

EIR

Executive Intelligence Review

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Corazon Aquino's first one hundred days
Brzezinski announces tactful surrender to Moscow
White collar crime in the Democratic leadership

**Dollar depression
is now official**



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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Founder and Contributing Editor:

Lyndon H. LaRouche, Jr.

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Editor: *Nora Hamerman*

Managing Editors: *Vin Berg and Susan Welsh*

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Tel: (06121) 8840. Executive Directors: Anno Hellenbroich, Michael Liebig

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EIR

From the Managing Editor

This week's *Feature*, "Corazon Aquino's first 100 days," is a striking confirmation of the accuracy of *EIR's* long-standing warning—alone among the Western news media—that the State Department-sponsored destabilization of the Philippines government of President Ferdinand Marcos would force that allied country into the Soviet sphere of influence. We wish we had been wrong, and that the "February Revolution" had brought the improvements in political and economic life that Mrs. Aquino's supporters hoped for; but events abundantly bear out our evaluation.

As Paul Goldstein reports in his eyewitness account of the coup against Marcos (pages 30-31), many Filipinos caught up in the anti-Marcos frenzy genuinely hoped to improve the situation in their country, but refused to recognize the intention of the International Monetary Fund and allied forces to destroy the economic achievements and programs of the Marcos government. These individuals reacted in shock, when they learned that Cory Aquino had brought the same IMF stooges right back into the cabinet.

In the United States, many who initially opposed the destabilization of an American military ally were then bombarded with propaganda from the news media about Imelda Marcos's wardrobe and the "crimes" of the Marcos regime, and concluded that perhaps the destabilization of the Philippines had been necessary after all.

Our report should serve as quite a shock.

It was prepared by a team of experts including Contributing Editor Uwe Henke v. Parpart, who has made numerous trips to the Philippines before and after the coup, including meetings with President Marcos and other top officials; Asia Editor Linda de Hoyos; Counterintelligence Editor Paul Goldstein; and counterintelligence specialist Al Douglas.

The State Department, the International Monetary Fund, and allied forces are now perpetrating a similar destabilization of other U.S. allies, notably Panama, Mexico, and South Korea. We refer the reader to *EIR's* "White Paper on the Panama Crisis: Who's Out to Destabilize the U.S. Ally, and Why," for the documentation required to prevent a tragic replay of the Philippines "revolution."

Susan Welsh

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NSIPS/Tom Szymecko

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Correction: The article on Israel by Muriel Mirak in the June 20 issue, page 25, erroneously stated, "The *Jerusalem Post* called for Ariel Sharon to assume the responsibility for the Shin Beth affair." In fact, the *Jerusalem Post*, in numerous articles, was referring to Sharon's responsibilities in the Lebanese invasion, and the Pollard case.

Dollar depression: Volcker takes slower kind of poison

by David Goldman

The largest-ever U.S. corporate bankruptcy, the second-largest-ever U.S. bank failure, and the second-worst quarter ever suffered by a U.S. bank were reported in the week following the Federal Reserve's July 9 reduction of its discount rate to 6%.

Apart from the worst week of financial news in U.S. history, the stock market had just fallen by a hundred points, the Fed had announced a 1% combined May-June drop in industrial production, and the Commerce Department reported falling business sales, lower housing starts, and assorted other bad news.

Within 10 days of the July 6 stock-market crash, when the Dow-Jones industrial average lost 3.2% of its total price, or \$48 billion in paper values, the Reagan administration's "recovery" myth vanished in smoke.

A \$220 billion deficit

The worst news, overshadowing the \$8 billion failure of LTV Corporation, regarded the federal government's own finances: the Office of Management and Budget predicted a \$220 billion budget deficit for the fiscal year ending next Sept. 30, \$50 billion more than the previous estimate. As *EIR* warned in its July 11 issue, such an estimate could hardly be suppressed, after the Treasury showed a \$39.2 billion deficit during the single month of May; the actual deficit is more likely to be in the range of \$270 billion, as the financial collapse takes its toll.

These developments, known in advance to federal regulators, make transparent the pressures upon Federal Reserve chairman Paul Volcker that caused him to throw caution to the winds, and unilaterally reduce U.S. interest rates, despite the weakness of the dollar on foreign markets.

For the past year, Volcker has warned, and with reason, that a reversal of the \$150 billion flow of capital into the United States each year could collapse American securities markets, raise U.S. interest rates, and shatter what is left of the U.S. economy. His post-1979 policies are responsible for this predicament, in which the United States must borrow \$60 billion of Japanese export earnings, \$10 billion of European trade surplus, and \$80 billion of narcotics revenues or other flight capital lodged in Swiss bank accounts, in order to pay for the one-sixth of total domestic consumption which we import (net) from other nations.

With the dollar down 34% against the Japanese yen, and marginally less against the German mark, since the Group of Five met last September, Volcker's fears are well justified. A turning point of sorts occurred in May, when Wall Street bond traders re-programmed their display screens to show the Japanese yen rate, fearing that a pullout of Japanese funds in the U.S. government securities markets would produce a bond market crash. No such withdrawal of Japanese investment occurred, for the simple reason that Japan's Prime Minister Yasuhiro Nakasone, and Japan's elite in general, want nothing less than they want a destabilization of the American economy.

But another turning point occurred at the end of June, when most of the officials who prepared the May 5 Tokyo Summit meeting of industrial nations, gathered in Zurich to review the prospects for international cooperation on exchange rates, supposedly mandated by the Summit. As *EIR*'s William Engdahl reported, the shabby nature of the Tokyo declaration was painfully evident in the remarks of government officials speaking under less-formal circumstances.

The issue under debate is straightforward: Without a sharp

reduction in U.S. interest rates, the financial crash will immediately spread to the overbuilt, over-leveraged real-estate market, already crumbling at its weakest points in the oil patch.

real estate alone, more than Ibero-American nations owe to U.S. banks, is already endangered, *EIR's* most recent *Quarterly Economic Report* estimates.

However, a sharp reduction in American interest rates, while taking pressure off U.S. financial institutions in the very short term, is precisely the stuff that currency crises are made of. The Federal Reserve's half-point reduction in the discount rate is far less than what the urgency of the domestic financial crisis demands; but even that was sufficient to push the dollar down to an all-time low of about 157 yen in Tokyo, and a five-year low of about DM 2.15 in Frankfurt.

The dollar's decline so far has been gradual rather than chaotic, but the threat of a crash is brought closer by every notch downwards.

The Fed's only hope of postponing a crisis has been, since the beginning of the year, to persuade the Germans and Japanese to inflate their currencies along with the dollar, through so-called coordinated reductions in interest rates. In effect, the Fed has asked America's major trading partners to mortgage their own national currencies to bail out the U.S. banking system.

The Germans and Japanese agreed to one round of interest-rate reductions in March, but balked at the second. The American delegation to the Tokyo Summit in May came back to them with an astonishing scheme: to authorize the International Monetary Fund to fix a set of indicators which would compel national monetary authorities to alter their policies. Drawn from the most egregious of the Trilateral Commission's "world central banking" plans of the early 1970s, the Treasury scheme met with restrained outrage at Tokyo: Certainly, replied the Germans, we would like to see such a set of indicators, but it will take years to determine what they might be.

Meanwhile, German Treasury spokesman Hans Tietmeyer warned (according to his handwritten notes on the title page of his written presentation at Tokyo) the United States that the problem was not currency instability, i.e., the dollar's looming collapse, but the fact that the United States chose to run impossibly large budget and current-account deficits.

Germany's anger at the Treasury's outrageous suggestion has two components. In truth, there is no reason why West Germany should mortgage its national currency to pay for the blunders of American bankers. More ominously, control of the West German Bundesbank has shifted to the Munich-Venice financial axis, which favors political decoupling of Western Europe from the United States. When Germany's largest insurance company, Munich's Allianz Versicherung, bought control of the Venetian insurance giant Riunione Adriatica di Sicurtà (RAS) in 1985, a line of financial power was drawn from the Deutsche Bank in Frankfurt, through the

dominant Munich insurance companies, through the major Swiss reinsurance firms, down to the Trieste-Venice insurance cartel.

As *EIR* has emphasized for some years, this financier alliance brings together Europe's largest and oldest private fortunes, at the helm of the largest compact banking and insurance group in the world. Their spokesmen favor a neutralized *Mittleuropa*, or Central Europe, in which this financier faction presumably would do viceregal duty for the Soviet Empire.

The Fed's Hobbesian choice

In sum, the international arrangements which permitted the Federal Reserve to stage the vast swindle known as the "post-1983 economic recovery" are finished, and Chairman Volcker has no choice but to put out the fires closest to his desk. U.S. bank regulators knew three weeks before the First National Bank of Oklahoma closed its doors July 13 that the \$1.5 billion institution was unsalvageable. With oil hovering around the \$10 mark, only one of the major Oklahoma and Texas banks has a chance of surviving. The depressed American economy has failed to show signs of the usual rise in summertime gasoline consumption, eliminating the oil industry's last hope for a respite.

"According to our information, the Fed lowered rates, rather than raise them as they had wanted, largely because of their worries over the fact that the problems of the debt crisis are starting to get out of hand. You just have to look at exposure to oil loans of U.S. banks to get an idea why. The fact that they both lowered rates while increasing money supply shows the pressure that exists," commented a partner at one London merchant bank.

The danger threshold for American banks' oil-loan exposure is already far behind the falling oil price. "Since the first breakout of LDC [Less Developed Countries] debt crisis and lower oil prices in 1982-83," an analyst at a leading London financial house stated, "the banks have moved to consolidate their loan exposure. Right now, the price of \$15/barrel oil is the critical one. If world price falls below this for a sustained period, then all the Western banks, not just U.S. banks, are in trouble. They hope to somehow get through the next two years avoiding a major default crisis. Then, if they can do that, they think they can even handle it if Mexico goes 'belly up.' The next two years are critical. But if oil stays below say at \$5 to \$10, the banks couldn't write that off." North Sea Brent for August delivery dropped to \$9 per barrel, the lowest since North Sea oil came on stream in the mid-1970s.

Between Scylla and Charybdis, Volcker has chosen to steer towards Charybdis, namely, the danger of a crashing dollar. Had Volcker not lowered rates, it is likely that a general collapse of securities values would already be out of control; but it is not clear how long such a collapse may be postponed, as deflation of oil and other prices continues unabated.

Anatomy of the stock market crash

by William Engdahl

On Monday, July 7, the New York "Dow Jones" listing of selected stock prices fell 62 points, the largest single day fall in the market's history—even greater than "Black Friday" in 1929. By Tuesday, revealing the unprecedented interdependence among all of the world's stock exchanges as a result of recent "financial liberalization," London stocks plunged, with about \$7.5 billion in paper value wiped out within minutes.

Dealers in the exchanges used the word "panic" to describe trading. All leading stock exchanges in Europe followed suit to different degrees. What was behind this?

The answer is insider manipulation to make huge speculative profits, endangering the entire international banking system in the process. This reveals how explosive the entire edifice of international financial speculation of the past 10-15 years has become.

Here is a brief outline of what happened:

Merrill Lynch, Pierce, Fenner, and Smith, based in New York with branches in London, Frankfurt, Lugano, Tokyo, Colombia, Venezuela, Argentina, Brazil, and Mexico, is perhaps the world's largest trader in stocks and securities. It grew so over the past 15 years largely under the direction of White House Chief of Staff Donald Regan. Regan, before he came to Washington to become the secretary of the treasury in 1981, was chairman of the firm and organized a series of "innovations."

There is significant evidence that these innovations were built on the back of a world network of secret bank transfers and illegal transactions. As *EIR* has documented extensively, Regan was at the center of a series of financial "innovations" in the 1970s which turned the U.S. banking system, in particular, into a laundry for the dirty money that stems largely from the illegal drug trade.

Recent court evidence in Ticino, Switzerland implicated Merrill Lynch in laundering millions of dollars in illegal narcotics profits from Italian organized crime. Once with Merrill Lynch in Lugano, these dollars, stemming from the heroin-smuggling operation known as "the Pizza Connection" because the receipts were disguised as the profits of a chain of pizza parlors, were brought back to the United States via Merrill Lynch-New York to buy up stock in legitimate companies.

'Creative lending'

One insider of this firm, who has spent time in every major branch worldwide, revealed how staggering profits are made amid the collapse of world industry, trade, and production.

"The thing which really scares me, more even than rigging of stock trades," he confided, "is what I refer to as 'creative lending.' Merrill Lynch does it. American Express International does it, Salomon Brothers, Crédit Suisse First Boston. We all are in it."

How does this work? Simple. You agree to take in illegally gotten dollars from countries best known to be producing massive volumes of cocaine and other illegal drugs—Colombia, Venezuela, Bolivia. The dollar volumes from this narcotics industry are staggering in size. Reliable calculations indicate worldwide that it could reach \$500 billion yearly. But everyone agrees it is big and growing. What better way to "launder" such huge funds than to find a friendly worldwide financial house which will "look the other way" when you walk into their Bogota, Colombia branch with \$100,000 dollars in fresh cash money. "There is so much drug money in South America, I am sure some of this is coming into our accounts. We try to be careful and screen, but its impossible," he admitted.

"So, say in Bogota, someone comes in with these dollars to buy U.S. government securities from our local office, putting up the required 10% margin. This means the other 90% is leveraged. Then, we do what is called in the business, 'gearing.' The client puts in \$100,000 to buy from us securities worth \$600,000 face value. We lend him the remaining \$500,000. Then we sell notes to cover that and make a profit on charging higher interest rates. I am holding all the cards in this game. *Right now, this is the biggest source of new lending in the world.* We gouge our customers with the fees we charge for this business."

A real-estate crash

Our indiscreet source continued: "I could have my testicles cut off if this ever got into print, but people would kill to get into this business, because it is so profitable. I don't want to paint a picture that we deal in dirty money. . . ." But, he concluded, "There's a lot of wild things going on out there. Money always rushes into the sector with the highest returns. Before, it was oil, now it is in financial services—stocks, futures, options, swaps.

"But more likely than a stock market collapse—except perhaps in Tokyo—I would look for a collapse in property markets. Real estate, here in the United States, is a likely trigger to collapse. U.S. real estate has risen in value 30-fold in the past 20 years. It is 90% leveraged money, maybe a \$6 trillion market. Already New York real-estate values are beginning to come down, albeit still slowly. But people want to believe it can't ever happen."

JEC report shows disastrous impact of IMF debt policy on United States

by Marcia Merry

With unusual accuracy, a study released May 10 by the staff of the congressional Joint Economic Committee (JEC) shows how the policy of the International Monetary Fund has enriched U.S. money-center banks while impoverishing Ibero-American trading partners, bankrupting U.S. farmers and farm banks, and throwing U.S. industrial workers out of their jobs.

Called *The Impact of the Latin American Debt Crisis on the U.S. Economy*, the report consists of 50 pages of text, tables, and graphs proving the point that this policy should not continue. One of two options proffered is the policy of Peruvian President Alan García, to limit debt payments to a set percentage of foreign-exchange earnings.

The news media has chosen not to publicize the report. Rep. David R. Obey (D-Wisc.), chairman of the Joint Economic Committee, circulated the study to his colleagues on June 23. However, his cover letter carried the stupid charge that foreign competitors were responsible for the loss of U.S. export markets—the same “trade warfare” stance as current administration policy. Obey said that the Reagan policy shows “failure to aggressively defend American interests in international trade negotiations.”

Obey's final attack on Reagan is based on the contents of the JEC study: He charges: “Reagan policies have contributed to the trade deficit . . . [by] mismanagement of the Third World debt problem. Since President Reagan took office, our balance of trade with Latin America has deteriorated from a five billion dollar surplus to a 12 billion dollar deficit. Much of that deterioration has come as the result of administration policies that protect not only the solvency but also the high profit levels of the large, money center banks. These policies have not only brought sharp reductions in U.S. exports to Latin America, but have also caused Latin debtors to flood world commodity markets with beef, wheat, soybeans, pork and other products resulting in a rapid decline in both prices and world market share for American farmers.”

The picture presented looks like this.

In 1982, the issue of the “Mexican debt crisis” headlined the general situation in which, by that year, the amount of debt owed by Latin American nations to foreign creditors was unpayable under the existing conditions of production levels and trade. Most of those creditors and the International Monetary Fund knew this full well. However, to preserve their own solvency and profits for the short term, they chose to develop and impose a policy that was guaranteed to make matters far worse in the long run. The long run is now here.

In 1982, the total external debt of Latin America was \$318 billion, with annual interest payments of \$38.5 billion. The trade surplus of the nations involved was \$8.5 billion, or \$30 billion less than needed merely to pay interest. Additionally, billions more were required to pay principal on time.

Most of this debt was owed to a small number of international commercial banks, which then successfully organized to impose a policy on Latin America of forced exports and drastically reduced imports. In other words, with the backing of Washington, D.C., this private network moved to guarantee their own interests, while shutting down the traditional markets for food and industrial exports from the United States to the south.

In 1981, Ibero-American purchases of U.S. farm products totaled \$6.9 billion—15% of total U.S. agriculture exports. By 1985, U.S. farm exports to Latin America had fallen by one-third, to \$4.5 billion. This in turn accounts for 20% of the overall decline in U.S. farm exports over the same time period. Yet, in all the recent rhetoric on Capitol Hill about why farm exports are falling, these facts are never brought out.

From the Ibero-American side, millions of people became malnourished and impoverished because of the bankers' policy of forced food and other exports. Ibero-American nations reduced their imports from almost \$100 billion in 1981 to about \$60 billion today. At the same time, export

volume increased. In the top three Ibero-American nations, which together account for 65% of the region's total foreign debt, the volume of exports increased by 47% (Argentina), 56% (Brazil), and 62% (Mexico).

Overall, Ibero-American export revenues increased at the same time, but not in proportion to the increase in export volume, because of the fall in prices of commodities and other goods traded. **Figure 1** shows how large the discrepancy is between export volume increase and export revenue increase. In fact, for Chile and the Dominican Republic, increased export volume earned less revenue than did previous export levels.

The impact on U.S. farmers

The impact on the U.S. farm community has been obvious. Thousands of farmers have gone under during the period 1982-85. For example, pinto-bean producers in Nebraska and Michigan have lost their previous markets in Mexico and some other Ibero-American nations. Vegetable growers in Florida have gone bankrupt under pressure of the fresh produce flown to Eastern markets from Mexico. And, all the while, the nutrition levels in Mexico have dropped drastically.

During the period 1975-81, U.S. farm exports to Ibero-America increased. Much of this was in products—like beans—that could and should have been grown equally well in Ibero-America. But the international food-cartel interests were dominating the trade flows. With multi-national government intervention, these undesirable trade profiles could have been reversed, and productivity-improving animal and human food and feedstuffs (meat and milk protein foods, breeding stock, farm equipment, and other inputs) could have been substituted for beans and cereal products exported from

the United States to Ibero-America. This would have benefited all concerned.

This point was not brought out in the JEC report, but other indicators of the adverse impact on the U.S. farm community were presented. For example, between 1982 and 1985, the rate of failure of agriculture banks grew to the point of today's crisis. In 1982, 7 agriculture banks failed out of a total of 42 bank failures that year. In 1984, 25 agriculture banks failed out of a total of 79 banks. In 1985, 62 agriculture banks failed out of a total of 120.

One million industrial jobs lost

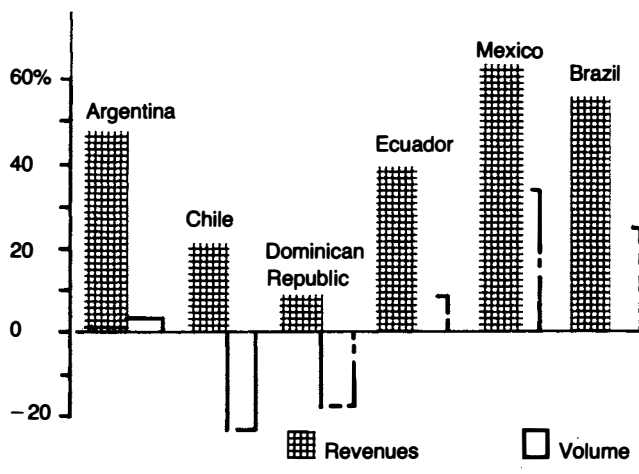
In addition to the impact on the U.S. farm sector, an estimated 1 million industrial jobs have been lost from 1982 to 1985 due to the IMF and money-center bank policy toward Ibero-America. Manufactured goods are being imported into the United States to the detriment of both trading partners.

The best documented part of the JEC study is the breakdown of the gains made by nine major U.S. money-center banks from the IMF-connected Ibero-American debt policy. In 1982, private creditors accounted for 85% of Ibero-America's external debt; the remainder of the official debt was held by the IMF, the World Bank, and the U.S. government. Most prominent among those private holders of Ibero-American debt were these nine U.S. banks: Morgan Guaranty, Manufacturers Hanover, First Chicago, Continental Illinois, Citicorp, Chemical, Chase Manhattan, Bank of America, and Bankers Trust.

As **Figure 2** shows, while the value of the U.S. farm-sector assets declined overall by 20% during the 1982-85 period, the stock value of the nine banks rose by over 40%. For every bank except Continental Illinois (which received a federal bail-out in 1983), the dollar value of each bank's shares grew each year.

FIGURE 1

Changes in export volume and revenues for selected Latin countries 1980-85

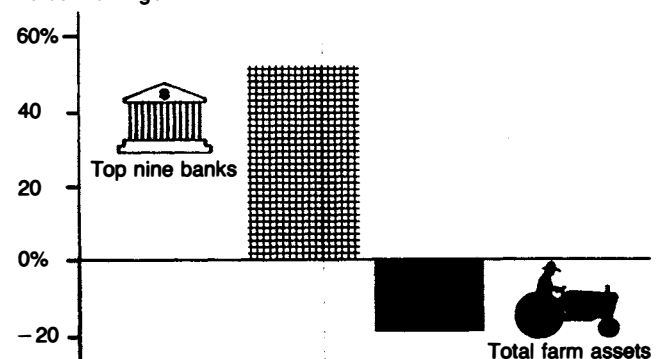


Source: Joint Economic Committee

FIGURE 2

Stock value of major foreign lender banks compared to market value of total U.S. farm assets

Percent change 1982-85



There's more to the story. The policy worked out in early 1983 to compel Ibero-American debtor nations to continue to service their debts, nominally involved their receiving a minimal amount of continued loan money from the banks. However, this was not forthcoming in any way resembling "loan assistance."

According to the report's summary of what the 1983 policy was: "(1) Debtor nations would generate a large portion of the dollars they needed to pay interest by increasing their exports and cutting their imports; (2) Debtor nations would be given more time—in some cases, as much as 14 additional years—in which to repay their maturing loans; (3) Commercial banks would make new loans so that debtor nations could avoid falling behind on their interest payments to the banks; and (4) The IMF, in addition to lending modest amounts of its own funds, would ensure that the debtors were implementing essential economic reforms."

In practice, the banks hardly lent any more money, and they increased their profit margins on the loans. In 1980, the banks' spreads (the difference between the interest rate they charge on loans and the interest rate they pay for loanable funds) averaged 86 basis points on syndicated Eurodollar loans to developing countries. Some were as low as 66 basis points. By 1983, however, the spreads had grown three times over. While the IMF and the U.S. government were making emergency loans to the most hard-pressed debtor nations, the commercial banks raised their own spreads to 225 basis points. Since 1983, the spreads have been reduced to about 125 points, but that is still nearly 50% of the pre-1982 "debt crisis" level.

The Baker plan option today, in the evaluation of the JEC study, will merely attempt to continue the usurious debt policies of the past four years. "As this analysis indicates, in deciding how to evaluate the Baker Plan, U.S. businesses, workers, and farmers must decide whether this most recent administration initiative is in their best interests. Will more loans whose primary purpose seems to be ensuring that debtor nations continue paying interest to commercial banks help U.S. farmers and U.S. exporters? Or will they merely continue to preserve bank profits at the expense of U.S. farmers and U.S. exporters?"

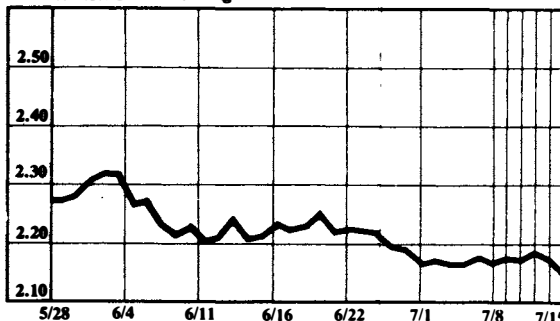
One of the two alternatives to the Baker plan offered by the report is the proposal to limit interest payments to a set percentage (for example, 25%) of each debtor nation's export earnings, and to specify that banks must write down the value of their outstanding loans by a certain amount for "each year in which Latin American debtor nations hit this revised interest payment target." As the report goes on to say, the example shown by Peruvian President Alan García may be adopted by other Ibero-American nations, whose governments might "conclude that this sort of solution is the only way to restore growth and improve standards of living."

It is because of what the study calls the "severe" impact this policy would have on the money-center banks, that the JEC report has been temporarily buried.

Currency Rates

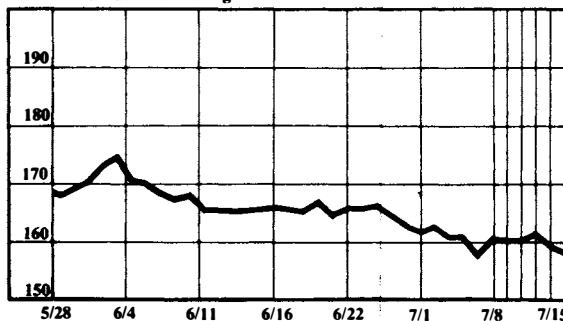
The dollar in deutschemarks

New York late afternoon fixing



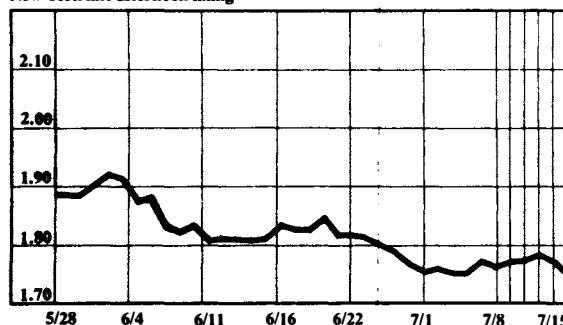
The dollar in yen

New York late afternoon fixing



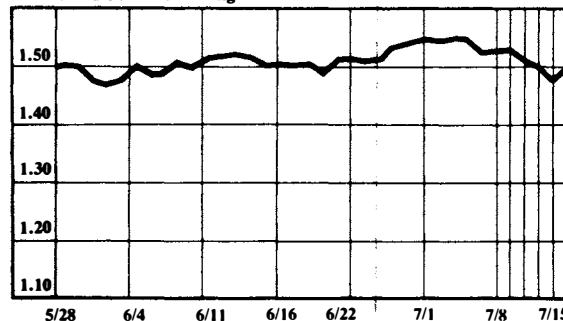
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Mexico's trade unions hold the line against the IMF's austerity demands

by Hugo López Ochoa

While the world financial press is crowing that Mexico has finally reached an agreement with the International Monetary Fund, the reality is that a factional battle is raging in Mexico, with the 5-million-member Confederation of Mexican Workers (CTM) taking the point in opposition to the IMF's demands. The CTM has presented a clear-cut program for the defense of Mexican sovereignty and economic development, modeled on the example of Peruvian President Alan García, whose insistence that the nation comes first and debt payments second, has haunted every arm-twisting session between Ibero-American countries and the international bankers during the past year.

In a statement submitted to Mexican President Miguel de la Madrid on July 14, the CTM alluded to García's "10% solution," which limits debt payments to a portion of export earnings: "If the creditors don't understand our needs, Mexico would be within its rights to go for a unilateral decision, such as is already a reality in countries south of the Rio Bravo."

There is no deal between the International Monetary Fund and Mexico as of this writing. And the CTM's renewed offensive makes it clearer than ever before that any deal which the government might be tempted to conclude with the bankers, which did not take into account the trade unions' demand that living standards be protected, would be a very short-lived deal indeed.

The CTM's clout has been strengthened during the recent weeks of factional warfare, and its influence was the decisive factor in the July 6 election victory for the ruling Institutional Revolutionary Party (PRI) in the state of Chihuahua, against the National Action Party (PAN). The PAN, supported by the communists, the Nazi International, the U.S. State Department, and Sen. Jesse Helms (R-N.C.), was defeated by a substantial margin. Just before the election, the CTM had focused popular discontent against the economic austerity policies imposed by the IMF and forced President de la Madrid to fire Finance Minister Jesus Silv Herzog, the bankers' boy. The vote in Chihuahua overwhelmingly approved that policy course.

What the IMF wants

Massive pressure is being applied to Mexico to submit to another round of austerity, including especially the dismantling of state-sector industries. Despite the efforts of the monetarists and World Bank "whiz kids," Mexico has stubbornly adhered to a dirigist policy, by which the State promotes industrial and agricultural development—the very "American System" economic policy of Alexander Hamilton and Henry Carey, which allowed the rapid industrialization of the United States. Now the IMF wants to cut the government budget and force Mexico to sell off state-owned enterprises.

Ultimately, the international bankers want to get control of Mexico's oil. The Trilateral Commission specifies moves in this direction, in a recent report ("Conditions for Association in International Economic Management"). The Commission, founded by David Rockefeller of Chase Manhattan, states "The United States . . . will have to make long-term purchases of [Mexican] oil for strategic reserves and give loans linked to future oil prices."

The new Mexican finance minister, Gustavo Petricioli, announced at a Washington press conference on July 16 that in his five days of negotiations with the IMF and officials of the Reagan administration, he had reached a "total basic accord." But no letter of intent has been signed with the IMF, and the contents of the agreement in principle which Petricioli has reached have not been released. An IMF source commented: "The possibility of breaking off of negotiations is not yet ruled out."

Reagan administration sources boasted that the IMF accepted a "flexible" agreement which sets a growth goal of 3-4% in 1987 and 1988, following a 4% decline this year. For the first time, the IMF agreed that targets for debt payment would be eased if oil prices fell further. Washington sources noted, however, that the program calls for a "strong reduction" of public expenditures, a "rigid" monetary and credit policy, and the sale or closing of 300 of the total 500 state companies. Worse, U.S. administration sources say that the draft pact contains a provision that Mexico must adhere to the IMF package through 1989—a year after Mexico's pres-

idential elections—in order to bolster creditors' confidence that Mexican voters would not disrupt the accord!

The CTM will never swallow such a deal. Labor leader Rafael Rivapalacio summed up the general consensus at a three-day meeting on economic policy of all the country's non-communist trade unions on July 17: "We had better be shown that letter [of intent to the IMF]" before de la Madrid signs it, because the unions won't accept any pact which implies greater wage reductions.

Other leaders of the ruling party have expressed similar views: Francisco Labastida Ochoa, PRI candidate for governor of Sinaloa, and very close to President de la Madrid, said at a July 13 campaign rally, "All the international agencies have put maximum pressure on Mexico. And Mexico's position, clearly put forward by President de la Madrid, is that we cannot continue compressing living standards nor deviating from economic development, because our first responsibility is to the people." Energy and Mines Minister Alfredo del Mazo, also a friend of de la Madrid and of CTM leader Fidel Velázquez, made a stirring defense of Mexico's nuclear industry, one of the sectors the IMF wants to eliminate (see article, page 53).

In any case, the bankrupt international bankers are themselves in no position to guarantee any country economic growth in 1987 and 1988. Perhaps knowing that, Petricioli dispatched a telex after he got back to Mexico to the 13-bank creditors' club which manages Mexican debt, asking it to be ready to begin conversations in the near future, since negotiations with the IMF and World Bank have taken "longer than expected." Rumors sprung up again on the imminent resignation of Miguel Mancera, director of the Bank of Mexico and soul-mate of the fired Silva Herzog.

The CTM program

The Mexican faction opposing the IMF has used its influence to make sure that the "Peruvian model" gets a full airing in the national media. On July 8, President Alan García himself addressed the Mexican people on the state-run radio network, warning that it would be "a terrible mistake, to believe that through bilateral negotiations, each one of us, in our weakness, is going to be able to win better conditions from the world economic powers." García called for the Ibero-American countries to take joint action on the debt, in defense of their productive economies.

The CTM's own platform, in an approximation of García's limitation on debt payments, proposes that Mexico "allocate part of non-petroleum exports for payment of foreign debt." Mexico's non-petroleum exports are expected to be \$7.5 billion this year, compared with a \$9 billion bill for interest payments alone. Oil exports this year will fall by \$8 billion from last year's \$13.3 billion, Petricioli noted July 16.

By using the García method of debt payment, CTM leader Netzahualcoyotl de la Vega argued, it would be possible to

promote investment, production, and employment, and achieve self-sufficiency in food production. He outlined a four-point policy:

- 1) Design a debt strategy which permits the country to use those funds needed for growth and social development;
- 2) Reactivate the internal market by raising workers' buying power;
- 3) Reactivate and mobilize unused productive capacities;
- 4) Reorient the financial and monetary systems to give priority to the requirements of economic growth.

The CTM totally rejected the "debt-for-equity" scheme of Henry Kissinger and the Trilateral Commission, the idea that the debt could be paid by giving creditors shares in Mexican companies, because, as Labor Congress leader Rafael Rivapalacio put it, "that would violate national sovereignty."

The CTM also called for stiff exchange controls to stop speculators from taking their capital out of the country. The IMF policy has been to keep money in through usurious domestic interest rates, which strangle production.

Violence in Chihuahua

Any accord with the bankers would undermine the capacity of the CTM and its allies in the PRI to preserve the momentum gained by defeating the PAN in the Chihuahua elections. This in turn could lead to a political explosion of unpredictable consequences. Since the IMF started dictating policy in 1983, living standards have been reduced by 30%, and hundreds of thousands have been thrown out of work.

The PRI won the Chihuahua elections through a last-minute mobilization for new economic policies and against the Nazi-communist opposition alliance led by the PAN. The campaign coordinator for the PRI, Manuel Gurria, explained the PAN's still sizable vote: "The votes are not for them, but votes of anger against us. They are votes against the fall of the peso, economic troubles, the fall in oil prices."

The PAN, which is seeking a pretext for violent confrontations on the border with the United States, lies that its loss was due to vote fraud. As de la Madrid was meeting with the CTM on July 14, a mob of 10,000 *Panistas* seized the bridges connecting Ciudad Juárez with El Paso, Texas, for two hours. They pulled down the Mexican flag and replaced it with an orange one with the blue and white PAN insignia. PAN drug-runners and oligarchs are emptying large bank accounts to keep the state government from meeting its payroll. Civil disobedience is being transformed into economic sabotage and bloody riot.

