

EIR

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Will Russians side with Khomeini in the Gulf?
LaRouche: Get the ayatollahs out of Congress
Fusion energy ready for a new initiative

**How Peru's drug bankers were
caught laundering \$3 billion**



What do the Russians think of *Executive Intelligence Review*?



**"Dirty, dirty
magazine."**

—Aleksander Bovin, *Izvestia* political commentator and top spokesman for the Soviet Politburo, at Reykjavik Oct. 11.

- Only *EIR*, among Western print-media, stated before and during the Reykjavik meeting that the Strategic Defense Initiative was the *only* issue at stake for the Russians. The dramatic ending of the pre-summit proved us right—and the liberal media wrong.
- *EIR* founder Lyndon LaRouche first publicly presented the "beam-weapons defense" program now known as the Strategic Defense Initiative in Washington, at an *EIR*-sponsored conference in Washington in February 1982.
- In March 1983, President Reagan gave his historic speech announcing the new strategic doctrine based on defensive weapons that could make nuclear missiles "impotent and obsolete," *EIR* was the only general-circulation weekly to define this as the key to reviving the Western ideal of technological optimism.
- *EIR* has waged a four-year campaign to educate the public on SDI and build up popular support—while the Wall Street crowd around President Reagan kept the administration from doing any mass organizing for it.

EIR is leading the fight to stop the U.S. from abandoning Europe to Soviet rule, under the "zero option" sell-out. If you're not a subscriber, you're not in the fight.

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Founder and Contributing Editor:

Lyndon H. LaRouche, Jr.

Editor-in-chief: Criton Zoakos

Editor: Nora Hamerman

Managing Editors: Vin Berg and Susan Welsh

Contributing Editors: Uwe Parpart-Henke,

Nancy Spannaus, Webster Tarpley,

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European Headquarters: Executive Intelligence Review Nachrichtenagentur GmbH, Postfach 2308, Dotzheimerstrasse 166, D-6200 Wiesbaden, Federal Republic of Germany
Tel: (06121) 8840. Executive Directors: Anno Hellenbroich, Michael Liebig

In Denmark: EIR, Rosenvaengets Alle 20, 2100 Copenhagen OE, Tel. (01) 42-15-00

In Mexico: EIR, Francisco Días Covarrubias 54 A-3 Colonia San Rafael, Mexico DF. Tel: 705-1295.

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From the Editor

On the evening of Aug. 13, the day before the documents published in the cover *Feature* were to be released to the press, *EIR*'s Lima, Peru office received a phone call. A male voice, apparently calling from a crowded place, said, "We will kill you," and hung up the phone. The call was received after *EIR* staff had spent the day distributing a release to journalists, announcing that on Aug. 14, a part of the documentation in *EIR*'s possession demonstrating that Peruvian banks laundered money from the illegal drug trade, would be released to the public.

The founder of this review, Lyndon H. LaRouche, Jr., has been the target of death threats and assassination attempts since 1978, the year he commissioned the first edition of the bestselling book, *Dope, Inc.*, the book that named the names of the controllers of the international drug trade—and their political motivations.

As this week's *Economics* lead reports, the alliance of "Boston Brahmins and Soviet Commissars" named in *Dope, Inc.* is rapidly driving the U.S. economy and hence all of the Western alliance's economies into the ground, by sinking industrial production and replacing it with the speculative profits of the drug counterculture. That is what we must reverse fast—if Western civilization is to survive.

Other contributions to the fight, in this issue:

- A review of Soviet SDI-type research and development by Uwe Henke v. Parpart, the first scientist to appear on U.S. national TV in March 1983 endorsing President Reagan's announcement of what became SDI.

- Exclusive documentary proof of drug money laundering in Peru, provided by Ricardo Martín Mora, the former Special Prosecutor of Narcotics Traffic in Peru.

- A fresh approach to probing the Contra-drug connection, by Jeffrey Steinberg, a leading U.S. expert on drug trafficking, who was invited to Guatemala in 1985 to witness a highly successful anti-drug operation by the Guatemalan military.

We are pleased to welcome a new occasional columnist, Stephen Lewis, a senior economist in the City of London. He will present an inside view of the situation as seen from that international financial center.

Nora Hamerman

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Dirty money and the Dow Jones boom

by David Goldman

Three and a half billion dollars of British bids for American companies, most from tarnished sources, preceded the explosion of the New York Stock Exchange averages during the week of Aug. 10. These bids, in turn, were preceded by one of the frankest admissions the U.S. government has ever made concerning the character of capital inflows into the United States, and an even more extraordinary *plaidoyer* from the U.S. Treasury, for such dubious flows to continue.

Such is the administration's anxiety to maintain the illusion of recovery through the 1988 elections, that it has opened the door to dirty money, at precisely the time that other central banks are determined to suppress speculation fed by hot offshore funds. Peru's President Alan García has taken the high ground on this matter, by starting proceedings to nationalize the Peruvian banking system, precisely in order to shut down the dirty money flows. More pragmatic considerations, namely a belated effort to protect national banking systems against a 1929-style bust, have pushed the leading industrial nations to do something comparable. The same week, the British stock market lost 12% of its outstanding value under Bank of England pressure, following an identical development in Tokyo; the Italian stock exchange followed suit on Aug. 10. Wall Street has become the haven for the money the rest of the world doesn't want.

That also raises questions as to why New York's aggressive U.S. Attorney Rudolph Giuliani has virtually abandoned the track of his insider-trading cases, which led into the top levels of Goldman Sachs and other major Wall Street investment houses. Someone may have informed him in strong terms that these gentlemen were financing America's deficits. A similar sequence of events occurred in August 1985, when Attorney General Edwin Meese visited Switzerland, in

hot pursuit of drug money. The Swiss informed him that drug money made up a large proportion of the trust accounts which were financing America's deficits, and Meese returned home, tail between legs.

Who is buying up the United States?

According to Securities and Exchange Commission data, overseas investors bought and sold \$277 billion of U.S. securities during 1986, dwarfing previous foreign-investment levels. That adds up to 11% of total U.S. corporate equity; i.e., more than a tenth of the valuation of the U.S. private sector passed through overseas hands. In fact, the number is undoubtedly much larger, perhaps by a factor of two or three. Treasury data are notoriously inaccurate, and ignore the purchases of any foreign investors who choose to use nominee accounts. For example, in 1980, the Securities Industry Association challenged the Treasury's report that foreign investors' purchases were \$75 billion, a quarter of last year's level, claiming that the actual level approached \$225 billion.

Most analysts believe that the truth lies roughly midway between the two estimates, i.e., that one-fifth of total American corporate equity would have passed through overseas hands last year. Robert D. Arnott of Salomon Brothers believes that the Treasury data "have a strong tendency to underestimate." Salomon's July 10 "Global Equity Investment Strategy Report" refers only to the gross movement of overseas funds in and out of different markets, rather than the so-called net investment (which the SEC puts at only \$18 billion). The gross flows reflect the power of overseas funds in the U.S. market.

Contrary to impressions, the much-publicized Japanese move into U.S. markets contributed a small fraction of the

\$500 billion-plus overseas operations. In fact, the surplus countries as a whole played a minor role. \$168 billion of the \$277 billion in foreign operations in the U.S. market derived from the category the SEC calls "Other," including Hong Kong, Switzerland, the Caribbean offshore islands, as well as OPEC.

That suggests that black and gray money, rather than honestly earned Japanese trade dollars, are buying out the United States. Striking is the extent to which the SEC admitted how dubious they are. "The ability to move capital quickly across national boundaries and to engage in securities transactions through offshore entities provides new mechanisms for the unscrupulous to engage in fraud, and presents new obstacles for law enforcement agencies," it wrote.

Against the reported \$277 billion of foreign in- and outflows through the U.S. market, U.S. investment funds showed a mere \$101 billion of foreign flows. Recognizing that the absolute numbers are dubious, the comparison nonetheless indicates how dependent the American market is upon foreign capital flows.

The problems the SEC refers to involve the narrower issue of insider trading from offshore banking centers, laundering of narcotics money through U.S. markets, and so forth. A bigger problem concerns the so-called errors and omissions in the U.S. balance-of-payments accounts, which have amounted to scores of billions of dollars in each of the last several years. A further problem involves the funding of nominally legitimate offshore takeovers.

Bring on the big bucks, the administration says. Don't ask where they come from. Despite its admissions concerning the "challenge to law enforcement" presented by the offshore tide, the SEC wants *less* regulation, since U.S. disclosure laws "may discourage some foreign investors and move trading offshore, adversely impacting the ability of U.S. markets to compete with others." Strictly speaking, that is not true, since the Japanese and British, the two largest stock markets next to America's, have done everything possible to drive offshore money out.

After the SEC reported the above to the House Subcommittee on Energy and Commerce, Assistant Treasury Secretary Michael Darby urged the deregulation of everything. He said, "We should recognize the important role that the United States has played in the increased integration of the world's financial markets over the past decade and a half and ensure that misplaced attempts to regulate U.S. markets do not jeopardize the international competitiveness of U.S. financial institutions." This should "underscore the need to reevaluate restrictions on financial institutions in the United States . . . and promote the dismantling of encumbering regulation worldwide."

It is probably no coincidence that \$3.5 billion of British takeover bids followed the Treasury's invitation. Hanson Industries, the U.S. arm of Hanson Trust of the U.K., agreed to acquire Kidde, Inc., a diversified U.S. manufac-

turer, for \$1.8 billion. Hanson is a regulators' nightmare, the sort of corporate dirty-pool player SEC investigators dream of bagging. Apparently, Hanson felt the atmosphere was congenial this time around; in January, Hanson bought Kaiser Cement, for \$250 million.

National Westminster Bank's purchase of First New Jersey National Corp. for \$820 million, is more interesting. Of the big London clearing banks, NatWest has the closest historical tie to the Hongkong and Shanghai Bank, Hongkong's private central bank, and also historically the central bank for the opium traffic.

Borrowed time

The longevity of this fling received a sardonic evaluation Aug. 6 by the editors of the London *Financial Times*, who wrote of America's efforts to "sell off the family silver." "So far this week British companies have laid claim to more than \$3.5 billion worth of the U.S. corporate sector. . . . Yet they scarcely amount to much in relation to last year's U.S. trade deficit of \$148 billion. The comparison is relevant because the acquisitive instincts of these British companies ultimately contribute to the financing of the trade deficit. To put it crudely, the inability of the U.S. in the recent past to sell enough of its goods and services to the rest of the world means that it must now sell off its assets instead. . . . In the wake of the dollar's precipitous decline in 1985-1986, dollar assets look cheap in terms of most of the developed world's main currencies, much as European assets look cheap to Americans in the 1960s. Few people are more conscious of this than the cohorts of the fee-hungry American investment banking fraternity, who are now travelling the world in an attempt to sell off as much of the country as possible. The world's commercial bankers, meanwhile, are responding to a shortage of good borrowers in the present slow-growth economic cycle by financing large bids by small entrepreneurial companies with any remote claim to good management and sometimes very little claim at all."

However, the *Financial Times* suggested, "An enlightened American would welcome these takeovers—not least because the American managers will probably buy back many of the assets at knock down prices when acquisitions are seen to have failed."

Wall Street has its own good reasons to crash, but the actions of foreign monetary authorities may have an impact all their own. For example, Japan's stock market decline could spill over into U.S. markets, as Japanese companies find themselves short of funds, and pull funds out of the United States, Wall Street analysts warn. Japanese industrial companies are using working capital to speculate in financial markets, and the squeeze on industrial companies engineered by the Bank of Japan could trigger a general liquidity squeeze. Since Japanese companies invest almost twice their \$60 billion trade surplus with the United States abroad, the effects on American markets could be dramatic.

IMF's henchmen in trouble in Manila

by Linda de Hoyos

From Aug. 10 through Aug. 14, Philippines Central Bank chief Jose "Jobo" Fernandez and Finance Minister Jaime Ongpin were grilled before the entire Philippine Senate as to why they permitted an agreement that hands away 45% of the Philippines' export earnings to its international creditors. From press accounts and reports from *EIR's* special correspondent in Manila, it is clear that Ongpin and Fernandez's explanations were not accepted.

There are currently two bills before the Congress that would alleviate the Philippines' debt burden. A bill introduced by Sen. Alberto Romulo, son of the former foreign minister, would limit debt payment to 10% of export earnings; the other bill would place a three-year suspension on debt repayment, to give the economy time to recover from the last four years of austerity imposed by the International Monetary Fund.

Under the agreement signed by Ongpin with the banks, the Philippines will pay out 45% of its export earnings for the next seven years. For 1987, the amount is even higher. Debt payment is projected to be \$2.9 billion at 7.5% over the London inter-bank (Libor) rate. Export earnings are projected at \$5.2 billion. By the time the Libor rate goes to 8%, as projected, the Philippines will be paying out \$3 billion in debt service—or 60% of its export earnings. For next year, the government projects that it will pay 70 billion pesos on debt service, out of a 169 billion peso budget—or 40% of the government annual expenditure. No economy—or government—can survive such requirements.

In addition, under the Ongpin-Fernandez financial management, the Philippines' total debt has risen from \$28.2 billion to \$28.6 billion within the last year, as the country drew on its tranche with the IMF.

Senators Aquilino Pimentel, Teofisto Guingona, and Juan Osmena have called for Ongpin and Fernandez's ouster in order to "pave the way for negotiators" who will put the good of the nation before good relations with the banks.

In response to the Congress's threat to force through an abrogation of the bankers' agreement, Ongpin publicly threatened to resign and predicted the collapse of the economy. As reported by AFP Aug. 8, Ongpin declared that if the Congress forced through anti-banker legislation, "They would have to find someone else," but "he admitted it would be difficult for him to persuade legislators against pushing through a repudiation bill." Ongpin, speaking for his over-

seas bosses, was quoted as saying: "People want to find some way of getting even with the banks" for not having given the country better rescheduling terms. . . . It has become an emotional issue and when people get emotional about something, it becomes very difficult to think. . . in an objective manner."

The Barclays bungle

But such words lack credibility, given the revelations of how Ongpin himself blackmailed the Aquino government on behalf of the banks. Before Congress convened two weeks ago, the Manila press revealed, Ongpin delivered a threat to President Corazon Aquino on behalf of Barclays Bank: The Philippine government must bear the burden of a \$30 million loan Barclays made to the now bankrupted Planters Product, Inc. Otherwise, Barclays would jettison the bankers' agreement by refusing to sign. Whispering in Aquino's ear, Ongpin added that the agreement had to be signed before Congress convened, since Congress would definitely not give its approval to the pact. Heeding the advice of this financial Rasputin, Aquino signed Executive Order 219 for payment of \$30 million in government monies to Barclays Bank.

The Congress passed legislation abrogating the executive order, and Ongpin called off the transfer of funds "in deference to Congress." The bill, sponsored by seven senators, stated in its preamble: "It is a fundamental that public funds cannot be approved for private purposes, which the executive order apparently authorizes," and the executive order is "unfair and unjust" to the Filipino citizenry. The bill noted that Mrs. Aquino did not "freely and voluntarily" sign the order, but did so upon the advisement of Ongpin.

Fernandez is under equally intense pressure. He has been indicted on charges of graft and corruption, because he did not divest, but only hid, his financial interests when he assumed his post. Senator Osmena has also launched a probe into the sudden ballooning of the Central Bank's debt by 76 billion pesos in the period immediately preceding the February 1986 election. The 76 billion is believed to have been printed up as "election" money for Marcos. There is no way, Osmena charges, that Fernandez, as president of the Central Bank at that time, could not have been aware of the abrupt hike in the debt.

As Fernandez and Ongpin threaten economic collapse if the banks are not paid, the Senate is demanding that the government initiate negotiations with Ibero-American countries for a debtors' cartel against the banks. The Vatican document on an equitable solution to the debt crisis of the underdeveloped countries, which attacks the International Monetary Fund by name, has also been cited to justify congressional action to save the nation's economy and sovereignty. This sentiment has now become so strong in the Senate, that toward the end of his testimony, Fernandez, whose career is based on financial subservience to the international banks, limply declared: "This idea of a debtors' cartel may be somethin we should look into."

Bank of England lights the touch-paper

The signs are that the October 1986 deregulation known as the Big Bang is only now set to detonate.

On 27 October 1986, London had its so-called Big Bang—the sweeping away of the rules and the institutional framework which had put the London securities markets among the more tightly regulated and protected in the world. The signs are, however, that the real “Big Bang” is only now set to detonate.

Open and lightly regulated markets in London have attracted most of the world's investment houses. Trading has reached a feverish pitch as prices in the London stock market have scaled successively higher peaks, and have lost contact with the underlying assets and profit streams which they are supposed to represent.

Stock market turnover has increased sevenfold as compared to its level one year ago.

Now, the United Kingdom authorities, having presided over this surge of speculative activity in the financial markets, are intent on collapsing these markets. This was the message of the shocking one-point rise in interest rates imposed by the Bank of England on Aug. 6.

The central bank explained its move as a response to “domestic monetary conditions.” Domestic credit growth had been around 20% per annum in recent months, but this is hardly more rapid than the rate of credit growth in the previous two years.

What has changed is the composition of credit demand, with bank loans being extended primarily to support values in the financial markets and not to support real economic activity.

Some figures drawn from official Bank of England statistics for the November 1986-May 1987 period, roughly the first six months of the Big Bang era, illustrate the point. Over this period, bank lending to real estate operators rose at a 35% annual rate, while loans to insurance companies (mostly used to finance stock and real estate purchases) increased at a 49% annual rate.

The banks expanded their lending to securities dealers at no less than a 113% annual rate. Since May, these rates of growth have probably accelerated. There is little surprise that stock markets have been strong.

The sharp run-up in securities dealers' borrowing reflects an acute problem generated by the rise in market turnover. There has been a build-up of unsettled transactions. When a buyer or seller of stock does not, or will not, settle the transaction, the cost of completing the deal falls on the securities house through which the deal was processed.

Obviously, the securities houses try to minimize these costs by claiming stock or cash, as appropriate, from the sellers and buyers of securities. But when market turnover rises rapidly, as in the past few months, securities houses fall behind schedule in enforcing settlement and the backlog of unsettled stock exchange business balloons.

Since the securities houses do not carry enough capital of their own to finance this increase in unsettled business, they have recourse to bank loans. This category of bank lending is prob-

ably now standing at about £6 billion, a volume equivalent to 2% of the United Kingdom's total GNP.

It is the straightforward, legitimate stock exchange business which is the easiest to settle and which has presumably already been settled by the London securities houses. Some of what is left in the backlog of unsettled business may also be legitimate, and will cause no trouble for the financial system.

However, funds have been attracted to London since last October by its free-wheeling methods. Market values have been moving sharply.

There are serious grounds for concern that when the securities houses come to grips with their unsettled business, they will find that some of the deals have not been settled, because they were fraudulent or were entered into by investors who, if they were to give a full and fair account to their financial position, are now insolvent.

If only a small proportion of the unsettled business turns out to be troublesome, it would be enough to topple the pyramid of credit which is supporting the London financial markets.

Only 5 or 6 of the 50 or so securities houses making markets in stocks have access to capital to cover the potential losses arising from the settlements problems. Even these would hardly escape the consequences of a generalized crisis of confidence in the London securities market.

The United Kingdom authorities are aware of the explosive state of the market but seem intent on lighting the touch-paper.

Editors' Note: EIR is pleased to welcome the first of what will be periodic contributions by Stephen Lewis, a senior economist in the City of London. Mr. Lewis will present an inside view of the situation as seen from that international financial center.

German farmers in fighting mood

It has gone unreported here, but Western European farmers have taken to the streets to demand a just food policy.

For most of 1987, the U.S. headline stories on European agriculture news have been about the transatlantic trade war. First there was the conflict over tariffs on U.S. corn exports to Spain; next, President Reagan's vow in Venice to end all farm subsidies. At the end of July, a "pasta war" was narrowly averted, when the European Community agreed to cut subsidies for Italian pasta exports to the United States, and refrain from imposing a tariff on EC imports of U.S. durum wheat.

The unreported story is that government policies on both sides of the Atlantic are imposing hardship conditions on farms to the point of mass shutdowns. A few years ago, U.S. farmers staged mass protests—especially at the time Paul Volcker jacked up farm debt service payments.

But since Washington has ignored these pleas for emergency measures to preserve the farm sector, farmers have not mobilized to continue their demands. Many have been dispossessed, and those still farming are preoccupied with survival.

In Europe, huge farm demonstrations have taken place this year, protesting the orders to cut farm output and income from Brussels and national capitals. There has been an almost total blackout of these actions in the U.S. media. With knowledge of the real situation facing farmers in Europe, and the fight shown by European farmers, American farmers—led by local citizens who have been forced to abandon farming—could potentially renew their activation in the U.S. for

national food emergency measures. Even more important, the non-farm public needs to know about how precarious the food supply is becoming, as control of the production base, food processing, and distribution is concentrated in the hands of the international food cartel companies.

This spring, regional demonstrations brought out hundreds of farmers in towns throughout Denmark and West Germany, culminating in a protest day of tens of thousands in Brussels in mid-June. Ten thousand turned out in Hamburg alone. Large regional conferences are planned for farm cities for after the harvest season this fall, co-sponsored by the Schiller Institute—the pro-NATO, pro-growth policy group founded by Helga Zepp-LaRouche, the German wife of U.S. presidential candidate Lyndon LaRouche.

Typical of the protest spirit in Germany is the annual meeting of the West German Farmers Association, in Nordhausen, the weekend of June 29, whose association president, Baron von Heereman, complained that the Bonn government was not fighting hard enough in Brussels for German farmers' interests. The attendees, wanting more than lobbying and rhetoric, carried the signs of the Schiller Institute: "Give Away the Butter; Store the Bureaucrats!" "Parity Price Forever Helps Consumers and Farmers!" "No to the 35 Liter Week!"

The last sign ridicules the milk output quotas imposed in the past two years to cut production, and also refers

to the government "solution" to industrial unemployment, of cutting weekly work hours from 40 to 35, and "sharing" jobs. The spark to these actions was the continued imposition of farm output and farm income cuts, demanded by the European Community Agriculture Commission, in the name of preventing farm "surpluses."

In reality, the food commodities now in storage in Europe—meat, butter, grain, etc.—do not constitute a "surplus." This is merely the unsold product of farms, which has piled up in depression conditions under which European families cannot afford to buy the quality foods they want, and foreign importers cannot buy because they are burdened by trade and debt conditionalities of the International Monetary Fund.

In addition, the food cartel companies that broker the majority of internal and export food trade, have a political motive to use these European food stocks for discount sales of meat and butter to the Soviet Union. The big-name food brokers, like Toepfer in Hamburg, know that the food "surplus" propaganda is intended for the gullible public.

Farmers are supposed to believe that the reason they get low prices from the cartels, far below costs of production, is that there is such a large "surplus" that it depresses the market. The cartels manipulate Brussels policy so that the EC budget is used to pay farmers a certain amount (called a "subsidy," which is decreasing) for their unsold product. Then the cartels obtain the same goods from EC storage, for even less, and broker sweetheart deals to Moscow. The farmers and the EC public are the losers. The cartels get the subsidy.

In the United States, this swindle is called "export enhancement," and has just been renewed by Congress.

Migrant labor health conditions imperil population in Virginia

by Debra Hanania Freeman

A full-scale health emergency exists among the 4,000 migrants who come to the Virginia Eastern Shore each year to harvest 80% of the vegetables grown in the state. This was the finding of about 30 officials from 15 local, state, and federal agencies, who toured migrant labor camps, farms, packing houses, and clinics on Virginia's Eastern Shore on July 23-24.

But bad as conditions are in the Eastern Shore counties of Accomack and Northampton, Greg Schell, a migrant advocate for the Legal Aid Society, said conditions there are considerably better than for the 5,000-6,000 other migrants who work in scattered pockets around the rest of the state.

For instance, there is no housing provided for watermelon pickers in Southhampton. Therefore, migrants and their families sleep in the fields or in abandoned cars and buses without toilet or shower facilities. Tobacco workers in the Southside, who are paid less than \$1 per hour, fare even worse.

Migrants around Charlottesville, Roanoke, Galax, and the Northern Neck have no access to clinics or other services. Further, any camp with fewer than 11 workers is exempt from any state regulations on housing and sanitation. As a result, employers are increasingly decentralizing their operations in order to bypass whatever regulations do exist.

Civil Rights Commission Report

Conditions are so bad that last fall, the U.S. Civil Rights Commission reported that living conditions for migrants in Virginia were the worst in the nation. They mandated the formation of the Virginia Interagency Migrant Worker Policy Committee to address this crisis.

Despite this, the migrants' plight has continued to worsen. In the past five years, federal programs for migrants have been cut by more than 50%. And, it is impossible to address the living conditions of migrant workers without addressing the economic realities faced by the state's farmers.

At the July 23-24 meeting, local farmers said it was impossible for them to harvest their crops without the cheap migrant labor and, they said, the regulations aimed at improving conditions for the migrants come without any funding provisions attached, forcing most small growers out of

business. In many cases, the new requirements that portable toilets and handwashing facilities be provided in the field, are simply ignored as farmers face tight credit, spiraling overhead, and falling prices.

The resulting crisis has created the kind of health problems in Virginia that normally are seen in Third World countries. The Eastern Shore migrant communities are exhibiting an "explosion," according to one public health official, of drug-resistant strains of tuberculosis, particularly virulent influenza, as well as various venereal and skin diseases. The problem is compounded by high rates of alcoholism and drug abuse, traditionally associated with migrant communities. One clinic in Accomack reports 7-8 new cases of tuberculosis per week.

Dr. Thomas Simpson, the Director of the Eastern Shore Health Department, admitted in a recent interview that the migrants are showing "epidemic proportions" of diseases that develop from "overcrowded conditions, poor quality water, inadequate sewage, disease-carrying insects, and children who are not immunized against communicable diseases."

The AIDS threat

What Dr. Simpson was unwilling to discuss, however, was the implication of these "epidemic proportions" on Virginia's AIDS explosion.

The fact is that the number of AIDS cases, particularly on the Peninsula, is growing far more rapidly than health officials expected, causing alarm and concern about how the spread of the disease can be slowed. In 1983, Virginia reported five AIDS cases. In 1985 the number jumped to 104. The most dramatic increase was yet to follow. In all of 1986, 169 new cases were reported. However, in the first six months of this year, Virginia experienced a literal explosion of the deadly disease, with 440 cases reported as of June 8!

Additionally, random testing of the population across the state is showing high rates of positivity. State Health Department testing of 4,702 people in the eastern region (the Northern Neck and Hampton Roads) resulted in 264 individuals testing positive, a rate of 5.6%. Of 1,963 people tested on the Peninsula, 66 were positive, a 3.3% rate. Of the 2,070

people tested in Norfolk, Portsmouth, Virginia Beach, and Chesapeake, 187 were positive, a 9% rate.

Although Virginia state health officials are publicly attempting to quell the population's panic over the rapid spread of the AIDS virus, attributing the massive increase in cases to increased testing, they are privately conceding that the situation is out of control.

Sources close to Governor Gerald Baliles indicate that he plans to make AIDS policy the centerpiece of his administration, but as yet, no bold moves to stop the spread of the infection seem to be on the governor's agenda.

And, despite the refusal of Virginia state officials to discuss it in public, the real issue in the migrant camps is AIDS.

The Florida problem

While Virginia's migrant workforce comes from all over, the majority of them start the season in Florida. A good number are Haitians, and even more spend a considerable portion of their time in Belle Glade.

The Belle Glade case is worth reviewing. Drs. Mark Whiteside and Caroline MacLeod, of the Institute of Tropical Medicine, have produced indisputable evidence of the connection between the environmental factors resulting from economic squalor and the outbreak of AIDS.

Belle Glade not only exhibits the highest incidence of AIDS in any city in the United States, but also a remarkably high incidence of AIDS (about 50%) among "non-risk" groups (people who have not contracted the disease either through sexual contact, dirty needles, or blood transfusion), in a pattern similar to regions of Africa where the AIDS epidemic rages.

But Belle Glade is unique only because it is the only place where we have thorough data. The fact is that there are hundreds of Belle Glades in America today, and the unfolding picture in Virginia's migrant population, with its tuberculosis resurgence and general economic squalor, unfortunately, bears a striking similarity to Belle Glade.

Today, even the Centers for Disease Control, accused of orchestrating a massive cover-up of the AIDS epidemic, admits that outbreaks of tuberculosis, as we are seeing on the Eastern Shore, are usually a "marker" for actual immune suppression, and that "infection with *M tuberculosis hominus* [the bacillus which causes TB in humans] should be included as a manifestation of lesser AIDS or AIDS-related complex (ARC)," according to the medical journal *Lancet*.

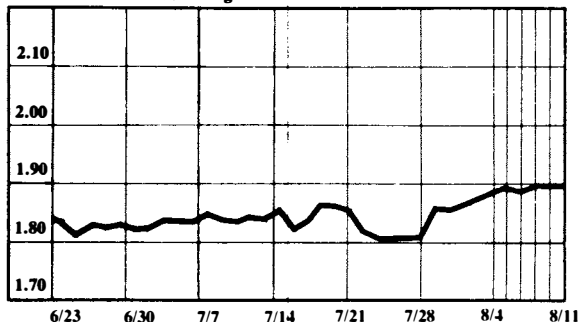
Additionally, public health officials in both Miami, Florida, and New York City have done block-by-block studies which demonstrate that there is a direct correspondence to the outbreak of tuberculosis and AIDS in the poorest, most overcrowded, and most unsanitary sections of their cities.

There is no question that the state of Virginia faces a major health crisis. But that crisis, as the statewide AIDS statistics show, is in no way limited to the migrant community.

Currency Rates

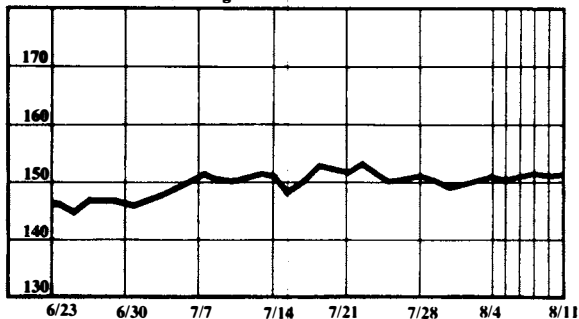
The dollar in deutschemarks

New York late afternoon fixing



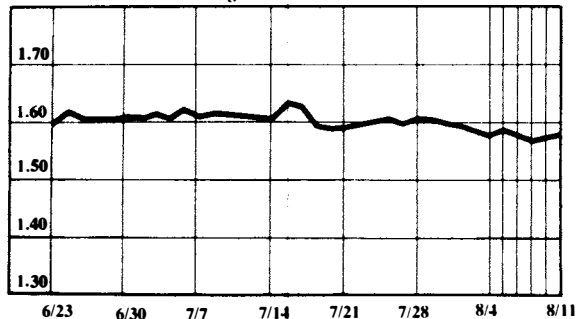
The dollar in yen

New York late afternoon fixing



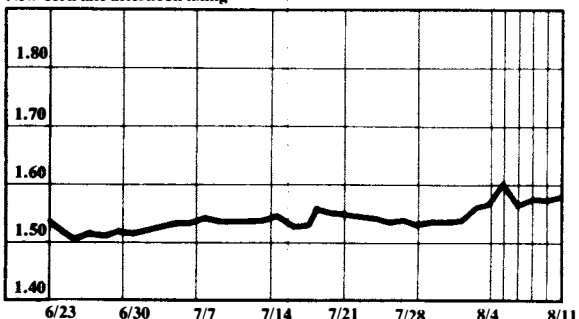
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Tough luck, Mr. Baker

With the worst-ever trade deficit reported for June, what will Treasury Secretary Jim Baker do now?

We at *EIR* argued, virtually alone among economic analysts, that Treasury Secretary James Baker III's dollar-devaluation strategy would worsen, not improve, the trade deficit.

Economists live in a world where last decade's facts still clutter the computer data-base. Since ex-Federal Reserve chairman Paul Volcker "cured" inflation by chopping out America's industrial base, this country has been able to produce only four-fifths of its consumption requirements. It has to import the rest. Devaluing the dollar raises the costs of imports many times faster than it stimulates exports.

That is what Mr. Baker found out in June, when the trade deficit reached the \$196 billion per annum level, against last year's \$164 billion.

According to a survey released by Money Market Services, the median forecast among banking analysts for the June U.S. trade deficit was \$13 billion. The geniuses at Goldman Sachs expected \$13 billion, while Merrill Lynch expects \$12.5 billion.

The nature of the problem was addressed last week in this space, where it was noted that Taiwan's revaluation against the U.S. dollar would cost America more than \$3 billion a year—many times more than the Taiwanese trade concessions might bring American exporters.

The Treasury's efforts to limit Taiwan's \$15 billion trade surplus with the United States, and similar surpluses of other industrializing countries, have merely worsened the financial

cost of the deficit, and affected the underlying physical trade deficit only marginally.

Last year's semiconductor agreement, whose supposed violation by the Japanese motivated sanctions last spring, illustrates the point. The Semiconductor Industries Association complains that its share of the Japanese market was 8.4% in January and 9% in June. But Japanese figures, including sales by the Japanese subsidiaries of U.S. firms, show it up to 12.6%, a record. The American companies chose to take advantage of the agreement to increase their output at their more profitable Japanese plants, rather than from home production facilities.

Their additional output is not, of course, reflected in American export statistics, since it represents Japanese production under American ownership.

Fidelity Bank's economics report for July-August 1987 provides some clues to Jim Baker's wishful thinking, that trade policy could give the economy a quick fix through the 1988 elections. It argues that a sharp short-term improvement in U.S. trade—to a trade deficit of \$100 billion p.a. during the 4th quarter of 1987 from \$164 billion p.a. in 3rd quarter 1986—will result "as countries with large persistent surpluses with the U.S. attempt to head off a major thrust in protectionist legislation."

The thrust of U.S. trade policy was to shove sufficient additional exports down the throats of American trading

partners, to show temporary results for the U.S. economy, Fidelity implies:

"Anecdotal evidence and the progress of several well-publicized 'buying missions' touring the U.S., point to an imminent upturn in orders for agricultural and capital goods products. However, these . . . represent a one-time response to a political threat. . . . Supplies that are pre-ordered for political reasons may simply be stockpiled until they would have been ordered normally; or they may serve as temporary substitutes for the cheaper (or higher-quality) inputs from from other sources."

Fidelity enthused, "It becomes easy to justify at least a 2% acceleration in real GNP growth for the rest of 1987, and perhaps into early 1988."

The quick fix has failed. Fidelity's report otherwise contains data presented by *EIR* since 1983, showing why Baker hoped for the fix in vain. The fraud of recovery is based on a consumer-debt bubble (which brought such debt up from 14% to 20% of household income in only three years), leading to a \$64 billion deficit of consumer-goods imports.

"Slowing trends in domestic consumer demands will be necessary to cut the growth in imports," Fidelity writes, because a growing portion of such goods come from developing nations, whose currencies have not risen sharply against the dollar.

U.S. capital goods exports, our former strength, have no hope in a world where there is no capital investment, and where "increases in U.S. capital goods exports will be constrained by heightened competition from the newly industrialized countries of the Pacific Rim and others (such as Canada) whose currencies have moved downward with the dollar" and "provide formidable competition for U.S. producers in all competing markets."

Worrisome truths about Mr. Verity

by Kathleen Klenetsky

President Reagan's decision to name C. William Verity as Commerce Secretary has set off alarm bells among patriotic circles in the United States and Western Europe, who fear that the appointment of a man who operates as an adjunct of Soviet agent Armand Hammer in the U.S.-Soviet conglomeration known as The Trust, is one more sign that Washington is bent on consummating a "Munich II" deal with Moscow. A self-styled "free enterprise capitalist" and stalwart Republican, Verity nevertheless relies heavily for foreign policy advice on his former Yale classmate, Cyrus Vance, the Tri-lateral Commission member who steered the Carter administration's foreign debacles.

