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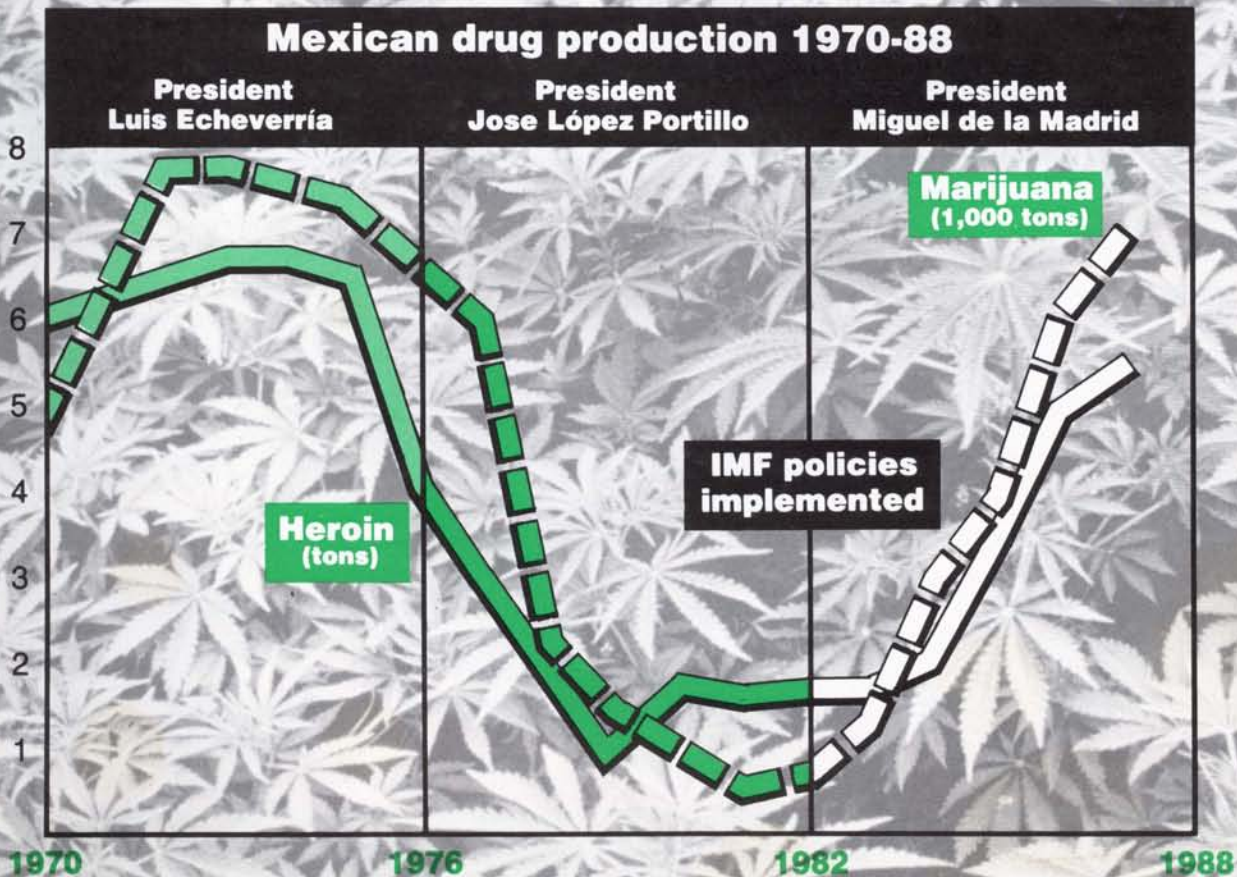
Executive Intelligence Review

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Giuliani takeover of Teamsters 'totalitarian'
Anti-defense budget-cutters set up Pentagate
Malaysia teaches neo-colonialists a lesson

How the banks got hooked on
Ibero-American drug money



The trail leads from Russia's KGB . . . to Shabtai Kalmanowitch . . . to Armand Hammer . . . to George Bush.

Now, for the first time, *EIR* tears the mask off Vice President George Bush's full and witting involvement in the Irangate scandal—and in Moscow's takeover of the U.S. intelligence establishment.

EIR

SPECIAL

REPORT

The Kalmanowitch Report:

Moscow's Moles in the Reagan-Bush Administration

with a preface by Lyndon H. LaRouche, Jr.

On December 23, 1987, some were shocked at the news that Israeli playboy and arms trafficker Shabtai Kalmanowitch had been caught working as a top agent for the Soviet KGB. But it was no shock to George Bush's "secret government," which had just finished brainwashing President Reagan into accepting Moscow's phony "peace" treaties.

For more than 20 years Moscow has been using the Israeli intelligence services as a conveyor-belt to place its agents high within the U.S. government. And although "little fish" Jonathan Jay Pollard was caught passing U.S. secrets to Israel—and from there to the KGB—the man who recruited Pollard still walks free at Tufts University in Massachusetts.

The threads of the Kalmanowitch story lead into the most sophisticated sorts of Soviet warfare against the West: from the brothels and casinos of Bophuthatswana in South Africa, to the burgeoning Russian mafia in the United States, to the "State Department socialist" Roy Godson, to Soviet agent Armand Hammer, and directly into the Reagan-Bush White House.

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From the Editor

This past spring, Baltimore Mayor Kurt Schmoke kicked off the most intense campaign of calls for legalizing narcotics seen to date in the United States. The media were soon filled with “authoritative” appeals for making everything from marijuana to heroin legal. Some even argued that this would be a good source of tax revenues to bolster the flagging economy.

The dope cartel, speaking through such political marionettes as Schmoke, asserts that it has proven that the war on drugs cannot be won, and that governments should surrender.

In this issue, a team of *EIR* researchers proves that the war on drugs has yet to be launched. We took the case of Ibero-America, the source of most of the cocaine and marijuana consumed by American and Western European youth.

Country by country, the statistics prove that the debt collection policies of the International Monetary Fund, consistently and fanatically backed by both the Carter administration *and* the Reagan administration, have forced the mass production of narcotics in order to make the fabulous profits required to pay an illegitimate debt. Country by country, these same statistics show that this transformation has killed the productive economy of entire nations.

The only way to stop the drug scourge is to bring to power in the United States, a government that has the guts to “just say no” to the international banks. Although absolutely necessary, even interdiction, eradication, military raids, and confiscating the wealth of the drug profiteers will not suffice, at this point.

Can it really be imagined that impressionable youth in the so-called advanced sector will be able to “just say no” to the overwhelming power of the dope cartel, when for the past 12 years and more, no U.S. President has had the courage to “say no” to the banks which have made the dope cartel the world’s biggest business?

The next issue of *EIR* will come out on July 22, as we take our customary summer holiday and the editor will be assembling a first-hand report on the struggle between nation-builders and drug traffickers, in Colombia and Peru.

Nora Hamerman

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Food cartel stages grand theft of scarce U.S. grain

by Bob Baker and Marcia Merry

In the summer of 1972 occurred the "Great Soviet Grain Robbery." Huge Soviet food purchases of U.S. grains were made, through channels of the famous grain cartel companies (Continental, Cargill, Bunge, André/Garnac, Louis Dreyfus). Grain prices then soared, giving the cartel huge contrived profits. Then the State Department negotiated ongoing Soviet-U.S. grain and shipping protocols that guaranteed, in the name of "stability of the markets," unprecedented strategic food imports and freight advantages for the Soviet Union, and more power and profit to the cartel.

Today, in the summer of 1988, a process is under way which makes 1972-73 seem minor by comparison. As of the end of June, the combined impact of the drought and the cartel-serving policies of Washington, D.C., is creating a situation of food shortages and price control by the cartel, on a scale unprecedented in history. So far, federal and state policies have not only been ineffectual in relieving the devastation from the drought, but worse, decisions have been made to enhance the ability of the cartel to wield "food power" under conditions of catastrophe. At the end of June, U.S. Department of Agriculture officials insisted on continuing the infamous "Export Enhancement Program," which has functioned to draw down grain stocks. Department of Agriculture officials also declared new orders for the "Farmer-Owned Grain Reserve" that will facilitate cornering scarce grain stocks by cartel companies.

The scale of the looming food shortages and price hikes is so great, that what is required is a national grain audit and immediate cessation of all grain exports, pending determination of stocks and allocation priorities. First let's consider the extent of the drought, and then the factors causing short-

ages and cartel control.

As of July 1, the late June showers across the U.S. food-belt had been insufficient to replenish soil moisture levels and to restore the parched, stunted crops. The durum wheat belt of the Northern Plains and Canadian prairies is a disaster. Of the 3,106 designated crop-producing counties in the nation, fully half had been declared drought disaster areas by June. In all regions, the cattle kill—because of the lack of water, pasture and soaring feed prices—promised a meat supply emergency. The meat in the stores may be "there now, but gone tomorrow," considering how many breeding animals are being slaughtered.

Drought conditions also prevail in other world breadbasket regions—Mexico, the southern Caribbean, North Africa, and the North China Plain.

Low harvests on this scale would strain Western food stores at the best of times, but in recent months, U.S. grain reserves have been deliberately drawn down by huge shipments to the Soviet Union. According to Department of Agriculture reports, 4.1 million metric tons of U.S. wheat were contracted for the U.S.S.R. in 1986-87; and so far this trade year, 9 million metric tons have been contracted already. By the Department of Agriculture's own overstated estimates, U.S. stocks of wheat in public and private warehouses would fall from 49.56 million metric tons in 1986 to 21.3 million tons by next spring.

This amounts to only 72% of projected domestic needs—the lowest level since 1976. If 1988-89 wheat exports of 40.8 million metric tons occur as the Department of Agriculture projects, then the American consumer could see wheat supplies sink below projected 1988-89 domestic needs by 67.6

TABLE 1

High export levels and dry weather will eliminate U.S. wheat stocks

(millions of metric tons)

	1987-87*	1987-88*	1988-89*	EIR Drought projections, 1988-89
Beginning stocks	51.85	49.56	33.64	33.64
Production	56.93	57.29	57.70	34.62
(-40%)				
Imports	0.57	0.41	0.40	0.40
Exports	27.32	43.55	40.80	40.80
Domestic needs	32.46	30.07	29.70	29.70
Ending stocks	49.56	33.64	21.30	-1.84

*Source: U.S. Dept. of Agriculture

million bushels, with no carryover stocks.

Most of the increased grain exports to the Soviet Union were arranged under the Export Enhancement Program (EEP). This scheme was first tried in May 1984, then incorporated into the 1985 National Food Security Act. Under the plan, the international food trading companies of the cartel are given millions of dollars worth of "generic crop certificates" by the Department of Agriculture. The companies redeem these certificates for Commodity Credit Corp.-owned stocks, and offer grain at discount prices to importing nations of preference. Through the EEP, the food cartel companies have received \$2.1 billion worth of grain certificates since 1985. Of the grain itself, about 45% of the wheat that has passed through the EEP program has gone to the Soviet Union and China, at a sweetheart price discount of from \$32-46 a ton.

The promoter of this swindle was former Undersecretary of Agriculture Daniel Amstutz, a 25-year Cargill man, who joined the Department of Agriculture in 1983. His replacement since 1987 is Richard W. Goldberg, who, as late as the end of June, reiterated the department's commitment to the Export Enhancement Program, despite the drought and low reserves: "We have ample stocks to take care of supply and demand. We're reviewing the market all the time. There's no reason to discontinue the current program." Agriculture Secretary Richard Lyng told reporters June 24 that he would not alter or halt the program, and that supplies were ample.

In practice, what Lyng and others mean, is that they will do everything to assist the cartel companies' access to short grain supplies. On June 28, the Department of Agriculture activated changes in the terms of the Farmer-Owned Grain Reserve Program, opening up grain for cartel purchase advantage, and taking away the opportunity of the farmer to control the product of his labor for his own good, and that of the nation.

TABLE 2

Soviets import lion's share of U.S. wheat, 1984-85, 1987-88

(millions of metric tons)

Trade year	Total exported by U.S.	Total imported by U.S.S.R. from U.S.	Soviet purchases as % of U.S. wheat exports	U.S. wheat as % of total U.S.S.R. wheat imports
1984-85	38.80	2.9	7.50%	10.3%
1985-86	24.90	0.2	0.8%	1.2%
1986-87	27.32	4.1	15.0%	25.6%
1987-88*	43.50	9.0	20.0%	41.0%

*As of May 10, 1988

The Farmer-Owned Reserve Program was introduced a few years ago, nominally to allow farmers some protection from having to sell their grain at losses when the market price was low. Under the plan, a farmer can contract with the government to keep his crop in storage, get a loan from the Department of Agriculture based on a government-determined price per bushel, and have the government pay the farmer some figure for the annual storage costs, for a term of three years. Then, the grain can be forfeited to ownership by the government, or sold by the farmer and the government loan paid back.

On June 28, the government lifted the three-year requirement for corn, and said that as of Aug. 1, if the market price for corn is above \$3.03 a bushel (as it will be), then the farmer is "free" to sell it, repay his federal loan, or else, if he chooses to keep the grain, he must pay the government for storage and pay interest on the loan.

What this does, is guarantee that the farmer will be pressured to sell his grain for a pre-peak price. Cartel grain trading companies will be able to buy grain at an under-peak price, and then stand ready to massively jack up the price, and control sales and allocation decisions. Piracy looks moral compared to what we see about to happen.

Local reports from farmers around the country show that the Department of Agriculture has dramatically overstated grain stocks. All along the grain "pipeline," there are outcries about the crisis. The Independent Bakers Association, a trade group representing 300 companies, has called for a suspension of the Export Enhancement Program.

By suspending grain exports and auditing true stock levels, allocation decisions can be made to maximize provision of cereals for human consumption—both at home and for points of need among allies, to preserve the domestic meat animal breeding stock, and to eliminate for a stated period of time any other non-essential uses of grain.

'Free Market' reforms made food reserves vanish even before drought

by William Engdahl

The world is without adequate food security to face the double crisis this year of widespread drought and unprecedented locust infestations. But even before drought began to threaten, world reserve stocks of cereals had dropped to what even the international monitoring agency, the Rome-based U.N. Food and Agriculture Organization (FAO), regarded as the "danger line." Anticipated huge shortfalls have thrown power into the open arms of a tightly-knit group of approximately five or six multinational cereals trading companies, in much the same way that the 1979 disruption of petroleum supplies allowed seven large multinational firms to manipulate world price rises for oil to unheard-of heights of \$40 per barrel—up from around \$2.50 only six years before.

The cushion is gone

Cereals inventories include wheat, coarse grains such as high-protein soybeans, and rice. These grains can be stored up to seven years without serious damage under proper conditions. Since they are the linchpin for world food supply, they are considered the most important reserve to ensure against catastrophes of weather or wars. Most governments use a baseline level of reserve stocks equal to 25% of annual cereals production as adequate levels. The FAO calls cereals stock levels of 17-18% the "minimum required for world food security," in order to avoid major dislocations in the world food supply.

As of the end of May, the FAO had calculated an already alarmingly low level of world cereals "ending stocks" by the end of the 1988-89 harvest year. It estimated world cereals production at 1,674 million tons, against global consumption of 1,727 million tons. Previous ending stocks would therefore be drawn down for the second year in a row, leaving only 330 million tons for the entire world. This would be at the threshold level of 18.5% of consumption, "a level close to the minimum FAO considers necessary to safeguard world food security," states the May 30 official FAO *Food Outlook*.

According to a spokesman for the FAO's Global Early Warning System on Food and Agriculture in Rome, "Now, with the U.S. drought, we must revise our estimates." Back in May, the FAO had estimated 279 million tons for the U.S. cereals harvest. It now calculates that even an immediate end to the drought in North America would cut that to perhaps 230 million tons, "which would bring world ending stocks down to 16.5-17%. This is below the minimum required."

The problem with even these FAO calculations, is that

they rely on the U.S. Department of Agriculture's extremely low damage estimates. Damage is currently estimated at 14%, but according to U.S. national farmer organizations, it is far worse, ranging from 30-50% loss depending on the crop, even assuming immediate and adequate rainfall levels. This would drop world cereals stocks to the record lows of the early 1970s, 14.5%, or even as low as 11%, assuming a 50% harvest loss figure in the United States.

According to the FAO and leading European grain experts, the world "surplus" of cereals, subject of much heated media rhetoric, was never an alarming "glut." At the highest levels, after the record harvest of 1984-85, world cereals stocks never reached more than 1% above the "adequate" level of 25%. For the past two years, they have been sharply falling below that level.

In 1974-75, the FAO records show that world cereals ending stocks dipped to panic lows of 14.5%. A world food crisis was declared. The FAO held a World Food Conference in Rome to discuss the crisis.

In every harvest since the mid-1970s, the world has never had anything approximating a cereals glut. It has been, as one European grain trader admitted, a crisis of "underconsumption, not overproduction." The global debt crisis and oil price inflation of the late 1970s simply forced millions of world cereals consumers in Africa, South America, and elsewhere to starve as they were unable to pay for imports. The multinational trading companies responded to their "market loss" by forcing unprecedented changes in the world's most productive agricultural regions to tighten supply to levels dangerously close to the annual consumption. Government reserve stocks have been sold off in recent months at hugely subsidized prices to private conglomerates such as Cargill. Now those companies are holding onto their stocks, as market prices soar globally. Official USDA statistics show that, for the past three years, a record 92 million acres—equal to the entire arable acreage of France and Spain combined—have been idled through U.S. government "set-aside" or "acreage conservation" programs.

The great Russian grain robbery

In 1972-73, a scandal of immense dimensions erupted when it was discovered that certain multinational trading companies had exported almost every grain of reserves, at huge U.S. taxpayer subsidy, to the Russian state grain monopoly, Exportkhleb. The origins of the current cereals sup-

ply crisis trace to this period. Under the 1972 U.S.-Soviet Grain Agreement, negotiated by then-Secretary of State Henry Kissinger, Russia became the largest buyer of grains on international markets. This corresponded to a shift in Soviet policy: Instead of slaughtering their cattle herds to compensate for frequent harvest shortfalls, they turned to importing grains and continued building their vital beef herds. Ironically, over the past decade and a half, the United States appears to have reverted to precisely the opposite policy, with the USDA policies encouraging record levels of premature slaughterings of U.S. breeding herds, herds which will require decades to rebuild to sufficient quality.

In 1972-73, Exportkhleb imported an astonishing 19 million metric tons of grains from the United States alone, primarily from Cargill and Continental Grain. This represented fully 75% of all grain traded commercially in the world that year. Because of the generous government subsidies which Dr. Kissinger arranged, the scandal was dubbed by the press "The Great Grain Robbery." The government claimed "poor information," and the companies claimed ignorance. From that point until today, the Russians have claimed control of world cereals trade as the largest international buyer, changing the face of world food supply control in tandem with the large multinational grain trading conglomerates with whom they have dealt since 1972.

And today, Henry Kissinger sits on the Board of the Cargill Corp. of Minneapolis.

Bank Failures

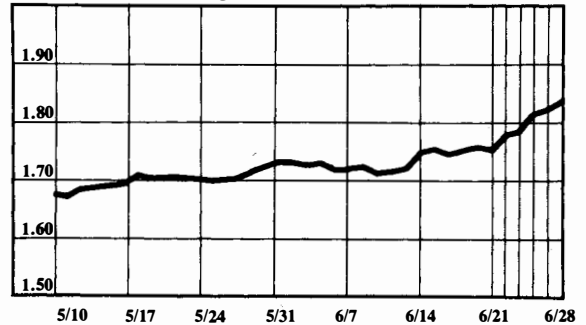
On June 17, the **Liberty Bank of Seattle**, in Seattle, Washington went bankrupt. It had assets worth \$19 million. The **Bank of Westminster**, in Westminster, Colorado, was closed on the June 22. Three other banks in Texas also failed in the week ending June 24. Two smaller banks in Texas, the **Tri-Cities Bank and Trust** in Glenn Heights, with assets worth \$9.6 million, and the **Texas National Bank** in Victoria, worth \$12.5 million were closed that week, as well as the **North-west Bank and Trust** of Houston, with assets totaling \$100.9 million.