Most ominous is that Chihuahua priests closed their churches and refuse to say mass starting July 20, in support of the insurrection led by the PAN and its communist allies from the PSUM party. The Church did the same thing in 1925, when the "Cristero Rebellion" led to three years of warfare across northern Mexico and the murder of President-elect Alvaro Obregón.

An economy grows in Peru

President Alan García is achieving what some would call an "economic miracle." He calls it moral economics.

On July 8, Peruvian Finance Minister Luis Alva Castro announced that the inflation rate in Peru had been reduced in six months from 163% to 60%, giving much-needed relief from the spiraling cost of living that prevailed under the previous Belaúnde government, and in the first months of García's regime.

Alva Castro also noted that in the first five months of 1986, industrial activity in Peru had grown by 11.6%, a figure made more impressive by the near-total collapse in industry in the rest of the continent. The gross national product grew in the first half of 1986 by 3.6% compared to the same period in 1985, while all of the basic productive sectors of the economy had grown as well: construction by 12.3%; electricity generation by 7.3%; manufacturing by 7.1%; trade by 4.4%, and the fish industry by a huge 61.2%!

The minister proudly added that "international reserves have increased, the economy has been de-dollarized, and employment has grown." He said that industrial employment had grown by 4.8%, while employment in the trade sector went up by 2.4% and in services by 1.9%.

Several days later, while inaugurating electricity works in rural Peru, Finance Minister Alva Castro explained that such projects were made possible by using the reserves which Peru is not paying either to the international creditor banks or to the International Monetary Fund, "to which the Peruvian government is the only one which has said that no more than 10% of its reserves would be allocated" for

foreign debt payment.

As García has repeatedly explained in his speeches, the economic achievements of his administration were made possible by imposing a moral framework upon economic decision-making. Asked by a Mexican interviewer on July 8 how he would link the successes of his government with his debt policy, García said:

"There is no single prescription, there is no program. What there must be is a social and moral purpose to government. . . . What has happened in Peru in the last few years, for example? The old theorists said, 'The best state is that which doesn't govern . . . which doesn't get involved in the economy. Leave the economy to its own laws, its own processes; there is the invisible hand of the economy.' Well, I say, there is a hand which hides in the economy, which is something else. . . . We say, a government which emanates from the will of the people must govern the economy.

"Some economists said: 'The President is crazy,' because they told me I must collect 10%, 12% interest. I said zero, *zero!* Because these people throughout history have been paying a tax to Lima, to the Spaniards, to Europe, to the rich, so, for these people *zero!* They borrow and don't pay taxes, paying back only the capital, not paying interest. Thus we will invest capital.

"In some countries, they have opted for . . . giving out food. . . . But look, nothing given for free is good, that the President should feel like he is giving alms to the people. . . . What

we want is to create jobs, even if it is simple work like cleaning the streets, painting walls. . . . The people want to earn their keep, and so we have created 60,000 jobs in Lima . . . because if the people don't have work, they become criminals, or subversives, desperate. . . ."

Alan García uses his speeches to school Peruvians in the science of political economy. At the opening of a new data bank at the Central Bank on July 15, he explained his philosophy on banking and credit: "The country requires that the banks become true financial agencies of investment and savings, reflecting the purposes of development, of social justice. . . ."

"The banks," he said, "should not merely be, as has occurred before with great economic calamities, kinds of financial funnels which orient public and national savings to the benefit of specific groups which, often and coincidentally, are the owners of the banks. Against this oligarchic conception of credit is the Aprista [ruling party] government, and we are going to battle this concept and this bad management . . . through effective regulation which gives the state the role of governor of economic development. . . ."

García concluded, "A state which does not indirectly or directly govern by regulating the allocation of credit or liquidity, is a state which does not govern."

On July 15 President García opened a new wing of the Lima Maternity Hospital with a stirring explanation of the need for more people: "Here many Peruvians should be born. If there is anything secret, religious, marvelous, it is the act of giving birth to life. Because we recognize in life the central focus of the spirit. . . . We know that with the birth of new human beings, a new society is born within us."

Who's the most off-balance-sheet?

Euromoney Magazine and other sources point to the big New York money-center institutions.

EIR is no longer the only place you can read about the impending financial crash of 1986, or the very real possibility that the brunt of the crash will hit the U.S. banking system.

London's *Euromoney Magazine*, the glossy house organ of the Euro-dollar market, warned of a financial crash in its February 1986 editorial, noting:

"Last year, trading in foreign currency futures in the United States increased by more than 70%. From a standing start in 1982, more than 20 million equity index futures contracts changed hands last year. . . . Market crashes are usually preceded by a sharp increase in the numbers of buys and sells. Trading for the sake of trading expands far beyond the volume necessary to make a liquid market. Towards the end, it is also conducted via increasingly complex mechanisms and arrangements, usually involving a high degree of leverage. In plain language, everything overheats.

"The numbers that are most disturbing are those measuring world trade. It grew only a hair more than 3% last year and likely will be no better in 1986. . . . Since the purpose of finance is to facilitate underlying trade and economic growth, our question is this: Why is activity in the securities markets ballooning when the real world of making and exporting . . . is almost static? We hope the answer is not what we think it is."

Now, the same magazine has undertaken a somber assessment of how

deeply the commercial banks have dug themselves into a financial hole. They have compiled a listing of world banking system exposures to rapidly growing "off-balance-sheet" lending. A forthcoming report shows that the banks most exposed to off-balance-sheet lending risks are the major New York money-center banks, headed by Citibank and including Chase Manhattan and others.

Next comes a group of Japanese banks followed by two French and at least two British clearing-house banks.

In March, the Bank for International Settlements sounded the alarm over the uncontrolled growth of such lending, which allows banks in many countries to avoid legal reserve-margin requirements and improve their book profits. The loans are outside the review of bank regulatory authorities.

Similar studies are under way at the Swiss banks' research organization. An economist at a leading Swiss banking research institute warns, "Dangers from banks' off-balance-sheet exposure is far more serious than even the LDC debt. At least LDC debt is the focus of major risk-assessment by the banks, by IMF, by governments. But banks have entered into 5-10 year obligations so sophisticated that even banks don't know where the problems are. They have no risk-evaluation policy on these exposures."

One particularly nasty feature of the "off-balance-sheet operations" is that they have permitted banks to sell off their best-performing loans in the

form of securities, raising money in the short-term, while leaving a higher proportion of bad loans in their portfolios.

In particular, the New York banks have sold off their most dependable loans. According to London financial community sources, there is growing alarm over the process of "securitization" and growth of "off-balance-sheet" lending through which, increasingly since the outbreak of the debt crisis in 1982, major money-center banks have technically improved book profits to conceal loan losses.

"Banks are expanding off-balance-sheet lending at phenomenal rates," a senior partner of a London brokerage house said. "The hottest thing now is 'Euro commercial paper'—7- to 365-day paper. Through this, the banks shift loans off their books into other hands. In fact, this has meant that banks are getting the loans to their best corporate customers off their books and increasing profit through high-margin but far riskier loans. This will aggravate any problem which results if we have a collapse of confidence."

In addition, French bank involvement in off-balance-sheet lending has become a major concern of the French authorities. According to sources close to the Bank of France, the extent of French banks' exposure to off-balance-sheet liabilities is a major obstacle to the privatization plans of the Chirac government.

"The auditors are having a difficult time determining accurately what the financial shape of the banks actually is," he admitted.

London financial analysts report that French banks have resorted to extensive off-balance-sheet lending to cover extreme losses in domestic and foreign loans—especially in Nigeria and other parts of Africa."

The off-balance-sheet bubble

Federal regulators are issuing dire warnings, but the U.S. banking system is addicted to dirty-money flows, they admit.

Several pages of the International Monetary Fund's *Survey* of July 14 summarize dire warnings delivered by Federal Reserve officials and private economists, that "the wave of innovation that has swept over financial markets in recent years has increased risks and problems for the world monetary system."

The innovations referred to center on "off-balance-sheet operations" of the major commercial banks, who have managed to expand their liabilities to about 2.5 times their assets.

The banks have, in effect, taken fees up front in return for loan guarantees that remain on their books indefinitely, to the extent of \$1.25 trillion for the 15 top U.S. banks, and untold trillions for the banking system as a whole.

The present world monetary system is dominated by \$500 billion per annum in illegal narcotics flows, which represent an "investible surplus" at least four times greater than the petrodollar surplus at its height. Financial "innovation" has permitted the commercial banks to take a cut in the circulation of anonymous, unregistered securities preferred by dope traffickers. Occasionally, U.S. authorities have forced Swiss or Caribbean banks to cough up narcotics money on deposit with them. No one has ever seized unregistered securities sitting in a Swiss safe-deposit box.

National monetary authorities have, therefore, lost track of capital flows, the IMF *Survey* quotes Federal

Reserve official Charles Lucas. In 1982, Lucas said, "We had a lot of data on the international exposures of developing countries because we had banking data. In a securitized world, you know a lot about who the borrower is but you don't know who the lender is. You don't know if the lender is internal or external. You don't really know anything. How can you do country risk assessment if you don't know where the assets are lodged. . . . There's a group of guys at the IMF right now trying to think about the current-account implications of this. If you don't know who the asset holders are . . . you can't estimate accurately."

Lucas was referring to the \$200 billion "discrepancy" in world balance-of-payments statistics, reflecting unregistered flight capital arising from narcotics traffic, among other things.

Economist Peter Kenen of Princeton University, a longtime advisor to the International Monetary Fund, added that the reliability of payments data "gets worse and worse. . . . We could be off by hundreds of billions of dollars in our estimate of the current account" deficit of the United States.

Former Federal Reserve official Roger Kubarych, now chief economist at the New York Stock Exchange, warned, "There's a nagging uneasiness that somewhere people might not know what they're doing and . . . that a major dislocation might occur," as a result of the banks' gigan-

tic expansion of their liabilities. But a return to regulated markets "would be the wrong way to go," Kubarych warned, for a simple reason: The United States could not finance its enormous payments deficits without the dirty-money market.

The expansion of off-balance-sheet operations "inadvertently has weakened some very important helpful disciplines in the economic system. There's no way that the kind of trade or current-account deficits that the United States has been running and financing in recent years would have been possible 10 or 20 years ago. The private capital movements that would have been required could not have been forthcoming, certainly not with the kind of smoothness that we've seen. And by the same token, it's hard to visualize how the kind of surpluses now being amassed by Japan or Germany or other European countries could have been invested without serious objections, prior to financial liberalization."

There is one disingenuous note in Kubarych's account. Japan accounts for only \$60 billion of America's annual \$150 billion financing requirement; another \$80 billion comes from the dirty-money market of unregistered securities, held by dope-traffickers and their ilk in safe-deposit boxes.

In fact, no "financial liberalization" is required to persuade the Japanese to put their export earnings into the United States. This they do for political reasons, and in the most conventional way, by buying Treasury securities at public auction. The fancy stuff to which Kubarych refers is the province of Dope, Inc. It finances corporate mergers and acquisitions, heavily margined stock purchases, real-estate deals, and other operations which have produced the biggest bubble in U.S. financial history—now giving way to the biggest collapse.

New promise in treatment of leukemia

Transplanting the patient's own bone marrow eliminates the graft-versus-host problem and permits chemoradiotherapy.

Results of a new bone marrow transplantation technique, reported in the July 17, 1986 issue of *The New England Journal of Medicine*, hold out promise for victims of acute leukemia who relapse after chemotherapy. The article describes the results of treating 25 leukemia patients, who had a relapse of their leukemia after one or more remissions on chemotherapy, by infusions of their own bone marrow collected during remission and chemically treated.

Leukemia was one of the first major cancers to yield to modern chemotherapeutic treatment. Since the pioneering studies by Sidney Farber on the treatment of childhood leukemias, a number of types of this otherwise uniformly lethal, malignant proliferation of white blood cells, have become curable diseases.

Many cases of acute non-lymphocytic leukemia go into prolonged remission (absence of symptoms and normal blood picture) following intensive chemotherapy. Some of these patients may well remain in remission for the rest of their lives and thus be cured of their leukemia.

In other cases, these patients experience one or more recurrences of leukemic proliferation of their white blood cells. These patients have a poor prognosis for ultimate leukemia-free survival.

Chemotherapeutic treatment involves administering cytotoxic (cell-killing) agents to kill the leukemic cells in the bone marrow. These agents also

kill normal cells. Therefore, there is always the possibility of leaving the patient without any white blood cells at all.

Such patients are severely immunosuppressed and rapidly fall victim to infections similar to those which afflict victims of AIDS.

One method of dealing with this problem has been to go ahead with extensive chemotherapy and radiation therapy to completely destroy the leukemic cells, and the patient's immune system, and then transplant new bone marrow into the patient.

The new bone marrow can come from one of two sources: a genetically related donor, or the patient himself.

Marrow from a genetically related donor (allogeneic marrow) must be carefully matched against the prospective recipient to avoid graft-versus-host disease. In this situation, the marrow graft perceives the tissues of the host as foreign antigens and attacks them, ultimately killing the host.

Only 25 to 40% of patients who might benefit from allogeneic marrow transplants, will be sufficiently compatible with a potential donor to justify the attempt. Immunosuppressive therapy, in addition to the anti-leukemic treatment, is required.

Transplantation of the patient's own bone marrow (autologous marrow), collected during remission and frozen, eliminates the graft-versus-host problem and enables the administration of intensive chemoradiotherapy to the leukemic marrow, followed

by reinfusion of the stored marrow. The main problem in autologous marrow transplantation, especially after the second remission, is that the marrow may contain viable leukemia stem cells which then go on to reestablish the disease.

The *New England Journal* article describes the application of a technique of treating the removed bone marrow with a chemical, 4-hydroperoxycyclophosphamide. This chemical had been demonstrated to remove leukemic cells from bone marrow suspensions at concentrations which did not impair the ability of the remaining normal cells to repopulate the marrow.

A number of techniques to remove leukemic cells from bone marrow suspensions, utilizing monoclonal antibodies, have been developed. While this technique works well for lymphocytic leukemias, monoclonal antibodies to non-lymphocyte white cells have been difficult to identify and develop.

Thus the ability to chemically purge leukemic cells from the marrow of patients with non-lymphocytic leukemia represents a significant breakthrough for treatment of such patients who lack compatible marrow donors.

The results of this study, conducted at the John Hopkins University School of Medicine, are very promising. Median leukemia-free survival was over 400 days, and ranged up to 1,653 days. While the number of leukemic relapses in this group was higher than in patients treated by allogeneic marrow transplants, the overall results were much better than with chemotherapy alone.

These preliminary results indicate that this technique must be considered to offer the first real possibility of extended survival to patients with non-lymphocytic leukemia who have relapsed and do not have a compatible donor of normal marrow.

Business Briefs

Narcotics

Slavery practiced by Brazilian traffickers

In his recent visit to Colombia, Pope John Paul II denounced what he characterized as a modern form of enslavement—drugs.

In Brazil, narco-slavery is a sordid reality, involving not only the slavery of addiction the Pope was referring to, but literal slave labor under hideous conditions. According to a report now being studied by the ministry of agrarian development, hundreds of slaves work in the state of Rondonia, transporting barrels of ether, acetone, and benzene to be used in laboratories refining cocaine from Bolivia and Peru.

The report says that on some plantations in the states of Rondonia, Para, and Piaui, landlords cut the tendons of their slaves to keep them from running away. Others threaten that anyone leaving will be shot in the back.

During the past few weeks, the Federal Police have liberated 300 people from slavery in these states in the north of Brazil. On one plantation in Cuiaba, the slaves had to work 18 to 20 hours per day in exchange for nothing more than inadequate food.

Free Enterprise

Dope banker dismissed by Israelis

The Israeli cabinet decided on July 13 to suspend Israel Discount Bank Chief Raphael Recanati after he refused to resign. After a heated five-hour debate, the cabinet voted 12-7 to suspend Recanati as Discount Bank's general manager and board member for a period of three months.

The dismissal follows a heated controversy originally set off by the Bejski Report, issued in April by a commission headed by Supreme Court Justice Moshe Bejski, in which the major banks of Israel were charged with swindling the Israeli population by engineering the bank-share collapse of October 1983. Among the banks involved were

Bank Leumi, Discount Bank, Bank Hapoalim, and United Mizrahi.

The July action by the cabinet follows a new controversy involving the intervention of Baron Edmond de Rothschild in support of the Recanati family. Rothschild sent Prime Minister Shimon Peres a telegram in Recanati's support in early July.

The economic editor of the *Jerusalem Post* called that intervention a "crass demonstration of aristocratic arrogance." Landau described Edmond's telegram as "one of the most arrogant and insensitive pieces of paper ever to cross the desk of a prime minister of a sovereign nation," and warned that Israel "will stand or fall on our [own economic] performance, not on the basis of words spoken in high places by people living in the 18th century."

Landau argued in favor of Recanati's immediate removal, reminding his readers that Recanati belongs to a "group of senior bankers who led Israel's economy to the brink of disaster," a group of "unrecalcitrant liars" that Israel can live without.

Labor

Colombian minister urges American System

Colombian Labor Minister Jorge Carrillo Rojas, who is also vice-president of the Union de Trabajadores de Colombia (UTC—Colombian Workers' Union), was asked by journalists with Colombian Radio Caracol why he had opposed President Belisario Betancur's government as a union leader, but now supports it as labor minister.

Carrillo answered: The government's policy has, since he became minister, shifted from monetarist wage-gouging to granting wage increases above the inflation rate.

"Wage policy was changed. . . . A climate of confidence has been cemented between businessmen and workers that I have called the harmony of interests. I read about this harmony of interests in a book by Mr. Henry Carey, the American economist who taught economics to Abraham Lincoln. Mr. Carey says that so long as there is not unity, harmony between the interests of farmers,

industrialists, and workers, so long as one sector takes advantage of the other, what could happen was that the foreigners came and looted everybody.

"Thus the harmony of interests thesis is the only one which at this time could advance Colombia, could solve the employment problem. . . ." He defined the problem as creating 15 million new jobs by the end of the century.

Carrillo concluded: "I believe this harmony of interests put into practice would advance Colombia. If it pushed forward the United States, why not Colombia?"

War on Drugs

More Customs agents assigned to Texas

U.S. Customs announced a decision in mid-July to place another 200 Customs agents in Texas, of which 125 will be assigned to the border and the remaining 75 to other ports of entry. This is part of the new Southwest Border Initiative (SBI) program, part of the administration's effort to stop drug trafficking. The new agents are expected to be in place by the end of the summer.

The SBI was announced in El Paso during a multi-agency meeting of about 50 representatives of law-enforcement agencies in Texas, New Mexico, Arizona, and California. The task force is chaired by Treasury Undersecretary Francis Keating, and coordinated by Customs regional commissioner William Logan of Houston.

In a related development, the Federal Aeronautics Administration proposed new rules for aircraft markings on July 11. Transportation Secretary Elizabeth Dole said the larger markings "would make it easier for airborne law-enforcement officers to spot aircraft thought to be carrying drugs into this country. External identification plates will help authorities recognize aircraft that have been stolen and possibly used to smuggle drugs into the United States.

All aircraft equipped with extra fuel tanks in the passenger or baggage compartment will be required to have special documentation.

IMF Austerity

Emergency trip to Europe by Mubarak

Egypt's President Hosni Mubarak embarked on an unexpected European tour on July 16, arriving in Rome on his way to Paris, Bonn, and London. The trip, which was not planned, was prompted by Egypt's economic emergency.

President Mubarak plans to request urgent economic aid as well as European backing in his negotiations with the International Monetary Fund (IMF). Egypt's food supplies are currently running dangerously low.

During a visit to Cairo last July 13, European Community (EC) commissioner Claude Cheysson warned that an "eventual destabilization of Egypt" will have catastrophic consequences, and warned of the "urgency for Egypt to reach an agreement with the IMF."

The EC has committed itself to delivering 120,000 tons of wheat now and 40,000 in September, in addition to several thousands tons of butter and milk powder. On July 14, Saudi Arabia also announced that it was delivering an emergency 200,000 tons of foodstuffs to Egypt. Such deliveries may imply that Cairo has run out of cash to purchase deliveries from the United States.

Strategic Defense

West German firm wins tracking contract

A West German aerospace firm, Messerschmitt-Boelkow-Blohm (MBB), is to develop an infrared device for the SDI, a company spokesman announced on July 12.

The U.S. Defense Department announced on July 11 that the contract awarded to MBB involved the firm in an experiment to test tracking and pointing for weapons to destroy enemy missiles in flight. The MBB spokesman said the contract called for the development of an infrared measuring device.

The spokesman said the initial order was worth \$4 million, but the value could rise to \$39 million if the United States eventually opted for MBB's design.

Two days later, Social Democratic Party defense spokesman von Bülow told the *Neue Osnabrück* newspaper that the \$4 million contract awarded to MBB was laughable and a "cheap con-job" on the part of the United States.

He said it certainly didn't support the claim by Chancellor Helmut Kohl's Christian Democratic Union that the SDI contained "great opportunities" for German industry. Von Bülow said the contract was worth about 12% of the value of one Tornado fighter plane, of which MBB makes hundreds as part of the European Panavia consortium.

Von Bülow claimed that West German industry would get almost nothing from SDI, whereas its participation would be politically "highly disastrous" since the plan was obstructing an East-West understanding.

Banking

Japan to open off-shore system

A leading Japanese government financial official was quoted in mid-July saying Japan hoped to start an offshore banking center in December which will compete with New York and London. Toyoo Gyohten, vice minister for international affairs at the Ministry of Finance, told *Newsweek* magazine: "We hope to see this market become active in December. Both Japanese and foreign banks will be able to establish offshore accounts through which they can conduct off-shore transactions with non-resident banks and corporations overseas."

Banks would be allowed to conduct transactions without many of the usual Japanese taxes and regulations. Gyohten said it was important for Japan, the world's largest creditor, "to increase direct investment in developing countries to help transfer not only financial resources but managerial skills and technologies."

Briefly

● **DEFYING A VETO** by French President Mitterrand on July 16, Prime Minister Chirac announced he will push through parliament his—and the Trilateral Commission's—privatization plan to sell 65 state-owned companies. The Chirac bill was submitted to the cabinet session the week of July 21.

● **ASEAN**, the Association of South East Asian Nations, was advised in mid-July by Indonesian Chamber of Commerce and Industry Chairman Sukamdami Gitosardjono to establish a European-style common market to help combat the effects of stagnant world demand for exports of ASEAN member countries.

● **THE TREASURER** of Vector Corp., one of the Iowa firms caught smuggling cluster-bomb technology to Israel, is Donald Danforth, the brother of Sen. John Danforth. Vector Corp. was subpoenaed in early July for selling its equipment to Israel in violation of the ban on the sale of the bomb-making technology to Israel. Conveniently, Senator Danforth is the chairman of the international trade committee of the Senate Finance Committee.

● **THE AIR FORCE** plans to launch a satellite that has been hanging in the Smithsonian Museum for 15 years in order to save more than \$2 million, according to Air Force officials. "Nothing is ever permanently retired," said Walter Boyne, director of the museum. "We have a lot of things which would be capable of launch." What about the Kitty Hawk?

● **THE RATE** of industrial insolvencies in Germany is increasing. According to the statistics for the first five months of 1986, there has been an increase of corporate bankruptcies by 2%, as compared to 1985. In May, 20% of all bankruptcies were in construction. More bankruptcies are expected, since the state sector has cut construction by 30% for the next three fiscal years.

Defense program advances U.S. ceramics industry

A new ceramic production process, in which the Russians currently lead, could be the key to industrial recovery in the American Midwest, reports Robert Gallagher.

Lawrence Livermore National Laboratory (LLNL) is looking for industrial corporations willing to commercialize an efficient, new, productive ceramic production technology developed in Russia and already commercialized there, but mainly in laboratory development in the United States. As a result of Soviet work led by physicist A. G. Merzhanov over the past 20 years, the Russians are ahead of the West and Japan in this area of advanced ceramics.

Further research and development is necessary to bring the combustion process into the pilot-plant stage in the United States. A single, large organization such as a consortium of industrial firms, or a state government, could close the Russian lead by sponsoring such research and development, and then, construction of a pilot plant for the new ceramic production technology. It is known in Russia as "self-propagating high-temperature synthesis" (SHS), or as "combustion synthesis" in the United States.

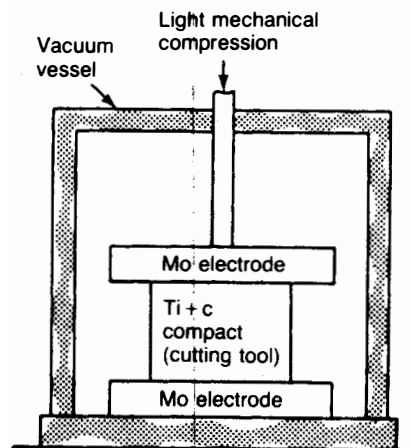
The Defense Advanced Research Projects Agency (DARPA) has asked Livermore to transfer this technology to American industry. In the interview below, Birch Holt, Livermore Laboratory principal investigator of the program in SHS, describes the technology and outlines what might be required to move to pilot-plant operation.

This technology represents a unique kind of opportunity for the states of the industrial Midwest, now almost a wasteland of industrial collapse in steel, auto, railroads, and other industries. Aggressive programs to develop and introduce new technologies like the SHS ceramics production process, or plasma steelmaking, will enable the United States to "leap-

frog" over production bottlenecks, and may provide the key to an industrial recovery in states like Illinois, Michigan, Ohio, and Pennsylvania.

Self-propagating high-temperature synthesis involves igniting the energy-producing, exothermic reactions that produce ceramic compounds from mixtures of their elemental constituents. A small amount of energy, for example, about 10 watt-hours for reaction of titanium and carbon, is applied at a high energy-flux density (10^9 watts per square meter)

FIGURE 1
Schematic representation of Soviet pressure-aided densification



through a tungsten wire or with a laser pulse or other means, to ignite the reaction of formation of, for example, titanium carbide from a mixture of titanium and carbon powders. If the powders are pressed into the shape of a desired part, and pressure is applied to the shaped reacting mixture, the result of combustion could be a finished product (see **Figure 1**).

Self-propagating high-temperature synthesis of ceramics takes only minutes, and promises to replace many existing U.S. ceramic production methods for the production of non-oxide ceramics. Many existing methods require days to produce a single batch of powder or parts in an inefficient process little different from baking a cake.

The Russians have been working with the process for about 20 years, and according to DARPA reports, now have nine plants in operation; each produces 1,000 tons per year of titanium carbide, silicon nitride, or supercanthol (MoSi_2). The Russians are presently licensing use in the West of a three-reactor unit which produces a continuous average output of 90 kilograms per hour of ceramic powders.

Self-propagating high-temperature synthesis has the unusual characteristic that it releases more energy than it consumes, thousands of times more energy in the process reactors than the Soviets are now retailing. **Table 1** shows the basic physical properties of self-propagating high-temperature synthesis, and some examples of the energy transformation rates of SHS processes (expressed in output per kilowatt hour). These figures represent only those conditions attained so far.

Existing processes for production of non-oxide ceramic powders, such as the Acheson process for production of silicon carbide, use industrial furnaces that are run in batch cycles that take days.

TABLE 1
Physical parameters of self-propagating high-temperature synthesis

Basic physical parameters	Output per kwh
Energy flux density applied	$2 \times 10^9 \text{ W/m}_2$
Released (TiC)	10^9 W/m_2
Ignition energy required	7-14 Whrs
Energy released (TiC)	850 Whrs/kg
Examples	
Ceramic powders	
Titanium carbide	3 tons (30 kg batches)
The chemical furnace	
Tungsten carbide parts and titanium carbide powder	0.4 tons (batches of 3 1-kg parts and 1.5 kg powder)

Existing ceramic part production technologies also require several days' process time. The most advanced is known as injection molding. In this process, ceramic powders are molded with a wax into the desired shape; this process takes about a minute. However, the part must then be processed through an oven for three days to remove the wax binder, and then be fired in a high-temperature furnace over a period of two days, before complete.

The production figures of **Table 2**, show that self-propagating high-temperature synthesis is a more advanced method of ceramic powder and part production.

Production of ceramic powders. As with all SHS, one begins with powders of the elements (or compounds) to react, mixed in an appropriate ratio, and placed into a reaction vessel filled with an inert, oxygen-free atmosphere (for production of titanium carbide, a mixture of titanium and carbon powders). Electrical energy (about 10 watt-hours) is applied to a portion of the material near the surface, through a tungsten wire or graphite strip (see **Figure 2**). This small amount of energy excites the exothermic (energy-producing) reaction of formation of the ceramic compound desired. The reaction then propagates completely through the mix. The energy released in production of titanium carbide is in the area of 850 watt-hours per kilogram of reacting material.

In addition, metal powders may be reacted with nitrogen to produce nitrides. The Livermore program has made advances in this area that surpass the work done in Russia.

Either way, the resultant ceramic powders can be used for the fabrication of ceramic parts in the conventional way, or for lubricants, electrolytes, and for grinding and polishing applications. The Russians have replaced tungsten with SHS-produced titanium carbide in cutting tools, and also fabricate

TABLE 2
Comparison of SHS with other existing ceramic powder and ceramic part manufacturing methods

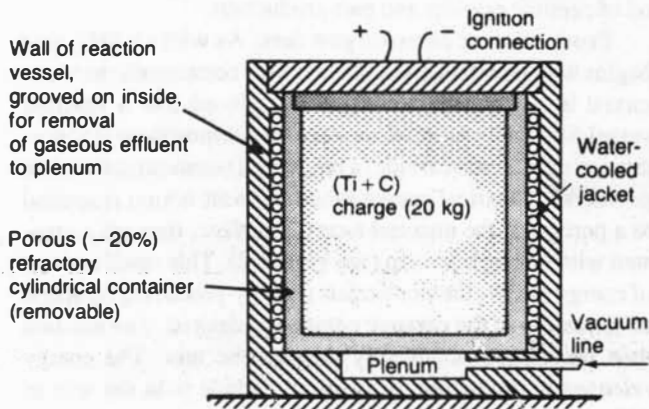
	EFD (W/m^2)	kg/kwh	Process Time
Ceramic powders			
SHS	10^9	3,000	Minutes
Acheson process	NA	2	3 days ²
Ceramic parts			
SHS	10^9	10,000	Minutes
Injection molding	10^5	1	5 days

it into substitutes for industrial diamonds. Silicon nitride is used for rocket nozzles and ceramic auto parts, and supercanthol for high-temperature industrial heating elements.

Finished parts. In this application, the elemental powders are pressed into the shape of a final product, as is done

FIGURE 2

Schematic representation of Soviet synthesis of titanium carbide powder



in powder metallurgy. The ignition energy is then applied to the surface of the shape. The application of pressure to the combusting material is presently required to prevent the product from being porous. With this technique, up to 96% theoretical densities have been achieved for titanium carbide at Livermore. Also at the national lab, solid aluminum nitride has been produced in an SHS developed there.

Parts produced with SHS include titanium nickelide wire, plate and tubes used aboard Soviet aircraft for fuel and air lines; this material is produced in batches of hundreds of kilograms.

The ideal SHS parts production technology would not require application of pressure. Livermore scientists are also working on ways to achieve this.

Gasless combustion castings. Ceramic castings is the latest technology development in self-propagating high-temperature synthesis, and is still in the research and development stage in Russia. In this process, SHS ignition of a mixture of a metal oxide, aluminum powder, and carbon, results in the reduction of the metal oxide by the aluminum, and the combustion of the reduced metal with the carbon, to produce a carbide. The process produces a slag of aluminum, in molten form. Of course, this slag can itself be a useful material.

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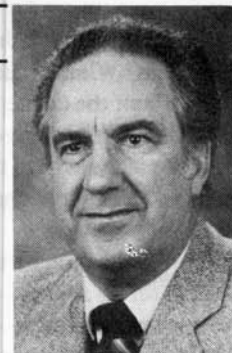
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The commercial potential and applications of SHS

Birch Holt is the Lawrence Livermore National Laboratory principal investigator of the program in self-propagating high-temperature synthesis (SHS).

EIR: Suppose a company or a government agency such as the state of Illinois decided to build a ceramics industry based on this technology. How would they begin a program to build a pilot plant, based on either the Russian work or the work that's been done at Livermore and Los Alamos? What would they need to do this, in manpower and equipment?

Holt: We feel that in our combustion synthesis research, which has been going on for about five years, and which has been funded by DARPA, that we have reached a place where some of the ideas can be commercialized.

EIR: Please give examples of ceramic compounds that could be produced and what applications.

Holt: For example, alpha-silicon nitride, aluminum nitride, titanium nitride, and hafnium nitride, are all produced by a process which is different from what the Russians have done. We have received or have applied for patents on this process (see **Figure 3**). Composite powders such as titanium carbide-alumina, and titanium nitride-alumina, are other good examples of materials that we believe can be produced more economically.

Silicon nitrides will be used in materials for ceramic engines. Aluminum nitride is used for electronic substrates. The sialons (silica aluminum-oxide nitride) are also used for ceramic engine applications. The composites have applications for cutting tools, grinding media, abrasives, and armor.

We are looking forward to an industrial technology transfer period. We have held one meeting with industry, and we are holding another meeting on June 5, in which we are telling industrial people about the work that has been done here at the laboratory, and pointing out the different products and processes which might have immediate applications to industry. There is still much research to be done on combustion synthesis of these refractory materials. We hope to form a consortium which will bridge the gap with industry. Again, how long it's going to take, and how much money, all depends on the particular chemical system.

EIR: What are some of the original applications of SHS developed at LLNL?

Holt: We have done a lot of work with the nitrides. Nitride materials are used in electronic devices, as high-temperature crucibles for melting metals, and as cutting tools and grinding media. To produce silicon nitride or aluminum nitride powders by the SHS process had required the application of 1,000 times atmosphere pressure for nitrogen gas to achieve complete combustion and conversion of the metal to a nitride. We have succeeded in lowering the required pressure to 100 atmospheres. Second, we have been able to produce aluminum nitride in solid form, directly from aluminum and nitrogen. Third, we developed an entirely new approach for the synthesis of metal nitrides by using solid sources of nitrogen. We mixed titanium powder with sodium azide, NaN_3 . The mixture easily ignites and burns to completion in a few seconds to produce pure titanium nitride powder. Due to the generation of high temperatures, the sodium is vaporized during the reaction. With this experimental procedure, we have obtained 100% yields of TiN , HfN , and ZrN . We extended this method to the synthesis of solid solution. Titanium carbo-nitride and various composite systems such as zirconium boride-zirconium nitride, and titanium-nitride-alumina. The titanium carbo-nitride has applications as a hard, high-temperature, and corrosion-resistant material. The zirconium boride-zirconium nitride product is a superplastic material, while titanium-nitride-alumina can be used in cutting tools.

EIR: How have the ceramic companies responded to the LLNL program?

Holt: Some companies are already doing work in combustion synthesis. It looks like some are also willing to sponsor further research and development. However, in general the response has been sluggish, and the ceramic companies aren't paying sufficient attention.