Verity's appointment, it is feared, will mean a shift in American policy on East-West trade, to eliminate many of the current restrictions on the export of high-technology products to the East. This would be a big concession to Mikhail Gorbachov, who has exploited the carrot of "joint ventures" with Western businesses as a means of ensuring a supply of Western technology to the Soviet war machine.

Anxiety about Verity is justified. The 70-year-old former chairman of Armco Steel is one of the biggest boosters of expanding sales of U.S. goods to the East Bloc. He has come under sharp criticism for his pollyanna-ish arguments that expanding East-West commercial relations will increase Soviet dependence on the United States, rather than vice versa, and improve the human rights situation in the East bloc.

Verity has been promoting this line since at least the early 1970s, when he became one of the first directors of the U.S.-U.S.S.R. Trade and Economic Council, a private organization set up under a 1973 U.S.-Soviet protocol signed by then-Treasury Secretary George Shultz. The group's members include such Trust operatives as Armand Hammer and Hammer's designated heir, Archer-Daniels-Midland chairman Dwayne Andreas, as well as top Soviet officials. Verity was co-chairman of the council from 1978 to 1984.

In December 1985, two months after the Reagan-Gorbachov summit, the council led a delegation of 400 American businessmen to Moscow, to discuss expanded trade links with Gorbachov and Soviet officials. The delegation, which included Edgar Bronfman, Hammer, and Andreas, included the late Commerce Secretary Malcolm Baldrige. The coun-

cil's president, James Giffen, gave a press conference in Moscow to call for the United States to grant most-favored-nation status to the Soviet Union, and to repeal the Jackson-Vanik Amendment, which links trade and emigration.

Judging by his record, Verity can be expected to press these same positions as Commerce Secretary. He has bitterly opposed restrictions on U.S.-Soviet commerce, claiming that they cost American businesses \$10 billion a year in lost sales, and arguing that since someone will sell to the Soviets, it might as well be the United States.

Verity has publicly insisted that a successful U.S. export program depended upon "freeing the Yankee Trader," and to do this mean, that "we must separate trade from politics." He has criticized the United States for being alone among major nations to "regularly subordinate trade to both domestic and foreign policy goals."

Export restrictions, such as the Jackson-Vanik Amendment, he has claimed, were "anti-human rights," because they interfered with Soviet opportunities to raise the living standards of their people. "Once they have economic security, they will gain more interest in human rights," said Verity, adding that the best way to achieve peace is to increase trade. "Getting Russians to buy our goods makes them dependent on us as a supplier of spare parts, new machines, and the next generation of technology. The more dependent the Russians are on us, the less likely war between us becomes."

Verity not only recommended that export licensing restrictions be limited to military technology, but also called on the government to expedite the process of approving licenses for exports to the Soviet bloc.

In addition to the U.S.-U.S.S.R Trade and Economic Council, Verity belongs to the American Committee on U.S.-Soviet Relations, among the most influential private groups on U.S.-Soviet policy. Its membership roster reads like a "Who's Who" of the Trust: Dwayne Andreas, Armand Hammer, John Kenneth Galbraith, George Kennan, McGeorge Bundy, and the leading anti-\$DI scientists, including Carl Sagan, Richard Garwin, and Herbert York. The committee has just happened to schedule a conference in Washington this October, to discuss the prospects for joint ventures in the light of Gorbachov's "reforms."

There is already an influential group within the administration which holds Verity's views on East-West trade. Baldrige was among them, as is USIA head Charles Wick—whose wife, Mary Jane, works closely with Verity on the Ford's Theater board of directors in Washington. Other members of this camp include George Shultz and his deputy secretary, John Whitehead, who has publicly floated the idea of extending most-favored-nation status to the Soviet Union, and inviting the Soviets to join the IMF and World Bank.

They have been held in check so far, partly due to the efforts of Defense Secretary Caspar Weinberger. But Verity's appointment, coming as it does on the eve of a possible Reagan-Gorbachov summit and INF agreement, threatens to dangerously strengthen their hand.

Texas governor: banking policy a fraud

When Clements predicted that the government will have to pay off depositors at 30¢ on the dollar, all hell broke loose.

A furor broke out on Aug. 10, when Gov. William Clements was quoted in the *Amarillo Daily News* predicting that the federal government was in no position to stand by depositors who had their earnings in the country's troubled thrifts. "All the kings men" came charging out to defend the besmirched honor of the savings and loans.

Governor Clements had minced no words in stating what everyone knows: that the banking situation is a disaster. He observed, "The federal government, instead of closing and putting into liquidation these S&Ls that are in fact broke and have a negative balance sheet today, is keeping the doors open. I'm telling you that this program by the federal government—and I don't care who is responsible for it—of course, what they're doing right now is an absolute fraud on the general public."

Then came the words that really sent the Federal Home Loan Bank Board flying. "The federal government is finally going to belly-up to this problem, and when they do, they're going to have to pay off those depositors like 30 cents on the dollar and give them a piece of paper, like a bond.

"They're going to rationalize by saying, well, I gave you 70 cents on the dollar on a piece of paper that's a bond, like a liberty bond or a war bond or savings bond or whatever you want to call it, and that it's due ten years from now like an IOU," concluded Clements.

The remarks sent some citizens into the savings and loans to withdraw their funds. One man withdrew

\$35,000 because it was his life's savings.

Texans have good reason to be nervous. Texas leads the nation so far this year in bank failures and the number of insolvent thrifts. For the past several months, banks have been scrambling to head off a liquidity crisis. Once the governor's comments became known, the FHLBB outdid itself in self-righteous exclamations.

"I am here to say that the Governor is wrong . . . absolutely incorrect, and must be identified as such immediately," announced M. Danny Wall, chairman of the FHLBB. He and Roy G. Green, president of the Federal Home Loan Bank of Dallas, held separate press conferences to calm things down.

"I can't state it emphatically enough," Wall continued. "FSLIC does not, it has not, nor will it ever pay anything less than 100% of the \$100,000 insured deposits in every institution that bears its insurance. To say that depositors may end up with only 30 cents on the FSLIC insured dollar is a complete fiction—that has absolutely no basis whatsoever in fact."

Al Meyers, chairman of the Texas Savings and Loans League, jumped on the band wagon. "Insured deposits in all Texas S&Ls are absolutely safe. Throughout the long and distinguished history of the S&L business in Texas, not one depositor has ever lost a nickel of insured funds in a Texas S&L."

Despite these reassurances, the facts indicate reason to panic: At least 80 of the 281 FSLIC insured S&Ls in

Texas are insolvent, according to the FHLBB. The Bank Board had also issued a report showing that for the ninth time in 10 months, thrift institutions had lost deposits. More than \$3 billion was withdrawn in June, bringing the total net withdrawals since September to more than \$25 billion.

All these remarks were made the same day that President Reagan signed the Competitive Equality Banking Act of 1987, which allows the Federal Savings and Loan Insurance Corporation to borrow \$10.8 billion over the next three years to fill their empty insurance fund. However, Clements was suggesting that Texas would be lucky to get more than \$1 billion of the \$10.8 billion.

There are other issues to be addressed as well, such as where the money will come from, since the United States has not shown any inclination to change its status as the world's largest debtor. And it is hardly the case that Texas is the only state facing this situation. So what happens when the rest of the dominos fall?

Despite tremendous criticism, Clements did not back down, but only reiterated his concern. "I applaud the renewed commitment [to stand behind the depositors]. The people of Texas have an absolute right to be reassured that their deposits will be secured and guaranteed."

The swiftness of Wall and Green's reply underscored in many people's minds the fragility of the banking situation. Wall, however, had a different explanation for his actions, claiming that he was only trying to avoid massive deposit withdrawals, not just in Texas, but across the country: "If no one challenged them [Clements's accusations], if no one called them into question, if they were left unanswered, people are going to say, 'My God, what about my money?'"

What about it, indeed!

Business Briefs

Auto

GM steps up incentives

The nation's largest automaker has devised big new incentives to try to get rid of a record inventory due to sluggish car sales.

General Motors began its incentive-for-purchase plan Aug. 6, offering cash rebates of as much as \$2,000 in the effort to reduce inventories that are now running well over a 70-day supply. A 62-day supply is considered normal.

Other carmakers are having the same problem with sluggish sales, and have devised incentive programs of their own—even Mercedes-Benz, whose inventory rate is now at 50 days, when 37 days is considered normal.

BMW is offering low interest rates for the first time in the United States—as low as 6.9%. And, in recent months, several Japanese automakers, such as Mazda and Subaru, have offered incentive programs.

American Motors, acquired by Chrysler in June, is continuing its two-year no-interest financing. Dealers are reporting that even these incentives aren't enticing buyers.

Commerce

Would Verity boost Soviet economic plans?

The *New York Post* was critical of President Reagan's nomination of C. William Verity, Jr. as the new Secretary of Commerce to replace the late Malcolm Baldrige.

In an editorial Aug. 11, the *Post* called attention to the fact that "promoting trade with Moscow has been a chief focus" of the former Armco Steel executive's career.

Verity, like his father before him, is a key figure in "The Trust," the financial-political arrangements between the Soviet oligarchy and Western interests typified by Occidental Petroleum's Armand Hammer, Western interests working for the Soviet empire's expansion or on behalf of imagined deals with the Kremlin leadership.

While the *Post* advises the Senate to go

ahead with Verity's confirmation, but to "keep a close watch" on his activities in the U.S.-Soviet sphere, it specifies as points of concern:

"A key task of the Commerce Secretary . . . is to ensure compliance with restrictions on U.S. trade with the Soviets—and to satisfy himself that, from a national security standpoint, those restrictions are adequate. Verity, though, has long been a vocal critic of those very export restrictions, particularly in his capacity—during 1984—as co-chairman of the U.S.-Soviet Trade and Economic Council."

Technology Transfer

Iklé fingered five Japanese firms

U.S. Undersecretary of Defense Fred Iklé urged the Japanese government to investigate five firms in addition to Toshiba Machine, during a visit to Japan last December, *Kyodo* press reported Aug. 7.

Iklé said that the five firms were suspected of making illegal computer and other high-tech equipment exports to East bloc countries. The source would not name the companies involved, but said one firm was a subsidiary of the electronics giant NEC, and a trading company specializing in sales to the communist bloc.

The source said investigations by Japan's Foreign Affairs and International Trade ministries confirmed the allegations, and the exports have been stopped.

Development

Japan's foreign minister to tour South Asia

Japanese Foreign Minister Tadashi Kuranari will tour three South Asian nations and seek to establish formal relations between Japan and the seven-nation South Asian Association for Regional Cooperation (SAARC), the *Japan Times* reported Aug. 7.

Kuranari is the first Japanese foreign

minister to visit the region in 10 years.

He will visit India, Sri Lanka, and Bangladesh from Aug. 10-15, and tell regional leaders that Japan is planning to increase its investment in the region considerably, foreign ministry officials said.

Japan will also review its past assistance projects for India with a view to expanding them, which it has only done for one other nation, the Philippines.

To date, only 1% of Japanese overseas investment has gone to SAARC, while 66% has gone to the ASEAN nations.

Commercialization

Martin Marietta to launch satellites

Martin Marietta Corp. announced that it had signed a contract to place two communications satellites into geosynchronous orbit for the International Telecommunications Satellite Organization (Intelsat).

The announcement came only hours after the U.S. Transportation Department announced its approval for Martin Marietta to launch private satellites under the Reagan administration's space commercialization policy.

"The agreements between commercial launch companies and their customers . . . are proof that space is no longer the exclusive province of governments," said Transportation Secretary Elizabeth Dole at a ceremony at Intelsat's Washington headquarters. "Rather, it is the national domain of entrepreneurs."

Martin Marietta, builder of the Titan rocket, received permission from the Air Force to use launch facilities at Cape Canaveral Air Force Station in Florida Aug. 3. The company said it has eight other launch reservations and a contract in the offing with Hughes Aircraft to launch a Hughes satellite for the Japanese government.

McDonnell Douglas, which builds the Delta rocket, also signed contracts with Hughes last month, to launch two British television satellites, and with the Indian government.

General Dynamics, builder of the Atlas rocket, is expected to sign its first rocket

contract next month, according to the Aug. 11 *Washington Times*.

Banking

Mellon will cut back its workforce

Frank Cahouet, the new chairman of the troubled Mellon Bank Corp., the nation's 12th-largest bank holding company, announced reorganization plans to retrench as a regional bank.

Cahouet will end the Pittsburgh-based Mellon's efforts, begun 10 years ago, to become a national money-center bank, and lay off 10% of the bank's 19,000 employees.

Brought into Mellon from Crocker National to replace J. David Barnes after large recent losses, Cahouet will model his strategy on such regional banks as Wells Fargo and Pacific Security. He will drop efforts to expand into real-estate and energy industries.

Officials said the bank's error had been to "view themselves as being bigger than the region and they wanted to play with the big boys."

Space

Russians way ahead, says rocket designer

"The Russians are now years ahead along the path to space industrialization and poised to gain benefits which would give them economic leadership of the world," Alan Bond, designer of the HOTOL space-plane engine, told the *London Times* Aug. 11.

Bond heads the space propulsion division of Britain's Atomic Energy Authority. He continued, "At the moment, the Soviets have planned for nothing less than economic domination of the world. If our political system is to match the threat or beat it, we must treat space development as a massive engineering project composed of many ele-

ments, with detailed planning so each part fits its role within an overall plan. That is what the Soviets have done with *Energia* [their new super-boosted rocket] and the rest of its program."

Bond pointed out, "The Americans still do not believe it at all." The United States is treating space exploration "rather like a hobby."

Former U.S. astronaut Joseph Allen confirmed Bond's warning. The United States is becoming "the Portugal of space," he said—the country that got to the New World early, but then stepped back and let others develop it. By the time the U.S. space platform flies in the 1990s, Allen says, the Russians will "be putting condominiums up there."

Astronaut Pete Conrad, a veteran of the Apollo Moon landing and Skylab programs, added: "If you ask me who is building the data on going to Mars, I'd say they [the Soviets] are. A trip to Mars takes roughly 450 days. They'll have experience with men in space for 300 days if their current flight is successful. Our longest trip is about 85 days."

According to the *Times*, Conrad's views "are being echoed across the country as a trumpet of alarm has been sounded." One piece of evidence is the mid-August *Newsweek* cover story on the U.S. space program, titled, "Lost in Space."

Energy

Exxon to buy Goodyear's oil

Exxon, the world's largest oil company, announced that it is spending \$650 million to buy the remaining oil and gas reserves of Goodyear, the tire manufacturer.

Goodyear is in the process of drastically refocusing its core business in its efforts to fend off a hostile takeover from British financiers. The Celeron division, which Goodyear is disposing of, owns about 100 million barrels of oil and oil equivalent in California and off the West Coast.

Exxon has now spent more than \$1.5 billion to acquire more than 300 million barrels of domestic oil and gas reserves since 1984.

Briefly

● **IBERO-AMERICAN** bishops ended their late July meeting in Bogota, Colombia by issuing a denunciation of international "usury." Colombian Bishop Dario Castrillon said, "The Catholic Church has always opposed usury, and therefore disapproves of banks giving usurious credit." "The Church has no choice but to say: 'This is robbery,'" added Mexican Bishop Javier Lozano Barragan. He noted that the Vatican Justice and Peace Commission had endorsed "the idea of live first, and then pay debts."

● **THE JUSTICE** Department said Aug. 10 that it was dropping its civil suit against General Dynamics, the defense contractor, in which it had accused the company of overcharging the government. On June 22, a criminal case was dismissed against the company and three executives, among them James Beggs. The case had forced his resignation as head of NASA.

● **THE HOUSE** of Representatives has passed a measure by voice vote to pay farmers for idling cropland in 1988, and now goes to the Senate. It calls for growers of wheat, corn, and other feedgrains to collect 92% of their usual income-protecting subsidies, in exchange for not planting specified amounts of the cropland in 1988.

● **CONSUMER** installment debt rose to 20% of after-tax income in 1986, from only 14% in 1983, and provisions of last year's tax reform act will destroy consumers' ability to continue to absorb debt, according to a *Wall Street Journal* report. Tax reform eliminates the deduction for consumer installment debt.

● **LEGISLATION** to be introduced by Rep. Charles Rose (D-N.C.) would place a two-year moratorium on "animal patents" resulting from genetic research or cross breeding. The proposed ban responds to an April 3, 1987 Board of Patent Appeals decision to consider "genetic products"—i.e., animals—as patentable material.

Fusion energy ready for a new initiative

Dr. Stephen O. Dean, a leading expert in fusion energy, talks about recent advances in new approaches to achieving fusion, and the budgets required to make the breakthroughs.

Dr. Dean is the president of Fusion Power Associates in Gaithersburg, Maryland. He formed FPA in 1979, after a career in the Atomic Energy Commission, and serving as director of the Magnetic Confinement Systems Division of the Office of Fusion Energy in the U.S. Department of Energy. He was interviewed by Marsha Freeman on July 16.

EIR: The magnetic fusion energy program has taken a cut of at least \$100 million over the past few years, and the laser fusion programs have virtually disappeared from the civilian Department of Energy budget. What is your general assessment of the status of the fusion program, at this point?

Dean: I think the fact that both programs had built facilities late in the 1970s and early in the 1980s has allowed them to continue to make very impressive progress in the scientific work in spite of the budget cuts, but all of the facilities now are underutilized. There's been a problem, of course, in upgrading facilities, and that will slow down progress in the future, but I'm hopeful that this downward trend of the last few years has hit bottom and that we're going to start seeing some growth again, in the future. I'm hopeful that this has just been a period of adjustment financially, and that in the long run, fusion will still be an important, fairly large government program and may even get some growth again.

EIR: What have been the major results and milestones in the fusion program over the past year or so?

Dean: At the Princeton Plasma Physics Laboratory, they achieved 200 million degrees in the Tokamak Fusion Test Reactor, which was a record for tokamaks, and actually it's

the kind of value that's required in their attempt to achieve breakeven over the next year. I don't even know if it's been announced yet, but there's just been the achievement of a 6% beta, where beta is the ratio of the plasma pressure to the magnetic field pressure, and in the tokamak, beta has always been fairly low. One needs to get to about 10% for a commercial reactor, and the best we've been able to do was about 4.5% before. Now, at GA Technologies [in California], in the Doublet device, they've gotten about 6%, and they're encouraged by that. They hope that they'll get it up even higher.

[In addition] there have been a couple of experiments that aren't fully conclusive, but suggest that we'll be able to drive a current in the tokamak with radio frequency waves that would allow the tokamak to run steady-state all the time, instead of having to be pulsed. That would be very important for commercial activities.

EIR: Where are those experiments being done?

Dean: Some of them were at the Massachusetts Institute of Technology, some of them were at Princeton, and some were in Japan. We have a major experiment getting set up now to test that further at Lawrence Livermore Laboratory, where we have moved the MIT tokamak out to Livermore. We're setting it up alongside the free electron laser facility out there. We're going to drive currents in that machine at a higher density using the microwaves that are generated by the free electron laser facility. There's a lot of intense work on trying to figure out how to convert the tokamak concept, which is the most successful concept, from a pulsed machine to a

steady-state machine. All the theory and all the experiments suggest that there are several frequencies that could be used and there are tests going on around the world to try to demonstrate the kind of currents that one needs.

All of that looks pretty good. The international community has agreed to work together to design the next machine. That's encouraging also, because it shows that everybody is now focusing on a real engineering test reactor in the program. A few years ago, those kinds of things were casual studies, but now it seems like a serious plan; that there will be one or more engineering reactors built in the 1990s and, of course, these are essential to have before one could design a commercial reactor.

There are some new back-up facilities. There is a new reversed-field pinch facility that's under construction at Los Alamos National Laboratory, and there is a new field reversed concept being constructed at Spectra Technologies in Seattle. So there's vigor not only in the mainline tokamak program, but also in some of the back-up concepts. Of course, what we've lost in all of that, is our entire magnetic mirror program, and that was a result of these budget cuts.

EIR: The mirror program, especially at Lawrence Livermore Laboratory, had a large commitment of federal funds, and had built some very large facilities. What is the status of the mirror program, how is it different from the tokamak design, and where should the program go?

Dean: The government has decided, right or wrong, that they're going to phase out all mirror research in the United States. They stopped the Livermore work first, and now they're going to stop the university work at the end of this fiscal year. If there were enough money, you certainly would not want to do that, especially after you'd made all of those commitments. On the other hand, you take the amount of money you've got, you try to place your bets on things with sufficient resources to allow something to make progress, and that's what's been done. I guess I think that was a tough decision, but was probably the best decision that could be made under the financial circumstances we were in. If it's possible at some future time, if the budget can get up another \$50-100 million—it probably would have to take a \$100 million increase in the budget, in order to rejuvenate a mirror program—I think that we could do it.

The mirror concept has certain attractive features, for commercial reactors. Its geometry is nicer from a mechanical engineering point of view, but the physics is much more difficult than these toroidal concepts, and it was lagging in its progress. I'm not sure how hard it will be to make the mirror concepts actually work. I think what may happen eventually, is that the facilities that were built for mirrors at Livermore may be converted to do other things so those facilities are still there, and if there are funds and interesting ideas, they might get rejuvenated for some other purpose.

At the moment it doesn't look like the mirror concept itself will make a comeback in the near future. The Japanese

still have a vigorous mirror program, and maybe they'll carry the ball for the next five years. If it looks good over there, we can justify getting back in it.

EIR: Have the Japanese continued to make progress in their mirror program or have they encountered the same physics problems as researchers in the United States?

Dean: They've come up against some of them, and they were a little behind anyway—their facilities aren't quite as big as the one we had just built—so the answer is that they've made some progress on some of those problems. The interpretation of data is always tricky, and without comparable tests elsewhere, it's always going to be difficult to make sure these things are done right. They certainly haven't solved [all] the problems of the mirror, but they've gotten some interesting results, and partially solved some of the problems of the mirror.

EIR: One of the most interesting potential applications for the open-ended mirror fusion design, is the work being done at the University of Wisconsin Fusion Technology Center, on fusion propulsion for spacecraft. Although putting any kind of device into space adds to the constraints, such as making it as light as possible, whereas on Earth the weight would not matter, it is also possible that a space-based fusion propulsion system might be more forgiving, in terms of efficiency, and other parameters that would be important for baseload power. What do you think of the fusion propulsion work?

Dean: I think that that concept is correct, that the application is easier, in many respects, at least from the testing point of view and the physics point of view, than to make electrical power on Earth. I think the magnetic mirror concept could possibly be adapted for that, even if it couldn't be adapted for commercial electric power. I think it would be worth pursuing.

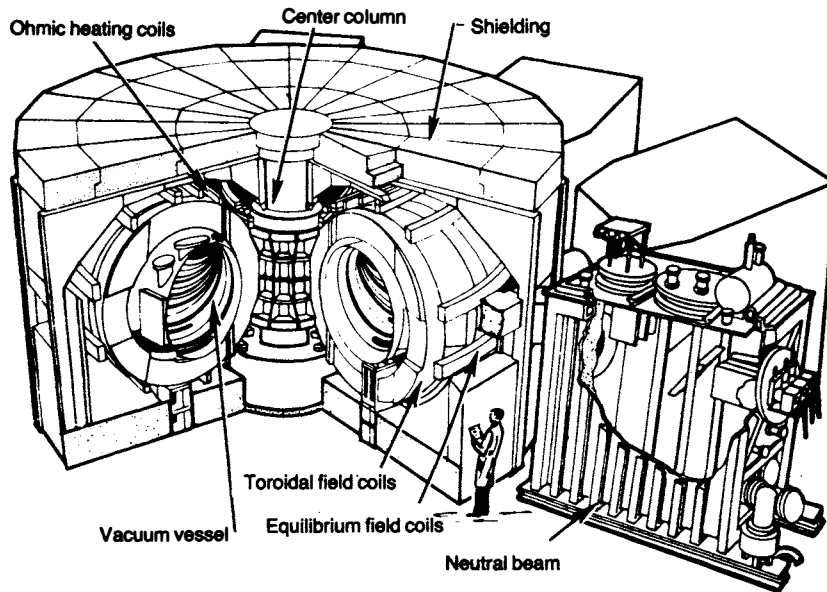
Of course, the Department of Energy is not motivated to support work for fusion propulsion. They don't use that as a criterion to decide to run a magnetic mirror program. If NASA and the Department of Energy could think of it that way, I



Dr. Stephen O. Dean

FIGURE 1

Schematic of the TFTR tokamak



The Tokamak Fusion Test Reactor, the largest construction project in the U.S. fusion program, became operational on Christmas Eve 1982. Shown are the various coil systems that produce the magnetic field configuration that spirals around the plasma in the tokamak, containing it. The TFTR recently achieved 200 million degrees, a record for tokamaks, and the kind of value required in their attempt to achieve breakeven over the next year.

Source: *Fusion* magazine, January-February 1985.

think it would be a good justification for running a small mirror program to test some of those kinds of concepts out. There never has really been a fusion propulsion program in this country, per se. There have been just been a few studies now and then by people, but there's never been a funded, focused program to look at fusion for propulsion, and to carry out experiments. Maybe it's time for somebody to start a serious program to do that.

There is a small study funded by the Air Force that I think is going on now, to evaluate some of that, and if it comes out good, perhaps the Air Force, or the Air Force with NASA, might take over some of these mirror facilities and keep the work going. I don't think at the moment, that the Department of Energy would do that, unless somehow or another they could get extra money specifically for that purpose.

EIR: Perhaps the Strategic Defense Initiative Organization would be interested as well, since the launch of the Soviet superbooster, the *Energiya*, has taken away the U.S. monopoly on advanced launch systems.

Dean: I think that one problem is that fusion propulsion is better suited to deep-space missions than to near-Earth orbit propulsion and SDI people don't have as much interest—or maybe they don't have any interest—in deep-space propulsion, at the moment. They're looking for practical things that can be used reliably, efficiently in near-Earth orbit. They do have some interest in orbiting power plants, or anything that could make a large amount of power in a short amount of

time, and it's possible that some of these things could be adapted for that, but tokamaks could be just as good or better for [power production] than the mirror, so it's not clear that [fusion propulsion] uniquely benefits the mirror program.

The Air Force has a range of interests, and they are interested in propulsion. They have a small team, I think at Edwards Air Force Base, that has a small program in advanced propulsion ideas. They're looking at fusion because they haven't looked at it for a number of years. But deep-space propulsion does have a lower priority than the near-orbit propulsion.

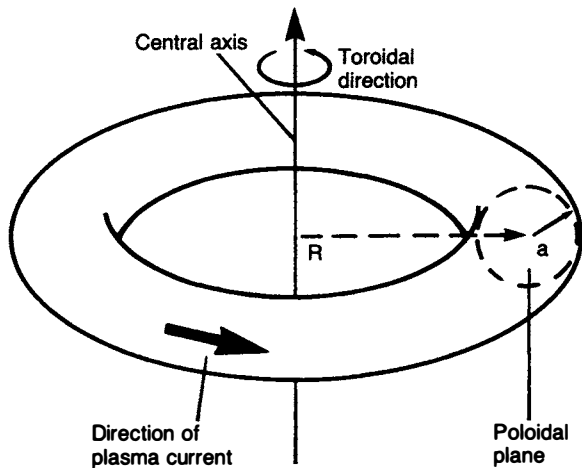
The advantage to fusion propulsion is that it gives a very high specific impulse [fuel efficiency at high exhaust velocities] and hopefully, with a relatively low weight of fuel, you can get vehicles up to extremely high speeds. The real advantage is when you're going on really long trips. The shorter the trip, the less the advantage of fusion propulsion, versus various other kinds of propulsion.

EIR: I understand that there are a number of newer experiments in concepts different than the mainline tokamak or mirror programs, which look interesting. Could you describe them, and what their advantages might be over the mainline fusion designs?

Dean: The general feature of these, is that people are trying to get the same amount of power in a smaller apparatus than the tokamak might do. Another feature of some of them is to remove the hole in the donut. The tokamak is a donut-shaped

FIGURE 2

Tokamak magnetic confinement configuration



Source: *Fusion* magazine, October 1980.

machine and it has equipment, hardware, that goes down inside the hole in this donut, and so the geometry is not that attractive. There are people who want to figure out how to make a plasma that doesn't have this donut shape, because it may simplify the engineering. The driving force is getting the size of the machine down, which is another way of saying, getting the power density up. The reverse-field pinch, which is being built at Los Alamos National Laboratory, is the place where most of that work is going on now, and there is a \$72 million facility being built there. They've just arranged with the TVA [Tennessee Valley Authority] to get a large generator that was purchased originally for a nuclear power plant that they're now not going to build. It's being sold to DOE and it's going to be used to power this new \$72 million facility. It is supposed to come into initial operation in 1990 and then it will be upgraded in 1992. If all that works, then by the mid-1990s this concept should be able to produce plasmas comparable to the best that we have in tokamaks today, in facilities that are cheaper and have a higher density.

EIR: How is the reversed-field pinch different from the tokamak?

Dean: If you look at it simply, in many ways it looks the same because it's a donut in its shape, so it does still have those disadvantages. But the main advantage is that it makes all, or most of its own magnetic field by the current that's in the plasma, whereas in the tokamak you have to provide most of the magnetic pressure by having superconducting magnets, or other kinds of magnets around the plasma. That means that the plasma itself is able to be run at a higher density, so you can get the same amount of power in a smaller

object than you can from a tokamak.

Unfortunately, this system is a very dynamic system, so it's a little harder to see how you would make it steady-state, but they do have ideas to test on how to make it steady-state. It doesn't require auxiliary heating. In the tokamak you can't get it hot enough by just running a current [through the plasma]. You have to put in extra power, using either radio frequency or neutral beam accelerators. But in this device, just by running the current in the plasma itself, you can raise it all the way to ignition—at least that's the theory. So it should be more efficient and [there should be] less equipment required to get the plasma ignited than in the tokamak. Its disadvantage is that its power density is so high, that we'll have more problems of the materials holding up and the vessel holding up than we have in the tokamak. Because it's a stronger pulse, it will have more thermal fatigue-type problems than might be present in a tokamak. Those are some of the engineering problems that will have to be solved if that concept is going to compete.

EIR: I understand that there is also a new program at the Naval Research Laboratory.

Dean: That is at a very early stage but if it works it could be extremely cheap, and it is very simple. It's just a matter of taking a deuterium-tritium mixture [the two fuels for fusion, isotopes of hydrogen], cooling it down until it's basically frozen, and it becomes like a slush, a frozen slush, like a snow cone. You put pressure on it and extrude it out from a tiny hole in an electrode and you make a small wire between two electrodes. Then you put a million amperes [of electrical current] or so down down through this solid deuterium-tritium fiber and that current raises the temperature of all of that fuel up to ignition conditions. You make a very small, fat burst of fusion energy that way. It's very simple, very cheap.

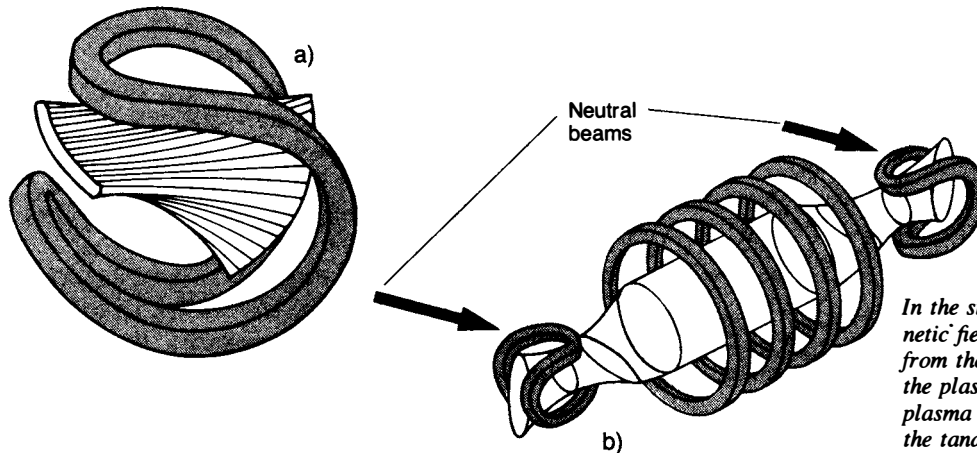
There are tests in progress to try to prove that it works, [and if it does work] then you could make a small fusion plasma very inexpensively. Less work has been done on how you would make a power reactor out of that, because it is a very small object, so it doesn't make a lot of energy per pulse. You'd have to make many, many pulses, and the electrodes, at the moment, are fairly close to the plasma, so they'd become damaged. So how you'd convert this into useful power is not quite clear yet, but it does seem to be a way [to create] a fusion plasma for study, which could be used for testing purposes, or engineering tests, and it's conceivable that somebody may figure out how to make a reactor out of it.

EIR: Are there other new ideas that have just come up in the past year?

Dean: Actually, most of these ideas are not new. This idea for making a high density pinch has been around for 20 years, but only since people thought of making it in a frozen fiber instead of some type of a gas, has it seemed to work. The

FIGURE 3

Magnetic mirror configuration



In the standard mirror machine, a, the magnetic field strength increases in all directions from the machine's geometric center, where the plasma is stably trapped. However, some plasma still escapes out the open ends. In the tandem mirror, b, a standard mirror cell is placed at each end of a cylindrical sole-noidal cell. The plasma is then "end-plugged" by the electrostatic forces of the two mirrors.

Source: *Fusion* magazine, October 1980.

other kind of very interesting "hot" concept—and again it's not that new, but the progress in that area is pretty recent—is what they call a field-reversed plasma, or a spheromak plasma where, as I mentioned before, you are able to take the hole out of the middle of the donut, and make a plasma that is essentially spherical in shape.

That's nice because now the plasma is more localized and you can put all of your equipment around it rather than having to have your equipment go down through the middle of it. There is a new experiment being built at Spectra Technologies in Seattle. The fundamental work was done at Los Alamos and Princeton on the spheromak concept, and I think those have a lot of promise, but they are in an early stage, and require a lot of fundamental work yet on a small scale before you can really assess the potential.

EIR: It is interesting that this experiment is being built at a private company. Is it with internally generated company funds, or is the Department of Energy supporting it?

Dean: It was partly [company funds] before, but it's now supported by the Department of Energy. They won a competition, where Los Alamos was in the competition, and this company was selected.

EIR: What has been the effect of the contraction in the fusion budget on the companies who have been working in this area? Your company, Fusion Power Associates, is an industry association.

Dean: Opportunities for industry participation have been

drastically reduced. Some of the big companies that have been in fusion and had an established position, are still quite strongly supported, like GA Technologies, and KMS Fusion. But the companies that were depending upon sub-contracts to help build facilities, or to operate small programs—most of those programs have all but disappeared. But we're hopeful that with some of the new facilities, that we hope are going to be built in the next few years, industry opportunities will start to grow again. For example, there's a new large multi-hundred million dollar tokamak that was put in for authorization in this year's congressional budget called "CIT" for Compact Ignition Tokamak at Princeton, and if that project moves into construction next year, there should be a lot of opportunities for industry to participate in the project.

EIR: What has been the impact of the budget cuts on personnel—both people working in the programs, as well as university students working on their degrees, and graduate work in fusion?

Dean: I think there's been an effort to take most of the money out of the mirror program, and most of that money was hardware money, or money that was going to be needed to operate the large new mirror experiment at Livermore, so there's been an attempt to minimize the effects on the universities. The second place where money has mostly been taken out of, has been in the long-range technologies. That has impacted the industry a lot, and it has impacted the universities that were working on some of the longer-range things, like materials, systems analysis, reactor studies, and

things like that. In terms of plasma physics research in the universities, I think the impact has been minimal.

