrey, Chic Hecht, Jesse Helms, and Orrin Hatch.

Long associated with another suspected Mossad operative still in government, Assistant Secretary of Defense for Technology Transfer Richard Perle, Pillsbury will work on foreign policy issues for the senators.

Briefly

Because Hecht and Hatch are members of the Select Committee on Intelligence, and have access to classified information, some administration officials have reported concern that Pillsbury will get his hands on new secrets.

Railroading of LaRouche associate sidetracked

State Judge Lawrence E. Wood denied a petition from a branch of the du Pont family, which would have put 29-year-old Lewis du Pont Smith under state guardianship because of his political affiliation with 1988 Democratic presidential candidate Lyndon H. LaRouche, Jr.

On June 24, the judge ruled that the family had failed to bring sufficient evidence to show that Lewis Smith required "guardianship of the person," in addition to the guardianship over his finances, which the court ordered earlier.

The Philadelphia judge announced that he would rule on Lewis Smith's petitions for exceptions to the terms of financial guardianship within 30 days.

Judge Wood was asked by the E. Newbold Smith family to apply to Smith, a normal individual, a state statute that is generally applied to individuals in a coma or otherwise unable to take care of themselves physically.

Du Pont family-lawyer Leonard Dubin argued that the statute can be applied much more broadly by families seeking to "rescue" their children from political groups or environments they consider undesirable or coercive.

Attorney Jim Crummett, speaking for Lewis Smith, argued that application of the statute as an "anti-cult" measure, would not only be unprecedented and violate the intent of the legislature, but would violate the individual's constitutional rights to free political association.

Smith is seeking to throw out the entire state-court proceeding, through injunctive relief in federal Court, on this constitutional ground.

Teller proposes colony on Moon before 2000

Physicist Dr. Edward Teller, speaking at a conference of the U. S. Space Foundation in Washington, D.C. in mid-June, said that a colony on the Moon should be established "before the end of the century," and stated it could be technologically feasible any time after the next three years.

Teller said that the best potential for inexpensive launches into space lay in the use of high-energy ground-based lasers firing into the rear of unmanned rockets. He stressed heavy reliance on robotics by a Moon colony, and, since "you can squeeze oxygen out of green cheese," the Moon can function as a refueling station that would make the exploration of the planetary system infinitely easier.

When asked about cooperation with the Soviets, Teller said, "I'll go you one further. I'll say even with the French."

CIA chief Casey wants laws against 'leaks'

CIA Director William Casey says tougher laws against the U.S. news media's publication of classified material would do more to protect intelligence information than using polygraph tests on government workers suspected of leaking the material.

Casey, in an interview in the July edition of *Washington Journalism Review*, said preventive action should be legislated first, with polygraph testing used as "an effective tool" to track down government leaks once they occur.

"There is just too much information that hostile countries can get from the American press. We need to get a better control over that whole process."

Recently, the agency threatened to prosecute five major news media if they published material relating to U.S. intelligence on Libyan terrorist activities.

● **THE JUSTICE** Department has ruled that individuals infected with AIDS can be fired from a job if that will help stop the spread of the disease. While acknowledging that AIDS victims have certain rights under the law, the opinion states, "It is imperative to recognize the distinction between the disabling effects of AIDS on its victims and the ability to spread the condition to others. . . . The risk of medical uncertainty must be borne."

● **LEGIONNAIRES** Disease has caused three deaths in a Connecticut hospital. The Hospital of St. Raphael discovered the *Legionella pneumophila* bacteria in the water system, the same place it was discovered in a British Hospital where cases broke out. The infection has a 15-30% mortality rate and is treatable, according to the Centers for Disease Control.

● **RICHARD LUGAR**, Senate Foreign Relations Committee chairman, ordered a staff inquiry into allegations of drug-running in a number of Latin American and Caribbean countries by the Nicaraguan Contras. "There is a growing concern that official and quasi-official elements in a number of Latin American countries may be involved in a network smuggling narcotics into the United States. This is a national security issue as serious as the growing threat of state-sponsored terrorism," Lugar said.