EIR: Let's take a specific example. Suppose a company wanted to set up a pilot plant to produce silicon nitride parts. You mentioned the ceramic engine application. There is also

an application in machine tools. How would they go about doing that? What would they need to do?

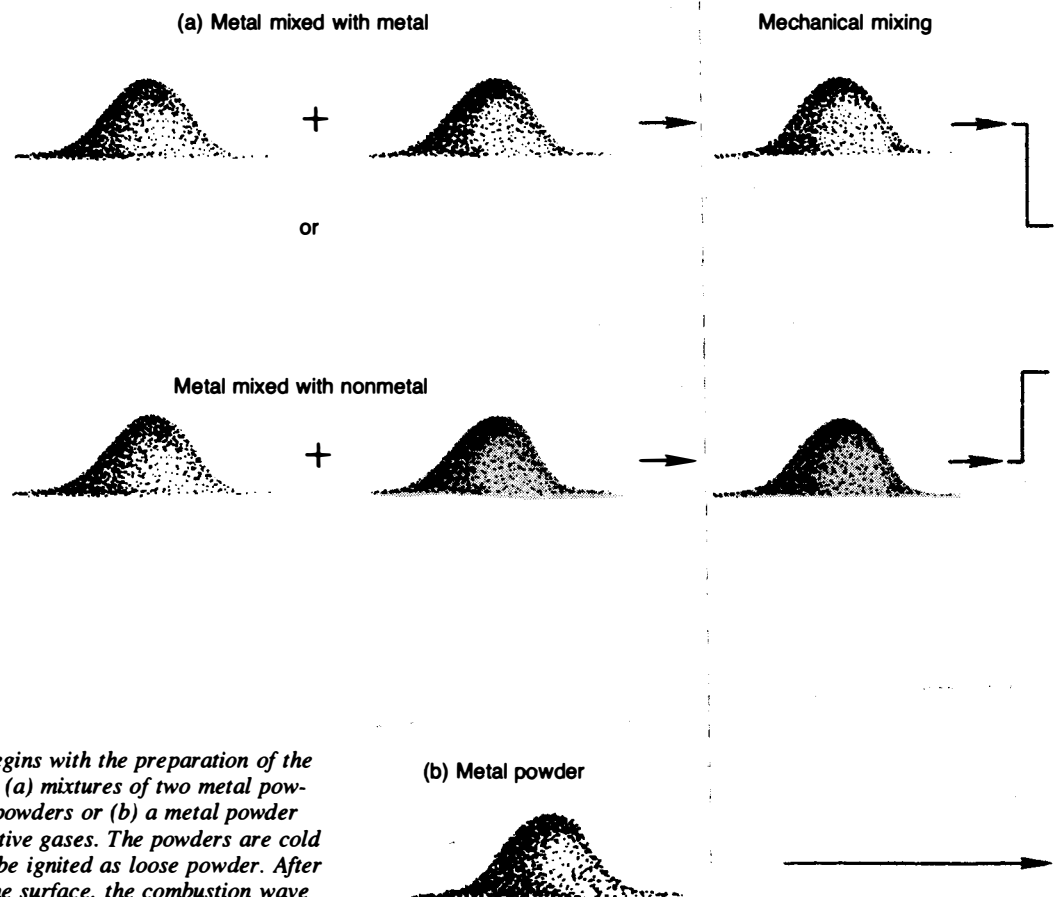
Holt: First, the concept that we've developed in the laboratory has to be evaluated as to the economics of the process. If those are favorable, then it has to be taken to the pilot plant stage and developed there, and then on to full production.

EIR: What would be involved in the pilot-plant stage? You want to set up a plant—and I'm talking about a pilot plant, a demonstration plant—where it begins like a big laboratory, and ends up as an operating small plant. We could take two examples: One would be the production of titanium carbide powder, which is something that I would guess is pretty much nailed down; and the other example would be the one we just discussed, production of silica nitride parts.

Holt: The Russians have pretty well outlined what they have done with titanium and carbon; they have used titanium metal and carbon black, as the two reactants. And they react them in large containers, and produce kilogram batches. They use refractory containers, which can withstand high temperatures. They have been able to control the process so that they can get full reaction of the mixture.

Some question whether the process would be economical if you use titanium, because it's more expensive, rather than titanium oxide. However, you can start with titanium oxide (TiO_2), and magnesium and carbon to make titanium carbide and magnesium oxide and then leach out the magnesium oxide. Then you'd have a fine grain titanium carbide. So, you can get around using the more expensive elements, by going to other reactions.

FIGURE 3
Sequence of operations in combustion synthesis



The relatively simple process begins with the preparation of the reactants. The reactants can be (a) mixtures of two metal powders or of metal and nonmetal powders or (b) a metal powder that can be combined with reactive gases. The powders are cold pressed into a cylinder or may be ignited as loose powder. After a heated tungsten coil ignites the surface, the combustion wave moves rapidly through the material as the product is synthesized.

EIR: How would the magnesium oxide be leached out?

Holt: With hydrochloric acid.

EIR: Is that easily enough done?

Holt: Yes, that should be an economical process.

There are investigators in our country, who are working on similar reactions. Raymond Cutler at Ceramatec is working on the silica, magnesium, and carbon reaction to produce a silicon carbide-magnesium oxide composite. The magnesium oxide is leached out leaving a submicron silicon carbide.

EIR: So it seems some companies are already getting into this.

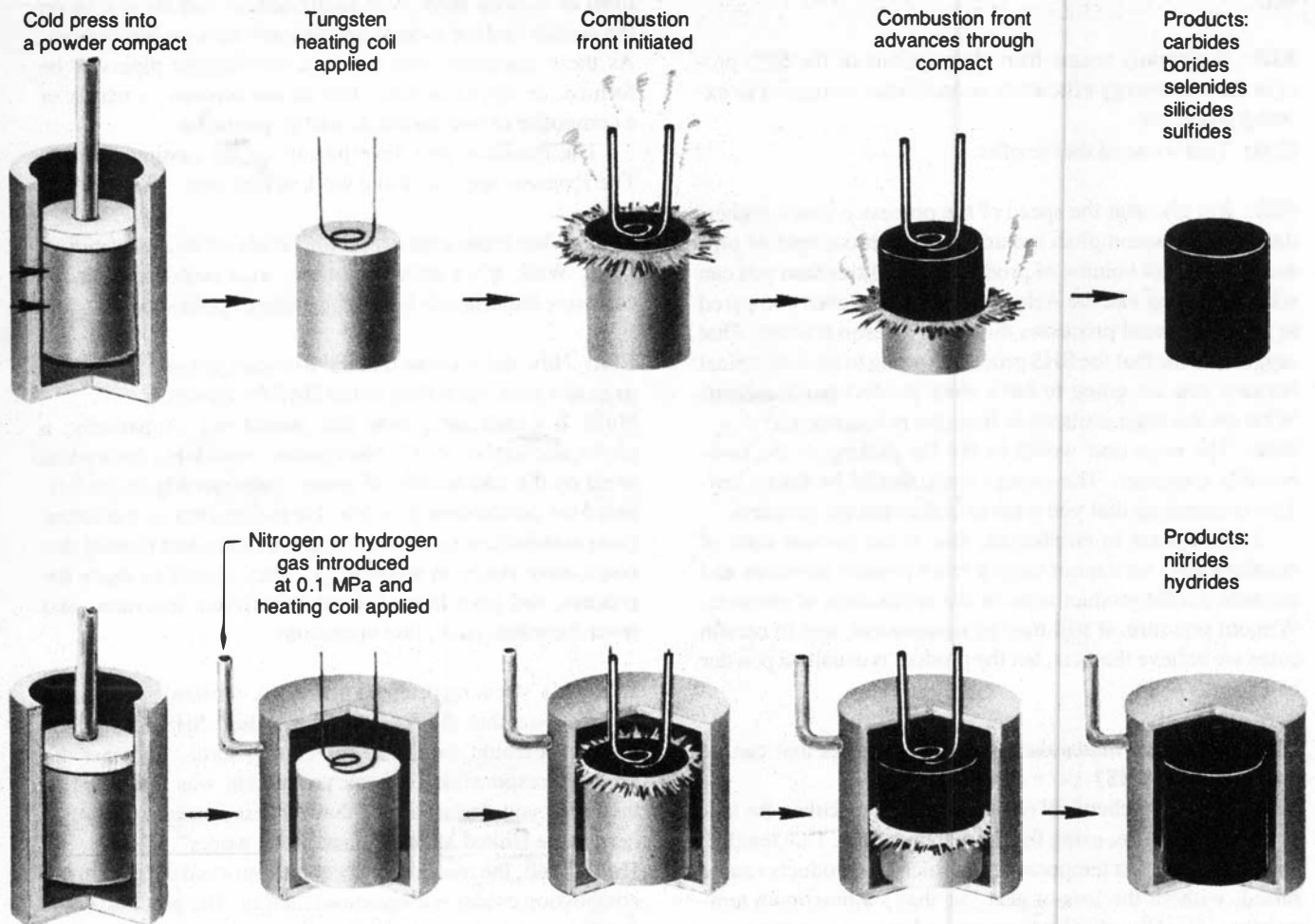
Holt: There are some industrial companies now doing work in combustion synthesis, but there is not very much information available.

EIR: Let me ask you how long does it take to leach out this magnesium oxide? Is that a quick process? Does it take hours or days?

Holt: No, it's a fairly quick process.

EIR: So the process you have outlined is clearly a nice way to make titanium carbide powder without having to begin with titanium metal. And if somebody could do that then they would be in a fairly good spot competitively.

Holt: Let me mention another process, which may be even more economical. That is the synthesis of ceramic composite



materials. For example, you can produce titanium carbide-aluminum oxide composites. If one starts with titanium oxide, aluminum, and carbon, the reaction produces titanium carbide-aluminum oxide, which is a cutting tool material.

Now, if you react these ingredients in the usual SHS process, the product is a powder, not a dense product. We have been able to densify in the same operation by using high pressure techniques.

The greatest benefit would be to be able to densify using chemical means instead of having to apply pressure. I don't believe anyone has been able to develop that process so far. In general, composite materials are one of the more promising areas, nearest to commercialization.

In all cases, if you want to make a ceramic product like silicon nitride, for example, you have to look at the SHS process and see how it would compare with the conventional way of making silicon nitride. In some instances, conventional ways may still be the best for making the powder. Each individual chemical system has to be examined on its own merits. I think that there are certain systems, where even making a powder with the SHS process, would be economical.

EIR: It certainly seems from descriptions of the SHS process that the energy efficiency is enormous compared to existing processes.

Holt: That's one of the benefits.

EIR: But also that the speed of the process is much higher, that you can accomplish a much greater throughput of production per unit volume of production facilities than you can with something like the Acheson process and even compared to more advanced processes than the Acheson process. That suggests to me that the SHS process is going to be economical because you are going to have more product per manhour. What are the main costs aside from the raw materials?

Holt: The main cost would be for the making of the combustible container. The capital costs should be fairly low. This is assuming that you want to make ceramic powders.

I really want to emphasize, that at the present state of development, we cannot simply react powder mixtures and produce a solid product without the application of pressure. Without pressure, it still may be economical, and in certain cases we believe that it is, but the product is usually a powder or a porous solid.

EIR: What determines the variety of products that can be produced with SHS?

Holt: For every chemical reaction, we can calculate the adiabatic temperature, using thermodynamic data. That temperature is the highest temperature to which the products can be raised, without the loss of heat. So that's a maximum temperature. Usually, these temperatures for many reactions are very high, in the range of 2,000 to 4,000° centigrade. With

most of these reactions, the temperatures are below the melting points of the refractory products. If they are below the melting point temperature, then the process by which they are densified is by the application of pressure. If the combustion temperature happens to be above the melting point temperature of the product, then the product will be molten or fused. It's possible, then, to cast the liquid into some shape.

Now, we have not done any work on casting; the Russians have done considerable work on that process. They claim that they can cast monolithic bodies.

Most of the research with castings has been done by the Russians with thermite-type reactions. They mix an oxide with a reductant metal, such as aluminum, and with carbon. For example, we might have a mixture of molybdenum oxide, aluminum, and carbon. They would be mixed together and then ignited. They will burn very vigorously and the products are molybdenum carbide and aluminum oxide. The combustion temperature is above the melting-point of both of those materials. If they are ignited in a centrifuge, or in a horizontal refractory tube which is rotating at a rapid speed, then the centrifugal force will push the heavier material, to form an outside layer. The molybdenum carbide will be on the outside and the molten alumina will form an inside layer. As these materials cool down, a two-layered pipe will be formed. In other reactions, that do not separate, a matrix or a composite of two materials will be produced.

The Russians also have patents on the casting process. The Japanese are also doing work in that area.

EIR: What is this pipe useful for? What are its applications?

Holt: Well, it's a refractory pipe, so it could be used for corrosive materials or high-temperature applications.

EIR: How did it occur that the Russians got so far ahead of us in this area, according to the DARPA reports?

Holt: It's interesting how this started out. Apparently, a physical chemist, A. G. Merzhanov, was doing theoretical work on the combustion of gases. Subsequently he investigated the combustion of solids. He realized that as a result of these combustion reactions, there was a product formed that could have utility in technology. They started to study the process, and later farmed it out to different institutes, and from there into pilot plant operations.

EIR: It's been reported in the book written by William Frankhauser that the Russians have used SHS to produce titanium carbide tool bits, for cutting tools, and that the ministry responsible for tank production was interested in this. Can you describe how that process works, or how we here in the United States assume that it works?

Holt: Well, the reaction between titanium and carbon, in the combustion mode, is a vigorous reaction. The product, without doing anything to it, is always a very porous solid, or a powder; it is not a solid. So they have used the titanium

carbide as an abrasive material, or grinding material. There isn't much information in the Russian literature about their making the actual tool bits; they show pictures of them, where they have densified the material into the final product.

As stated before, we have been looking at techniques by which you can both synthesize and densify the materials, such as titanium and carbon, by the application of pressure, applied either simultaneously to the reaction or right after the reaction, while the products are still at high temperature.

EIR: In the SHS process, you apply a certain amount of energy to a mixture that's been prepared to be transformed into a ceramic powder, but you end up releasing a lot more energy than you applied, correct?

Holt: Yes.

EIR: In fact, I did a calculation that shows that you'd really have to go to a lot of trouble to set up a situation where you would release less energy than you applied?

Holt: You can't do that, the reaction would not be self-sustaining.

EIR: It wouldn't propagate and. . .

Holt: you wouldn't be able to ignite it.

EIR: What are the problems in producing silicon carbide or boron carbide, both of which are very important ceramic

materials?

Holt: Both reactions are very weakly exothermally. You can't ignite these because the adiabatic temperature for silicon carbide is only about 1,500° centigrade, and for boron carbide is 850° centigrade. So you can't get them to ignite in the same way as you can titanium and carbon. Because the chemical heats available from their reactions are not high enough, it is impossible for them to occur in a self-propagating mode.

EIR: Boron carbide is one of the materials used in nuclear power reactors. Is there any way these problems can be circumvented in the SHS process?

Holt: You circumvent those problems in one of several ways. First of all, you could raise the initial temperature. This would require the heating up of the reaction beforehand. Instead of reacting at room temperature, you'd react at some higher temperature. That would require a furnace, and that decreases the advantage of the process.

Another thing that you could do is to drive it with another reaction. This is what the Russians refer to as a "chemical furnace." They surround a reactant which has a low exothermicity with one which has a very high exothermicity. For example, put boron and carbon in a crucible made up of titanium and carbon, ignite the titanium and carbon, then you can drive the boron carbide reaction using the energy released by the titanium carbide reaction, and making boron carbide and titanium carbide (see Figure 4).

Boron carbide could also be synthesized in a thermite-type reaction, involving boron oxide and magnesium and carbon, which combust to form boron carbide and magnesium oxide.

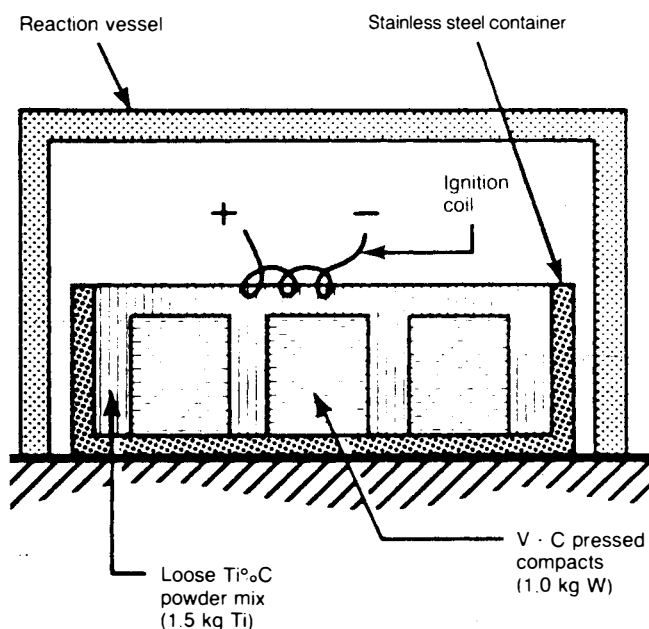
EIR: And so you produce two products?

Holt: Yes.

EIR: What other advances do you expect might come out of the SHS process?

Holt: One of the biggest applications in which we want to do some work, is the formation of new materials. Inherent in the process are high temperatures and very high heating rates, and those are the very characteristics that could be used in the formation of metastable or nonequilibrium materials. One focus for research would be the ability of these inherent characteristics of the process to form metastable or nonequilibrium crystal phases. The Russians refer to one of those, cubic tantalum nitride, which was formed by this process before it was formed by high pressure. But this is really a high pressure form. That was the first indication that SHS does have applications to making new materials. Because of the high temperatures that are realized in the reactions, and particularly the high rates of heatings, which may vary from 10^3 to 10^6 degrees centigrade per second, and with the possibility of controlled cooling, then it is possible to form new phases. This should be a very worthwhile avenue of research.

FIGURE 4
Schematic representation of Soviet
"chemical furnace" synthesis



The Philippines: Corazon Aquino's first 100 days

by Uwe Henke v. Parpart

President Corazon Aquino's first 100 days in office have passed, and, in a recent *Pravda* article, Philippines Minister of Information Raul Locsin and presidential spokesman Rene Saguisag offered their evaluations.

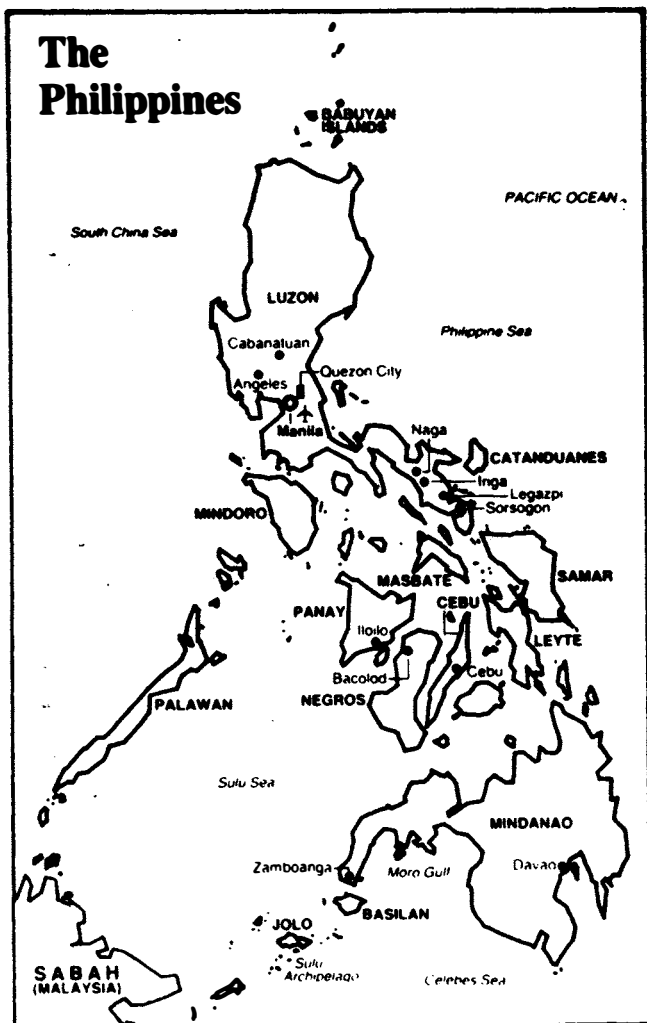
"We strove not to generate vain expectations," said Locsin. "Aquino warned that the Filipinos would have to make sacrifices even after the overthrow of the dictatorship. She did promise, however, that the administration would share them with the people." (How, Locsin did not say.)

"It is impossible to expect too much from us too soon," added Saguisag. "The important point is that the people should feel the main change: Aquino sincerely wishes to put an end to abuses of power. After all, injustice is even more difficult to accept than poverty." (Note that Saguisag is a member of the generally poverty-stricken legal profession.)

Such facile nonsense may even disappoint *Pravda* readers, who are not usually spoiled by an abundance of reliable information—or perhaps they will simply find it a boringly familiar refrain.

We would be more willing to heed Aquino government spokesmen's pleas to "Give us more time," if in our judgment the economic and security policies of the first 100 days had any realistic chance of succeeding or if they even so much as pointed in the right direction. They demonstrably do not. As *EIR* analysts develop in more detail below, the economic policies of Finance Minister Jaime Ongpin and Central Bank Governor José Fernandez represent an unbroken continuity with the previous Virata/Fernandez policies of compliance with International Monetary Fund prescriptions at the expense of the welfare of the nation. Internal security policy meanwhile is based on blatant misevaluation of the nature of the New People's Army/Communist Party, leaving the ill-equipped and underfunded (New) Armed Forces of the Philippines (NAFP) in purely defensive and untenable positions, as offers of amnesty and negotiations continue to fail to bring the NPA "down from the hills." Such policies hold no promise other than continuing economic hardship and military defeat at the hands of terrorist insurgents.

Even granting the best of intentions to Mrs. Aquino herself, it is our prognosis



that the policies of her appointed cabinet officers (and self-appointed Jesuit advisers) must of necessity further the erosion of political stability. As the largely Manila-based "people power" euphoria finally dissipates, increasingly violent political factionalism in the armed forces and civilian sector will at the same time work against early re-establishment of constitutional democracy.

We repeatedly forecast and warned against the present turn of events. It requires no great gift of foresight to predict the economic policy course to be chosen by a finance minister whose former business associates include some of the most notorious organized crime-linked figures in the United States, or the security policy insisted on by former close associates of pro-terrorist "human rights" lawyer Ramsey Clark, the former U.S. attorney general.

Soviet collective security

But we derive no satisfaction from our accuracy. A politically stable and economically healthy Philippine republic is an essential U.S. Asia-Pacific ally.

This is true not only in the narrow military sense of the

security of the U.S. bases at Subic Bay and Clark Field 700 miles across the South China Sea from the Soviet build-up at Danang and Cam Ranh Bay. The Soviet political and military leadership is not stupid. They will not simply push the narrow line of removal of U.S. bases. That task can be left to local agitation by the likes of Sen. José Diokno and others. Political and economic chaos in Manila provides them with the broader strategic opening of breaking another Pacific ally out of strategic alignment with the United States. Left to its own devices, the Philippines would then be invited to enter into discussions and arrangements for collective, regional security agreements, and begin to see the advantage of mutually beneficial build-up of economic, cultural, and scientific ties. Such arrangements, "ensuring the security of Asia, are of vital importance to the Soviet Union, a major Asian power," stated Soviet leader Mikhail Gorbachov to the 27th Congress of the Communist Party of the Soviet Union in February 1986.

How vital and timely the Soviet Union considers its new Asia foreign-policy initiatives, adopted at the 27th Congress, is underlined by the unprecedented Asian shuttle diplomacy

offensive conducted this spring by former Deputy Foreign Minister Mikhail Kapitsa, which would put Henry Kissinger to shame. Soviet analysis and objectives are spelled out in *Far Eastern Affairs*, the authoritative journal of the Institute of the Far East of the U.S.S.R. Academy of Sciences, edited by Kapitsa and V. A. Arkhipov. We will quote from the *Far Eastern Affairs* (2/1986) document summaries of the 27th Congress proceedings and an accompanying article on "A Comprehensive Approach to the Problem of Asian Security" by Prof. I. Kovalenko, which outline Soviet policy.

According to the report on the 27th Congress:

"People in the Asian countries are increasingly conscious of the fact that peace and stability on the continent cannot be secured by a strategy aimed at confrontation and intensive militarization. Evaluating the situation in that part of the world, mention must be made of the critical view taken by the ASEAN [Association of Southeast Asian Nations] countries of the U.S. plans for a so-called Pacific Community whereby the United States obviously intends to become a sort of 'manager' of the military and economic policies of the world's most densely populated continent. The ASEAN countries fear, for example, that the Community might undermine the role of their organization. Nor are they delighted by the prospect of becoming dependent on the U.S.A. and Japan first economically and then also politically and militarily.

"In view of the Soviet Union, if there is to be lasting peace and security in Asia, the countries in the region should not split up into military, political or economic blocs, but should mobilize all their efforts to combat the war danger. . . .

"It is commonly acknowledged that the question of peace and stability in Asia cannot be settled overnight. It is a long-term job that will program from phase to phase, moving carefully from bilateral or multilateral accords already or still to be concluded to more extensive agreements, with a gradual consolidation of stability in the region."

And from Kovalenko's article:

"The pulse of life of the Asian continent is felt throughout our planet. The turbulent developments in Asia have been attracting the attention of all those who favor the consolidation of peace and security of nations."

Among the points listed as encompassed by Soviet policy toward the region, Kovalenko cites:

"*Eighth*. Inadmissibility of creating new and expanding the already existing blocs in the Asia-Pacific region and the elimination of foreign bases there. The existence of military-political blocs and close groupings, as well as military bases on foreign territories is a crucial source of tension. That is why the world democratic public maintains that such blocs should be disbanded and the bases eliminated. . . .

"*Ninth*. Creation of peace zones and nuclear-free zones in different areas of Asia, the Pacific and the Indian Oceans. The creation of peace zones and nuclear-free zones in differ-

ent geographic regions presents an efficient form of struggle against the nuclear arms race. . . .

"*Tenth*. Mikhail Gorbachov . . . mentioned the need for carrying out confidence-building measures in the military and political fields among the actions aimed at ensuring a beneficial situation for the realization of Asian security. . . .

"Mikhail Gorbachov's statement emphasizes: 'The implementation of our program would radically change the situation in Asia . . . and would elevate the security in that region onto a qualitatively new level.'"

Despite the bureaucratic double-talk, what is clear from these quotes is that the Soviet Union, a great Asian power unlike the distant United States, claims the right to be surrounded by friendly or at least non-aligned nations, and is implementing policy to effect such an outcome. Offering lucrative trade deals to ASEAN countries hurt by U.S. import restrictions is part of the policy; continuing the military build-up in Indochina and Northeast Asia is the other side of the coin.

How does the Philippine situation fit into this picture? Soviet "peaceful co-existence" policy does not require that governments moving toward such an arrangement subscribe to the "socialist system." The existence and growing vitality of "progressive democratic forces" pushing governments in the proper direction are all that is required.

The Philippine situation certainly looks promising from that standpoint. Amnesty for previously jailed communist and terrorist leaders has strengthened the hard core of the civilian left, creating new opportunities for direct Soviet inputs. Groups advocating the removal of U.S. bases are now re-launching their campaign, with a demonstration over the July 4 weekend in front of the U.S. embassy in Manila. They were joined by 17 members of Mrs. Aquino's 50-member constitutional commission, who demanded the inclusion of a clause banning all foreign military bases in the preamble of the constitution.

Also on July 4, Philippine Deputy Foreign Minister José Ingles said that a move to declare Southeast Asia a nuclear-free zone will be on top of the agenda of the ASEAN summit in Manila next year. Ingles said that senior officials are now studying a treaty providing for a nuclear-weapon-free zone in the region. A similar move by New Zealand just led to U.S. withdrawal from the ANZUS military pact in the South Pacific.

There is yet no positive evidence of Soviet deep involvement in the NPA insurgency, but certainly Soviet political leaders and covert operations specialists are evaluating the opportunities that present themselves as the Aquino government tries to talk the insurgents "down from the hills" at a time when their strength and level of operations are increasing at an unprecedented rate. In Mindanao, the NPA is now operating in close to battalion-size (300-400) units, and is holding territory on a previously unrealized scale. Fifty to sixty percent of Philippine armed-forces fighting strength is

now concentrated on Mindanao, but is politically hamstrung and pinned down in fixed, defensive positions.

While the Soviet Union has a clearly articulated Southeast Asia policy and is being presented with ample opportunities for its implementation, what in the meantime are the analysis and policy objectives of the Reagan administration and of congressional leaders who had such a large hand in the Manila February Revolution and such expectations for it? Part of the answer is contained in a June 3 statement by Assistant Secretary of Defense for International Security Affairs Richard Armitage, before the U.S. Foreign Relations Committee:

"Despite anticipations to the contrary, the departure of Mr. Marcos did not with one stroke solve the problems of the Philippines. There was no immediate infusion of foreign capital to buoy the economy; the insurgents did not give up their arms and 'come down from the hills'; and despite the emergence of a popular government, the democratic process awaits definition by a new constitution. . . .

"In response to President Aquino's reconciliation efforts, the CPP [Communist Party of the Philippines] has indicated its intention to remain outside the democratic process. Except in rare instances, the NPA has refused to lay down its arms and is avoiding negotiations for a nationwide ceasefire. Far from embracing the new government, the communists are exploiting the NAFP's defensive posture by reorganizing, regrouping, and recovering from its election setback for the clear purpose of reinvigorating the insurgency. In fact, while the NAFP remains in defensive position, the NPA attacks and continues the *agaw armas* (arms grabbing) campaign.

"The CPP and NPA did indeed suffer a substantial political defeat when they decided to boycott the election. But they have also achieved some substantial military gains, seizing more than 300 weapons during the confusion of the transition and killing more than 800 soldiers and civilians since the accession of the Aquino government. In fact, there were over 200 violent incidents in March alone, and it is accurate to state that NPA assaults have become more aggressive than ever. The anticipated surrender of large numbers of NPA forces has yet to occur, and CPP political cadre are exploiting the complicated process of transferring authority at the local level. The NPA remains a serious threat to the Philippine government, with a strength of more than 22,500 armed troops and 15,000 support personnel. . . .

"I must also point out, Mr. Chairman, that the Aquino government has reduced Philippine defense expenditures. A pay raise announced in March has yet to be implemented, and the 1986 defense budget has been cut by almost 14%, with further cuts anticipated in the months ahead. Under such circumstances, we can not expect an immediate and complete eradication of corruption and human rights abuses. . . .

"And lastly, but by no means inconsequentially, the military situation is serious and getting worse, with the communists enjoying the initiative and assuming de facto control

in areas where government influence has been eroded over the years. We sincerely hope that President Aquino's offer of a ceasefire and an amnesty is ultimately accepted in good faith by the communists. As a general proposition, we support any program that would reduce bloodshed and eliminate the prospect of Filipinos killing each other. However, the continuing brutal attacks by the NPA and CPP's continuing adherence to the doctrine of armed struggle, leave little doubt in our minds that, at the end of the day, military action will be required to defeat the insurgency."

This is the same Mr. Armitage who on Oct. 30, 1985, before the same Senate committee, stated that barring dramatic change (that is, removal of President Marcos and leading military figures), we could face a situation of strategic stalemate in the next three to five years between the NPA and the government, and who, along with then Assistant Secretary of State for Far East Asian and Pacific Affairs Paul Wolfowitz, charted and implemented the Reagan administration's policy which produced the current state of affairs. As a Japanese friend in Washington commented on reading Armitage's June 3 statement: "If he were a Japanese official, he would have done the only honorable thing after delivering his testimony—*seppuku*" (ceremonial suicide to cleanse his reputation).

The final twist in Armitage's testimony is his admonishment that "the Aquino government must recognize the vital necessity of integrating economic, military, and social programs into a comprehensive framework which will defeat the NPA/ CPP." That is true enough, but Armitage might ask himself how the Aquino government is to carry out such an imperative, when the United States, led by Secretary of State Shultz, is demanding that the Philippines adhere to the IMF-dictated destruction of the Philippine economy. Has it not occurred to Armitage et al. that if such policies of economic disintegration were able to bring down the Marcos government, the same policies will make it impossible for the Aquino government to secure political stability? And, has it not occurred to them that the consequences of this failure could well be the realization of Armitage's warnings?

Or has it occurred to them? The February Revolution and the unfolding events in the Philippines cohere with the designs of the Guam Doctrine of Henry Kissinger and his co-thinkers for the strategic withdrawal of the United States from the Pacific theatre. In 1977, this policy for the Philippines was asserted by New Yalta strategist George Kennan: "The original justification for the maintenance of the Philippines bases has now been extensively undermined. The American response to the situation that now exists should be, surely, the immediate, complete, resolute, and wordless withdrawal of the facilities and equipment they contain, leaving to the Philippine government the real estate and only that."

It would appear that the Philippines, America's sister republic in the Pacific, has been sacrificed to the Soviet right to be surrounded by friendly or non-aligned nations.

The February coup against the Marcos government: an eyewitness account

by Paul Goldstein

The events in the Philippines which forced President Ferdinand Marcos from office were planned by the U.S. State Department and the bankers' faction of the CIA long before the events of Feb. 22-25 in Manila. As an eyewitness to the developments that occurred during the days when Marcos was ousted, and having met leaders of what was then the opposition as well as of the Marcos government, I can report with absolute accuracy that without the support of the State Department and Ambassador Stephen Bosworth, along with those elements of the CIA supporting the "official line," there never would have been a coup d'état against Marcos.

Many of my Filipino friends and contacts, both civilian and military, who were caught up in anti-Marcos campaign frenzy, were motivated by a desire to improve the situation in the Philippines, hoping and praying that the removal of the "corrupt dictator" would permit the Philippines to renew its existence. However, as I told both pro-Marcos and pro-Aquino forces, the real control over the direction of the Philippine crisis did not lie within the Philippines, but with forces outside the country—in London, Geneva, and New York. Despite many Filipinos' best intentions, the February events were pre-calculated; even the funding for the Catholic Church's Radio Veritas was provided by the State Department, prior to February. This revelation came as no surprise to *EIR*, when Undersecretary of State for Political Affairs Michael Armacost made this point to officers at the Foreign Service Institute last May.

Our friends on both sides of the fence were simply pieces of the chessboard, to be discarded if necessary.

I happened to be meeting with some of the key people who supported Cory Aquino when her new cabinet was announced. With the report of the re-appointment of pro-International Monetary Fund banker José (Jobo) Fernandez in the Aquino cabinet, my friends went into shock, realizing that *EIR*'s assessment of how the game had been played was correct.

Although the Soviet intelligence services have been at work within the labor unions, among students, and the Communist Party of the Philippines/New People's Army, Moscow has not yet fully exploited the insurgency, preferring the approach it took in Nicaragua, where the Jesuit-led Theology

of Liberation forces succeeded before the Russians "decided" to provide political and military support. The Philippines is slated for the same treatment.