EIR: Dr. Gerald Kulcinski, from the University of Wisconsin Fusion Technology Center, mentioned to me a few months ago that up until the past few years, the best and the brightest science students in the universities were going into fusion research. In the recent years, however, he observed that these top students were going into lasers, and other fields that were more related to the research on the SDI.

Dean: I think that's true. I think in terms of personal choice, of where the students are going, they see [as more promising] the areas where there seem to be more career opportunities than in fusion, so the students themselves are not going into fusion the way they were several years ago. In some of the technology areas that are funded through the engineering departments, their budgets have been cut, and they are having a harder time finding support, not only through university research contracts but also in terms of the fact that the engineering opportunities in the programs, and in the laboratories where they might go to work afterwards, have been cut back. In the physics departments, I think the impact has been less severe but there has been some impact. They try to keep the university programs somewhat insulated from these big budget cuts. . . .

EIR: Until the early 1980s, the United States certainly had the worldwide lead in magnetic fusion energy research. How does the United States fare now, compared to the Japanese, European, and Soviet fusion programs?

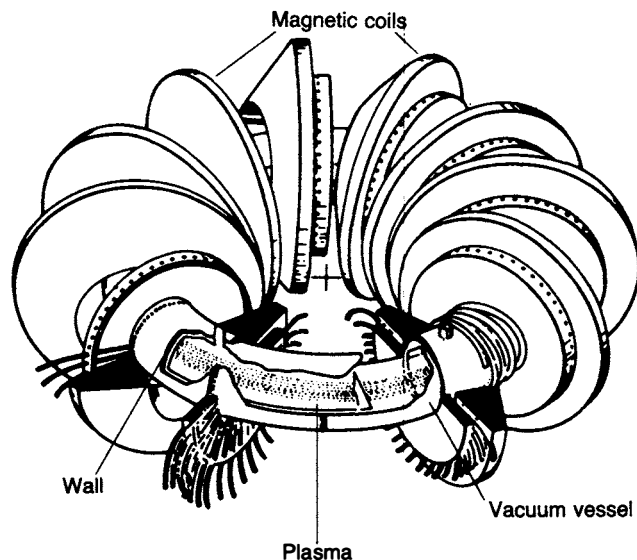
Dean: I think it's pretty clear that over the past five or six years, whatever lead we had has disappeared. The Japanese and European programs are fully competitive in size and progress with the U.S. programs. If you look at the actual budgets, which I am going to publish a graph on in my newsletter, the European program has financially overtaken the U.S. program in the last five years. The European budget is now as large as the U.S. budget, whereas previously it was about half the U.S. budget. The Japanese budget is about the same as the U.S. budget, whereas five or six years ago, the Japanese program was more like a quarter of the U.S. budget. So both of those groups have facilities and skilled people who are fully competitive with our facilities and our best people.

It's less clear what's been happening with the Soviets. I think in the early 1980s the Soviets slowed down dramatically, and a lot of their facilities got bogged down in construction. But they do seem, in the last couple of years, to be making a strong rejuvenation in the program. There are new facilities being rapidly constructed in the Soviet Union, and I think they are again giving fusion a high priority.

EIR: What effect do you think the recent developments in higher-temperature superconductivity might have in the fusion program?

EIR August 21, 1987

FIGURE 4
Reverse-field toroidal zeta pinch



The donut-shaped (toroidal) vacuum vessel and magnetic coils for the ZT-40 are shown diagrammatically in this figure, representing an earlier design from the one referred to by Dr. Dean. The distinctive feature of the ZT-40 is the configuration of strong plasma currents that confine the plasma in the volume indicated by the dotted lines within the vacuum vessel. This uniquely efficient plasma confinement results from the reversal of the magnetic field that occurs near the wall of the torus.

Source: *Fusion* magazine, March-April 1985.

Dean: It potentially could have a major impact on the cost of fusion power, in terms of the cost of electricity. The big question is, how long will it take to take these laboratory demonstrations, and convert them into engineering materials that can be used to construct large objects, like magnets? I think nobody knows the answer to that yet, but there are optimists and pessimists in the [fusion] community.

EIR: Where will the major application for superconductivity be in fusion?

Dean: The major application in fusion would be in making the superconducting magnets that we use. The temperature that you have to run those at is a major factor in what kinds of refrigerators you have to buy, and what the cost of keeping the magnets cold is.

EIR: What would the economic impact be, in the cost of electricity?

Dean: In a power plant, about half the [capital cost] has nothing to do with whether it's fusion, or fission, or coal. So there's 50% that you can't impact with this discovery, at all. Of the other half [of the capital cost], probably about a quarter

may be the [fusion superconducting] magnet system and the refrigerators that go with that. It's about a quarter of 50%, so probably about 10-15% of the total plant cost is involved in the magnets. But that's not really what you want to know, because there you're talking capital costs, and it could turn out that these new superconductors might have a higher capital cost for the magnets. You don't really know what the cost will be, because that's involved in the manufacturing process. What [the breakthrough in superconductivity] will impact is the operating cost of the plant once it's built. Day in and day out, the magnets have to be kept cold, and if you have to keep them near absolute zero, that's a big cost. If you can keep them near room temperature, that's a smaller cost. What you have is a continuous savings over the entire life of the plant and that impacts the cost of electricity, more than it impacts the capital cost of the plant. We don't know enough about these superconductors yet to really calculate what that potential impact might be.

EIR: The United States does not have a fusion facility in construction that has superconducting magnets. We do have the magnet test facility at the Oak Ridge National Laboratory to test superconducting magnets, but is there any plan to use them in fusion experiments?

Dean: In the 1990s we have a serious chance to build an engineering test reactor as an international project, and we would be participating in that. That is the only definite, if you can call it definite, plan that we have to build a facility that uses superconducting magnets. Then, of course, the real impact is when you get to commercial power, and you are building demonstration reactors.

EIR: The Soviets have planned to build a superconducting magnet fusion experiment, which I understand had gotten bogged down.

Dean: That's the T-15 and it's still being built, and it might be finished soon. I don't know the latest date, but I think at the end of this year, or early next year, it's supposed to be finished. It's been delayed so many times, that I think we'll believe it when we see it.

EIR: Are there any other programs internationally that plan to use superconducting technology in their fusion programs?

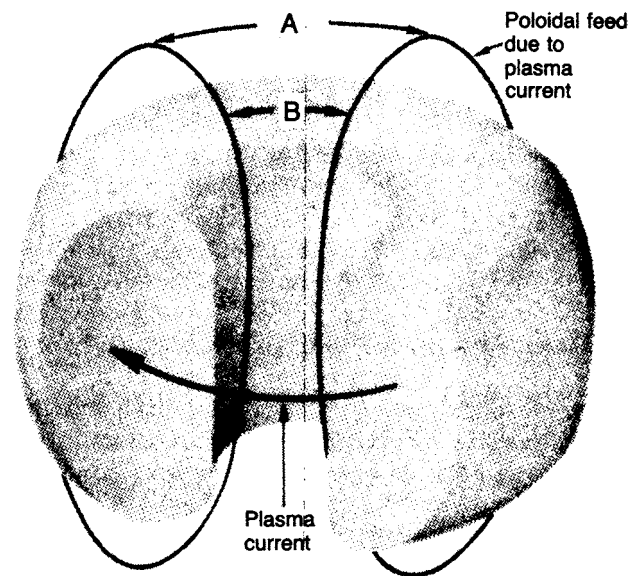
Dean: There is a facility that is under construction that is almost finished in Caderache, France, called the Tore Supra, which is a major superconducting tokamak. It's probably going to out-perform the Soviet machine by a mile. A very sophisticated machine.

EIR: When is that machine scheduled to come on line?

Dean: I think next year. . . . It's a European-funded program. The United States is participating in it. We're sending some equipment over there and it will be, in part, an international project, although it's basically a European project.

FIGURE 5

Diagram of the plasma configuration in a spheromak



The spheromak can be smaller and more efficient than the tokamak because it uses the electric currents within the plasma itself to generate the confining magnetic fields. This eliminates the need for external copper coils.

Source: *Fusion magazine*, March-April 1985.

EIR: Is there anything else you would like to add?

Dean: I didn't mention inertial fusion [including laser fusion]. I think that they've really come on strong. I feel that the program is now at a stage of scientific understanding comparable to magnetic fusion. Recently, there was an experiment at Lawrence Livermore Lab where they achieved a convergence ratio, which is the ratio of the initial radius of the [fuel] pellet, to the final radius of the pellet. They got that ratio up to a value of 35. This is the ratio of how much the pellet is compressed, as it is hit [with a laser beam]. You have to compress it in order to ignite it. They got to a value of 35, and you only need to get to about 40 for this kind of pellet, in a commercial laser fusion reactor. They're very excited about that.

The filling pressure of the fusion fuel [into the pellet] was low, so they didn't actually get a high compression of fuel or ignition, or anything like that. It was just a test of stably compressing the pellet shell. I think it portends the fact that they will be able to stably reach the kinds of spherical compression they need to get. To actually ignite the pellet, they'll need more energy in the laser, but that program is making really good progress.

Italian researchers foresee breakthroughs in superconductors

Emilio Olzi is the laboratory chief of the Institute for the Technology of Metallic Non-Traditional Materials at the National Research Center (CNR) in Milan, Italy. He was interviewed for EIR by Augusto Provasoli.

EIR: In less than a year, research on new superconducting material has taken enormous strides forward, which allows us to get a glimpse of still more extraordinary things to come in the near future. What is the current situation?

Olzi: In September 1986, Karl Muller of the IBM Zurich laboratories, in the course of his research on superconductors, found a ceramic material made of oxide of lanthanum, barium, and copper, which exhibited the phenomenon of superconductivity at about 40° Kelvin.

Immediately, a feverish race broke out in the scientific world to study this and similar materials. From February 1987 on, we have been witnessing—also in the daily press—daily updates on news related to a discovery of new materials which have critical temperatures (that is, the transition point between conductor and superconductor states) decidedly above the boiling point of liquid nitrogen (77°K).

The countries where these new materials are being most intensely studied are the United States, Japan, West Germany, England, China, and Italy—where, for the first time, our institute obtained and experimented with a whole series of these new materials.

In Italy, the CNR will finance a requisite “strategic project” which will involve 10 of its research institutes and a finalized project of more ample scope.

Many different procedures have been used so far, that vary in temperature, pressure, and atmosphere (more or less rich in oxygen). In every case, three oxides, appropriately mixed, are made to react with each other at high temperatures, in furnaces which control the composition of the atmosphere.

EIR: What advantages have come out of the use of these new materials?

Olzi: The importance of the discovery of these new materials can be better understood by contrasting some of their properties with the “old” superconducting metals.

There are three essential characteristics of a supercon-

ducting material: critical temperature, critical magnetic field, and critical current density.

As for temperature, it must be noted that the new materials work at an absolute temperature of about 93°K as opposed to the 23°K of the previous best metallic superconductors. In practice, this means that substantial savings can be made in the future, whether in the costs of the cryogenic plant or in operating costs. In fact, it will be sufficient to use liquid nitrogen as a coolant which costs a good 15 times less than liquid helium, the refrigerant used today.

The “critical magnetic field” is one beyond which a superconductor immersed in it, will cease to be such. In other words, using a superconductor material, it is not possible to construct a magnet that generates a magnetic field stronger than the critical field; rather, the magnetic field obtainable is usually substantially less than the critical field.

Even lacking experimental evidence with regard to the new materials, one can compare the theoretical values of the old and the new for the critical magnetic field at absolute zero: 40 tesla for the old superconductors; 300 tesla for the new.

The third characteristic, critical current density, is the only one in which until today, the old materials perform better: between 10/7 and 10/9 Amps/cm² as opposed to values of about 10/7 for the new materials.

It's a question of how much current can circulate in a wire that has a cross section of one cm². While the first two characteristics, critical temperature and magnetic field, depend uniquely in the type of material, the critical current density also depends heavily on the technology for preparation of the material. Therefore, we can be optimistic that these low values can soon be improved upon.

Another important aspect is the workability of these new materials; that is, how easy it is to manufacture particular objects (wires, tapes, bobbins, etc.) necessary for practical use.

The current researchers are primarily those who until a few months ago only knew how to handle metallic materials (the old superconductors) and thus they have been ill at ease working with these new ceramic-type materials.

Without any doubt, we will witness, in the next couple of years, an enormous growth in the technologies relative to

the preparation and the working of these new materials.

EIR: The use of superconductors at the temperature of liquid nitrogen has opened up the possibility of interesting applications of such technologies in large sectors of the economy. What do you see for the future?

Olzi: The starting point for any such discussion is necessarily the current superconductor technology using the old materials, cooled to the temperature of liquid helium.

We have already mentioned that as soon as we can apply the new materials, we will definitely make considerable savings. This would be the case, for example, with NMR [nuclear magnetic resonance] technologies—both those used for chemical and biochemical research, and those used in diagnostic medicine. In fact they use a powerful magnetic field

obtained by using superconducting materials.

Another example is MHD [magneto-hydrodynamic] technology for magnetic fluid dynamic conversion of energy—whose use is foreseen to expand greatly in the near future. In MHD they also use a powerful magnet, which can be built only with superconducting materials.

The field is all applied directly to the burning gases of a traditional fossil-fuel generating plant (oil, methane, coal), which allows a current to be drawn directly from the ionized plasma which is the burning gas itself. This results in a substantial increase in efficiency in the production of electric energy, not to mention a reduction in pollution caused by the emission of dust particles.

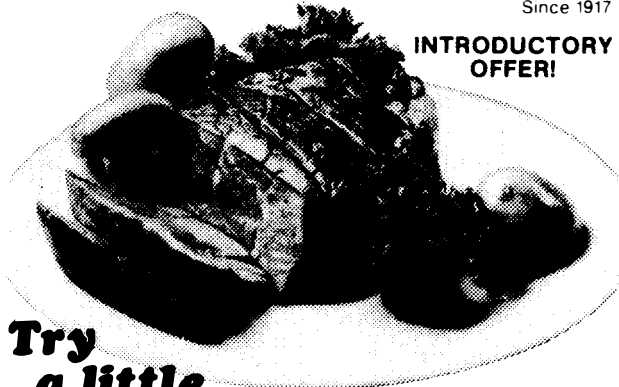
In the field of nuclear fusion, today still at the experimental stage, new and more powerful magnets can be made with the new materials, under conditions that would be prohibitive for the old, and could decisively improve the magnetic confinement of plasmas.

As for future applications, the only limit is your imagination. . . . I think these materials will serve to change the world. The most easily imagined applications are in the electro-technical field: new electric motors which will be relatively small and powerful; electric, magnetically levitated trains with speeds of about 500 km/hr.; and new forms of energy transport.

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What is the Soviet 'SDI'?

Uwe Henke von Parpart reviews what we know about directed energy weapons research and development and the space program in the U.S.S.R.

Unlike the rather detailed information available from public sources about the U.S. Strategic Defense Initiative (SDI) research programs, Soviet research and development in the area of strategic defense is shrouded in mystery. The Soviet government acknowledges existence of deployed ABM capabilities permitted by the 1972 ABM Treaty, but beyond that denies being engaged in a significant SDI-type R&D effort. Top Soviet scientists known to be involved in directed energy weapons research, for example, have not only refused to admit such involvement, but have gone to great lengths challenging the scientific and engineering feasibility of comprehensive ballistic missile defense (BMD). Such Soviet secrecy and deliberate obfuscation make it exceedingly difficult to arrive at an accurate assessment both of the overall scope of the Soviet strategic defense program and of the size and level of development of its principal components. A gross analysis of Soviet BMD research and development is nevertheless possible, based on essentially three types of information sources:

1) Elements of Western intelligence reports on Soviet BMD that find their way into official U.S. government and other Western publications.

2) Soviet and Western reports on the somewhat less well-guarded Soviet space program.

3) Soviet scientific publications, principally the *Journal of Experimental and Theoretical Physics (JETP)* and *JETP Letters*.

Bits and pieces of information from any of these sources are, by themselves, of limited value. However, if carefully cross-gridded and checked for scientific reliability, enough credible information comes together for the principal contours of Soviet BMD research and capabilities to emerge.

1. Brief history and summary assessment of Soviet BMD

The character of Soviet strategic defense efforts differs from comparable U.S. programs in two principal respects. First, the Soviet commitment to strategic defense is continuous and longstanding, going back to well over two decades and never experiencing any serious disruption. Soviet defector Anatoly Fedoseev, who designed anti-missile radars and fled in 1971, put it as follows: "Since the beginning of Soviet

SDI . . . this project has never been interrupted or delayed. And I'm sure it never will be." ("The Secrets of Soviet Star Wars," William J. Broad, *The New York Times Magazine*, June 28, 1987, p. 24). By contrast, the United States made vigorous BMD efforts in the 1960s, but then dismantled all deployed capabilities and cut research to a minimum after the signing of the 1972 ABM Treaty. There is thus a 12-year hiatus (1972-84) on the U.S. side, which, according to Gen. James Abrahamson (Strategic Defense Initiative Organization) and Dr. Edward Teller (Lawrence Livermore National Laboratory), has given the Soviet Union a significant lead in experience with deployed BMD capabilities and in advanced research. Teller points out that many directed energy-related research results published in Soviet scientific journals in the 1970s and early 1980s were dismissed by U.S. researchers at the time, but are now being taken seriously as the results of recent U.S. advances in the same field confirm earlier Soviet work.

A second major difference between Soviet and U.S. BMD efforts results from a fundamental discrepancy in strategic doctrine and outlook. Since the 1950s, U.S. strategic thinking has been dominated by the Mutually Assured Destruction (MAD) doctrine. Strategic defense was seen to have little or no place in the MAD world of U.S. planners. The Soviet military leadership, on the other hand, has always assumed and prepared itself for the possibility of actually having to fight and win a nuclear war. Active and passive (civil defense) strategic defense is thus a significant integral aspect of overall Soviet war planning. Consequently, after 1972 they kept in place and continued to upgrade the Moscow ABM system, which by the end of 1987 will consist of 100 silo-based high-acceleration missiles. In addition, the SA-X-12 surface-to-air missile, which is now operational, has not only anti-aircraft, but also anti-missile capabilities. And both systems as well as future generation BMD systems will by the end of this decade be supported by a network of large phased-array radars (Krasnoyarsk type) for early warning, tracking, and target assessment.

Several decades of continuity of Soviet BMD research are thus matched by a similar continuity in terms of deployed capabilities. Since March of 1983 the United States has been trying to catch up with these developments in order to prevent Soviet strategic break-out in the BMD area. A principal U.S.

motivation for SDI is clearly what Secretary of Defense Weinberger stated in January 1987: "I cannot envision any circumstance more threatening and dangerous for the free world than one in which our populations and military forces remain vulnerable to Soviet nuclear missiles while their population and military assets are immune to our retaliatory forces."

U.S. concern with Soviet BMD progress is not limited to or even principally prompted by presently deployed assets. Rather the concern derives from what the Soviets have termed weapons systems "based on new physical principles" and from the rapid progress of the Soviet space program during the past decade.

The U.S. intelligence and scientific community first were alerted to relatively large-scale Soviet experimentation with exotic new weapons systems in the mid-1970s, when then-Air Force chief of intelligence Maj. Gen. George Keegan assembled a team of technical experts to investigate evidence of such experimentation emanating from the Semipalatinsk nuclear test site in Siberia. Keegan's findings and his hypothesis that the Soviets might be deploying nuclear-powered directed energy devices, were first published in *Aviation Week and Space Technology* in the summer of 1976 (No. 105, Aug. 30, 1976), but were generally dismissed by most U.S. intelligence and scientific analysts. In retrospect we may surmise that Keegan's team may well have come across early Soviet nuclear-powered x-ray laser tests. But be that as it may, it is a matter of record that the first detailed technical description of a nuclear-pumped x-ray laser in the open scientific literature appeared in the July 1981 issue of the Soviet *Journal of Quantum Electronics* under the title, "Specification for Pumping X-Ray Laser(s) with Ionizing Radiation." The article was submitted on May 28, 1981 by I.V. Bunkin, V.I. Derzhiev, and S.I. Yakovlenko of Moscow's Lebedev Physics Institute.

That Soviet physicists should have come up with advanced laser and particle beam designs for military applications should not be regarded as any real surprise. Two of the physicists honored with the Nobel Prize for invention of the laser were Russians. And the potential for lasers to play a role in strategic defense was explicitly acknowledged as early as the 1962 version of Marshal Sokolovskii's famous strategy text, *Military Strategy*:

Possibilities are being studied for the use, against rockets, of a stream of high-speed neutrons as small detonators for the nuclear charge of a rocket. . . . Various radiation, anti-gravity and anti-matter systems are also being studied as a means of destroying rockets. Special attention is devoted to lasers; it is considered that in the future, any missile and satellite could be destroyed with powerful lasers.

We shall now turn to a more detailed and systematic account of Soviet SDI-type research as well as an evaluation of recent major advances in Soviet space-lift capability.

2. The present Soviet strategic defense research and development program

Much as in the case of U.S. SDI, Soviet research is spread over a sizable number of government laboratories and university research institutes. We will cover only those cases of research about which sufficient and relatively accurate information is available, not necessarily indicating the order of priority adopted by the Soviets themselves in their overall program.

2.1 High-energy lasers

It is estimated that the Soviet laser weapons program, if carried out in the United States, would cost approximately \$1 billion per year—meaning that it is about twice the size of the present U.S. program—and that it employs up to 10,000 scientists and engineers. Both tactical (battlefield) and strategic lasers are under development. The largest lasers are of the gas-dynamic and electric discharge (rather than chemical, as in the U.S.) type, and have been scaled up to about 10 megawatts, the minimum energy required for ground-based anti-satellite (ASAT) operations. ASAT and terminal defense against re-entry vehicles appear to be the principal intended functions of such high-energy lasers now being tested at Sary Shagan. U.S. reconnaissance satellites have also detected a probable large new mountain-top laser site near Dushanbe, capital of the Tadzhik Republic. The size and electric power supply of the Dushanbe complex appear to be large enough not only for an ASAT laser, but for a laser whose signal could be relayed by a space-based mirror toward ICBMs.

Along with conventional-type lasers, the Soviet x-ray laser program is in an advanced stage of development. In congressional testimony in 1986, General Abrahamson estimated the Soviets might have a lead of up to five years in this area. It was for this reason that the U.S. government did not go along with a Soviet-initiated underground test moratorium.

The Soviet tactical laser program, in the meantime, has progressed to where "battlefield laser weapons could soon be deployed with Soviet forces" (*Soviet Military Power, 1987*, p. 112).

We thus see a broad range of Soviet laser weapons under development, covering the spectrum from tactical to most advanced strategic systems. As their systems reach relative maturity, the Soviets will not wait until they have reached a high degree of perfection. Soviet policy is steady and continuous enhancement of their war-fighting capability, and in the next few years lasers will make their appearance as an increasingly important component of the Soviet tactical and strategic arsenals.

2.2 Other directed energy weapons

Aside from laser development, the Soviet Union has over the years deployed considerable manpower and resources for research in the fields of particle beam and radio frequency weapons.

In Defense Policy
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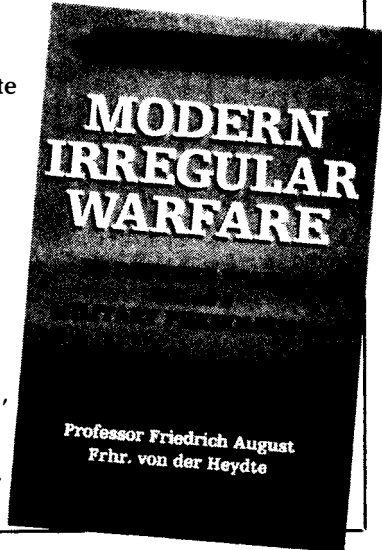
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Particle beams. The key ingredients in particle beam weapons research are accelerator development and the study of beam propagation and beam interactions with the atmosphere and varieties of other materials. Soviet scientists have been leaders in these fields since the early 1960s. One example is the invention in the early 1970s of the radio frequency quadrupole (RFQ), a highly compact device used for acceleration of subatomic particles. Its compactness makes the device essential for the development of lightweight space-based particle accelerators. Since its initial development at the Institute for High Energy Physics at Serpukhov, scientists at the Los Alamos National Laboratory in the United States have developed RFQ further and regard it as the key ingredient of their own SDI-sponsored particle beam program. The Russians, of course, will not have sat on their hands in the meantime just to watch the Americans make the most of their invention.

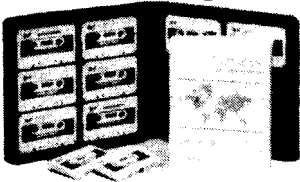
Radio frequency weapons. In the late-1970s, Swedish scientists monitored the release of very large radio frequency energies from Soviet territory. At the same time, there were reports of radio bands worldwide being blacked out by large RF energies of unknown origin. These were the first indications of large-scale Soviet experimentation with RF energies with potential weapons applications. Since then, evidence of Soviet tactical and strategic RF weapons development has accumulated rapidly and the Pentagon's 1987 *Soviet Military Power* report (p. 112) states that "recent Soviet developments in the generation of radio frequency (RF) energy have potential applications for a fundamentally new type of weapon system that would degrade electronics or be used in an anti-personnel role. . . . In their research the Soviets have generated single pulses with peak power exceeding 1 billion watts and repetitive pulses of over 100 million watts."

As implied in the Pentagon document, RF weapons of different powers and wavelengths could be employed in numerous different strategic and tactical military roles. We will briefly list the most obvious ones:

- 1) space- or ground-based "chip guns," deployed to degrade or destroy the sophisticated electronics of missiles, satellites, and aircraft;
- 2) large-scale space-based RF generators and antennae capable of sweeping out sizable target areas on Earth and interfering with and interdicting military movements on land or sea;
- 3) smaller-scale RF assault weapons (the size of a large truck) deployed for limited anti-personnel, sabotage, and other irregular warfare purposes.

Since generation of very high-power RF pulses has been a Soviet capability for almost a decade, it must be assumed that weapons systems of type 1 and type 3 either are ready in the Soviet arsenal or will become deployable in the very near term. Micro- or RF waves of the proper frequency propagate through the atmosphere more readily than laser-generated photons, and microwave anti-satellite and anti-missile weapons may therefore, along with high-acceleration kinetic en-

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ergy vehicles, come to constitute the first generation Soviet strategic defense system.

2.3 Superconductors and directed energy devices

Recent announcements in Western Europe, the United States, and Japan of the development of relatively high-temperature superconducting materials were followed a few weeks later by Soviet scientists' claims that they were already in possession of zero-resistance materials at considerably higher temperatures. As often before, such claims were met with disbelief and skepticism in the West. The skeptics should be warned, however, that it is a well-known fact that the Soviet Union for decades has maintained superconductor research programs well exceeding the combined size of Western efforts. Indirect evidence for the veracity of the recent Soviet claims is provided by their remarkable and proven success with accelerator and microwave (RF) generator development. Thus the reported very high-power Soviet microwave pulses—orders of magnitude higher than what has been achieved in the West—are difficult to conceive without the assumption that superconducting materials were used in the design of low impedance electrodes critical for compact high-power microwave generators. The acknowledged Soviet lead in particle beam development in all likelihood is also due to utilization of superconducting design elements.

Successful Soviet superconductor research, as a broad support base for specific applications in the field of directed energy weapons, underlines a point repeatedly stressed by U.S. SDI researchers best informed about Soviet SDI programs: Edward Teller, Lowell Wood, George Chapline, and others all strongly believe that Soviet theorists working in critical areas of strategic defense research are at least the equals of, and in certain fields, outshine their Western competitors.

Since higher-temperature superconducting materials are also the key to the development of a new generation of supercomputers, based on the utilization of relatively high-temperature Josephson junctions, the United States may soon lose the lead in one more essential SDI component technology—superfast computing for systems control and guidance. The undisputed U.S. lead in supercomputers and sensors—both critical to overall efficient integration and functioning of a BMD system—had, up to this point, given U.S. planners the confidence that Soviet BMD breakout could be prevented. Against some 140 U.S. installed supercomputers, the Soviet Union right now possesses only one or two of barely comparable capability. But a Soviet crash effort based on their superconductor research can be expected to close the computer gap—at least for defense applications—in the near future.

Another consideration that gives well-informed U.S. analysts pause about confidently projecting a U.S. SDI lead in the field of numerical calculations, is the unmatched brilliance of Soviet applied mathematics research. As the Soviets have demonstrated with regard to highly complicated calcu-

lations in certain areas of plasma physics, machine-executed “number crunching” can often be efficiently short-cut by analytical mathematical techniques. Excellence and success of such analytical work, for example, of the research group under V.E. Zakharov, is acknowledged worldwide.

Finally, a word about superconductors and sensing technologies: Utilization of high-temperature superconducting materials could improve the photon-capture capability of infrared photo-diodes by up to 10 orders of magnitude. Thus again—in the field of sensing as in other SDI-related research areas—we might do well to heed Edward Teller's warning in a recent radio show: The U.S., in only four years of concentrated SDI research, has made numerous and often unexpected new discoveries. The Soviets have been at it for ten years longer. So why should we expect to be ahead in the game?!

3. Soviet space-lift capability

Successful BMD requires basically three types of technology components:

- 1) kinetic and/or directed energy “bullets,” i.e., high-acceleration missiles and projectiles, lasers, and particle beams;

- 2) sensors and computers for target acquisition, tracking, and overall systems guidance;

- 3) space-lift capability to launch elements of 1 and 2 into space, either permanently or on warning of attack, in the so-called “pop-up” mode.

We have given, so far, a characterization of Soviet capabilities with regard to areas 1 and 2, and we have concluded that the Soviets probably lead in area 1 and lag behind temporarily in area 2. Until the Space Shuttle disaster, the race between the United States and the U.S.S.R. was about even in area 3. This, however, has changed quite dramatically. Last year, the Russians were able to launch 91 rockets carrying payloads into space, compared to only 6 by the United States, and on May 15 of this year the Soviet Union launched its new* super-booster *Energia* rocket from the Baikonur Space Center. The 2,000-ton booster stands 60 meters high and can lift payloads four to five times as heavy as the U.S. Space Shuttle. The *Energia* launch was preceded by a lengthy article in *Pravda* on May 12, by Professor Markov of the U.S.S.R. Academy of Sciences, announcing major funding increases for the Soviet space and SDI research programs.

There can thus be no question that, despite the strain imposed by BMD and space research on the Soviet economy, the Soviet leadership is determined to match or exceed any effort by the United States and her allies in these two closely related high-technology military fields. The *Energia* is capable of lifting a 100-ton military space station into orbit. The West should be prepared to see this happen as soon as the relevant Soviet component technologies for space-based defense have reached their initial degree of readiness.

* liquid hydrogen propelled

How Peru's drug bankers were caught laundering \$3 billion

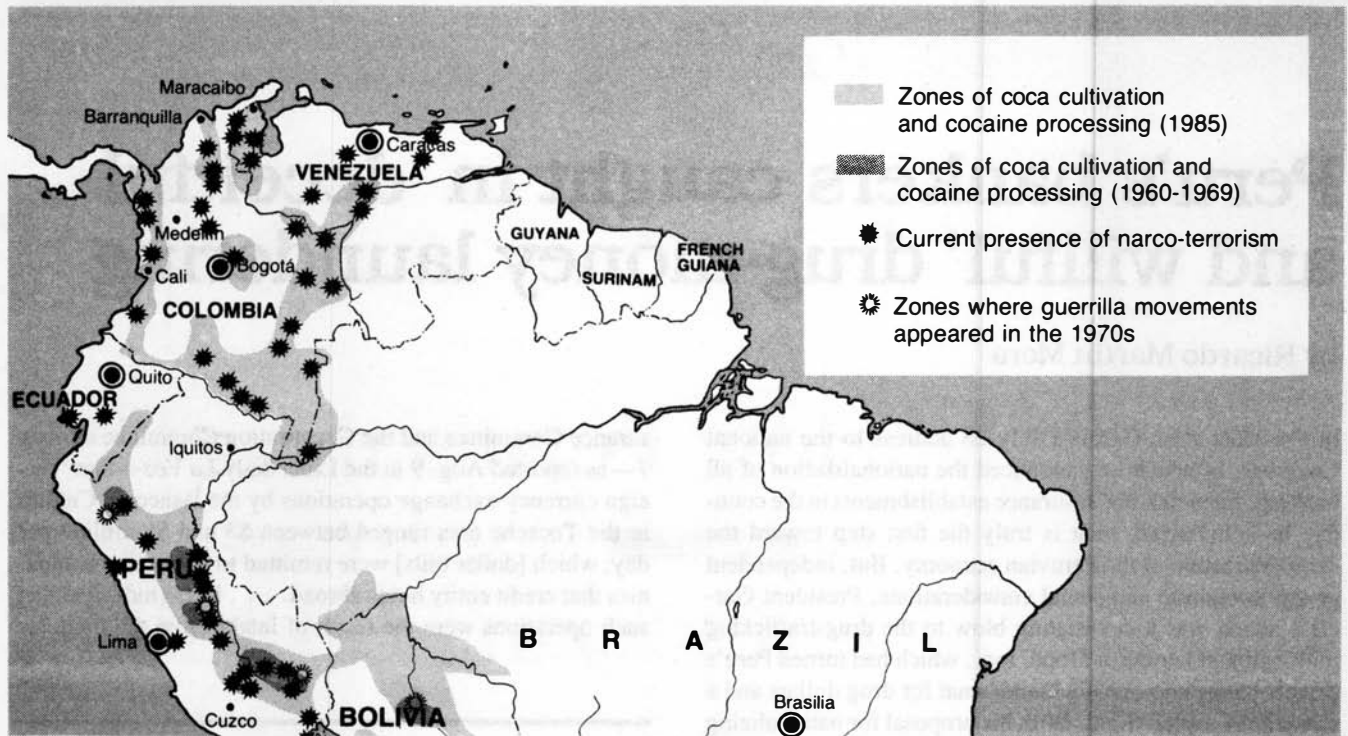
by Robyn Quijano

"The government, not the drug traffickers, must run the economy," declared Peruvian President Alan García, as he began touring the country to mobilize support for his July 28 decree to nationalize the Peruvian banks. García told the nation that most of the capital flight Peru has suffered involves "dollars from the black market, the majority of which come from the drug traffic." García's initiative was designed to control the flow of credit to industry and away from speculation, and to shut down the laundering of "coca-dollars."

Peru is the largest coca producer in the world. The billions of dollars a year that get laundered through the Peruvian banking system offer quick-fix liquidity for the system owned by a handful of Peruvian oligarchs, and their partners abroad. It is a small part of the estimated 500 billion narco-dollars that flows through the international financial system yearly. Nonetheless, this payoff to the traffickers of the raw material, coca leaves and basic cocaine paste, or semi-processed cocaine, is a crucial part of the cycle of the world's biggest multinational, Dope, Inc.

EIR presents below the dirty dealings of Peru's largest private bank, the Banco de Crédito, whose owners are currently mobilizing against the nationalization to protect their "freedom" to launder billions of coca-dollars. Ricardo Martín Mora, former Special Prosecutor of Narcotics Traffic in Peru, presents the details of his investigation, along with the "check stubs" that prove Banco de Crédito's role in drug-money laundering. The real issue in the recent nationalization is neither "free enterprise" nor the bankers' "constitutional rights," as argued by Judge Eduardo Raffo Otero, who suspended the intervention into banks, finance houses, and insurance companies which had been ordered by government decree. The real issue is the more than \$3 billion per year laundered by that financial system.