On Wednesday, June 29 the **Claiborne Bank and Trust Company** in Homer, Louisiana, with total assets of about \$12.6 million, was closed. The **Republic National Bank** of Norman, Oklahoma, with total assets of about \$27.2 million was closed on Thursday, June 30. Two other Texas were also closed on Thursday, the **First National Bank** of Sherman Texas, with total assets of about \$25.2 million and the **Mercantile Bank and Trust** of San Antonio, Texas, with total assets of about \$82.3 million.

Currency Rates

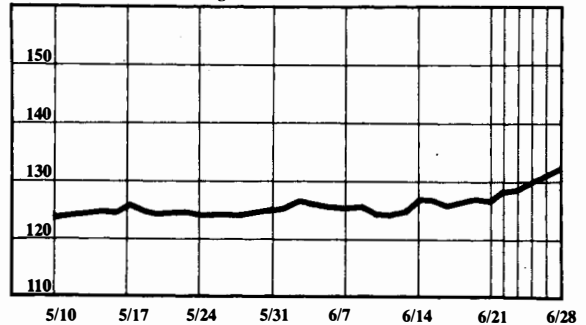
The dollar in deutschemarks

New York late afternoon fixing



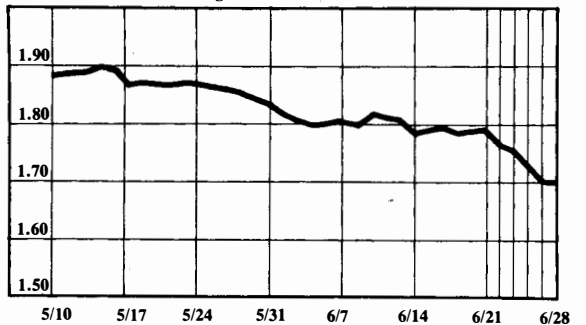
The dollar in yen

New York late afternoon fixing



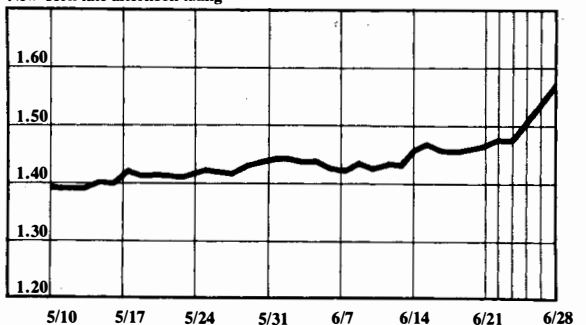
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing





Freeing the farmer from the cartel: a 'Mattei solution' for southern Italy

A former Italian senator who now heads the state trading company Italtrade, Vincenzo Carollo has come up with a plan to overturn the international food cartel's control over both Italian food produce and international markets.

Today, the products of the very poor region of southern Italy (the "Mezzogiorno"), especially agricultural products, are purchased at bargain prices by the giant food cartel companies, which resell them on the international market, making astronomical profits. Senator Carollo wants to capsize this system by using Italtrade, which he presides over, as an instrument to assure 1) a just remuneration to the producers, and 2) creation of a state company to market southern products' abroad.

The former vice chairman of the Christian Democratic group in the Italian Senate was interviewed in June by Maria Cristina Fiocchi and Giuseppe Filippini for the Italian weekly *Nuova Solidarietà*, which made the interview available to *EIR*.

Q: Senator Carollo, you have an ambitious project for re-launching southern [Italian] agriculture by promoting its sale, at competitive prices, on world markets. In this context, we have read your statement to journalist Edoardo Borriello, in *La Repubblica* of April 26, in which you put forward Italtrade as the most appropriate institution for marketing Italian products abroad. But in the same article, it is reported that Professor Capaldo, the commissioner designated by the Agency for the Mezzogiorno, would tie the government's decision to fund Italtrade, to the firm's abandoning its role of directly marketing the products of the Mezzogiorno.

Carollo: Let's be precise. Professor Capaldo said that, in his opinion, it would be better for Italtrade to undertake a promotional, informational, public-relations and financial-services type of activity, etc., with the aim of facilitating third parties' commercial activities. It would rule out, in his view, the task of marketing, which has other protagonists, but which could be aided by means of financing and credits.

At this point one wonders: If Italtrade undertook only that task, which in itself is very important, would the Mezzogiorno's problems automatically and effectively be resolved? We all know that the Italian Mezzogiorno's economy is negatively out of proportion with the North's, not only because there are fewer factories and fewer employed workers, both in industry and in agriculture, but also because it is hard for Mezzogiorno operators to routinely sell their products outside the major commercial channels which typify northern Italy and the rest of Europe.

Q: In other words the big monopolies.

Carollo: Or the big groups. In short, can the southern farmers sell their oranges in Europe by using the narrow and tenuous paths presently at their disposal? No! It is impossible for the Mezzogiorno's agricultural businessmen to place their products in Germany, in France, in England, etc., because commercial agreements for a few million liras which are typical of our small southern producers are not taken into consideration by the international trade structures, which only move for tens and hundreds of billions of liras.

Q: Hence the peasant, the farmer—

Carollo: —is isolated.

Q: He is isolated, so to whom does he sell these oranges?

Carollo: Well, he sells these oranges, juices, olives, olive oils, and other products to the big producers and traders in those same products. For example, he will sell to UNICA, Buitoni, or Barilla, and perhaps the pasta is made in Palermo or in Trapani, while the brand name belongs to the big northern companies which have total control of the trade channels, and hence can market the product.

Q: For example, a kilogram of oranges which costs 2,000 liras at the fruit seller's: How much does the producer get for it?

Carollo: Not more than 400-500 liras; the markup is four times. And what does the big merchant, the big fruit juice processor, the industrialist who processes the raw agricultural product at the secondary or tertiary stage, often do? This authoritative person goes and buys from AIMA. What is AIMA? It is a state-owned assistance organization, which buys all the farm products which are not sold by the various farmers, and then these products are stockpiled at AIMA by the state, which buys them at 300-400 liras, because otherwise no one would buy them. And the big distribution chains, the major transformers of primary products, prefer to buy from AIMA at the lowest prices. Hence, a kilo of oranges bought for 400 liras is sold for 2,000-3,000 liras; 1 kilo of meat—because the same is done even with meat—stockpiled, purchased at 2,000 liras, is resold for 20,000 liras all the way up to 53,000 liras a kilo—for example, a filet in Milan.

The system doesn't work. Italtrade's job should be, whether in Professor Capaldo's interpretation or in my interpretation, that of helping the mass of producers in such a way as to realize a larger, fairer profit without having to enslave themselves to the big "trusts."

Q: This is also a very important point in the agricultural program of American presidential candidate Lyndon LaRouche, i.e., to reestablish "parity," which is the fair price of farm products, to allow the farmers to be able to have sufficient profit not only to cover their costs, but to make new investments.

Carollo: If LaRouche says this, he is saying something which is very correct. History in its entirety, economic history in particular, is always a history of relations of force. Whoever is strong, hopes and tries to become even stronger at the expense of the weak, and he is strong precisely insofar as the weak remain weak. And then he tries to control, to blackmail, to enslave the small producer, the small trader.

Q: In your Italtrade interview, you spoke of Enrico Mattei [the late head of Italy's state-owned oil company, ENI], that is, of wanting to recreate in your sector what Mattei did in the hydrocarbons field.

Carollo: What was Mattei's objective? Historically, the Italian south is poor because it has lacked industry, insofar as all the protagonists of Italian industry have their factories in the north and in central Italy, because among other things, the most important trading areas are in continental Europe, and they were not then and are not today, unfortunately, in the Mediterranean countries. Fiat, all the chemical industries, where have the factories been placed? In north central Italy, because they were closer to Central Europe, or from Genoa they could go to Spain or Portugal. Mattei took note of this situation and said: But why must we abandon the Mezzogiorno? Let's create industries in the Mezzogiorno, predominantly chemical ones, which use oil and gas from Mediterranean countries, to favor their development and,

therefore, to create an important trading area between Southern Europe, Northern Africa, and the East.

So, Mattei started to plan the installation of big chemical factories—and not just chemical—in Apulia, in Campania, in Sicily, and so forth. He ran into conflict; fierce battles were waged against him by the right wing of the time, national and international, the "Seven Sisters" and their offspring, who were then in Italy. The State, in Mattei's time, believed it was its duty to help those who could not help themselves. The State does its duty when it does this; otherwise, what is the State? Now, if it is true, as it is true, that farmers and thousands of small industrial businessmen are isolated and are, therefore, very weak in the south, which is, after all, half of Italy, well, the State cannot act like Pilate and say, "I'm washing my hands of it."

There is a need to defend those farmers and small industrialists so that they need no longer sell their product for a few cents, so that it can be resold by the national and international trusts for thousands of liras. This is unjust. This is neither socialism, nor communism, nor anything, this is "sociality," human solidarism; anyone on the political level can put on it the shirt he wants, red, white, green, etc. One fact remains: The State cannot be neutral in the face of the great problems of the disproportion of the economy in society and in human rights.

Q: But in this context, if there were the political will, could Italtrade be the instrument? What then would be Italtrade's role and what is your idea about this?

Carollo: Italtrade's role would be that of buying from the producers, craftsmen, small industrialists, and farmers, products which we know can be sold on the world market and which are today bought by the stronger groups, at low prices compared to their market prices. Italtrade would intervene by buying and paying a fair market price, to then sell these products worldwide, collecting in the medium or long term—between six months and a year—for what it sells.

Since it is a state-financed institution, there is no danger that the profits would all end up in this or that manager's pocket. The State's profits are destined to the betterment of the national society. This is the true politics of solidarity, which a State must recognize as its duty, and apply, and cause to be applied.

This is also what undoubtedly corresponds to the teaching of the social doctrine of the Catholic Church in Italy and in the world. In other words, the encyclicals *Populorum Progressio* of Paul VI, or *Sollicitudo Rei Socialis* of the present Pontiff, have a precise purpose which is not that of making the strong ever stronger and the weak ever weaker. Social solidarism in Christian teaching says to use the world's wealth such that it will nourish social justice, and equalize social levels, in favor of all men, given that all men are sons of the same God. One cannot be sons of God only if one is a billionaire, and on the other hand, sons of nothing or of some infernal hyena because one is poor.

Crisis builds in auto sector

Automakers are in deep trouble; will Germany still produce cars in the late 1990s?

At the end of May, the International Labor Organization (ILO) in Geneva published a study on the future of the European auto industry. The ILO predicted that the whole branch is "approaching the center of a rising storm" which will lead to a "massive reduction of jobs." Whole companies might vanish in this storm, a source at the ILO commented.

The ILO prognosis corroborated a study conducted by a research team at the German Metal Workers Federation (IGM) in February 1988. This study investigated prospects for the auto sector in the Stuttgart region, which is one of the main sectors of car production in Germany, employing 220,000 workers. The "best case" scenario speaks of laying off 30,000 workers; the "worst case" indicates that 70,000 workers in the region would have to quit their jobs, in the course of the early 1990s.

A loss of 15-30% of jobs is also predicted for the country as a whole, which currently employs 730,000 workers in auto production. This is bitter news for the Germans, who have considered their auto sector the "pride of the nation" for more than four decades since the war. The big names, like Volkswagen, Opel, Audi-NSU, BMW, Porsche, and Daimler-Benz are in deep trouble now.

At the end of June, alarming news from all these companies reached the public. Opel announced that of 53,000 workers, 9,000 (17%) will have to go between now and 1992. Audi-NSU will lay off 2,000 of its 12,500 workers (15%), Porsche 1,000 of 8,000 (12%), over the same period. Volks-

wagen begins with about 1,500 of 38,000 (4%) laid off at its main plant in Wolfsburg, with more to follow soon, as the company wants to save 480 million deutschemarks annually by cutting labor costs. BMW and Daimler-Benz are in a better situation, but imposed a freeze on current employment levels. An IGM source predicted, "This is just the beginning. The layoff wave will also arrive there in early 1989."

What has to be seen is that two to three jobs in the feeder industry depend on each job in the auto-producing sector. For cities like Wolfsburg (Volkswagen), Rüsselsheim (Opel), or Neckarsulm (Audi-NSU), which have most of their citizens working in the auto industry, the latest news sounds the alarm bells.

The crisis extends to the steel-producing industry as well. Because of the collapse of construction, homebuilding, and the utilities, all of which use a great deal of steel, jobs in the steel sector have grown disproportionately dependent on the fate of the auto sector, and especially on the manufacture of private cars.

The collapse of auto came in two steps. First, domestic sales of industrial and construction vehicles dropped between 1985 and 1987. Then, "Black Monday" in October 1987 led to a decrease in exports into the dollar zone, Third World clients canceled optional contracts for trucks, and purchases of new cars in West Germany dropped abruptly by 4-5%.

The number of customers who buy two or three cars, compensating for others who do not buy, is very small.

And expectations in Germany that Mikhail Gorbachov's "economic reform" would strengthen the non-military sector of the Warsaw Pact economies and open up auto export markets in the East, proved to be unrealistic.

What can the auto industry do, to avoid what seems like an inevitable decline? A viable option for survival is to shift parts of the production apparatus toward fabrication of segments for magnetic trains and automated inner-city shuttle trains. Also, the aerospace sector can provide contracts, for the production of segments for space shuttles and orbital space stations. The precondition for such projects is state intervention, because big transport infrastructure and aerospace projects require continuous funding during a long period without prospects of amortization.

State guarantees are crucial for this reconversion of parts of the auto sector into new branches of industry. State guarantees are also important for revitalizing larger contracts with the Third World, especially for infrastructure-building projects.

But the government is trying to avoid such responsibilities. Upon the initiative of Finance Minister Gerhard Stoltenberg, the government decided in April to sell its 16% share in Volkswagen Corp., to reprivatize the company and make a profit of DM 1-2 billion, to reduce the government's budget deficit.

This is a very short-sighted policy, because the state's direct influence would allow a reconversion of the auto sector to begin at Volkswagen right away. This is what Lyndon LaRouche proposed in 1974, when the oil shock led to the first big crisis in Germany's auto industry. It is high time for unionists, managers, and others to revitalize these proposals.

Back on the debt treadmill

The new deal with the banks increases capital flow out of the country and aggravates the internal debt crisis.

The June 22 debt renegotiation deal with Brazil's private creditors re-schedules amortization payments on \$63.6 billion of Brazil's medium- and long-term debt obligations with foreign banks. The agreement will cost Brazil an additional \$5.8 billion in new debt, just to cover interest arrears.

The deal marks the definitive end of the moratorium decreed in February 1987, and Brazil's return to the old colonial model associated with former finance minister Delfim Netto: exporting almost twice as much as the country imports and using the trade surplus to service the foreign debt. Such export pushes are done at the cost of severe reductions in domestic production, incomes, and vital government investment.

Brazil is expected to rack up a trade surplus of over \$13 billion this year, 80% of which will be used for debt service. Paulo Nogueira Batista, Jr. of the Getulio Vargas Foundation observed June 25 that Brazil will again be transferring 5% of its Gross Domestic Product abroad for debt reparations, as it did during the 1983-85 recession.

Some analysts here claim the new debt deal is in many respects identical to the one worked out in 1984 by Delfim Netto which, they say, was supposed to be signed by the civilian government when it was sworn in in April 1985.

But, the latest agreement includes two new tricks of the international financial oligarchy. First, it imposes the World Bank as the guarantor of \$3.55

billion of the \$5.8 billion of "new" money. This \$3.55 billion will only be disbursed if the Brazilian government meets World Bank economic guidelines. This new World Bank role as supervisor over the Brazilian economy only reinforces the conditionalities of the International Monetary Fund, to which the final \$600 million of the new package are pegged.

The second aspect, and perhaps the most serious one, is the clear intention of the agreement to convert the \$5.8 billion in new foreign debt into internal debt.

To accomplish this, the agreement specifies that the creditor banks may convert \$1.8 billion of their new loans into domestic investments in Brazil, at face value, during the next three years. To understand the magnitude of this concession by the Brazilian government to the banks, one need only look at Brazil's foreign debt paper, currently selling on the secondary markets at half of nominal value. Banks will be allowed to engage in such debt-for-equity swaps in addition to the existing swaps, which are being done through public auction on the Brazilian stock exchanges.

William Rhodes, the Citibank vice president who chaired the bank advisory committee, revealed the creditors' appetite for converting worthless debt paper into juicy pieces of Brazil. "The menu of options is the most extensive and innovative since the debt crisis began in 1982," he boasted. Wall Street agreed; shares of all major banks shot up the day after the debt deal was

signed. That is partly because of the appetizing menu and partly because Brazilian Finance Minister Mailson da Nóbrega announced that he would use \$1.6 billion of trade surplus to pay off 1987 and 1988 interest arrears. That means \$1.6 billion more profits than the bankers expected.

The new deal in effect offers \$5.8 billion in "new" money for payment of interest arrears, in exchange for the Brazilian government giving foreign creditors about the same amount in domestic currency, the cruzado, for buying assets in Brazil. This injection of liquidity will in turn swell the speculative capital markets. Much of the dollar debts converted into cruzados at a roughly 25% discount via the stock market auctions is immediately recon-verted to dollars on the black market and drained out of the country. The rest flows into the domestic speculative markets, already bloated with \$60 billion worth of cruzados.

What private businessman wants to build more plants, when consumer spending is more than 15% below last year's level, and the government is triaging its own necessary infrastructure investments? So, most Brazilian companies are putting their own capital into the merry-go-round of overnight money markets. These speculations revolve around Brazilian government floating debt in cruzados, now almost as big as its foreign debt.

The government justifies its surrendering the moratorium and granting immense economic concessions to its creditor banks by peddling the illusion that good relations with creditors will bring vast inflows of foreign capital for the investments Brazil needs for its future growth and to help the government keep the internal debt bubble from exploding. But illusions can kill, as millions of Brazilians, who have seen their living standards shrink by 15% this year, may soon discover.

Business Briefs

East-West

Japan won't approve venture with Soviets

The Japanese government has been put in a quandary over a joint Soviet-Japanese venture to promote hatching of salmon on one of four Soviet-held islands claimed by Japan. It appears that the government will forbid the venture.

The agreement was reached between Japanese and Soviet fishery cooperatives in May. It calls for the two cooperatives to launch a salmon-hatching venture on Kunashiri, one of four Soviet-held islands off Hokkaido. The Foreign Ministry said it could not approve any joint venture with the Soviets on any of the disputed islands. The islands were Japanese territory, but have been occupied by the Soviet Union since World War II.

Signing of the agreement was reported to the Hokkaido Prefecture by Tadaichi Shiiku, head of the Utari Fisheries Cooperative run by the Ainu minority race in Shibetsu, Hokkaido.

Shiiku said he signed the agreement with V.I. Balmuta, head of the Sakhalin Fishery Cooperative, on May 14 during his visit to Sakhalin. Moscow has urged Japanese fishery companies and cooperatives to promote joint ventures in the North Pacific, including Sakhalin.

Food

Kampuchea suffering shortage of rice

Kampuchea needs to import 92,000 tons of rice from outside Indochina for its security stock this year, because a "lean season" has set in two months earlier than usual, according to a U.N. report. The "lean season," normally from July to November, arrived prematurely, at the end of April, after prolonged rains began in December 1987.

The rains "saved large crop areas and thus averted a potentially disastrous food supply situation," the report said.

The rice requirement—equivalent to one month of national needs—was based on a

consumption figure of 153 kilograms of rice per person each year, or 418 grams a day.

Present domestic reserve stocks, calculated from interviews with provincial authorities and farmers, could provide between 2.5 and 6 months of consumption, the report said.

Approximately 40,000 tons of husked rice were imported from Vietnam to make up for the shortfall in 1987. Since then, 15,000 more tons have been imported, but, given the severe rice shortage in Vietnam, it is feared that another 25,000 tons needed this year might not be forthcoming.

The report said that 50,147 tons were pledged as food aid to Kampuchea for the November 1987 to October 1988 period.