Upon my arrival in Manila one week after the Feb. 7 elections, I found that the single most significant fact about the election was the role of the international media, especially the U.S. media, in shaping the environment for Marcos's overthrow. Nearly 1,000 journalists and media technicians gathered at the historic Manila Hotel. They scurried around like frantic ants, looking every which way to discover a new scandal about the election. Their assigned role: Keep the pressure on the Marcos forces; pressure Marcos into making mistakes; and breathe new life into the Aquino forces, which were committed to a massive civil disobedience campaign in protest of the election.

The operational role of the media had actually begun when Marcos agreed to a series of U.S. television interviews. This culminated in Marcos's decision, announced in an interview with NBC's David Brinkley, to hold "snap elections," a decision that later proved to be the beginning of his downfall. Marcos had been backed into the decision throughout the previous weeks by the combined, and at times conflicting, efforts of the State Department, his CIA channels, and Sen. Paul Laxalt's (R-Nev.) trip to Manila in September as a special emissary for President Ronald Reagan. Once Marcos made the decision to hold the election, the decks were cleared for the next phase of the operation.

Observer teams were sent from the U.S. Congress and from think-tanks sponsored by the special operations branch of Project Democracy, a faction of the Wall Street-controlled elements of the intelligence community. The political circus generated by the media, surrounding the deployment of various senators and congressmen to Manila, fueled the pressure campaign. I ran into several members of these observer teams, including Allen Weinstein, a former executive director of Project Democracy and ally of Rep. Stephen Solarz (D-N.Y.). Weinstein had bitterly complained to members of the Philippines parliament about *EIR*'s coverage of his role.

The observer teams promptly moved to give full backing to the National Movement for Free Elections (Namfrel) headed by José Concepcion, now a cabinet minister under Aquino.

no. Originally established in 1953 and financed by the CIA to help bring Ramon Magsaysay into power, Namfrel acted as the institutional rallying point for the Marcos opposition, completely backed by the State Department, Congress, and the Cardinal Sin-led Liberation Theology forces. Between the announcement of the snap election and Feb. 7, Namfrel chief Concepcion traveled to the United States at least three times, working with the Federal Election Commission, Congress, and the State Department's Philippine Desk officer, John Maisto.

After the elections, as the media and observer teams continued their activity in Manila, the White House arranged for Ambassador Philip Habib to come to Manila to aid in working out "power-sharing arrangements" between Marcos and Aquino. Habib's trip was arranged from Marcos's side by the public relations firm of Black, Manafort, Stone, and Kelly of Alexandria, Virginia. Marcos had been led to believe by White House officials and President Reagan himself, that his primary problem in dealing with Congress was "bad publicity."

A Marcos confidant gave me a listing of Habib's meetings in Manila. Habib's primary purpose was to profile Marcos's ability to govern under the condition of "tainted elections," civil disobedience, and an increasing communist insurgency. The content of Habib's meetings was reported to me by several of Marcos's circle, including cabinet ministers. It was evident that a coup was in the works.

'Plausible denial'

On Friday morning, Feb. 21, I had two meetings—one with a member of Marcos's inner circle and the other with leading military officers. In the first, I was shown a copy of an unsigned message sent to President Marcos by the CIA station chief, on behalf of CIA chief William Casey, denying any coup plot or assassination operation against Marcos. In the parlance of the intelligence community, this message is called "plausible denial," intended to throw off Marcos from thinking that the United States would back Aquino. According to the source, Marcos had Reagan's guarantee that he would be backed all the way, provided he made certain concessions.

Later on, I received a profile of the Armed Forces of the Philippines, indicating those individuals on whom Marcos could count if a military coup erupted. The U.S. embassy estimated that Marcos had at most 1,500 loyal troops. In the second meeting, I was asked if there was a coup in the making by forces associated with Defense Minister Juan Ponce Enrile and Acting Chief of Staff Fidel Ramos. Marcos's military forces were clearly preparing to prevent a coup.

On Saturday morning, Feb. 22, the day Enrile and Ramos occupied Camp Aguinaldo and later Camp Crame, I discovered that a "contract employee of the CIA" had already prepared the way for the occupation by proceeding, ahead of Enrile and Ramos, to Camp Aguinaldo. Once the occupation

began, U.S. embassy personnel were shuttling back and forth between Aguinaldo and Malacanang Palace, meeting with Marcos as intermediaries for Enrile and Ramos, advising the avoidance of bloodshed. The State Department-funded Radio Veritas was broadcasting calls to the population to come out in support of Enrile and Ramos. Nearly 1 million people from the Metro-Manila area came to the scene. A special psychological warfare unit was created under the control of General Ermita, with U.S. advisers planting disinformation into those armed forces units still loyal to Marcos. One example was the story that Marcos had left Malacanang Palace on Sunday morning, well before his actual departure.

The turning point in the military side of the coup was the defection of the Air Force units from Villamor Air Base, who took two planes and a helicopter and bombed Malacanang Palace. This broke Marcos psychologically. He was also told that the U.S. forces at Subic Bay and Clark had aided the "rebel" forces. At that point, he knew he was finished; he then received a phone call from Senator Laxalt, who asked him to leave Malacanang, to avoid bloodshed, given that certain loyalist troops had moved into position at Aguinaldo under Marine General Tadjier.

At each phase of the operation, notwithstanding the popular mobilization within Metro-Manila, the hand of the United States was directly involved. The key to the operation was to play the politics of the capital city, the Aquino forces' stronghold, including the takeover by the rebel forces of the government TV station. With a solid portion of leading military officers having swung over to Enrile and Ramos, coupled with the seizure of both the civilian and military communication grid, the Marcos forces were routed without a fight.

It should be kept in mind that if Marcos had gotten the upper hand, the same U.S. intelligence networks which were aiding the opposition were also in a position, if needed, to maintain their lines of communication and contact with Marcos. But no matter who emerged in power, the economic and financial policy was not going to be altered; the IMF and the U.S. commercial banks were not going to permit any break with their stranglehold on the Philippines economy.

I met Mrs. Aquino about a week after the change of government, to warn her about the consequences of retaining the IMF austerity policies that had destroyed Marcos. For nearly three years, Marcos had planted the seeds of his own downfall by adhering loyally to the dictates of the IMF; rationalizing this with the belief that he had to do this to keep in the good graces of the United States. Mrs. Aquino was polite, but declined to indicate the direction her government would take, except that she had already appointed Marcos's central banker, Jobo Fernandez, to the same job he had under Marcos. I insisted that the fate of her government would depend upon how she dealt with the IMF; no matter how much good will she thought she had, unless she changed economic policy, she would be as doomed to the same fate as her predecessor.

The growing power of the outlaw NPA

by Al Douglas

On Feb. 26, following the U.S.-backed coup in the Philippines which ushered in the government of President Corazon Aquino, new Prime Minister Salvador Laurel announced that the Aquino government would amnesty all political prisoners, including the founders of the terrorist New People's Army, jailed for the past decade. Said Laurel: "I believe that given a credible government . . . 90% of the New People's Army will lay down their arms and come home." Less than four months later, in the face of an increasing number and ferocity of NPA attacks, Chief of Staff of the Philippine Armed Forces Fidel Ramos had a different assessment: "Time is on the NPA side. If we don't move just now, we may end up like Vietnam or Cambodia, which just let things slide. We have to choose what kind of society we want."

The chief rationale for the coup against President Ferdinand Marcos had been that the presence of this "hated dictator" was the major factor in the growth of the NPA. Having amnesty all political prisoners, including NPA founder José Maria Sison, the Aquino government has begun the process of "reconciliation talks," whose first formal session took place in Manila on July 2. The NPA's response to these overtures has been a brutal escalation of attacks, including the ambush of an army convoy in Quezon province, killing 11 soldiers and wounding 8, just two days before the talks opened. Agriculture Minister Ramon Mitra, one of the government's chief negotiators, said of the attack, "I'd like to think it has absolutely no bearing on these talks. It could well be just another isolated incident."

The drumbeat of these "isolated incidents" has been intensifying ever since the Feb. 22-25 coup, to the point that the NPA has taken control over various areas of the country:

- **Northern Luzon:** NPA actions dominate the Cordillera mountains, where they are coordinated with local natives who grow marijuana, on contract to the NPA.

- **Negros Occidental:** The major sugar-growing region. Particularly southern Negros has been a prime NPA recruiting ground since the collapse in sugar prices which destroyed

local farmers. An NPA unit took over an Army camp in the town of Hinobaan in the south, 348 miles south of Manila.

- **Samar:** According to Provincial Commander Col. Ibarra Mariano, 871 barangays (village units) in the 15 towns of northern Samar have been penetrated by rebels. Among the 970 barangays in Samar, 323 have been entered by NPA people, 100 are under NPA influence, and another 400 are targeted for near-term penetration.

- **Mindanao:** In this rich, southernmost island, the center of much of the country's mining activity, the central government maintains very little authority. The NPA-allied and Qaddafi-backed Moro National Liberation Front has demanded autonomy for the island from the Aquino government.

The scale and coordination of NPA attacks is mounting. The attack on Hinobaan was carried out by a 300-man unit, the largest such unit yet deployed, and coordination is being maintained over increasingly greater areas, through the use of UHF tranceivers.

The Khmer Rouge of the Philippines

In opening the reconciliation talks, the Aquino government has fundamentally miscalculated the nature of the NPA. Far from being idealists who "went to the hills" because of injustice, the core of the NPA is comprised of terrorists, whose ideology and methods mark them as the Philippine equivalent of Cambodia's genocidal Pol Pot and his Khmer Rouge forces. Further, the NPA is not a centralized organization with which the government can negotiate, but rather an amalgam of 1) a dominant faction of leftist-terrorists operating under the banner of Theology of Liberation, 2) drug-growing narco-terrorists, and 3) tribal groupings such as the Kalingan headhunters, organized by the anthropologists who have infested the Philippines since World War II, and who have deployed the "endangered peoples" against crucially needed economic projects such as the Chico River Dam hydro-power plant, which had been planned for the Cordillera.

To the extent that the NPA has a centrally deployed force, it operates using Pol Pot-style tactics of terror, including the systematic assassination of government officials, trade-union and village leaders, and peasants who refuse to pay revolutionary "taxes." In so doing, the NPA insurgents are following the guidelines set in the official NPA manual, *A Guide to Establishing a Mass Base in the Rural Areas*, which instructs cadre to assassinate any "enemies of the people, spies, and unreformed elements who hinder the development of the revolutionary movement in the *barrio*."

Precisely as the Khmer Rouge carried out some of the first major slaughters against their own members, on June 19, at a site 520 miles southeast of Manila, soldiers found a mass grave of 28 "suspected informers" from the NPA, together with some civilians. In the southern island of Mindanao, Church authorities report the recent torture, and then

slaughter, of another 30 NPA members suspected of being army "deep penetration agents." The "informers" are dragged before an audience of villagers, stabbed first in the legs, buttocks, back, shoulders, and stomach before a dagger is plunged into their chests to finish the job. In Butuan City, the bodies of at least 24 victims of summary executions have been discovered over recent weeks, often with their hands and feet chained and padlocked, and brutally tortured.

For the peasants not killed, increasing numbers in remote areas are forced to work in NPA agricultural concentration camps, e.g., in the mountainous areas in Inpakibil, Clavaria, and Gingoog City, where 1,000 peasants were kidnapped from nearby towns and taken to work at slave-labor farms to provide food for the NPA. Most of the hostages were abducted on Feb. 17, and by June, 18 of them had died from hunger and disease, their bodies left in the forest or thrown into the river. As for the rest of the Pol Pot program, one Communist Party leader called for the depopulation of Manila: "We can't support Manila the way it is."

NPA faction in the government

In an interview in the Philippine newspaper *We Forum* published on March 24, José Maria Sison, the founder of the Communist Party of the Philippines (CPP) announced, "The left has plenty of leverage in the new government. I am confident that the left has enough leverage to gain a major position in the flow of legal political life in the country. . . . In a certain sense, the NPA is even supporting Mrs. Aquino." The "major position" in the political life of the country which the CPP-NPA is pushing for, includes the following demands:

- The Armed Forces of the Philippines (AFP) must be "completely overhauled"; Defense Minister Juan Ponce Enrile and Chief of Staff Fidel Ramos must be fired; the AFP budget must be drastically cut, and its troops not be allowed to leave their barracks.
- The strategic U.S. facilities, Clark Airfield and Subic Bay Naval Base, must be dismantled.
- The CPP/NPA must be formally included in the ruling government coalition.

NPA leaders have said that they are unanimously agreed that under no circumstances—even inclusion in the government—will the NPA rebels lay down their arms.

The left-wing support apparatus for anti-Marcos terrorism is already included in the government. NPA leader Sison's personal lawyer is Joker Arroyo, who is also President Aquino's executive secretary, a post so powerful that its holder is traditionally referred to as the "Little President." It was Arroyo who put together the current reconciliation talks.

Since Sison and company have repeatedly stated that they will not lay down their guns under any conditions, and make other impossible demands, the talks are only serving to buy time for the NPA. As one Philippine officer put it: "We are

prevented from launching a major offensive because of the government's policy of reconciliation, and rebels have been taking advantage of the situation. Our hands are tied by a populist image of the President who promised to negotiate a cease-fire with the Communists."

Another chief NPA asset in the government is the "human rights" mafia around governmental press spokesman Rene Saguisag. When asked if they would investigate the countless incidents of torture and assassination by the NPA, Human Rights Commission Chairman José Diokno replied: "In the case of the NPA it is assumed that they would violate the law and break the law. On the other hand, the military is supposed to uphold the law and safeguard the lives of citizens. I don't see how we can."

Saguisag, Arroyo, and Diokno have long been defense lawyers for the NPA, a fact reflected in Diokno's analysis of the NPA assassination of "corrupt" local officials, "It's rough justice, but in their way the NPA is doing what the government should be doing."

Diokno has campaigned relentlessly for the past 10 years for another key NPA demand, the removal of the U.S. bases. As head of the Anti-Bases Coalition, he also took a leading part in sponsoring the "first-ever nongovernmental international conference against foreign military bases throughout the world." The purpose of this conference, held Oct. 23-25, 1983 in Manila, was to launch a Soviet-designed "peace movement in Southeast Asia."

The Jesuits and the NPA

Though the NPA encompasses a number of diverse elements under its banner, by far the most coherent and well organized are those sponsored and protected by the Theology of Liberation wing of the Philippine Catholic Church. *Ten percent of all the Catholic priests and nuns in the Philippines belong to the Christians for National Liberation, an arm of the NPA.*

Eighty-five percent of citizens in the Republic of the Philippines are Catholics. Throughout the vast, 7,000-island archipelago, there are two, and only two, organizations commanding a mass allegiance from the population of 55 million: the Church and the State. Beginning shortly after the Second Vatican Council in November 1964, the Jesuit order began a process aimed at the overthrow of the State. From Ateneo de Manila University, their headquarters and training ground for the elite of the Philippines' oligarchy, the Jesuits began a Theology of Liberation-premised "orientation toward the poor."

In 1969, when the combined CPP and its military arm, the NPA, had perhaps a total membership of less than 200, one of the leading theoreticians of Ateneo, Fr. John F. Doherty, S.J., published a book, *Can We Predict a Philippine Revolution?* His answer was, "Yes." The following year, Ateneo began a series of mass-distribution pamphlets, begin-

ning with "The Morality of Demonstrations and Violence," by Vitaliano Gorospe, S.J., in which he argued, "What is needed today is to develop, apart from the ethics of a justified revolution, a contemporary and radical morality of violence more adequate to the moral exigencies of the times."

By 1972, at the national convention of the radical Philippine Priests, Inc., which commanded a membership of 1,500 out of the total of 13,000 priests and nuns in the country, a campaign was launched to "mobilize our people in a well-planned program of protracted and disciplined struggle for liberation." Later the same year, two of PPI's leaders announced the formation of the Christians for National Liberation, and declared its full alliance with the CPP and NPA.

This marked a dramatic expansion of the NPA's capabilities. Though the CNL has lay members and Protestant supporters, its core is the over 1,200 Catholic priests and nuns, organized into disciplined cell structures, and pledging allegiance to its constitution, which specifies support for a "protracted people's war . . . the armed struggle and the underground movement." CNL cadre are effectively CPP members. As one non-CPP Philippine leftist put it, "Liberation theology has gone much further in the Philippines than in Latin America. In Latin America, it justifies collaboration with the Communists. Here, it means joining the Communists."

Through the positions of CNL members in the vast "social welfare" apparatus set up to implement the "orientation toward the poor," they wield a great deal of the financial and logistical muscle of the Philippine Church behind the NPA. An excellent example is the island of Negros. The founder of the CNL, Fr. Luis Jalandoni, of one of the oligarchical families which has supported the NPA since its inception, directed the entire Negros Diocese's Social Action Office, as the right-hand man of the bishop. This apparatus interfaced the so-called Base Christian Communities, a major conduit of peasants into the NPA. The BCCs, usually in remote areas, are 40-50-person groups of peasants run by "lay leadership" and organized around a "conscientization process" of Liberation Theology: "The government is repressive, the peasants must have liberation." In Nicaragua the BCCs were a crucial element of the Sandinistas' march on Managua and seizure of power.

According to Ross Munro, writing of the NPA in December 1985 *Commentary Magazine*, it is an open secret that the BCCs of Negros form "the basic infrastructure of the NPA." Where an earlier attempt by communists to organize support in the countryside was a miserable failure, "When priests come to organize the workers under the banner of religion, better yet when the priests are Australian or Irish, it's easy. The landlords will never think that this is a Communist organization. But that is what happened; the Basic Christian Communities in Negros became the infrastructure of the NPA." Even where all the BCCs have not yet gone over to

the NPA, under conditions of continued economic collapse and weakened central government, that process will accelerate, as in Nicaragua.

The role of Cardinal Sin

Immediately after the February coup, Cardinal Jaime Sin announced, "We won during our February Revolution. It does not mean that the revolution is over." His meaning was unmistakable. The February 1917 "liberal" revolution in Russia had sufficiently smashed the old order, paving the way for the November Revolution of the Bolsheviks.

Not only did Sin play a crucial role in mobilizing the "people's power" for the February coup in Manila, but he and his Jesuit allies of Ateneo de Manila, such as the influential Father Bernas, have started distancing themselves from the present Aquino government. Sin has publicly stated that Mrs. Aquino "shouldn't consult me so much," while Bernas has repeatedly "recommended" that it is time for Defense Minister Enrile to leave his post, a process which would begin the disintegration of the AFP. As Sison and the Jesuits stress, though the "dictator is gone, the structures of exploitation and oppression are still intact, and have yet to be dismantled . . . for true liberation to be achieved."

If Sin were in fact concerned with "justice" and "liberation," he would be against the core oppressor of the Philippine people: the International Monetary Fund. On the contrary, Sin has publicly *supported* the IMF, as in a trip to the United States in May 1985. And while the IMF was grinding up the Philippine economy, Sin was giving *carte blanche* to the desperation fueled by the economic sabotage, as in his late-1985 statement, "What is truly despairing is the insensitivity shown by the powers that be, an insensitivity that is driving more and more people to the hills. Many people perceive change to be impossible except through armed struggle."

Sin's longtime support for armed struggle is a matter of public record. As early as Feb. 2, 1980, a *Washington Post* Manila correspondent reported that, "According to Church officials, many priests are seeking approval of armed resistance to the Philippine military and are urging open cooperation with Communist guerrillas." After interviewing Sin the same day, he reported, "Sin does not regard the issue as a serious problem. . . . The Cardinal said . . . that some acts of civil disobedience advocated by priests and bishops could be sanctioned, and he specifically endorsed the widespread practice of refusing to inform on guerrillas who seek food and shelter from the Church." "Freedom," Sin said, "is a gift from God." Sin's personal "nonviolent" spirit was indicated in an Oct. 28, 1983 interview with the magazine *Famiglia Cristiana*, where he said, "When I say the President [Marcos] must step down, I refer to a law of nature. . . . Every pig has the feast of Saint Martin coming to him, when pigs are slaughtered."

For the Philippines: democracy or debt?

by Linda de Hoyos

When Corazon Aquino campaigned for the presidency, she promised in speeches that the Philippines' foreign creditors would grant far easier terms and concessions to a Philippines under new leadership. The banks will be far more lenient, she claimed, just as they had been with President Raúl Alfonsín of Argentina. But in the first 100 days of her administration, the realization of these promises has not been forthcoming.

To be sure, the U.S. military coup that overthrew the government of Ferdinand Marcos had the active approval of the Paris Club of the Philippines' foreign creditors. The international bankers are breathing a "sigh of relief" at the "peaceful transition of power in the Philippines," wrote one financial daily on Feb. 27, two days after Marcos had fled the country. "It's a real plus what has happened," said Robert Winn, senior vice-president at Morgan Guaranty. Although there were rumors that Aquino might become the "García of the Philippines"—and follow the Peru model for the partial moratorium on its debt—the bankers were not apprehensive. The general mood from Wall Street was summarized by one banker: The new government is "not going to scuttle what the International Monetary Fund has done and all the hard work the banks have done."

So far, this prognostication from New York, echoed in London and Switzerland, has proven correct. As per insistent recommendations from Bank of America (chaired by the brother of Undersecretary of State Michael Armacost) and Bankers Trust of New York "to form a technically able economic team," the new government retained monetarist José Fernandez as president of the Philippines Central Bank, and named Jaime Ongpin as finance minister.

Not only has the Aquino government taken active steps to assure its creditors of its intention to fully pay the \$26 billion debt and \$4.2 billion owed this year, but the new government has opened the doors for debt-for-equity schemes, by which the foreign creditors take ownership of Philippine property titles. According to sources in Manila, within a week of the February revolution, Bankers' Trust, American Express, and Bank of Hawaii, were looking to buy up 40% of the Philippines' commercial banks.

By May, barely three months after Marcos's ouster,

American Express did succeed in taking over 40% of the Philippines' International Corporate Bank (Interbank). Amex converted \$15-20 million in "exposure" in Philippine debt into 40% ownership of Interbank. Other such deals are in the works.

Debt-for-equity, however, will not begin to solve the economic crisis faced by the new government. Three years of the IMF program of austerity conditionalities, including devaluations of the peso, has reduced per capita income in the country by 15% over the last 24 months. Industry is running at 30-40% of capacity. Even with a moratorium on principal since 1983, *a full 70% of Philippine export earnings go to debt service.*

"I frankly don't blame the IMF for what they did" to the Philippines economy, said Finance Minister Ongpin in an interview with the *Asian Wall Street Journal* March 5. "If I were in their shoes, I would have been worse. . . . We hope we will not be treated as a bunch of thieves."

Not unanimous

However, there is no unanimity around Ongpin's demand for full acquiescence to the International Monetary Fund. In March, the Philippines dropped a stand-by facility negotiated by the Marcos government with the IMF, because the government could not hope to meet IMF targets. Negotiations are now ongoing with the Fund. Specifically, the Aquino government has refused to proceed with IMF demands for tariff liberalization, a demand the Marcos government had also adamantly resisted. Speaking before foreign businessmen in Manila May 21, Trade and Industry Minister José Concepcion vowed that he would "resist all attempts of all sectors to totally allow the liberation of all imports. Today many of our industries are operating at 30 to 40% capacity. They have been bothered by high interest rates in the last three years, and many of them no longer have the capital and are in the intensive care unit." In May, the Aquino cabinet also announced that it would not impose increased oil taxes, as demanded by the Fund.

According to the *Far Eastern Economic Review*, if a vote were taken in the Aquino cabinet, the government would indeed opt for a "Peruvian solution" to the debt problem. The leading spokesman for this view in the government is Solita Monsod, chairman of the National Economic and Development Agency, who traveled to Peru and Mexico at the end of June to survey government leaders in those countries on their approaches to the debt crisis.

In mid-May, debate in the Aquino cabinet reached its height, with Monsod arguing for partial debt repudiation. However, "Central Bank president Fernandez and Finance Minister Ongpin are holding to the line that there is no way for the country to undertake a policy of selective repudiation or even putting a cap on interest payments," reported the Philippines' *Business Day*.

Monsod argued that the "ravaged" Philippine economy cannot even begin to recover within even three years' time, unless the heavy burden of 70% of export earnings going to debt service is lightened. The debt service must be reduced by "at least 22-25% this year," she said on May 22, if the government economic program for increased agricultural productivity and employment is to proceed. Monsod has also bitterly complained that foreign banking sources are not giving the new government any breathing space through issuing new loans. "All we're getting is sympathy," she told the cabinet.

But so far, Monsod and other members of what is called the "nationalist" faction in the government have been unable to break the stranglehold of the Fernandez-Ongpin nexus over monetary policy. In an interview May 7, Mrs. Aquino stated that proposals for the repudiation of certain loans—loans believed to have been siphoned off by Marcos cronies—"are not possible, because if we did that, nobody would be willing to help us anymore. We have a word of honor and we have to borrow."

Finance Minister Ongpin has set as his goals: the stengthening of the foreign-exchange reserve position; keeping the inflation rate at a single-digit level; bringing down interest rates; and encouraging the private sector to once again lead the country's economic growth, a role which "unfortunately was pre-empted over the last two decades by a combination of state capitalism and crony capitalism."

Ongpin's program is coherent with the economic program coming out of the National Economic Development Authority, which calls for pump-priming measures to foster government employment programs to build roads and other infrastructure projects that would raise agricultural productivity.

No break in IMF line

But the initial actions of the government, aside from permitting debt-for-equity re-colonialization policies to go through, indicate no break from the IMF austerity outlook. In the days immediately following the Feb. 7 national elections, Fernandez hiked domestic interest rates to between 24 and 30%, from the 18-24% that prevailed previously. He explained that the measure was necessary to "dry out excess liquidity in the economy." The rate increase delivered another blow to Philippine industry, already at a standstill due to the escalated prices of necessary imports.

The first 100 days of the Aquino administration have also not been a boon to the farming sector. In March, the National Food Authority ceased purchase of agricultural goods, thus ending an effective subsidy to farmers already hit by low prices. This has forced farmers to sell to private traders, depressing prices further. Simultaneously, the Ministry of Food and Agriculture froze farm production loans. The Farmers League of the Philippines declared that the freezing would lead to a "very critical condition" in the farming sector,

since the loans were needed immediately for the purchase of vital farm inputs to ensure the next planting. Without the loans, the FLP stated, the Philippines would face another severe rice and corn shortage. With the freeze, some 200 million pesos, out of the fund's allocated 720 million pesos, sat idle in Fernandez's Central Bank.

The Aquino government also appears to have made a final decision to scrap the \$2.1 billion Bataan nuclear plant, built by Westinghouse Corp., on "environmental grounds." In this case, Aquino lived up to a campaign promise. A push to repudiate the loans acquired for the plant's construction were put to rest by a Rene Saguisag, who made a special trip to Washington for that purpose. "Wholesale repudiation of the [\$1 billion] loan is not something the Aquino government is looking for," Saguisag assured Washington. The Bataan plant will stand idle, even while it costs the country \$350,000 a day in interest alone, according to the *Far Eastern Economic Review*.

Fair warning

In a speech before the Foreign Policy Association in New York on June 4, U.S. Secretary of State George Shultz hailed the Aquino government and its "free market sentiments, which I heartily endorse." Presaging July negotiations with the IMF, he declared that the Philippines must look forward to:

"—tax reform . . .

"—business deregulation;

"—reducing and streamlining the activities of government financial institutions;

"—selling off a major portion of public sector corporate assets; and

"—dismantling the notorious crony monopolies of sugar, coconut and other basic commodities."

Within the context of the debt-for-equity deals already in place, Shultz's prescription is a call for the effective dismantlement and takeover of the Philippine economy by its foreign creditors. The Philippines today faces the same life-or-death crisis that the Ibero-American countries of Mexico and Peru face.

An apt warning of the consequences of such policies was delivered by Deputy Foreign Minister Leticia Shahani in March. The debt "is the albatross which hangs around Cory Aquino's neck," stated Shahani, the sister of Chief of Staff Fidel Ramos. "It is mainly the poor people who will have to repay this debt and we cannot just rely on striped-pant diplomacy to solve this problem. . . . One must be careful when economic problems contribute to social unrest and this in turn becomes an explosive political issue."

Even now, given the continuing unrest in the country, the growing insurgency of the New People's Army, and the fundamental divisions within the government itself, foreign investors are not expected to bail the country out. It will not be long before Aquino will be forced to face the question: "Democracy or debt?"

Dope, Inc.'s bid to wreck the Philippines

by Al Douglas

The January-February 1986 issue of the newsletter of the Georgetown Center for Strategic and International Studies reported in detail on the CSIS's October 1985 two-day "simulation" of the overthrow of Ferdinand Marcos and takeover of the Philippines by the New People's Army (see *EIR*, Nov. 8, 1985). A box on the same page drew attention to the fact that much of CSIS's Asian work is made possible by million-dollar grants from the C. V. Starr Foundation of New York. Just what is this foundation, and why is it so interested in the Philippines?

CSIS further reported, regarding the chief executive of the \$13 billion C. V. Starr insurance empire, Maurice R. "Hank" Greenberg, that "his global political economic expertise, especially with regard to the East Asian region, has been an important intellectual asset to CSIS," and that Greenberg was a key figure on the CSIS Board of Councillors, which is chaired by Henry Kissinger. CSIS functions as a semi-official back channel to the Soviet Union for the U.S. State Department.

But the newsletter did not report the exact link between the CSIS simulation and C. V. Starr's grants: Through C. V. Starr's control over Philippine financial institutions and personnel, Greenberg played a crucial role in the actual overthrow of President Marcos.

Maurice Greenberg, as CSIS noted, is an influential man, through the weight of his Asian-centered multi-billion-dollar insurance empire, his own personal fortune estimated at \$250-500 million, as well as the company he keeps. He is an adviser to CIA chief William Casey, and was in an excellent position to help Casey, his reputed business partner, run the destabilization and final overthrow of Marcos.

Greenberg's C. V. Starr Co. owns the major insurance company in the Philippines, Philippine-American Life Insurance, which underwrites all the banks in the country. He and his associates directly control four of the leading financial figures in the country: Finance Minister Jaime Ongpin, Central Bank head José ("Jobo") Fernandez, Development Na-

tional Bank head Caesar Zalamea, and former prime minister and finance minister Caesar Virata, a proponent of the International Monetary Fund.

But the real basis for Greenberg's power is the "joint-stock company" of Russian and Western financial interests known in intelligence parlance as the "Trust," the grouping which ran the Bolshevik Revolution and continues today as the principal advocates of a "New Yalta" deal with the Soviet Empire. According to knowledgeable sources in the Philippines, the C. V. Starr Insurance Empire was established in Shanghai in 1919, when a young Californian named Cornelius Vander Starr made contact with a group of influential White Russian families who left Russia after the Bolshevik Revolution of 1917. These were some of the old noble, "boy-ar" families of Russia who, bitterly opposed to the modernizing and Westernizing of Russia at the end of the 19th century, had helped to sponsor the Bolsheviks as a battering ram against that Westernization, from their positions in the Czarist police, the Okhrana.

Largely happy with the "change in dynasty" they had helped to engineer, these White Russian families, a number of which had emigrated to Shanghai, continued to work with the "new dynasty," in particular through Cheka chief Felix Dzerzhinskii's "Trust" organization. Based upon an alleged anti-Bolshevik "resistance movement" inside Russia, and its liaison to "anti-Bolshevik" White Russian forces on the outside, in Shanghai, Harbin, Riga, Paris, Munich, and Berlin, Dzerzhinskii's Trust represented a major penetration of Western intelligence services.

The Shanghai families were some of those who, in the pre-Revolution period, had been deeply involved in the extensive Russian imperial apparatus in the Far East, headed by Okhrana official (and later adviser to Dzerzhinskii's Cheka), Peter Aleksandrovich Badmayev. Badmayev's friend and protégé, also active in the Far East, was Sidney Reilly, the British "ace of spies" and later the most celebrated figure of Dzerzhinskii's Trust. These were the networks which adopted the young C. V. Starr in 1919. With their sponsorship, and by arrangement with the British, he began selling insurance to the Chinese.

The "joint-stock partnership" of the Trust which spawned C. V. Starr is reflected most directly in Starr's current business arrangements under Greenberg. Since 1979, probably the fastest-growing element in Greenberg's empire has been in dealings with the East bloc and China. It includes the following activities by C. V. Starr's holding company, the AIG:

1979: Launched its first joint venture, the Romanian-American Insurance Co, with the Romanian state-owned company, and was received personally by Romanian President Nicolai Ceausescu.

1979: Established the Polish-American Insurance Co., on the Romanian model.

1979: Established the Hungarian-American Insurance Co.

1980: Set up an insurance plan with the Soviets around the Moscow Olympics (canceled due to the Soviet invasion of Afghanistan).

1980: Established a 50-50 deal with the state-run People's Insurance Co. of China, involving Greenberg in everything from building hotels to insuring the safe delivery of equipment to China from the West.

1981: Established a similar arrangement with Yugoslavia, subject to profits not leaving the country.

In addition, AIG has a virtual monopoly on reinsuring the East bloc countries' oil rigs in the Adriatic, Baltic, and Black Seas.

Dope, Inc.

In the decades of the 1920s and 1930s, C. V. Starr branched out from China, where the firm had the largest insurance company in the country, to open operations across the Far East, in Hong Kong, Saigon, Jakarta, and the Philippines. At the outbreak of World War II, Starr attached himself to the bankers' wing of the Office of Strategic Services (OSS), the predecessor to the CIA.

Soon after the war, C. V. Starr entered the leading ranks of the American branch of Dope, Inc. In the 1950s, C. V. Starr's president, William S. Youngman, was a partner in the private law firm of Thomas G. Corcoran, which organized the CIA's dope-smuggling private airline, Civil Air Transport (CAT), later notorious as Air America. Through Youngman, Starr's board overlapped the notorious United Fruit Co., the firm estimated by the U.S. Drug Enforcement Administration to be smuggling 20% of the drugs entering the United States from Ibero-America, and which played a coordinating role in the Bay of Pigs fiasco, as well as numerous coups in Guatemala, Honduras, and elsewhere.

In 1961, Hank Greenberg, with recommendations from his mentor, Eastern Establishment insurance executive Milburn Smith, joined C. V. Starr. By 1968, shortly after the death of its founder, Greenberg inherited not only the company, but Starr's ties both to the dirty side of U.S. intelligence and to the narcotics cartel.

For the U.S. policy toward the Far East, all these networks come together in the New York City-headquartered Asia Society, chaired for many years by Lehman Brothers executive George Ball. C. V. Starr prominently joins in the Asia Society the controlling money-laundering firms of Dope, Inc. in the United States, including American Express, Phibro-Salomon, Goldman Sachs, United Fruit, and United Fruit's law firm, Sullivan and Cromwell, the law firm of the Dulles family. The roots of this nexus go back to the Boston Brahmins, the American junior partners in Britain's 19th-century opium trade in the Far East.