Banco de Crédito branches in the Peruvian jungle take in dollars from narcotics traffickers from several countries, in exchange for Peruvian currency; the same bank airplanes that bring in the national currency, carry the dollars out to the bank's main office in Lima or to its Cayman Islands branch office, and from there, it is transferred to New York.



President García's nationalization of the banks most enraged the dope bankers, who have been making billions from narcotics trafficking. The map shows the close link between drugs and terrorism.

The Banco de Crédito has intense activity in Uchiza and Tocache, small, isolated towns in the Upper Huallaga River Valley. Last June, the Shining Path terrorists (Sendero Luminoso) took over and occupied Uchiza, until they were dislodged by military and police forces one week later. During the terrorist takeover of all government offices, the banks continued their drug-money laundering.

Juan Francisco Raffo Novelli, Banco de Crédito's vice president and general manager, and a relative of the judge that declared the nationalization decree unconstitutional, confessed to the National Congress's Banking and Securities Commission that his bank takes in \$5 million daily in the cocaine zone of Uchiza and Tocache, as a result of commercial transactions of "coffee and coca."

Since García's decree, the bankers, drug runners, narco-terrorists, and their extensive support apparatus have launched both legalistic and violent war on the President. On Aug. 5, terrorists fired mortars at the Presidential Palace. The following day, an attack against García's economic adviser, Daniel Carbonetto, was repelled by security guards. Carbonetto later said he had received threatening calls that accused him of being "the father of the bank nationalization." "Those who attacked the Palace of Government," he said, "and those who tried to assassinate me . . . are groups of right-wing terrorists who acted under orders of minorities . . . affected by the recent economic measures."

Since the "left-wing" terrorists like Shining Path function as the army of the narcotics, the agreement of the "right" and "left" against the nationalization is increasingly open. Shin-

ing Path's daily, *El Diario*, urged that middle-rank officers push aside the Army, Navy, and Air Force commanders who stand with García. *El Diario* claims that there is great discontent against War Minister Gen. Jorge Torres Flores, who gave his total support to García's nationalization.

Several retired generals have openly threatened a coup. Gen. (ret.) Luis Cisneros wrote that García's move to nationalize the banks means that no one now "would have the moral capacity to oppose a coup." Gen. (ret.) Francisco Morales Bermúdez came to power "by decision of the armed forces to correct deviations and eliminate personalisms," Cisneros recalled. Now, "Alan García puts us in the same situation." After he pulled a coup against the nationalist Gen. Juan Velasco Alvarado, Morales Bermúdez was the first to open the doors to the drug runners, as Martín Mora details below.

On Aug. 8, García rescinded the nationalization decree, asking Congress to speed up its debate, and vote the nationalization into law before the following week. He explained that the government would not fall into "the trap of illegitimacy or abuse, but will wait for the nationalization law to be passed to act within the constitutional framework." If not, the right's legalistic arguments could push "other forces" to smash the democratic system, he warned.

The international banking system, with its addiction to narco-dollars, is more threatened by García's attempt to wipe out drug-money laundering than by his challenge to the International Monetary Fund. It is Dope, Inc. that is determined to "get García." If the narco-bankers win this time, Moscow's narco-terrorists will be the real winners.

Peru's bankers caught in 'deceitful and willful' drug-money laundering

by Ricardo Martín Mora

In President Alan García's July 28 address to the national Congress, in which he announced the nationalization of all banking, financial, and insurance establishments in the country, he concretized what is truly the first step toward the democratization of the Peruvian economy. But, independent of any economic and social considerations, President García's action was a devastating blow to the drug-trafficking multinational known as Dope, Inc., which had turned Peru's private banks into one big laundromat for drug dollars and a conduit for capital flight. With his proposal for nationalizing the private banks, which never complied with their mandate to provide credit for productive investment, President García also hit back against the powerful international financier interests which have declared economic and narco-terrorist war on Peru.

I write this article with special satisfaction and authority, because, from the time that I was sworn in as the director general of judicial matters for the Federal Prosecutor's Office, and as special prosecutor of narcotics traffic in 1981, I directed an investigation of the laundering of "coca-dollars" in the Peruvian jungle.

This investigation concluded in November 1983, fully demonstrating private commercial bankers' "deceitful and willful participation in the laundering of coca-dollars." My investigation further proved that in the 1982-83 period, "narco-dollar laundering of approximately \$1.5 billion" took place in the Peruvian jungle alone. Since then, of course, that rate has at least doubled, given the increase in the cultivation of coca, and the promotion of the drug trade by the "narco-populists" in the government of President Fernando Belaunde Terry (1980-85).

As all the Peruvian dailies of Feb. 1 and 2, 1984 show, I revealed the results of my "financial investigation" at a press conference held at the Justice Palace in Lima, in which I called special attention to the role of the Banco de Crédito in laundering dirty drug money.

Banco de Crédito: Dope Inc.'s loose thread

This role was confirmed at the beginning of August by none other than the Banco de Crédito's vice president and general manager, Juan Francisco Raffo Novellini. He admitted to a joint session of the Congressional Banking and In-

urance Committee and the Constitution Committee on Aug 7—as reported Aug. 9 in the Lima daily *La Voz*—that "foreign currency exchange operations by the Banco de Crédito in the Tocache area ranged between \$3 and \$5 million per day; which [dollar bills] were remitted to subsidiary companies that credit entity holds abroad. . . . Raffo indicated that such operations were the result of intake from the products

FIGURE 1

Banco de Crédito del Perú		FORMULARIO DE LIQUIDACIÓN DE MONEDA EXTRANJERA	
N° 119555		COMPRAS	
Tarjetas	2	Monto en Moneda Extranjera	US\$ 500,000.00
Tipos de Cambio	753.72	Monto en Moneda Nacional	376,605,000.00
Raul López Villar		PERSONA RESPONSABLE	
Gerente Adm. Tocache		PERSONA NO RESPONSABLE	
Billetes de Moneda Extranjera		US\$ 500,000.00	
Tipos de Cambio		753.72	
Monto en Moneda Nacional		376,605,000.00	
TOTAL M.N.		376,605,000.00	

1*103,025.00
2*500.00
3*20,709.00
1*000.00
2*207,234.00 = 2*207,234.00

TOTAL M.N. 376,605,000.00

REGISTRO DE MONEDA EXTRANJERA 31/08/82

A copy of the form that the Banco de Crédito in the jungle village of Tocache gave the narcotics trafficker Raul López Villar (alias "El Platanero," when it laundered \$500,000 in dollar bills for him, a transaction he repeated daily in the same bank during August and September of 1982.

of coffee and coca [cocaine] crops. . . . He also indicated that those dollars were picked up in Tocache three or four times per week, in small planes rented by the bank, since it did not have its own aircraft. And that once in Lima, the dollars were transported abroad. . . .”

Raffo Novellini also testified to the congressional commission, “Sure, we have a branch at Uchiza and 200 other places.”

There is an abundance of proof, aside from that confession. As can be seen, “laundering of coca-dollars” by the Banco de Crédito was deceitful and deliberate, since—as EIR could document—the “red zone of narcotics traffic” where Uchiza is located has only one product which could generate that kind of money: coca and basic cocaine paste.

My investigation showed, and proved with official documents, that Banco de Crédito’s Tocache branch (only five minutes by air from Uchiza), laundered astronomical sums of dollars. For example, it exchanged \$500,000 every day for a single person (Figure 1); it exchanged \$1 million in cash for a single person, one Manuel Bravo Cárdenas, in a

FIGURE 2

FECHA	CANTIDAD	DE	RECIPIENTE	DEPARTAMENTO
24.4.82	US\$ 30,000.00	Comercial	Barrantera	Tocache
25.4.82	30,000.00	Comercial	Barrantera	Tocache
26.4.82	30,000.00	Comercial	Barrantera	Tocache
31.5.82	10,000.00	Comercial	Barrantera	Tocache
14.6.82	377,850.00	Comercial	Barrantera	Tocache
16.6.82	724,500.00	Comercial	Barrantera	Tocache
17.6.82	30,000.00	Comercial	Barrantera	Tocache
22.6.82	79,070.00	Mayor	Peres Punduro	Tocache
01.7.82	629,470.00	Mayor	Peres Punduro	Tocache
16.7.82	500,000.00	Reservado	Azuajo Aliaga	Tocache
24.8.82	500,000.00	Reservado	Azuajo Aliaga	Tocache
26.8.82	500,000.00	Reservado	Azuajo Aliaga	Tocache
04.9.82	500,000.00	Reservado	Azuajo Aliaga	Tocache
11.9.82	473,000.00	Comercial	Barrantera	Tocache
19.8.82	500,000.00	Reservado	Alparitida Lopez	Tocache
20.8.82	500,000.00	Reservado	Alparitida Lopez	Tocache
21.8.82	500,000.00	Reservado	Lopez Villar	Tocache
24.8.82	500,000.00	Reservado	Lopez Villar	Tocache
25.8.82	500,000.00	Reservado	Lopez Villar	Tocache
26.8.82	448,000.00	Reservado	Lopez Villar	Tocache
27.8.82	500,000.00	Reservado	Lopez Villar	Tocache
31.8.82	500,000.00	Reservado	Lopez Villar	Tocache
2.9.82	600,000.00	Reservado	Lopez Villar	Tocache
13.9.82	260,000.00	Reservado	Lopez Villar	Tocache
20.9.82	233,000.00	Reservado	Lopez Villar	Tocache
27.9.82	500,000.00	Reservado	Lopez Villar	Tocache
28.9.82	500,000.00	Reservado	Lopez Villar	Tocache
01.10.82	130,000.00	Reservado	Lopez Villar	Tocache
5.10.82	130,000.00	Reservado	Lopez Villar	Tocache
11.10.82	130,000.00	Reservado	Lopez Villar	Tocache
12.10.82	130,000.00	Reservado	Lopez Villar	Tocache
13.10.82	130,000.00	Reservado	Lopez Villar	Tocache
14.10.82	130,000.00	Reservado	Lopez Villar	Tocache
15.10.82	130,000.00	Reservado	Lopez Villar	Tocache
16.10.82	130,000.00	Reservado	Lopez Villar	Tocache
17.10.82	130,000.00	Reservado	Lopez Villar	Tocache
18.10.82	130,000.00	Reservado	Lopez Villar	Tocache
19.10.82	130,000.00	Reservado	Lopez Villar	Tocache
20.10.82	130,000.00	Reservado	Lopez Villar	Tocache
21.10.82	130,000.00	Reservado	Lopez Villar	Tocache
22.10.82	130,000.00	Reservado	Lopez Villar	Tocache
23.10.82	130,000.00	Reservado	Lopez Villar	Tocache
24.10.82	130,000.00	Reservado	Lopez Villar	Tocache
25.10.82	130,000.00	Reservado	Lopez Villar	Tocache
26.10.82	130,000.00	Reservado	Lopez Villar	Tocache
27.10.82	130,000.00	Reservado	Lopez Villar	Tocache
28.10.82	130,000.00	Reservado	Lopez Villar	Tocache
29.10.82	130,000.00	Reservado	Lopez Villar	Tocache
30.10.82	130,000.00	Reservado	Lopez Villar	Tocache
31.10.82	130,000.00	Reservado	Lopez Villar	Tocache
1.11.82	275,000.00	Reservado	Lopez Villar	Tocache
16.11.82	275,000.00	Reservado	Lopez Villar	Tocache

A list of Banco de Crédito’s exchange transactions in Tocache, which illustrates the millions of cocaine dollars laundered there. The asterisk highlights the laundering of \$1,000,000 for drug trafficker Manuel Bravo Cárdenas on Oct. 21, 1982.

single operation (Figure 2).

The documents on these cases date from the year 1982, but the bank’s involvement in activities related to drug trafficking goes back further, as demonstrated by a document which shows that the Banco de Crédito performed narco-financial operations for the real-estate firm Inmoviliaria y Constructora Manco Capac, part of the organization of Carlos Langberg Meléndez, Peru’s most powerful drug trafficker. Langberg is serving out a 15-year sentence in jail today, thanks to actions by President García (Figure 3).

EIR has placed these and other documents at the disposal of the competent authorities for appropriate investigation.

Jungle investigations of coca-dollars

When the Federal Prosecutors’s Office was founded in May 1981, I was asked to conduct a special investigation, to determine the true volume of laundering of coca-dollars. I set up a team, including investigatory lawyers from the Attorney General’s Office, civilian personnel specializing in the war on drugs, and intelligence personnel from a branch

FIGURE 3

Bank document from Banco de Crédito del Perú. The document shows a transfer of \$240,000.00 from a savings account (Cuenta de Ahorro) to Inmoviliaria y Constructora Manco Capac. The document includes fields for account numbers, currency, and recipient information. The recipient is identified as Carlos Langberg Meléndez. The document is dated 1979.

This document shows that the Banco de Crédito also participated in financial operations for the organization of drug trafficker Carlos Langberg. It shows a 1979 transfer in dollars to the Banca Commerciale Italiana, through the Banco de Crédito. The date corresponds to the shipment of cocaine for which Langberg was later convicted.

of the military.

The investigations proceeded from documentation collected by collaborators inside the Banco de Crédito and other banks operating in the Upper Huallaga jungle region. They were later complemented with official documentation provided by the Superintendency of Banking and Insurance.

The first clues came from constant trips to all corners of the Peruvian jungle, especially the "red zone" on the banks of the Huallaga River, with towns such as Tocache, Uchiza, Yurimaguas, Nuevo Progreso, Nueva Esperanza, Paraíso, Juanjui, Tarapoto, Tingo María, Huanuco, and many more. Said trips harvested the requisite data on the financial movement of the "coca-dollars." It should be stressed that some employees of the narco-bankers, fed up with the corruption of their employers and conscious of the evil origin of the money they managed, silently collaborated with the investigators in this difficult enterprise. They filtered away documentary information and sent it directly to the offices where the investigation was centered.

This is how investigators from the Attorney General's Office came to possess conclusive evidence that the narcotics traffickers acted with the willing complicity of the banking entities which maintained branches in that region of the jungle, specifically serving to launder the "coca-dollars." Such is the case of the Banco de Crédito, to name but one.

According to the Lima-based British monthly *The Andean Report* of April 1985, "a surge in prices and export of coca paste from the Upper Huallaga valley, the world's top producing region, looks set to further boost bank profits in Lima and to bolster the country's international reserves during a particularly tricky period. . . . A manager at the Banco de Crédito, the Huallaga's most aggressive bank, reported that, as of the beginning of March, its purchasing had 'dried up.' In Lima the Crédito also said that as of the beginning of March it was no longer exporting the substantial quantities of cash dollars back to the United States that it had been sending, at the rate, staffers say, of between US\$3 million and US\$5 million a week for the previous three or four months. . . . The commercial banks compete for coca-dollars and have been opening and expanding their operations along the Huallaga in one-horse towns like Tocache, Uchiza, Aucayacu, Progreso, and Juanjui where today the only bankable business is coca paste. . . . The Crédito, Peru's biggest bank, with its expanding network of associates, branches and subsidiaries in New York, California, Nassau, the Cayman Islands, and Panama, has about half the banking market in the Upper Huallaga, its figure indicates."

Documentary proof

Part of this financial investigation is contained in Police Accusation No. 679/DIE-DINTID, of Sept. 30, 1983. This document, now in the files of the 20th Provincial Prosecutor's Office of Lima, accuses Juan del Carmen Barrantes Vargas, Néstor Perea Panduro, and others of the crime of narcotics

TABLE 1

Dollar cash exchanges at the Banco de Crédito's Tocache branch

Name	Date	Amount (\$)
Comercial Barrantes (Juan del Carmen B.)	5-14-1982	30,000
	5-25-1982	50,000
	5-26-1982	30,000
	5-31-1982	10,000
	6-14-1982	377,000
Néstor Perea P.	6-16-1982	728,000
	6-18-1982	40,000
	6-22-1982	79,070
	7-01-1982	849,470

trafficking, on the basis of the evidence that they laundered approximately two million "coca-dollars" in a single week at the Banco de Crédito branch in Tocache. That is the equivalent of the jungle price of 8,000 kilograms (8 tons) of basic cocaine paste.

The bank's complicity is readily seen in the list of dollar cash exchanges at its Tocache branch (Table 1).

It should be stressed that these individuals told police officers, according to the accusatory document, that the branch administrator of the Banco de Crédito (a person trusted by the bank owners) himself had asked them to be able to use their names and accounts to effect this kind of operation, which they both accepted. This story is now quite coherent, if one takes into account that Banco de Crédito performed operations for several Colombian narcotics traffic cartels which sent their dirty money to Peru to be laundered.

Another particularly important case is that of Raúl López Villar, alias "El Platanero" ("Banana Man"). He was arrested in September 1982 for having laundered, over less than 30 days starting in August of that year, approximately \$5 million in "coca-dollars," jointly with the Colombian Erencio Malpartida and the Peruvian Luis Jave Huangal. That is the equivalent of the jungle price of approximately 15,000 kilograms of basic cocaine paste.

Just as in the previous case, El Platanero's defense was that top officers of the Banco de Crédito in Tocache had asked him for use of his name and account to "whitewash coca-dollars."

Later, in 1984, "El Platanero" was freed by the Supreme Court of Justice, then presided over by the narco-judge José María Gálvez. (Gálvez had been tried for narcotics traffic in 1949 after he was caught in his northern Peru home selling a kilogram of opium to a Peruvian of Oriental descent, who testified against him.)

Unfortunately, we were never able to establish the whole truth, since "El Platanero" died in a mysterious auto accident

shortly after being released, and carried the secret to his grave. The judicial authorities never pursued the case to determine the responsibility of the narco-bankers of the Banco de Crédito in this illicit operation.

"El Platanero's" illegal operations palpably demonstrate the complicity of the Banco de Crédito in narcotics traffic. There is no other explanation for the transactions at the Banco de Crédito in Tocache (Table 2).

In addition to these two cases, we have documents which prove that the narco-bankers participated in other cases of money-laundering. Those documents are part of the results of the financial investigation performed by the Attorney General's Office. They were sent by the 20th Provincial Prosecutors' Office of Lima to the Attorney General's Office, by means of written communication 1104-83-20/FPL, dated Nov. 25, 1983. With them went the evidence necessary to fully establish the participation and complicity of the narco-banks in the crime of narcotics trafficking.

Later, communication 1120-83-20/FPPL, dated Dec. 1, 1983, certified and confirmed the validity of the accusation and evidence against the narcobanks.

Modus operandi of the narco-banks

The financial investigation into the banks made it possible to identify the modalities, such as those detailed above, through which narco-banking operates in Peru with such impunity. But that impunity permits narco-banking to make other kinds of transactions in which it does not even record the names of the individuals involved, as required by banking law. Such transactions presumably involve large sums of dirty money from foreign criminal organizations (e.g., Colombian cartels), which, acting in complicity with the Peruvian narco-bankers, remit immense sums of dollars to Peru for laundering.

TABLE 2

Transactions at the Banco de Crédito in Tocache

Name	Date	Amount (\$)
Erencia Malpartida	8-19-1982	500,000
Erencia Malpartida	8-20-1982	500,000
Raul López Villar	8-23-1982	500,000
Raul López Villar	8-24-1982	500,000
Raul López Villar	8-25-1982	500,000
Raul López Villar	8-27-1982	500,000
Raul López Villar	8-31-1982	500,000
Raul López Villar	9-02-1982	500,000
Raul López Villar	9-13-1982	260,000
Luis Jave Huangal	8-26-1982	500,000

TABLE 3

Transactions by selected drug banks, fiscal year 1982

Branch	Type of customer	Amount (\$)
Pucallpa	individuals	2,637,694.81
	companies	117,399.49
	"bearer" (no name)	2,075,878.31
Huanuco	individuals	5,677,715.85
	companies	3,769,360.02
	"bearer" (no name)	5,780,551.51

There is no other explanation for the fact that the movements registered as "bearer" (in which the name of the person is not noted) are larger than those registered to individuals or even to businesses, in areas whose economy is completely deteriorated. The narco-bankers' exchange transactions shown in Table 3 are an example of that.

Another modus operandi of the narco-bankers is to offer the narcotics traffickers less than the official and black market rates for each dollar. The traffickers logically accept this, since they have to launder their money.

The narco-bankers also collect excessive commissions and sometimes delay the delivery of "clean" money for several days. This gives them substantial quantities of capital with which they can extract profit during the interim.

Narco-bankers also operate from "double windows": one through which foreign exchange operations are duly registered, and another in which their own transactions go completely unregistered.

Further, it was confirmed that the same Learjet owned by Banco de Crédito and used up to twice a week to transport "clean" money to the Alto Huallaga region, was also used for taking "coca-dollars" out of Peru, to Banco de Crédito branches in the Cayman Islands, later to be slipped into the U.S. market through its U.S. branches and affiliates.

Narco-populist complicity

Given President García's head-on challenge to the drug mafia within the Peruvian banking system, the time is ripe for supporting his decision to nationalize the corrupt commercial banks, exposing those who are opposing the President's initiative, and even promoting insurrection and a military coup. Such is the case of Manuel Ulloa Elías, better known in the drug-running underworld as "the Godfather" or "the Man of the Bahamas." Ulloa was prime minister and economics minister under the Belaúnde Terry administration, and is currently under investigation by Congress for offenses which range from embezzlement to public fraud.

Ulloa is not only directly responsible for the 1980-85 surge in coca crop cultivation (which grew at a 10% annual rate, even according to estimates of the U.S. Drug Enforce-

ment Administration), during which time the production and commercialization of cocaine nearly doubled. Ulloa also happens to be the individual who, together with corrupt leaders of the "narco-populist" movement, such as Luis Pércovich Roca (during the same 1980-85 period the latter was a congressman, minister of fisheries, minister of the interior, and prime minister), implemented policies favorable to the drug interests. So it was with Art. 201 of Law No. 23556, which turned Peru into a fiscal haven for narco-traffickers. In order to get this bill through, they surprised Congress and even forged the Congressional Record, in the section concerning the closing of the 1983 budget sessions.

This legal loophole, which Ulloa lobbied for and Pércovich upheld, not only broke every legal and constitutional rule, but also "overruled" the Criminal Code and special laws such as the Narcotics Law, by institutionalizing narco-dollar laundering as a "legal operation." It established that it is "not necessary to explain the source or origin" of foreign earnings, and, furthermore, that these operations are "free from any criminal liability."

Pércovich not only took part and was the "father" of that Art. No. 201 of Law 23556, but emerges in close relation to the drug-trafficking organization led by Reynaldo Rodríguez López and Gen. José Jorge Zárate, of the Peruvian Investigative Police. The connection was through Pércovich's main adviser, Luis López Vergara, who was involved in the legal case which came to be known as the "Villa Coca case," whose leading protagonists belonged to the highest circles among Peruvian police authorities during Pércovich's reign at the Ministry of the Interior.

It is also very suspicious that in 1985 this same Pércovich, a mere pharmacist from Chimbote, during the final days of the narco-populists' government and just before the Villa Coca cocaine laboratory and scandal blew up, deposited millions of dollars in Florida bank accounts, such as a deposit registered in the Banque Sudameris (one of Banco de Crédito's largest shareholders), in the amount of \$600,000.

Another of the Peruvian political personalities who has spoken out against the decision to nationalize the banks is ex-dictator Francisco Morales Bermúdez. He should not open his mouth until he explains his agreement with the International Monetary Fund and his implementation of the usurious policy imposed on Peru by the international banks. With this, corruption multiplied and narcotics traffic flourished. It was precisely when Morales Bermúdez reduced repression of drug traffic and when he illegally pardoned 77 top drug traffickers on Christmas Eve 1979, that the narco-mafia began to operate fully in Peru.

One of those pardoned by Morales Bermúdez was María Teresa Tweddle (relative of Gen. Frank Tweddle, today jailed for narcotics traffic). Another pardon was given to Oscar Malpartida Green, closely linked, through his wife Susy Dison Gibson, with the publisher of *Caretas* magazine, Enrique Zileri Gibson.

Another of the serious questions which Morales Bermúdez must answer, is the case of his son Francisco Morales Bermúdez Pedraglio, who in mid-1978 was arrested by U.S. police and the Drug Enforcement Administration (DEA) at Los Angeles airport, when he tried to enter with a suitcase containing 9 kilograms of cocaine of the highest purity, destined (according to the son of the ex-dictator) for Linda Blair, star of the film *The Exorcist*. According to commentaries in Lima at the time, Morales Bermúdez paid \$250,000 to a federal judge to free his son. Morales also must explain whether or not that money came from the national treasury.

Morales Bermúdez is no one to criticize a sovereign act of the government of Alan García, when even his ministers, such as Gen. Fernando Velit Sabatini, were involved in narcotics traffic. And, as proven in the Langberg Case, Velit Sabatini was paid off for protecting cocaine shipments to the United States.

Once again, it is generally ignored that Morales Bermúdez's links with the narcotics traffic go beyond his family and his cabinet, into the political sphere. This is shown by his links to the "Villa Coca" case, whose star protagonist is Reynaldo Rodríguez López. During the 1984 presidential race, in which Morales Bermúdez was a candidate, every one of his TV spots was produced by Producciones Talia, a legal front for Reynaldo Rodríguez López's mob. An invoice showing that Morales Bermúdez paid for such services has never been exhibited.

Further, the secretary general of the one-shot party which ran Morales Bermúdez's candidacy, the Democratic Convergence party, was Gen. (ret.) Rudecindo Zavaleta. Zavaleta stands accused by the Judicial Power of having financed the "Villa Coca" drug-trafficking gang. He made several investments (which he termed "loans") to Reynaldo Rodríguez López.

Today, Rudecindo Zavaleta is under arrest, while being tried for narcotics trafficking. As generally happens in such cases, he is not in any jail; he is enjoying the comforts of a plush clinic.

Corruption in the judicial branch

The judicial branch of government has discredited itself, and continues to be caught up in corruption scandals, the most recent being the decision of Judge Eduardo Raffo Otero in favor of the narco-bankers' complaints against government intervention in their banks. To redeem itself, the justice system must try the banks for promotion of drug traffic.

The narco-bankers who laundered dirty money were fully aware that the dollars which they changed in the Peruvian jungle came from drugs. The confession of the general manager of the Banco de Crédito before the Congress's Banking and Insurance Commission proved that. Therefore, such premeditated criminal activity falls well within the legal definition of the crime of narcotics trafficking, and must be prosecuted as such.

Dope, Inc. and Peru's money launderers

by David Goldman

Peru's **Banco de Crédito** shipped its dirty money to overseas banks, long identified with the global money laundromat *EIR* has called "Dope, Inc." These include, among others:

Banca Commerciale Italiana
Swiss Bank Corporation
Chemical Bank

Documents from one of Peru's most celebrated narcotics convictions show a series of payments to the Banco de Crédito account of cocaine dealer Carlos Langberg Meléndez. Banca Commerciale Italiana (BCI), Chemical Bank, and Swiss Bank Corporation made "loans" to the dealer in odd amounts ranging from a few thousand dollars, to a quarter of a million. The payments to the Banco de Crédito account occurred at intervals of several days.

In fact, the "loans" reflected a method of money-laundering which Banca Commerciale Italiana and its Swiss-based subsidiary, the Banca della Svizzera Italiana, had perfected on behalf of the Italian mafia, and turned into a global practice.

A dope-dealer, or other criminal, begins with cash from the sale of narcotics or the revenues or other illegal or semi-legal business, ranging from kidnapping to simple tax cheating. The problem is to employ these funds in the market whence they were extracted, without attracting the attention of the authorities. The solution is simple: Ship the cash to some offshore financial center, establish a secret bank account, and arrange for the cooperating banker to send the same funds back home, in the form of a "loan." In the Italian example, the procedure may involve no more than crossing the Swiss border into Chiasso, with Italian lira notes in the trunk of a car. In the Peruvian jungles, the dope bankers will fly dollar bills directly to the Cayman Islands.

Banco de Crédito and friends abroad

Banco de Crédito was part of this international dope-money laundromat from the beginning. Until its supposed "Peruvianization" during the 1970s, it was controlled by the **Banque Sudameris**. Sudameris is controlled by three enti-

ties: the same Banca Commerciale Italiana (BCI) which laundered "loans" back to dope traffickers' accounts at its former subsidiary, Banco de Crédito; the Italian insurance giant Assicurazioni Generali; and the French-based Banque Paribas. Paribas is one of the principal stockholders in the infamous Generali, the world's single most-important flight capital handler.

The role of BCI-Sudameris continued without interruption, despite "Peruvianization," which established local frontmen from Peru's Italian community as nominal majority owners, but left the old relationships intact. An April 1985 edition of the British publication *The Andean Report*, entitled, "The New Coca Boom Boosts [Peru's] Balance of Payments," documented the role of the Banco de Crédito in jungle narcotics-money transactions, and contained the following information:

"The cocaine boom . . . is making an important contribution to the cash flow and to the profits of a couple of Peru's largest banks [including] the Crédito. . . . The Crédito is controlled locally but has foreign shareholders, led by Ueberseebank AG of Zurich with 13.6%, and Banque Sudameris, of Paris, with 4.9%."

BCI, although owned by the Italian government, is controlled by the financial network which came to light with the 1982 bankruptcy of Roberto Calvi's **Banco Ambrosiano**, and the discovery of the subversive Propaganda 2 (P-2) freemasonic organization. The P-2 lodge was founded at the headquarters of BCI shortly after World War II; when the P-2 criminal organization was exposed, the bank's own chairman was implicated in the lodge's leadership, and attempted suicide.

Calvi's own organization in Peru, the **Banco Andino**, folded after the collapse of Ambrosiano, and the discovery of Calvi's body hanging under London's Blackfriars Bridge, in a gruesome ritual of apparent freemasonic revenge. However, the mother organization of the Italian network, Banca Commerciale, remained intact, through such overseas subsidiaries as Sudameris and the Banca della Svizzera Italiana.

Banca della Svizzera Italiana became famous as the conduit for illegal "insider trading" operations when Edgar Bronfman of Seagram's tried to take over St. Joe Minerals; Bronfman associates used Svizzera as their intermediary to trade stock options in advance of the takeover.

The same organizations that handle the dirty money, handle flight capital out of Ibero-America. Behind the BCI, Svizzera, Sudameris, and so forth, *EIR*'s 1985 bestselling book *Dope, Inc.* reported, stands the Assicurazioni Generali and the Venetian-based insurance cartel. We wrote: "The offices of Sudameris . . . and the more venerable Venetian insurance companies are omnipresent throughout Ibero-America. They dominate the reinsurance business and a great deal besides. Ibero-America lost over \$100 billion in 'flight capital,' most of it illegal, during 1981-1983, and continues to lose funds to the offshore banking system."

Press joins bankers to attack García

After Peruvian President Alan García announced the nationalization of the banks on July 28, the banking oligarchy leaped to defend their drug-money laudromats. Joining them was a chorus of defenders of "free enterprise" and "economic pluralism," who hastened to demand not only reversal of the measures, but even a coup d'état to overthrow the President. The following chronology of news and headlines during the week that followed the nationalization gives a clear idea of who the defenders of Dope, Inc.'s "free enterprise" pursuits are.

The daily *Expreso*, owned and directed by former prime minister **Manuel Ulloa** ("the Man from the Bahamas"), responded to the nationalization proposal with a barrage of angry editorials insisting that the country "must defend itself from this desperate mixture of demagoguery and nationalism." *Expreso*, which editorially called for legalizing the drug trade on July 23—just before García's move against the narco-bankers—raged against the President's initiative as "an assault against the economic pluralism" consecrated in the Peruvian Constitution. Ulloa personally penned a denunciation of the bank nationalization as "an assault on private property."

Ulloa collaborator and leading *Expreso* columnist **Manuel D'Ornellas** described the executive initiative as "of communist orientation," and charged that the ruling APRA party "wants to stay in power 50 years or more." Wrote D'Ornellas: "The totalitarian face of APRA [García's party—ed.] has dropped its mask."

The mouthpiece of the Shining Path (Sendero Luminoso) narco-terrorists, *El Diario*, commented editorially, "No one in their right minds, except the APRistas, could envision the nationalization of the banks as a historic measure." A later editorial protested that the state "took the banks by storm." Still later, *El Diario* demanded, "No to the totalitarian intervention of the banks!" and reported that "Thousands of inhabitants of the 'young towns' [slums] marched through the

main streets of the Miraflores residential district, shouting slogans like 'No to nationalization!'"

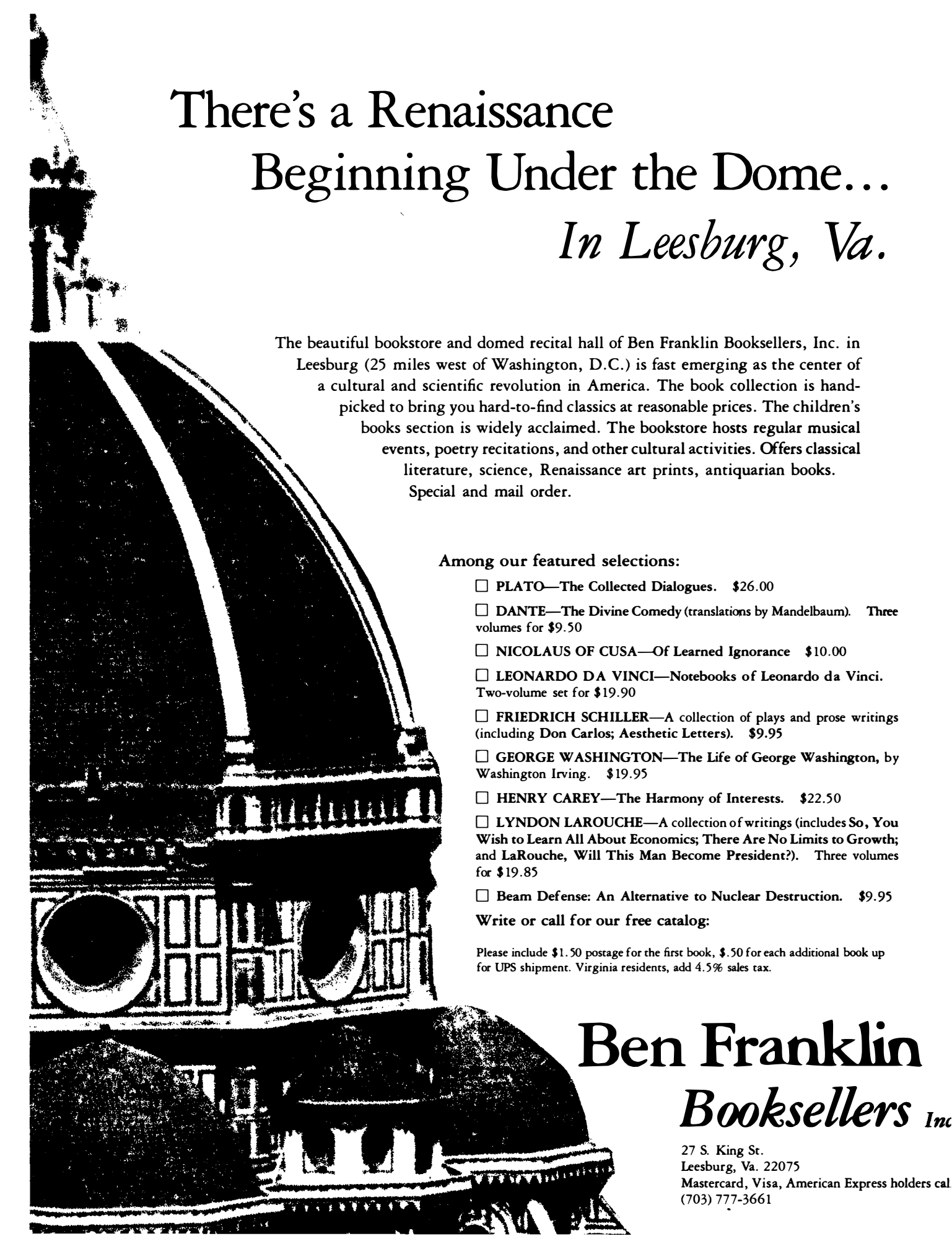
Author **Mario Vargas Llosa**, a champion of the "informal economy" of the drug-linked black market, called the nationalization proposal "demagoguery and lies," and said that García's proposal "is the most important step taken in Peru to keep this country in underdevelopment and poverty." Meanwhile, his son Alvaro Vargas Llosa called it "an assault on the private banks . . . [which] gives the State a total monopoly." Vargas Llosa and son headed up a list of "prominent personalities" who took out ads in the press to spread panic that the bank nationalization "could mean the end of freedom of expression and, in the end, of democracy."