Productivity has been hampered by weather conditions, lack of technical personnel, absence of basic agricultural tools, and a scarcity of trucks and fuel, the U.N. report said. Delivery of foreign aid is hampered by lack of infrastructure—the limited facilities at Phnom Penh port, the only port safe to use given security problems at Kompong Som in the southwest.

According to a report on the situation in the *Far Eastern Economic Review*, the rice shortage will cause "severe hardships" to about 1 million people.

European Community

Catholic daily attacks 'Single Europe' act

Italy's leading Roman Catholic daily newspaper has published a blistering attack on the "Single Europe 1992" measures planned by the European Community bureaucracy. Under the measures, all border controls governing people and goods will be dropped, ostensibly to make Europe into a copy of the United States economically.

But, says Italy's *Avvenire*, "The united Europe which is being shaped is not (at least not so far) that of the peoples, of the history and culture of the community, but that of the financiers who make decisions as oligarchs, within closed circles." *Avvenire* charges that a recent trade accord between the European Community and the Soviet Comecon bloc was prepared in secret in Moscow.

It quotes British financier James Goldsmith saying that the purpose is to transform Western Europe into a Soviet "protectorate," and this, says *Avvenire*, is why the oligarchs are in such a hurry to create a European Central Bank. "The European bank is supposed to be created on the model of the American Federal Reserve, a public organ controlled by private bankers."

The Trilateral Commission orchestrated this model of European integration, based on strategic plans drawn up by Zbigniew Brzezinski, and reported in *Foreign Affairs* in 1984, to "integrate" Western and Eastern Europe, and withdrawing U.S. troops from the continent.

"What is happening under our eyes will be presented as 'reunification,' as the creation of 'an independent Europe based on its own identity.' Now, we know where these slogans are coming from," i.e., Moscow, *Avvenire* concludes.

Foreign Debt

Bishop calls debt collection 'robbery'

German Catholic Bishop Franz Kamphaus likened the debt servicing system to "robbery," at a session of the joint church commission on development policy in Berlin June 21. Kamphaus was speaking on the topic of International Monetary Fund conditionalities.

He said that the churches must not view themselves as mere observers of the worsening of living conditions in the Third World, nor should they restrain themselves from intervening in the situation.

"We have learned," said the bishop, "that it is not sufficient to only care about the victims of robbery like a Samaritan. It is also important to expose robbery as such, and step in the way of the robbers."

He compared the current indebtedness of the Third World to the catastrophic situation Germany was exposed to under the 1919 Versailles Treaty, a situation that contributed to the destruction of democratic rule and paved the way for fascism: "More than others, we [Germans] know what hunger and the feeling of having no future mean. More than others, we know what kind of

demagogic dangers lie in collective humiliation under the regime of an unjust system of foreign debts."

Kamphaus, a co-author of the May 13 bishops' statement that denounced the private banks as well as World Bank and IMF for their debt policy against the developing sector, gave a similar speech in Bonn April 18.

AIDS

West German panel divided on disease

Figures released in a report by a commission on AIDS appointed by the West German government, say that more than 2,000 people are sick of the killer disease in West Germany. At a press conference releasing the report, however, it became clear that sharp differences divided the members of the commission.

The majority of commission members expressed support for Health Minister Rita Suessmuth's "do-nothing" policy of accord-ing civil rights to the virus.

However, the four Bavarian members, Professors Zoellner, Spann, Gallwas, and Christian Social Union parliamentarian Geis, voted against the majority report and presented their own. The minority report's conclusions included the statement that AIDS is a disease within the meaning of the federal epidemic law and must be treated according to this law; i.e., public health measures of quarantine and prevention are required. It also said that people in high risk groups and those who are infected have the duty not to endanger the health of others.

While the majority of the commission members insist that there is no risk of infection through casual contact or coughing, the minority report points out that this is still not settled.

The majority report insists that the government has no responsibility for fighting the disease, that that is entirely up to the individual. "The importance of the individual citizen's responsibility for the individual citizen's protection against AIDS must be underlined. It must be clear that this respon-

sibility can not be delegated to the state."

It appears that the only country in the world to now be successfully checking the spread of AIDS is Fidel Castro's Cuba. A Health Ministry report published there says that nearly one-third of Cuba's sexually-active population, and 20% of the total population of 10 million, have been tested for the disease, "probably the highest percentage worldwide." Tests uncovered 230 carriers, of whom 34 have developed the disease. Seven people have died. Those found to be carriers have been quarantined.

The report said that based on the geometrical progression of AIDS in most countries, without these containment measures, Cuba would now have between 2,000 and 3,400 AIDS carriers.

Deindustrialization

French daily describes U.S. 'apartheid'

"Terrifying, abandoned, and poverty-stricken; certain American towns presented as 'models' at the beginning of the 1960s have become 'ghost towns' today." So reads a report in the French daily *La Tribune*.

It continues, "In East St. Louis, Illinois, the garbage has not been collected for six months. The inhabitants have to put their rubbish out on the roofs out of the way of dogs and rats.

"In Camden, New Jersey, thieves have literally taken down, bit by bit, the whole town. . . .

"In Benton Harbor, Michigan . . . 60% of the population lives directly on public aid money. . . . Two-thirds of the housing is below standard. . . .

"These are just a few examples, but are representative of dozens of towns in the United States, towns which are never discussed because they are too far from American standards. . . .

"This descent into hell began 20 years ago, with the epoch of deindustrialization and the departure of the better-off part of these towns' population, generally the white population. The process was accelerated by the progressive disengagement of the federal government. It is apartheid, American-style."

Briefly

● **BRITISH** financier Robert Maxwell is planning to raid Belgium's Société Générale de Belgique. Within hours of an announced settlement wherein Italian financier Carlo de Benedetti reduced his stake in the huge minerals and financial holding company, Maxwell told press he plans to go after a stake.

● **HUNDREDS** of children in Moldavia, U.S.S.R., died of drinking improperly treated tap water in 1987, West Germany's *Bildzeitung* reported June 25.

● **THAILAND'S** economy is expected to grow by 9% this year, second in the Far East only to the anticipated 10% growth in South Korea, Dr Phisit Pakkasem, deputy secretary-general of the National Economic and Social Development Board, reported June 13. Thailand also recorded a payments surplus during the first quarter of the year, and its international reserves rose to \$5.7 billion.

● **EAST GERMANY** was accused of responsibility for the death of fish and seals in the North Sea by Bavarian Prime Minister Stoiber June 24. He said that releasing untreated industrial waste into the Elbe River is standard practice in East Germany. As a result, poisonous algae have invaded the North Sea, entering the respiratory systems of all living creatures to a depth of 15 meters and killing them. More than 1,500 seals have died.

● **LIBYA** is now China's fourth-largest source of investment, the *China Daily* reported June 19. Libya invested the equivalent of \$14.3 million in China in the first quarter of the year. Hong Kong is by far the largest investor at \$599.26 million, followed by the United States, \$41.93 million; Japan, \$41.66 million; and West Germany, \$11.01 million.

● **12% OF ITALY'S** GNP reflects black market activities, the largest being drug trafficking, according to a study published by the country's Censis think tank.

The Pasteurians: building nations by means of science

Part II of a series by Garance Upham Phau focuses on the career of Alexandre Yersin, who discovered the bacillus for plague and introduced the rubber tree to Indochina.

In Part I of this series, we met the French biologist Louis Pasteur (1822-95) in his capacity as the leader of a movement to build nations throughout the world, by means of science. The first Pasteur Institute was founded in Paris a century ago, in 1888, and then replicated in other French cities in Asia and in Africa. The first installment traced the political battle waged by Albert Calmette, a military doctor best known for his groundbreaking discovery in the fight against tuberculosis, the BCG vaccine.

Louis Pasteur was *not* a doctor, but a chemist and crystallographer. In company with his first great associate and friend Pierre Emile Duclaux (1840-1904), to initiate the revolution in medical practice and to develop the new science of microbiology, he set out to find and recruit young doctors, medical students who would be steeped in Pasteur's method before becoming teachers themselves. Emile Roux (1853-1933), who took over the Institute at the death of Duclaux, and Alexandre Yersin (1863-1943) are exemplary of the success of Pasteur's recruitment program.

In 1883, Pasteur had already sent Roux to study cholera in Egypt, but the team was forced to come back after the death of the masterful physician Thuillier.

Upon the founding of the Institute in 1888, Pasteur said, "The Paris center shall have to train young scientists who shall go bring the method to faraway countries."

The underlying concept was that of medicine as the leading edge of the economic development of what is now called the "Third World." This concept was expressed in 1937 by one of the greatest of the Pasteurians, Dr. Charles Nicolle, as follows:

"What beneficial results would ensue from the action of civilized nations if, taking sincerely the minor people under

tutelage, those culturally rich nations would understand the nobility of their mission?

"There are only two conquerors worthy of praise: the educator and the physician. Their action is the only reason, the only excuse for the ascendancy of powerful people upon the weaker ones.

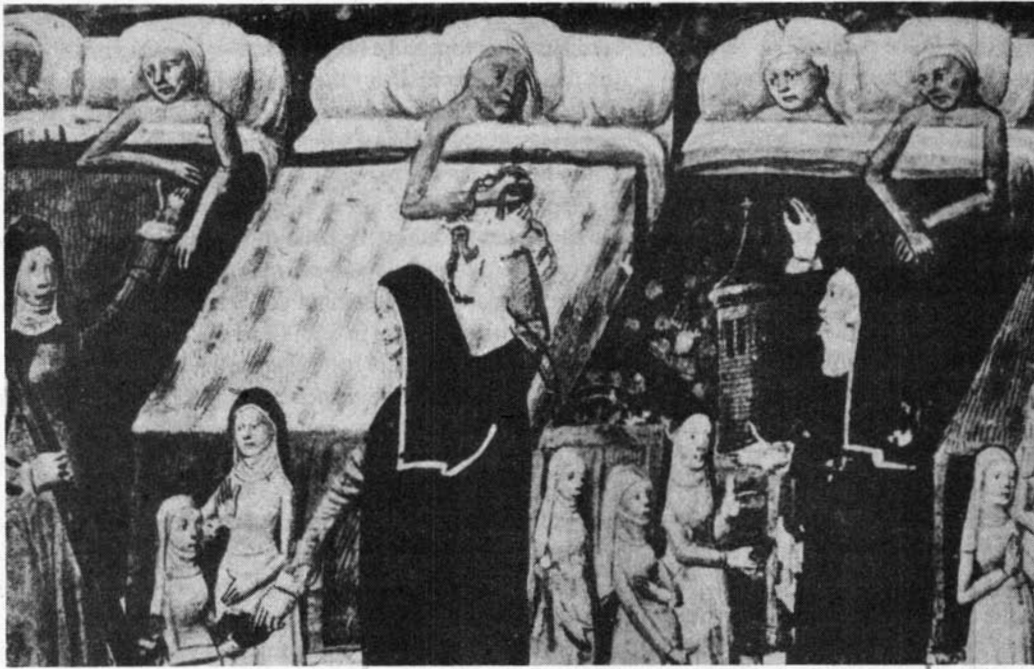
"The rest is enrichment, increase of power, pride, sports and crimes, awaiting the just return of any breach of natural law: rivalries of predator nations, depopulation and hence the ruin of the conquered nations, hatred, revolts, and diseases of the vanquished expanding upon the conquerors."

The diphtheria serum

The newly created Pasteur Institute attracted the best minds of Europe, for example Elie Metchnikoff (1845-1916), who arrived from Odessa with the discovery of the basic functioning of the immune system, phagocytosis. Up to 40 different nationalities might be represented attending Roux's master classes in microbiology.

An all-encompassing mind, Alexandre Yersin would only tackle a difficult problem to solve it, and move on to another difficulty. He came to Paris from Switzerland to participate in the adventure of the Pasteur Institute.

After groundbreaking work on anthrax and rabies with Pasteur, Emile Roux undertook to tackle the major infant killer disease of the time: diphtheria. The bacillus had been found by Klebs and Loeffler a few years before, but the bacillus's specific activity remained a mystery. Roux thought that the paralysis of the respiratory muscle could be due to an intoxication, the effect of a poison or toxin introduced by the bacillus into the organism. Yersin and Roux were to prove this hypothesis, with a series of experiments injecting the filtrate of the bacillus culture (without bacillus) into animals,



World Health Organization Photo

A French medieval painting of the bubonic plague, which carried off one-third of the population of Europe during the Black Death of 1348-49. It was the Pasteurian Alexandre Yersin who discovered the bacillus that transmits plague, making it possible to wipe out this scourge.

and producing the disease. Diphtheria toxin diluted at 1/5,000 its volume of water will kill a guinea pig in two days. This discovery was followed by the German Emil von Behring's (1864-1917) discovery of the antitoxin produced by the organism affected with diphtheria.

It was then that Roux and Yersin made another breakthrough of extraordinary impact for mankind: They injected a diphtheria toxin weakened with iodine into a horse and took its serum, which contained antitoxins that agglutinate the bacillus and neutralize the toxins. This horse serum was then used to treat people in the early phase of the disease.

By 1895, "serotherapy" saved most infants, reducing infant mortality by 50% worldwide, as half of infant death was due to diphtheria. Beyond diphtheria, serotherapy would be found efficient in most diseases, and remained the only treatment until the discovery of antibiotics during World War II.

This discovery brought the Pasteurians into raising horses, and the construction of what remain among the best-conceived hospitals in the world, all with voluntary contributions of citizens. From then on, the Pasteurians brought to tropical countries the capacity to *treat* or *immunize* against major scourges of mankind, and piloted horse farming, soon followed by comprehensive farming.

Yersin found teaching master classes with Roux too confining, the students too plodding for his adventurous mind. So, he enlisted in the Messagerie Maritime shipping line as a doctor to go see Asia and China.

In 1902, Pasteur interceded on his behalf with the Colonial Ministry for a mission in Indochina. The government asked him to study the road from Saigon to the Moï country. Yersin wrote to Pasteur: "I must find out about the resources

of the country, study the wealth of its forests, and investigate whether there are metals that can be mined."

It was amid those explorations that he met Calmette in Saigon. Albert Calmette was the first Pasteurian sent overseas by the old man to create a Pasteur Institute in Saigon. Calmette re-recruited Yersin to the Pasteurian colonial enterprise. An epidemic of bubonic plague had broken out in Hong Kong, and Europe was trembling at the idea of a repeat of the greatest killer ever known to mankind. Since the time of the big epidemic of 1347, which decimated a third of Europe from its Chinese origin, or even since the smaller epidemics that ravaged some European cities in spite of Colbert's early 17th-century quarantine, the ships bearing disease vectors traveled much faster, moving from China to Europe in a matter of a few weeks, not months.

Calmette's assignment to Yersin was quite a challenge: find the agent of the plague. Thereupon, Yersin traveled to Hong Kong, where 100,000 people were dead or dying of the disease.

At the British hospital, the Japanese bacteriologist Shibasaburo Kitasato and his team were carrying out autopsies, and Yersin could not get any cadavers. He set up a tent on the square in front of the hospital, paid off British soldiers to bring him cadavers, and immediately hit on the idea that had escaped Kitasato: The agent might be in the bubo (the swollen lymph glands of the plague victims) and not in the blood. Yersin had a makeshift "autoclave" that did not warm culture at 37°C (human body temperature) but much less. But as luck would have it, the long stick-like bacillus he found in the bubo, would only proliferate at 27°C (the average air temperature of Hong Kong) instead of 37°C. Yersin experimented with his bacillus culture and found that it gave the

plague to mice. He also autopsied dead rats found in the streets and found them to have died of the plague.

He sent back to the Pasteur Institute two major discoveries: the agent of the plague, and the hypothesis that rat epidemics preceded human epidemics.

The connection between the rat plague and the human plague had not hitherto been known. Early Bible and other illustrations of the plague show live rats on the scene, indicating ignorance that the rat population would have been decimated before the human plague. Only an early Indian poem had hinted at an observation of the reality: "If thou see a rat fall off a roof and wander through the city as a drunken man, flee man, flee, for the plague has entered the city."

Kitasato, with his better equipment, found only an ordinary streptococcus in the blood that multiplied at 37°C, and the fact that Yersin and not Kitasato had made the discovery was established in international medical congresses. That has not, however, prevented English-language publications from speaking of the Yersin-Kitasato discovery.

The bacillus was called the *Yersinia pestis bacillus*. A serum against the plague was quickly made by Roux and Yersin, and the latter started treating people in Hong Kong. By then the plague was ravaging Bombay, and the British Indian authorities asked Yersin to come there.

But Yersin had only about 1,000 doses of the serum, so he refused and went instead to Nha Trang, a beautiful spot along the Indochina coast. There, he pulled together the resources and the horses to make serum. Shortly, 100,000 doses were available, and then Yersin left for Bombay. The serum worked only if injected at the first manifestation of the disease, minutes or at most a couple of hours after infection.

The fight to free the human race from the ravages of the plague was carried on by other Pasteurians as well. In Bombay, another Pasteurian, Simond, found out how rats transmit the plague to man: by the flea bite. Again, this was no small task: The fleas left the rat just as it died, and a rat dead for hours is not contagious at all. The fleas had to be collected and the bacillus cultivated from the fleas. Balthazar, another great Pasteurian who became the next generation's student of the plague worldwide, used to collect fleas by walking his cat on a leash amidst epidemic-stricken cities!

Nha Trang

Yersin was an enthusiast of all science and engineering devices: An astronomer, he built a dome for astronomical studies and set up the first prism astrolabe. His observatory in Nha Trang became his home. Yersin mastered chemistry, physics, and electrical engineering, and built his own generators for his compound. He was also a lover of automobiles, buying the first one in Indochina in around 1900. He toyed with the first plane, built kites going thousands of feet into the air, with cables and pulleys, for his weather studies. But what could have filled many men's lives was only a part of his activities.

In Nha Trang, he built a pilot scientific research station,

including: an operating room for animals; a laboratory for serum production; and a library. He also began to raise horses for the serum, and also other animals for experimentation: cattle, sheep, goats, and later chickens. Horses must be fed, and so necessity—since Paris was poor and the Institute was left to find its own resources to operate—demanded farming to support the animals. From there, not only animal diseases, but also plant diseases, became of interest, as well as ways to breed better animals and new plants. Yersin's mind was ever resourceful and imaginative. Soon, he built a second pilot experimental farm in Suoi Giao of about 1,500 acres—1,150 for crops, and the rest for animals.

Yersin built four more such stations, one at high altitude (4,500 feet) to study fauna and flora peculiar to mountains.

He tried out a variety of plants: *Theobroma cacao* (the chocolate tree), *Coffea Liberica* (a coffee shrub), cola, manioc, palm oil tree, tobacco, several medicinal plants (all of which were successful). Rice, *Coffea Arabica* (another coffee shrub) and others, which were less successful, were tried and abandoned.

In 1899, fascinated by the progress of the first automobile, not to mention the success of bicycles, Yersin became interested in latex production, called *caoutchouc* in French, from the local tongue "Cao-o-chu," the crying tree.

Yersin obtained 1,000 seeds of *Hevea Brasiliiana*, or "rubber tree," to initiate cultivation, as opposed to random killing of trees in the forest as was then practiced wherever the tree was to be found. Three problems of agronomy had to be solved:

- to obtain plantation trees as vigorous as those in the wilderness;
- to find ways of bleeding the trees so as to get the maximum amount of latex without damaging the tree, which needs the latex to live;
- to improve the quality of the latex.

For all this, Yersin needed manpower. With his initial team of local people, he cleared forest land, not only for the stations, but also to offer 150 acres of land to peasants in the area to cultivate their rice, the main staple of the Annamite local diet, in return for work on the stations.

Soon his pilot Hevea plantation solved a variety of problems involved in latex production: diseases of Hevea trees, a better instrument for bleeding the trees—latex coagulation problems—choice of seeds, etc. In 1916, Yersin's Heveas produced two tons per month. In spite of a typhoon in 1926 which destroyed two-thirds of the plantation and necessitated restarting everything, by 1943 it produced enough to ensure the wealth of Indochina.