Within the Philippines, sources report that Greenberg operates in tandem with another network, centered on the largely Syrian Jewish grouping around Jack Nasser, owner

of one of the largest textile firms in the country. Nasser's cousin Nessim Gaon is the business partner of Tel-Aviv-based arms smuggler Shaul Eisenberg, the "Armand Hammer of China," who spends seven months out of the year in Beijing. Eisenberg and Greenberg are reportedly good friends. The Syrian Jewish networks of Nasser and Gaon are descended from the opium- and precious-metals-smuggling networks run for centuries throughout the Levant, by the corrupt old families of Venice.

The tradition of dirty money and drugs in these Syrian Jewish families continues to this day. Take the case of Edmond Safra, a friend of Nasser who is a former board chairman of American Express, and himself reportedly active in the Philippines. He is also notorious in his home base of Switzerland as a gold smuggler. Another scion of these Syrian Jewish families, Isaac Kattan-Kassin, was caught laundering millions in drug money through U.S. banks, as part of the Colombian "cocaine connection."

It was Nasser who introduced his nephews, Joseph and Ralph Bernstein, to the Marcoses, embroiling the Marcoses in financial scandals which were used as a chief point of attack for another Nasser ally, Congressman Stephen Solarz (D-N.Y.). Solarz, who led the crusade against Marcos from his post as chairman of the House Foreign Relations Subcommittee on Asia and Pacific, was acting as the front man for the Syrian Jewish community of Brooklyn, New York, with which Nasser, the Bernstein brothers, and former Amex chairman Edmond Safra are all closely tied.

Point men for Dope, Inc.

Several days after the Feb. 25 coup, the *Washington Times* ran an article entitled, "Did the IMF Overthrow Marcos?" The article admitted what this journal had reported throughout the preceding two years: The International Monetary Fund's brutal austerity policy was the key factor in creating the conditions of discontent favorable to destabilization. The IMF, which has "unofficially" recommended to developing-sector countries that they grow drugs to pay their debts, relied and continues to rely upon certain individuals in the Philippines to push its policies through. They are:

● **Finance Minister Jaime Ongpin.** Appointed finance minister by President Corazon Aquino, Ongpin's first act was to travel with central bank head Jobo Fernandez to the United States, offering a shopping list of Filipino assets to U.S. banks and private investors. One participant in a meeting with them, Chase Manhattan's Philippine desk head, reported this fact, together with the observation, "Though they don't particularly want to be seen as opening the country up for massive purchases by foreign investors, because that would be taken wrong by a lot of elements in the country . . . everything we heard was as we wanted to hear, really."

Though regarded as a successful businessman, Ongpin is merely a straw man for the people at Charles Allen & Co.

who installed him as the head of Asia's largest gold producer, Benguet Mining, a long-time jewel of the Meyer Lansky empire. According to *Fortune* magazine of Aug. 8, 1983, Jaime graduated with an MBA from Harvard, and settled in at a career in the Scott Paper firm in Pennsylvania. "But the New York investment banking firm of Allen & Co., which controlled Benguet, had other plans for him. Eager to 'Filipinize' Benguet's management, Allen hired Jaime and sent him back to Manila. He spent seven years building Benguet's engineering subsidiary into a major profit maker. In 1974, Jaime became Benguet's first Filipino president. His entire career is due to Charles Allen & Co, *the private investment house of the late dope king Meyer Lansky.*

The Allen brothers, with a combined personal fortune of over \$550 million, had played a major role as laundry men for Lansky, and Lansky's business associate Lou Chesler, in setting up the casino complex in the Bahamas which produced the drug-money-laundering Resorts International casino firm. According to organized crime investigators, Benguet Mining was used as one of the corporate shells to launder money into the original establishment of Resorts International.

Joseph Binns, an executive of a C. V. Starr subsidiary, was a business partner of Chesler in the same operation. Among other unsavory connections, the Allens had also first introduced Armand Hammer to Muammar Qaddafi.

- **Caesar Zalamea.** The chairman of Benguet, and head of the state-owned Development Bank of the Philippines, Zalamea is reportedly the man Ongpin reports to locally. Zalamea's career was established through his position as head of investment for the C. V. Starr subsidiary, the Philippine-American Life Insurance Co., which company provided ample loans to Benguet Mining during Ongpin's tenure there. Now chairman of Phil-Am Life, Zalamea's position gives him enormous control over Philippine monetary matters.

- **Governor of the Central Bank Jobo Fernandez.** Fernandez was appointed Central Bank chief by Marcos, under pressure from the IMF. He was retained by Mrs. Aquino. Jobo founded Far East Bank and Trust, with which he is still associated. Far East was bought by Shaul Eisenberg, who maintains an office in Manila's Makati District. From Tel Aviv and Beijing, Eisenberg coordinates a \$2-3 billion a year trading corporation. He is notorious as an arms smuggler, and his corporation is well known as a logistical and financial front for the Soviet-tied wing of the Mossad around former Israeli defense minister Ariel Sharon. Eisenberg's Far East Trading Corp. manufactures light weapons in China, among other things, and according to American intelligence sources, some of these weapons are ending up in the hands of the NPA guerrillas.

- **Former finance minister and prime minister Caesar Virata.** Virata played the key inside role in the Marcos

cabinet in undermining the Philippine economy with austerity. He was the most valued asset in the Philippines of the IMF and World Bank, whose Development Committee he chaired for several years.

Virata's brother Leo is with Greenberg's Phil-Am Life. His uncle, formerly with American Express, is now with Lansky's investment bank, Charles Allen & Co. It was Virata who, at the demand of the IMF, brought in the CGV corporation of Greenberg-tied Washington Sycip, to be the accountants for all the banks of the Philippines—an extremely sensitive intelligence position.

The Swiss command center

As Greenberg pulls the strings on his Philippine puppets, his own activities, both financial and ideological, are directed from the Swiss headquarters of the world's largest reinsurance company, the Swiss Reinsurance Co. Established in 1863 by the elite of Switzerland's patrician families, Swiss Re has handled all the reinsurance for the C. V. Starr empire for the last half century. This connection to the top echelons of Swiss banking and insurance may explain why the board of directors of C. V. Starr remains a well-kept secret to this day. Under Swiss sponsorship, Greenberg was boosted several years ago with the establishment of the Transatlantic Reinsurance Co., a partner of AIG, Swiss Re, and a few others, an arrangement which allowed Greenberg to put up 21% of the capital, but to retain 47% of the ownership.

The directors of Swiss Re are to be found on the board of the Geneva Association, the think-tank for the insurance industry. The association is chaired by Orio Giarini, famous for his proclamation that the "last 10,000 years of the neolithic production economy are over" and that the future services-oriented world economy, will be run by "insurers and priests"—a combination not irrelevant to the creation of the "peoples' power" which overthrew Marcos. These are the cartels moving in to run the Philippine economy, under the guise of "getting rid of Marcos's crony capitalism."

Greenberg has taken up the Geneva Association/Club of Rome war cry of the "post-industrial society," along with his beneficiaries at Georgetown CSIS. A Greenberg-chaired CSIS blue-ribbon commission recently called for a major overhaul of U.S. trade legislation to foster services over manufacturing, together with similar changes in the GATT agreements and OECD functioning. Greenberg also founded and chairs the Washington, D.C.-based Coalition of Service Industries, Inc. (CISI) as a mass public-relations operation for the post-industrial society. A vice-president at Greenberg's AIG, Ronald Shelp, has chipped in with a book, *Beyond Industrialization: Ascendancy of the Global Service Economy*. In the brave new world of insurance, fast-food stands, drugs, and "people's power," Hank Greenberg is leading the way. And where Greenberg leads, Ongpin, Zalamea, Fernandez, and Virata, will be right behind.

Brzezinski proposes tactful surrender to Moscow

by Criton Zoakos

Zbigniew Brzezinski's latest book, addressing the strategic problems of the U.S.-Soviet conflict, is a policy implementation document, with considerable following inside the Reagan administration. The policies advocated are not Brzezinski's mere personal preferences, but are shared by a spectrum of foreign-policy and national-security-policy administrators and bureaucrats, many of them associated with Georgetown University's Center for Strategic and International Studies.

In short, the views in Brzezinski's book are those of present U.S. Ambassador to NATO David Abshire, of chief U.S. Arms Control negotiator Max Kampelman, of special Arms Control Adviser Paul Nitze, and that other occupant of the seventh floor of the State Department, George Shultz; they are also the views of the CIA's entire National Intelligence Estimates Board, and those of Jack Matlock in the National Security Council.

This particular power combination in the Reagan administration, increasingly since the end of 1984, has not only shared the "geostrategic" opinions of Mr. Brzezinski, but, more significantly, it has staked out a clear, and publicly identifiable, factional "turf" inside the government, committed to implementing the strategic program outlined in Brzezinski's book.

In short, the program described in Brzezinski's book, has been in existence since, at least, the end of 1984, as an action/implementation program of that coalition inside the Reagan administration which prefers to identify itself as "those who disagree with Defense Secretary Caspar Weinberger." The question is, why has this faction commissioned Brzezinski to popularize their strategic perspectives in the form of a book?

Simple: Brzezinski's book is an attempt to counter to

influence of another book, which, for one year now, has functioned as a catalyst, galvanizing a growing resistance, among military and national security professionals, to the current Soviet strategic offensive. The book against which Brzezinski's *Game Plan* was written, is *Executive Intelligence Review's* bestselling *Global Showdown: The Soviet Imperial Warplan for 1988*.

If the reader takes the trouble to compare the respective organization of arguments in the two books, he will convince himself that *Game Plan* was written for the purpose of challenging the influence of *Global Showdown*. If the reader, further, were to visualize the intensity with which policies were debated and arguments exchanged in virtually every nook and cranny of our defense and national security establishment over the past 12 months of intensifying Soviet challenges, he will readily understand why the partisans of Brzezinski's ideas would have to commission a public airing of their views.

Unacknowledged by the media of mass information, the view of a growing number of senior officers of the uniformed services is that the United States and the Soviet Union are now in a state of undeclared war. Since the Wackersdorf riots in West Germany and the new wave of assassinations in Western Europe beginning with the killing of Karl-Heinz Beckurts, perhaps the majority of active general and flag-rank officers share this conclusion. Brzezinski's hastily published book firmly rejects this evaluation. Brzezinski does not even characterize the state of relations as "conflict," but prefers the description "contest," and more specifically, "imperial contest," between "two imperial powers." From this, seemingly innocuous semantic difference, eventually emerge

the catastrophic policy proposals of Brzezinski and his patrons, which, if implemented, will spell the end of the United States as a nation.

The policy recommendations

To begin from the end of the book, its policy recommendations: Brzezinski's strategic proposals, specifically, are:

1) **Prohibit the adoption of a war-winning doctrine by the United States** or, in his own language: "Mutual strategic security—a mix of forces that makes a first strike militarily futile and societally suicidal—should be both the American and the Soviet objective. . . . U.S. strategic offensive forces should be deployed in numbers deliberately contrived not to pose a threat of a disarming first strike to Soviet strategic forces."

2) **Undercut and whittle down President Reagan's Strategic Defense Initiative** or, in his own words: "The United States should move toward deploying a *limited* strategic defense, composed of a space-based screen to destroy missiles in their boost phase and a land-based terminal defense to intercept incoming warheads. This would inject a degree of randomness into any Soviet planning of a first-strike nuclear attack. In order to pursue mutual strategic security bilaterally, the United States should propose a renegotiation of the outdated ABM treaty of 1972, to permit *some limited* deployment of space-based defenses" (page 261).

These two policy elements are the highest priority objectives of the group of policy makers represented by Brzezinski. Additional, spelled-out components include:

3) **Decoupling of the United States from the defenses of Western Europe.** "The United States should undertake a gradual—and certainly only partial—reduction in the level of American forces in Europe" (page 262), and,

"The United States should encourage the development of a politically and militarily integrated Western Europe, less dependent on the United States but still tied to it by a strategic alliance" (page 263), and,

"In the long term, the United States should welcome closer West European ties with Eastern Europe which could eventually lead both America and Russia to disengage from their present confrontation in the heart of Europe" (page 263).

4) **The adoption, by the United States, of the role of a hostile, repressive imperial/colonialist military power in Central and South America.** "Manpower withdrawn from Europe should be absorbed into an enlarged Rapid Deployment Force through the creation of additional light divisions for use on the third front or in Central America" (page 262).

"Washington should advance regional economic development in Central America and work to create a more solid base for political democratization in Central America. The United States must exert every effort—including the use of force if necessary—to obtain the external neutralization and internal self-determination of Nicaragua and must be pre-

pared to apply force at an early sign of Soviet or Cuban military involvement in the suppression of opposition to the current regime in Managua" (page 267).

These are the four most important and irreducible strategic policy objectives of the grouping behind Brzezinski's book. The remainder of the purported "recommendations," is simply sauce to make them palatable.

In reality, the Brzezinski recommendations amount to complete withdrawal of the United States from the entire Eurasian landmass, coupled with a futile military preoccupation in Ibero-America, in terms identical with those proposed by the late Yuri Andropov in an April 1983 interview with the Hamburg weekly *Der Spiegel*. Andropov then proposed that if the United States abandoned all claims of interest in the "Eurasian landmass," Moscow in return would scuttle Nicaragua and thus "spare" the United States of the purported strategic threat that Mexico, we are told, poses to the United States.

Brzezinski will deny that he is advancing Andropov's proposals. He will vehemently point out that his book advocates that the United States "compete" with the Soviet Union on no fewer than three "fronts" on the "Eurasian landmass." The First Front, in his terminology, is Europe; the Second Front, in ranking of importance, is in the Far East, and the Third Front is the Iran-Pakistan-Afghanistan tier.

What form Brzezinski's legendary "contest" between the U.S.A. and Moscow is to take on these three fronts, coheres with admirable precision with Soviet strategic objectives: For the all-important First Front, Europe, Brzezinski recommends, as we saw, "partial" withdrawal of U.S. forces for the purpose of effecting an integration of Eastern and Western Europe, an integration of unarmed, defanged, and decorticated states which, Brzezinski tells us, will put the fear of God into Marshal Ogarkov's armored and nuclearized divisions.

For the "Second Front in the Eurasian landmass," Brzezinski proposes some disingenuous generalities without any military content. From the man who, as national security adviser guided the embarrassing "President Jimmy" to start economic warfare against Japan, we receive the following strategic advice: "The United States should promote an informal geopolitical triangle in the Far East through wider economic and political cooperation among the United States, Japan, and China." After this "informal economic cooperation," known as "Jap-bashing," is effected, Brzezinski recommends that the United States leave Japan out on a limb to take care of stopping the Soviet march to the Pacific: "Rather than simply increase its defense spending, Japan should be encouraged also to make an indirect but still important contribution to common security by increasing its strategic economic aid to those developing countries in which the Western democracies have a vital stake. This effort should involve about 4 percent of the Japanese GNP. . . . Japan and the United States should actively promote China's economic

modernization. . . ." (page 264) etc., etc.

Brzezinski's recommendations for the "Third Front" are: "Improve relations with Iran," "Keep the Afghan issue alive," and "Provide more aid to Pakistan." Period. Not a word about how he personally toppled the Shah of Iran, put Khomeini at the helm, and opened the gates for a Russian march to the Gulf while he was national security adviser. Today, Brzezinski is playing a similar game in Pakistan, assisting the fundamentalist Jamati Islami to undermine the traditional institutions of civilian and military stability in Pakistan.

This summarizes Georgetown CSIS's and Brzezinski's strategic recommendations: 1) Limit the Strategic Defense Initiative. 2) Do not provoke Moscow with any serious improvement of American strategic offensive forces. 3) Decouple the United States from Europe. 3) Let the Japanese defend the far East. 5) Let the Mujahedeen teach the Red Army a lesson in the Middle East.

This is the substantive content of the strategy which Brzezinski was commissioned to author and popularize with this little book. Everything else contained between the covers is an agonized effort in classical Jesuit casuistry, attempting to present these policies in the coloring of a contrived "anti-Sovietism," and an even more fake militant "pro-West," i.e., pro-"conservative" posturing. If any honest conservative, or if any person with sincere concern for the fortunes of Western civilization, were drawn into believing what Brzezinski says his allegiances are, such a person must be the archetype of the "sucker."

Why we are not an Empire

What does Brzezinski consider to be "our side"?

Consider: In Brzezinski's scheme of things, the United States and the Soviet Union each leads an Empire. It may come as a surprise to many Americans, civilian and military, veteran and not, that the good Mr. Brzezinski characterizes the United States as an empire no different in principle than the Soviet Empire. Why are we supposed to be an "empire"? Simply because political power, in the United States, flows from top to bottom. In his own words: "*I use the term "empire" as morally neutral to describe a hierarchical system of political relationships, radiating from a center.*" Just like this.

A political system is called "empire" because of the way it determines the flow of "power." When two rival empires are on a collision course, the reasons for the collision are reasons of pure "power." These are the axiomatic foundations of "geopolitics" and "geostrategy."

The idea is older than Mackinder or Haushofer. In fact, it goes back to the Most Serene Republic of Venice, and before it to Isocrates, Gorgias, and before them, to the infernally ingenious geopolitician of antiquity, the Persian Satrap Pharnabazus, the Metternich of the fifth century B.C. Old though Brzezinski's axiomatic assumptions may be, they are both wrong and inadequate for understanding what is actually

the underlying cause of the war between the "United States" and the "Soviet Union," in fact, more precisely, the war between "East" and "West."

The popular theme of the 1950s, naive though it was, reflected more accurately than Brzezinski the substance of the conflict: "democracy against totalitarianism." Most ordinary citizens of the 1950s, by "democracy," understood a process of give-and-take of ideas in which the persuasive power of reason was allowed to shape policy; by "totalitarianism," they understood a situation in which, only the persuasive power of arbitrary, repressive force shaped policy. By extension, popular sentiment of those days assigned to totalitarian societies a weakness of rational powers. When persuasive power is absent from reason, then reason is flawed. Thus, only societies with a deficit of reason fall into the misfortune of the totalitarianism or arbitrary, coercive power.

The implications of these earlier popular observations, and not geopolitical power calculations, are the driving causes of the irrepressible conflict between East and West. Western political culture is, hereditarily, riveted, more or less consciously at different periods, on the conviction that reason, even if arrived at through heated argument, is the best ruler. Fools may believe that liberty has been bequeathed to us so that we may "do as we please." The reality is that each time liberty was gained in the history of the West, it was the liberty to search, attain, argue on behalf of reason. Our political system of today is based on the calculated risk that the benefits of liberty to reason outweigh the disadvantages of hedonistic libertinism.

The Eastern political tradition, today embodied by Moscow, is based on the exercise of arbitrary coercive power. It is there to coerce only one thing: reasoned argument. It is an ancient, unbroken tradition of "might makes right."

Our Western world is still, at least officially, one in which "right makes might." We therefore, unlike the Soviet Union, are not an "empire," because, to borrow from the geopoliticians' lexicon, the "flow of power" follows the reverse direction. Those readers will be susceptible to Brzezinski's casuistry who have lost the moral power to understand that we are not, or, more precisely, we are not supposed to be an "Empire." We are supposed to be a Republic, leading a world community of republics against Russian despotism. When we become an empire, we lose.

Game Plan: A Geostrategic Framework for the Conduct of the U.S.-Soviet Contest

Zbigniew Brzezinski

The Atlantic Monthly Press, New York, 1986
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France takes a new approach to terror

by Philip Golub

In the wake of the assassination near Munich of Siemens executive Karl Heinz Beckurts and the devastating explosion which tore through the offices of one of the elite forces of the French national police, both on July 9, French intelligence and government officials have broken a long pattern of official European silence on terrorism, strongly hinting at the strategic international origins of the ongoing terror wave.

On July 10, speaking in the name of Premier Jacques Chirac, Denis Baudoin warned that the bombing "is a declaration of war." At the funeral of the senior police officer killed during the bombing of the Brigade for the Repression of Banditry, Chirac himself declared, "Terrorism is a mortal gangrene directed against our society . . . and must be extirpated." In private, French police and intelligence officials have been more outspoken. They point out that while key military or industrial figures are targeted for assassination in West Germany and France, a systematic effort to destabilize both French foreign intelligence and the national police has been ongoing since the ill-fated "Greenpeace" affair.

French officials see the targeting of France and West Germany as intimately linked to the crucial roles of both countries in the overall defense capability of the Atlantic Alliance. While the United States provides an irreplaceable defense capability, Franco-German military cooperation remains the backbone of the European component of Alliance defense. Since the early 1970s this cooperation has vastly increased in all domains, including the recent work on lasers, particle-beam weapons, optics, etc.

Mirroring political changes and strategic reorientations in Moscow, the Euroterrorist apparatus merged in October 1985 into a single command, officially combining Direct Action, the Red Army Faction, and the Communist Combatant Cells of Belgium. This merger not only augmented terrorist logistics but defined a shift of strategy. Unlike the atrocities of the late 1970s directed against "symbols" of "capitalism and the state," the new terror wave would target key personnel of NATO, French defense, and German industry. NATO and French military installations and infrastructure were hit by a sustained wave of sabotage and bombing over 1984 and 1985, including bombings of the French mil-

itary office in Bonn, NATO buildings in Brussels, and NATO petroleum pipelines running through Luxembourg and eastern France.

On July 25, 1985, Gen. René Audran was killed by Direct Action in Paris. German industrialist Ernst Zimmerman was killed a day later. After that, the French branch of Euroterrorism, Direct Action, targeted two key individuals for assassination: General Blandin of the Gendarmerie and Guy Brana of the French employers' association (CNPF). While these two attempts thankfully failed, the targeting had become obvious: key military personnel or individuals working in the civilian sector tied to military industrial affairs. The murder of West German industrialist Zimmerman and then Beckurts only confirms this European-wide pattern.

The July 9 bombing of the French police building in Paris was, in the stated view of French authorities, carried out by a "militarily trained" commando unit. While the name of one member of Direct Action, a terrorist who had army special forces training, was raised, the pool of such terrorists is large. It is proven that Euroterrorism comes out of special training camps in Lebanon led by Warsaw Pact instructors. In the vast and nebulous umbrella of the PFLP of Waddi Haddad and George Habash (both Warsaw Pact agents) and others, dozens of Euroterrorists were trained, some as active agents, some as sleepers. The ex-head of the French counterespionage service DST, Jean Rochet, recently noted that Western intelligence officials have detailed evidence of the Soviet sponsorship of Euroterrorism.

The problem French officials face after the Paris bombing is to repeal the policies of the two Socialist governments since 1981. Not only was a general amnesty of Direct Action's leaders ordered in 1982, leading to the release of dozens of key terrorists and their return to the underground, but appeasement was applied toward the Soviet-run ASALA (Armenian National Liberation Army) and other terrorist "movements." The national police and intelligence authorities were ordered to stop infiltration and other preventive measures needed to fight terrorism. The sudden shift of policy ordered in 1984, when France, in spite of the Socialists' agreements, was targeted anew, failed to reverse things: The terrorists had set up new structures, logistics, international communications, and hideouts. The naming of dogmatic Socialist Pierre Joxe as interior minister in 1985 brought the crisis to a head: Parallel police networks were created by Joxe's allies, French foreign intelligence was upset by the so-called Greenpeace affair, and the national police were paralyzed.

Under the new government and Interior Minister Charles Pasqua, a big change has been introduced. Terrorism is no longer treated as a sociological phenomenon, any more than the international narcotics trade. While Joxe's remaining allies within the national police continue to argue against the evidence of Soviet strategic sponsorship of terrorism, very few in places that count are willing to listen to the sociologists after the July 9 bombing.

Moscow launches new flank in drive to 'decouple' Germany from its allies

by Konstantin George

Leading defense-related individuals in the Federal Republic of Germany are alarmed at the progress being made by Moscow in pursuit of its primary strategic goal—"decoupling" Western Europe from the United States by breaking off West Germany. The heightened concern reflects the fact that Moscow, in addition to its longstanding frontal offensive to separate West Germany from the United States, has unleashed a flanking attack to promote what one figure connected to the Christian Democratic Union (CDU) in West Germany called "inner-European decoupling, that is, to drive a wedge leading to a break between the Federal Republic of Germany and its major Western European allies, above all Britain and France."

It would be wrong to attribute the successes of Moscow's two-pronged decoupling strategy to Soviet efforts alone. The Russian moves are being assisted by a Western decoupling lobby, spearheaded by the U.S. State Department, the Eastern Establishment, Lord Carrington's cronies at the British Foreign Office, and, as we shall see, Trilateral Commission networks in West Germany and France, who have already seriously undermined relations between the government of Chancellor Helmut Kohl and Prime Minister Jacques Chirac.

Franco-German relations have been in a slow but steady deterioration for some months now. West German Chancellor Kohl, under the influence of members of his CDU party who are members and supporters of the Trilateral Commission, has repeatedly snubbed France's newly elected conservative prime minister, Jacques Chirac. According to an article in the West German daily *Die Welt* of July 16, the snubbing had already begun during the French election campaign in the spring, when Kohl made two trips to Paris in which he refused to meet with Chirac, though he did meet with another opposition candidate for prime minister, Raymond Barre, one of the leading Trilateral Commission members in France.

Then in June, when Kohl came to Paris to meet with President Mitterrand, Chirac—now prime minister—went out of his way to ask for a meeting. An unnamed leading Chirac adviser told *Die Welt*: "Chirac set aside an hour's time, and we waited—in vain—at the Hotel Matignon for Kohl, who never showed up. . . . There's no question, that

Prime Minister Chirac regrets that relations between the chancellery and the prime minister's office are not the best."

Chirac's advisers clearly suspect that Kohl is being purposefully misbriefed on France, on both political and straight jurisdictional questions concerning the areas of responsibility of the President and the prime minister under the French Constitution. Kohl has gone to Mitterrand to discuss questions such as a joint Franco-German military helicopter project and a cultural agreement, although both these issues actually fall within the domain of the prime minister. Chirac's adviser fumed to *Die Welt*: "Why does he [Kohl] bother to pay for having an ambassador [in France] when he can't even be properly informed concerning the French Constitution?"

The Kohl-Chirac flap will not be resolved in the near future. After the Chirac camp's quotes appeared in *Die Welt*, the July 17 *Süddeutsche Zeitung* carried a short note, citing a Bonn government spokesman that no Kohl-Chirac meetings would occur this summer.

'Operation Cattenom'

The CDU's Trilateral networks are now throwing another monkey wrench into Franco-German relations, by denouncing France's plans to start up its new nuclear power plant at Cattenom, some 10 kilometers from the German border. On July 16, the CDU of the states of North-Rhine Westphalia, Baden-Württemberg, and Saarland issued statements protesting the Cattenom facility. The CDU of North-Rhine Westphalia is headed by Trilateral Commission member Kurt Biedenkopf.

For weeks now, the German Social Democracy (SPD), spearheaded by Oskar Lafontaine, the governor of the Saarland (bordering on the part of France where the Cattenom site is), has been holding regular demonstrations and protests against France for its pro-nuclear policy—as has the Green Party. Lafontaine is on record advocating a German pullout from NATO.

The Soviet diplomatic, political, and propaganda moves over the past weeks, playing on the imperial "divide and conquer" principle, are—on the surface—diametrically op-

posite toward West Germany on the one hand, and France and Britain on the other. West Germany is being subjected to a "low-intensity war," punctuated with bombings, murders of leading figures, and violent demonstrations by the Communist Party, Green Party, and hard-core terrorists. Meanwhile, the Soviet government misses no chance to heap abuse on the Kohl government, under pretences ranging from West German participation in the Strategic Defense Initiative (SDI), to the alleged "growth of neo-Nazi and revanchist forces" in Germany.

Izvestia on July 4 carried a feature denouncing Franz-Josef Strauss, the head of the CDU's Bavarian sister party, the Christian Social Union, as a "fascist" comparable to Hitler. Strauss was described as: "Washington's friend . . . carrying out a crusade against 'the Red-Green danger' . . . and the 'Threat from the East' . . . Strauss gets his ideas from fascism. . . . Although no one is talking about it, the community is comparing this man to Hitler."

Two days later, July 6, the Soviet military newspaper, *Krasnaya Zvezda*, ran a feature denouncing "growing revanchist forces in West Germany." That same week, the Russian's chief Geneva negotiator, Viktor Karpov, after talks with the Bonn foreign ministry, held a special press conference at the Soviet embassy in Bonn, to denounce the West German government for "placing obstacles" before the Geneva talks on medium-range missiles.

Once the decoupling strategy has succeeded in breaking Germany from both the United States and its main West European allies, then Moscow would make a "grand offer" in the manner of the 1952 Stalin Note, holding forth the prospect of a "neutral, reunified Germany," as the vassal of a Europe dominated by Russia.

Playing to England and France

To intensify Bonn's sense of isolation and rejection, Soviet policy is aimed at cultivating relations with Britain and France, stroking the egos and sensibilities of the French and British leaders through fulsome praise in the Soviet media. This phenomenon was exhibited as never before during Mitterrand's Moscow visit during the second week in July, and the visit to London July 13 by Soviet Foreign Minister Eduard Shevardnadze. These threads of Soviet policy were manifested as early as Gorbachov's December 1984 stay in Britain, where, through extensive meetings with Prime Minister Margaret Thatcher and Foreign Secretary Geoffrey Howe, he began the cultivation of the intended "special relation" to Great Britain.

Gorbachov's first—and so far only—visit to a Western country in his capacity as general secretary, was to France in November 1985. This visit was returned by Mitterrand this July, and Gorbachov has invited Mrs. Thatcher to visit the Soviet Union in 1987—the invitation was conveyed by Shevardnadze in London to the British prime minister. His London visit marked the first time that Shevardnadze has gone, on a

bilateral basis, to visit any Western country since becoming foreign minister on July 2, 1985.

Mitterrand's visit to the Soviet Union was hailed in the Soviet press, and he in turn was no less flattering toward Gorbachov, calling him "the first modern person to lead the Soviet Union," whose "primary goal" was to "raise Soviet living standards," and adding: "but because trust is lacking [referring to America], he has to compete with weapons." On July 10, Mitterrand held a press conference in Moscow and called Gorbachov's "disarmament" proposals "really spectacular." He announced his "full agreement" with Gorbachov's proposal for an international conference on the Middle East. Mitterrand named the SDI "the main obstacle" to a Reagan-Gorbachov summit, and demanded that the United States adhere to SALT II.

Soviet foreign ministry chief spokesman Gerasimov, at a July 9 press conference, remarked that Gorbachov had told Mitterrand that he "wants the largest possible expansion in Franco-Soviet economic, scientific-technological and cultural relations." The TV commentary supplied by TASS stressed that the meetings underscored "not only the traditions and the sympathy which the Soviet and French peoples have for each other, but most important of all, the objective interests of the Soviet Union and France, the two biggest states of Europe, in maintaining peace both within and beyond the continent."

The Russian magazine *New Times* said it was Mitterrand "who, at the Bonn summit (May 1985) of the 'Big 7,' stood up to the pressure of the chief of the White House."

South Africa and the old czarist bonds

Three days after Mitterrand's departure, Soviet Foreign Minister Shevardnadze arrived in London on July 13 for a three-day visit that included two meetings with Foreign Secretary Geoffrey Howe and a long meeting with Prime Minister Margaret Thatcher. Shevardnadze's avowed purpose was to lobby Britain to pressure the United States to make concessions on the SDI at the Geneva talks, and also regarding the Middle East and South African situations.

While full details on Shevardnadze's meetings are not available, it is clear from several signals that Britain went far in accommodating Moscow. Speaking in the House of Commons after his talks with Shevardnadze, Howe declared regarding South Africa, that on his forthcoming trip to South Africa, he would recommend at least limited sanctions. "Most urgently," he said, "I will press on them [the South African government] the need to release Nelson Mandela . . . and unban the ANC and other political parties."

The other spectacular signal was the announcement that Britain and the Soviet Union had reached a settlement in which Britain—after nearly 70 years—renounces all claims of holders of czarist bonds. The nominal worth of the bonds in British possession had reached some £100 billion.

Soviet television commented that "certain positive changes" have occurred in British policies.

Military war on drugs to counter Soviets

by Jeffrey Steinberg

Sources close to Defense Secretary Caspar Weinberger have told *EIR* that the Reagan administration will respond to the Soviet Union's global low-intensity warfare by launching a long overdue military assault against narco-terrorism, in coordination with a number of Ibero-American nations. This was made public in mid-July with widespread press coverage of a 160-person U.S. Southern Command military support mission to Bolivia, providing training, transport, communications, and light air cover to the Bolivian government's campaign to shut down the cocaine growing and processing empire of Nazi-Communist dope kingpin Roberto Suárez.

The teams, deployed out of the Southern Command headquarters in Panama, will pilot six U.S. Army Blackhawk troop transport helicopters and maintain mobile communications equipment for what are expected to be minimally two-month police actions against coca processing laboratories in the Beni region in northeastern Bolivia. The U.S. troops are joined by 15 agents from the U.S. Drug Enforcement Administration.

The U.S. military support mission represents the first public implementation of a National Security Decision Directive on Narco-Terrorism, signed by President Reagan in April, ordering the Pentagon to take a more active role in the war on drugs. At a speech in Houston, Texas in June, Vice-President George Bush issued a declassified version of the decision directive, which cited narco-terrorism as a security threat to the United States and Ibero-American nations.

According to published reports, Bolivian President Victor Paz Estenssoro approached U.S. Drug Enforcement Administration director John Lawn at a law-enforcement conference in Buenos Aires early this year, requesting U.S. assistance against Bolivia's narco-terrorist insurgency. That message was delivered to Attorney-General Edwin Meese, who briefed the President and vice-president. The April decision directive was crafted to define a broad policy context for bringing the United States into a military war on drugs.

In addition to the Bolivian support effort, code-named "Operation Blast Furnace," U.S. military logistical aid has been requested by Costa Rica, which has emerged as a significant processing and transshipment point for South American cocaine. Additionally, a civil aid program has been announced with Mexico, involving an ambitious crop-dust-

ing program against opium poppy fields.

Despite published reports to the contrary, Defense Secretary Caspar Weinberger told a Washington, D.C. press conference on July 17 that he was an enthusiastic supporter of the idea of U.S. military forces becoming directly involved in the war against narco-terrorists.

According to sources, another motivating factor was the mounting recognition that, since the Soviet 27th Party Congress in February, the Soviet Union has accelerated its global low-intensity warfare against the Western alliance. Soviet spetsnaz-backed terrorists have assassinated Swedish Prime Minister Olof Palme, launched a virtual insurrection in Germany through violent actions at nuclear power construction sites at Wackersdorf, Brokdorf, etc., assassinated top West German industrialists involved in the Strategic Defense Initiative, and declared a narco-terrorist war against Peruvian President García and Colombian President Betancur.

But until now, the United States has failed to take any effective counteraction—or even develop an effective doctrine for dealing with Russian low-intensity warfare. The Pentagon sources say that the war on narco-terrorism is to be an integral element of America's response.