Expreso on Aug. 7 carried on its front page the statements of **Luis Bedoya Reyes**, president of the Christian Popular Party, calling for "popular insurgency" against the nationalization and against President Alan García. Bedoya declared that "the people have the right to revolt in defense of constitutional order, against those who assume public positions or charges in violation of constitutional precepts," a reference to the government's replacement of the bank directors with state intervenors.

Expreso also published the statements of former dictator **Francisco Morales Bermúdez**, who threatens a coup d'état if the García government proceeds with the nationalization. Morales says, "I hope that the government corrects itself in time to prevent coups from being repeated." Morales Bermúdez also denounces the loyalty of War Minister Jorge Flores in backing the nationalization measure: "General Flores may or may not have an APRA party card, but he acts as though he had, and with great enthusiasm. . . . It should be very clear that neither the Army, nor the Armed Forces, may express opinions on political matters."

The daily *El Comercio* carried an ad Aug. 10 by the Peruvian **Institute for Liberty and Democracy (ILD)**—a creation of the Project Democracy crowd of "Irangate" fame in the United States, whose spokesman in Peru is Mario Vargas Llosa—which argues that nationalization is "the totalitarian menace of concentrating the powerful instrument of credit in the state."

El Comercio has editorially employed ILD terminology to argue that the nationalization initiative was not an economic measure, but an "ideological-political" stunt by the President. "We believe the measure is unnecessary and dangerous for the country. . . . We believe that all monopolies are dangerous, with this effort to leave in the hands of the state the total management of banking activity." *El Comercio* editorially urged the Congress to defend the principle of "economic plurality," by rejecting the nationalization bill.



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Will Russia side with Khomeini in war on U.S.?

by Criton Zoakos

Ayatollah Khomeini's declaration of war against the United States has already caused the collapse of any possibility for a superpower summit meeting in the foreseeable future, but this is one of the more trivial consequences of the unfolding high drama in the Persian Gulf.

The present American military deployment in the Gulf, in coordination with the allied navies of France and Great Britain, as masterminded by Defense Secretary Weinberger, is unfolding on behalf of the highest imaginable political and strategic stakes: This deployment must end once and for all the ability of the Khomeini regime to cause mischief in the Gulf, or else, if it fails in this purpose, the United States' status as a "superpower," will collapse precipitously, with dramatic consequences in world politics.

For reasons which need not be elaborated here, it is obvious that if the Weinberger-led allied military deployment in the Gulf, succeeds in forcing the Khomeini regime into the humiliation of abandoning its fire-breathing belligerence, if it succeeds in showing practically to the terrorized Iranian population that Khomeini's cruel magic of omnipotence is merely a cruel fraud, then a chain of strategic events will be unleashed which will destroy two very influential political forces: In the West, it will destroy a combination of forces, a faction, in the U.S.A., Israel, and West Germany, which arose as a result of Jimmy Carter's and Zbigniew Brzezinski's Camp David Accords of 1977.

Without describing this entity any further, suffice it to say that it includes Ariel Sharon in Israel, Hans-Dietrich Genscher in West Germany, and that political entity in the

United States which spans from Jimmy Carter in the Democratic Party, to Alexander Haig and the American Enterprise Institute in the Republican Party.

In the East, an eventually successful outcome of the Weinberger Gulf deployment will remove the props from under the *perestroika* and *glasnost* policies of the Gorbachov-Ogarkov junta in the Kremlin.

Within four weeks from now, either success will cause the downfall of some of the greatest menaces the American republic has ever faced, or, failure will reduce the United States to the status of a second-rate regional power. Much will depend on whether the enemies of the United States succeed in misapplying the War Powers Act toward the end of protecting Ayatollah Khomeini.

Either one of these two possible outcomes will have transpired by approximately the middle of September, when the annual Reforger maneuvers of the NATO Alliance will come to their conclusion.

This year's Reforger will take place with the participation of 35,000 U.S. combat troops, the largest such number ever in the history of the maneuvers; Reforger will be accompanied with the largest ever NATO alliance naval exercise in the North Atlantic, the Ocean Safari '87, which will deploy 150 major surface combatant ships from Greenland and Iceland to the Danish Straits, bottling up Russia's Northern Fleet, and securing the naval lines of communication between North America and Europe.

By the time these land and naval deployments of the NATO alliance in Europe are in place, the United States will

have amassed in the Persian Gulf, its greatest concentration of combat-ready military forces since the Vietnam War. Unlike the West European and North Atlantic deployments, the American and allied naval deployments in the Gulf are neither for exercises nor for diplomatic show.

They are deployed there with the assigned mission to secure freedom of navigation from Ayatollah Khomeini's terror, and they are deployed under a new set of rules of engagement, which the White House described as follows:

"The new rules of engagement as set forth following the Stark incident, are that American forces may respond in defense of any hostile act when the commander of the ship or the aircraft determines that it is appropriate. So that if you have a case where pilots feel that they are in a defensive posture of having to defend themselves against an imminent threat, they are authorized to take defensive action."

These "rules of engagement," are regulating the behavior of a very formidable concentration of American firepower in the Gulf. Already deployed there are: the flagship *Adm. LaSalle*, three guided missile cruisers, the *Fox*, *Warden*, and *Reeves*, four guided missile frigates, the *Crommelin*, *Jarrett*, *Klakring*, and *Flatley*, and the guided missile destroyer *Kidd*, all operating inside the Strait of Hormuz. On the other side of the Strait, is the aircraft carrier *Constellation* with its battle group consisting of the guided missile cruiser *Valley Forge*, the guided missile destroyer *Cochran*, the frigates *Cooke* and *Ouellet* and the support ships *Camden* and *Niagara Falls*.

Steaming toward the Gulf is also the battleship *Missouri*, its battle group of five warships, and the helicopter carrier *Guadalcanal*.

The French have deployed the aircraft carrier *Clemenceau*, the destroyers *Suffren* and *Dusquesne*, the corvette *Georges Leygues*, the convoy-escort ships *Victor Scoelcher* and *Protet*, and the oilers *Meuse* and *La Marne*. The British have deployed the destroyer *Cardiff*, the frigates *Active* and *Broadsword*, and the oiler *Orangeleaf*. Steaming toward the Gulf are four British and two French minesweepers.

Without counting Iraqi or any other Arab naval and air forces, the United States complement, even apart from the British and French forces with which it coordinates, has established overwhelming naval and air superiority over all of Iranian forces. The question is: To what purpose is this overwhelming force being applied?

Contrary to congressional belly-aching, the answer to this question could not have been simpler and clearer: The Islamic Republic of Iran, through its chief legal authority and spokesman, Ayatollah Ruhollah Khomeini, formally declared war against the United States of America, on the day following the bloody Shi'ite riot at the Mecca pilgrimage. Even though Khomeini did not dutifully obey the U.S. Congress's War Powers Act, just the same, as of Khomeini's declaration, a technical state of war exists between the United States of America and the Islamic Republic of Iran.

This, of course, does not mean that the American naval

forces there are going to formally respond to Khomeini's declaration and dutifully commence the fighting. It does mean, however, that they have the obligation, as stated, to protect freedom of navigation, and to protect the right of the peaceful nations of the region to conduct normal relations with the United States.

It is the duty of the United States government, to force the Khomeini regime to keep its insanity strictly within its borders.

Diplomacy

Where does the Soviet Union stand in this whole matter, is of course, the critical question. So far, Moscow is responding by enlarging its naval forces in the Gulf, tightening its ties with Teheran, and distancing itself from its earlier efforts to reach an arms control agreement with Washington. With each passing day, Moscow finds itself closer to the side of Khomeini and further away from the United States.

When the war which Khomeini declared against the U.S.A. becomes a shooting war, it will be interesting to see which side Moscow will select. True, Moscow has mobilized some 22 of its divisions on the Soviet Iranian border; true, Yuli Vorontsov, the Soviet deputy foreign minister who runs the arms-control negotiations in Geneva, has been frequently to Teheran in recent weeks, where he wrote a draft for a U.S.S.R.-Iran Friendship Treaty, scheduled to be signed by Eduard Shevardnadze at the end of August, one week before his scheduled visit to the United States, where he is supposed to work out the details of a summit meeting whose chances of ever taking place are rapidly disappearing.

Also true, the Soviet propaganda machine is busy supporting Khomeini and accusing the United States of deliberately provoking Iran. A recent issue of the daily *Sovetskaya Rossiya*, had the nerve to argue that since the Iranians are crazy, and since the United States knows them to be crazy, the United States is deliberately provoking them to violence by not submitting to their blackmail in the Gulf—or words to the same effect.

The dilemma of the Soviet command is this: If, in case of a shooting war between the U.S.A. and Iran, Moscow sides with Iran, they should know that they are committing the same error as the Japanese did in attacking Pearl Harbor: They shall awaken the American people from their present complacent slumber into a wartime mobilization against the twin monstrosity of Khomeiniac fundamentalism and Russian imperialism.

If they simply occupy northern Iran, as they have darkly hinted, the effect on the American people will be the same. If Moscow remains idle and acquiesces in the event that American military actions lead to the Khomeini regime's demise, then Moscow's aura of power among impressionable Arabs, Israelis, and others in the region will rapidly evaporate, and with the aura, the many political assets that Moscow so painstakingly developed over the last 10 years.

Ayatollah's shadow lengthens over Pakistan

by Susan and Ramtanu Maitra

A new danger emerged in Pakistan with the surfacing of a pro-Khomeini Shia political party in early July. It is evident that Iran-based Shia fundamentalism is being given a new institutional push in Pakistan as part of a renewed drive for worldwide Islamic Revolution mandated in the ayatollah's "Charter of the Islamic Revolution," a 120-page manifesto released Aug. 8 in Teheran. Aimed at Saudi Arabia and the United States, in particular, the Shia fundamentalist upsurge significantly increases Iran's pressure on its beleaguered neighbor and will go a long way in helping Moscow weaken the Islamabad government.

In early July, some 100,000 chanting Shia activists gathered in Lahore, Punjab to launch the Tehrik-e-Nifaz Figh Jafariya (TNFJ)—the movement for enforcement of Shia jurisprudence—as a political party. The party, which advocates alignment with Khomeini's Iran, first emerged in 1980 in the form of a loose movement protesting Pakistani legislation which they claimed ignored Shi'ite beliefs. President Zia ul-Haq gave new momentum to Pakistan's "Islamicization" following the 1979 ouster of the Shah of Iran. The vast majority of Pakistan's Muslims are Sunnis; the Shias make up about 10-15% of the population, based mainly in Baluchistan and Sind provinces.

"Our first priority is to end the dependence on Western values in Pakistan," one TNFJ activist told reporters. "Politics in Pakistan now is dictated from the West and for the West. Western values have been so accepted and ingrained that people think they are part of Islam."

At the Lahore gathering that launched the party, spokesmen warned that any opposition to the ayatollah would be brutally crushed. Within 48 hours, a new wave of violence erupted, this time against anti-Khomeini Iranians living in Pakistan, whose homes in Karachi, Sind and Quetta, Baluchistan were attacked with heavy weaponry. Several were killed and there were many injuries and much damage. According to intelligence reports, the violent attacks were carried out by the Iranian Revolutionary Guards, who had skipped into Pakistan across the Baluchistan border.

In late July, the violence spread to the North West Frontier Province where the Turi Shia tribe attacked the Sunni Pathans in the border areas. According to unofficial reports,

at least 200 people were killed and the border town of Parachinar was cut off for about a week because of fighting between the tribes.

A broader plan

Mounting pressure on Pakistan by the Iranians at a time when the entire Gulf region is tense is part of a longer-term plan. Since Khomeini came to power in Iran in 1979, hundreds of anti-Khomeini activist groups, which also include a few pro-Moscow Iranian groups such as Masud Rajavi's Mujahiddins, have come into Pakistan. Iran has regularly sent squads of Revolutionary Guards over the border to harass them and, when feasible, assassinate them. Khomeini himself, an avowed anti-Saudi and anti-American, has been sending warnings to Pakistan urging President Zia ul-Haq to loosen ties with both the United States and Saudi Arabia.

The move to unleash Shia terror in Pakistan is principally an effort to put pressure on the United States. As TNFJ leader Arif Hussein told the Lahore rally, "Shi'ites would topple the government in Islamabad if it helped the United States to launch any anti-Iran operation from Pakistan." On July 23 the TNFJ released a statement warning the United States that its interests all over the world would be endangered if it dared to attack Iran.

A recent article by Mushahid Hussain, the former editor of *The Muslim*, an English daily in Pakistan, in the *Washington Post* on July 29, is an indicator of the broader scheme. Hussain enjoys close ties with the Iranian leaders and is also a favorite of Moscow. He wrote: Pakistan "has been a willing conduit of covert U.S. arms to the Mujahiddin battling the Soviet Army in Afghanistan at great cost to Pakistan's informal cohesion. . . . Islamabad could hit back by making up with the Soviets on Afghanistan, moving closer to Iran and China, and defending its security through a region-based foreign policy rather than a policy tied to the apron-strings of a distant godfather. . . ."

The "region-based foreign policy" that Hussain refers to is nothing other than getting the United States and its allies out of the region—a policy which has been formulated by Mikhail Gorbachov and supported by both Teheran and Beijing. The manifesto of TNFJ also reads like a draft prepared by Hussain. It called for following the path of Khomeini's revolution to "free the country of imperialist domination"—an obvious reference to Pakistan's ties to the United States.

The rise of Shia militance in Pakistan is not only supported and backed by Teheran but also by Moscow. Pakistan government officials have pointed out that the Turi Shia tribe, which is involved in irregular warfare against the Sunni Pathan tribes in the North West Frontier Province, is on Kabul's payroll and heavily backed by the KHAD, the Afghanistan Secret Service run by Afghan President Najibullah. It is no secret that the Turi leaders had led a campaign for an Afghan peace settlement, as prescribed by Moscow, and were jailed last year by Pakistani authorities.

The neo-Nazi connection of the Iranian secret services

by Philip Golub and Claude Albert

Recent revelations in the French media have confirmed long-standing *EIR* reports on postwar Nazi and neo-Nazi ties to international terrorism, and to the Iranian secret services in particular. Resulting from well-calculated intelligence leaks, these revelations have identified Nazi banker François Genoud of Lausanne, Switzerland as a central figure in the European apparatus of the Iranian secret police, the Savama, and the Iranian Security and Information Ministry (Vevak) headed by Ayatollah Rayshari.

These contacts, which predate the theocratic regime's seizure of power in Teheran, became operational at the latest in 1983. Further, French counterespionage authorities have identified direct links between the so-called French "New Right" and its titular head, Alain de Benoist, and the pro-Iranian terrorist network of Fouad Ali Saleh and Mohammed Mouhajer, recently arrested for their involvement in the bloody bombing campaign in Paris in September 1986. To complete the circle, leading members of the "New Right," which does not conceal its admiration for Mussolini fascism and Soviet "National Communism," have all along maintained contact with the now-notorious Genoud.

Genoud himself is no stranger to the "Islamic" cause, having played a leading role as facilitator and financier for Ben Bella's National Liberation Front during the Algerian war, lending a helping hand to the Popular Front for the Liberation of Palestine of George Habbash during the late 1960s and early 1970s, prior to serving as a Libyan and, most recently, an Iranian asset.

The Savama, formed soon after the fall of the Shah of Iran, initially benefited from the expertise and training of the East German *Staatsicherheitsdienst* (Stasi). In the early years of the Khomeini regime, over 2,000 Stasi agents were employed by pro-Soviet elements in the religious hierarchy to train and service the Savama. In addition, hundreds of Bulgarian, North Korean, Vietnamese, and Soviet advisers were variously employed in terrorist training camps (Persepolis, Qom, etc.) or in advisory military positions. At present, according to Western intelligence experts, the European headquarters of both the Savama and Vevak are principally

based in Geneva, Hamburg, and Cologne, with subsidiary residences in Amsterdam, Munich, Frankfurt, and, until the recent crisis between France and Iran, in Paris. Geneva, which used to serve as the regional coordinating center, has recently been downgraded in favor of Hamburg and Cologne, West Germany, where the Iranians enjoy the protection and favors of West German Foreign Minister Hans-Dietrich Genscher.

The House of Iran in Cologne and the Islamic Center of Hamburg are major centers of Savama logistics and operations on the continent. French experts stress that over 300 "Hashishin," drugged assassins and kamikazes modeled on the Ismaili assassins of Hassan Ibn el Sabah, have recently entered the Federal Republic of Germany with operational assignments to target French and U.S. interests in particular. Prior to this deployment, over 900 Savama-run assets were safehoused in the Federal Republic.

Wahid Gordji, who was at the center of the crisis in French-Iranian relations and who is still entrenched at the Iranian embassy in Paris, was the head of Savama in France, and as such, entertained close and direct ties with both François Genoud and French neo-Nazis—among others, the owners of the Nazi bookstore Ogmios, on the Rue des Pyramides in Paris. Following initial revelations concerning this connection in *EIR's Middle East Insider*, the French satirical weekly, *Le Canard Enchaîné*, reported on Aug. 5 that two neo-Nazis, Trystan Mordrel and Bernard Leforestier, owners of the Avalon publishing house connected to Ogmios, had maintained contacts with Gordji. Gordji and Mohammed Mouhajer were repeatedly spotted in Ogmios. Furthermore, Mordrel, Leforestier, and Alain de Benoist participated in an all-expenses-paid trip to Iran in March 1987, on Gordji's invitation.

One of the key figures in this constellation, who maintained contact with both Genoud and Gordji, is New Right figure and *Eléments* journalist Emmanuel Ratier, alias "David Barney." *Eléments* is the glossy periodical of the New Right of de Benoist. Ratier, who is known to have frequented virtually every Nazi and neo-Nazi organization spawned in

Europe over the past decade and a half, plays a central role in this national Bolshevik-Islamic connection. According to confidential police reports, he is a member of the secret "Orient of the North" neo-Nazi organization and is known to have twice visited Moscow over the past 12 months. He was active as a journalist in the now defunct *Magazine Hebdo*.

New Right "theoretician" de Benoist was a protégé of Armin Mohler of the Siemens Foundation in Munich, the principal postwar ideologue of the "Conservative Revolution," one of the many streams which led to Nazism generally and the National Bolshevik current in particular. In addition, de Benoist was one of the key sponsors of a glossy neo-Nazi homosexual publication, *Gaie France*, which advocates "magic homosexuality." *Gaie France* and *Eléments* held a discreet conference in Paris in 1986.

This constellation of people was protected by elements of the Interior Ministry of France during the tenure of Pierre Joxe, a member of the communist-led labor federation, CGT.

Finally, one must add to this the multiple and powerful banking connections of Genoud in both Switzerland and the Federal Republic of Germany, which have served to finance Savama covert operations. It is troubling that neither the Swiss nor the West German authorities, aware of these facts, acted to neutralize these capabilities. But, after all, Switzerland and West Germany remain the largest Western commercial partners of Khomeini's Iran. The longstanding ties of both Czechoslovak and East German intelligence to the Nazi and neo-Nazi organizations in the European Community raise interesting questions as to where these networks ended up.

Fundamentalism and Nazism

Beyond the intelligence connections as such, there exists an organic ideological and political convergence between the Nazis, neo-Nazis, and the Khomeini regime: the longstanding attraction that Nazism and its blood and soil ideology exercised on fundamentalist Islamic networks; hence the alliance between Hitler and the Grand Mufti of Jerusalem and the attraction to millenarian Islam that Hitler had, as reported by Cardinal Tisserand in 1940.

In the book *Hitler's Table Talk*, Hitler is quoted, commenting that if the "German tribes had been converted, they would have the spearhead of Islam," remarking on the converging "military-tradition" between Islam and Nazism.

The roots for such a relationship were laid by Thule Society founder, von Sebottendorf, who established in Berlin, prior to World War I, the first Sufi order, the Albanian Bektashi Dervishes. Islamic mysticism, Sufism, was then incorporated into Nazi theory through Rosenberg's *mythos of the 20th century*. Under the leadership of Himmler, and SS Gen. Karl Wolff in particular, the elite training schools of the SS indoctrinated their students in methods developed by the Sufi military orders. Not surprisingly, during his 1950s exile to Cairo, Wolff's daughter converted to Islam to become Fatima Hereen. She is now a leading member of the

Islamic Center in Munich, and organized a religious ceremony for her father's burial in 1984.

Wolff's exile to Cairo was only one of hundreds of such cases. Perhaps the most spectacular is the case of Otto-Ernst Remer, the former general who crushed the July 1944 plot against Hitler. He only came back to West Germany in 1983, after several decades in the Middle East, and the last 15 years in Syria. He then created his group the "Deutsche Bismarck-Gruppe" which advocates a German-Russian alliance against "American imperialism."

Indeed, there is a symbiotic relationship between the beliefs of the Islamic fundamentalists, the hard-core Nazis, and the Russian empire. In their common hatred of Western civilization, the neo-Nazi constellation described here see their salvation as coming from Russia and from the nihilist power for destruction of millenarian Islam. For example, Genoud has never hidden the fact that he received directly from the Soviet Union, many of the Nazi manuscripts which he later published. One of his Swiss associates, journalist Ahmed Huber, whose initials were published in *Le Figaro* of Aug. 6 as belonging to the Iranian terror network in Europe, worked in the 1970s for East Germany's press agency ADN.

For the New Right, there is no contradiction here. Such was the message and content of the spring 1986 issue of *Eléments*, entitled "Russia: Last Empire?"

"Russia will undoubtedly be the detonator of the future," wrote Pierre Vial in that issue, which included a favorable study of National Bolshevism by de Benoist himself. Among others, Che Guevara's fellow guerrillero, Régis Debray, who served as an adviser to the Socialists in France for Third World affairs, was repeatedly praised as a "national communist." Nor was the "Islamic tilt" concealed: "The awakening of Islam is not a menace for us but a source of hope," wrote de Benoist in *Eléments* in 1985. One of his closest collaborators, Guillaume Faye, added: "The Arab-Islamic reemergence is objectively favorable to us because it . . . contributes to destabilizing the uniform Western model of civilization. . . ." The "Khomeini dictatorship is a true cultural revolution," wrote *Eléments* in winter 1985. The father of Trystan Mordrel, mentioned above, a Nazi during the Second World War, wrote in *Eléments* before his death that "Qaddafi is a visionary." "Libyan reality today," he wrote in 1984, "is a sort of integral libertarian doctrine, expressed by integral nationalism enlightened by integral religious faith." Mordrel advocated the total destruction of the state of Israel.

This inevitably led to direct contacts to Genoud's associate, Ahmed Ben Bella, long supported by the French New Right through Guillaume Faye, who is the general secretary of the Association for Defense of Arab Immigrant Workers in Europe. Ben Bella's MDA was banned and neutralized in France in late 1986 by the Chirac government following investigations proving its logistical support to terrorism on French territory. Ben Bella lives in Switzerland in a villa which Genoud provided. For Faye, Ben Bella is a "spiritual leader who threatens Zionism."

The plot for grand coalition

Chancellor Kohl may be ousted soon, as rumors fly of a Social Democratic-Christian Democratic coalition led by Lothar Späth.

Hardly had Bonn's Chancellor Helmut Kohl been re-elected on Jan. 25, when rumors began spreading that he would not last for long, but be replaced by mid-term. Sometime between the spring and the end of 1988, he would be ousted and his coalition government with the liberal Free Democrats be replaced, it was said, by a "grand coalition" with the Social Democrats. A grand coalition option would definitely shape up in view of the deepening of the economic crisis.

In January 1987, Kohl was still in a position to cover up the economic crisis. At the end of July, the facts spoke for themselves: National unemployment soared to almost 2.2 million (the level of 1984), and all the key sectors of German industry reported bad prospects for sales and investments. The machine-tool sector, the prime "conjunctural locomotive," reported a drop in foreign orders by 23% and in domestic orders by 42% over the first half of 1987—as compared to the first half of 1986.

The same picture was presented for agro-machines, steel, electrotechnics, construction machines. The best sector was the stagnating auto industry, and the second-best, chemical production, with a drop by "only" 2% over the same six months. Most industries filed extended short-work, reducing their plans for investments.

Thus, Chancellor Kohl is back to where he started in late 1982, when he overthrew Chancellor Helmut Schmidt with the promise to save the deteriorating economy. There is not much left of that promise, and there is not much need for a Chancellor Kohl,

either. This is what many in Bonn say openly these days, and the number of those who predict that Kohl may be ousted even before mid-term, is growing. Their number will grow more rapidly after the expected defeat of Kohl's Christian Democrats (CDU) in the Sept. 13 elections in the states of Bremen and Schleswig-Holstein.

Momentum is building against Kohl in his own party and in the Christian Social Union of Franz-Josef Strauss. In an interview with *Bildzeitung*, Germany's largest-circulation daily, on Aug. 11, Strauss attacked the general indecision and incompetence of Kohl in unequivocal terms, and called for an emergency "party leadership summit" to discuss the disarray of the government and "real problems such as tax reform, pension system reforms, and industrial unemployment."

Christoph Böhr, head of the CDU youth organization, warned: "The party can't be a mere election front for the chancellor, but must discuss broader programmatic outlooks. On its current course, the party is drying up." In reaction to Böhr and others, general agreement was reached by the CDU leaders—except Kohl himself, who was vacationing in Austria—to have a "programmatic convention" after the Sept. 13 state elections in Schleswig-Holstein and Bremen. It is almost certain that this convention will not only debate programs, but also the future of Chancellor Kohl.

But who would replace him? For some time, the name of Lothar Späth, currently the state governor of Baden-Württemberg, has been mentioned as

the most likely replacement for Kohl. Besides his function as national vice-chairman of the CDU (Kohl is chairman), which gives him significant backing inside the party, Späth has the one advantage that makes him the ideal candidate not only for replacing Kohl, but also for being chancellor of a grand coalition in Bonn. He is liked by many members of the Social Democratic Party (SPD).

It came as no big surprise, therefore, when Lothar Späth issued a statement on July 31 that a grand coalition "made most sense, as views on economic and financial affairs are closest between Christian and Social Democrats."

About the same time, signals were flying back and forth between the liberal wing of the CDU and the conservative wing of the SPD, that "cross-party cooperation was desirable in view of the great economic and social problems."

At the beginning of August, a new biography on Späth reached the bookstores in Germany, whose authors stated bluntly: "He could even be imagined to be a crisis chancellor, or head of a grand coalition in Bonn." It was also reported that the two prominent Social Democrats Johannes Rau and Oskar Lafontaine, who contributed to this book on Späth, "count on him" for the future.

Späth has the profile of a post-industrializing, so-called "modern Christian Democrat," but he is also said to be on good terms with most of the leading high-tech firms of the aerospace sector. He is courted by the Soviets and the U.S. Eastern Establishment alike.

Thus, the preconditions are met to make Späth Bonn's next chancellor. It just takes a pretext to give Kohl the boot, and this pretext may well be there after mid-September.

'Peace plans' for Central America leave Moscow's drug army free rein

by Gretchen Small

If United States policy for stopping Soviet advances in the Western hemisphere continues to be debated as a choice between supporting the narcotics-trafficking Nicaraguan Contras, or accepting promises of good behavior from the narcotics-trafficking Sandinistas and FMLN, then Soviet domination over large chunks of this hemisphere will merely be a matter of time.

There has been a flurry of apparent action this August on the Central American front. But, except for the release of the "LaRouche Plan: The Strategic Mission of the United States in Central and South American Conflict with the U.S.S.R.," on Aug. 6 by the LaRouche Democratic Campaign News Bureau (see pp. 48-53), no one has moved out of the doomed "Contras or Sandinistas" box.

Review the "action" which has caused such a flurry thus far this month.

On Aug. 2, wire services carried the report that Nicaraguan Defense chief Gen. Humberto Ortega had announced that Nicaragua would soon receive MiG fighter jets from the Soviet Union. U.S. officials told reporters that the United States would not tolerate that.

On Aug. 5, a new tune was sung. Representative Jim Wright and President Reagan announced a new bipartisan "peace plan" for Central America. The plan advocated negotiating a deal with the Sandinistas, centered on Nicaragua accepting democratic reforms and international supervision of its domestic affairs, and a program for regional disarmament, including "reductions of the standing armies of the region." Alleged successes of the Contras in the battlefield, and the desire to participate in the Reagan administration's Caribbean Basin Initiative, will force the Sandinista regime to accept, it was argued.

Then, on Aug. 7, the Presidents of Central America signed the Arias plan, after Costa Rica's President Oscar Arias. This document calls for each country to declare an amnesty for insurgent forces throughout the area, followed by "dialogue" between the governments and those groups, now unarmed, which accept the amnesty, by Nov. 7. All substantive agreements on how to enforce the peace agreement, are put off for future negotiations.

The U.S. State Department "welcomed" the agreement,

asserting that it was in accord with the Wright-Reagan plan in most essential respects, other than the timing of its implementation.

Nicaragua's radical chic dictator Daniel Ortega flew off to Cuba to meet with Fidel Castro, and they, too, decided that the Arias plan was "highly positive and a new event in the history of the region." The Cuban news agency Prensa Latina reported that "Fidel expressed to Daniel" his willingness for Cuba to withdraw its military advisers, if the United States removes all of its advisers and bases from the region. Associated Press sent out the news around the world: Ortega returned to Nicaragua "after winning support from Fidel Castro for an end to the presence of all foreign military advisers in Central America."

Nicaraguan Vice President Sergio Ramírez announced that the Sandinista regime is already preparing decrees reversing the state of emergency, and reinstating press and religious freedoms—which they will promulgate as soon as all U.S. aid to the Contras ends. But if the United States votes up more aid to the Contras, the whole plan is off.

In the United States, Contra supporters began screaming, so Republican presidential hopeful Robert Dole proposed a compromise. The U.S. Congress should pass legislation allocating \$150 million to the Contras before Sept. 30, when current funding runs out, but not disburse the money—unless the peace plan falls apart.

The return of the Carter Democrats

The *Miami Herald* of Aug. 8 claimed it was Nancy Reagan who pushed the President to go with the Wright plan, a Central American version of the "zero-option" deal which she is said to have been pushing for Europe, in hopes of having her husband go down in history as a "man of peace."

In their Aug. 14 syndicated column, Washington watchers Evans and Novak named Secretary of State George Shultz as an author of this plan. His "heart set on putting the Nicaraguan problem behind the administration," Shultz allied with White House Chief of Staff Howard Baker to push the plan through, they say, because Baker "wants to defuse Nicaragua to facilitate a superpower summit with Mikhail Gorbachov."

Evidence is mounting that it is the old Carter crowd—

which handed power to the Sandinistas back in 1979—which has put together this latest “peace” package, with Carter negotiator Sol Linowitz taking the lead. Linowitz set up the Inter-American Dialogue, an informal policy group led by the cream of the liberal Eastern Establishment (including McGeorge Bundy, Cyrus Vance, and Robert McNamara), and their South American followers, which is campaigning for a hemispheric policy centered around legalizing narcotics, negotiating Central American policy with the Soviet Union, and limiting the military power of the Spanish-speaking nations (see the Dialogue’s 1986 *Annual Report*).

On July 3, the *New York Times* published a commentary by Linowitz calling for a “Bipartisan Policy on Nicaragua.” What is most needed now, Linowitz argued, is that Washington become “engaged in the diplomatic process” in Central America—and back the Arias plan.

On July 31, the *Times* published a similar proposal, signed by Viron Vaky, Assistant Secretary of Inter-American Affairs in the Carter administration, and Rep. Lee Hamilton (D-Ind.). Vaky and Hamilton called for a “negotiated settlement” with the Sandinistas, based on a “direct deal: We will stop trying to overthrow the Sandinistas if they leave their neighbors at peace and improve their domestic record. . . . We will use force if necessary to uphold an agreement.”

Then, former CIA director William Colby, a major behind-the-scenes player in the “secret government” which Oliver North referred to as “Project Democracy,” weighed in on the side of the “peace accord,” in a piece published Aug. 4 by the *Washington Post*. Don’t pin everything on the Contras, who cannot win militarily, Colby warned. Instead, remember that the Kissinger Commission plan has to be the center of U.S. Central American policy. Colby mooted that the Arias plan could be a vehicle for this program. In 1984, the Kissinger Commission on Central America proposed that the economy of the region be modeled on that of “Hong Kong”—the British colony whose freeport economy is based primarily on narcotics transshipment and money laundering.

Meanwhile, the news leaked out that the Inter-American Dialogue had met secretly in Washington in the first days of August.

How the nut can be cracked

In his Central American plan, Lyndon LaRouche proposes a nation-building perspective for the entire region, backed up by a joint war against the narcotics infrastructure upon which the terrorists depend. These policies, he argues, provide the “nutcracker” with which to crack the Nicaraguan “nut.”

Asked on Aug. 13 by a U.S. radio interviewer what he thought of the new Reagan-Wright peace plan, LaRouche replied: “There is nothing I would dignify with the word ‘plan’ in the scheme proposed. It is a short-term diplomatic tactic, whose usefulness is limited to the very short term, for buying a few weeks of time until a real policy is chosen. If

this ‘plan’ were to be viewed as U.S. policy in the region over longer than a breathing-space of some weeks or so, it would create a vacuum in the situation, to the effect that the United States would be simply trading a recent and current disaster for a worse one not far down the road.”

Both the Arias and the Reagan-Wright plans continue the policy contained in the disastrous Contra strategy: the idea that the United States cannot, indeed, must not, help develop strong military institutions among its allies in Central America. To even speak of reducing the armies of the region, under current conditions of warfare, should better be done in Russian.

The tip-off that the “peace” policy represents no serious change, is the Reagan administration’s continuing war on Panama and the Commander of its Defense Forces, Gen. Manuel Noriega. Over the past three years, Noriega has become the leading voice in the region organizing to replace the Contra strategy with a regional military alliance that would cooperate with the United States, basing itself on the conception of the military as the defender of both the sovereignty and the economic well-being of the nation.

In June 1986, Noriega proposed the formation of a “military advisory group” of regional military leaders, to advise the Contadora Group (Panama, Mexico, Colombia, and Venezuela) in seeking a way out of the stalemate in Central America. In December, regional military leaders met in Panama to revive Condeca, the military alliance which had not functioned formally since 1979.

Not surprisingly, Linowitz’s Inter-American Dialogue is at the forefront of the campaign to overthrow Noriega, as an obstacle to their plans to use Central America as a bargaining chip in a global deal with the Soviet Union.

Real issues ignored

Neither the Reagan-Wright plan nor the Arias plan addresses the central issues in the escalating conflict in Central America: Soviet-run narco-terrorism and the effects of International Monetary Fund (IMF) austerity programs upon the economic and political stability on the region.

The Faribundo Marti Liberation Front (FMLN) has virtually taken over the labor movement in El Salvador as a result of U.S.-imposed economic programs. The narcotics mafia is buying up the businesses and portions of the political elite of Honduras and Costa Rica at bargain-basement prices, because of those same economic programs. There is no insurgency in the area which does not participate in, and depend upon, the narcotics trade, in which Cuba and the Sandinistas play a central role.