But that was not Yersin's only occupation. His main station was also a training center for any French veterinarian coming into Asia, and also for the Indochinese. There the students learned everything about the vaccination of cattle and pets, studied livestock husbandry including hygiene, and studied animal diseases. In 1930, Yersin had 1,500 cattle, 440 sheep (later 750), 40 goats (later 400), and he started a

big chicken coop.

Yersin added yet another dimension, when he endeavored to master cross-breeding two cows and a bull from France with local cattle which were more resistant to local diseases but gave poor milk and serum, and had stringy meat. From that initial experiment, he moved further to produce a new high-quality breed of cattle for the region.

Yersin worked many years on the diseases affecting Indochina's cattle, notably bovine plague, sleeping sickness of horses (which he found was transmitted to the horses by cows that carried the trypanosome parasite without clinical manifestations), pasteurella, apthoid fever, and others.

The Nha Trang compound produced vaccines and serum for a dozen major animal diseases, and in 1935, Yersin set up a new building for breeding pigs to produce serums against porcine plague.

Nha Trang also either produced or imported from the Paris Institute, and distributed to the population of Indochina, serum and vaccines against rabies, diphtheria, pneumococcus, tetanus, dysentery, bubonic plague, meningitis, cholera, and malaria. But all of that was not Yersin's only task.

In 1899, his friend and political ally, Doumer, then governor of Indochina, had asked him to train veterinarians, which he did. By 1902, Doumer had a more ambitious project, the Hanoi School of Medicine. This was to be a hospital, laboratory, and teaching center. Doumer asked Yersin to direct the project. Yersin set up the school, and then taught physics and chemistry. Unfortunately, Doumer was replaced as governor by a certain Mr. Beau, who did not share Yersin and Doumer's principles and did not want the Vietnamese to be trained as Pasteurian scientists, but only as nurses' aides. This was violently against Yersin's scientific and ethical principles, so he left the school.

But Yersin still had other interests. He initiated the cultivation of European vegetables and fruit trees, with all the imagination which he would bring to such a project. He also started the cultivation of flowers with a friend, all types of flowers, and especially, the most fantastic orchid plantation conceivable. On the side, Yersin also set up local tree plantations for reforestation purposes.

World War I brought yet another challenge: Paris stopped sending quinine to Indochina, a medicine essential for malarial countries. So, Yersin and his friend Krempk developed a cinchona tree plantation to produce quinine in Indochina. In 1931, the station produced 2.5 tons of bark, or 137,000 kg of sulfate of quinine. In 1936 production was up to 28.5 tons of quinine, yielding 2,045 kg of sulfate. Yersin died in 1943, and his tomb has been under guard ever since, a sad memory kept by the Vietnamese of what foreigners could bring of love and devotion to the science of building nations.

Perhaps, the tragedy of Vietnam after Yersin can be seen as an imperialist rage to destroy that beauty.

The basics of epidemiology

A contemporary Pasteurian noted that the early Pasteu-

rians' era was the era of the *Médecine debout*, (standing medicine) and that later, when scientific exploration, missionary work, and terrain epidemiology ceased to be associated with medicine, came the era of *la Médecine assise*, or "armchair medicine." The conquest of the *médecine debout* involved:

- Exploring the ecology of a region: study of topology, waterways, soil, fauna and flora;
- Investigative epidemiology and research: investigation of new and old diseases, search for pathogens, experiments on pathogens; testing for diseases, census endemic or epidemic pathologies; work carried out on human, animal, and plant pathologies,
- Investigation of means of transmission vectors; entomology, parasite control;
- Cattle raising, agricultural experiments, and pilot farming;
- Water purification, draining of marshes, insect control.

In 1900, Dr. Roux sent a mission to Algeria to verify the discovery of Ronald Ross (in part inspired by the hypothesis of Charles Laveran, 1845-1922) on the role of mosquitoes in the transmission of malaria, and to bring Pasteurian methods to the area. This permanent mission was assigned to the brothers Edmond and Etienne Sergent.

In a major groundbreaking work entitled: "Réflexions sur les modalités de l'infection" (Reflections on the Modalities of Infection), the Sergent brothers were to lay the scientific bases of epidemiology.

The central concept is that of uncovering the "unapparent disease," or what is today called the "asymptomatic carrier," and fighting a disease with prophylaxis to protect the population *before* a disease breaks out. The purpose is to intervene at the point before a disease would be able to transform itself from the endemic form to the epidemic or pandemic form. It means that the pool of asymptomatic carriers will be so circumscribed as to give only a limited number of sick people, who then might be treated one by one.

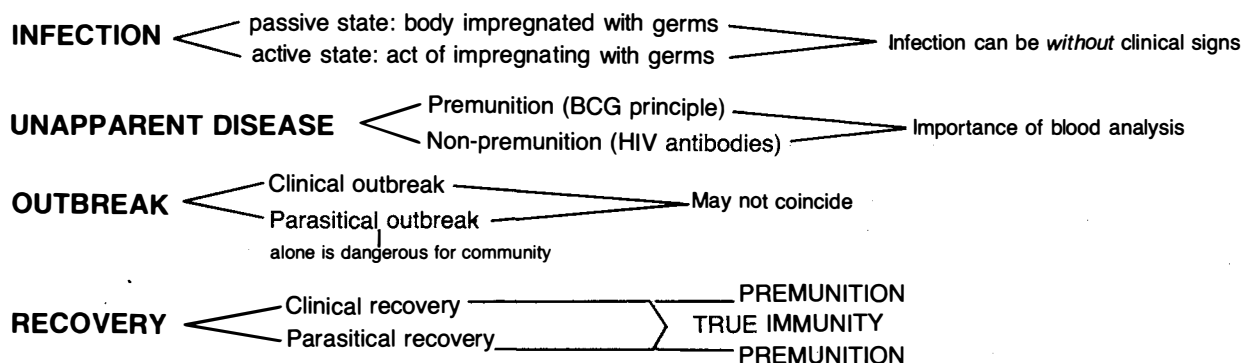
In the majority of diseases, treatment in the early phase of infection will not only save the person from developing the acute and disabling form of the disease, it will also prevent contagion to the rest of the community. For example, leprosy or tuberculosis are highly infectious in the advanced stages, but hardly so in the period preceding the acute clinical phase.

The Sergents put forth the concept of the "threshold of danger," for a given malarial area, which depends on three factors:

- the number of sick people;
- the number of carriers;
- the number of insects.

Embedded in that concept is the idea of both the vectors of transmission and the speed with which a disease can spread. That speed of transmission can mean increased virulence. If we take the plague as an example, the first transmission is rat

Edmond Sergent, Algiers: 'Reflections on the modalities of infection'



fleas to man, the second is man's fleas to man's fleas, and once a certain threshold is reached, pulmonary aerosol transmission.

The danger of "casual transmission" exists for all diseases past a certain threshold.

The Sergents refined that notion, with their discussion of the different modes of infection in both sick and carriers.

Infection, they wrote, can be either passive or active.

Passive means the body is impregnated with germs.

Active means the act of impregnating with germs.

Either form of infection can be *without clinical signs*.

The active phase is what is today called viremia for viral infections.

In short: It is important, even crucial, to distinguish between the person who has antibodies to a viral infection because he has a few cells in which the virus hides, and that same person during periods of viremia when he or she will be producing millions of viral particles and hence be highly contagious.

It is also of note that today's children with HIV-induced immuno-deficiency can no longer be immunized against other diseases, and that those people who are developing immune deficiencies see the "passive" pathogen multiply and become active.

An unapparent disease can mean either *premunition* or *non-premunition*. Premunition means that as long as a person is infected with a small quantity of hematozoa (blood parasites), he or she is immune against catching a "superinfection" of malaria, but is infectious to others, even without suffering clinical symptoms.

However, once, and if, the body clears itself of all parasites, the person can catch the disease again.

Non-premunition is the case for AIDS today. In their groundbreaking studies of piroplasmosis, the Sergents adduced the following: "Experimental study of resistance to superinfections conferred by an initial infection has led us to be able to specify the notion of premunition, a form of resistance different from real immunity. An animal infected by a

piroplasm [a small parasite of the blood commonly carried by ticks], if it survives the acute crisis of invasion and comes to tolerate the virus, resists, as long as it remains a germ carrier, reinoculations of the same piroplasm (law of precedence). If it recovers from its primo-infection, it stops being protected against reinfections. One has drawn from this conception of premunition a practical conclusion: to give the cow a benign, chronic (if possible latent) infection, which will prevent it from getting a grave infection." (Virus is meant in its original sense of filtrable microbe.)

From that understanding of the successive modes of infection, the Sergents adduced the importance of *screening by blood test*, a screening as wide and comprehensive as possible, using the entire array of bacteriological and viral detection measures available to them at the time.

Systematic testing of the blood was made necessary, they said, because of the fact that the parasitical outbreak and the clinical outbreak might not coincide.

Together, clinical recovery and parasitical recovery mean separate immunity, mean *premunition*.

Correction

In our *Science & Technology* section in the June 10, 1988 issue, "Stopping the Epidemics: The French Military Legacy," due to an editorial error, we inadvertently placed an epidemic of Chagas' disease in the African nation of Chad. The Chadian epidemic is trypanosomiasis, familiarly known as "sleeping sickness," caused by a trypanosome carried by the tse-tse fly. Chagas' disease, also caused by a trypanosome, attacks the visceral organs and occurs only in Ibero-America.

SPETSNAZ



SPETSNAZ

In the Pentagon's "authoritative" report on the Soviet military threat, *Soviet Military Power 1988*, the word *spetsnaz* never even appears. But *spetsnaz* are Russian "green berets." Infiltrated into Western Europe, *spetsnaz* have new weapons that can wipe out NATO'S mobility, firepower, and depth of defense, before Marshal Nikolai Ogarkov launches his general assault.

ELECTROMAGNETIC PULSE WEAPONS

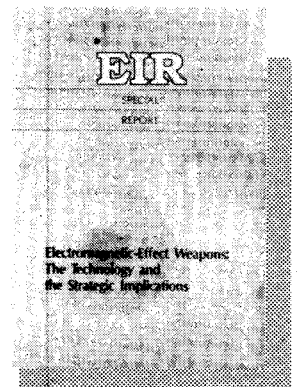
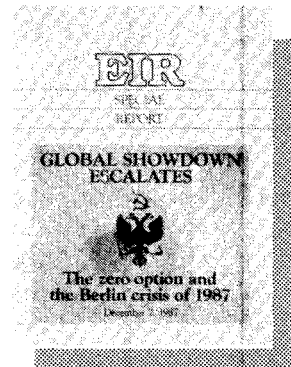
At least the Pentagon report mentions them—but only their "defensive" applications. In fact, they can be transported by *spetsnaz*, finely tuned to kill, paralyze, or disorient masses of people, or to destroy electronics and communications. With EMP, as strategic weaponry or in the hands of *spetsnaz*, the Russians won't need to fire a single nuclear missile to take Europe.

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The IMF 'Opium War' on Ibero-America: a decade later

by Gretchen Small

In its Sept. 18, 1978 issue, *Executive Intelligence Review* published a cover story on the narcotics trade entitled, "Why the World Bank Pushes Drugs," which warned that the marijuana crop in Colombia had just tripled, bringing a new "tidal wave of drugs" into the United States. *EIR* charged this was "the first phase of a deliberate and operational plan by the World Bank, International Monetary Fund and allied London, Amsterdam and . . . American financiers . . . [to] force major portions of the Third World to abandon 'expensive, wasteful' development hopes, and become profitable, starving narcotics plantations."

Over the course of the past decade, Dope, Inc. has more than doubled its annual take from Ibero-America—from \$63 billion per year to \$130 billion per year—and over this ten-year period has accumulated close to a trillion dollars in drug lucre from the continent!

The first phase of this bankers' "Opium War" against Ibero-America completed, a new phase has now begun. Drug criminals demand the narcotics trade be legalized. Corrupted politicians speak of benefits to be gained by taxing all those narcotics profits. Economists write of the cost-saving "economies of scale" which can be achieved if the heroin "industry" is legalized, and heroin sold in American drug stores.

Fortune magazine's June 20, 1988 issue exemplifies the new offensive. Displaying on its cover Colombian narco Rodríguez Gacha—on whose ranch the mauled body of kidnaped Colombian Attorney General Carlos Mauro Hoyos was found in January—*Fortune* introduces "The Drug Trade" as the following: "Think of it as a huge, multinational commodity business with a fast-moving top management, a widespread distribution network, and price-sensitive customers . . . the fastest-growing industry in the world and . . . unquestionably the most profitable." *Fortune* suggests the time has come to talk of "waving a white flag," starting by legalizing marijuana.

The very fact that legalizing narcotics is debated as a possibility today, shows how far the drug criminals have advanced in their campaign to destroy Western morality.



Supporters of the National Organization for the Reform of Marijuana Laws express the views of the international bankers who pull their strings, at a 1981 "pot parade."

In May 1986, the cocaine cartel chiefs in Colombia sent an open letter, published by *El Tiempo*, which proclaimed that the proof that they "are neither bandits nor criminals," is that "we, the mafia . . . [have] offered in a very disinterested way . . . to pay off the entirety of the Colombian foreign debt," and to seek "the right to bring back into the country our capital, which is currently in foreign countries. In truth, these resources could generate employment by paying taxes and generating foreign exchange that could help relieve our weakened national economy." Among those who signed the letter, are the top killers of the cocaine trade: Carlos Lehder, Pablo Escobar, Fabio Ochoa, Rodríguez Gacha.

The drug trade is genocide

The premise of the immoral campaign for drug legalization is that the war on drugs has been lost. The truth is, it has yet to be launched. The time has come for a change in strategy, not for capitulation. Governments must launch a strike against the Western stronghold of the dope cartel itself: the banking cartel, which *EIR* warned in 1978 is the leading institutional power seeking to transform the Americas into one vast drug plantation. It is *they* who have launched an "Opium War" against the nations of Ibero-America—and the youth of the United States.

In this feature, *EIR* reviews what has happened over the past decade in the Ibero-American economies. The consequences of governments' failure to take on the banking cartel and its policies are devastating. The banks have succeeded in forcing through the "structural adjustment" they sought in the economy of the region: The industrial, productive econ-

omy lies dying as its labor, resources, and credit are sucked off by the drug economy.

Where are the jobs, the wealth, the improvements in standards of living to Ibero-America which the drug lobby tells us the dope trade has brought to Ibero-America? The drug trade has not only killed the minds and bodies of those who consume drugs; to establish mass production of these narcotics *required* that the productive economy of entire nations be killed also.

Interdiction, eradication, military raids, and confiscating all wealth of those caught profiting from narcotics, are all crucial elements of a war against drugs. But even these will not be sufficient, until the economic policies which have forced entire nations into the drug trade are reversed.

Until they are reversed, for every plant eradicated, shipment seized, trafficker caught, or bank account shut, ten more of each will be generated.

On the record

No secret has been made of the fact that the Western banking cartel set out to transform developing sector nations into drug economies, as the most "profitable" means to generate surplus to maintain their crumbling international financial system. Banking officials discussed it openly back in 1978.

"I've just returned from Bolivia, and I know that the coca industry there is highly advantageous to producers. In fact, from their point of view, they simply couldn't find a better product. Its advantages are that no elaborate technology is required, no hybrid seeds; the land and climate are perfect,"

John Holdson, senior official for Latin America in the World Bank's International Trade and Monetary Flows department told investigators in 1978.

A Colombian specialist at the IMF likewise argued: "From an economic viewpoint, marijuana is just a crop, like any other. It brings in foreign exchange, and provides income for the peasants. . . . Legality is a relative concept. In a few years, marijuana may become legal anyway."

The handing over of Jamaica to the drug trade, was duly recorded by Anglo-American financial journals as it occurred. The London *Observer* wrote in 1980, "the IMF is now helping . . . those who want to legalize pot."

On Nov. 3, 1983, the Swiss bankers' newspaper, *Neue Zürcher Zeitung* warned that anti-drug efforts had better not threaten the flows of profits from what they chose to call "uncontrolled exports": "Colombian products are of limited interest for the industrialized countries. . . . In the past decade, Colombia could annually depend upon \$2 to \$3 billion from uncontrolled exports, which were available to the country. Were the moralizing campaign of the government to reduce this source of funds, Colombia would find itself no longer in a position to earn the foreign exchange necessary for its economy."

Aspen Institute's Inter-American Dialogue was even more blunt about bankers' fears that anti-drug efforts might curtail drug revenues now feeding debt payments, in their 1986 Report, *Agenda for the Americas*. "Waging war on drugs costs money. More important, it will inevitably result in the loss of . . . foreign exchange that the drug trade provides

. . . [which] amounts are substantial for strapped economies carrying large burdens of external debt." states *Agenda*.

In 1988, the U.S. State Department joined the ranks of those publicly extolling the "benefits" of narcotics revenues. The section on money-laundering in the Department's March 1988 *International Narcotics Control Strategy Report*, acknowledges that "negative perceptions of the effects of narcotics money laundering" exist, such as the fact that "proceeds from drug-trafficking are used to finance other criminal activities." But it adds:

"Despite these serious problems, laundering criminally derived money can provide benefits to some otherwise economically unattractive countries. Such monies create an influx of capital which can lead to a stimulation of the country's economy. The increase in capital created by the criminally derived money increases money reserves, lowers interest rates, creates new jobs and, in general, encourages economic activity. Some officials are, therefore, reluctant to take action or provide information on money laundering activities."

The *Report* names the bank lobby as the agency which has ordered governments throughout the Americas to leave their drug profits intact. On page 51, we are told:

"Many governments face objections from strong bank lobbies, whose constituents stand to lose substantial deposits, commissions, and fees if their governments outlaw trafficking in drug proceeds."

Indeed, until the United States has a government which is willing to face its "bank lobby," narcotics will continue to destroy its citizens.

The first Opium Wars

In 1715, the British East India Company opened its first Far Eastern office in the port city of Canton, and began trading in opium. From then until 1840, when the First Opium War against China broke out, Great Britain did not take over the opium trade; the opium trade took over Britain. The means by which this occurred was the quasi-coup d'état headed by Lord Shelburne, who in 1783 brought to power in London the political and financial faction which had run the Asian opium trafficking.

When, in 1840, the Chinese emperor, confronted by a galloping addiction crisis which was destroying both the mandarins and the nation, tried to crack down on the British trading companies and their dope smugglers, Great Britain went to war.

In 1839, the emperor had named Lin Tse-hsu Commissioner of Canton to lead a campaign against opium. Lin launched a serious crackdown on the British-sponsored Chinese drug gangs. When he moved to arrest a

British national employed by the drug-trafficking houses, Crown Commissioner Capt. Charles Elliot intervened to protect the drug smugglers with Her Majesty's fleet.

The British Crown had its *casus belli*. The Chinese forces, decimated by 10 years of rampant opium addiction in the Imperial Army, proved no match for the British. When the British laid siege to Canton in 1840, painfully aware of the fact that prolonging the struggle would strengthen the British negotiating position, the Chinese emperor petitioned for a treaty in order to end the war.

The First Opium War defined the proliferation of and profiteering from mind-destroying drugs as the cornerstone of British imperial policy. But not a dozen years had passed when the British Crown precipitated the second war, again with disastrous consequences for the Chinese, and again with monumental profits for the London narcotics pushers. Out of the Second Opium War (1858-60), the British merchant banks and trading houses founded the Hongkong and Shanghai Banking Corporation, which still today functions as the central clearinghouse for all Far Eastern financial transactions relating to the black market in opium and its heroin derivative.

The economics of drugs: bonanza for the banks, death for a continent

by Dennis Small and Peter Rush

Sprawling 6,000 miles across a continent, the illegal narcotics growing, refining, and transporting "industry"—Dope, Inc.—presently infests the entirety of Ibero-America. Over the last decade, it has more than doubled in dollar value, and embedded itself deeply in the economic and social structures of almost every country in the region. Four countries account for the vast bulk of cocaine, heroin, and marijuana produced in the continent, Bolivia, Peru, Colombia, and Mexico; but virtually every country in Ibero-America is now heavily involved in either transshipment, refining, or laundering of drug dollars, with deleterious and rapidly worsening effects in all host countries—not to mention the epidemic growth of drug consumption itself across the continent.