On June 16, House Armed Services Committee hearings heard both Joint Chiefs chairman Adm. William J. Crowe, Jr. and Assistant Secretary of Defense Richard L. Armitage testify on behalf of a Pentagon-authored proposal for the creation of a Special Operations Force Command under the direction of the JCS. That proposal was drafted in response to legislation submitted by Rep. Dan Daniels (R-Va.) mandating the creation of a National Special Operations Agency under civilian defense department control. Despite the differences, both drafts underscored the necessity for American forces to take an active role in the war on drugs.

Last November, Secretary Weinberger and Southern Command chief Gen. James Galvin, both speaking at Washington, D.C.'s Fort McNair at a Pentagon-sponsored conference on low-intensity conflict, emphasized the link between the narco-terrorist insurgency against Ibero-America and the issue of economic development. Without a systematic program for economic growth, they both stated, no effective program can be launched against the insurgencies. The failure of the Reagan administration—still dominated by Wall Streeter Donald T. Regan—to break from its unqualified support for IMF conditionalities still represents the greatest choke point against an effective war on narco-terrorism.

This obstacle to the administration's anti-drug effort was arrogantly broadcast across the editorial pages of the July 18 *New York Times*. The *Times*' editors linked Bolivia's dope production to its ability to pay its debt to Wall Street: "The venture into Bolivia raises considerable economic, as well as military questions that merit full discussion. If the campaign has any success, what of Bolivia's solvency? Its only other export income is from tin, a commodity long depressed in world markets."

Nicaragua invasion: a 'New Yalta' plot

by Valerie Rush

U.S. preparations for an invasion of Nicaragua—first confirmed by on-the-ground military circles in Central America—are now emerging more openly in the United States as well. Trilateral Commission circles in and around the Reagan administration are using the June 25 House of Representatives vote approving Contra aid as a foot in the door to what is intended as a full-scale Vietnam-style engagement of U.S. troops in Central America. "Official Washington," as the July 13 *Washington Post* put it, is already "on a kind of war footing."

The "game plan" comes straight from such "New Yalta" strategists as Henry Kissinger, Zbigniew Brzezinski, et al., and is part of a deal struck with their Soviet counterparts to orchestrate a U.S. troop redeployment out of Western Europe and into Central America. The Soviets get Europe, the United States gets a new Vietnam south of the border.

Former National Security Council director Brzezinski describes the deal in his recently released book, *Game Plan*, which portrays an "endless game" being played out between the United States and the Soviets, where the object is not "victory of the traditional type," but rather "to avoid defeat." Writes the former executive director of the Trilateral Commission:

"Moscow's posture made it clear that an American invasion of Nicaragua would precipitate a rhetorically violent Soviet propaganda campaign—but no more than that. . . . The Soviet Union cannot at this stage become directly involved in contesting the paramount position of the United States in the Western Hemisphere. . . . Manpower withdrawn from Europe should be absorbed into an enlarged Rapid Deployment Force through the creation of additional light divisions for use . . . in Central America."

While leaving the details of implementation to his Trilateral associates, the late Soviet boss Yuri Andropov in 1983 described the same general scenario in an interview to the West German magazine *Der Spiegel*, in which he suggested that the Soviets would turn a blind eye to an overthrow of the Sandinistas in Nicaragua, as long as the United States acknowledged a Soviet "sphere of influence" in Europe and the Middle East.

The House vote on Contra aid, interpreted universally in Ibero-America as the green light for an invasion scenario, is polarizing the continent. Peruvian President Alan García immediately denounced the vote as putting the United States on a track of military escalation which could lead to full-scale invasion. In that event, he warned, **Peru** will be "on the side of Latin America." Behind the scenes it is rumored that debt relief for Mexico, now under negotiation with the creditor banks, is being linked to that country's taking a more pro-U.S. position on Central America.

Even the most right-wing generals in **Argentina**, still burning from the Reagan administration's abandonment of its own Monroe Doctrine during the Malvinas conflict, have made it clear that, ideologies aside, they would come to Nicaragua's defense should a U.S. invasion take place.

The Central American countries, whose territories would be rapidly engulfed in any U.S. military adventure in the region, are under the most intense pressure by the Kissinger crowd in the State Department to desert the Contadora peace initiative and throw their lot in with the "New Yalta" game-plan.

Promised military superiority to the Nicaraguans, **Honduras** has responded by offering itself as a staging ground for U.S. invasion plans. On July 14, President José Azcona warned Honduran businessmen to brace themselves for a poor investment climate in the near future, and added: "It will cost thousands and thousands of Nicaraguan lives during the coming months or years to eradicate the terrible dictatorship" there.

Costa Rica, forced to impose a murderous austerity regime in exchange for vitally needed operating funds from the World Bank/International Monetary Fund, now appears to be taking a more "conciliatory" attitude towards U.S. Contra policy. But **Guatemala**, similarly pressured, remains an open question. President Vinicio Cerezo has just returned from an early-July visit to Mexico, where the urgency of Latin American solidarity was emphasized. A September visit to Guatemala by Peru's Alan García will presumably reiterate the argument.

The real irony of the Nicaragua situation is that, were the Reagan administration really intent on "stopping the spread of communism," it would have given its wholehearted support to the Contadora Group. That regional mediation effort had time and again managed to box the Sandinistas in, only to see Managua let off the hook by U.S. State Department interference which allowed the Sandinistas to back away from commitments they had already made.

As part of their gameplan, the New Yalta strategists have been bludgeoning the government of **Panama**. In particular, they hope to eliminate—politically or otherwise—Panama Defense Forces chief Gen. Manuel Noriega, whose proposal for a Contadora-linked military capability has been described as a "security without war" alternative to current U.S. strategic doctrine for Central America.

Libyan regime begins to disintegrate

by Ali el Montasser

Since the American raid on Libya in April, a rapid process of erosion has occurred within the top command of the so-called Libyan Revolution. A *fin de règne* atmosphere has shrouded the major decision-making centers in Tripoli, Benghazi, and the military base of Sebha. Tribal conflicts, previously contained by the uncontested preeminence of Colonel Qaddafi, have erupted once again, pitting the Qaddafadam tribe against the Magharha. There is also trouble brewing among the Tuaregs. This *fin de règne* situation is the reason for the recent and serious assassination attempt against Major Abdesalam Jalloud (May 15) and an even more recent failed hit against Qaddafi himself.

Not only has the emotionally unstable colonel entered into a deep depressive phase (he suffers from severe manic depression), but it has been recently ascertained that he is suffering from cancer. While this latter fact has not yet been made public, other than in these columns, Qaddafi's ill health has not been lost on his own colleagues of the Revolutionary Council. It has merely intensified the wild Darwinian struggle for power now shaking up the regime's leadership.

The key to the unfolding situation lies in the behind-the-scenes planning of the two superpowers for the region as a whole. While the U.S. raid failed to remove Qaddafi or destroy the oil wells of the Jamhariyya, it severely destabilized the regime. Nonetheless, it was not so much the U.S. action as the ostentatious withdrawal of Soviet naval forces and some ground personnel some hours before the raid, that has derailed the Libyan leadership.

There are a number of reasons for this, the least important of which was the Soviet calculation that the eternally troublesome colonel was not worth a superpower confrontation. In refusing to commit themselves fully to Qaddafi, the Soviets in reality were concentrating on longer-term goals. The central Soviet strategic option in the Near and Middle East has always been, and remains Iran, for reasons which relate to the long-term Soviet geopolitical objective to enlarge their land mass southwards. Support of Qaddafi has always been an important, though peripheral Soviet concern, while Russian long-term planning has always sought dominance of Central Asia and Iran.

Moscow's leadership considered the "risk" of losing Qaddafi or alienating him acceptable, knowing that they control at least two of the four conceivable successors to Qaddafi in the Revolutionary Council.

Since the assassination of Col. Hassan Skhal last year, there remains only a small group of possible "successors" should the present regime survive: Major Abdessalam Jalloud, one of the first intimates of Qaddafi among the "young officers" who led the coup in 1969, and for years now responsible for the very important portfolio of oil; Col. Abdelhafiz Messaoud, long the head of the key Libyan military base of Sebha and organizer of the Islamic Legions, was recently given the responsibility of reorganizing the armed forces; Khalifa el Hanesh, head of all intelligence activities and an East German secret-service agent; Mohamed Majdoub, who plays an important role behind the scenes in the revolutionary committees; the two Qaddafadam brothers, who have always played a key role in intelligence; and the titular head of Libyan foreign intelligence, Col. Belgassim Ali Younes. The head of the armed forces, Gen. Younes Abu Bakr, could also play a role.

The attempted assassination of Jalloud in May and the follow-up attempt on Qaddafi's life are the first acts of an unfolding scenario. It is no secret that the Qaddafadam tribe, Qaddafi's own, was responsible for the attack on Jalloud. It is said that elements loyal to Jalloud answered in June against Qaddafi.

At present, given Jalloud's position as number two in the regime, the "Jalloud case" is the focus of all attention. Over the years, Jalloud has distinguished himself as an apparently faithful follower of Moscow—witness his recent trips to the Soviet Union, apparently on behalf of the Libyan leadership. Yet, at the same time, Jalloud, as head of all of Libya's international oil operations, has established excellent contacts in the West, most notably with the CIA through American oil companies, and, through similar cut-outs with French foreign intelligence. Jalloud is part owner of a half-dozen companies headquartered in Switzerland, some of which are partially owned by Americans with known connections to U.S. intelligence.

This explains the reluctance of American oil companies to leave Libya beyond obvious mercantile interests. These companies have prepared for all eventualities by setting up cut-out companies in Malta and Greece to trade in Libyan oil. Switzerland, which buys 50% of its oil from Libya, will certainly become the center of these new activities.

Since there is virtually no doubt that Qaddafi will disappear from the scene in the medium term, the real question is whether the dubious Jalloud emerges as the new strongman. There is good reason to believe that some hard-line Soviet-bloc agents such as Khalifa el Hanesh will act to shorten Jalloud's tenure in life under such circumstances.

In the meantime, the Soviet Union will be concentrating on its real grand game in the Middle East: the Persian Gulf and Iran itself.

Iran's arms suppliers

Is a serious crackdown on the gun-runners under way—or are they just fighting among themselves?

At the beginning of July, the Iranian army surprised the Iraqis—and many other countries—with several military offensives. The first surprise came in the last weeks of June, as Iran deployed ground-to-ground missiles to devastate the Iraqi oil center of Kirkuk. At the end of June and the first days of July, there came a large-scale offensive that routed the Iraqis from their position around Mehran, within Iran.

Behind such victories, there is only a little mystery: In recent months, Iran has received the spare parts it needed for its missiles, and deployed a significant quantity of NATO-made TOW anti-tank rockets against the Iraqis. Iran was said to be short of spare parts and military technology, but the Iranian victories showed the contrary.

It seems that the crackdown last April against the arms-dealing network of Israeli Gen. Avraham Bar-Am, who was selling U.S. weapons to Iran, has not scared others in the business.

Where are Iran's weapons now coming from? Rumors are flying. In late May, the Kuwaiti News Agency (KUNA) put out a dispatch announcing that Iran has allowed the United States to reactivate the electronic radar stations built under the Shah to monitor the Soviet Union. Manned by Israeli technicians, they can also provide Iran with a monitoring of Iraq's military moves. The U.S.-Iranian deal, concluded the KUNA dispatch (then carried two weeks later by TASS), provided for the U.S. government to deliver weapons to Iran.

But according to Iranians who know the situation well, the report is dubious. The American radar stations were dismantled between February and August 1979; whatever remained was utterly destroyed by the Revolutionary Guards. The rebuilding of such stations could not have gone unnoticed.

But what about American weapons? Reports from London indicate that South Korea became a major supplier, just as negotiations between Iran, France, and other countries intensified on the issue of Western hostages in Lebanon. These talks have meant deliveries of weapons to Iran and deliveries of American grain to Syria, following the secret visit of U.N. Ambassador Vernon Walters to Damascus in early June.

Israeli Deputy Prime Minister Yitzhak Shamir raised the issue while visiting Paris June 25, indicating that Iran was a subject of discussion between Israeli and French officials. "Iran is a very important Middle Eastern nation that the West cannot ignore and abandon to the Soviet Union," Shamir told *Le Monde* on June 26, before describing the rapprochement between Paris and Teheran as a "positive tendency."

Asked about Israel's arms shipments to Iran, Shamir declared without blushing: "We do not interfere in the military conflicts of others." The same week, the *Jordan Times* revealed that Gen. Ariel Sharon's gun-running business partner, Ja'acov Nimrodi, had paid a visit to Teheran in early June.

Unluckily for Shamir, another Israeli connection to Iran was exposed in the first days of July. A former Israeli citizen, turned West German, Henry Kamaniecky, was arrested by the West German BKA. Months of investigation showed that Kamaniecky had set up a profitable link between certain West German businessmen and the Iranian embassy in Bonn to sell Israeli weapons. Involved were fifty thousand 100 mm and 130 mm artillery shells, 5,000 anti-tanks shells, 5,000 U.S.-made M-70 automatic rifles, and TOW missiles, to the amount of \$81 million. Arranged by Abolfatah Katibi of the Iranian embassy in Bonn and Munich businessman Stephan Kaiser, the shipment was to be delivered from Israel to Iran through Yugoslavia. Nothing has been reported of the previous deals, only that a future deal would have included deliveries of tanks.

The Israeli connection was provided by a certain Ron Harel, described by the July 4 *Jerusalem Post* as "involved in several international trading companies, some of them dealing in arms." However, according to the BKA, Harel sent a telex to Kamaniecky on April 1, establishing the connection with "Israel military industry."

Another Bar-Am case? The story has already been forgotten. One also wonders why Israeli arms networks are so much exposed these days. It is no secret that most Israeli arms shipments to Iran since November 1980 have been made with the knowledge, if not approval, of American officials. Is there really a serious effort to crack down on Iran's arms suppliers, or is it rather a battle among the suppliers themselves?

Meanwhile, each Iranian military victory is another step toward destabilization of the region. That's good business only for the Soviets.

A bomb that was built in Moscow

Karl-Heinz Beckurts was not killed by "radicals"; he was the victim of a Soviet military operation.

In a seven-page pamphlet left behind to explain their motive for killing West German industrialist Karl-Heinz Beckurts on July 9, the "terrorists" who took credit called him a leading figure in the West German lobby for President Reagan's Strategic Defense Initiative.

"Beckurts represented precisely the policy of international capital in the current phase of the political, economic, and military strategy of the imperialist system as a whole, which he is promoting." Beckurts, working for the Siemens Corporation as part of the "MIK" (military-industrial complex), was killed because his work aimed at "forcing the socialist countries down on their knees by military means."

The killers said they belonged to the group RAF—the initials standing for "Red Army Faction." Since the RAF has, for some time, come out with rather confused, anarchistic statements, little attention had previously been paid to the simple fact that the name of the group associates it directly with the Soviet Red Army.

For most of the 15 years of the RAF's existence, its public statements were far from resembling the statements that were issued against the West from Moscow. But the seven-page letter "explained" the death of Beckurts in straight Marxist-Leninist terms.

In short, Beckurts was not killed by "radicals" who had acquired weaponry. He was killed, as the incident itself made clear, by professionals. Beckurts' murder was a Soviet military operation, directly, or by contract.

What could be learned from the

police was that the name of Beckurts had appeared in a Communist magazine profiling the pro-SDI faction in West Germany. The magazine, *Rote Blätter*, appeared in November 1985, and named Beckurts and 48 others, including U.S. Lt.-Gen. James Abrahamson of the Strategic Defense Initiative Organization, on a secret list of participants on an SDI-expert panel. The panel, which was convened in Cologne in late June 1985, was covered under the headline: "Our SDI Mafia."

Rote Blätter is the official monthly magazine of MSB Spartakus, the student organization of the West German Communist Party (DKP), which, like the East German Socialists, never does anything without a precise order from Moscow. The official policy of the DKP and its front organizations has always been to denounce terrorism; the decision to have *Rote Blätter* run the names of the "SDI Mafia," however, was like going public with a "proscription list." It was like publishing a contract to kill.

As a matter of fact, a copy of that same article was found with RAF supporter Angela Senfleber, detained by police in Frankfurt on Jan. 13, 1986. Further, all the 49 names on that list belonged to the same "military-industrial complex" that Moscow's propaganda machine has been targeting for the past few months.

Most striking is the following passage from the keynote address that Mikhail Gorbachov delivered to the 27th Congress of the Soviet Communist Party on Feb. 25: "The locomotive of militarism still is the U.S.A.,

is its military-industrial machine, which, for the time being, does not show any intention of operating in a lower gear. This has to be taken account of, naturally. . . . We have discussed our own view of the 'star warriors,' at length. The U.S.A. has already pulled many of its allies into this project. The case threatens to become irreversible. . . . Certainly, the ruling class of the U.S.A., or, to be more correct, its most egotistic groups which are tied to the military-industrial complex, pursue aims directly opposing ours. . . ."

And, on July 9, the day when the RAF terrorists placed the 50 kilograms of explosive to kill Beckurts, the Red Army's daily, *Krasnaya Zvezda*, wrote, "The Soviet Union will have to take necessary measures to neutralize the 'Star Wars' electronic space machine."

Beckurts was as much part of that "electronic space machine," as was Ernst Zimmermann, the West German industrialist whom the RAF killed in February 1985.

Ernst Zimmermann's company, MTU (Motoren-Turbinen-Union), was also named in the *Rote Blätter* article. The two French generals, Audran and Blandin, who were killed by the French terrorist group Direct Action (which collaborates closely with the RAF), were named as part of that "electronic space machine."

Direct Action bombed the Paris offices of a special anti-terror unit of the French police on the same day the RAF killed Beckurts. In a pamphlet "explaining" their bomb attack, Direct Action compared its own actions to the actions of the RAF, and stated that both were "part of a qualitative jump in the direction of building a Western European guerrilla movement"—i.e., a new phase of Soviet low-intensity warfare against the West.

Sweden—a fourth Rome?

Some in the Swedish "elite" console themselves that a Soviet takeover would mean promoting their own status.

'Sweden is the Fourth Rome, we got our religion from the Third," i.e., Moscow. This is the thesis of a July 6 op-ed in *Svenska Dagbladet*, in which author Sven Fagerberg declares the Swedish Social Democracy ideologically dead and Sweden virtually a totalitarian one-party dictatorship, whose only saving state religion is rooted in the East.

Although Fagerberg's description of the symptoms is close enough to the truth, his prescribed cure would aggravate the illness.

Fagerberg outlines how Byzantium, the Second Rome, "actively contributed to forming the Third Rome, old Russia and Moscow, developed to perfection in the Soviet state." But Byzantium is still alive in Sweden, too:

"No other country is so permeated with religion as Sweden. Possibly Iran, with its Koran-babbling mullahs, can compete with our socialists in fanaticism, in the unwavering and omnipresent faith. . . . Socialism dominates the Soviet Union and Sweden. In both cases, it is an all-penetrating religion, contrary to reason but backed by false, religious arguments, appealing to primitive feelings."

So far, so good. Fagerberg's view of the Social Democracy's totalitarianism and susceptibility to Eastern influences is to the point, if not very profound.

A challenge that could hardly be left unanswered, the op-ed was responded to on July 8 in *Aftonbladet*, mouthpiece of the Social Democracy.

Under the interrogative title, "Sweden: a Fourth Rome?" culture-page writer Karl Vennberg essentially answers in the affirmative, posing the counter-question: Why not?

Vennberg's "defense" of Social Democratic Sweden is that the Eastern church represents a higher civilization than the Western one. He joins Great Russian chauvinist author Alexander Solzhenitsyn, in arguing for the purity of Russian mystical culture, before Russia was occupied by destructive Western communism as imported by Lenin.

"Sweden, in other words, is a Byzantium deprived of everything but sheer evil," Vennberg rants. "The only question is to what extent this can be derived from Byzantium itself. There was Byzantine art . . . an irreplaceable ancient heritage . . . a church in which faith remained more pure and alive than in corrupted Rome."

In the original op-ed, Fagerberg, a former refrigerator engineer who turned to Zen mysticism and began issuing books criticizing modern society, does not confine himself to blasting the work of Sweden's domestic fundamentalists. He also imagines himself to have found the seed-crystal of totalitarian Sweden in Christianity, whose inherent authoritarianism has propagated itself through Constantinople and Moscow to Stockholm:

"By nature, Christianity is monotheist and totalitarian. Thou shalt have no false gods before thee. Polytheism, like in Greece, is necessary for a working democracy, for the free

competition among contrary but good wills to produce optimal solutions."

So, Fagerberg proves himself an uninhibited anarcho-liberal, who finds Christianity undemocratic. But what of truth? A democracy that, like that in Athens, refuses to be informed by reason, invariably produces rule by the mob.

Fagerberg and his opponent share the same inability to comprehend Reason as something imparted to man by God, to be employed in perfecting the creation. In the egalitarian land of Fagerberg and Vennberg, the confused disciples of Christ, in a weak moment, might have passed a vote restraining the Holy Spirit, so as not to upset popular opinion.

The key to Fagerberg and Vennberg's fault is their concerted denial of the *Filioque*, the active concept of the Trinity insisting that the Holy Spirit—God's creative principle—proceeds from the Father *and the Son*, God made man.

Without the *Filioque*, creation is monopolized by the Father, and an impotent mankind is doomed eternally to passively gape at God's work.

These opposite views of man are reflected in the contrary social and political orders of the West and the East. While the Eastern church never accepted the *Filioque*, and was, thus, never Christian, the decline of the West today corresponds to efforts to extinguish the *Filioque* from the creed of the Western Christian church.

In their united front against the *Filioque*, Fagerberg and Vennberg merely document the bankruptcy of Sweden's cultural elite. The totalitarian system of the East has indeed made inroads into Sweden, but no Fourth Rome is on the agenda. Sweden's weak-kneed "elite" seems to desire nothing more than adoption as a satrapy of the *Third Rome*.

Italy and the economic New Yalta

The decay of the Mezzogiorno, the depressed South, makes Italy particularly vulnerable to Soviet threats and blandishments.

The bankers' meeting that took place in Zurich on June 29-30, where leading economists finally admitted what every housewife already knows about the world economic crisis, sounded the alarm for many people. But very few realize yet that in such a crisis, Italy could be coopted into the Russian empire soon, not through the Red Army, but by economic means.

The economic situation is a hot potato. The main subject of discussion among the parties negotiating the forming of a new government, is the fact that the new prime minister, whoever he may be, will have to face a dramatic situation in September, so nobody wants to take the hot potato. Even the former governor of the Bank of Italy, Guido Carli, admits publicly in the pages of the Rome daily *La Repubblica*, that a Great Depression is in the wings.

What makes Italy's situation worse than that of other industrialized countries, is the unemployment problem and the depressed South, the Mezzogiorno. Official statistics state that Italy has an unemployment rate of 11.3%, but if we take into account part-time and youth unemployment, we reach more than twice that percentage. In the Mezzogiorno, official statistics admit the unemployment rate to be a shocking 36%, but if we include also unemployed women, we reach a terrifying 50%!

Moreover, the just-issued report of Svimez, a think-tank devoted to economic studies for the Mezzogior-

no, fails to take into account the decay of infrastructure in the Mezzogiorno, and that the structure of health-care services is about to collapse. This summer, there could easily be a repeat of the cholera epidemic that hit Naples in 1972. Public health officials in Sardinia report one of the highest AIDS figures in Italy, but this does not mean that the situation in the other southern regions is better. It simply means that there are no data available.

Another indicator of economic decline is that 1985 was a record year for a negative birth rate: Only 575,495 babies were born. To give an idea of what that means, during the darkest period of World War II, an average of 800,000 babies was born every year. Only in the South is the birth rate slightly positive—but in the current situation, these new lives will only serve to swell the army of the unemployed.

But the worst danger is that for the last 15 years, there has been a tendency for the Italian economy to orient more and more toward the Mediterranean (Libya) and the Soviet-dominated countries. Libya already owns 15% of Fiat, the largest privately owned industry of Italy, but Libya also has a huge real-estate investment, especially in Sicily.

There is also a definite attempt to narrow the productive potentialities to a few islands of very high technology (robotics, computers, the "information" industry) and to develop a high-quality infrastructure adapted for elite

tourism, on the model implemented in Sardinia by Karim Aga Khan. This is matched by an increase of trade with the Socialist countries. For example, the steel sector, mainly state-owned, is kept alive only by massive exports, under very unfavorable terms, to the Comecon countries.

On June 30, the government announced that it will take part in 13 projects within the "Eureka" plan, the French-authored scheme for high-technology projects explicitly designed to be independent of the United States and the Strategic Defense Initiative; this further confirms that the country is moving away from its traditional Atlantic markets. In order to attend the London meeting on the Eureka project, Foreign Minister Giulio Andreotti canceled all his other diplomatic activities. Andreotti is also the person who is stalling the full participation of Italy in the Strategic Defense Initiative (SDI).

Given Italy's drift into de-industrialization and into the Soviet orbit, Western policy makers must recognize that getting Italy to participate in the SDI is vital, not only to give Italian industry a technological shot in the arm, but also for the politically crucial task of drawing Italy back into the Western community.

This is of course exactly what Moscow's "irregular warfare" in the West seeks to prevent; the terrorists carrying it out are deployed more now on a European, rather than national, scale. When the West German Red Army Faction murdered the SDI-linked industrialist Karl-Heinz Beckurts in Munich on July 9, the crime was signed "Margherita Cagol Comando," in honor of a dead Italian Red Brigader. A bomb at the offices of ENEL, the national electricity utility, in Venice, which just missed causing a massacre, was claimed as an "ecological and anti-nuclear" bomb.

Renewed offensive for nuclear power

The new Secretary of Energy and Mining defends the long-delayed Laguna Verde project.

Many were taken by surprise—in particular the environmentalists—when Mexico's new Secretary of Semi-Public Energy, Mines, and Industry, Alfredo del Mazo, said at the opening ceremonies of a seminar on Nuclear Energy in Latin America that took place in Mexico City. "Despite the delays—not all imputable to technological capacity—and the risks implied by the use of the atom, the federal government will put the nuclear project in Laguna Verde, Veracruz, into operation, which will start to generate electricity next year. If it did not join the most scientific and technological processes such as the use of the atom to create electrical energy, our country would give up its opportunities to transform itself into a modern nation, and be incapable of incorporating itself into the evolution. It would mean denying a heritage to the next generations and alienating ourselves from a means of consolidating a great and vigorous country."

The "bombshell" effect of the statement—no one expected the Mexican government to take such a decision, when during the last three years of International Monetary Fund-dictated management the project had been practically suspended for lack of financing—set into motion the left-wing "ecologist" roster.

Since the Chernobyl disaster in the Ukraine, the Mexican ecologist groups, acting as if they took orders from Moscow, have launched a total offensive to shut down Mexico's only nuclear project, including going so far

as to talk of holding demonstrations to force the government to close what they consider the greatest threat to national safety.

After Secretary Del Mazo's statements, the environmentalists, mainly grouped in the international Friends of the Earth (whose president was Mexico's representative to the World Health Organization), and in the Association for Alternative Technology, where some officials of the Federal Electricity Commission, the Autonomous University of Mexico, and the Autonomous University of Michoacán get together to preach against technology and in favor of going back to pick-and-shovel, gave a press conference to "question" Del Mazo's announcement.

Their main arguments are the same ones heard everywhere: that nuclear energy produces "high contamination," and is "the most expensive way to produce electricity." They introduced the new variant which U.S. Senator Jesse Helms has been pushing against governments, including Mexico's: "corruption." They noted that in various countries there have been cases of corruption over the giving of commissions to officials in charge of deciding on the construction of these plants, and therefore demanded, without giving any proof, that the Controller General of Mexico should start to look for cases of corruption.

The government's decision opens a new flank in the fight to get out of the economic recession. As Del Mazo said, "Laguna Verde is a big effort of

Mexican engineering which has assimilated modern technology to generate electricity; it has developed technological infrastructure and highly skilled manpower, which means greater national participation in future nuclear-electrical projects of the country."

We can expect open opposition, much stronger than occurred four years ago when there was talk of setting up a nuclear laboratory in the state of Sonora, and well-financed environmentalists rose up all over the country. Now, it can be expected that they will reappear with "bells on," above all because of their ties to the German Greens, who make no secret of their intentions to turn over Western Europe to the New Yalta deal.

In the coming weeks, a new facet will be coming into view of the fight which the Mexican government picked when Finance Secretary Jesus Silva Herzog was forced out, and it was proposed that foreign debt payments be made on the basis of the country's ability to pay, and therefore the country would need to start growing again. The Laguna Verde project needs financing, which is impossible if a new accord is signed with the IMF.

Hence, the decision to "return to thinking big." Secretary Alfredo del Mazo threw down the gaullet said during the seminar: "In exercise of its sovereignty and as a member of the International Atomic Energy Organization, Mexico has solicited specialized world organizations to support it in watching over and supervising the safety of the project, and after the first visits to Laguna Verde, no recommendation at all has been received to modify its safety systems. Of course, risks exist, but even including the Chernobyl atomic disaster in the Soviet Union, nuclear is one of the safest industries in the world."

International Intelligence

U.S. pulls troops from Spain's Torrejon base

American Ambassador to Spain Thomas Enders told the press in Barcelona on July 14 that the newly announced withdrawal of U.S. troops from the Spanish air base of Torrejon is "just the first step, and we will work with the Spanish government for other achievements of this nature." Five hundred American soldiers will be sent home, to be replaced by U.S. or Spanish civilians. The move comes as a result of a Spanish referendum on NATO membership adopted in March.

Spanish Foreign Ministry spokesman Inocencio Arias announced on July 12 that both parties had agreed to resume talks in Washington in October on further withdrawals. Spanish officials say there will be a gradual but significant reduction of American personnel and facilities. Some 12,000 American troops are currently stationed at three air bases and a naval station in Spain.

A reduction of the U.S. presence, refusal to admit nuclear arms on Spanish soil, and nonintegration into NATO's military structure were the conditions for continued alliance membership approved by Spaniards in the NATO referendum.

South African blacks defy general strike call

Blacks streamed to work in South Africa on July 14, ignoring the call of the Congress of South African Trade Unions (Cosatu) for a general strike against the country's month-old state of emergency. Cosatu, which is linked to the Soviet-backed African National Congress, had urged a day of industrial action today to demand the release of hundreds of union officials detained under the emergency. Union sources said the actions would range from sit-ins to strikes and cover the crucial mining sector, already hit by protest strikes.

Bus service was halted from Alexandra, on the northern border of Johannesburg, the

country's largest city, but many blacks walked or hitched rides to get to their jobs in the city.

In Johannesburg, Durban, and Cape Town, few blacks heeded the call, but in the Eastern Cape, a stronghold of the anti-government United Democratic Front (UDF), employers reported considerable observance of the strike. In some Port Elizabeth townships, militants chased away workers at bus stops, residents reported.

Washington Post caught lying on South Africa

Mangosuthu Buthelezi, chief minister of the Zulu nation, president of the Inkatha liberation movement, and principal spokesman for South Africa's moderate blacks, wrote an angry letter to the *Washington Post* published July 15, charging that its June 30 article headlined, "Pretoria Lets Zulus Hold Soweto Rally," was "riddled with inaccuracies."

He wrote: "For the record: Violence did not 'break out' between Inkatha supporters and the United Democratic Front. Buses carrying Inkatha supporters leaving the Soweto prayer meeting were petrol bombed in the township, resulting in three dead and scores injured when one bus ran out of control and another minibus was crushed between two other buses. There is no record whatsoever of 'at least two persons' being shot by my followers. That Inkatha was once again at the receiving end of violence there is no doubt, but let me make it clear that the tragedy was in no way instigated by Inkatha. . . ."

"What [reporter Glenn Frankel] did not report was that Inkatha members have been hard-pressed defending themselves from being burned alive, hacked to death and maimed in vicious attacks on their persons and property. In all the rhetoric about the struggle for liberation in South Africa today, what is often deftly pushed aside is the fact that it is the External Mission of the ANC [African National Congress] and its internal surrogate, the United Democratic Front, that are committed to making this country 'un-

governable' and 'eliminating' political opponents. The ANC has embarked on the so-called 'armed struggle' and kills people as a matter of policy. Blacks and whites are presently being blown up at bus stops, in hamburger bars, on farm roads and in shopping malls. It is the ANC that receives arms and ammunition from the Soviet Union and the Eastern bloc."

Terrorism called part of 'Soviet war against West'

The official Catholic newspaper *L'Avvenire* commented on July 15 that the murder of Siemens board member Karl Heinz Beckurts on July 9, by Red Army Faction terrorists, was part of a Soviet war plan against the West.

The language of the RAF's communiqué, like that of the Italian Red Brigades, is a "Marxist-Leninist-Stalinist language of the 50s. . . . If the language is paleo-communist or proto-communist, the targets are highly modern, and coincide with the targets of the U.S.S.R., not of 40 years ago, but of today."

Beckurts was playing a key role in German cooperation with the U.S. Strategic Defense Initiative (SDI), the paper pointed out, "which is the *bête noir* of Gorbachov." The article concluded: "Perhaps, as Solzhenitzyn says, the Third World War has already started, not in the traditional form . . . but through a myriad of 'conventional' wars in the Third World and terrorism in the industrial countries."

Who is backing Egypt's Islamic fundamentalists?

A strike wave primarily controlled by the Muslim Brotherhood swept Egypt during the first weeks of July, as the government imposed new austerity measures demanded by the International Monetary Fund. According to the July issue of the Paris-based magazine *Israel and Palestine*, the United States, Israel, and Iran are all supporting these ac-

tions against President Hosni Mubarak—each for its own reasons.

The journal reports that the United States thinks it can use the fundamentalists to open the way for a takeover by Defense Minister Marshall Abu Ghazala; Israel wants to neutralize Egypt and thinks that a destabilization of the country will halt all attempts at peace negotiations in the region, while Iran thinks that a destabilization of Egypt will be a severe blow to Iraq.

Although the Mubarak government has backed off from removing price subsidies altogether, as requested by the IMF, it has raised prices on most items by about 25% in the last two months, while wages are frozen. At the end of June, textile workers went on strike, followed in July by a two-day railway strike which was broken up by the army. The strikes are being controlled by local union committees under the control of the Muslim Brotherhood or the communist underground.

Andreotti seeks to form austerity government

Christian Democrat Giulio Andreotti is continuing his efforts to form a new Italian government, under the benevolent eyes of the Soviet Union and the Trilateral Commission.

Informed sources in Rome report that this foreign sponsorship, not the endless internal machinations of Italian politics, is determining the outcome of the current negotiations among the political parties, and that, by fall at the latest, Andreotti will certainly become prime minister.

The key question is the policy of the new government, and Andreotti has declared that he will draw up a program for his government first, and only then decide on the makeup of the cabinet. He has two priorities: to shift Italian foreign policy toward the Soviet Union, and to reduce the budget deficit by cutting the standard of living of the population. To reach both objectives, some form of the collaboration with the Communist Party is necessary.