The Wright-Reagan plan not only avoids the IMF problem, but even advocates the Kissinger Commission’s program for creating “Hong Kongs” in Central America.

For peace to be secured, this foolish and short-sighted approach must be jettisoned, and quickly, by the U.S. government.

The U.S. strategic mission in Central and South American conflict

by Lyndon H. LaRouche, Jr.

Democratic presidential candidate Lyndon H. LaRouche, Jr. released the following statement through his campaign committee Aug. 6, 1987, under the title, " 'The LaRouche Plan': The Strategic Mission of the United States in Central and South American Conflict with the U.S.S.R."

1.0.—The foreign policy of the United States

Under U.S. foreign policy law, as the intent of the Declaration of Independence and Preamble of our Constitution are concretized by Secretary of State John Quincy Adams's papers on the circumstances and intent of the 1823 Monroe Doctrine, the republics of the Americas constitute implicitly a "community of principle" in common with the United States.

1.1.—Under the administration of President Franklin D. Roosevelt, the U.S. government entered into a series of treaties with the republics of the Americas, all culminating in affirmation of John Quincy Adams's reading of the 1823 Monroe Doctrine, in the Treaty of Rio de Janeiro. Despite the violation of this U.S. treaty law by the U.S. government during 1982 and on other recent occasions, the Adams reading of the Monroe Doctrine remains to date the treaty law of the United States, and is the only treaty law consistent with our constitutional law and vital self-interests.

1.2.—As Secretary Adams clarified the distinctions, to the degree the government of the United States has the means to do so efficiently, we defend absolutely the rights of the sovereign republics of the Americas to enjoy each for themselves that which we seized for our new republic by our 1776 Declaration of Independence, as we affirmed that same universal principle of natural law in the Preamble of our Constitution. Respecting all of those issues of our self-interest which prompted us to separate ourselves from the United Kingdom's authority, each and all of the other sovereign republics of the Americas are accorded the same rights by our constitutional law.

1.3.—Above all, we defend the rights of each among those republics to enjoy a perfect sovereignty, a sovereignty not to be diminished by dictate or other overreach of any foreign national or supranational agency.

1.4.—We defend also their right to seek those benefits of scientific and technological progress, including the promotion of the productive powers of labor in this way, which we seized for ourselves under the first administration of President George Washington. We defend each and all of them against any external effort, including efforts from among our own nationals, to deny them the free choice of those benefits. We include in this prohibition, all efforts to deny them efficient pursuit of those benefits by means of external imposition of conditions of usury.

2.0.—The strategic interest of the United States

Unless we are fools, we dare not do otherwise than our affirmation of the 1823 Monroe Doctrine, as read rightly in the "Drago Corollary," instructs us.

2.1.—Were the United States to find itself in a world dominated by a philosophy of government contrary to and hateful of those readings of universal natural law addressed by our Declaration of Independence and Preamble of our Constitution, our republic could not long endure. For that reason, it is our most vital domestic interest, that we promote and defend a growing community of principle among sovereign republics which are committed to those same principles of universal natural law.

2.2.—Historically, and today, the maintenance of such a community of principle within the Americas is our next to last bastion of defense of the sovereignty of our own republic, on the condition that this is not misconstrued, as in any contradiction to our similar commitment to a larger community of principle embracing states among nations of other continents.

2.3.—The front line of defense of our community of principle, is defense against both the global imperial ambitions of the Russian empire under its present, Bolshevik dynasty, and also against such satanic forces of irrationalism, bent on destruction of civilization, as the outlaw regime presently exerting its murderous tyranny over the people of Iran. This first line of defense lies at the borders of the Warsaw Pact alliance in Europe, Asia, and Africa. In respect to this,

the community of principle within the Americas is the zone of the interior for our community of principle as a whole, and is to be seen so respecting the global depth of our defense along the borders of the front line of defense.

2.4.—The United States, the community of principle to which it properly adheres, and our other allies, are presently engaged in an escalating, global, irregular warfare against the combined forces of the Russian empire, that empire's allies, and its actual or potential assets among those broader forces of irrationalism sharing a common wish for the destruction of our civilization. Our conduct of defensive irregular warfare is buttressed by the military means of our republic and its allies, to the effect of containing the enemy forces' wont to deploy their own military means in aid of their irregular warfare objectives.

2.5.—The principal means of our conduct of irregular warfare against the Russian empire, its allies, and its actual or potential assets, is our vigorous affirmation of the culture, political principles, and economic development upon which the achievements of Western European Judeo-Christian civilization have been founded. The war between our civilization and its adversaries, is primarily a war between two opposing philosophies respecting God, the nature of individual persons, and the lawful ordering of cause and effect in our universe. It is the strengthening of the philosophy responsible for the achievements of our civilization, and strengthening the economic and other material force, supporting that philosophical outlook, which is the premise of our effective mode of defense against our civilization's avowed adversaries.

2.6.—The use of irregular forms of lethal force, or extensive use of regular military means, is deployed solely as this is necessary to contain the adversaries' efforts within the domain of irregular warfare.

3.0.—Facing the strategic threat within the Americas

Our Russian imperial adversary and its allies and assets, are engaged in an elaborated strategic design for transforming the Americas into a zone of armed conflict, into which to draw the resources of the U.S., away from the front line of global U.S. defense in Europe, Asia, and Africa.

3.1.—This strategy takes its roots from earlier than the 1917 establishment of the Bolshevik dynasty, in the form exemplified by the activities of Communist International master-spy M.N. Roy. This became the official, principal doctrine of Russian imperial strategy for Asia, Africa, and Hispanic America, at the 1920 Baku conference of the Communist International. The continuity of the Baku Comintern policy is expressed inclusively in the fact that Russian-directed subversion in Central and South America is directed by the Orientalist section of Soviet intelligence.

3.2.—This Soviet strategy for the Americas is directed against the specific interpretation of the 1823 Monroe Doctrine supplied by Secretary of State John Quincy Adams, and

is premised on the presumption that a foolish government of the United States will misinterpret the Monroe Doctrine in the manner prescribed by President Theodore Roosevelt's "Roosevelt Corollary."

The crux of the strategic issue within the Americas, is whether our government shall align its policy of practice with the "Drago Corollary" reading of the Monroe Doctrine, or continue the follies, to Russian imperial advantage, of opposing "Roosevelt Corollary." If we persist in policies of practice congruent with the "Roosevelt Corollary," as the Bolshevik dynasty is confident we shall, then the Russian empire will inevitably succeed in its current strategic plans for Central and South America.

3.3.—The pivot of the current Russian imperial strategy for Central and South America is Russian-directed narco-terrorist subversion and insurgency. The crucial flank, of the Americas as a whole, against which this Russian strategic thrust is directed, is the Andean spine: Colombia, Panama, Ecuador, Peru, Bolivia, and Chile. The currently operational Russian plan for operations along this spine, is a reworked version of the so-called "Che Guevara doctrine," as articulated by Régis Debray's *Revolution in the Revolution*.

If the Russian empire succeeds in its current strategic thrust along that spine, it has outflanked and enveloped Central and South America as a whole, and can so unleash similar, developing potentials in other nations of the region, either to gobble them up, or to embroil the forces of the United States in a "super-Vietnam War," a modern "Thirty Years War," among the 350 million people of Central and South America.

a) This plan is being assisted currently by elements of the Socialist International, including the bureaucracies of the International Confederation of Free Trade Unions (ICFTU) and International Metalworkers Federation, who are currently deployed as an anti-U.S. political influence, who are collaborating with Moscow's forces in the region, even in ostensible conflict with their longstanding co-thinkers within the AFL-CIO international department and American Institute for Free Labor Development (AIFLD). This is also being aided, wittingly or not, by forces within the U.S. campaigning variously for legalization of the drug-trafficking within the Americas, such as the Inter-American Dialogue, or for alliance of military plotters with "anti-communist" drug-traffickers against overtly Communist Party-allied guerrilla, and drug-trafficking forces.

b) The present Russian plan demands the early establishment of putatively "right-wing military governments" in Colombia, Peru, and other nations.

c) Russian reasoning is clever.

In these countries, there are extensive Soviet-controlled terrorist and guerrilla forces, such as the Tupac Amaru and Shining Path (Sendero Luminoso) in Peru, and the FARC, M-19, and so forth, in Colombia. However, these armed, Soviet-directed forces lack the extensive base of political and

logistical support to conduct a successful armed insurgency. To conduct an effective armed insurgency requires a political and logistical base of between 70-100 persons in the civilian population for each armed guerrilla in the field.

Under the present governments of Colombia and Peru, notably, such broader logistical and political support from sympathizers in the population is not available. The establishment of a military regime of the types mooted for Colombia and Peru, would transform the internal political situation to the decisive advantage of the Soviet-directed guerrilla and terrorist forces. The Communist slogan for Peru, is "military government before 1988; Communist victory by 1990."

d) Recently, the policies of the U.S. State Department and other elements of U.S. government policy-shaping, have been steering U.S. government practice into that prepared Russian trap. This is the case in current U.S. policy toward Nicaragua, Panama, and other localities; this is the impact of the U.S. support for imposition of IMF "conditionalities" and matching "debt-for-equity" schemes of debt collection. The Russian dictatorship is relying upon a continuation of such U.S. policies to ensure success of its strategic perspective for Central and South America.

e) We are committed to changes in the policies of practice of the government of the United States, the which will return that practice to the correct interpretation of the Monroe Doctrine, by Adams and Drago, and which employ this correction as the premise upon which to defeat the Russian imperial irregular warfare strategy for the Americas.

3.4.—The Russian plan for development and support of its armed assets in Central and South America, is premised upon four principal assumptions of practice:

1) The promotion of so-called "nativist" particularisms, as typified by the ideology spread, largely via the University of Ayacucho, Peru, by French-speaking ethnologists in the tradition of synarchist Paul Rivet, to create the cult of Shining Path (Sendero Luminoso). The focus upon "the Indians and *mestizos*" of the Andean spine, by Ché Guevara and Fidel Castro during the early 1960s, is exemplary.

2) The Russian adoption, over the period 1962-67, of Mao Zedong's 1950s (and, later) "opium wars" against the United States, as a major strategic weapon for undermining Western civilization, and the unleashing of this effort beginning 1967.

3) The establishment of Soviet-directed, Syria-centered international terrorism in 1967, and the use of Soviet-directed drug-trafficking operations to provide crucial margins of logistical and political support for both international terrorist and guerrilla insurgencies.

4) The projection of the effects of U.S.-based filibustering, and application of the "Roosevelt Corollary," to defame the Monroe Doctrine which those U.S. malpractices defamed in practice, and thus to promote the historical lie, that there is an intrinsic conflict between the nations and

peoples of Ibero-America and the principles of law and economy upon which the first administration of President George Washington was premised. This is the gist of the Soviet propaganda campaign against "Monroeism" throughout Ibero-America, as elaborated in the pages of the Soviet *América Latina*.

3.5.—The four facets of Russian irregular warfare capabilities are the key assets of the Russian subversion which must be targeted for disruption or obliteration, as appropriate, in a victorious combat against Russian-directed insurgency in the Americas. That is the destructive component of the U.S. strategic mission in Central and South America.

3.6.—The destructive components of the U.S. strategic mission for the Americas are to be complemented by a nation-building policy, of assisting governments of the sovereign republics in realizing their goals of such extensive development of basic economic infrastructure, agricultural improvements, and employment in modern investments in industries, as promote the per capita and per hectare wealth and social-political stability of the existing governments of those republics. No action by agencies of the U.S. government, or agencies otherwise alien to the sovereignties of the republics of the Americas, shall be supported or tolerated if it shall have the effect of denying any among the sovereign republics of the Americas of efficient pursuit of such nation-building objectives.

3.7.—The government of the United States is committed to such military assistance to the sovereign republics of the Americas as we are able, and as they shall require. However, it is our resolution that this shall be done solely to assist those republics in winning the war against Russian-directed subversion by their own means, and to their own honor in victory. Except as the U.S. military is required in very specific situations beyond the means of national or regional forces of the republics of Central or South America, military forces of the United States shall not be engaged in a land war in Central or South America.

4.0.—The case of Nicaragua: findings and policy

To make clear the new strategic mission of the United States' actions within the Americas, it is unavoidable that we stress here the follies of the so-called "Contra" tactic against Nicaragua.

4.1.—What was, historically, a filibustering interest within the United States, an interest with Georgia-based family ties to one-time U.S. President Theodore Roosevelt, established a long reign over the nations of Central America, a reign known as the era of the "banana republic." Under the reign of interests associated with the interests of the United Fruit (Brands) and W.R. Grace companies, these "banana republics" were denied the rights of truly sovereign republics. Their local governments were *comprador* entities, appointed and dismissed at the pleasure of the relevant, filibus-

The 'Drago Doctrine'

The debt crisis of the turn of the century reached its climax in December 1902, when Germany, Italy, and Great Britain sent gunboats to blockade the ports of Venezuela after Venezuela announced it could not meet payments on its foreign debts on time. On Dec. 29, Argentine Foreign Minister Luis María Drago outlined, in a letter to Argentina's ambassador in Washington, "considerations with reference to the forcible collection of the public debt." Drago called the principles, since incorporated into Western Hemisphere law, "the Financial Corollary to the Monroe Doctrine."

Drago wrote in part, "Among the fundamental principles of public international law which humanity has consecrated, one of the most precious is that which de-

crees that all States, whatever be the force at their disposal, are entities in law, perfectly equal one to another, and mutually entitled by virtue thereof to the same consideration and respect.

"The acknowledgement of the debt, the payment of it in its entirety, can and must be made by the nation without diminution of its inherent rights as a sovereign entity, but the summary and immediate collection, at a given moment, by means of force, would occasion nothing less than the ruin of the weakest nations, and the absorption of their governments, together with all the functions inherent in them, by the mighty of the Earth. The principles proclaimed on this continent of America are otherwise. 'Contracts between a nation and private individuals are obligatory according to the conscience of the sovereign, and may not be the object of compelling force,' said the illustrious Hamilton. They confer no right of action contrary to the sovereign will."

tering financier interests, sometimes aided by direct military and related forms of repression from the government of the United States.

Under these auspices, in the nations of Guatemala, El Salvador, Panama, and Nicaragua, there developed a military professional stratum which was intimately tied to its brothers in the U.S. military, chiefly intensely loyal to relations with the United States, and, although increasingly infected with nation-building impulses respecting the future of their nations, willing to follow the instruction of the U.S. State Department even when this instruction was contrary to their patriotic impulses.

Such a case was the role of the ruling family of Somoza in Nicaragua.

Then, at the close of World War II, beginning with the roles of Ambassador Spruille Braden in Buenos Aires, and the role of Nelson Rockefeller's circles in the wartime Center for Inter-American Affairs (CIAA) and later arrangements to similar effect, there came a change in U.S. policy respecting "Latin America" as a whole. Following the U.S. government's overthrow of President Juan Perón, the foreign policy of the United States was bent toward the aim of eliminating, one after the other, those governments of the political forces of Southern Cone, Brazil, Venezuela, and so forth, which had been part of the U.S. strategic depth in the hemisphere during the 1930s and World War II.

By the early 1970s, during Henry A. Kissinger's tenures at the National Security Council and State Department, this drift in U.S. foreign policy lapped against the shores of the nations of Central America. During the administrations of Presidents Nixon and Ford, scenarios were put into place with the intent of demolishing each of the governments,

including Somoza's, which had been long the faithful servant of State Department orders in the region. These developments were the precursor of Project Democracy and the National Endowment for Democracy.

These developments of the 1970s were prepared by the patient subversion conducted by both nominally Catholic "Liberation Theologists" and their nominally Protestant, "charismatic" kindred, in attempting to destroy the Catholic cultural matrix of the Central American and other states of Central and South America. Out of this religious subversion came new insurrectionary movements with certain resemblances in character to that of the Ayatollah Ruhollah Khomeini. One such movement was the so-called "Sandinistas."

Beginning the summer of 1977, through 1979, under the Carter-Mondale administration, these prepared insurgencies were unleashed with, principally, U.S.-based sponsorship, including measures of support conduited through the U.S. State Department. The fact of the Somoza military dictatorship was exploited, to generate the extent of political and logistical support among Sandinista sympathizers, to bring the Sandinistas to power with aid of assistance from the U.S. State Department and Israeli weapons-traffickers at crucial points in the process.

The U.S.-based support for the Sandinistas' insurrection echoed U.S.-based support for Fidel Castro's rise to power within Cuba, and included some of the same forces tied to our intelligence community which had aided Castro during the second half of the 1950s, before those same forces were deployed, in part, to attempt to eliminate the Castro they had done so much to bring to power.

The cry from the Reagan administration, and others, that the Liberation Theologist regime in Nicaragua had "betrayed

the Sandinista revolution," could only reflect the sheer ignorance or misinformation bestowed upon those who raised such a hue and cry. As early as 1978, nothing was secret about the Sandinista leadership's political affiliations with Havana and Moscow. No one was fooled, but those who wished to be deceived, often because they wished to be in step with the U.S. government policy which was crucial in bringing the Sandinistas to power.

4.2.—Then came the "Contra" policy.

During the transition period leading into the Reagan administration, the new administration cut a deal with a complex of political forces centered around former Soviet intelligence asset Jay Lovestone, his friend Leo Cherne, their assets in the international department of the AFL-CIO, and that international department's close, AIFLD, ties with financier circles traditionally associated with "banana republic" interests. This element, which had been the bulwark of the Carter-Mondale administration's machinery, became the Project Democracy operation, tied to the Heritage Foundation, of the Reagan administration, whose aspect inside the U.S. Congress and the national committees of the two major political parties became the National Endowment for Democracy.

Out of this, centered around a homosexual ring inside the Reagan administration and NCPAC, together with Israeli weapons-trafficking interests operating in the Caribbean, came the operation known as the "Contras," which, for reason of its major ties to Reaganite homosexual circles, became also known as the "Maricontras." An operation was set up, centered around a ring of present and former CIA operatives earlier associated with drug-running operations in the U.S. "secret war" in Laos.

a) The Contra operation was not only a policy adopted by the Reagan administration. The revenues of the Contra operation, variously from the U.S. Treasury, drug-trafficking revenues, and other sources, became a pork-barrel of money and political influence for the avaricious; greed gave the Contra operation a life of its own. A shoddy, "Rambo" operation of that sort never could have succeeded, a fact quite obvious to many of the participants. To the greedy, whether the Contra operation succeeded or not became irrelevant. As long as the Contra operation continued, the revenues and political influence gained from it would continue. To them, the Contra farce must be kept alive, lest the wealth and influence derived from it cease.

b) As the U.S. government drifted into a zero-option-keyed process of strategic decoupling from defense of the front line, in Europe and Asia, more and more public relations emphasis was placed upon the pretense, that the administration was heroically fighting communism in Nicaragua.

The institutionalization of the Contra operation was effected following an encouraging Soviet signal, published in an April 1983 edition of the West German newsweekly, *Der Spiegel*. Soviet dictator Yuri Andropov stated, that if the

U.S. would reach "regional matters" agreements with the Soviet government lessening the U.S. commitments in Europe and the Middle East, the Soviet government would encourage the United States to take such matters as it might wish in the matter of Nicaragua. This lengthy *Der Spiegel* interview with General Secretary Andropov was officially underscored by the Soviet press as an official offer to the United States from the Soviet government.

This Soviet offer puts the post-April 1983 U.S. Contra policy in its true light.

c) The sleazy quality of the Contra operation, contaminating with its filth all who touched it with support, is better understood by comparing the Contra operation with the U.S. government's effort to overthrow the government of Panama. If Gen. Manuel Noriega, the principal target of the Reagan administration's coup-plotting, were to be ousted, Panama would be plunged into chaos beneficial only to Soviet and drug-trafficking interests, and the entire Central American region would be destabilized critically, with immediate major deleterious effects on the situation in the Andean spine as a whole.

The Hispanic nations of Central and South America, are bound closely together by numerous linkages along lines of language, cultural, and family ties. Certain key figures in those nations are also key figures in broader circles represented in numerous nations. These nations' leading circles are much closer to one another in this way than the ties among the nations of Western Europe. Nothing important can be done by the United States in any one of these nations, without significant effects immediately experienced in numerous other nations of the region. General Noriega is an exceptionally key figure of this class.

Additionally, documentation of the U.S. government corroborates other proof that all of the allegations popularized against General Noriega by the U.S. Executive and Congress are entirely false, and that most of the allegations were manufactured by drug-trafficking interests of the region to which certain influential U.S. interests, including the National Endowment for Democracy, are closely allied.

General Noriega's included strategic significance, is that he is a linchpin figure in the effort to establish a military advisory committee within the Contadora Group.

The chief source of difficulty impeding the Contadora Group's effort to neutralize the spread of the Nicaragua phenomenon is the recent policies of the U.S. Treasury and State Departments, the State Department's Elliott Abrams most emphatically. Abrams represents firm U.S. opposition to any and all nation-building efforts within the region of Central America and the Andean spine nations. The lack of such nation-building weakens these nations, and prevents them from developing the sources of internal economic and political strength needed to contain the spread of insurgency throughout the region.

d) In the case that Nicaragua were armed with weapons

which gave it a strategic preponderance over its neighbors, the U.S. would be obliged, under the Monroe Doctrine, to strike those weapons out of existence, but by means short of committing U.S. forces to a land war in Central America. Otherwise, Nicaragua is not a strategic issue in itself; it is a Soviet-operated "Malaysian monkey-trap," into which to lure dumb monkeys who might be found in influential places inside the U.S. government.

e) The Nicaragua problem must be addressed by the following measures of irregular warfare:

1) Cooperation with governments of the region to exterminate the growing, processing, and transport of drugs within or through the Caribbean region as a whole, thus destroying the principal logistical support for terrorist and guerrilla operations in the region.

2) Technical assistance to governments, to enable them to mop up terrorist and guerrilla bands weakened and isolated by the destruction of revenues from growing, processing, and trafficking in drugs.

3) Nation-building programs based upon development of basic economic infrastructure.

4) Promotion of a literacy campaign pivoted upon U.S. support for the study of Miguel Cervantes' *Don Quixote*, in full, as a standard for literate Spanish classics education, and as a study of a popularized treatment of the citizen's principles of statecraft: the problem of uplifting Sancho Panza to the moral level of capacity for self-government. Here, in this literary work, is a masterpiece suited to the work of nation-building in the dimension of the mind of the Spanish speaker.

The U.S. should assist in sponsoring groups of professional, or good amateur, fluent Spanish-speaking actors, treating the text in the style of the classical stage, viewing *Don Quixote* as written as a drama in the form of classical tragedy/commedia. The U.S. Information Agency should promote the production of a polished film production faithful to the letter and intent of the original text—not the customary Hollywood mockery of art.

5) Recognize that religious irrationalism is among the most efficient means for conduct of erosive cultural warfare against a nation, as the case of Nicaragua today shows. No U.S. assistance to spread of Liberation Theology or charismatic sects in Central or South America, including a ban on U.S. governmental association, in any form, with sects conducting such operations. This should not be construed as the U.S. government taking a position on religious matters, but rather keeping its hands out of this area.

6) As part of the effort to diminish erosive influences in the region, cut-off of all association with, or encouragement to Socialist International and affiliated groups' cultural, political-educational, and trade union activities in the region. It is to be recognized that these currents are very close to the Soviet government today, and represent a cunning form of erosive influence. If other governments will to tolerate such things, that is their affair; the U.S. government must not.

7) U.S. political support for, and technical assistance to voluntary mutual security associations among states of the region.

8) Most favorable terms for assured flow of needed military supplies to governments of the region.

9) U.S. support for a Caribbean-Pacific, sea-level canal through the Panamanian isthmus, both as a security measure and as a lever for catalyzing economic development throughout the region.

The general policy is to deploy positive efforts in the interdependent dimensions of culture, politics, and economics, and to assist nations in maintaining adequate armed defense of their precious cultural heritage. That is the essence of successful conduct of irregular warfare.

f) The policy of the U.S. toward the Nicaragua problem shall be, to crack the problem as a nutcracker cracks a nut. While containing any aggressive intervention by Nicaraguan agencies into neighboring states, and forbidding its development of strategic capabilities which might afford it a decisive advantage over its neighbors, the object is to strengthen the nations around it, culturally, politically, and economically, and to provide those neighbors adequate means of defense at minimal prices. Any irrationalist cult, so deprived of the aura of magic on which its authority depends, so reduced to relative impotence in the eyes of its population, can not long resist a more successful, energetic culture at its borders, especially if the cultural matrix of its own people is more or less the same as that of the neighboring nations.

4.3.—From our borders with Mexico, south to Cape Horn, there are approximately 350 million persons, of nations which share a common Western European cultural origin with our own. For reason of its national culture, each of these nations has a more or less exceptional potential for rapid, efficient assimilation of technological progress. Combined with the population of the United States and, potentially, Canada, this represents 600 million people, aggregate only less than the population of India, and potentially the greatest concentration of economic power on this planet.

Some of these nations are, technologically, culturally well advanced, such as Argentina and the more developed portions of Brazil. Others, including Venezuela, Colombia, and Mexico, have a kindred potential. Throughout the continent, the crying need is for the development of basic economic infrastructure, the precondition for rapid advances in agriculture and industry. By adopting this course of action, in concert with other American members of our community of principle, we can unleash a mighty engine of physical economic growth, and related increases in productivity per capita and per hectare. The force of that growth, and the force of the culture strengthened to promote that growth and political stability, is a crushing force against the enemies of such a process of development. Our strategic task in the hemisphere is to unleash that force, and shape its application to the desired strategic effect.

The right to defense

As civilian authorities shrink before the narco-terrorist rampage, a military response becomes the only solution.

The deterioration of the Colombian justice system in the face of prolonged, concerted assault by armies of narco-terrorists has created a vacuum of authority inside this country, leaving a terrorized population bereft of the security that a functioning judiciary should provide. Into that vacuum has stepped the military, which understands that it takes an army to defeat an army.

With the overturning of the Colombia-U.S. extradition treaty by the courts earlier this year, Colombia was stripped of the single most effective legal weapon in its arsenal against narco-terrorism.

Since then, the courts have freed one of the world's leading drug traffickers, Gilberto Rodríguez Orejuela, revoked arrest warrants against the most infamous cocaine traffickers in the country, the heads of the "Medellín Cartel," and absolved them of complicity in the 1984 murder of the anti-drug Justice Minister Rodrigo Lara Bonilla, among many other murders.

In horror at these retreats, former Justice Minister Enrique Parejo González returned to Colombia Aug. 8 to warn the government to act before it is too late. Friend and successor to Lara Bonilla, Parejo González was made ambassador to Hungary by the Barco administration in order to place him beyond the reach of the vengeful drug mafia.

Yet, last year, Parejo was shot, and almost killed, on the streets of Budapest by a hired assassin.

Parejo said, on this first visit home: "We know that there exists a link between the arms traffickers and the powerful international organizations which run—worldwide, and also unfortunately within our own borders—the dirty drug trade. . . ."

"Our constitutions have begun to weaken through the corrupting effect of the drug-traffickers. There are reasons to be justifiably concerned for our future, if we don't perceive this truth, if we don't hasten to contain this phenomenon. . . . In this regard, the action of the government is inadequate."

The strategy of creating civilian militias under the sponsorship of the Colombian armed forces is now at the center of a fierce debate inside the country. Defense Minister Rafael Samudio Molina stated on July 25, "It is a natural principle. Everyone has the right to claim the legitimate right of self-defense, and if the communities organize themselves, one must view it from the point of view that they are protecting their goods. . . ."

When the Communist Party-run front group, the *Unión Patriótica* (UP), demanded Samudio's resignation, he answered: "I don't understand why the UP calls on the government to cease its operations, when what the people should be calling for is the demobilization of the FARC [communist-linked guerrillas], and that their members hand their weapons over to the government. . . ."

An emergency plan is reportedly being put together to better equip the

armed forces. General Samudio's comment was: "The idea is not to participate in an arms race, but to update the provisions of the armed forces, which are facing marked limitations in several areas." He was referring to the well-known fact that the narco-terrorists are much better armed than the military forces.

Following Samudio's defense of armed civilian units, a chorus of liberal protests surfaced in the media warning of "organized civil war" and "parallel armies." Presidential "peace adviser" Carlos Ossa Escobar, the man entrusted by President Barco with negotiating the guerrilla-military cease-fires and verifying their compliance, responded to the protests by saying that the armed self-defense groups "seek to avoid attacks by the guerrillas and criminals, and their weapons are legally procured." He said that these groups were known to the local army brigades, and "neither patrol, nor wear uniforms. . . . Everyone has the right to defend his home and hearth," he insisted.

The Catholic Church, the only institution aside from the military which has retained the authority to pronounce on such matters, has stepped into the fray as well. In the Aug. 9 issue of the magazine *El Catolicismo*, the Colombian Church editorialized: "When the forces of order and the representatives of the law are absent, it would be unjust for peasants, townspeople, or any other citizen to see all hope lost without remedy. . . ."

The editorial then comments sarcastically: "Neighbors in the fields and towns are not allowed to arm and defend themselves, and yet it is tolerated that the guerrillas, with all the privileges and advantages, condition their continued dialogue [with the government—ed.] on remaining well-armed and ever more threatening."

Profile of Adolfo Suárez: a political gangster in a silk suit

by Katherine Kanter

On Aug. 12, the Spanish Centrist Party, known as the Centro Democrático y Social (CDS), headed by ex- and would-be Prime Minister Adolfo Suárez, announced that it plans to abstain in the vote to elect a premier for the Navarrese government, unless the Socialists and Regionalists allow the CDS candidate to assume the premiership. If the CDS were to abstain, in their own words, "Herri Batasuna will become the arbiter of Navarre," since a coalition would then have to be formed with Herri Batasuna, the political front for the Basque separatist terrorists, the ETA.

Behind that announcement may lie some of the answers as to how terrorism and organized crime are allowed to flourish in Spain today. First, Navarre is not part of the Basque Provinces, though the Basque terrorists (ETA) have declared that it shall and must be. Any political party, like the CDS, which accepts the presence of Herri Batasuna as a legitimate political party, has lost its *raison d'être*, and, if this world were sane, would itself richly deserve being outlawed.

Second, how did a political gangster like Suárez, ever get into such a position of arbiter at all?

The history of Adolfo Suárez is a modern fairy tale, but only for the very ingenuous among us. He is now about 52 years old; he "rose" from being a poor but honest boy from Avila, to being an active and enthusiastic Falangist, that is, until the early 1970s, shortly before Franco died. Then, suddenly, he changed. When the "Project Democracy" circles of the U.S. secret government, decided in 1973 that the assassination of the prime minister, the late Adm. Carrero Blanco, would facilitate one of their pilot projects for a special kind of democracy, known as "fascism with a democratic face," the prettiest face in Spain was chosen for the lift from Falangism, to Project Democracy. That face was Adolfo Suárez, who became prime minister in 1977, four years after the murder of Carrero.

The main task of Suárez seems to have been to foster, by every possible legislative means, the upsurge of an Aquarian

Age social movement, which Spain had been fortunate enough to escape in the 1960s. The word "democracy" was bandied about so much in political speeches from the late 1970s, that the politicians appeared drunk on the word, while an apparatus more totalitarian than anything Franco could ever have dreamed of was tightening its grip on the country. Without a hedonistic, sex-crazed, drug-sick youth, which Suárez's cultural advisers created, the International Monetary Fund would never have been able to pull off its cold coup d'état in Spain: the Socialist victory of 1982.

Behind the pretty face is the murderous grin of the same "free market economists" who have sunk Ibero-America; in Spain, they are, naturally, all left or center, people like Enrique Fuentes Quintana, Luis Angel Rojo, Mariano Navarro Rubio, all of the Bank of Spain, the people who have cleverly "trained" their own citizens to any form of anti-industrial austerity, so long as it is dished up with plenty of drugs, free sex, and pornography. Indeed, the banks themselves admitted that they had increased funding for Adolfo Suárez's electoral campaign in June 1987, relative to 1986, by over 300 million pesetas.

One example of this bankers' democracy at work: Adolfo Suárez's best friend, Gen. Manuel Gutiérrez Mellado, who is known as the Green General or the "Gerd Bastian of Spain," recently created an "Anti"-Drug Foundation, on whose board sits a select group of people who probably do know something about drugs: among others, José María Entrecanales, the major public-works contractor for Libya, José María Armero of the Trilateral Commission, the ubiquitous Mariano Navarro Rubio mentioned above, and a funny little man: Eduardo Serra, formerly Undersecretary of State for Defense, who "was resigned" from his post this spring, in the midst of the Irangate scandal, shortly after telling the NATO monthly review, that he admires Sen. Sam Nunn and his amendment to remove United States troops from Europe.

Anyway, behind the pretty face, there is someone else

too in the scenery: one Gustavo Cisneros, to whom we devoted a whole chapter in the book *Dope, Inc.*, the man who is now making money hand over fist on "hot investments" in Spain. One of the things which interests us the most about the rumored Cisneros-Suárez connection, is the Cuban and Soviet side of things.

Suárez and the Soviets

For example, from the remote past of 1977, when Suárez as prime minister was busy fighting NATO, traveling to Cuba and having himself photographed in the embrace of Fidel Castro, he somehow found time to ram through Parliament, a very singular Constitution. To single out just one aspect of that document, the words "nation" and "people" are never defined, they are used in such a hodgepodge way, that the Catalans and Basques, basing themselves upon it, have very successfully argued their way step by step along the path of arrogating to themselves all the powers of the Nation of Spain itself. Furthermore, the words "nation" and "people" are used precisely in the sense that the newly formed pro-Soviet Communist Party of the Peoples of Spain does.

Fittingly enough, the main architect of the Suárez Constitution, Prof. García de Enterría, was arrested in 1985 in the course of an investigation into an extremely serious case of capital flight, involving sectors of the Spanish aristocracy more than a little soft on Iran and Libya.

Turning to very recent history, 1987, let us see how Adolfo, as his supporters like to call him, is smoothing the way for the Soviets to call the shots in Spain. On Jan. 5, a CDS spokesman told the Spanish Parliament, in the midst of the worst terror wave in European history, that the Spanish police are guilty of abuses (i.e. tortures), and that the present Anti-Terrorist Law should therefore be abrogated. He demanded that the "incommunicado" period for persons arrested on suspicion of terrorism be cut, and that the magistrates should interfere more with the police. But it is notorious that the magistrates in the Basque Provinces, who are not at all protected like the Italian specialists, live in fear of their lives should they do anything overtly unfavorable to ETA!

On Feb. 25, in the parliamentary debate on the U.S. troop presence in Spain, Adolfo Suárez declared: "Spain has neither historical nor economic reasons for standing for the presence of troops on our soil, who are taking care of strategic interests which are purely and solely the business of the United States itself." As for the Spanish troops, "no greater modernization effort is possible" he said, an odd statement in a country where 50% of all the Navy's vessels are over a quarter of a century old.

On March 17, Suárez received the public endorsement of a curious politician, Jorge Verstryngé, as "the only one able to defeat the PSOE"; Verstryngé, of Belgian origin, is said to have been active in ultra (extreme rightist) organizations until the early 1970s: in 1986, he was expelled from his leading position in Alianza Popular, for attempting to over-

throw Manuel Fraga, then chairman of AP. A few weeks later, Fraga, who, for a variety of reasons, was despised by the Trilateral Commission banking circles, was indeed overthrown.

On April 6, the CDS youth group gave the highest award to Juan María Bandres, the founder of the "moderately" separatist party Euskadiko Ezkerra (EE); it is about as "moderately" separatist, as the "moderate" factions Oliver North and Co. shipped arms to, in Iran. Bandres himself is a "former" member of ETA, who has been recycled as a spokesman for the "democratic, pro-separatist, Left." Just how self-interested was the award, became clearer during the European and regional elections on June 10, whereby Suárez worked his way into advantageous situations in the Basque Provinces and Navarre.