By the nature of the beast, there are no "official" statistics for production, shipment, and sale of these drugs, either in Ibero-America, or in the countries of final consumption. Nonetheless, using what estimates are available from official agencies, largely from the U.S. Drug Enforcement Administration (DEA), it is possible to estimate rough magnitudes and discover trends. The results obtained stagger the imagination.

EIR's calculations, which if anything are too conservative, indicate that the street value of the drugs produced in the four major Ibero-American countries in 1987 was almost \$130 billion, a sum equivalent to 15% of the entire Gross Domestic Product of the whole continent—and 30% of its productive portion. In three of the four prime producing countries (Peru, Bolivia, and Colombia), the retail value of the drugs dwarfs the productive GDP. (It should be emphasized that while no more than 10-20% of this money ever returns to the producing countries, the retail value of the drugs is what the annual production is worth to the drug mafias, most of which also ends up in foreign banks.)

A closer look at the figures for the last decade allows us to answer the fundamental question regarding the drug trade, *cui bono?*—who benefits? The simple answer is: the banks. Such an analysis also provides us with decisive evidence to document the following conclusions:

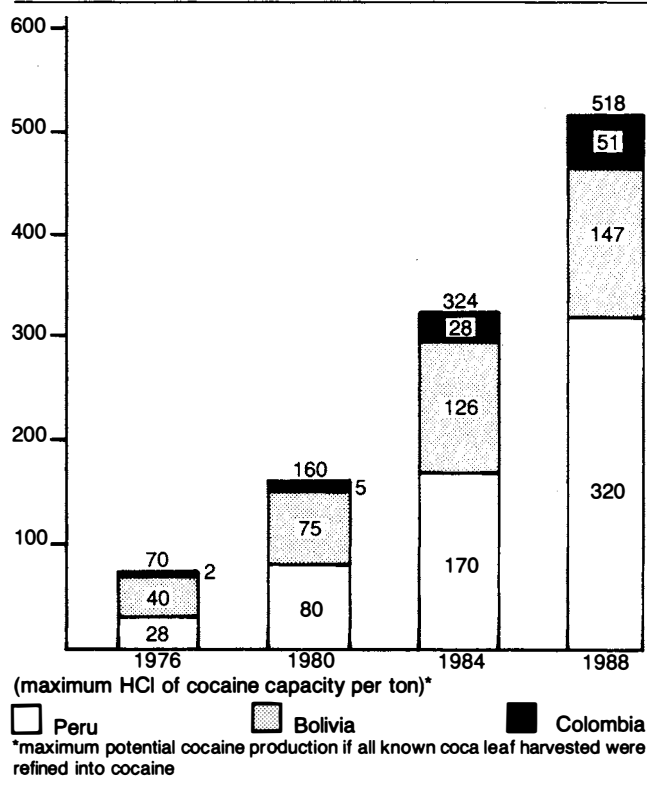
- 1) The policies of the International Monetary Fund (IMF) promote the drug trade;
- 2) The drug revenues which do return at all to the producing countries, do not help Ibero-America at all; in fact, the narco-economy has been a parasite whose growth has destroyed the productive sectors of the economy; and
- 3) Black money derived from the drug trade is, along

with flight capital, the major cause of monetary and financial chaos in Ibero-America, including devaluations, inflation, etc.

'Growth Industry'

As dramatic as the growth of drug revenues has been over the past ten years, it pales in comparison to the figures of *tonnage* produced. Take the case of cocaine. Figure 1 shows the incredible growth of cocaine production between 1976 and 1988. From a maximum likely production of 70 tons in 1976, Peru, Bolivia, and Colombia expanded production to 518 possible tons in 1988 (see note for methodology and

FIGURE 1
Volume of cocaine production in Peru, Bolivia, and Colombia



Sources: DEA, State Department, Government of Peru, EIR.

sources for these and all other drug-related calculations). In other words, output grew more than *seven-fold* in 12 short years! The difference between this rate of increase and the slower growth rate of total drug retail and wholesale values, is accounted for by the sharp and continuous drop in the price of cocaine since the mid-1970s, a drop that has escalated in the last two years with the advent of "crack" on a mass scale. The price drop has all the earmarks of a deliberate policy by the drug mafias that control its distribution, to make cocaine the mass drug of choice among as wide a population as possible.

As Figure 1 indicates, by 1987, Peru had assumed the lion's share of coca production, followed by Bolivia and Colombia. However, the bulk of all the refining of coca paste or base into pure cocaine is done in Colombia, followed secondarily by Bolivia and Peru, which refine only a small portion of their coca base. Therefore, Figure 1 should not be misunderstood to imply the primacy of Peru in terms of, the value of the trade to the local traffickers, which place is held

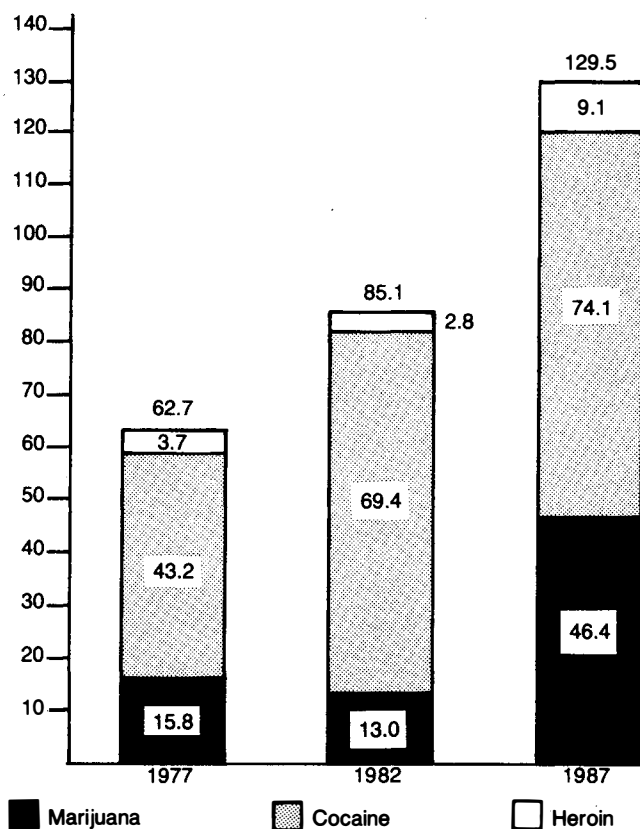
by Colombia and its notorious drug "cartels."

Figure 2 shows the estimated retail, street value of all of this cocaine, as well as marijuana and heroin, the other two principal drug exports from Ibero-America, in 1977, 1982, and 1987. The figures were arrived at by deducting 25% of the total physical crop grown for assumed losses caused by spoilage, stockpiling, local consumption, and eradication and seizures by producing and consuming countries, and any other losses in transit; and then multiplying the remaining 75% of production by street prices. The numbers in Figure 2 therefore reflect the continuous price drop of cocaine over the decade, a sharp rise in marijuana prices between 1982 and 1987, and relative stability in heroin prices.

Table 1 shows the figures graphed in Figure 2 according to country of origin. The decline in total street value of Bolivia's coca production masks an increase in the tonnage of production from 104 to 134 tons of cocaine equivalent, which was offset by a steeper drop in cocaine prices. The increase in street value of marijuana originating in Colombia from 1982-87 is entirely derived from price increases, as production was the same in 1982 and 1987, at about 8,000 tons. The drastic drop in marijuana and significant fall in heroin street values from product originating in Mexico between 1977 and 1982, is the result of a vigorous eradication effort that ended in that year, as detailed below.

The enormity of the retail value of the drugs produced in Ibero-America is shown in Figure 3, where the estimated annual take—at retail prices—for the drugs produced by the

FIGURE 2
Retail value of Ibero-American marijuana, cocaine, and heroin production 1977-87 (billions of dollars)



Sources: DEA, State Department, EIR

TABLE 1
Retail value of Ibero-American drug production by type and country of origin (billions of dollars)

	1977	1982	1987
Cocaine			
Peru	20.2	35.5	46.3
Bolivia	21.6	28.4	20.5
Colombia	1.4	5.5	7.1
Subtotal	43.2	69.4	74.0
Marijuana			
Mexico	6.4	0.9	18.8
Colombia	8.9	7.2	20.4
Jamaica	0.5	3.9	1.5
Other Ibero-America	—	1.0	5.8
Subtotal	15.8	13.0	46.5
Heroin			
Mexico	3.8	2.8	9.1
TOTAL	62.7	85.1	129.5

Method of calculations

In making *Executive Intelligence Review's* calculations of quantities and values of drugs, as seen in the figures on these pages, we have based ourselves on figures published by the U.S. Drug Enforcement Administration (DEA), because it is the most consistent and extensive series.

Most of their figures are given as a range between two values; for the estimates of tons of coca leaf, marijuana, and poppy production, we have taken the highest figure within the range, because it seems far more likely that some portion of total production escapes detection, than that the production areas are overestimated.

To calculate wholesale and retail value, the average price as given by the DEA was used, and it was applied against 75% of the value of production, allowing 25% loss through seizures and other losses.

DEA officials consulted by *EIR* stressed that their figures are, at best, guesses, and true figures could well be very different. One U.S. official familiar with the DEA's figures, told *EIR* that "nobody really knows what the figures are." By way of illustration, this source referred to the case of a heroin seizure in Thailand within the last few years that was several times greater than the previous estimate for total heroin from Thailand for a year—and such degree of error is equally possible with marijuana and cocaine.

For example, the House Select Committee on Narcotics Abuse and Control publishes figures on U.S. marijuana imports (30-40,000 tons per year) which are more than *double* the standard DEA estimates.

The estimates of maximum possible production figures for cocaine, marijuana, and heroin are based on aerial estimates of area sown to coca leaf, marijuana, and poppy, confirmed by on-the-ground reconnaissance when possible (and often it isn't), to which are applied estimated yield figures for dried weight of plant, and for cocaine and heroin, conventional ratios for their reduction to pure cocaine and heroin (marijuana needs no refining).

four major producers is graphed against the total gross domestic product of the wealth-creating sectors of their respective economies (the sum of GDP in agriculture, mining, manufacturing, electricity, construction, and transportation). The annual retail value of the drugs is consistently more than double the productive portion of Peru's economy, while it is 13 times greater in Bolivia in 1977, and 7 times greater in 1987. Except for 1982, the productive and drug economies are almost identical in size in Colombia, and only in Mexico is the productive economy significantly greater than the value of Mexican drug production, with the greatest discrepancy being in 1982, the height of Mexico's oil-spurred growth and its war on drugs.

Enter the banks

The \$130 billion of estimated drug revenues in 1987 is a sum larger than the Gross National Product of all but about a dozen countries in the world. It is larger than the GNPs of all countries but Mexico and Brazil in Ibero-America, and is 15% of the \$850 billion combined GNP of Ibero-America in 1987.

However, contrary to popular mythology, very little of this money actually returns to Bolivia, Peru, Colombia, or Mexico. A certain amount is the "take" of the distributors and local mafias who import the drugs and get them out to the final consumer, while a fraction, generally small, is paid to the producers, and somewhat more to the refiners in the producing countries. But the remainder, probably 80-90% of the total, is directly "laundered" outside continental Ibero-

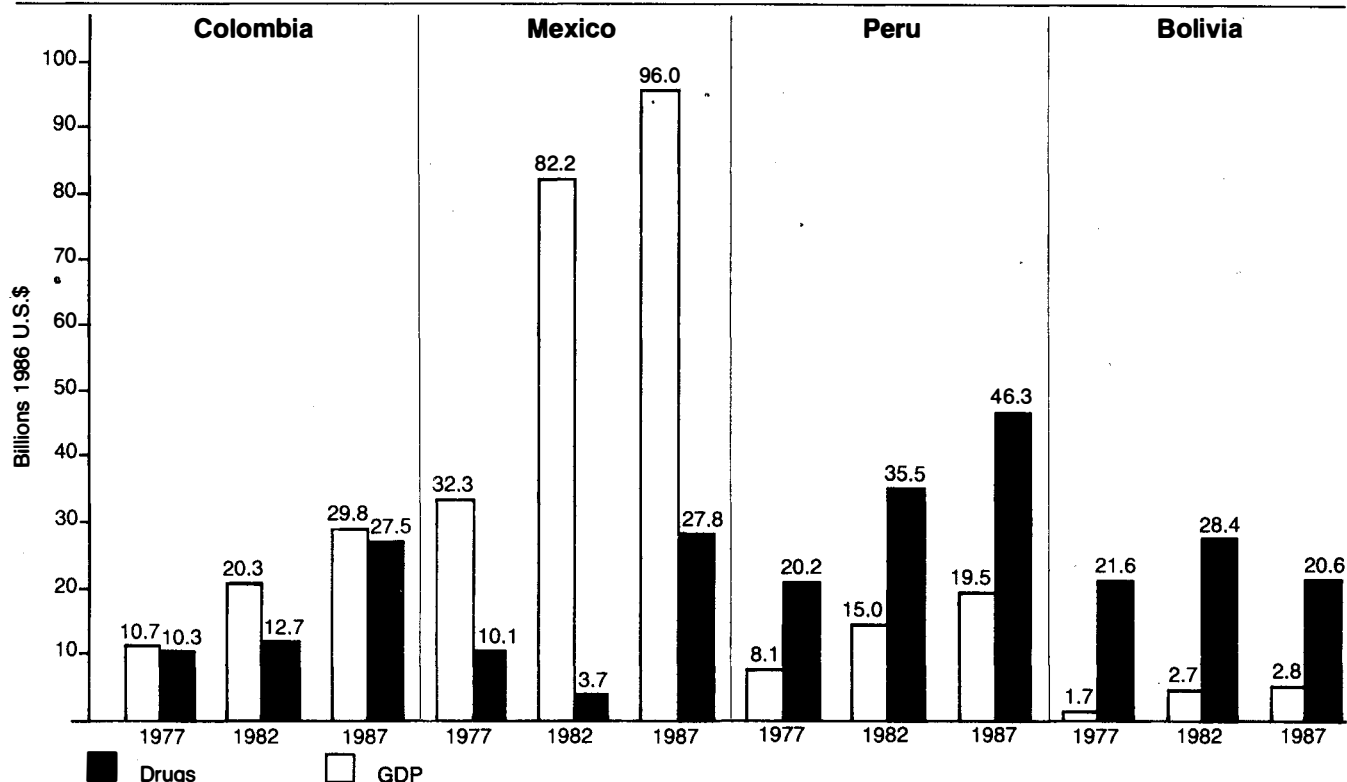
America by the powerful international mafias, of which the so-called "Medellín cartel" is the most significant.

Consequently, *it is the banks through which this money is laundered, and in which most of the money is ultimately deposited, who are the primary beneficiaries of this \$130 billion annual bonanza from Ibero-American drugs*—which of course is only a fraction of the estimated \$500 billion in total world-wide drug revenues captured by Dope, Inc. every year.

What the "oil shocks" of 1974 and 1979 did for the banks in the 1970s, the "drug shock" has performed in the 1980s, dumping huge and growing deposits of money into the multi-trillion dollar "money-go-round" known as the international financial system. Especially as the price of oil leveled off, and then plummeted, "narco-dollars" have taken the place previously held by "petrodollars." In fact, according to *Fortune* magazine, the estimated 25 million regular consumers of drugs in the U.S. spend twice as much per year on narcotics as they do on oil purchases! And it is the international banks who benefited from this, who have encouraged the restructuring of the economies of Ibero-America into narco-economies, using "structural adjustments" to impose austerity, collapse the productive economy, and increasingly leave people nowhere to turn but the drug trade. The end result has been that the banks are today as addicted to the flow of drug dollars as an addict is to heroin.

Table 2 represents a rough estimate of the cumulative total retail value of drugs from Ibero-America from 1977-87—i.e., what the banks have gotten from Ibero-American

FIGURE 3
Retail value of drug production vs. productive GDP*:
Colombia, Mexico, Peru, and Bolivia 1977-1987
 (billions of dollars)



*Productive GDP—GDP from agriculture, mining, manufacturing, electricity, construction, transportation

Sources, drug revenues: DEA, State Department, Inter-American Development Bank, *EIR*; GDP: DEA, State Department, *EIR*

drugs over the decade. The first three columns reproduce the total revenue figures from Table 1. Column 4 shows the approximate cumulative total of revenues for the ten years 1978-87: *just under a trillion dollars of retail drugs of Ibero-American origin have been sold worldwide!* Figure 4 compares this amount with total foreign debt of the continent over the same period, which clearly pales in comparison. Even more than the foreign debt, drugs has been the main method whereby the international banks have propped up their crumbling credit system by looting Ibero-America dry.

The IMF pushes drugs—the Mexican case

Since the mid-1970s, the international banks and the IMF have systematically and deliberately destroyed the financial systems and economic structures of every single Ibero-American economy. In the late 1970s through 1982, the banks promoted massive flight capital from Argentina, Venezuela, Brazil, Mexico, and most other countries, and at the same time freely extended loans to the central banks and governments to capitalize this flight capital, temporarily discarding

all economic criteria for loan approvals. This saddled the continent with an unpayable mountain of debt against which little investment in physical capital was made that would permit repayment.

Total debt increased from \$120 billion to \$360 billion in a mere six years, 1976-82. Then, in 1982, the banks and the IMF suddenly turned off the spigot and began demanding servicing of the by then enormous loan burden. To comply, the major economies of the region immediately shut down the process of economic growth, slashed internal investment, cut imports by as much as two-thirds (in the case of Mexico), and began systematically lowering real income levels, which in many cases are now a wrenching 50% of 1982 levels. Lawfully, the drug trade throughout Ibero-America has shot up incredibly as the direct result of this post-1982 bankers' austerity. Mexico is a perfect case study.

Beginning in 1975 under President Luis Echeverría, and continued under the government of Jose Lopez Portillo from 1976-82, Mexico carried out a remarkably successful program of eradication of marijuana and opium-heroin produc-

TABLE 2

Retail value of Ibero-American drug production by country of origin 1977-87

(billions of dollars)

	1977	1982	1987	Cumulative 1978-87
Peru	20.2	35.5	46.3	357
Bolivia	21.6	28.4	20.6	247
Colombia	10.3	12.7	27.5	167
Mexico	10.1	3.7	27.8	122
Jamaica	0.5	3.9	1.5	25
Other	—	1.0	5.8	22
Total	62.7	85.2	129.5	940

Sources: DEA, State Department, *EIR*

tion. As **Figure 5** shows, Mexican heroin production plummeted from almost 7 tons in the mid-70s (when it was supplying most of U.S. consumption), down to 1 ton by 1979, and stabilized at about 1.6 tons in 1982. Marijuana fell from more than 5,000 tons to a mere 400 tons by 1981 over the same period.

During the Echeverría (1970-76) and Lopez Portillo (1976-82) administrations, a nationalist, high-growth economic policy was adopted, and the IMF was not allowed to dictate policy for the country. Then, in 1982, the banks, supported by the U.S. government, launched all-out economic warfare and capital flight against Lopez Portillo to force a return to the IMF. This pressure led to the wholesale adoption of the IMF's program for Mexico from the beginning of 1983. The resulting boom for the drug trade is dramatically evident in **Figure 5**.