● **SYNDICATED** columnist Ralph de Toledano attacked the Anti-Defamation League in his June 23 column, ridiculing the ADL operation against Austrian President-elect Kurt Waldheim, saying its actual intention is to flaunt ADL invulnerability. Anyone who criticizes the ADL, De Toledano notes, is labeled a "Hitlerite," or, what the ADL considers worse, "a supporter of Ronald Reagan." If one identifies a Jew as a communist, one is slandered as a Hitlerite. As a result of the ADL's behavior, it is creating anti-Semites by the thousands, De Toledano concludes.

Stop separatist plot against Mexico

Elections upcoming on July 6 in the northern border state of Chihuahua, in Mexico, are taking on global importance. The picture *EIR* has put together from well-informed intelligence sources indicates that the Chihuahua vote will be used by the enemies of Mexico (and the United States) to foment a "separatist" movement.

This will be similar in character to the Sikh terrorist-separatist network which assassinated Indian Prime Minister Indira Gandhi, and has continued to hurl violence against the Indian nation.

Like the Sikh example, a "separatist" movement in northern Mexico is designed to serve the interests of the New Yalta deal which powerful Western banking circles want to make with the Kremlin leadership, to divide up the world into two empires. The New Yalta circles are determined to destroy any sovereign resistance to this plan.

An "independentist drive for a separate Chihuahua republic" is likely to erupt after the July 6 elections in that Mexican state, in the wake of a likely electoral loss to the National Action Party (PAN), an insider in a London circle of Ibero-America policy-makers said on June 28. "A 'national front' is emerging that is supporting this, outside the PAN, among businessmen's organizations, but there is also a movement for this, inside the PAN."

In this scenario, "An independent Chihuahua state would be the aim. The Mexican government would react, in a very strongly repressive way, as such an independentist drive is total anathema to the government." This source said that the "independentist" effort is being supported by "private organizations" in the United States.

We do not know if Sen. Jesse Helms, who has been holding a notorious series of hearings in Washington to demand the overthrow of the Mexican government, has anything directly to do with the separatist plot. But it can hardly be a coincidence that Helms's "Mexico bashing" hearings are so closely attuned to the policy-aims of the London bankers. It is documented (in the book, *Derivative Assassination*) that Helms's office

supported the Sikh separatists, through the manipulations of one Jon Speller, an agent of the Anglo-Soviet "Trust."

The strategic goal of the Chihuahua game is to create an apparent need to deploy U.S. military forces along the border with Mexico—and in order to do that, to pull U.S. troops out of Western Europe—the "New Yalta" deal. This is planned at the very time that the Soviets are building up their military capability against Europe to the utmost, as articles on page 26-31 and 46 document—and the liberal press is covering up that buildup, to psychologically condition Americans to support such an insane redeployment.

The Chihuahua election has again brought into the open the Nazi-communist alliance behind the "New Yalta" deal. The PAN, which began its existence as the Nazi party in Mexico, is working with the PSUM, the former Communist Party of Mexico, in Chihuahua against the mass-based, ruling Revolutionary Institutional Party (PRI). PAN and PSUM activists seized the Board of Elections in Ciudad Juárez, Chihuahua on June 26 and held its members as hostages, threatening to lynch the representative on the election board of the PRI. The uprising took place after their representatives were not recognized by the State Electoral Commission. The PAN mayor and council of Chihuahua City then ran full-page ads in the national press announcing a hunger strike.

Sen. Jesse Helms seems to have no more qualms about allying with communists than his friends in the drug-linked PAN outfit. During hearings of his Western Hemispheric Affairs subcommittee of the Senate on June 26, Helms relied on Mexican communist Heberto Castillo, head of the proto-terrorist Mexican Worker's Party, to insist that the government of Mexican President Miguel de la Madrid is "illegitimate." Castillo has a longstanding relationship with Castro's Cuba, since the days of his speech in Havana pontificating on armed struggle as the "only way" to establish democracy in Mexico.

Does Senator Helms agree?

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