On April 8, Adolfo Suárez was described in a poll, as "the most popular politician in Spain," ahead of Prime Minister Felipe González. In the elections on June 10, Suárez succeeded in getting enough votes to take, among others, the presidency of the government of the Province of Madrid, that of Castilla-León, and that of the Canary Islands, all of great importance, provinces where a lot of money moves through the administration and where some of it, could get lost . . . on the way to a premiership campaign.

On July 9, the CDS mayor of Riaño blocked with the Communists and Ecologists, and engaged in a campaign of civil disobedience, and then, violent struggles with the police and Civil Guard, to prevent the government from building a large dam which would flood the village of Riaño, but which would help a nation where 27 million acres are already threatened by desertification, to have drinking water. The street battles were so serious, that they can only be described as having the character of irregular warfare.

On Aug. 5, Suárez, in the Canary Islands for the investiture of his man as premier of the local government, flew in the face of Interior Ministry demands that the press stop presenting ETA as a liberation movement, and declared that "no restrictions of any nature on freedom" can be tolerated in the fight against terror, and therefore, that the press should remain outside any political agreement with the government on fighting terrorism.

On Aug. 8, the new CDS premier of the Canary Islands, which, possibly not coincidentally, harbor the largest Soviet merchant marine base in the world outside the Soviet bloc, declared that the Islands should be transformed into a "fiscal paradise." A free banking zone, perhaps like that which has made Hong Kong into one of the narcotics and arms capitals of the world? But this time, since Suárez and his friends apparently like to feel protected, under the heavy arm of the Soviet Big Brother.

Is there not a reader out there among you, who would like to supply us with a copy of the "disappeared" archive photograph of Adolfo, in his fine Falange uniform, arm smartly upraised?

Pots and pans for Mexico

As the country braces for the presidential succession, the financial oligarchy is making its bid for control . . . or chaos.

Mexico's Finance Ministry issued an official bulletin on Aug. 10, which announced that "thus far" the fate of \$16 billion worth of international reserves held in the Bank of Mexico had not yet been determined, and that "at the present time a broad range of possibilities regarding the best application of said reserves is being studied."

"Said reserves" are the product of Mexico having exported everything, abandoning imports, and sinking the economy in the worst depression of the century. The question of whether they will be invested in a program of minimal economic growth through the end of Miguel de la Madrid's presidential term in 1988, or used to "guarantee" the principal on Mexico's \$100 billion-plus foreign debt, has become the central issue of the presidential succession fight.

In mid-1986, President de la Madrid asked for more sacrifices from the Mexicans, in exchange for a "recovery" in 1987 and 1988, so that there would be no break with the International Monetary Fund. But the bankers now say that there can be no recovery, that it would be dangerous and inflationary! The monetarists in the government, grouped around Bank of Mexico dictator Miguel Mancera Aguayo, and the directors of the three major exchange houses in the country, intend to translate their financial power into political power capable of imposing the ruling PRI party's presidential nominee, or to spark financial chaos if they fail.

On Aug. 11, the president of the Businessmen's Coordinating Council, Agustín Legorreta, who has been

dubbed by labor leader Fidel Velázquez "the new emperor of Mexico," announced that since 1981, real wages had "considerably deteriorated," as much as 35%. "To seek the recovery of 1981 levels of real wages," he insisted, "is unreal in these times, given the state of our economy." Legorreta stressed that the next President of Mexico must continue the economic policy of the present administration.

However, the "emperor" is playing both sides of the street. On Aug. 12, Mexico City's radio and television announced plans for an anti-austerity "pots-and-pans" demonstration, by the national Association of Housewives (ANAC). ANAC is financed by the same bankers who are closing in on President de la Madrid, and who are controlled politically by the Nazi-communist National Action Party (PAN). On July 29, the president of the Association of Sales Executives, Mario Luis Cortes Mencia—a Legorreta man—declared that "there would definitely not be recovery in the second six months of the year, given that the political excitement is causing uncertainty and lack of confidence. . . . As long as the name of the [presidential] candidate is not known, all investment comes to a halt. One needs to know first who he is and what he will do."

More direct was Juan Sánchez Navarro, a "free market" ideologue linked to the Project Democracy circles of Oliver North, and one of the oldest oligarchs in Mexico: "The past has shown us how rapidly we can lose a country when one opts for populist policies," a clear threat to repeat the

financial warfare run against former Presidents Luis Echeverría and José López Portillo when they attempted a policy of accelerated economic growth.

According to figures released by the Bank of Mexico and the Budget and Planning Ministry, manufacturing production fell 7% from April of 1986 to April 1987. Industrial activity in general declined 5.29%, while gross fixed investment shrank by 11.69%. Capital goods, construction, the automotive industry, and parts and repairs were the most affected sectors. But despite this, Budget Minister Carlos Salinas de Gortari recently launched a big propaganda campaign to insist that "there are signs of a recovery."

The reality is that 50% of Mexicans have not consumed meat or milk for a long time. In mid-1986, the President announced a series of weak initiatives to try to re-start a recovery process, to yield minimal growth rates of 2-3% to keep up with population growth. However, the Finance Ministry has announced that the most Mexico would achieve would be 1-1.5% by year's end. To attain that, the Bank of Mexico on July 31 announced changes in the reserve ratio, to free credit for investment in industry and in agriculture. Also, the rate of daily devaluation of the peso was slightly reduced.

However, nothing can come of this unless the President decides how the nation's reserves will be employed, which also means deciding who will be his successor in the presidency. To calm the panic already begin spread by the bankers, the PRI has announced that it will reveal the program of the next presidential candidate on Sept. 22. On that day, De la Madrid will choose a path for the nation. The name of the presidential candidate will likely be unveiled the next day.

International Intelligence

Terrorism on rise; Pope prime target

"The Pope is believed to be the prime target of international terrorists . . . and in his first visit [in September] to America since 1979, he can expect a rough ride," writes Britain's *Daily Mail* referring to Jewish, homosexual, and other planned protests. "Even American Indians have got it in for the Pope."

All reports now point to a broad reactivation of terrorist networks in Europe.

- Ten American servicemen and a Greek driver were severely wounded near Athens Aug. 10, as a remote-controlled car-bomb exploded close to their passenger bus. The operation was claimed the following day by the "November 17" terrorist organization, which exploded bombs in Athens nightclubs patronized by U.S. servicemen last spring. It was the most serious direct attack against U.S. personnel in Europe in some time.

- Intelligence sources have warned that in the present climate of crisis in the Gulf, European-based Iranian and Libyan terrorist networks are expected to merge.

- Belfast was the center of one of the most violent demonstrations by the IRA in several months.

- In West Germany, the chief of the domestic secret service (Verfassungschutz), Mr. Böden, warned that the Red Army Faction terrorists have regrouped themselves to plan a fresh wave of attacks against high level U.S. military officers, top industrialists, and security personnel.

- In Spain, the Basque separatist ETA networks are extremely active against military and police targets with almost daily operations.

- In France, there is an alert after a Corsican terrorist attack against police killed one and wounded three others.

- In Geneva on Aug. 10, an Iranian Air Force pilot who had defected last February and was seeking political asylum, was executed by two men, the first such killing in Geneva by Iranian agents.

New round of Soviet exercises

The Soviet Navy held medium-sized exercises in the Norwegian and Barents Seas from Aug. 3-8, with almost no coverage in the Western press.

According to the Norwegian Defense Ministry, at least 12 major surface warships (6 cruisers, including 4 of the *Kresta* class, 5 destroyers, and 1 frigate), participated, plus an undisclosed number of submarines and supporting Navy aircraft.

At one point in the exercises, the ships were cruising 100 nautical miles off the coast of northern Norway.

The Soviet Defense Ministry has now scheduled maneuvers involving over 18,000 troops in the U.S.S.R.'s Carpathian Military District (headquartered in Lvov, in western Russia). These maneuvers, announced Aug. 10 by the Soviet Defense Ministry, will supposedly last two days (Aug. 20-21, hardly time for any serious exercises), and will have Western observers present for the first time.

Captive peoples to march in Lithuania

Demonstrations by Lithuanians and other Baltic peoples are planned for Aug. 23 in Vilnius, the capital of Soviet-occupied Lithuania, on the 48th anniversary of the Hitler-Stalin Pact, which handed the three Baltic Republics—Lithuania, Latvia, and Estonia—to the Russians.

Under Stalin hundreds of thousands of citizens of the Baltic republics were murdered or deported to die in slave labor camps. Lithuanian exile spokesmen in Frankfurt, West Germany report that leaflets by Lithuanian activists to announce the demonstrations have been clandestinely circulating in Vilnius.

These spokesmen announced that

hundreds of Latvians and Estonians are also expected to participate, in solidarity with the Lithuanians. An anti-Russification demonstration of 5,000 occurred in the Latvian capital of Riga in June, and hundreds of Lithuanians participated.

The immediate demand of the Aug. 23 demonstration is for the erection in Vilnius of a monument to the Baltic victims of Stalin, the repudiation of the Hitler-Stalin Pact, and the recognition of the sovereignty of the three Baltic Republics. Added to the long list of grievances of the overwhelmingly Roman Catholic Lithuanians against their Soviet oppressors has been Moscow's obstinate refusal to permit a Papal visit to Lithuania.

KGB employs war criminals

A Soviet war criminal is employed as an official of the KGB-connected Council for Religious Affairs in Lithuania, according to the *Baltic News*, a Catholic newsletter published in Australia, covering issues concerning the "captive nations" Latvia, Lithuania, and Estonia.

Said the report, Col. Petras Raslanas was one of the organizers of the infamous Rainiai Forest massacre on the night of June 24-25, 1941. Throughout the night, Soviet troops tortured, mutilated, and killed 73 Lithuanian "political" prisoners, many of them teenagers.

The perpetrators of the massacre, most of them still living inside the U.S.S.R., have never been brought to trial.

Iranian diplomats expelled from Berlin

The three powers occupying West Berlin—Britain, France, and the United States—have expelled 5 Iranian diplomats and declared

Briefly

● **A RANKING CUBAN** intelligence officer, Maj. Florentino Azpillaga, has defected to the United States, reported U.S. Radio Martí Aug. 9. Azpillaga crossed the border from Czechoslovakia into Austria June 6. Radio Martí said he will be able to identify 350 Cuban agents in a number of countries, but would give them time for a safe return to Cuba.

● **FRENCH PRESIDENT** François Mitterrand announced Aug. 10 that France would not expand its military support for Chad, and will not give Chad additional air protection against retaliatory Libyan air raids which hit Faya Largeau on Aug. 9 and Bardai on Aug. 10. Mitterrand reiterated the French position of favoring "international arbitration" to decide the fate of northern Chad's Aouzou strip, annexed by Libya in 1973, and just retaken by Chad.

● **ATTORNEY GENERAL** Ed Meese is visiting China for a legal conference Aug. 17-20. The Chinese government has asked for U.S. advice to revamp its legal system, according to a United News of India release July 21. Meese and 900 U.S. lawyers will help shape a new commercial code. The arrangement was set up by a group of private U.S. attorneys who have had "extensive dealings in China since 1980," said the Indian report.

● **ISRAELI HELICOPTER** gunships attacked the headquarters of pro-Iranian guerrillas connected with the terrorist Hezbollah in southern Lebanon for the first time. An Army spokesman said the helicopters returned safely to base after an attack half-a-mile from Tibnine, north of Bint Jbeil. The attack came hours after a Soviet-designed rocket landed in Israel and others fell in Israel's declared security zone in southern Lebanon.

15 Iranians *persona non grata*. The move is broadly being interpreted as a "slap in the face" of West German Foreign Minister Hans-Dietrich Genscher, who has pursued a decidedly pro-Iranian foreign policy, to the extreme of protecting Iranian terrorists and drug-runners on West German soil.

The Aug. 11 *Le Figaro* of France reports that the United States took the decision as a "preemptive move" against Iranian terrorism.

The three powers have asked the Soviet Union to also expel some 10 East Berlin-based Iranian diplomats who are now banned from entry into West Berlin. However, says *Le Figaro*, "Neither the East German government, nor H.D. Genscher" is expected to take any measures.

Indians wanted Israel out of Sri Lanka

The Indian government had wanted to include in the Sri Lankan Peace Accord a stipulation that the Israeli Interests Section in Colombo be shut down, a spokesman in the Israeli Foreign Ministry confirmed Aug. 10. The provision was not included, however.

Indian Prime Minister Rajiv Gandhi and Sri Lankan President Junius Jayewardene signed the accord in early August to end the bloody civil war pitting minority Tamils of Indian origin against Sri Lanka's native majority Sinhalese.

A report July 25 by the Sri Lankan Broadcasting Corporation, said that the Israeli Interests Section, which is located in the U.S. embassy in Colombo, would be closed, and that Sri Lanka would stop sending soldiers to Pakistan for training.

The report was denied the next day, when the state-owned radio said that Jayewardene was referring to a statement by former Prime Minister Bandaranaike, that if her party were to come to power in Sri Lanka, these actions would be taken.

So. African mine strike fueled from abroad?

The strike of the South African National Union of Miners (NUM) is political in motivation, not a matter of wage or other economic demands, according to well-placed sources in Johannesburg. The strike came only six weeks after the Chamber of Mines granted wage increases of 17-23% to union members. All indications are that the issue is strategic minerals, and that the Soviet Union is directly involved.

The strike is the largest in South Africa's gold and coal-mining history, and sympathy strikes under the direction of the country's largest labor federation, the 721,000-member Congress of South African Trade Unions, are expected to spread.

While the official position of the government in Pretoria is that this is all a simple "labor dispute," privately, government circles say that the strike is a "political move, coming from the outside, aimed at the jugular—South Africa's mining economy."

They note the unusual timing, with a background of the Gulf crisis, and shaky financial markets where gold prices could be expected to increase in any case. Government gold and coal stocks are sufficient to withstand a complete shutdown of three to four weeks. As *EIR* goes to press, major mines are all still operating.

The danger, the sources say, is the spread of "sympathy" strikes to manganese and other strategic mineral mines, which do not have significant reserve stocks.

Reports in Johannesburg are that British miners' union chief Arthur Scargill, an avowed communist, is coaching the South African strikers. Scargill spent three weeks in July in Cuba, and received Libyan funds during the recent British mine strikes.

Notably, the Soviet media are giving wide coverage to the strike. Radio Moscow Aug. 11 played it up as a new round in the "liberation struggle," striking at the "giant" mining corporations.

Let's get those ayatollahs out of the Congress

by Lyndon H. LaRouche, Jr.

The following news bulletin was released by the LaRouche Democratic Campaign on Aug. 7:

When a majority of you elect me President, in the November 1988 elections, please give me a better Congress, one that is able to think rationally.

It is time that you, as ordinary citizens, were told a few very high-level, very dirty secrets about some of the things corrupting our government. I shall begin by identifying some very strange behavior by the Congress lately, and then explain to you how such things are made to happen.

First, what I mean by "very strange behavior." For example:

On Wednesday, Aug. 5, 100 Democratic members of Congress filed a suit in the U.S. Federal District Court for the District of Columbia, demanding that President Ronald Reagan be forced to invoke the so-called "War Powers Act" as authority for sending U.S. military forces to patrol the Persian Gulf. Thus, many of the same members of Congress ready to lynch the President for his military aid to Khomeini's Iran, are intervening now to give the Khomeiniacs a free rein for terrorist actions throughout the Middle East.

The action was led by Rep. Mike Lowry (D-Wash.), who is backed by the same Project Democracy caught red-handed in the Iran/Contra arms-trafficking operations, Lane Kirkland's AFL-CIO bureaucracy. Supporters of Lowry's initiative include Sen. Paul Simon (D-Ill.), one those presidential candidates the news media has described as mental "dwarfs."

This is not the only such case of raving insanity from a large portion of the Congress. Since the November 1984 elections, the Congress has pushed through a series of bills

which have no effect but to wreck the U.S. government, bankrupt the United States, and generally destroy the credibility of the United States around the world. This pattern began with the Gramm-Rudman-Hollings legislation, and continued by ramming through a lunatic tax reform bill. Since the November 1986 elections, insanity seems to have taken charge in most areas of legislation.

I am not exaggerating. At the time the original Gramm-Rudman-Hollings bill was rammed through, some of its supporters in the Congress explained the legislation as "an insane idea whose time has come." In the latest proposed version of Gramm-Rudman, which some are attempting to attach to the debt-ceiling bill, a supporter has described this as "a planned train-wreck."

Admittedly, President Reagan has not been exactly a mental giant in his legislative program for economic and monetary policy. At a time when the U.S. economy is sliding deeper and deeper into an economic depression, for lack of job-creating investment in agriculture, industry, and infrastructure, the President demanded a tax-bill which eliminated all tax-incentives for such investments. The President also supported a Gramm-Rudman bill which makes the federal government itself unmanageable.

President Reagan's foolishness on economics aside, none of this could have happened if the Congress had not behaved insanely. Most of the energy of the Congress since 1984 seems to have gone into passing bills which even some leading Congressional supporters admit make no sense.

When a body of government, the Congress, repeatedly pushes through laws which even leading Congressional supporters admit make no sense, we can eliminate two possible

causes for such acts. First, we know that none of these bills that make no sense was pushed through under pressure from the majority of the legislator's constituents back home; none of these bills that make no sense was "pork-barrel" legislation. Second, even leading supporters of the bills in the Congress admit the laws passed have no rational explanation. In other words, in all of these cases, the Congress had no reason of its own to pass such crazy bills.

What other reason could there be, which would have caused them to push through bills that make no sense? Must we not suspect that some force outside the Congress has been pulling the Congressmen's strings? It certainly wasn't the voters. Who was it, then?

The first place to go to seek the answer, is the official funding records of the Federal Election Commission. Begin with the biggest blocs of political action committees. On the Republican side, that includes the late Terry Dolan's National Conservative Political Action Committee (NCPAC), a powerful lobby led by a circle of Republican homosexuals.

A more powerful lobby is a network of political action committees coordinated by AIPAC, the so-called "Zionist Lobby," better named the lobby of the former friends of organized crime's Meyer Lansky and his friends, the circles of frequent Moscow visitor Edgar Bronfman, Soviet agent Armand Hammer, Max Fisher, and so forth. AIPAC's complex can, and does, deliver more money, directly and indirectly, to more members of Congress than any single other such influence—as you saw in the way the Joint Select Committee of the Congress covered up the truth about Irangate during the recently televised hearings.

Don't go off half-cocked and call this the "Israel lobby."

It does not represent Israel, although it is very closely tied to a Moscow-connected, right-wing faction in Israel around Ariel Sharon and the cronies of professed fascist Michael Ledeen. The U.S. side of this crew includes the billionaire Bronfman interests, the Meshulam Riklis who bought Ariel Sharon the farm where this set often meets inside Israel; money-grubber Henry A. Kissinger is in tight with this crowd in some scams, and Alexander Haig is part of the same circle.

This crew is connected to a faction inside Israel, a faction built up by the late Meyer Lansky and his cronies. Like the late Prime Minister Golda Meir, who bounced Lansky not only out of Israel, but half way around the world into a waiting jail in Florida, there are factions in Israel who are fighting to stop Ariel Sharon and his cronies.

Inside the U.S., the controlling elements behind the AIPAC PAC syndicate all have "past" ties to the Astor-Rothstein-Lansky North American and Caribbean organized-crime syndicate of the 1920s and 1930s, and that "past" rubs off on the morals and methods of the lot of them today. Once Golda Meir was out of the way, this crew of "ex-gangsters" moved in on Israel, to push through the organized-crime takeover of Israel which Lansky had been attempting when

Golda Meir heaved him out of the country.

This crew of "ex-gangsters" has wrecked Israel's agricultural and industrial sectors. It has grabbed control of much of Israel's foreign weapons-trading operations as a power-base. Naturally, normal Israelis don't like this crew one bit, but since this crew of "ex-gangsters" has powerful U.S. backing, and tremendous wealth, honest Israelis have not been able, so far, to break the power of this faction.

This is the crew, tied to frequent Moscow-traveler Edgar Bronfman, and tied also to longstanding Soviet agent Armand Hammer, which coordinates AIPAC. It is also the major street-level lobby, in both the U.S. and Israel, which has been behind Israel's open and the U.S. government's secret arming of the Khomeini terrorist dictatorship since 1979. Through this crew's close connections with "former" Soviet intelligence operative Jay Lovestone and Lovestone's powerful network inside the AFL-CIO international department, it is also a leading force inside the "secret government" set up under the National Endowment for Democracy, Project Democracy, and President Reagan's Executive Orders 12333 and 12334.

That explains much about the strange behavior of the Joint Select Committee of the Congress in the televised Irangate hearings. It also explains much about the behavior of the 100 Congressmen in launching the federal suit against President Reagan's containment of Khomeini's efforts to spread the war in the Gulf. However, that is only the "street level" of the corrupt control exerted over the behavior of many in the Congress.

The truth about Meyer Lansky

The late Sen. Estes Kefauver's "Kefauver Commission" investigation of organized crime in the United States, was a stunning exposure, and probably an honest effort, as far up into organized crime as it succeeded in reaching. However, the myth of the "Italian-American mafia" was just that. After Arnold Rothstein and his ambitious protégé, Meyer Lansky, wiped out the Sicilian mafia's "Moustache Petes" during the gangland wars of the 1920s, and once Lansky succeeded the murdered Arnold Rothstein, Meyer Lansky masterminded all U.S. organized crime, top-down, until the day he died. If there were fellows like Al Capone of Italian-American extraction in organized crime, they all worked for Lansky, until Lansky turned them in to federal agencies, or they died suddenly.

It started with the repeal of Canadian Prohibition and the Rockefeller family's key role, through control over the Baptists and the Women's Christian Temperance Union, in pushing through what became the Volstead act. "Quite coincidentally," Rockefeller adviser MacKenzie King's Canada repealed its prohibition against alcoholic beverages at nearly the same instant Prohibition began in the United States.

The key figure in what followed was the Astor family of Vincent and Cliveden's Lady Astor, the latter notorious as

leader of a circle of Hitler's 1930s admirers, and also claimed by press reports as the grandmother of Hollywood's Elizabeth Taylor. The connection between then and now is the private, Anglo-American secret-intelligence organization run under the cover of the Astor trust, sometimes referenced as "The Room."

There was a dapper fellow, a "black sheep" from a respectable Jewish family of New York, Arnold Rothstein, a compulsive gambler who successfully plied the passenger ships traveling back and forth between New York City and Europe. It was Astor who picked up Arnold Rothstein, and used Rothstein to create organized crime's smuggling of Scotch whisky and Canadian rotgut into the United States. Rothstein, like Boston's Joe Kennedy, also close to the Astors' Cliveden set, acquired contracts with British distillers. The latter brought the hooch to points outside the U.S. territorial limits, and organized crime took responsibility for the merchandise from that point on.

Meanwhile, in Canada, the Baron de Hirsch's sense of humor prevailed. To meet Canada's need for a brewer of illicit hooch, the Baron's network supplied a Bronfman ("whisky-man") from the lower Danube region. Bronfman's Prohibition rotgut, rumored to taste like old socks from Russia's Odessa, later evolved into Seagram's. There was another leading brewer of rotgut, Rosensteil, whose Prohibition product evolved into Schenley's. (The difference is, the morning after drinking Seagram's, one's mouth tastes like Schenley's.)

As the Astors' private intelligence organization moved in on the official U.S. government, over the course of the late 1920s through the 1930s, Astor-linked Lansky's organized-crime apparatus became more and more a protected asset of the resulting arrangements within the Anglo-American intelligence community, and within political power as such.

Lansky's organization kept its organized-crime capabilities, but became increasingly "respectable" during and following World War II. It performed services for the U.S. intelligence community. It took control of Hollywood, and moved over into areas of popular entertainment. It moved into control of large areas of spectator sports and legalized gambling, two of the most basic methods for "laundering" of large masses of proceeds from underworld activities, and as a ruse for tax-evasion. Regular businesses, including corporate giants, found the special capabilities of Lansky's organization "useful." The booms in real-estate speculation over the postwar period, became a major factor in the combined financial operations of Lansky's syndicate and its "respectable" partners.

David Rockefeller went into partnership with Lansky and others in that curious enterprise known as "The Mary Carter Paint Company," the point of origin for Resorts International and Intertel. Enterprising attorneys and others, found services rendered to Bronfman, the Jacobs family, and other elements of Lansky's circuit a springboard to power within law-en-

forcement agencies of the federal, state, and local government, and into the inside of powerful political machines such as those of the Rockefellers and the Kennedy machine of Walter Sheridan.

With the postwar establishment of the state of Israel, Lansky and other families of organized crime found profit and respectability in becoming professionally Jewish. There were weapons to be smuggled, deals to be struck, and fundraising to be organized, activities in which gangsters could be made to appear champions of noble causes, and skim super-profits at the same time. This helped as drug-trafficking escalated as a source of big revenues, especially after Billy Mellon Hitchcock's LSD-25 coup of the early 1960s; don't get caught with the drugs as such, but there was profit in financing the "deals" through cut-outs, and more profit in laundering at fat discounts the growing proceeds of the trafficking itself. "Who, me, tied to drugs?" Lansky could protest; "Are you anti-Semitic or something?"

All the while, while Lansky's organized-crime syndicate was becoming highly respectable in Hollywood and Las Vegas (which it owned, essentially), the arrangement begun between the Astors and Arnold Rothstein not only continued, but grew closer and stronger.

Organized crime's ties to intelligence were especially close to "ex-Communist" Jay Lovestone's labor-oriented network inside the postwar intelligence community. Gangsters became "right-wing social-democrats." Take the details of the Banks case as documented in proceedings of Canada's Parliament, for example.

In the immediate postwar period, Great Lakes shipping was dominated by the Canadian Maritime Union (CMU), a Communist Party-controlled union. Banks, a U.S. felon of more muscle than scruples, was sent to Canada, as part of the postwar anti-communist labor activity of Jay Lovestone and his cronies, all with the backing of the U.S. State Department.

Banks's mayhem around Canadian Great Lakes ports the Canadian government tolerated. What upset the Canadians was the parliamentary scandal which erupted when Canadian intelligence reported that Joseph "Joe Bananas" Bonanno, had moved into Montreal, and with him a great increase in the traffic in opium from Mao Ze Dong's China. Canada did not object to Banks's bringing in help from his friends in the U.S.A., but when some of those fellows began to build up their own crime empires inside Canada, and a few homicides turned up, that was a scandal.

In the end, it was discreetly arranged that Banks would be indicted on a non-extraditable charge, and released on relatively modest bail. Mysteriously, he was able to slip past Canadian authorities, across the border into the U.S., and turned up next in New York City waters, on the private yacht of a leading national U.S. union figure.

This particular connection between Lansky's syndicate and the intelligence community ran as follows.

The key figure was Jay Lovestone. Lovestone, a Soviet intelligence asset who had been appointed head of the Communist Party U.S.A. by then-Soviet dictator N. Bukharin, fell out of power when Stalin overthrew the Bukharin dictatorship, but remained an intelligence asset of Stalin's until approximately 1938, running under such covers as what became the International Rescue Committee, and basing himself out of the New York offices of what was affectionately known by its victims as "Dubinsky's plantation," the International Ladies' Garment Workers' Union (IGLWU). Key Lovestone intelligence operations were based in the ILGWU's industrial engineering department. In 1938, Lovestone formally broke with Stalin, and upgraded his standing part-time connections to U.S. State Department intelligence into full status as Dubinsky's own "State Department socialist."

Out of this came such U.S. intelligence figures as Leo Cherne, Irving Brown, Roy Godson, and a few high-ranking names that might really surprise you. During the postwar period, during the emergence of the CIA, Lovestone et al. took control of U.S. intelligence's international labor operations, and also control of political operations in such nations as Italy. In addition to his permanent base at Dubinsky's "plantation," Lovestone and his crew ran intelligence operations through the AFL and CIO, and ran what became the AFL-CIO international department. Lovestone also maintained a key role within an organization with which he had been long associated, the League for Industrial Democracy (LID), the home-base of figures such as Michael Novak, Jeane Kirkpatrick, and the Anti-Defamation League's Irwin Sull today.

The association between Lovestone and Lansky's syndicate became so close, that the two are massively intertwined today, notably in regions such as the Caribbean drug-trafficking circuits, where AFL-CIO international department assets, funded by the U.S., cohabit intimately in political alliance with leading drug-trafficking associations.

Who is deceived by the existence of this nest within the U.S. intelligence community? The ordinary citizen, the ordinary dues-paying union member, of course. At the top? No one: The arrangement is an unbroken continuity since the Astor agreement with Arnold Rothstein, setting up what became Meyer Lansky's crime syndicate.

Who really runs organized crime?

What is the significance of the Astors, and the wealthy and influential Anglo-American families which share their peculiar tastes in assets and enterprises? You might ask the Mellons, the Scaifes, and a few others of that circle, but I doubt that they would tell you the truth.

The original Astor came from Waldorf in Germany, but, as a Tory sympathizer tied to London and Swiss circles, he skedaddled until after the heat of the American patriots had simmered down at the close of the 1776-1783 War of Independence. He returned to make a killing in Manhattan real

estate, and was responsible for more than one killing, according to one biographer, in the fur trade. The Waldorf-Astoria hotel in New York City is a monument to the family's origins. The family established a wealthy, ultimately titled branch in England, from which the family backed the Lucifer-worshiper crony of satanist Aleister Crowley, Rudolf Steiner, supported Steiner's anthroposoph spin-off from theosophy, and backed Steiner's founding of a network of schools, named the Waldorf Schools in memory of their benefactor.

The family became associated with other wealthy hard-case families who thought that the American Revolution had been a terrible mistake, and who dabbled in strange religious experiments and utopian schemes, such as Adolf Hitler, in pursuit of a new world order under which the philosophy of the Declaration of Independence and Federal Constitution could be driven from human racial memory.

The difficulty confronting wealthy families of this sort of persuasion, is that wealthy persons of their philosophical bias are a very tiny portion of the population of society at large. The power of wealth as such can go only so far in controlling society at large. They require the assistance of large organizations capable of controlling the leaderships of political parties and other governmental and popular institutions. By the nature of the business, some of these organizations must be very nasty ones, like the crime syndicate built up around Lansky.

This brings us back to the subject of the AIPAC-centered syndicate of PACs now exerting the kind of control over our Congress we saw in the Joint Select Committee's cover-up of the actual role of Michael Ledeen in the Irangate scandal. Are these fellows an "Israeli lobby"? Do they live in Israel? Do they work for Israel's national interests, or do they simply visit Israel to check on their political investments and West Bank real-estate scams there? For them, Israel is just another case of "this here deal," and their support for Israel turns out to be just another gangster's scam, from which they skim off as much as the traffic will bear.

How do they get away with this? They get away with it, because those powerful, wealthy families which use them wish to permit them to get away with it; because those families consider organized crime and its street-level political cronies a useful way of controlling the policies of the government of the United States, as well as Israel. These scoundrels immediately associated with controlling the AIPAC political-corruption syndicate are able to function, because circles higher up wish them to function in that way.

As President, I know enough to be able to steer this nation of ours out of the terrible crisis into which we are sliding. Give me a Congress which can no longer be controlled by an AIPAC syndicate or any similar sort of corrupting arrangement. Give me a Congress of intelligent and courageous representatives of ordinary citizens, and together, that Congress and I will turn the situation around.

PTL cover-up puts Justice Dept. bureaucracy on the hot seat

by Robert Greenberg

Accusations by former Charlotte, North Carolina U.S. Attorney Charles Brewer that he was fired by Deputy Attorney General Arnold Burns and Associate Attorney General Stephen Trott for pushing an early investigation into the PTL Club has moved the Department of Justice to center stage in the ongoing intelligence warfare in Washington. While Attorney General Ed Meese had seemed to be the main target within the Justice Department during the course of the Iran-Contra hearings, the focus has shifted to the role of what some Washington insiders have termed "the permanent bureaucracy" within the Justice Department in running political operations against their opponents.

The targeting of this apparatus, which began with the July decision of Independent Counsel Lawrence Walsh to subpoena all notebooks and memos of Justice Department officials pertaining to the Iran-Contra affair, is part of an effort to put U.S. policy back on a sane course, as represented also by the deployment in the Gulf. Walsh's investigation is thought to focus on the role of Trott and his associate, Criminal Division head William Weld, in helping their friends in the National Security Council by obstructing investigations into Southern Air Transport, a prime player in Contra supply operations, for involvement in drug and gun running.

Targeting this particular network within Justice is necessary, according to intelligence sources, because it has been central to most of the dirty back-channel arrangements set up between the Project Democracy crowd behind Oliver North, the Ariel Sharon faction in Israel, and the Soviets. Over the years, these arrangements have consistently resulted in adoption of U.S. policies to the benefit of either the Soviet Union or the Sharon group in Israel.

Obstruction of justice

The Brewer case provides a good example of the role that this permanent bureaucracy has played. In interviews with North Carolina news media, Brewer stated that he was ousted as U.S. Attorney in Charlotte, by top officials of the Justice Department, for attempting to pursue an aggressive investigation into the PTL Club shortly after the resignation of televangelists Jim and Tammy Faye Bakker in early May. According to Brewer, one aspect of his investigation would

have examined the potential interface between the PTL case, and aspects of the Wedtech case that had remained untouched.

By Brewer's own account, although he was told to stay out of the PTL case immediately, it was only after he mentioned this potential overlap, that Deputy Attorney General Arnold Burns and Associate Attorney General Stephen Trott forced him out of his position. Although his term of office had run out, Brewer had been assured that he would remain as acting U.S. Attorney until his replacement had been confirmed by the Senate, which did not occur until early August.

The overlap between the two cases that seemed to generate the hysteria in the Justice Department revolves around the fact that both Wedtech and PTL had given hefty financial contributions to a Bronx-based church run by Rev. Aimee Cortese. A former board member of PTL, and the sister of Rep. Robert Garcia (D-N.Y.), indicted in the Wedtech case, Cortese is also the person who originally met with PTL's Jessica Hahn to buy her silence about her affair with Jim Bakker. Many of Wedtech's directors were also Christian fundamentalists tied to PTL.

It gets much dirtier. According to both U.S. and Israeli intelligence sources, Wedtech and PTL were involved in funneling money and weapons into the Sharon faction in Israel for many purposes, including that of gun-running into Iran.

The main purpose was to support the Jewish fundamentalist terrorist network acting on behalf of Sharon's Greater Israel project, known as the Temple Mount project. That project, as documented in the *EIR Special Report*, "Moscow's Secret Weapon: Ariel Sharon and the Israeli Mafia," was a joint Israeli-Soviet operation to drive the United States out of the Mideast, and to establish a Israeli-Syrian condominium to run the region.

One of the key features of this project was the triggering of a "holy war" throughout the Mideast by the blowing up of the Dome of the Rock, Islam's third holiest site, located in Israeli-run Jerusalem, by Israeli terrorist networks under the patronage of former Israeli Defense Minister Sharon. The main funding for this came from U.S.-based Christian fundamentalist networks, including the PTL Club.

The two lines of investigation, which if properly pursued would begin to get at the truth of this sordid affair, are:

1) the longstanding relationship between Wedtech founder, Fred Neuberger, and the Sharon faction of Israel's Likud Party; and

2) the role of Wedtech's Israeli subsidiary Carmo in gun-running to Israeli terrorist networks, as well as throughout the Mideast.

Thus a competent, unrestricted investigation into this overlap would have revealed another, as-yet-untouched aspect of a joint Israeli-Project Democracy operation involving gun-running and money laundering on a broad scale. What would also be revealed, according to informed law enforcement sources, is that like convicted Israeli spy Jonathan Jay Pollard, one aspect of the Wedtech operation was the illegal funneling of U.S. defense-related secrets to the Israelis.