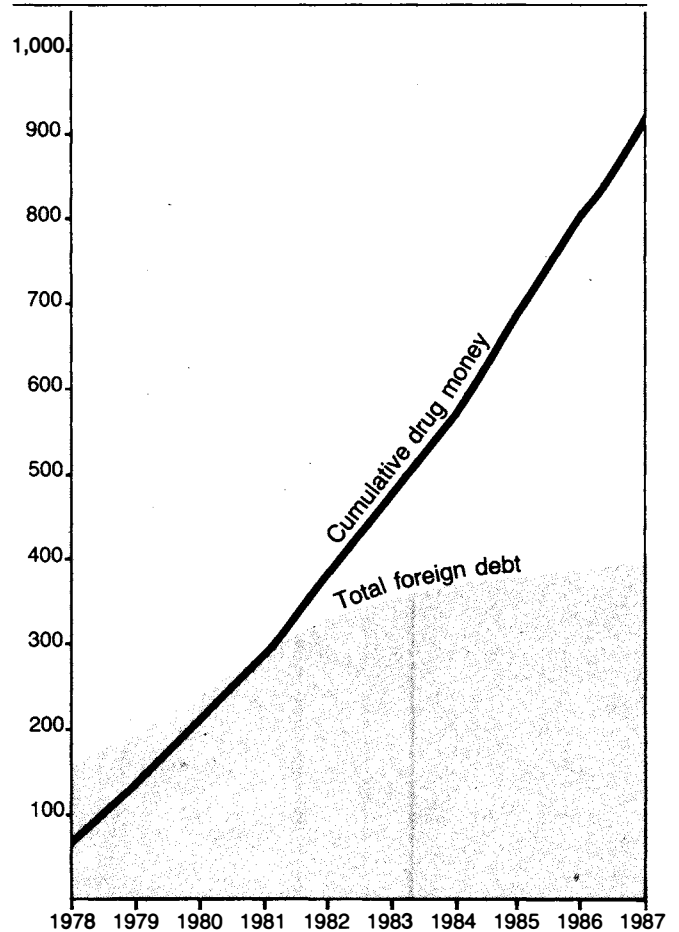
Over the last five years under IMF policies, the Mexican economy has been shattered. Measured in constant 1986 dollars, gross fixed capital investment, one of the best measures of development, soared under the previous government, growing 85% in the five years to 1981, before falling sharply due to the bankers' financial warfare in 1982, and crashing in 1983, as President de la Madrid slashed the development budget. It has stayed slashed ever since. Real wages have fallen to about half of their 1982 levels, while inflation took off, followed by huge devaluations of the peso.

Drug trafficking has filled the vacuum, as shown, with both heroin and marijuana production shooting up to nearly their pre-1976 levels. This has been caused by a combination of cuts in the government budget for drug eradication, as part of the IMF-austerity program, and by the skyrocketing numbers of Mexicans driven into the drug producing and transporting network out of dire necessity, as they find themselves unable to make a legitimate living under the De la Madrid regime.

FIGURE 4

Ibero-American total foreign debt vs. cumulative retail value of drug production 1978-87

(billions of dollars)

Sources: Inter-American Development Bank, *EIR*

It should be added that **Figure 5** undoubtedly understates the real growth of the drug trade in Mexico today, because transshipment of cocaine through Mexico is not reflected in the figures, for lack of reliable data. But it is known that at present a great quantity of South American cocaine travels through Mexico to the United States, in exchange, often, for weapons for the drug mafias and their terrorist allies.

Apart from the IMF-induced increase in drug production since 1982, another devastating consequence of these policies has been the very rapid rise in drug consumption within the continent. There are no reliable figures on this, but it is known that millions of people are involved in drug pushing, driven into it by the economic crisis, and that economic misery has created tens of millions of new users in recent

years, desperate to escape their horrible life situation, including in countries like Argentina that as recently as five years ago had almost no drug problem.

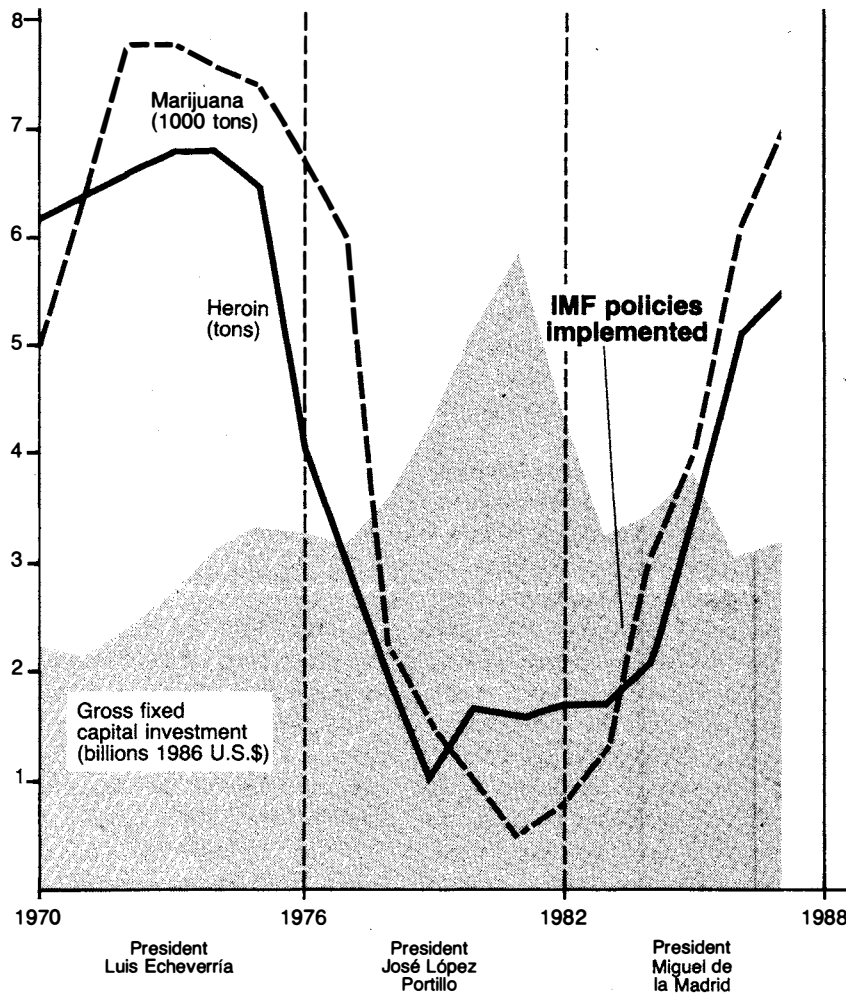
Drugs an economic disaster, not a bonanza

The State Department statement quoted in the introduction to this Special Report, State Department, on the putative "positive" economic and financial consequences of the drug trade to the producing countries, is a monstrous lie. Nothing could be farther from the truth. There is not a single economic parameter that can be cited to show the positive effect of the drug trafficking "industry" on any economy in the continent. **Figure 6** reveals the growth in the retail value of Ibero-American drug production, graphed against calculations made by the Schiller Institute in *Integración Iberoamericana* for

real unemployment (which includes under- and mis-employment) in 1980 and 1985. This unemployment figure is probably the most meaningful measure of the true health of the economy. As can be seen, unemployment grew dramatically between 1980 and 1985—precisely the same period during which drugs were purportedly "benefiting" the Ibero-American economies.

Figure 7 demonstrates the same point in two specific countries, Bolivia and Peru. In both cases, the collapse of gross fixed capital investment occurs in the years of greatest boom of drug revenues. Similarly, per capita manufacturing output shows an uninterrupted collapse in Bolivia, while in Peru, partial recoveries of investment and manufacturing output are recorded for the first two years of the Alan García presidency (1985—), following sharp collapses under the

FIGURE 5
Mexican drug production 1970-87



Sources: DEA (1977-87 drug figures), ECLA (investment figures).

Belaúnde regime (1980-85), which corresponds to the period of the greatest rise in drug production.

Colombia is the one major drug-producing country that has maintained a steady, if small, annual growth of its economy, primarily because the banks chose to continue lending to it after 1982, so it was not forced to slash imports and decimate real wages. However, unemployment has been rising, even according to official figures, from about 9% in 1977-79, to nearly 14% by the mid-1980s. And the banks have finally told Colombia they will no longer continue to capitalize the interest payments that Colombia otherwise cannot pay.

Monetary chaos

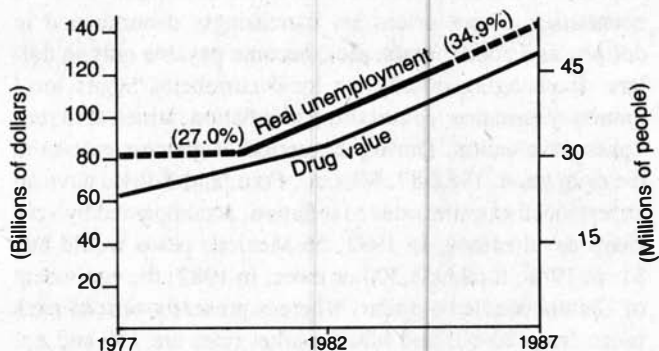
Not only have drugs destroyed the productive economies, those revenues that *have* returned to Ibero-America have created havoc in the monetary and financial systems of the countries.

There are no reliable estimates for how much of the \$130 billion actually returns either as circulating medium, or to be laundered through the banking systems, of the four major producing countries, or of the other countries of Ibero-America. A minimum figure can be estimated by calculating what the drug mafias must pay the peasant producers and transporters of the raw materials for the drugs (see **Table 3**). In the case of Peru, for example, since relatively little of the coca leaves grown there are processed within Peru beyond the stage of cocaine base into cocaine HCl, total payment to Peruvian producers of cocaine paste was probably about \$300 million in 1977, rising to \$950 million in 1982, and \$1.5 billion in 1986. This figure can be assumed to be a rock-bottom estimate of the amount coming into the country in dollars for drugs; it is *EIR*'s estimate that the same amount again probably returns for laundering, payoffs, and other uses, making a total of \$3 billion for 1986.

For Bolivia, the respective figures for direct production payments were \$300 million in 1977, \$700 million in 1982, and \$700 million in 1986. For Colombia, the entirety of the coca crop is refined in the country, raising its value well above that for the other two producers, despite much smaller quantities of coca grown, giving \$600 million for 1977, \$1.9 billion for 1982, and \$2.7 billion for 1986. However, Colombia's income from drugs is certainly still higher, because Colombia also refines the cocaine base that is manufactured in Peru and Bolivia. This probably raises significantly the amount of drug dollars coming into the Colombian economy, perhaps by an additional \$2 billion per year. The total revenue received by Ibero-America for cocaine would thus total in the range of \$12 billion for 1986—about 15% of its total street value. If we assume that approximately the same proportions hold for heroin and marijuana, then we can estimate that in 1987, about \$20 billion of the total street value of the \$130 billion in Ibero-American drugs reentered those economies.

FIGURE 6

Ibero-American real unemployment* vs. retail value of drug production 1977-87



*Official unemployment, plus estimates for under- and misemployment

Sources: Schiller Institute, *La integración iberoamericana*, 1986; *EIR*.

Despite the absence of statistics for this money, it can be asserted unquestionably that its influence was disastrous, and not beneficial.

Where does the money go? Statistics prove it doesn't go into real production. Rather, it is squandered in real estate, spent in bribes and other corruption, and hires private armies, such that, at present, the drug mafias in Colombia constitute a parallel state, and Mexican traffickers are trying to copy the Colombia model. But most importantly, it shows up in the



Has this Bolivian family benefited from the cocaine "bonanza"?

country's financial and monetary systems as a prime cause of inflation, devaluation, and capital flight.

Drug money has become an integral part of the assault on the integrity and sovereignty of every banking and financial system in Ibero-America. The huge, footloose masses of unproductive dollars have led to a vast dollarization of the economies, where prices are increasingly denominated in dollars, and goods, rents, etc., become payable only in dollars. Exchanging dollars for local currencies bloats local monetary issuance, contributing to inflation, which then provokes devaluation. During the period of greatest growth in the drug trade, 1982-87, Mexico, Peru, and Bolivia have all experienced extreme rates of inflation, accompanied by very sharp devaluations. In 1982, 56 Mexican pesos would buy \$1; in 1988, it takes 2,300 or more; in 1982, the equivalent of .7 intis equaled a dollar, whereas presently official rates range from 20-80, and black market rates are 150 and up. Bolivia in 1985 suffered a hyperinflation like that of Weimar Germany, when inflation rates topped 12,000% a year, and the currency became virtually worthless.

TABLE 3
Cocaine money reentering Ibero-America 1986

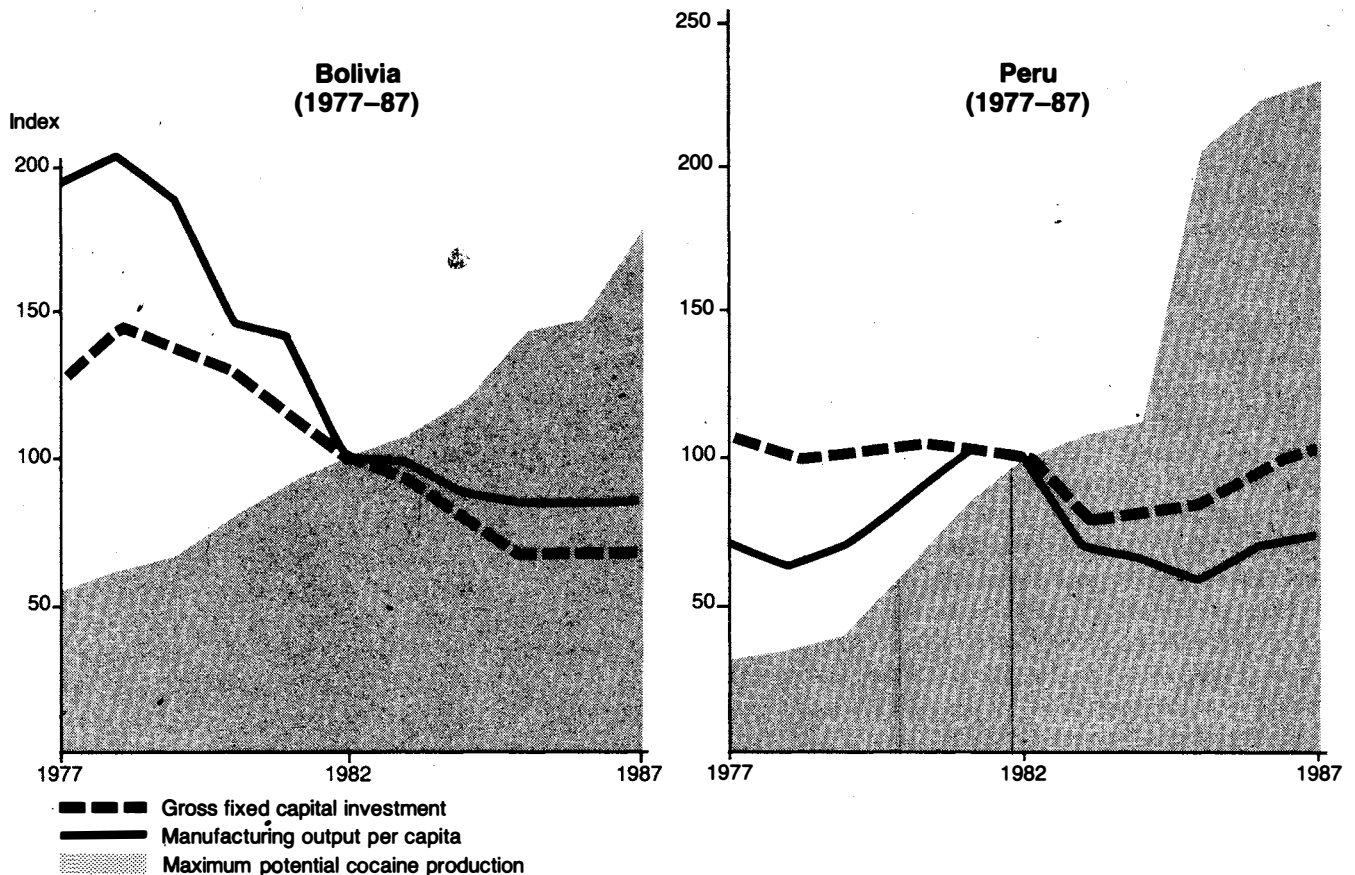
(billions of dollars)

	Peru	Bolivia	Colombia	Total
1) Production costs	1.5	0.7	2.7	4.9
2) Other payments	1.5	0.7	4.7	6.9
3) Total	3.0	1.4	7.4	11.8
4) Retail value*	46.3	20.5	7.1	74.0

*1987 figure

Unless checked, this parallel drug economy and financial system will succeed in supplanting the national economies of Ibero-America altogether, and leave the entire Western Hemisphere in the hands of Dope, Inc.

FIGURE 7
Drug economy vs. productive economy



Sources: Inter-American Development Bank, DEA, Government of Peru, EIR.

How Jamaica became a ganja plantation

by Gretchen Small

What has happened to Jamaica in the past 12 years provides a stunning example of how the economic policies of the Western elite have made a mockery of those who seek—some with their lives—to halt the drug plague.

Since its first days in office, the Reagan administration has held up the economic policies of Jamaica's Edward Seaga as embodying the "fresh view of development"—President Reagan's words—which the administration seeks to further throughout the globe.

Jamaica is a model of "making freedom work," Reagan told representatives of the Organization of American States on Feb. 26, 1982, in his speech announcing the establishment of the Caribbean Basin Initiative (CBI). Seaga's demonstration of the "magic of the marketplace" inspired the CBI, which has been designed to encourage all Caribbean nations to follow Jamaica's path, Reagan said.

Thus did President Reagan *encourage* developing nations to turn to narcotics production as the source of funds with which to pay the debt—for that was the policy which Seaga announced when he came into office in 1980.

Seaga did not create the marijuana boom in Jamaica; the International Monetary Fund (IMF) accomplished that. Seaga's contribution to the process of transforming Jamaica into a dope economy was to legalize narcotics monies—and to do so as stated, official policy.

Perhaps the most shocking aspect of the transformation of Jamaica into a dope-dependent nation, is the openness with which it occurred. From 1977 to 1988, the Western banking cartel forced Jamaica, step by step, to cancel all industrial advance, and instead build up marijuana cultivation as the "cash crop" upon which the entirety of its economy is today dependent. The news of this transformation was regularly reported in the international press, while Western leaders kept silent watch—or cheered it on.

International Monetary Fund's role

Marijuana, called *ganja* in Jamaica, was introduced to the country in the 1850s, but it was not until the 1976 economic crisis that marijuana cultivation began to be transformed into an industrial-style cash crop oriented to international trafficking.

The professional dope trade moved into Jamaica big in

1976, the same time that it moved into Colombia, fleeing the harsh crackdown on drug-trafficking ordered by Mexican President Luis Echeverría. At the same time it arrived, the combined rise in international oil costs and collapse of world-market prices for Jamaica's traditional export items (bauxite, sugar, and bananas), left Jamaica without reserves. Needing foreign loans to cover the deficit, Jamaica turned to the IMF for "approval."

The first IMF conditionalities were imposed upon the country in 1977, under the Michael Manley government. Over the next four years, Manley fought repeatedly with the IMF—but remained silent on the growing drug trade. The conditionalities had one main task—to suck savings out the economy, and into debt payments. The currency was devalued, government spending and borrowing reduced, credit restricted, imports cut back, taxes increased, and a ceiling set on wage increases. Plans to upgrade Jamaica's bauxite industry, by building additional alumina processing plants, were written off as "too costly."

By May 1978, conditionalities had passed over into direct surveillance. IMF economists set up office at the Bank of Jamaica, the country's central bank, where they could monitor all money flows and economic activity.

IMF handling of Jamaica's domestic credit flows became the primary mechanism for the transformation of Jamaica's economy into drug dependence. The IMF insisted that Jamaica must fight inflation, by, in the words of one official, "violently" limiting internal credit. To do so, government printing of money was limited, and the Bank of Jamaica was ordered to pressure local commercial banks to limit the amount of consumer credit they issued.

But while IMF officials insisted legitimate credit flows be shut down, no attempt to restrict the growing black market in dollars was allowed. Dollars brought in from abroad would "have no inflationary impact," IMF officials in Washington insisted to anti-drug investigators in 1980. IMF personnel began pressing for the *legalization* of the dollar black market.

One source fed that market: marijuana trafficking to the United States, and everybody knew it.

By mid-1979, Jamaica's *Daily Gleaner* proclaimed that "Ganja pervades Jamaica," because "ganja is the only thing that pays. . . . Entire districts, entire communities were already structured around the growing and selling of ganja."