The Communists, right on cue, have is-

sued their own proposal for an austerity program to form the basis for a new government. It would eliminate the federal budget deficit within five years by curtailing expenditures, particularly investments. When an *Il Tempo* reporter asked a spokesman for the party whether its proposal could be considered an Italian version of the U.S. Gramm-Rudman amendment, the answer was, "Yes."

German Greens look to Biedenkopf as an ally

Otto Schily, a leader of West Germany's fascist-ecologist Green Party, suggested a possible alliance with the Christian Democratic faction of Trilateral Commission member Kurt Biedenkopf, in an interview published July 11 in *Sonntagsblatt*, the weekly of the German Lutherans. Biedenkopf, the party chairman in the state of North Rhine-Westphalia, is a rival of Chancellor Helmut Kohl.

Asked if a coalition were possible between only the Greens and the opposition Social Democrats, Schily replied: "For the time being, I see no other option. I don't want to rule out, though, that the Christian Democrats might make a basic change, maybe under the leadership of Kurt Biedenkopf, who is much more open for talks than many a right-wing Social Democrat. But people like Biedenkopf would not get a majority in the Christian Democratic Union, at the moment."

As if in response to Schily's courtship, the Christian Democrats in the state parliament of North Rhine-Westphalia passed a resolution calling for the creation of a "Rock Music Bureau." The motion alleged that rock music had been "proven to encourage a continuous, creative motion among young people," and "appealed to the basic emotional needs of the young generation."

The Green movement is making preparations for a huge rock music concert at Wackersdorf, Bavaria, the site of violent demonstrations last month. Organizers of the concert said that it should be "a festival of alternative creativity."

Briefly

● **CARDINAL RATZINGER** arrived in Peru on July 18, at the invitation of Cardinal Juan Landazuri. He was scheduled to give a public speech on July 19 on "Christian Freedom and Liberation." Ratzinger, an opponent of "Liberation Theology," was previously in Ibero-America in 1984, when he visited Colombia.

● **JORDANIAN KING** Hussein's decision to oust the Palestine Liberation Organization "has ended Jordanian influence in the West Bank," according to the newspaper *Al Fajr* July 8. Informed sources believe that the King's action meant that "either King Hussein is suicidal, or he is being led into an assassination trap."

● **IZVESTIA** on July 8 attacked the European Labor Party of Sweden for its campaign to have Sweden join NATO, and attempted to revive discredited charges that the party was implicated in the assassination of Swedish Prime Minister Olof Palme. Since Palme's death on Feb. 28, Soviet media have attempted to implicate Lyndon LaRouche's co-thinkers from the ELP in the assassination plot. Now, in a front-page article, *Izvestia* has denounced "representatives of the reactionary 'European Labor Party,' headquartered in Brussels [sic], who demanded the 'resignation of Palme' from his post and who campaign for 'saving Sweden through the country's joining NATO.'"

● **RIFAAT AL ASSAD**, the Syrian vice-president, arrived in London at the head of a 15-man delegation on July 14, in a visit shrouded in mystery. His arrival coincided with that of Soviet Foreign Minister Eduard Shevardnadze.

● **SWEDISH COMMANDER** Gen. Lennart Ljung has announced that non-commissioned officers will now be trained in special units to counter the threat of Soviet spetsnaz (special commando) forces. The decision followed a special investigation of recent spetsnaz operations in Sweden.

The Pope attacks drugs, terrorism, and usury

On July 1-8, Pope John Paul II visited Colombia. He carried the Christian message to this most Catholic of Ibero-American countries, and as part of that message, he forcefully denounced drugs, terrorism, and usury—the three evils of the policy of the International Monetary Fund and the international drug trade that are being imposed on Ibero-America. Here we reprint excerpts of the Pope's speeches and homilies. The subtitles are ours.

Poor people cannot pay intolerable social costs

The Pope was speaking July 1 to over 700 Colombian political, religious, and trade union leaders, in the Presidential Palace in Bogota.

The very fact that this meeting is taking place here, in Narino House, the seat of Colombia's Presidents, constitutes a further proof of the significant Christian reality of Colombia, almost five centuries after the arrival of the Good News to this land blessed by God.

The noble Colombian people, whom you wish to serve by contributing to their true progress in all fields, have made their own the message of the Gospel which, throughout their glorious history, has marked their life and customs. Certain determined responsibilities flow from this, for the leaders of this country, which I have particularly called a Colombian Christian vocation, which must guide your life and work as citizens invested with authority, and as believers. . . . In your work as leaders, you have made the effort to seek the paths, overcome the obstacles and create the conditions that would permit the creation of a new society.

In these circumstances, there come to mind the words of

my venerated predecessor, Pope Paul VI, pronounced during his unforgettable visit to this same capital [in 1968—ed.]: "You leaders, perceive and undertake with courage the innovations necessary for the world around us. And do not forget that certain crises in history could have had other orientations if the necessary reforms had prevented in timely fashion, with valiant sacrifices, the explosive revolutions of desperation."

Without doubt you have given thought, on occasion, to this prophetic call. You know, my esteemed leaders, the realities of our world, and more specifically that of the Latin American countries, and you are conscious that its march towards progress raises not a few great questions. In the encyclical *Populorum Progressio*, Pope Paul VI indicated a sickness in the world which he identified with the lack of fraternity among men and peoples. With this purpose, in my encyclical *Vives et Misericordia*, I wished to place in relief the fact that the world is experiencing a moral disquiet which is increasing with respect to Man and the destiny of humanity, especially with respect to the profound inequalities among nations and inside nations themselves. How can one not see this disquiet among the peoples of Latin America. . . ? This moral disquiet feeds on the phenomena of violence, unemployment, marginalization, and other factors which provoke disequilibrium. . . . The Church has faith in you, and asks you to be the artificers of a more just society. . . . This society could be called the Society of Love . . . a society which would grow in an atmosphere of peace and concord, in which violence and terrorism would not extend their tragic and macabre empire, and injustices and inequalities would not lead to desperation among important sectors of the pop-

ulation, and induce them to behavior which tears apart the fabric of society. . . .

In order to realize this new civilization, you face grave obstacles which are not easy to overcome, but which ought not to discourage you. . . . Some will come from abroad, and others from within your own society. Among the first, must be mentioned the grave economic crisis which is spreading throughout the globe, and which has taken root especially in the less fortunate countries. The difficulties of the more developed countries have led them, in order to solve their problems, to measures which rendered even more critical the situation of the less prosperous, increasing and aggravating the problems of the latter. On repeated occasions, the Church has pleaded for the search for, and consolidation of, unity among peoples, for an international community in which nations would be respected in their identity and diversity, and helped with solidarity in the achievement of the common good.

The social question has acquired the dimensions of the world, in which relations of justice and solidarity between rich and poor peoples constitute a priority. This is followed, in all its force, by the urgency of an integral development of the whole Man and of all men, according to *Populorum Progressio*. *Poor populations cannot pay intolerable social costs, sacrificing the right to development, which then eludes them, while other populations enjoy opulence. Dialogue among peoples is indispensable, to reach equitable agreements in which not everything would be left subject to an economic policy unbreakably dependent on economic laws, without soul and moral criteria* [emphasis added]. Herein lies the urgent need for international solidarity, which today is especially required for the problem of the external debt which overwhelms Latin America and other countries of the world.

Another series of obstacles comes from society itself. Some are not entirely dependent on your good will, and will require time and effort in order to be overcome, such as the lack of economic infrastructure, the scarcity of means for financing advanced technologies, the weakness of the domestic market.

But there are also obstacles which come under the responsibility of citizens, and which can and should be corrected as soon as possible. . . . Among these factors, which render development difficult, are to be found violence, insecurity, smuggling, the unjust distribution of wealth, *illicit economic activities and, furthermore, as has been pointed out, the massive export abroad of capital which is indispensable inside the country* [emphasis added].

One of the consequences of this accumulation of difficulties is the phenomenon of unemployment, which touches the core of the social problem, because of the right to work and the eminent dignity of same, as I have expressed it . . . in my encyclical *Laborem Exercens*. You are conscious of the

difficulties of a sane employment policy in the present economic circumstances, but you also know that the creation of new jobs and an equitable salary is something in order to guarantee the future, and avoid existing evils among unprotected families in the national context.

Allow me, dear entrepreneurs, to give you a Christian and urgent message. Being Christian entrepreneurs, you cannot conceive of a business except as a community of people. Consequently, the center of reference of your economic activity must always be an interest in all human beings. . . .

We are witnessing, and not without regret, repeated assaults against peace, from the most varied forms of violence, whose extreme and nefarious expression is terrorism, which has its roots in political and economic factors which are aggravated by the ideological interference of foreign powers and, not a few times, by the collapse of fundamental moral values. . . .

Colombia has made a generous effort to achieve peace in its territory and in brother countries. Continue placing all your efforts on obtaining and consolidating peace. . . .

The task which is entrusted to you is immense, and will be achieved only through a constant and prolonged effort. But, if the solution of material problems cannot be immediate, it is, however, possible to establish an order of priorities that would take into account the fact that *Man is the subject, and not the object of economics and politics*. You have the most important means necessary to achieve these objectives. The greatest wealth, the best capital of a country is its people. And Colombia is a country rich in humanity and in Christianity.

And what greater motivation can I propose to you than to remember, in this respect, the doctrine contained in the pastoral *Gaudium et Spes*, of the Second Vatican Council, in its treatment of the dignity of the human person? The Council proposes Christ to us as the restorer and prototype of our own dignity. He, Who is the image of the invisible God, is also the perfect Man Who returned to Adam's descendants the divine resemblance deformed by original sin. In Him, a human nature assumed and not absorbed, has also been raised in us to a dignity without equal. Christian Man, made in the image of Christ, who is the first-born among many brothers, receives the gifts of the spirit (*Gaudium et Spes*—Joy and Hope).

Each time you meet a fellow citizen who is poor or in need, if you look at him truly with the eyes of the faith, you will see in him the image of God; you will see Christ; you will see a temple of the Holy Spirit, and you will realize that what you have done unto him you have done unto Christ Himself. Saint Matthew puts these words in the mouth of the Lord: "Verily, verily I say unto you, whatsoever ye do unto the least of these My brethren, ye do it also unto Me."

I also shout this to you from here, you youth who perhaps have undertaken the road of the guerrilla or harbor sympathy

for it: Withdraw from the paths of hate and death, and convert to the cause of reconciliation and peace.

Against the sects

On July 4, Pope John Paul II gave the homily from which this is drawn, while speaking to Indians in Popayan.

Popular piety ought to be the instrument of evangelization and of integral Christian liberation; of that liberation for which the peoples of Latin America thirst, conscious that only God fully frees one from slavery and from the signs of death present in our time.

But we observe, on the other side, that a poorly conceived popular religiosity has its limits, and is exposed to the danger of deformation or deviations. In effect, if this piety is reduced solely to mere external manifestations, without reaching the depth of faith and the responsibilities of charity, it could favor the entrance of sects and, furthermore, lead to magic, fatalism or oppression, with great accompanying dangers for that same ecclesiastical community. . . .

Latin American integration

On July 5, the Pope spoke at the Atanasio Dirardot stadium in Medellin, before 40,000 leaders of the poor communities.

In looking at the reality of many developing countries, in particular in Latin America, we see that in the complex of problems caused by poverty there exist not only conjunctural causes but also structural ones, related to the socio-economic and political organization of society. This is a factor which must be very much borne in mind. But behind these causes there is also the responsibility of men, who create structures and organize society. . . .

I wish to launch another call for social justice; a call to the developed countries so that, while overcoming the schemas of an economy oriented almost exclusively to the function of yielding up the most with a view to their benefit, they seek conjointly with the developing countries real and effective solutions to the grave problems which every day assume more worrisome proportions, and whose victims are every day weaker.

Likewise, I wish to invite the countries of Latin America to bend themselves to the task of creating an authentic continental solidarity, which would contribute to finding paths of understanding in the grave issues which condition their own progress and development, in the context of the world economy and the international community.

We must create a culture of Truth, of the Good, and of Beauty

Pope John Paul II gave this speech July 6 at the Bolivariana Pontifical University in Medellin, to a group of Catholic intellectuals.

The Church needs culture, as culture needs the Church. I

have already said this, and I repeat it now to you, adding that the Church, in the choice and interchange of goods between faith and culture, thinks preferentially of the young, and expects from them, in turn, a preferential support. I am here thus to share with you some thoughts on this fundamental reality, that of culture, in the life of men and peoples.

Culture, in effect, ought to lead Man to his full realization in his transcendence over things; ought to keep him from dissolving himself in materialism of any sort, and consumerism; or keep him from being destroyed by a science and technology at the service of greed and of the violence of oppressive powers, enemies of Man. It is necessary that men and women of culture be gifted not only with proven competence, but also with a clear and solid moral conscience, with which they will not have to subordinate their own action to the "seeming imperatives" dominant today, but will rather serve Man with love, "Man and his moral authority, which comes from the truth of his principles and the conformity of his acts with those principles. . . ."

Cultural identity is a dynamic and critical concept: It is a process in which is re-created, in the present moment, a past patrimony, and which projects itself towards the future so that it be assimilated by the new generations. In this way, the identity and progress of a social group is assured.

Culture, a typically human requirement, is one of the fundamental elements which constitutes the identity of a people. Here they sink their roots, their wish to be a people. Culture is the complete expression of their vital reality, and encompasses it in its totality: values, structures, persons. For this reason, the evangelization of culture is the most radical, global, and profound form of evangelization of a people. There are typical values that characterize the Latin American culture, which are, among others, the desire for change, the conscience of its own social and political dignity, the efforts for a community organization, above all in the popular sectors, the growing interest and respect for the originality of indigenous cultures, the economic potentiality to confront situations of extreme poverty. . . .

In addressing you . . . I wish to launch a call for you to participate actively in the creation and defense of an authentic culture of truth, of good and of beauty, of liberty and progress, which could contribute to the dialogue between science and faith; a Christian cultural, a local culture and a universal civilization.

Culture presupposes and demands an "integral vision of Man," understood in the totality of his moral and spiritual capacities, in the fullness of his vocation. Here is the root of the profound nexus, "the organic and constituent relation" which unites in itself the Christian faith and human culture: Faith offers the profound vision of Man which culture needs; even more, only faith can accord culture its final and radical foundation. . . .

But the connection between faith and culture acts also in

the opposite direction. Faith is not an ethereal reality external to history, which in an act of pure generosity offers its light to culture, while remaining indifferent to it. On the contrary, faith is lived in concrete reality, and it gains body in it and through it. "The synthesis between culture and faith is not only a demand of culture, but also of faith; a faith which does not make of itself a culture is a faith not fully grasped, not fully thought out, not faithfully lived." Faith engages man in the totality of his being and his aspirations. A faith which situates itself at the sidelines of humanity, and consequently of culture, would be a faith unfaithful to the fullness of what the Word of God manifests and reveals; a decapitated faith; even more, a faith in the process of self-dissolution. Faith, even when it transcends culture, and by the very fact of transcending it and revealing the divine and eternal destiny of Man, creates and generates culture. . . .

Youth, you are the salt of the Earth, the light of the world

The Pope delivered this homily July 2 to youth at the El Campin stadium in the Colombian capital of Bogota.

Dear young people of Colombia: You are the salt of the Earth, you are the light of the world of this land Colombia, of this Latin American world to which you belong. . . . In you there springs the renewal of the community of believers, and you represent the replacement for those who construct the temporal city. . . . You are a privileged generation. With you, one millennium is coming to an end, and another is beginning: the third Christian millennium. Also in you there culminate 500 years of the evangelization of this New World that is Latin America, and there begins a renewed evangelizing effort that will project the Church of Jesus Christ towards the future precisely starting from you, the youth of this Continent of Hope.

I know that many of you here present have grown up in situations with which you have not failed to express your disagreement. You are conscious of the problems of your country, and do not wish to resign yourselves in the face of corruption, injustice, and violence. You want a radical change, because you wish for a more hospitable society, in which all Colombians could share and enjoy the fruits which God created for all, and not just for a few. You desire peace and concord among all, in order to be able to confront the future with less anguish and greater certainty. You are the light in the midst of so many shadows, if you allow yourselves to be illumined by Christ, "the Light which illumines every man who comes into this world. . . ."

You, dear youth, suffer because of those conflicts. You are victims of those contradictory processes, and in any case sometimes feel confusion and bewilderment in the face of so much economic disequilibrium and so much social injustice . . . in a country like yours, so rich in material and human resources. You yourselves are part of that store of re-

sources. . . .

But together with so many hopes nourished in you, you cannot ignore the strong temptations which lie in ambush for you on your path. There is the attraction that could be exercised by easy enrichment, by paths which are contrary to Christian law and morality, the temptation to escape which could lead to burying you in the alienation of drugs, alcoholism, sex, and other lamentable vices. There are some who attempt to seduce you with certain attitudes of conformism, passive indifference, and skepticism, tearing out of your youth the most noble human and Christian ideals. And there is no lack of those who proclaim, as a final and desperate solution, the armed violence of the guerrilla, in which a good number of your brothers have fallen, sometimes against their own will and other times disoriented by ideologies inspired in the principle of violence as the only remedy for social evils.

These and other temptations are awaiting you. As Christians, you can and must pass the test. You know that you are the salt of this Earth, whose virtue cannot be taken away. You are the light which must shine, the city sitting atop the mountain. . . .

The Church has need of you. I go further: The Church has need of Latin America, already at the doorstep of the third Christian millennium, in the immediate preparation of the fifth centenary of the evangelization of America. I wish to express from Colombia the wish that, through beneficial interchange, you take to the universal Church the gifts of the varied, rich, and original Latin American cultures, in which Christianity has become embodied in a profound manner. . . .

Drug traffic: the most fearsome form of slavery

The Pope spoke July 6, at the Sanctuary of Saint Peter Claver, in Cartagena.

Among the inviolable rights of Man as a person, there is the right to a dignified existence in harmony with his condition as an intelligent and free being. . . .

Slavery . . . has been abolished in all the world. But, at the same time, new and more subtle forms of slavery have arisen. . . . Today, as in the 17th century . . . greed for money seizes control of many people and converts them, through the drug traffic, into traffickers of the liberty of their brothers, whom they enslave with a slavery more fearsome, at times, than that suffered by the black slaves. Slave traders kept their victims from exercising freedom. Drug traffickers lead their victims to the very destruction of the personality.

As free men, whom Christ has called to live in liberty, we ought to fight decisively against this new form of slavery which subjugates so many in so many parts of the world, especially among the youth, who must be warned at all costs, and aid the victims of drugs to free themselves. . . .

Modern Neville Chamberlains seek end to U.S. defense

by Nicholas F. Benton

Secretary of Defense Caspar Weinberger, in what his press secretary termed the strongest speech in more than five years at his current post, invoked the name of this century's most infamous dupe, Neville Chamberlain, to describe the actions of the U.S. Congress in cutting the U.S. defense budget in the face of the Soviet military buildup. He also used the word "sabotage."

Speaking to the annual meeting of the American Security Council in Washington on July 16, Weinberger gave a stinging critique of Congress's plans to cut deeply from the President's original \$319 billion defense budget request for Fiscal Year 1987. With indications that the federal deficit projections will be much higher than predicted earlier this year, defense cuts are almost sure to go still deeper, as the commitment to hit the Gramm-Rudman law's deficit-reduction targets remains the top legislative priority, despite the Supreme Court's recent ruling that the law is unconstitutional.

"I use very plain language in discussing this budget proposal because that is what is needed, and I am sorry if what is wanted by my critics is a pragmatic, conciliatory message," Weinberger said. "But I have a responsibility, too—the defense of this nation." Targeting the House Armed Services Committee, which is moving to take more than \$35 billion out of the budget in marking up its authorization bill, Weinberger said their action "threatens us with a strategy far more appropriate to a Neville Chamberlain. . . . It calls for a change in national security policy that would sabotage our strategy for the protection of American interests." Weinberger said the action is "not designed to meet any strategy at all. It reflects no priorities or order for defense. It is simply a bill designed to cost less," with disastrous results.

Reports are that the Soviets have formally set up a committee to evaluate the effects of projected cuts in the U.S. defense budget by the Congress this year. Soviet strategy is now to play for time, and cultivate the illusion that they are open to negotiation, which fuels the arguments of those in Congress seeking to justify the massive defense cuts. This strategy motivated the sudden decision by the Soviets to meet with U.S. officials to discuss issues related to nuclear testing—something they have refused to do for years. They announced July 16 that they will now agree to discuss the verification provisions of the Threshold Test Ban Treaty and the Peaceful Nuclear Explosions Treaty.

While the official White House statement mewed, "We hope the Soviets will be prepared to join in a constructive dialogue," others had a different view. "The Soviets' aim now is to avoid a dramatic Pearl Harbor," one congressman remarked at the American Security Council. With the American people deluded, and the Congress decimating the defense budget, "the Soviets are content to achieving relentless progress through a long twilight struggle," he said.

A bi-polar world order

The leadership of this nation's Eastern Liberal Establishment is indeed repeating the crime of Neville Chamberlain, who proclaimed "peace in our time" in 1938 as he gave Adolf Hitler the capability for launching World War II one year later. The appeasement-minded liberals are engaged in a "back channel" deal with the Soviets aimed at stripping U.S. and Western Alliance defenses, and handing over virtually the entire Eurasian land mass and Africa to the Soviets. This is being done in the name of an arrangement known as the

"New Yalta," a bi-polar conception of a one-world order, achieved by undermining the autonomy of nation-states, and giving rule over to the oligarchies of East and West.

Former President Richard Nixon's extraordinary seven-day trip to Moscow is part of this "back channel" negotiation. It involves offering U.S. troop withdrawals from Europe, and the U.S. Strategic Defense Initiative (SDI) as a "bargaining chip" in strategic negotiations with the Soviets.

Proof that the leading financier families of the Eastern Liberal Establishment are behind the "Neville Chamberlain" syndrome infecting Congress is found in the August *Atlantic Monthly*, where no fewer than 10 Eastern Establishment figures join a new appeal for the unilateral disarmament of the United States. Entitled, "Back From the Brink," the article calls for the U.S. to kill the SDI program outright, scrap the MX missile and other strategic modernization programs, and join with its European allies to renounce any first use or even early second use of nuclear weapons, including the tactical neutron bomb, in the event of a Soviet invasion of Europe.

This article was written jointly by the the following prominent American bluebloods, under the auspices of something called "The Project on No First Use" supported by a grant from the Carnegie Corporation of New York:

- McGeorge Bundy—the "chairman" of the Eastern Liberal Establishment; former special assistant to Presidents Kennedy and Johnson for National Security Affairs; former president, the Ford Foundation.

- Morton Halperin—director, Center for National Security Studies; former assistant secretary of defense.

- George F. Kennan—former ambassador to the Soviet Union.

- Robert S. McNamara—former secretary of defense and president of the World Bank.

- Gerard C. Smith—former director, Arms Control and Disarmament Agency and head of U.S. SALT I delegation.

- Paul C. Warnke—former director, Arms Control and Disarmament Agency and head of U.S. SALT II delegation; former assistant secretary of defense for international security affairs.

The names of William Kaufmann, Madalene O'Donnell, Leon Sigal, and Richard Ullman fill out the list.

Bundy spearheaded a press conference in Washington D.C. July 11 where the rationale of this group's unilateral-disarmament argument was laid out. Repudiation of "first use," they argue, would ensure the Soviets that the West is serious about peace, and would involve not only eliminating tactical neutron weapons against the threat of Soviet conventional forces, but also scrapping the MX, Trident, and SDI.

The MX would have to go, they argue, because, since it is not designed as a missile which can withstand a Soviet first strike, it is only useful as a first-strike weapon itself. The Trident submarine would also have to go, they insist, since its only effectiveness is its ability to hit Soviet missiles while still in their silos, thus making it a first-strike weapon. As for the SDI, the authors concur that it is "technologically unfeas-

ible," but nonetheless destabilizing because it will "erode allied unity," cost billions of dollars, and force the Soviets to build more missiles to overcome it (exactly the same arguments used by the Soviets).

Finally, they argue that "early second strike" would also have to be renounced as a strategic policy of the West. They advocate "enhancing stability" by "requiring that the U.S. and its allies clearly identify the location, source and extent of any nuclear explosion before responding."

Miscalculation

Under questioning from *EIR*, Bundy conceded that the fundamental premise of all these proposals is that "the Soviets share our view that a nuclear war is unthinkable and impossible to win," and, therefore, "sincerely share our desire to seek out ways to avoid circumstances that might lead to nuclear conflict." This, of course, is the essence of the "Neville Chamberlain" mentality that Weinberger referred to in his speech.

In one sense, Bundy and his friends really believe this, despite overwhelming evidence to the contrary. They believe it as part of believing the Soviets will hold to their part of the bargain on the "New Yalta" deal. But in another sense, of course, Bundy & Co. are unwilling to confess that their "back-channel" deals with the Soviets on these matters involve abandoning the globe to irreversible Soviet strategic domination over the United States, such that they are fully conscious that they are engaged in what U.S. law defines as treasonous activity.

Bundy, in particular, is psychologically incapable of standing up to a sustained challenge of his premises. He deals with circumstances that easily destabilize him by abruptly cutting off dialogue. To the shock of the Washington press corps, that was his immediate resort when queried by *EIR*. Insisting on the "good will of the Soviets," he refused to provide any documentation to support his group's assumptions against the Pentagon's evidence that the Soviets have been working on "Red Shield" directed-energy strategic defense technologies for 17 years, and clearly operate with the strategic military policy that a nuclear war can be fought and won.

He also refused to comment on the overwhelming Soviet conventional force advantage on the borders of Western Europe, which would compel Europe into virtual overnight surrender to the Soviets, were tactical nuclear weapons ruled out or U.S. troops withdrawn from the region. Under the pressure of the uncomfortable situation created by *EIR* at the press conference, however, Bundy mused, half to himself, that were the Soviets planning to doublecross his Eastern Establishment friends in their devil's compact for the "New Yalta," then he would be very upset, indeed. "If," he mumbled, "it became the case that the Soviets did adopt a nuclear war winning policy, that of course would be very, very upsetting," he conceded. But then he assured everyone that, of course, that was "impossible, impossible."

Lee Iacocca uses the Statue of Liberty to aim for the presidency

by Stephen Pepper

Five Democratic party activists tied to the discredited Carter administration and the Democratic National Committee have announced the organization of a political action committee to draft Lee Iacocca for President in 1988. The chairman of the committee is State Rep. Richard Fitzpatrick of Battle Creek, Michigan, but the real mover is Greg Schneiders, a top aide to former President Carter who in 1984 joined the ill-fated John Glenn campaign.

In its press statement, the Committee said, "We firmly believe that Lee Iacocca is the man of the hour for America. Few Americans in or out of politics have demonstrated the capacity for leadership, effectiveness, and inspiration that he has."

At least, that is what Iacocca's own publicity operation wants you to believe—and make no mistake, this draft committee is a carefully controlled trial by that machine. Then, there is the truth.

"Lee Iacocca is the Jesse Jackson of Corporate America." This description, offered by someone who has observed the man at close quarters, refers to the myth on Chrysler Corp. chairman Iacocca churned out by one of the most active public relations operations in the world. According to its Iacocca legend, he is a street-wise, cigar-chomping, rugged individual, who has somehow succeeded in surviving the hostility of the corporate world, to come out on top, a fighter who has achieved the status of folk hero.

In fact, Iacocca is a fast-talking hustler, who, backed by Robert McNamara, won over his competition at the Ford Motor Co. because he was prepared to do anything to increase the company's short-term balance sheet at the expense of its long-term viability. When Henry Ford II, who has rightly earned the title of the First Failure of American business, could stand it no longer, Iacocca was shifted to Chrysler, where he was part of the biggest bail-out in American financial history up to that time. There, he exceeded even his career at Ford as an asset-stripper (see *EIR*, Sept. 6, 1985).

However, recently Iacocca's career has taken a new and decisive turn. In 1981, he engineered his appointment to head a special federal commission charged with the responsibility of coordinating all private fundraising activities on behalf of

the approaching centennial of the Statue of Liberty, the week of July 4, 1986, and the opening of Ellis Island in 1989. From the very beginning, Iacocca and his friends realized that this commission could be a stepping stone to the presidency. With a ruthless single-mindedness that is Iacocca's only attribute, he muscled his way into control of the entire fund-raising and promotional activity surrounding the most-hyped event of recent memory.

The story of the Statue of Liberty-Ellis Island Commission, and Iacocca's front group, the Statue of Liberty-Ellis Island Foundation, is a story of massive corrupt practices, extensive and obvious conflicts-of-interest, and the subordination of the entire project to the extraordinary ambitions of one man.

Entwined with this is the fact that the actual restoration of the Statue, according to some professionals, is a botched job. The atmosphere of corruption and sensationalism which Iacocca introduced, contributed to incompetent decisions in the area of conservation. For example: a brand new torch to be covered by gold-leaf, which not only changes significantly the appearance of the monument, but uses a material that scratches very easily.

Buried under these stories is the history and importance of the original monument, whose name, Liberty Enlightening the World, expresses the republican spirit in which it was conceived. It is this precious heritage which is well on the way to being lost forever.

Conflict of interest

From the very beginning, Iacocca built an independent political machine on the basis of the fundraising for the centennials. It now consists of a fund in excess of \$250 million, with a target that he himself has set at \$400 million, a fund-raising list of 25 million names, and a hyperactive PR and advertising apparatus devoted to the selling of Lee Iacocca. No political party or private political action committee even begins to approach this operation, including the religious right, the trade-unions, etc.

Iacocca has ridden roughshod over all opposition thrown up against him, including the Parks Department, the Interior

Department, committees of Congress, the General Accounting Office, and the President of the United States. No amount of muckraking reportage on his fundraising, the misuses of the money, the commercialization of the affair, or his own self-aggrandizement is going to stop him now. The only thing that will do that is an in-depth investigation of potential criminal charges arising from his blatant conflict-of-interest activities.

Toward the end of 1981, an executive of the Parks Service was asked to organize an umbrella group on behalf of the federal government to bring to bear private funds on two major projects: the restoration of the Statue of Liberty by 1986, and of Ellis Island by 1989. This commission was formed in the spring of 1982. From several sources, Iacocca's name was suggested "because he was eager for the job," and he was appointed.

But unbeknownst to officials in the government, Iacocca was the power behind a separate, private foundation called the Statue of Liberty and Ellis Island Foundation, a name designed to create maximum confusion with the official organization. The foundation was the brainchild of Richard Rovsek, Iacocca's top PR man. About the time that Iacocca got his hands on the federal commission, Rovsek was hired by the Foundation at \$60,000 a month. The head of the foundation was one John Morrissey, who was an executive of Kenyon and Eckhardt, a Manhattan advertising firm used by Iacocca. Finally, John Burgee, the partner of Philip Johnson in their architectural firm, and an executive of the foundation, was immediately hired by Iacocca to head up the committee of the commission to review plans for Ellis Island.

During the entire course of their activity with the commission, Iacocca and Burgee have pursued their plan for Ellis Island, which mainly consisted of turning the place into an Atlantic City sans casinos by tearing down at least half of the surviving buildings and replacing them with hotels and false-front fast-food stands.

Iacocca's plans for the commercialization of Ellis Island preceded his involvement with the commission. He had first wanted to put in a plan to develop hotels, but had failed to submit his bid in time. He has even put it out—and the *New York Times* has dutifully reported—that he has offered to buy Ellis Island, a clear impossibility. But he does act as if he owns the island.

Iacocca had taken over the commission by the end of 1982, by the simple expedient of having his own people in key places, and thereby transferred effective decision making to the private foundation, rubber stamping its decisions through the official commission. He ignored the existence of a highly qualified group acting as a temporary advisory board on the Ellis Island project, and instead appointed Burgee, then heading the foundation, to head a new committee to resolve plans for the Island. This conflict of interest came to a head in a stormy meeting in June 1983, when Iacocca stomped out of the commission meeting during a presentation

of the director of the Parks Service, the federal representative to the commission. He turned to someone present and shouted, "I don't want to hear anything more about this Parks Service sh*t. . . ." Burgee in turn threatened this same individual, "Son, you'll never practise architecture again."

This gives a pretty fair idea of Iacocca's style. He works on the principle, "Every man has his price, and those who can't be bought, can be intimidated. . . ." It is widely reputed that he had bought an official high up in the Interior Department who prevented any action against him until very late in the day. It wasn't until February 1986 that Secretary Hodel decided that he had to move against Iacocca, and then, only because Iacocca, unbelievably, was using conflict-of-interest charges to remove the few individuals left representing the Secretary and the federal government in the commission. Hodel asked for Iacocca's resignation from the commission. However, the initiative was left in Iacocca's hands, who then held a press conference to embarrass the President of the United States.

In 1985, Rep. Bruce Vento's (DFL-Minn.) subcommittee of the Interior Committee on National Parks and Recreation called on the General Accounting Office to audit the Iacocca foundation's books. Several months later, Vento announced just before the close of the hearings that the GAO had found nothing out of order in the audit. But the following day at the final public hearing, the GAO representative stated that no audit was ever performed!

Likewise on the charge of conflict of interest, the GAO stated that the foundation itself had simply submitted a report denying any such conflict, and that this had satisfied the GAO on this point. There has not been a word from Vento or the subcommittee members. They have been described as "cowering in their boots."

One close observer when called to testify before the GAO investigation team brought up the issue of Iacocca's use of the foundation as a base to run for political office. The chief of the investigation, Vince Grimaldo, replied, "What of it? I intend to be the first man to vote for him."

Iacocca got rid of the original French-American group engaged by the Parks Service to develop the restoration of the Statue, giving them a payoff of some \$4 million, at least \$500,000 of which could not be accounted for, despite the fact that an audit team headed by George White, architect of the Capitol, went over to examine the French team's invoices. It was concluded that Iacocca had authorized a payoff of \$500,000 to the chief of the French organization, Valery Radot. Following the investigation, Iacocca complained that the Frenchmen were taking payoffs. Then, \$3 million was spent to ship the new torch to Los Angeles (and back) so it could be used in the Rose Bowl Parade, of which Iacocca was marshal. The contract went in part to the father-in-law of Iacocca's biographer, William Novack. Of the money raised so far, exactly \$31 million has gone toward restoration, and at least \$60 million to the expenses of the foundation.

Dope in high places: Sen. Pat Moynihan

by Kathleen Klenetsky

Sen. Daniel Patrick Moynihan has recently adopted a very tough anti-LaRouche position, and a very tough anti-drug position. On the LaRouche issue, we suppose, his fear and hatred are sincere enough. On the drug issue, however, things aren't so clear.

Moynihan's anti-drug posture on closer inspection proves to be an anti-Third World posture. He doesn't attack drugs, but the nation of origin of the drugs. He doesn't attack the drug mafia; he attacks the Third World governments battling the drug mafia, as if these were responsible for the supranational drug mafia.