Covering up for the Israelis

From this vantage point, it is not surprising that top Justice officials Burns and Trott would go to such great lengths to prevent an honest investigation of the PTL-Wedtech connection. Burns's reputation as a low-key, behind-the-scenes bureaucrat, hides his longstanding ties to the U.S. side of the Sharon apparatus.

Known as a top fundraiser for Israel bonds, Burns is an active member of the Republican-Jewish Coalition established by Max Fisher of Detroit, a key figure in the U.S. side of the so called Israeli mafia. The coalition's reputation was recently called into question following the indictment and conviction of its financial chairman, Ivan Boesky, for Wall Street insider trading practices. Law enforcement sources have told *EIR* that some of the money Boesky had skimmed was used for illegal arms purchases.

Burns's law firm is also tied into the Israeli mafia through the placement of his New York law partner, Walter Feldsmann, on the board of Sterling National Bank. Founded by Meyer Lansky associate Frank Ericson, Sterling National is known as the bank of the Anti-Defamation League. Despite its undeserved reputation as a civil rights organization, the ADL is nothing more than an intelligence arm for the Israeli mafia.

Trott's relationship with this Israeli network, while of a different character, is nonetheless deep enough for him to take desperate measures such as the firing of Brewer. In his position as Associate Attorney General in charge of the Criminal Division, and responsible for overseeing the FBI, Trott has been the key Justice Department official working with the National Security Council in its Iran-Contra operations. Despite the efforts of the congressional committee to cover it up, the testimony of NSC officials, including Lt. Col. Oliver North, clearly established the deep involvement of Israel in the entire affair.

Justice Department officials such as Mark Richard, Theodore Greenberg, John Keeney, and John Martin, who serve

under Trott in the Criminal Division, also have their reasons for engaging in such a cover-up. In fact, such cover-ups are second nature to them since at least 1979, when Richard and Martin covered up the Billygate affair. If the truth behind the activities of President Carter's brother Billy had been brought to light, the policy of arming Khomeini's Iran and Qaddafi's Libya, in alliance with Israel, which got Reagan into so much trouble, would have been exposed back then.

Richard continued covering up for this operation, when in 1982 he and Theodore Greenberg, then in the U.S. Attorney's office in Alexandria, Virginia, took the Eatsco case away from Washington, D.C. U.S. Attorney Lawrence Barcella. Eatsco, or Egyptian-American Transport and Services Co., was established by Gen. Richard Secord, Albert Hakim, Defense Department employee Erich von Marbod, and ex-CIA operative Edwin Wilson, to ship weapons to various countries in the Mideast as part of the secret clauses in the Camp David accords. With the exception of Wilson, all those named above are known to be very close with Israeli intelligence. Michael Ledeen, another close friend of Sharon's Israeli faction, was also involved in the case.

Barcella had learned about the Eatsco operation in the course of his investigation and prosecution of Ed Wilson for running guns to Libya. Fearful of what might be uncovered if Barcella pursued a probe of Eatsco, Richard took the case away from Barcella, and gave it to Greenberg, who promptly arranged a deal in which the principals would merely pay a fine and walk away.

The institutionalization of the relations between the permanent bureaucracy of Justice, the Israelis, and the Soviets was the establishing of the so-called Nazi hunting unit, the Office of Special Investigations, back in 1979. Under the cover of hunting ex-Nazis, OSI is really a joint intelligence capability for a faction of U.S. intelligence, the Israelis, and the Soviets. Operations of interest to this U.S.-Israeli-Soviet network, such as the current attack on Austrian President Kurt Waldheim, and the assault on U.S. Democratic presidential candidate Lyndon LaRouche, are run through this channel.

The Brewer case, in concert with recent reversals in the witchhunt against LaRouche, is for the first time threatening to expose this apparatus and its dirty operations. Complementing these cases is the leaking of the fact that William Weld, the head of the Criminal Division, along with Mark Richard, was responsible for the fingering of Ed Meese as being the sole person responsible for the sloppy investigation of the Iran-Contra matter in its early days.

Much to the dismay of Weld, who clearly thought that this was to be the final blow to Meese, informed sources have told *EIR* that this has backfired. Meese, according to these sources, now knows that he has been set up, and is more inclined to help clean the dirt out of the Justice Department than resign. Such a move would be welcomed by a citizenry tired of cover-ups and dirty tricks.

A fresh approach to probing the Contra drug connection

by Jeffrey Steinberg

Every effort to date by the Congress and the Department of Justice to either prove or disprove the involvement of the Nicaraguan Contras in the Caribbean Basin narcotics trade, has been characterized by the identical methodological flaw. By starting from specific, discrete incidents of drug and/or weapons trafficking, and then tracing the proverbial footprints from the scene of the crime, the *Congressional Record* and the files of various U.S. Attorneys and federal grand juries have been loaded down with detailed evidence that has spread more confusion than clarity, and turned the entire issue into a political football, in broad terms pitting the Kennedy machine in Congress against the Reagan White House.

Thus the 1986-87 revelations of Contra use of known cocaine pilots from Colombia's Medellín Cartel to run guns into Contra base camps in Costa Rica, was used as a counterweight to earlier revelations by the Reagan administration, showing top officials of the Sandinista government in Nicaragua, including Deputy Interior Minister Federico Vaughn, involved with the same cocaine mafia in transshipping narcotics into the United States.

To the extent that this kind of partisan political warfare takes precedence over a concerted anti-drug effort, the only victors are the traffickers.

Therefore, a fresh approach must be adopted, to get beyond both the Sherlock Holmes and overly politicized methods that have characterized all the probes to date. The model for this fresh approach is that method adopted by *EIR* in its 1986 profile of the worldwide drug trade, *Dope, Inc.: Soviet Commissars and Boston Bankers*. The starting point, rather than the discrete incidents of drugs-and-guns trafficking, is the identification of cardinal principles of how the drug trade operates on a global scale. Those principles define a framework for efficiently evaluating any particular event under investigation.

The Soviet role in narco-terrorism

Over the past year, impressive new evidence has been

publicly released, largely drawn from the testimony of high-level Soviet bloc defectors, proving that the Warsaw Pact intelligence services, since no later than 1962, have been playing an increasingly dominant role in the international drug trade and its associated narco-terrorist insurgency. This evidence converges on the conclusion that the international drug trade is a principal feature of Soviet irregular warfare against the West.

According to Col. Jan Sejna, former secretary of the Czechoslovak Defense Council, who defected to the West in 1968, Soviet General Secretary Nikita Khrushchov, in 1962, ordered all the Warsaw Pact intelligence services to become involved in narcotics trafficking, as a means of accelerating the cultural collapse of "Western bourgeois society." Khrushchov cited Mao Zedong's effective spreading of opium addiction among American troops during the Korean War, as a model to be followed by Warsaw Pact secret services. Toward this end, in 1962, Czech intelligence officers, operating on behalf of the Soviet KGB, established a special intelligence apparatus inside Cuba, at the invitation of Defense Minister Raúl Castro. That special unit, made up largely of Cuban DGI (General Directorate of Intelligence) agents and indigenous Castro operatives in every country in Ibero-America, was initially assigned to develop in-depth dossiers on corrupt police, military officials, politicians, and business and labor leaders in every country in the Western Hemisphere, including individuals already involved in the narcotics business.

These blackmail files were to be used to control a vast network of individuals—the majority of whom were not "ideologically" committed to the Soviet or Castro brand of revolution—as part of the overall build-up of Ibero-America's vast marijuana and cocaine empire beginning in the late 1960s. Moscow's operating hypothesis in this effort, was that the spread of the drug trade would broaden the base of corrupt individuals in the West, many of whom would never realize that their accrual of vast personal fortunes, derived

from drug smuggling and weapons smuggling, was ultimately serving Soviet state policy.

Within this overall effort, Cuban intelligence agents, particularly in the wake of the Bay of Pigs fiasco, concentrated heavily on penetrating and establishing deep hooks into the very anti-Castro exile networks that were later integrated into the Nicaraguan Contra program. This element of the program was modeled on the 1917-28 Soviet "Trust A" operation, in which Cheka agents virtually took over the anti-Bolshevik Russian opposition in exile.

The emergence of narco-terrorism

Between 1967-82, according to eyewitness testimony and published Soviet accounts, Moscow's terrorist and guerrilla forces in Ibero-America were thoroughly retooled and integrated into the mushrooming drug trade. Today, no serious terrorist threat exists anywhere in the world, and particularly in Ibero-America, that is not narco-terrorist—an integrated component of the drug trade.

Even the most cursory survey of the long-term social impact of the drug trade on American and European culture draws the obvious answer to the question, "*cui bono?*" The fact that the overwhelming majority of individuals involved in Ibero-American drug trafficking are not directly Soviet or Soviet surrogate agents (with the glaring exception of the communist guerrilla groups now integrated into the traffic) does not refute the charge of Soviet control of the drug trade and narco-terrorism as a form of irregular warfare. On the contrary, it demonstrates the extent to which the Soviets have adopted sophisticated methods of irregular warfare that go well beyond any "Marxist-Leninist" dogmas.

Apart from the direct issue of Soviet and Cuban double agents infiltrated into the leading strata of the Nicaraguan Contra force, there are three principal starting points for assessing the Contra role within the Ibero-American drug business: the Israeli connection; the dope links of multinational corporations, starting with United Fruit; and the "rogue" intelligence operations which began in Asia and now reach to the Caribbean. These three elements each in turn has to be individually evaluated vis-à-vis levels of witting complicity in Soviet irregular warfare within the region.

Meyer Lansky and the Israeli mafia

Senior U. S. intelligence analysts have emphasized to *EIR* investigators that one of the key features of the present Contra leadership structure involves the historical ties between the state of Israel and the old Somoza regime in Nicaragua.

According to author William Slater (*The Pledge*), during Israel's war for independence in the immediate post-World War II period, American gangster Meyer Lansky played a prominent role in facilitating the smuggling of enormous volumes of arms and other military equipment to the Haganah underground in Palestine. Lansky drew upon his preexisting vast infrastructure of arms and drug smugglers throughout

the Caribbean region, and, in effect, integrated those criminal elements into the Haganah's international support structure. Lansky's involvement with what was known at the time as the Sonneborn Institute, named after Baltimore chemical magnate Max Sonneborn, became a model for subsequent operations up to and including the Nicaraguan Contra support program run out of the office of Lt. Col. Oliver North at the National Security Council.

During the war in Palestine, a Lansky agent named Yehudeh Arazi was given full diplomatic status by Nicaraguan chief of state Anastasio Somoza. Arazi's mission was to purchase arms for the Haganah in Eastern Europe, under the pretext that he was making the purchases for the Nicaraguan National Guard. Arazi's immediate supervisor in this late 1940s global smuggling program was Al Schwimmer—the same Schwimmer who featured prominently in the Iran-Contra arms diversion scheme.

U.S. intelligence sources familiar with the Nicaraguan Contra program report that many of the leading figures in United Nicaraguan Opposition were part of the Lansky-Israeli lobby inside Somoza's Nicaragua. Following Israeli independence, both the Lansky apparatus and the emerging Mossad secret intelligence agency repaid their debts to the Somoza regime by providing Israeli weapons and expert training to the National Guard—right up to the final moments of the regime. (Years before, however, Israeli arms merchants associated with then-Defense Minister Ariel Sharon had also taken up the Sandinista cause, providing millions of dollars in arms to the insurgents.)

By 1982, Sharon was making regular pilgrimages to Central America, installing arms dealers such as David Marcus Katz and Pesach Ben-Or in lavish offices in Mexico City, Guatemala City, San Salvador, etc., to service the civil wars spreading throughout Central America and soon to center around the Contra program.

Does the Lansky-Sharon track intersect Soviet irregular warfare capabilities? Most definitely. Among the individuals most frequently cited as the logical successor to the late mob financial wizard is Robert Vesco, the fugitive financier who has currently taken up residence in Castro's Havana. Vesco provides a bridge between the Colombia Medellín cocaine cartel and the Contra support apparatus of Gen. Richard Secord, Albert Hakim, et al. CSF, the Geneva financial management company that handled all of the secret Swiss bank accounts for Oliver North's "Project Democracy" throughout the Iran-Contra debacle, was founded in 1970 by Robert Vesco as a money-laundering channel for the looting of Investors Overseas Service (IOS).

Vesco's original money manager at CSF, Willard Zucker, a Swiss partner in the American law firm of Willkie, Farr, and Gallagher, remained with CSF even after Vesco's flight from a U.S. indictment and his later appearance as Castro's personal guest in Havana. It is widely believed that the vast majority of the money that Vesco "stole" from IOS was

Lansky narcotics proceeds, and that the funds were merely laundered into the Caribbean to provide the seed money for launching big-time marijuana and cocaine production in Ibero-America.

'Banana republic' diplomacy

In 1978, when the staff of *EIR* was conducting the original investigative work leading to the publication of the first edition of *Dope, Inc.*, officials of the Drug Enforcement Administration reported that an estimated 20% of the illicit drugs entering the United States every year from Ibero-America were coming in aboard ships owned by the United Brands Company, formerly United Fruit. In fact, the official history of the company that invented the term "banana republic," through its notorious feudal control over the economies of Central American nations, reveals that at the end of the 19th century, a combination of Boston financial interests tied to the original clipper ship opium trade (in partnership with the British East India Company), and a collection of New Orleans agents of Italian mafia founder Giuseppe Mazzini, joined forces to found the original United Fruit Company.

In more recent years, other companies, including W.R. Grace Shipping Lines, Coca-Cola, Exxon, Pepsi Cola, and Gulf and Western, have assumed similar positions of near-dominance over the economic and social lives of whole nations of the Caribbean/Central American region. Thus, Contra leaders like Adolfo Calero, a former official of Coca Cola in Managua, already had long experience in U.S. multinational-housed covert activities even prior to the sudden emergence of the United Nations Organization.

From Golden Triangle to Medellín

A former member of President Reagan's Foreign Intelligence Advisory Board (PFIAB), H. Ross Perot, has recently conducted a one-man assault on a network of "former" U.S. intelligence operatives whom he claims are up to their eyeballs in the Caribbean drug trade, in conjunction with the Contras. Among the primary targets of Perot's charges are: Theodore G. Shackley, former Deputy Director of Operations of the CIA; Thomas Clines, a close CIA associate of Shackley dating back to the early 1960s "secret war" in Laos and a major figure in the Iran-Contra apparatus; and Richard Armitage, a top Defense Department official and member of the covert operations planning group, the 208 Committee. According to a recent interview conducted with Burmese opium warlord Khun Sa, these U.S. intelligence operatives were major customers of the Golden Triangle opium trafficker, utilizing the American logistics infrastructure of the Vietnam War to realize vast profits from opium sales, much of which went to the financing of the "secret wars."

All three men were intimately involved in the original U.S. arms deals with Khomeini and with the subsequent build-up of the Contra infrastructure. Shackley, in a late 1970s book, *The Third Option*, and again in a December

1980 speech at a conference of Roy Godson's Consortium for the Study of Intelligence, spelled out a plan for the establishment of a logistical apparatus for conducting "partisan" operations, modeled on his own efforts, first in Cuba, where he was a leading figure in the Bay of Pigs disaster, and subsequently in Laos.

DEA sources, among others, have told *EIR* that a great deal can be learned of the involvement of corrupted former U.S. intelligence circles in the Medellín cocaine cartel through a careful review of the case of Harold Rosenthal, a convicted big-time cocaine dealer who claimed that he entered the drug business as part of an effort to penetrate Soviet-backed guerrilla networks in Colombia. Rosenthal, a former Atlanta bail bondsman, set up a string of private airlines, landing strips, and drug distribution networks between the late 1970s and his arrest in Bogota in 1983. His installations cover the entire Eastern seaboard of the United States.

To this day, according to DEA sources, major cocaine conspiracy cases are being prosecuted on the basis of the evidence gathered through the conviction of Rosenthal. These sources suggest that the Rosenthal case intersects the activities of the Shackley-Clines group, particularly through the intersection of Rosenthal's string of private airlines with the Southern Air Transport, a major carrier for both Iranian and Contra arms shipments.

Another area of critical importance in the overall Contra drug probe, is the involvement of Thomas Clines in the establishment of direct arms purchasing channels into the Soviet bloc. According to documents made public during the congressional Iran-Contra hearings, Clines, through a Syrian based narcotics trafficker, arranged for the direct purchase of at least one shipload of East bloc weapons in Poland. Those arms were delivered to the Contras in Honduras, through a thinly disguised set of phony end-user certificates. The ship on which those weapons were carried, the *Erria*, was the sister ship of the *Pia Vesta*, which was seized by the Panamanian Defense Forces in 1985 while carrying another shipload of East bloc weapons, these originating in the East German port of Rostock, bound for delivery to the Contras as well.

For a real war on drugs

Pivotal to a new approach to cracking the Contra cocaine connection, is the operational issue of the United States, in collaboration with the other sovereign states of the hemisphere, launching an effective military war on drugs. In March 1985, Lyndon LaRouche, Jr. issued a detailed proposal in Mexico City for such a continent-wide war on drugs. That proposal spelled out a structure of intelligence sharing and joint military operations aimed at wiping out the drug plague and, in so doing, defeating Moscow's irregular warfare program in the hemisphere. Ultimately, this approach poses the only efficient means for getting to the bottom of the specific role of the Contras in the overall narco-terrorist structure.

Elephants & Donkeys

by Kathleen Klenetsky

Dole: Don't make AIDS a campaign issue

Republican Presidential hopeful Bob Dole recently called on his fellow candidates to keep the AIDS issue out of the 1988 campaign.

The Kansas senator called reporters into his office Aug. 6, where he declared: "To try to make this a Democratic or Republican issue is a loser. It's a loser for the people involved, and it's a loser for the people we're trying to protect."

Dole also criticized one of his rivals, Rep. Jack Kemp (R-N.Y.), for having urged, in a speech last month, that the government undertake a broad program of mandatory AIDS testing. "I viewed that speech as Jack trying to capture anyone on the right side of the issue," said Dole. "I just happen to believe it's not that kind of issue."

Dole's demand is ludicrous. First, it's just not possible to prevent AIDS from becoming one of the most significant issues in the elections. The nature of the disease itself is seeing to that. As any political analyst, Democrat or Republican, will concede, the American people consider the epidemic to be of paramount importance, and want their political leaders—and especially their would-be Presidents—to have something sensible to say on the issue.

Second, given the criminal failure of the U.S. government and the American medical establishment to deal adequately with the AIDS threat, forcing a national debate is the only way to ensure that proper action is taken. One of the best vehicles available for such a debate, is the presidential campaign.

Dole is smart enough to recognize this. So why is he moving so adamantly in the opposite direction?

One obvious answer is that Dole, like the Reagan administration, is so enmeshed in the ideology of fiscal conservatism and budget cutting, that he can't bring himself to spend the money necessary to counter an epidemic which is threatening to claim millions of victims over the next few years.

But there's also a very strong possibility that Dole is propitiating the powerful homosexual network within the Republican Party—which includes the Log Cabin Club, and the network around the late Terry Dolan, the New Right activist who succumbed last year to AIDS.

In any case, Dole has staked out a particularly opportunistic position on AIDS. On the one hand, he introduced legislation this year to set up a national commission on AIDS; on the other, he has consistently opposed any form of mandatory testing. Indeed, he led the fight against an amendment, proposed by Sen. Jesse Helms (R-N.C.) in May, which would have withheld certain federal funds from states unless they required AIDS tests for marriage-license applicants. With his latest gambit, Dole is attempting to extend his AIDS protection racket from Capitol Hill, to the national election arena.

Democrats prefer Hart to seven dwarfs

Democrats are singularly unimpressed by the "seven dwarfs"—so unimpressed, in fact, that they would rather see Gary Hart as the party's nominee than any of the other officially sanctioned candidates.

That's the conclusion of a Gallup Poll commissioned by *The Nation* magazine, and released early in August. It showed that 25% of the Democrats and pro-Democrat indepen-

dents interviewed preferred Hart to the rest of the field—even though Hart was forced to withdraw from the race in May following the Donna Rice revelations. (The poll did not include Democratic candidate Lyndon H. LaRouche.)

The poll gave Jesse Jackson second place, with 13%, followed by Sen. Paul Simon with 6%. "Undecided" topped the list, with 32%.

Victor Navasky, editor of *The Nation*, said that the results indicated that "the entire army of so-called experts, editorial writers, and other pundits profoundly misjudged something important about our country, our character, and the state of public opinion."

Schroeder: Make allies shoulder defense burden

Rep. Pat Schroeder (D-Colo.), on the verge of becoming Snow White to the seven dwarfs, has unveiled a new ally-bashing proposal which she intends to make a major plank of her campaign, if she decides to become a candidate.

Discussing her "burden-sharing" plan in the Aug. 6 *Los Angeles Times*, Schroeder said it would require Japan, Canada, and the European allies—"an ungrateful little bunch!"—to contribute the same share of their gross national product to defense that the United States contributes. This would require substantial increases in these countries' defense budgets—which would, of course, make it more difficult for them to import U.S. goods, as the United States is demanding.

Countries that refuse to go along with the proposal would face a "service charge" or import fee on goods imported by the United States.

The proposal is vintage Schroeder: A supporter of NATO "decoupling," she introduced legislation last year to reduce American troop commitment to Western Europe by 50%.

National News

D.C. 'suddenly' faces AIDS emergency

"To operate as if AIDS is a gay white disease is to risk suicide," said Washington, D.C. health commissioner Dr. Reed Tuckson at the Aug. 6-7 AIDS conference held in Atlanta by the Centers for Disease Control and the Health and Human Services Department.

Tuckson said Washington was a good case study of a city suddenly confronted with a costly and deadly AIDS epidemic it cannot afford. "We have 100,000 people without medical insurance," Tuckson said Aug. 6.

"Last year, our hospitals had to absorb over \$100 million in bad debt. We have more black males in jail than in college. We have a large IV drug community, and many sexually active adolescents. . . .

"There is simply not enough money in D.C. to take care of this disease—not next year, not five years from now. The federal government has got to enlarge its concept of responsibility. It's not just research dollars we need—although we need research money."

Tower calls Congress probe 'political theater'

Tower Commission chairman John Tower, speaking at a breakfast meeting with reporters, commented on the Iran-Contra congressional investigation: "I would classify the whole thing as political theater. Nothing really new came out."

Tower, the former senator from Texas and chief arms negotiator in Geneva, headed the commission initially appointed by President Reagan to look into the Iran-Contra funds diversion last January. It produced its report in April, revealing some details of Oliver North's shenanigans while covering up what Sen. David Boren would later refer to as a "secret government," of which North et al.'s operations were only a small part.

Tower also said the public would have been better served had the congressional

hearings been held in private.

He added, "I don't think the Congress came out looking as good as they thought they might." The hearings backfired because "Ollie North became a hero, public support for the Contras was enhanced, and no smoking gun was found."

ABA: Make permanent independent counsel law

A recommendation that the U.S. law be made permanent authorizing appointment of independent counsels to investigate high-ranking government officials was made by the criminal justice section of the American Bar Association Aug. 11.

The recommendation was announced at the ABA's annual convention in San Francisco Aug. 11.

Currently, the independent counsel is appointed under an authorization expiring every five years. Supporters of the recommendation said the importance of the statute to perceptions of fairness has been proved and should "not have to be revisited every five years."

The proposal also endorses the constitutionality of the law, saying: "Our studies convince us that, despite the recent highly publicized attacks on the constitutionality of this law, the independent counsel provisions . . . are fully consistent with the letter and the spirit of the Constitution."

AIDS 'science city' becomes campaign issue

A congressional candidate in Connecticut has proposed the building of a "science city" to be inhabited by AIDS-infected persons and researchers as a way of conducting a "War Against AIDS."

Nicholas Tarzia is a "LaRouche Democrat," running on the independent "War Against AIDS" ticket, for the seat vacated by Stewart McKinney, who died of AIDS. He has proposed that the \$350 million state budget surplus be used to construct a "sci-

ence city" to treat AIDS patients with the most advanced technologies while researching a cure.

On Aug. 11, Tarzia held press conferences in Bridgeport, Norwalk, and Stamford, Connecticut to reiterate his call for Connecticut Gov. William O'Neill to declare a state of emergency on AIDS. Tarzia also made public his proposal for the governor to spend the \$350 million state surplus on building an AIDS research city called "Constitution City."

Said Tarzia, "This science city could be centrally located in the state and should offer state medical and technological industries contracts to establish research centers there. Connecticut has many high-technology and medical firms which can fulfill these contracts and do groundbreaking research into optical biophysics"—the field of science which studies the electromagnetic properties of living tissue. He counterposed this approach to the "cost-cutting euthanasia approach" now prevalent.

Tarzia was quoted in many Connecticut papers, as well as WNBC radio in nearby New York City, saying: "Many in government are saying we cannot afford to spend such enormous amounts of money, and some in the medical and insurance fields are promoting hospices, living wills, and legalizing suicide. We must not become a nation of murderers."

Navy Seal Team under investigation

Seal Team Six, the Navy's secret hostage rescue team, is under investigation for financial misconduct, reported the *Washington Post* Aug. 11. So far, one former member of the team has been indicted, and two others have pleaded guilty to a court-martial on theft charges.

Investigators are examining "a roomful" of records dealing with expenditures in the millions of dollars since the classified counterterrorism team was formed in 1980.

Seal Team Six is said to have been sent to Grenada during the 1983 U.S. invasion, and also to have been dispatched to the Middle East during the *Achille Lauro* hijacking

in 1985. Some team members are said to have been in Beirut as part of the search team for CIA station chief William Buckley, who was killed by an Iranian-backed terrorist group.

The investigation began in late 1985. Questions being considered by investigators concern the rules under which such secret groups may operate, and their accountability.

The Seal Team investigation mirrors the investigation into the Army's hostage rescue team, Delta Force. "You can't create special units and then, in a fit of exasperation, let them run on their own. That's the services' attitude," the *Post* quotes a Pentagon official familiar with the units. "Without leadership anything can go wrong and the least of the reasons is venality. There are questions of accountability all the way up the line."

Seal Team Six intelligence specialist Chuck Voyles and his assistant, Christopher Angel, pleaded guilty in separate Navy courts-martial last year of stealing \$2,650 and \$1,435, respectively, by filing phony vouchers. Richard Marcinko, now a captain, was the first commander of Seal Team Six when it was set up in 1980. He is a defendant in a federal suit by the Navy, but has not been charged with any misconduct.

House members back 'supercollider'

More than 200 members of the House of Representatives have introduced legislation to authorize the multibillion-dollar superconducting supercollider, including leaders of the House Science, Space, and Technology Committee, the *New York Times* reported Aug. 10.

"It's the biggest public works project in the history of the United States," said Robert Roe, the panel's chairman. The New Jersey Democrat also said that more than 30 states are vying to win the basic physics research facility for superconducting technology, which advocates say will provide new insights into the nature of matter, leading to breakthroughs in medicine and energy.

The supercollider would whirl beams of

protons around a 52-mile near-circular tunnel and smash them into each other with an energy 20 times the maximum now possible.

Fusion breakthroughs reported by Livermore

Nuclear fusion researchers report that Lawrence Livermore National Laboratory has scored a major advance toward harnessing laser pellet fusion for electric power production and rocket propulsion. At the same time, scientists at San Diego's GA, Inc., working on the U.S.-Japan Doublet III tokamak, report that they have experimentally achieved the confinement efficiencies needed for magnetic fusion power reactors.

A tokamak is the Russian acronym for the donut-shaped magnetic plasma device that has produced the best results to date in the effort to fuse the nuclei of hydrogen atoms to provide energy, by the same process occurring in the Sun. The tokamak uses a magnetic field to confine the extremely hot, ionized gas called plasma. In laser pellet approaches to fusion, technically called inertial confinement fusion, a laser beam is used to implode a pellet of fuel.

The Livermore laser fusion breakthrough came on their Nova laser system which achieved a 30-fold radial compression of fusion fuel pellets. The previous record was 5 to 10 radial compression. This is nearly 75% of what is needed for the high gain, net energy-producing laser fusion pellets needed for electric power production and rocket propulsion. (Gain is a technical term, signifying the ratio of energy output to energy input.)

Researchers at GA, Inc. working on the Doublet III tokamak report achieving high temperature plasma betas in excess of 6% for the first time. Plasma beta measures the efficiency by which the magnetic field insulates and confines hydrogen fusion fuel plasmas—a hot ionized gas, (i.e., a gas whose atoms have been stripped of their electrons by intense heating). Plasma betas of 6% are the projected minimum efficiency needed to realize economical power plants based on the tokamak approach.

Briefly

● **STEPHEN TROTT** of the U.S. Justice Department is seeking to indict Panama's Gen. Manuel Noriega on trumped up narcotics charges. According to the *Los Angeles Times*, Trott called a meeting July 16 to "pull together what we had on him to see if it was prosecutable," sources in the Drug Enforcement Administration report. The DEA is said to oppose the move.

● **A REPORTER** for the *Washington Post* has died of AIDS, the newspaper has reported. Bernhardt G. Mingia died on July 17. He worked as an editorial aide at the *Post*; he was the third person in the company to die of AIDS, the first in the newsroom.

● **ZBIGNIEW BRZEZINSKI'S** argument that the U.S. Persian Gulf deployment is a testament to U.S. weakness, and that Washington should try to deter Iran through threats of retaliation, rather than action, is "ridiculous," Defense Secretary Caspar Weinberger declared in a television interview Aug. 9.

● **THE NEW JERSEY** Catholic Conference of Bishops on Aug. 5 issued a strongly worded seven-page pastoral statement denouncing the "evils" and "blatant immorality" of pornography.

● **JUDGE ROBERT BORK** "has a slightly better-than-even chance of being confirmed" in his appointment to the Supreme Court, said presidential candidate Sen. Joe Biden, chairman of the Judiciary Committee, in a taped Aug. 11 interview with a reporter from the *San Diego Union*. Said Biden, "I don't know whether or not the nomination can be stopped."

● **HEROIN ADDICTS** in New Jersey's Hudson County are giving up their syringes and turning to drugs that can be snorted or smoked, according to the *Dispatch* newspaper, citing staff members of the county's drug treatment clinic.

Wall Street Journal's immorality

The gentlemen, so-called, of the *Wall Street Journal's* editorial page, no friends of ours for many years, for once, displayed their swinish morality in public, in the form of an editorial titled *Prosecutorial Indiscretion*, in their Aug. 13 edition, wholly devoted to a shrill, hysterical attack against Irangate's Independent Counsel Lawrence E. Walsh, the so-called Special Prosecutor. The *Wall Street Journal's* editorial argument, simply summarized, is: *Do not allow that s.o.b. Walsh to prosecute anyone involved in the illegal, secret government behind Irangate.*

The *Journal's* editors essentially accuse Mr. Walsh of nurturing a personal morality which is in direct conflict with the judicial policy of the Department of Justice. The personal moral code of Mr. Walsh which the *Journal* finds intolerable, is summarized in the following passage from a speech Mr. Walsh gave at the recent American Bar Association convention. The quotation is taken from the *Journal's* editorial which cites it:

"The New Testament, like the Old, embodies a horror of falsehood; for example, the sin of lying to the Holy Spirit through Apostle Peter, Ananias and his wife Sapphira were struck dead. From their origins in the Bible, truth and the rule of law took root in the common law of England in the Middle Ages. . . . The English Revolution of the 1640s and the Glorious Revolution of 1688 settled that the King was indeed under the law." Upon hearing such unheard of praise for truth and law, the righteous Pharisees of the *Wall Street Journal* proceed to tear their blow-dried hair and rend asunder their robes. Why, they howl in indignation, this man Walsh believes that he is not answerable to anyone but the law—or, in their words:

"Mr. Walsh clearly sees his post as anything but an 'inferior officer' of the executive branch, and sees himself answerable to no one save his own vision of justice."

To whom, we ask the Pharisees and scribes of the *Journal*, should a judge hold himself answerable, if not to his innermost "vision of justice"? Is not justice, more than any other service and function of government, supposed to be the most independent, the most incorruptible, the most sovereign, the one which, more than any other is

answerable to no one save its own conscience? Is not this sovereignty of judgment what has made justice what it is across the ages?

No, the *Wall Street Journal* scribes counter. Judges must hold themselves answerable not to their inner vision of justice, but instead to a certain corporate lawyer from Maryland, namely Benjamin Civiletti, the Carter administration's Attorney General. What the *Journal's* scribes particularly admire of Civiletti's many legal accomplishments, is his theory of selective prosecution which, under the official title of "prosecutorial discretion," was applied in the infamous "Brilab" and "Abscam" travesties of the Carter era. This Civiletti Principle of Federal Prosecution, the Bible of Justice Department black-bag jobs against political opponents, in part, was concocted to "promote the reasoned exercise of prosecutorial discretion . . . a determination to prosecute represents a policy judgment that the fundamental interests of society require the application of the criminal laws to a particular set of circumstances."

Because Mr. Walsh threatens to prosecute the criminals behind the secret government which has nearly shipwrecked the United States, the *Journal's* scribes believe that "Mr. Walsh, in short, has abandoned the whole of prosecutorial discretion."

The Civiletti doctrine of selective prosecution was written for the purpose of selectively targeting the *Wall Street Journal's* editorial page's scribes' enemies, and not their friends in McFarlane's and Poindexter's National Security Council. The Civiletti doctrine was supposed to be applied against the enemies of Leo Cherne's and Edward Bennett Williams's President's Foreign Intelligence Advisory Board, in short, for those who know, against the enemies of "The Trust," and not against its friends, as Mr. Walsh now threatens to do.

The *Journal's* scribes played a dark, yet untold role in mobilizing Justice Department "prosecutorial discretion," or "selective prosecution," against *EIR*. No wonder they now come to the rescue of their corrupt fellows in the Justice Department.

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EIR

Why this is the most controversial publication in the West

The Philippines' debt

Two years ago, in our Aug. 16, 1985 cover story, *EIR* revealed the Soviet government was backing the International Monetary Fund's austerity policy for the Philippines. In March 1986, when Corazon Aquino took power, we wrote that if the new government "accedes to deals with the IMF and the World Bank on the terms these supranational strong-arm organizations set, she will . . . have doomed the Philippines' economy and her government." We had the exclusive story that the fight against Central Bank chief Jobo Fernandez "is the key internecine struggle within the new government."

August 1987: The consensus of the Filipino Senate is that Fernandez and Finance Minister Jaime Ongpin should resign, after senators heard two days of testimony from Ongpin and Fernandez on their debt agreement with the country's bankers. The senators cited the Vatican document on the debt as justification for the country refusing to pay out on the Ongpin-negotiated scheme.

Khomeini

Nine years ago, *EIR* began its campaign to stop U.S. support for Khomeini, when the fanatical "ayatollah" was operating in exile from Paris. In 1980, *EIR*'s editors broke the story of U.S. secret arms running to Khomeini by publicly opening the "Cyrus Hashemi file." In 1984, *EIR* founder Lyndon LaRouche exposed Khomeini's war against the United States and demanded that the U.S. mount all necessary **military** resistance to the terrorist regime.

On Aug. 12, 1987, White House spokesman Marlin Fitzwater referred all substantive questions on the Gulf to the Pentagon and stated that "new rules of engagement" are in force since the *USS Stark* incident. Washington's steady support for Khomeini has been withdrawn—after nearly 10 years!

Summit

In our **March 20, 1987** issue, Lyndon LaRouche reported "increasing signs" that a 1987 Reagan-Gorbachov summit on the proposed "zero option" for European medium-range missiles may not occur.

On Aug. 10, chief Soviet arms negotiator Viktor Karpov stated that the U.S.S.R. has "exhausted all our resources for further concessions," and that an INF agreement is "quite near" **only** if the issue of the Pershing 1As is resolved according to Moscow's desires.

EIR: Knowledge is leadership.