"Industry may also be managing to pay its foreign bills through Jamaica's version of agro-business. Ganja (marijuana) thrives in the island's conditions," London's *Economist* reported in a June 21, 1980 article, which elaborated how Jamaican industry was hooked on drug money:

"Ganja is grown mostly by small farmers, who do not want to be paid in American dollars. So the traffickers sell their dollars to industrialists in exchange for local currency . . . and then pay the farmers in Jamaican dollars. Industry thus manages to pay its foreign suppliers just before they cancel the next shipment, while the ganja money has taken the edge off some of the hardship in the hills," the *Economist*

explained.

Under IMF direction, unemployment had risen to 30% in Jamaica, the standard of living had dropped by close to 25%, and an estimated one-fifth of the population relied on the marijuana trade for some part of their income. Whereas Jamaican marijuana trafficking had been minimal in 1976, by 1980, it had turned into a \$1 billion a year "business," with Jamaica serving as the third largest supplier of marijuana to the United States.

London's *Financial Times* declared in December 1980 that "ganja brought a new prosperity to large parts of rural Jamaica."

An April 6, 1980 report in the *London Observer* had been a bit more truthful: The IMF had "imposed such harsh conditions for its loans" that "wages have fallen to not much more than half what they were a few years ago, the Jamaican dollar is devalued every month, and one in three of the population is workless. . . . In the complicated and topsy-turvy world of international finance, the International Monetary Fund is now . . . helping those who want to legalize pot."

Enter Seaga

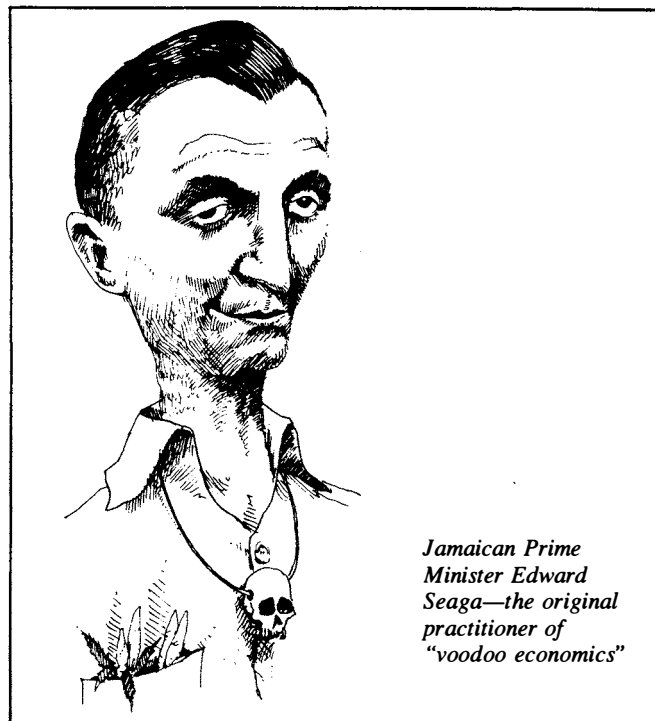
In November 1980, *War on Drugs*, the magazine of the U.S. Anti-Drug Coalition, detailed how the drug mafia planned to use Jamaica as the keystone of its plans to legalize international narcotics trafficking. The magazine titled its exposé, *Who Made Jamaica a Drug Economy? An International Monetary Fund 'Economic Cure.'* But by then, the next step in the plot to legalize international narcotics trafficking outright, had already been taken.

On Nov. 1, 1980, Edward Seaga, a former governor of the World Bank and IMF (and specialist in voodoo cults), was inaugurated prime minister of Jamaica. In his inaugural speech, he warned that the country had to pay out \$155 million more in foreign exchange by the end of the year, than the Bank of Jamaica had in hand. On Nov. 7, speaking to a group of Jamaican businessmen, Seaga announced that his government planned to cover that deficit—by legalizing dope monies.

Anyone who holds illegal dollars, can now deposit them in Jamaican banks free from criminal prosecution, Seaga told the businessmen. Many people have dollars gained "from the export of a certain illegal item," which they have been afraid to use in Jamaica out of fear of prosecution, he stated. Therefore, I have given orders to the banks that if someone wishes to exchange dollars for Jamaican currency: "Don't ask questions. Don't accept it. Grab it!"

Seaga then visited the United States, where he also reported his plans to legalize "the ganja trade."

"Regardless of whether we want it or not, the industry [sic] as such is here to stay. It is just not possible for it to be wiped out, and if it is here to stay then we have to make up our mind from that point as to how best to deal with it. The question of legalizing it so as to bring the flow of several



Jamaican Prime Minister Edward Seaga—the original practitioner of "voodoo economics"

hundred million dollars in this parallel market through official channels is complex. . . . It's keeping us alive. How else do we get kept alive?" he told the *Washington Post* on Nov. 10, 1980.

Interviewed on CBS-TV's *Face the Nation* on Nov. 23, Seaga declared that marijuana is the "lifeline" of Jamaica's economy, and argued that "there can be no moral issue against it."

Seaga named Percival Broderick, one of the country's most vociferous drug-legalization advocates, as his Minister of *Agriculture*. Back in 1977, Broderick had told the U.S. drug magazine *High Times*: "Ganja is a primary export product of Jamaica, with possibly more export potential than bauxite ore."

President Carter's Deputy Director of Caribbean Affairs, Richard Howard, told *War on Drugs* that Seaga's decision to legalize drug monies was acceptable, because "the government just would want to get control over the flows of money. . . . Face it, everyone knows that the marijuana trade has brought in income to Jamaica."

Under the Reagan administration

The Reagan administration agreed 100% with the Carter team. Not one week in office, President Ronald Reagan announced that the first head of state he would receive at the White House, was Edward Seaga, and this to emphasize their common economic outlook. The Royal Family of Britain signaled its commitment to the same program, appointing Seaga a member of the Queen's Privy Council.

From 1981 to 1985, the Seaga government did not make even token attempts to eradicate marijuana plantings across the island, or interdict shipments into the United States. Jamaica's tourist industry quietly promoted Jamaica internationally as the place to go if you wanted to get "stoned in the sun," without worry over official prosecution. A U.S. House of Representatives study team to Jamaica in 1984 reported upon its return that it "was dismayed by the ready availability of ganja in Jamaica," and that the team had been offered "marijuana and cocaine in the airports, tourist shops, and boats."

Jamaica also became a trafficking center for all drugs, including heroin, cocaine, and hashish. The House study team noted that Jamaica had the largest number of airstrips per geographic area of any country in the world. In July 1984, Jamaica's Minister of Science, Technology and Environment, Ronald Irvine, stated that Jamaica had become *the main transshipment point for cocaine in the area*. Marijuana traffickers are accepting payment in cocaine in some cases, he added, because they increase profits by selling it to tourists in Jamaica.

By 1985, Jamaica's situation was dramatic. To visit Jamaica, is to witness "the evolution of an entire country toward dependence on marijuana—the creation of a 'Ganja nation,'" *Washington Post* reporter Jeff Stein wrote in a Feb. 17, 1985 article. What had been estimated as a \$1 billion "industry" in 1980-81, had grown to somewhere near \$2.3 billion by 1983, and if conditions continue as they have been, Jamaica could produce \$3.5 billion worth of drugs in 1985, Stein calculated.

Life in Jamaica under Seaga's "miracle" had not improved either, as the IMF continued to dictate policy. Stein reported that 50% of the population was unemployed as 1987 opened. He added:

"Traveling around Jamaica I found whole villages that had made the transition from dependence on legal commodities to a vast and lawless economy based on marijuana. One might say that the Jamaican marijuana production is a shining example of the free market at work—the very kind that the Reagan administration extols."

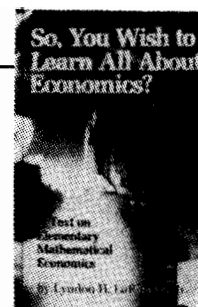
The first attempt to eradicate even some of the marijuana crop began in 1985, when the Seaga government and the U.S. DEA initiated a joint program. It was Jamaica's first official anti-drug program in 10 years!

By then, the anti-drug effort was a bit like locking the barn door after the horse has fled. In 1986, Jamaica eradicated more marijuana than ever before—official estimates were one-half of the crop—but even so, the U.S. State Department estimated twice as much was exported to the United States that year as in 1985. In December 1986, Seaga approved use of herbicides against marijuana plantings—although only by backpack, and not aerial spraying. So, planters began shifting from large plots into increased numbers of smaller plots, in mountainous areas not accessible by road.

Because Seaga's program for the legal economy has been limited to growing fancy fruits and enticing foreign investors to take advantage of low-wage labor available for hire in Jamaica's growing free zones, his government is in no position to rally Jamaicans against drugs—a situation which the drug legalization lobby uses to its advantage. Dawn Ritch, the *Gleaner's* most outspoken drug legalization advocate, wrote in December 1986:

"Ganja barons build police stations for their own and the community's protection, they pay school fees for children who don't belong to them, they are often better corporate citizens than many established companies, [they provide] lucrative employment for hundreds of thousands of small farmers." Instead of eradicating, the government should legalize, she argued.

Ritch's lies about an idyllic life under the ganja barons in Jamaica are belied by the deaths which those same crime kings have brought to U.S. cities. Beginning in the 1980s, Jamaican gangs began building marijuana and cocaine distribution networks in the United States, combined with an active trade in weapons. Those gangs, now active in 15 U.S. metropolitan areas, are distinguished by their violence, in what law enforcement officials have decried as a "total disregard for human life."



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How drug dollars loot Peru's economy

by Gretchen Small

There is a widespread belief that if the governments of Ibero-America would only legalize the dollars flowing from the drug trade, they could thus access desperately needed liquidity. The monies might be immoral in origin, the argument goes, but if legalized, drug dollars can be turned to good, by saving the economies of the region. The experience of President Alan García's efforts to crush the drug trade and rebuild a productive economy in Peru, demonstrates that, where implemented, the result of the legalization policy is exactly the opposite.

Wherever drug monies have been permitted to enter the legal economy—whether formalized as in Colombia's "sinister window," or tolerated as a "legal" black market as on Lima's Ocoña street—that window of legality functions, not as a source of capital for the country, *but as the window through which capital flight loots that country of its resources.*

Two primary domestic factors have led to the failure of the García government's efforts to crush the drug trade inside Peru. One factor has been the warfare waged by the narco-terrorist insurgency led by Shining Path, in defense of the drug trade. The second cause, however, lies in the government's failure to break the control of the narco-bankers over the nation's credit system.

Stemming the looting

President García was the first President in ten years in Peru to commit his government to "totally eradicate drug trafficking," the promise García made in his inaugural speech on July 28, 1985. Within two weeks of taking office, García's government had raided more coca laboratories and fired more corrupt policemen than either of the two previous governments had done in their terms in office.

The steps were long overdue. By the time García took office, Peru had become the single largest producer of coca leaves in the world. Under the careful watch of his two immediate predecessors, Gen. Francisco Morales Bermúdez (1975-80) and Fernando Belaúnde Terry (1980-85), land under coca cultivation in Peru had skyrocketed from the estimated 14-18,000 hectares planted in 1975, to over 135,000 hectares by 1985. Industrial and agricultural production, however, had plummeted.

As a result, by 1985, the dollar had overtaken the sol as

the currency used in Peru, with the sol devalued to the point of worthlessness. "The growing informal economy is underpinned by the drug trade, mainly cocaine business, which authorities have done little to stamp out, and which is reckoned to account for 10% of the money supply," the *Financial Times* admitted on Nov. 27, 1984.

The leading drug-legalization advocates in Peru today, continue to be the two finance ministers most responsible for the "cocaization" of the economy under those regimes: Javier Silva Ruete and Manuel Ulloa.

When García took office, the nation's reserves were almost nonexistent. Two strategies were proposed to resolve the problem. One was to continue the "open economy" policies of the International Monetary Fund, while formalizing the de facto legalization of drug dollars which had occurred under the past regimes. This option was promoted in the *Wall Street Journal* in August 1985, which asserted that people "deep within" García's government considered this as the way to pay the debt.

The other, adopted by García, was that of restricting payments on the foreign debt to 10% of export earnings, with the money thus saved to be invested in increasing national production and consumption. García ordered that the dollarization of the economy cease, insisting that "wages and profits will be measured in the national currency, and not in foreign coin."

Although no formal exchange controls were adopted, García threatened to shut down the main source of dollars for capital flight: the "informal" drug-dollar market on Ocoña Street. On July 30, police raided Ocoña, arrested some 200 money-changers, and seized documents proving Ocoña's role as a drug money laundromat.

García's policies worked. Over the next year and a half, Peru's reserves rose from about \$350 million to a high of \$1.5 billion. In 1986, the economy grew an unprecedented 8.9%; manufacturing rose even faster, by 17%. Most of that growth was achieved simply by gearing up productive capacity idled under previous regimes.

As the limits of using previously existing production were reached, the question of generating new capital for investment became primary. With the international banking cartel cutting most of Peru's foreign credits, by December 1986, reserves gained by limiting debt payments, were being drawn down to sustain the growth.

For the next six months, the banking cartel attempted to force García's government to accept their argument that Peru's only hope was to adopt the coca-dollar strategy cited by the *Wall Street Journal* in 1985. Cartel mouthpieces from London's *Economist* to Silva Ruete's *La República* in Lima, put out the line that Peru's reserves depended on Ocoña's laundering.

The Peruvian private sector joined international bankers' in squeezing the economy to force Peru to accept drug dollars. In an April 12, 1987 interview with *Visión* magazine, Manuel Ulloa outlined the terms of their squeeze-play: "We

can forget any idea of receiving any foreign resources for the next five years . . . either credits or investments. No investment from private interests should be expected either, under current government policies. Tell me who is going to deposit money so that through the banking system, the development of production can be aided?" Sooner or later, the government will be forced to "rectify" its policies, Ulloa stated.

Ulloa's newspaper, *Expreso*, published calls for mass capital flight. The private sector will be "going tomorrow to Ocoña Street, converting their businesses into dollars, and beginning again some place outside of Peru," one of Peru's "informal economy" advocates, Felipe Ortíz de Zevallos, told *Expreso* on April 12.

By June 1987, it was clear that the battle over economic policy, came down to the issue of how Ocoña and the drug dollars would be handled.

Ocoña has become the center of speculation in the country, and should be shut down, the chairman of the Congressional Budget Commission, Carlos Rivas Davila, proposed on June 7. Ulloa's *Expreso* answered that "not even a police regime like the U.S.S.R. has been able to eliminate the black market in foreign money. . . . It is an illusion that Ocoña could be eliminated."

Economics Minister Luis Alva Castro lined up with Ulloa's crowd, promising on June 13 that the government would not intervene in the "informal" dollar market. The central bank adopted the insane strategy of attempting to lower the price of the dollar on the black market, by selling dollars on Ocoña—in essence, a decision to throw Peru's official reserves out Ocoña's window!

On July 14, Planning Minister Javier Tantalean revealed that other options were being considered by the government. One billion coca-dollars going through Peru's economy have wrecked the stability of Peru's currency, now named the inti. "Initially it was thought that Ocoña was equal to 1-2% of our exports, but now it is said to be nearly one-third! We are seriously studying this situation, so that . . . proper measures can be taken. . . . Ocoña is the tip of the iceberg, which means there is something a lot bigger," he told reporters.

Defeating the nationalization strategy

On July 28, 1987, President García announced in his State of the Union address, that his government had drawn up a bill nationalizing Peru's banking system. While Congress studies the measure, the state will intervene into the country's financial institutions, to prevent the complete de-capitalization of the country in the meantime.

Ocoña was finally shut down, and tight exchange controls adopted. "When one buys dollars from narcotics traffic, he is subsidizing its illicit activity and then carrying over the high price of those dollars to the price of goods and services. . . . This situation made it imperative to take an immediate decision. From this moment, the government, by sovereign decision, set up a strict regime of exchange controls, declaring that the use of foreign exchange has a social

character and must be decided only by the state," García stated in his speech.

A few days later, García reiterated that the fundamental issue at stake in the bank nationalization is that "the government, not the drug traffickers, must run the country." The majority of capital flight Peru suffers involves "dollars from the black market, the majority of which come from the drug traffic," he charged.

The reaction from the banks, international and domestic, was violent. The champions of the informal economy in Peru at the Institute for Liberty and Democracy called in advisers from Coparmex, the Mexican businessman's association, most vociferous in its support for legalizing the black market. Coparmex's people advised the Peruvians to boycott the government's banks, and concentrate on building up parallel credit schemes, outside government control. The cry went up that García's government was moving toward communism.

The first sign that the government's will could be broken, sooner or later, was that by September, all mention of the drug economy was dropped by government spokesmen, including García. The government defended its proposed nationalization as only an effort to "democratize" credit, never again mentioning that the issue was one of sovereignty against the dope mob.

On Jan. 28, 1988, the government formalized its defeat. Supreme Decree 009-88-PCM was issued, allowing businessmen to import goods without using "official" dollars. The only source for non-official dollars? Ocoña. Lima's *El Comercio* named the measure for what it was: "Behind the bureaucratic language . . . reality is that through such a decree, money of doubtful origin . . . is incorporated into the economy."

On March 11, then-Economics Minister Gustavo Saberbein declared that "it is no longer illegal to sell dollars on the Ocoña secondary market." The inti, trading at some 45 to the dollar on Ocoña during the height of the crisis in June 1987, immediately dropped to 110 per dollar. By the end of April, the commercial banks—now back in the hands of the private sector—were given the green light to buy "all the dollars they want" from tourists and "any other sources." *El Comercio* noted that the parallel market has thus been fully institutionalized in the national banking system.

Peru's economy has gained neither capital nor stability from the measure. In May, speculation against the inti on Ocoña drove its value down to 215 per dollar. The Lima daily *El Nacional* named the narco-mafias as the leading culprits in the binge. When it dropped to near 250, the government again resorted to selling its scarce dollars on Ocoña!

With ups and downs, the speculation has continued to this day. On June 18, García's third Economics Minister, Cesar Robles, acknowledged that one of the fundamental causes of the continuous crisis is the "parallel banking structure," which he estimated today handles 40% of Peru's total financial resources.

Soviet party conference beset by economic woes

by Konstantin George

Behind all the theatrics at the Soviet Union's 19th Communist Party conference, the real centerpiece of discussion and the focus of major policy decisions in the near future, is the profound economic crisis in the Soviet Union and Eastern Europe. The preoccupation with the bloc-wide crisis was already evident by the conclusion of the second day of proceedings, in the delegate speeches that followed General Secretary Mikhail Gorbachov's report to the conference, which began in Moscow on June 28.

Speaker after speaker dwelled on the economic situation, and only peripherally on the proposals submitted by Gorbachov for changes in the structure of political power—the role of the President, the Supreme Soviet (parliament), the local Soviets (councils), and all the other “democratization” measures he espoused during his nearly four-hour address.

The tone of the conference was set on its second day by Leonid Abalkin, director of the Economics Institute of the Soviet Academy of Sciences. He minced no words on the “catastrophic economic situation” in the East bloc. He stopped just short of saying that Gorbachov had failed to get the Soviet economy off the ground. He stressed that “the last three years,” i.e., under Gorbachov, had seen “no real improvement in the economy.”

Abalkin was followed to the podium by Health Minister Yevgeni Chazov. The picture on health care that he presented was bleak indeed. The U.S.S.R. has the lowest life expectancy, and the highest death and infant mortality rates of any industrial country, he reported. He called for what amounts to a crash program to improve health and sanitary conditions. Chazov declared that the Soviet Union must go beyond the present plans “to double health care expenditures” over the next five years, and called for a decree mandating that a “fixed percentage” of the GNP be allocated for health services.

And so it went. Another speaker, Gennadi Kolbin, the Russian party boss for Kazakhstan, stressed the priority of “improving living standards” and ending shortages in food, consumer goods, and housing. Siberian metal worker Veniamin Yarev said supplies of food and consumer goods had not improved and objected to sugar rationing. “There is nothing in the shops, as it used to be,” he said. “Besides, there are [ration] coupons for sugar. There used to be no meat in the shops—there is none now. The consumer goods have disappeared somewhere.”