It's a neat trick, and strengthens the supranational drug mafia against national governments.

At the same time, the senior senator from New York is running a special smear campaign against Democratic presidential contender Lyndon LaRouche, and has managed to become one of the most wild-eyed "LaRouche baiters" on the national political scene. LaRouche, of course, is known internationally as one of the most effective opponents of the drug mafia.

There seems to be a pattern here.

It turns out that Daniel Patrick Moynihan, protégé of Averell Harriman (Stalin's friend), former Moynihan, protégé of Averell Harriman (Stalin's friend), former ambassador to India, and famous for "benign neglect" of all that is evil in America and the world, has been a loud supporter of legalizing drug traffic since before he entered the Senate.

"I am concerned," he said during his 1976 campaign, "that the prejudicial treatment of marijuana offenders in the absence of clearly harmful effects has created insuperable practical problems of law enforcement and has seriously harmed the standing of our law enforcement agencies in the eyes of the public. My position is that I support the decriminalization of marijuana offenses. I would, if elected to the Senate, lend the prestige and support of my office toward that end." He then attacked "unscrupulous dealers" who might be watering down the product!

Sure enough, in the legislative sphere, Moynihan became a loud supporter of mass legal drug consumption. In 1979, he was one of the main sponsors of a radical marijuana "decriminalization" bill. When that measure was defeated, he threw his support behind Sen. Ted Kennedy's omnibus Crim-

inal Code Reform Bill, which would have removed federal criminal penalties for marijuana possession.

These pot bills were key elements of the drug lobby's first efforts to remove criminal penalties from all illegal drugs. Fortunately, both were defeated.

Moynihan's patrons

It turns out that Moynihan's supporters have a lot of drug-trafficking connections. He is a client of the New York law firm of Willkie, Farr, Gallagher. The firm sits at the top of Dope, Inc.

One partner is Kenneth Bialkin, until recently national chairman of organized crime's Anti-Defamation League. Bialkin has been the attorney and business partner of Robert Vesco, now living in Castro's Cuba, and the heir apparent to the late Meyer Lansky. Vesco is the actual kingpin of South American cocaine traffic. For example: "I am nothing compared to Vesco," said Carlos Lehder Rivas, Colombia's biggest drug-runner!

Willkie, Farr, Gallagher has had other clients besides Moynihan and Vesco: First Boston, the money-laundering firm; Rapid American Corporation, owned by Israeli mafia figure Meshulam Riklis; and Shearson Lehman/American Express, whose Philadelphia branch was recently indicted for money-laundering.

Moynihan in part owes his political success to Willkie, Farr, Gallagher's financial and political backing, and to Kenneth Bialkin personally. FEC records document that Moynihan received thousands of dollars in contributions from at least 11 members of the firm for his 1982 reelection campaign, including Kenneth Bialkin and his wife.

In fact, Charles Straub, a senior partner of Willkie, Farr, Gallagher, was Moynihan's 1982 campaign chairman.

Does Moynihan use drugs?

We don't know for sure, but two people close to Moynihan have been involved in drug scandals in recent years.

One was Abbie Hoffman, the former "Yippie" proto-terrorist. After being indicted as a cocaine dealer in the early 1970s, Hoffman went underground and became "Barry Freed," a radical environmentalist in New York State. Moynihan befriended and brought him to Washington to testify before a Senate committee. When Hoffman finally turned himself in and was convicted on the cocaine charges, Moynihan called for him to be pardoned.

A similar case involved Eric Breindel, a young Harvard graduate whom Moynihan hired as an aide on the Senate Intelligence Committee with top-level security clearance. Earlier, Breindel had written an article for the *New Leader* slandering LaRouche as an "American fascist." The same Breindel was arrested in May 1983 for heroin possession and conspiracy to violate drug laws.

Does Moynihan use drugs? Probably not, said one Washington observer: "He's never sober long enough to stick the needle in."

Will Mexican border be militarized?

by D.E. Pettingell

Drugs, foreign debt, and immigration will be the main issues discussed between Mexican President Miguel de la Madrid and President Ronald Reagan when they meet in Washington, D.C. on Aug. 13. The official announcement of the one-day encounter was made simultaneously in Washington and Mexico City July 7.

Those who favor good relations between the two nations welcomed the news. Recent developments on this side of the border have brought U.S.-Mexican relations to their worst point in recent history.

Just as the announcement was reaching the world, newspapers on both sides of the border were reporting the latest in a series of incidents unfavorable to bilateral relations. Mexican citizens had an unpleasant encounter with a U.S. paramilitary fascist group claiming to be fighting drugs and illegal immigration along the border.

On July 5, the armed "anti-communist" gang known as Civilian Materiel Assistance (CMA) detained a Mexican family—including women and children—at gunpoint for two hours, three miles north of the Mexican border in Arizona. The Alabama-based group's members wore camouflaged uniforms and carried assault rifles and M-16s, according to press accounts. They both fired their weapons to "scare" the Mexicans, according to witnesses, and violated the law by crossing into Mexican territory. When Border Patrol officials finally arrived, the 15 Mexicans were allowed to return to Mexico. The CMA thugs were not detained, but only given a "warning."

U.S. Customs Service Assistant Commissioner for Enforcement William Rosenblatt told this writer that any American citizen has the right to conduct a "civil arrest"—in effect justifying CMA's behavior.

It seems like a small incident, but the U.S. Eastern Establishment would like nothing more than to turn the Mexican border area into a zone of war, in service of a "New Yalta" plan to shift U.S. troops out of Western Europe and into the Western Hemisphere. Violence on the border would provide the perfect justification to pull American troops out of West Germany, giving the Russians a free hand in Europe.

Iron curtain

"Our allies will protest if we withdraw forces even temporarily from their defense and force them to defend themselves," wrote Rear-Admiral William Mack, USN (ret.) in a

widely circulated blue-print for deserting Europe, entitled, "Let Us Close Our Back Door." It was first printed in April 1985 in *Shipmate* magazine.

"Let them all object. The ability to close our back door . . . is the key to our future national security [emphasis in original]." Mack, the current head of the U.S. Naval Academy Alumni Association and former commander of the 1st Fleet, went on to propose an Iron Curtain along the Rio Grande, what he called a "continuous barrier" along the 2,000 mile border, complete with watch-towers every two miles, searchlights, personnel movement sensors—and of course, 120,000 troops, who would have to come back from Europe.

The good admiral never mentions deals with the Kremlin, of course. He told a caller: "It is all a question of resources." In 1984, the idea was seen as "political dynamite." But now, "the administration has come to realize that that's what we are required to do."

CMA is not the only racist gang of nuts whose strings are now being pulled by the liberal Establishment on behalf of Soviet designs on Europe. The so-called Liberty Lobby has also been thrust into the anti-Mexico campaign. In July, this group sent out 100,000 copies of a "fund-raising" letter titled "100 Million Refugees Will Affect Your Life." (Mexico's population is only 80 million.)

The letter, signed by the group's "Task Force on Immigration Control," asks: "Do you know that between 60 and 80 percent of the babies born each year in Los Angeles belong to illegals? and that Florida spends over \$500 million per year for illegals' health care alone?"

The Liberty Lobby echoes Mack's idea of militarizing the border. "Sen. Pete Wilson (R-Calif.) suggests putting a Marine every 15 or 20 ft. along the border. We say, YES [capital letters in original], use the Marines—and the Army—to protect our border while we still have a country. That would be much better for the country than having our armed forces everywhere in the world—protecting everyone else but Americans."

The group's newspaper, *Spotlight*, features a special eight-page pull-out titled "America is Being Invaded." "DANGER; American Border Open to Terrorists; National Security Concern; Aliens Take Bite of Your Tax Dollars; Illegals Threaten Your Way of Life; Jail them in Mexico," are some of the headlines.

In its July 7 issue, *Spotlight* published an editorial asking Americans: "How is it possible that 'our Army' is used to 'guard the borders of 41 countries scattered around the globe,' but not our own?"

In short, bring the troops back from Europe—just what Mikhail Gorbachov ordered.

The Los Angeles County Board of Supervisors recently passed a resolution asking President Reagan to dispatch troops to the border, and on July 9, Count de Borchgrave's *Washington Times* editorialized: "The vast majority of Americans want the border shut. . . . It would take an Army the size of China."

British expert backs Calif. AIDS measure

John Seale, M.D., F.R.C.P., F.R.S.M., the noted British venereologist, gave a formal statement of endorsement for the AIDS ballot initiative in California to *EIR* on July 17. The measure (see *EIR*, July 18, 1986, pp. 30-37) was placed on the November state ballot after nearly 700,000 signatures were gathered on petitions calling for declaring AIDS a communicable disease, subject to existing public health laws. It has polarized the political life of the state. The so-called gay lobby violently opposes this initiative as an alleged threat to their lifestyle.

The California ballot initiative has received the endorsement of the *EIR* Biological Holocaust Task Force, which has published two special reports over the past year ("Economic Breakdown and the Threat of Global Pandemics" in July 1985 and "An Emergency War Plan to Fight AIDS and Other Pandemics" in February 1986). The *EIR* group's publications contain the only proposal for a global effort to wage war on the disease, and are coherent with the approach of the California AIDS initiative.

Dr. Seale's statement of endorsement follows:

"I wish to express my strong support for the Initiative in the state of California to mandate that normal public health measures be applied to persons infected with the AIDS virus.

"I speak in the capacity of a physician whose practice is in London, who has specialized in the diagnosis, treatment, and prevention of sexually transmitted disease for the last 25 years, and who has taught medicine at the University of London.

"The AIDS virus is the first, entirely new, highly lethal virus to spread as an epidemic throughout mankind, since the origins of modern medicine over a century ago. The infection with the AIDS virus is now known to be more deadly to people today than infection with either smallpox or yellow fever viruses were to their grandparents, and far more deadly than infections with the bacteria causing tuberculosis, cholera, typhoid, or syphilis.

"The unique danger of the AIDS virus to our civilization is that all people infected with it remain well, but are poten-

tially infectious to others for several years before the illness develops. Once illness supervenes, there is a slow deterioration to death. These are the characteristic features of a slow virus disease.

"Modern scientists and modern doctors have had no previous experience of combatting the epidemic spread of a slow virus disease amongst humans. Nor have they any experience of treating people infected with viruses similar to the AIDS virus. At present, all the technological wizardry of modern science is useless in producing a vaccine to prevent infection or a medicine to cure it. Every competent scientist who has studied the virus and the disease it causes privately admits that there will be no widely available vaccine or cure before the year 2000 at the earliest.

Prevailing view is wrong

"The prevailing view that AIDS is only a disease which affects homosexuals, drug addicts, prostitutes, and people who are sexually promiscuous, is a grotesque misrepresentation of the facts. The AIDS virus is transmitted with devastating efficiency by people whose sexual pleasures include repeated contact with the lower intestinal tract of numerous other people and by those who inject themselves with drugs. However, once thousands of people are infected by indulging in these extraordinary activities, it is inevitable that a virus which persists for years in the blood, saliva, and other bodily secretions of those infected, will also be transmitted with increasing frequency in the family, the school, and the hospital, unless steps are taken to stop it.

"The only means whereby the spread of the AIDS virus can be halted is by identifying those who are carrying the virus and by society's using whatever powers are appropriate to ensure that they (those infected persons) transmit the virus to no other person. This will require a national effort throughout the world by all governments and by all people, of a magnitude and cost comparable to waging a prolonged war of survival against a powerful, skillful, and devious enemy. There will be no easy victories, no glory, and terrible suffering. But there is no alternative.

"It is truly remarkable that so many scientists and doctors who have studied the virus and the disease in depth have lacked the courage to spell out, in simple language, to politicians and people, the catastrophe which so clearly threatens to overwhelm mankind. The kindest response is to remember the universal disinclination of all of us to think and speak the unthinkable.

"This Initiative, which has been put forward by the citizens of California, and which is so shocking in that it has to be put forward at all, will, if it receives an overwhelming vote in its favor, galvanize leaders of your state and of your country to act wisely but firmly. In so doing, it will undoubtedly persuade other people and their governments also to act. If Californians make the right decision, not only will all Americans come to praise them, but so will the rest of the world."

Will Robert Michel run for President?

Sensitive ears at the annual meeting of the American Security Council here July 16 picked up a lot of quiet talk about House Minority Leader Robert Michel (R-Ill.) and his credentials as a Republican presidential contender.

There is a grave concern over George Bush's ability to succeed Reagan among all Republican circles, and "Reaganites," especially, are exploring stalking horses or alternatives, such as retiring Sen. Paul Laxalt (R-Nev.), a close friend of the President. However, Laxalt, from one of the most sparsely populated states, has no real constituency of his own, and his business ties to casino operations in Nevada present an overwhelming obstacle. Most importantly, he is barely more personally appealing than Bush. This "personal" quality, for better or worse, is what many "insiders" feel is the key to Reagan's popularity.

Michel is from Peoria, Illinois, the middle of Middle America (his district includes Sangamon County, where Abe Lincoln got his start). As the popular leader of Republicans in the House, he comes across as old fashioned, unpretentious, and a colorful orator (because of the rich baritone resonances of his voice—which he often uses to sing the National Anthem at public events).

In short, the 63-year-old lawmaker has certain personal qualities not unlike the President. What are his policies? Would he make a good President in a time of dire crisis? In the

world of "perceptions," the way the "regular" think, such realities don't enter in. You can say you read it here first.

Revelations on how the KGB runs Congress

In an autobiographical account of the alcoholic and compulsively homosexual behavior that ruined the career of former Rep. Robert Bauman (R-Md.), appearing as the cover story in the July issue of *The Washingtonian* magazine, the former head of the American Conservative Union tells enough about the seamy side of Washington officialdom to explain how blackmail by the KGB, FBI, or other "vested interests" determines what goes on here.

He alludes to three areas:

- Page boys. As a page boy himself in the early 1950s, Bauman was boarded at a house run by the mother of a man who openly ran a male brothel on Capitol Hill. The mother was aware of her son's activity, as were local police, and Bauman was encouraged by other page boys to frequent the brothel. That was at the time, Bauman says, when "not-so-quiet rumors were spread about Sen. Joe McCarthy of Wisconsin and his staff members."

In another case, Rep. Gerry Studds (D-Mass.) confessed to an affair with a page boy in the 1970s, as part of a massive scandal involving a network of page boys that broke in the early 1980s, and was covered up.

- Organized prostitution rings. According to Bauman, he was exposed in 1980 as the result of a task-force operation organized in 1978 involving the FBI, Secret Service, U.S. Attorney's staff, and D.C. police vice, sex, juvenile, and prostitution units.

This operation was going after "organized rings of imported male prostitutes" that were brought into Washington. According to Bauman,

"The names of prominent government officials appeared in the stories the young men [prostitutes] were telling police." Besides himself, Bauman says nine other members of the House and Senate were named, plus "high officials of the federal government, the D.C. government, aides to the White House staff of Jimmy Carter, as well as many well known in Washington military, business and professional circles."

Bauman describes how he himself was snared by the probe, but mentions nothing about what became of the investigations of the task force, overall.

- The full closets. Besides Studds, who was re-elected despite his admissions, and "another Congressman who appears at Washington's annual Gay Pride Day in a tank top with his usual young companion," Bauman claims there are many more "gay members of Congress who choose to be more closeted, but their names are known to many in and out of gay circles, including the media, which have their own homosexual contingent."

In fact, Bauman reveals, "The closets of Washington are full of gay Republicans and gay conservatives. Many of them serve in high Reagan-administration posts, some in the White House. They serve in Congress and populate the circles of power in law firms, public-relations firms, lobbying groups, political-action committees, conservative organizations, and the Republican Party. Their names appear on the White House guest list, and feature articles are written about them in the *Washington Post's* Style and Business sections."

What all of this reveals is a massive national security vulnerability. The fact that it continues while being known well enough for Bauman to write about it so candidly, without anything being done to clean it up, is perhaps the biggest scandal of all.

A scramble in the wake of Gramm-Rudman ruling

The Supreme Court's declaration that a key part of the Gramm-Rudman act, the automatic trigger mechanism, is unconstitutional, has spurred Congress into new heights of lunacy on economic policy.

Rather than drop the silly idea of "balancing the budget," and instead attack the problem of the economy by going to the source—lack of productive investment—Congress instead is scrambling to gerry rig new mechanisms for slashing a deficit gone out of control.

On July 17, Congress certified its irresponsibility in the economic arena by overwhelmingly ratifying \$11.7 billion in spending cuts made via Gramm-Rudman's automatic trigger in March. These were also ruled unconstitutional by the Court.

Meantime, Gramm-Rudman's principal sponsors—Sens. Phil Gramm (R-Tex.), Warren Rudman (R-N.H.) and Ernest Hollings (D-S.C.)—have proposed new legislation that would repeal Congress' powers to dismiss the head of the General Accounting Office, putting that agency in the category of major independent regulatory commissions.

The move is designed to deal with the Supreme Court's major objection, namely, that the GAO is an agency of Congress, and therefore the provision within Gramm-Rudman allowing the GAO's director, the controller-general, to dictate across-the-board budget cuts to the President, violates the constitutional separation of executive and legislative powers.

But the proposal has generated little support. The current controller general, Charles A. Bowsher, has is-

sued a statement strongly opposing the idea, on the grounds that the GAO "should remain the congressional watchdog and continue its independent and objective audits. . . ." Congressional leaders, including House Speaker Tip O'Neill (D-Mass.), have also rejected the proposal as an infringement on congressional powers.

Senate readies tough South Africa sanctions

The U.S. Senate is preparing to impose tough economic sanctions against South Africa, amid growing indications that the Reagan administration may be inching away from its current no-sanctions stance.

Senate leaders say enough support exists within the chamber to pass some form of sanctions. Senate Foreign Relations Committee chairman Sen. Richard Lugar (R-Ind.), considered a bellwether on the issue, declared July 15, "A large majority of the Senate would like to take some action on South Africa. They'd like to cast a vote to indicate their unhappiness."

Sen. John Heinz (R-Penn.) concurred: A sanctions bill "will have all the votes it needs."

Congressional sources report a strong possibility the Senate may vote up a bill as harsh as that adopted by the House last month, mandating total U.S. disinvestment and a complete ban on trade.

The Senate began its deliberations on the issue with Banking Committee hearings July 15. Key witness Sen. Ted Kennedy (D-Mass.), co-author of two of the four sanctions bills under Senate consideration, told the committee that isolating South Africa economically offered the "last chance" of

avoiding civil war and eliminating apartheid.

"I deeply regret that Congress did not act last year," Kennedy told the committee. "We cannot let another year go by. The policy of the administration is a disgrace and an embarrassment. The Congress must act now to put the United States back on the right side of history. . . . The United States of America has become the last best friend of apartheid."

The Senate push for sanctions coincides with an administration review of its South African policy, and is expected to bolster those in the administration who want Reagan to take a tougher line with Pretoria.

Reagan is being urged by some advisers and key members of Congress to make a major address on U.S. policy before July 23, the date Secretary of State George Shultz is scheduled to testify on South Africa before Lugar's committee.

Should the United States take punitive economic actions against Pretoria, as urged by Kennedy et al., it will be shooting itself in the foot. As the *New York Times* gloated July 15, were the West to cut off trade with South Africa, the West's only alternative source of vital strategic minerals would be the Soviet Union.

Congressman threatens to undermine war on drugs

On the same day that U.S. military forces were assisting the Bolivian government in what promised to be an historic crackdown on that country's cocaine industry, U.S. Rep. Larry Smith (D-Fla.) was threatening to cut off all aid to Peru and Colombia and to terminate a U.S.-Mexican drug-

eradication program, if these countries failed to eradicate their drug exports.

Smith, apparently oblivious to the fact that Peru and Colombia have also asked for American military assistance, made his threats at July 17 hearings sponsored by the House Committee on Foreign Affairs's Task Force on International Narcotic Control, which he chairs.

Smith said the Congress could refuse to okay the additional \$2 million for the U.S.-Mexican program that the State Department has requested. He also bragged that Bolivia had turned to the United States for military assistance only after the United States had threatened to terminate aid to that country last month, pursuant to an amendment Smith added to last year's foreign assistance act.

Smith's claim flew in the face of statements made by Bolivia's ambassador to the United States on ABC-TV's "Nightline" the night before. Fernando Illanes denied there was any relationships at all between the threatened cut-off and the Bolivian government's decision to invite U.S. forces in. Illanes stressed that the operation was planned months before, in April, and "does not have anything to do with the latest action from Congress."

The Smith hearings provided a forum for the most rabid fulminations imaginable against key Ibero-American governments, especially Mexico. James Millis, author of a widely-publicized (and palpably fraudulent) book on drugs, accused Mexico's President and attorney-general of covering up the murder of U.S. Drug Enforcement Administration agent Enrico Camarena in Mexico two years ago.

"If all of the facts on the Camarena murder become known, the govern-

ment of Mexico would collapse," Millis asserted. He read from a 1983 "classified" government report, claiming that 75% of the total export earnings of Mexico and Colombia "probably" come from drug trafficking.

The author pleased Smith no end by declaring that the export of illegal drugs to the United States is a hostile act, and that President Reagan should declare war on Mexico, Colombia, Peru, and Bolivia—not the drug mafia, but the countries!

"Our President should stop telling people that the drug problem in the U.S. is a domestic one, that we can stop drugs at the border," said Millis. "There has been a war on drugs in every administration since Nixon. This is not an effective war. The President has to say: 'We tried stopping drugs on the border. It has not worked.' He has to be honest and say the following countries are truly and simply in the drug business: Colombia manufactures 80% of the cocaine of the United States; Peru and Bolivia grow together over 95% of the coca; Mexico is the major exporter to the United States of marijuana, heroin. . . . These are hostile acts. We are in effect in war with these countries."

Nunn spearheads assault on strategic defense program
Senator Sam Nunn has taken over the leadership of the anti-SDI gaggle in the Senate. The supposedly pro-defense Georgia Democrat, ranking minority member of the Senate Armed Services Committee, has launched a multi-flanked attack on the program, including a move to force the administration to stick by the so-called "strict

interpretation" of the 1972 Anti-Ballistic Missile Treaty.

Nunn's actions stem from an administration decision last fall that a broad interpretation of the treaty was permissible. The decision was based on a section of the treaty called "Agreed Statement D," which explicitly exempts technologies based on "new physical principles" from the pact's restrictions.

Although Reagan, under prodding from the State Department, announced that the United States would continue to abide by the more narrow reading for the time being, the arms-control mafia went berserk over this new threat to the ABM accord.

Nunn and several of his cohorts are now preparing a legislative challenge to the validity of the administration's interpretation, and has asked for access to the detailed record of the treaty negotiations so they can "decide for themselves" whether the administration is right.

The administration has so far refused, asserting executive privilege. Nunn has upped the ante with a bill to block spending of appropriated funds for SDI if the administration continues to refuse to let the Senate have access to the records.

Congressional officials say that various compromises, some of which would restrict the number of senators who could see the material, have been suggested, but Nunn isn't buying. In a June 18 letter to Senate Armed Services chairman Barry Goldwater (R-Ariz.), Nunn rejected the compromises: "As long as the administration insists on deciding what parts of the record we can and cannot see, we cannot reach an independent and objective judgment as to the validity of its recent reinterpretation."

National News

Public Health Service reports cocaine deaths

The U.S. Department of Public Health Service published a study on July 10 showing a 14.5% rise in hospital emergency admissions this year as a result of cocaine use and spelling out the ways in which cocaine kills.

Dr. Donald Ian Macdonald, administrator of the Alcohol, Drug Abuse and Mental Health Administration, said that cocaine can kill by stroke, heart attack, cardiac arrest, or stimulation of the nervous system followed by respiratory collapse.

Macdonald debunked the myth that "strength of will or character can prevent addiction." Warning that the drug can kill even a first-time user, he expressed special concern about "crack," the new form of cocaine now common in the United States that can prove addictive even after a single use. The fact that 471 more users were admitted to emergency rooms during the first quarter of 1986 than 1985 was attributed by Macdonald to "a lot of people falling off the cliff because they are more years into their habit."

There were 185 reported cocaine-related deaths in 1981, in a sample of 25 urban areas. In 1984, the cocaine-related deaths stood at 580. Cocaine use is estimated to have increased 10-20% a year for the last four years.

From 20 to 24 million Americans have tried the drug at least once, according to the National Institute on Drug Abuse.

AMA supports civil rights of AIDS virus

The American Medical Association has filed an *amicus curiae* brief arguing that employers should not have the right to fire employees who have AIDS.

The brief—written by AMA lawyer Ben Heineman, Jr., a protégé of Joseph Cali-

fano, a Democratic Party policymaker and euthanasia proponent—was filed in a case the Supreme Court has agreed to hear in the fall, involving a Florida teacher who was fired because she has tuberculosis. The case is expected to have major impact on treatment of AIDS cases.

The brief objects to a recent Justice Department ruling that employers could fire workers with AIDS, terming it "incorrect as a matter of law. . . . Although one effect of a handicap may be that it poses a risk of harm to others, employers should not . . . be allowed to discriminate irrationally against a handicapped individual based on a fear of such risk."

Dope, Inc.'s Weld named to Justice Dept. post

William Weld, the U.S. Attorney from Boston, was formally nominated by President Ronald Reagan on July 15 to become Assistant U.S. Attorney General in charge of the Justice Department's Criminal Division. He will face confirmation hearings before the Senate Judiciary Committee and a vote by the full Senate.

Informed sources report that Weld's appointment was the result of pressure from Donald Regan, the former chief executive officer of Merrill Lynch securities, and now White House chief of staff. Weld's family connection to the Crédit Suisse financial empire and Regan's ties to Merrill Lynch place the two in the middle of the money-laundering route for the heroin mob known as the "Pizza Connection."

For two years, Weld has been overseeing an expensive and unsuccessful Boston grand-jury investigation of organizations identified with Lyndon LaRouche.

When Weld's nomination was announced during the White House press briefing on July 15, *EIR* correspondent Nicholas F. Benton asked about the contradiction between President Reagan's anti-drug effort and the nomination of Weld, "who has been highly criticized for giving the drug-money laundering Bank of Boston only a slap on

the wrist and has been linked to drug money laundering interests himself." White House spokesman Albert Brashear replied that he was not aware of these charges, and did not know if the President knew of them, or had ever met Weld.

In February 1985, the Bank of Boston plead guilty to a felony charge of knowing and willful failure to file cash transaction reports involving \$1.2 billion of international transactions with nine foreign banks over a period of four years. Officials from the Treasury Department stated they believed this to be drug money. For this, Weld negotiated a plea bargain which fined Bank of Boston a mere \$500,000.

The largest of the criminal transactions went to three Swiss banks, among them Crédit Suisse of Zurich, the Weld family bank whose subsidiary, White Weld Securities, dominates the Eurobond market, a major haven of investment of "hot money" from the narcotics trade.

Arizona governor attacks Mexico-bashing

Arizona Gov. Bruce Babbitt (D) accused national and local officials on July 15 of "inciting violence" against illegal aliens and of trying to "bring down the Mexican government."

In an impassioned speech to members of the National Council of La Raza, one of America's largest Hispanic organizations, Babbitt also called on New York banks to cut Mexico's debt-service obligation immediately.

He singled out Harold Ezell, western region commissioner of the Immigration and Naturalization Service, and Sen. Jesse Helms (R-N.C.) for sharp criticism. "This guy named Ezell, who is a public official, said when anyone finds an undocumented alien they should 'skin 'em and fry 'em.' This is inciting violence and is unacceptable." Babbitt accused Senator Helms of "embarking on a course of bringing down the Mexican government with innuendo and slander."

Babbitt added, in reference to his possible run for the Democratic presidential nomination, that he was "standing very near the water and looking in."

New York Dems to demand 'loyalty oath'

The organized crime networks entwined around New York Gov. Mario Cuomo and Sen. Patrick Moynihan have launched a bid to use the near-forgotten Wilson-Pakula law to challenge "party loyalty" of Democratic candidates for public office. The move is aimed at excluding from the ballot candidates supporting Lyndon LaRouche.

The law has not been applied since 1950, but William Cunningham, Governor Cuomo's executive director of the State Democratic Committee, said, "We're going ahead with it."

In a related development, the petitions submitted by New York LaRouche Democrats Webster Tarpley, Judah Philip Rubinstein, and Fernando Oliver (candidates for U.S. Senate, governor, and lieutenant governor, respectively) were challenged in Albany in mid-July. The challengers are Robert Wagner, Jr., linked to the National Man-Boy Love Association (Nambla), and Ed Kayatt, convicted felon and publisher of *Our Town* newspaper, the New York East Side anti-LaRouche slander sheet whose attorney was the recently disbarred Roy Cohn.

Mexicans attacked on Arizona border

The Arizona branch head of the Civilian Materiel Assistance (CMA), J. R. Hagan, said on July 7 that the group plans to continue and escalate their "patrolling" of the border. The CMA was immediately followed by the fascist Ku Klux Klan leader Bill Alberts of Modesto, California, who threatened, "If the government can't keep the

Mexicans out, we can."

On July 5, a group from the CMA organization held a group of Mexican citizens at gun-point for two hours, three miles north of the Mexican border in Arizona, until the Border Patrol appeared, and the Mexicans were allowed to return to Mexico.

The CMA was founded three years ago by four members who dropped out of the KKK. It is known to be deeply involved with supporting the Nicaraguan Contras, and is currently known to be supplying the drug-running contras with well-trained American mercenaries. In 1985, the group reportedly gave the Contras \$4 million.

Thomas Posey, national leader of CMA, attended the September 1985 World Anti-Communist League (WACL) international conference in Dallas, Texas. Other guests included several Contra leaders and members of the Mexican paramilitary and Hitler-loving Tecos group. Posey's CMA provided "security" for the WACL conference.

Helms defends Chilean dictatorship

On July 12, Sen. Jesse Helms (R-N.C.) held a press conference in Santiago, Chile defending both the dictatorship of Augusto Pinochet regimen and the "free enterprise" of the Chilean economy.

According to Helms: "I assured President Pinochet that major media in the U.S. have a tendency to be very unfair to anti-communist governments. . . . I have never seen a socialist government which the *New York Times* or the *Washington Post* did not like. I am ashamed of the major media in my country."

"The United State must understand that Chile is one of the three countries in the hemisphere that is resisting communism. . . . Chile is a stable country which has no corruption, and I admire Chileans because they believe in free enterprise.

Helms also criticized the State Department for placing pressure on Chile to restore democracy.

Briefly

● **KEVIN ZEESE**, national director of the National Association for Reform of Marijuana Laws (NORML), condemned the U.S.-Bolivia drug crackdown, and charged that the reports of drug abuse in the United States are "highly exaggerated." Zeese claims that the U.S. operation in Bolivia "sets a dangerous precedent for the U.S. military invading foreign countries." The extent of drug use in the United States has been "greatly exaggerated," he said, as has been "the coverage of cocaine deaths. . . ."

● **CARDINAL BERNARDIN**, archbishop of the Roman Catholic Archdiocese of Chicago, says he supports a city ordinance that would protect the rights of homosexuals, provided this does not imply that he supports homosexual activity. The Church's concern, he says, provides "no place for discrimination and prejudice against a person because of sexual orientation."

● **THE UNITED STATES** conducted the largest ever underground nuclear test in Nevada on July 17. The test is thought to be linked to research for the Strategic Defense Initiative.

● **U.S. AMBASSADOR** to Moscow Arthur Hartman has protested to the editors of two Soviet newspapers over articles alleging that AIDS was engineered as part of a U.S. biological warfare program. In letters dated June 25 to *Literaturnaya Gazeta* and *Sovietskaya Rossiya*, Hartman said the charges are "as reprehensible as they are false. . . . I can only conclude that they represent nothing more than a blatant and repugnant attempt to sow hatred and fear of Americans among the Soviet population, and to abuse a medical tragedy. . . . for base propaganda purposes."

Editorial

A war on narco-slavery

This month, we commemorate the 125th anniversary of the Battle of Manassas, the first major battle of the American Civil War of 1861-65. The battle is remembered for having shocked a fantasy-ridden U.S. Congress to realize that defending the Union would require a full war-mobilization for a hard fight.

Today, 125 years after the opening of the war that ended black slavery in the United States, there is still human slavery in the world, under the rule of the same European oligarchical families and American "Boston Brahmins" who profited from slavery in the U.S. South and the international narcotic trade in the 19th century. We refer to families like that of William Weld, the U.S. Attorney in Boston who has been running Dope, Inc.'s inquisition against the leader of the American anti-drug lobby, Lyndon LaRouche, and who now, incredibly, has been named Assistant Attorney-General in charge of the Criminal Division of the Justice Department.

Pope John Paul II, on his recent tour of Colombia, called the effects of mind-killing drugs on a population an even worse form of slavery than in the past. The point was underlined when Brazilian officials revealed that their country's drug bosses were keeping human slaves, literally, cutting the tendons of the laborers on the dope-growing plantations to keep them from running away.

A few years ago, the drug mafias of South America (like the "left-wingers" around the friend of Castro and the German Greens, Carlos Lehder) boasted that the only victims of their dirty trade were "foreigners"—the hated "Yankees." Today, as *EIR* has documented for Brazil and Argentina in particular, those nations have ceased being mere producers and transshippers, and are major consumers of deadly drugs. The same has occurred in Southeast Asia.

Malaysia, for example, has long been a transshipment point for drugs from the Golden Triangle, but in the last decade, drug consumption in this Southeast Asian country of 14 million people has zoomed upward. Two years ago, the Malaysian government began

to enforce a law on its books calling for capital punishment against drug pushers. In our view, the one circumstance under which the death penalty is legitimate is under conditions of war. Drug pushers are mass murderers, perpetrating a war against all of humanity.

Malaysia's action brought out into the open the international dope lobby in its full racist panoply. Under the cited law, 30 Malaysians have been executed. But when in early July Malaysia carried out the same sentence against two Australians found guilty of trafficking in heroin, suddenly there was an outcry from Britain, Australia, and such organizations as Amnesty International. Malaysia's pro-life government—one of the few in the world which has made the optimistic pledge to increase its population fivefold by the end of this century—is being subjected to efforts to overthrow it.

Malaysia should be emphatically supported for sticking to its guns and fighting back in the war which the drug traffickers are waging against every nation. The war on drugs is a war for the very principles of Judeo-Christian civilization, for the integrity of the individual mind of every child and adolescent.

Against whom is this war being fought? Well, we have documented in these pages that the drug mafia works on behalf of the strategic aims of the Soviet bloc. The recent, much-covered-up arrest of Soviet nationals in the largest-ever heroin bust in Europe (Rotterdam, May 30) indicates that the Soviets are becoming more brazen, in that as in other domains.

Secondly, the international money-center banks have built the drug mafia into an international force more powerful than any individual government, which is waging outright war to defeat all sovereign governments. The only way to defeat this mafia is for governments to adopt measures of war against it.

To do that, the governments themselves must clean out the dope lobby's agents from their midst. In that light, William Weld's appointment must be stopped—as a matter of national security.

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