In the buildup to the party conference, a torrent of articles and letters has appeared in the Soviet press, documenting the worst poverty and shortages in decades. The weekly *Sotsialisticheskaya Industriya* now proclaims that “more than half” of the Soviet population “lives in poverty.” The national rural daily, *Selskaya Zhizhn*, reports that along with meat, even sausages, and for that matter, even the most inferior grades of sausage, made with 50% horsemeat, have disappeared from Moscow shelves. Letters to *Vechernaya Moskva*, the Moscow evening newspaper, complain bitterly that a kilo (2.2 lbs.) of sausage costs 10 rubles (an average monthly wage is 150 rubles), and “sugar has totally disappeared” from the shelves. In several such letters, Gorbachov's *glasnost* is bitterly attacked, as in one which said, “What good is *glasnost*,” when the shelves are empty? “At least under Stalin . . . we ate better.”

In the swell of speeches emphasizing the economic crisis and measures to deal with it, Gorbachov's “democratizing” proposals, that scored such big headlines in all the Western media, were rudely ignored, and in one case contemptuously attacked. The aforementioned Abalkin announced that he did “not agree with the proposal” submitted by Comrade Gorbachov for having the same individuals head both the regional

and local party committees and the corresponding governing "executive committees," stating that this would increase the problems in running and managing the economy.

The autarchy policy

Gorbachov's opening speech announced that in response to the economic crisis, a policy of increased Comecon autarchy has been decided. "We shall continue to devote our foremost attention," he said, "to increasing economic relations with the socialist countries." This was the only occasion during his speech where Gorbachov employed the phrase "our foremost attention."

EIR had predicted such a shift in emphasis, based on our analysis of the crisis in Eastern Europe, where the economies have neared the point of physical breakdown, and the current spillover of this crisis into the Soviet economy. During the 1980s, Eastern Europe has been ravaged by Soviet looting, as well as by increased Western looting through usurious lending policies by creditors like the International Monetary Fund. The net result has been an exorbitant increase in the flow of exported industrial goods and basic commodities, including food, from Eastern Europe, both to the U.S.S.R. and to the West (mostly to pay interest on debt), with no net increase in goods imported from the U.S.S.R., and a collapse in industrial imports from the West, vitally needed to modernize the industrial base of Eastern Europe. To maintain the flow of exports to Moscow and the West, Eastern Europe was forced to channel most investments into these areas of the economy. The result has been a calamitous collapse of investment for industry meeting domestic needs, for infrastructure, health care, housing, etc.

From Moscow's standpoint, the worsening economic crisis inside the U.S.S.R. itself can only be arrested if the Western looting of Eastern Europe is curtailed, and a policy of bloc autarchy is introduced. But this creates an additional policy dilemma, as Lyndon LaRouche pointed out in a recent *EIR* analysis ("Is the President to be declared insane?" *EIR*, March 18, 1988). If Moscow continues to use austerity against Eastern Europe, this will create a political and social crisis which is beyond the means of police-state control.

Gorbachov on a tightrope

Gorbachov received remarkably little applause throughout his nearly four-hour speech, and *none*, or almost none, every time he put forth a "proposal" for the conference to decide on. Every time, he made a thundering defense of *glasnost*, he received only scattered applause, while thunderous applause was registered when he stressed limits to *glasnost*, and denounced excesses that have occurred.

Otherwise, the parts of the speech ignored by the Western media show the true direction events are taking inside the U.S.S.R. Gorbachov paid homage to the forces actually running the Soviet Union: the Russian chauvinist nomenklatura, including the KGB, the military, and the Russian Orthodox Church. This is the same coalition of forces—and of national

chauvinist ideology—which had once been rallied by Stalin, to fight in World War II. We will document this with the relevant passages from Gorbachov's speech:

1) Praise for the KGB and military: "We support the efforts being taken by the organs of State Security (KGB), the Defense Ministry, and the General Staff to widen their work in promoting *perestroika* and the democratization process."

2) All restrictions on the Russian Orthodox Church are to be lifted: "There is the fundamental matter of freedom of conscience . . . as we saw during the Millennium of the Russian Church. There's no reason for a disrespectful attitude towards Believers, let alone placing any restrictions on them."

3) Gorbachov praised the rapid growth of civic groups like those representing war veterans, unions, theater workers, the Soviet Culture Fund, and "various societies dealing with the conservation of nature and protection of historical monuments." The last is a reference to the Russian chauvinist Pamyat society, which was nominally founded as a "Society for the Protection of Historical Monuments."

4) A new Russian-chauvinist national movement is being created: "A nationwide patriotic movement is being formed in the country to support *perestroika*," whose membership includes "Party members, non-Party members, and Believers."

Several amusing events at the conference further attest to the opposition to Gorbachov on internal affairs. After his speech, only one delegation, that of Uzbekistan, went on record at a press conference given by the Uzbek party head, Nishanov, proclaiming that they "fully approve" of all the proposals advanced by Gorbachov. The next day, an article appeared in the weekly *Ogonyok*, charging that many in the Uzbek delegation were under "criminal investigation" for having "received bribes." The conference voted June 29 to have the credentials committee investigate the matter.

Then there was a "debate" by delegates on whether Gorbachov should have a limit of two terms or three as general secretary. One delegate, Mikhail Ulyanov, head of the Theatrical Union, warned of the "danger of a return to Stalinism," and the emergence of a "new 'Father of the People,'" to motivate his proposal that the conference vote to "elect" Gorbachov as general secretary for three five-year terms. Ulyanov then said that such a long tenure was required, because "15 years is not a short time." This drew howls of laughter, because the phrase "15 years is not a short time" is often used to describe the standard heavy prison sentence in the U.S.S.R.

A final note: Moscow is only reporting about 1% of the "news" emanating from the conference, which is not only closed to Western reporters, but, unlike Communist Party congresses, permits no observers from other socialist countries. The true substance of the conference's decisions will emerge soon enough, in the policies implemented in the weeks and months ahead.

Learn humility from history, Malaysian leader tells Australians

Malaysian Prime Minister Datuk Seri Dr. Mahathir Mohamad was obliged to tell some 105 members of the Australian Parliament to leave his country alone, in the letter we reprint below from the Malaysian daily the Star of May 30, 1988. These Australian parliamentarians had written Dr. Mahathir a very nasty letter dated March 18, deploring Malaysian "human rights violations." They then allowed the letter to be "made public" in the Australian capital of Canberra, where it was picked up by the international news agencies, and widely publicized by the press of Australian and ASEAN countries, the Star reported.

The issue was the arrest last October of more than 100 Malaysian citizens under Malaysia's Internal Security Act (ISA), which succeeded for a time in preventing strife among Malaysia's three ethnic groups (the population is about 50% Malay, 40% Chinese, and 10% Indian) from escalating into a repeat of the 1969 riots in which 240 people died. Many incidents were caused by actions by such opposition groups as the Chinese-based Democratic Action Party (DAP) and the Islamic fundamentalist party, the PAS, over religious, linguistic, and other highly charged issues, with international and Malaysian press and "activists" fanning the flames.

We print first the letter by the Australian MPs, and then Dr. Mahathir's reply.

Australian MPs denounce Malaysia

Dear Prime Minister,

We have been alarmed by reports in the Australian press which have stated that since Oct. 28 of last year, more than 100 Malaysian citizens have been arrested and detained under Section 73 of the ISA.

Those arrested included prominent Opposition Parliamentarians and civil rights activists such as the DAP leader Lim Kit Siang and Aliran leader Dr. Chandra Muzaffar.

Also arrested were numerous academics, trade union leaders, and consumer rights and anti-nuclear activists. Our press has reported that some of them were tortured.

Amnesty International regards those arrested not as threats to Malaysian internal security but as prisoners of conscience,

and the International Commission of Jurists has stated that the action is motivated by a desire to silence its political opposition.

We, the undersigned members of the Australian Parliament, wish to express to you our concern over the observance of accepted human rights standards in Malaysia.

We regard the laws under which these people were arrested as unworthy of a democratic state, and we believe the continued detention of these prisoners of conscience to be a gross violation of human rights.

Dr. Mahathir replies

Dr. Mahathir's letter, dated April 25, 1988, was addressed to Lewis Kent, MP from Hotham, who organized the Australian letter.

The concern expressed by your Australian Members of Parliament over the arrests of Malaysians involved in instigating racial disharmony in Malaysia is laudable.

It would be more laudable if you cared to study carefully the facts and the background before you make your condemnation.

Unlike Australia, which was seized from the Aborigines and designated as a settlement for British criminals, Malaysia was populated with Malays when the British were invited to advise the Malay Sultans on modern administration.

As usual, the British simply took over the country and did as they pleased.

Ignoring the views of the indigenous people, they allowed wholesale immigration of incompatible Chinese and Indians. Thus, when we achieved independence, 50% of the population was made up of children of the immigrants.

The British colonial government practised a divide and rule policy and an autocratic system to ensure racial peace. Independent Malaysia opted for a democratic government, which subjects the government to constant pressure and threats by the irresponsible in the society.

Racists among them, whether Malays, Chinese, or Indians, continuously stir up racial animosities. The most blatant

racists are usually educated and are well versed in the manipulation of democratic freedom for their ends.

Their methods differ very little from the communist front organisations. Indeed, in many cases, they are the same people or they work together.

In 1969, race riots broke out because the government then did not read the signs. We are not going to allow that to happen. Acting after the outbreak is like locking the stables after [the horse is gone]. To be worthwhile, we must take preventive action according to the British-formulated Preventive Detention Act.

Academics, environmentalists, and leaders of consumer associations, etc. were not arrested because they were academics, etc. They were arrested because they instigated racial animosities.

Surely it is not suggested that academics or opposition members be exempted from the provisions of the law. It may interest you that many members of the government parties were also arrested, questioned, and some were detained. Those arrested are of all races and religious beliefs. We do not discriminate.

Since my government took over in 1981, most of the people detained under the ISA have been released. Under the three previous governments, some 2,000 people languished in detention.

Last year, there were only 300 hard-core communists who refused to forswear violence who remained in detention. Of 106 brought in for questioning last year, only 50 are detained.

Malaysian laws are harsh. They have to be if we are going to have stability in a country used to British authoritarian rule and consequently unfamiliar with democracy.

Most newly independent countries could not manage a democratic system and reverted to British-style authoritarian rule. Here the people can decide how harsh the laws should be by choosing the government they have faith in. We are not beholden to anyone else, least of all to MPs of some other nation.

When Australia was at the stage of Malaysia's present development, you solved your Aborigines' problem by simply shooting them. You made sure of your present white supremacy of your White Australia Policy. Even now, there is discrimination against coloured people.

If you are really not racist, you should do what the British did to us: admit as many Chinese and Indians as are willing to make Australia their home until they make up at least 50% of your population.

If at that stage they demand that Chinese and Indian be Australia's media of instruction and you comply, then we will listen to your views on how to run Malaysia.

In the meantime, please concentrate on fair treatment for Aborigines and the Asians in your midst, and leave us alone. Australians give themselves too many airs and think they should advise all the governments in Southeast Asia how to run their countries.

Malaysia

AFL-CIO dirty operation exposed

by Sophie Tanapura

The political forces behind the ongoing destabilization of Malaysia have been brought to light by recent government revelations that the AFL-CIO, citing violations of "human and trade union rights," has petitioned the U.S. Congress to revoke Malaysia's trade privileges under the Generalized System of Preference (GSP). The AFL-CIO itself claims it had done so at the urging of Dr. V. David, secretary general of the Malaysian Trade Union Congress (MTUC).

The irony of the present situation has not escaped Malaysia's outspoken prime minister, Dr. Mahathir Mohamad, who is reported in the June 6 Malaysian daily *The Star*, as saying that Dr. David, despite being a trade union leader, had been quite willing to victimize the workers, because the withdrawal of the GSP, which brings annual gains of about 350 million Malaysian dollars to the country, would greatly penalize the workforce.

Certainly, Dr. Mahathir's comments could also apply to the AFL-CIO, whose "Project Democracy" demands for "human rights" threaten to destroy the livelihood of workers globally. Malaysia, however, is not taking this meddling in its internal affairs lying down, and intends to fight the AFL-CIO petition. Dr. Mahathir, however, has warned that fighting the AFL-CIO may mean "they will resort to other actions which can bring losses to us." And indeed, as of this writing, Labor Minister Lee Kim Sai, together with MTUC President Zainal Rampak and Cuepacs President A. Ragnathan are attending the International Labor Organization (ILO) conference in Geneva, where "human rights" will be a major item on the agenda.

75,000 jobs threatened

As part of its counterattack, the government has released figures warning Malaysians that the loss of GSP trade privileges would jeopardize at least 75,000 jobs and investment in about 895 manufacturing companies. If agriculture-related industries are included, the figures would be even higher. According to Trade and Industry Minister Datin Paduka Rafidah Aziz, 11.74% of the country's 7.84 billion Malaysian dollars in exports to the United States are under the GSP program. Products included under GSP privileges are palm oil, fruit, rubber, plastic, metal products, plywood, and textiles.

Obviously, withdrawal of these privileges would seriously affect future investment in Malaysia as well, since much

of the current investment is toward export-oriented industries. Concerning Dr. David's support for trade sanctions, the June 8 Malaysian daily *New Straits Times* quotes Datin Paduka Rafidah saying she despised "this kind of attitude" from a Malaysian. "It is unthinkable that someone should have called for something to be done against the country when we are trying to encourage investment and to promote growth," she said.

As for trade union official Dr. David, he was recently released from security detention, having been arrested last October during the Internal Security Act (ISA) sweep involving individuals agitating racial unrest. Now he denies he ever asked the AFL-CIO to help revoke Malaysia's GSP privileges. However, when confronted by the press as to whether he would now ask the AFL-CIO to withdraw their petition, given the information that has come out on how much it would hurt the country, he flatly stated he would not, until all political detainees were released.

Needless to say, this attitude did not gain him much sympathy, and, rather immediately other trade union officials denounced his behavior as unpatriotic. He then softened his position and graciously offered himself as a mediator between Malaysia and the United States to prevent any trade sanctions. David delivered this generous "offer" at a press conference, where he also issued a prepared statement with the astonishing title, "On the Threatened GSP Sanctions—David Offers a Guarantee—Prepared to Play the Kissinger Role." Certainly, it is difficult to imagine a proposal more self-indicting!

To strengthen the government position, the *New Straits Times* published excerpts from an AFL-CIO statement citing David's remarks at their Miami, Florida conference last October, where he urged trade sanctions against Malaysia because of workers' rights violations. He was also quoted making similar statements in the November 1987 Asian-American Free Labor Institute bulletin. According to the June 7 *Star*, this same bulletin reports that David, at this October 1987 conference, attended a seminar on how the AFL-CIO was using the threat of trade sanctions as a blackmail device against countries it deemed to be violating human and trade union rights.

Though David is not a novice at agitating political unrest (this was his fourth arrest under the ISA since 1958), the obvious manipulator has been the AFL-CIO, whose *modus operandi* is to profile trade union activists, then bring them into a controlled environment designed to make them into useful pawns for their "trade war" scenarios. Once David "asked" the AFL-CIO to act against Malaysia, supposedly in defense of human rights, they then had the justification to pressure the U.S. government to remove Malaysia's trade privileges. This is like ex-Panamanian President Eric Delvalle "requesting" an American invasion of Panama. Prime Minister Mahathir's action to bring the AFL-CIO's dirty operation into public view is the most effective measure to sabotage such violations of national sovereignty.

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Superpowers protect the Khmer Rouge

by Linda de Hoyos

Signs are growing that the Soviet Union, the People's Republic of China, and the U.S. State Department are working toward the target of settling the Kampuchea conflict. The projected settlement would involve a coalition government composed of the current Phnom Penh regime along with the Khmer Rouge, with Prince Sihanouk positioned as the powerless head of state. Such an agreement is not believed to find favor with Vietnam, which has backed the Phnom Penh government since its troops moved into Kampuchea in 1979, or Prince Sihanouk.

An early tip-off to such an arrangement came in the June 9 *Far Eastern Economic Review*, in which Nayan Chanda reported that in December 1987, while Soviet Deputy Foreign Minister Igor Rogachev was in Beijing, the Soviet ambassador in Kampuchea had put forward a proposal for Phnom Penh Prime Minister Hun Sen to meet with Khmer Rouge leader Khieu Samphan. The Soviets wanted a quick answer for delivery in Beijing within 24 hours. The reply came that Phnom Penh agreed "in principle" to such a meeting, but "then was not the time."

Such a deal was mooted again, reported Chanda, during a May 17-21 conference on Cambodia organized by Griffith University in Australia. The conference featured speakers from Moscow, Vietnam, Laos, and Kampuchea. Khieu Kanharith, editor of the official paper of the People's Republic of Kampuchea (PRK), said, "A PRK-KR [Khmer Rouge] solution has been envisaged by certain politicians; firstly because this would entail cooperation between 'communists' sharing a certain philosophical unity . . . and next because this would suit many countries as well."

The scheme was given a further boost when the *Washington Post* "reported" June 17 that China had offered asylum to Khmer Rouge leader Pol Pot. The removal of Pol Pot along with fellow leader Ieng Sary, considered the two most murderous Khmer Rouge, along with their wives, has been one of Hanoi's first preconditions for a full withdrawal of Vietnamese troops from Kampuchea. By June 23, the Chinese foreign ministry had denounced the story as "ridiculous," and leaks came from Washington that the story had been "disinformation" aimed at forcing Beijing to show its hand on the Khmer Rouge. It is not known to what extent the "disinformation" ploy was coordinated with Moscow.

Sihanouk warns

Despite China's disavowal, the idea is still alive. On June 27, Prince Sihanouk publicly voiced his worries that a deal may be struck, sanctioned by Beijing and Moscow, to merge the Hun Sen regime along with the Khmer Rouge, with a Sihanouk presidency as cover. To avert such an option, Sihanouk repeated his declaration that he would take power in Phnom Penh only through internationally supervised elections under a new constitution. Sihanouk would likely win such elections.

Sihanouk is also concerned that once Vietnam pulls out its troops, the Khmer Rouge will attempt to wipe out both his army (estimated to be about 15,000) and the forces of the Phnom Penh government. The Heng Samrin government, said Sihanouk, cannot stave off a Khmer Rouge onslaught without Vietnamese military assistance. Without Vietnam's protection, he said, Hun Sen's regime is "zilch." Therefore, Sihanouk is seeking protection for himself and Cambodians through an "international army" that would supervise the country for five years.

Sihanouk is not alone in his worries. The withdrawal of 50,000 Vietnamese troops from Kampuchea, as international observers say is now under way, should be cause for celebration. But, warned Col. Harry G. Summers (ret.), in a column in the *Washington Times* June 30, "The fact is that Cambodia is about to be impaled on the horns of a horrible dilemma, for a unilateral Vietnamese withdrawal raises the real possibility that the occupiers will be succeeded by the very same genocidal monsters they overthrew in 1979—Pol Pot and his bloodthirsty Khmer Rouge henchmen." Summers, who fought in the Vietnam War and wrote the U.S. Army's strategic critique of the U.S. defeat there, points out that the Khmer Rouge, with "30,000 guerrillas, well-armed and equipped by their Chinese friends, remain the most powerful of the Cambodian resistance groups."

Such warnings, however, do not appear to disturb the Ivy Leaguers at the State Department. David Lambertson, deputy assistant secretary of state for East Asian and Pacific Affairs, testified before the House Foreign Affairs Committee that "given the uncertainty about Vietnamese intentions, we believe that the best course is to hold to our current policies regarding Cambodia. This means we will continue to support Prince Sihanouk and the Cambodian noncommunist resistance forces in their valiant struggle for a free and independent Cambodia."

Lambertson added that "these forces are making encouraging progress in their presence in the interior." As Lambertson undoubtedly knows, the only forces making headway in Cambodia are the Khmer Rouge, and later the deputy assistant admitted that "crafting a solution will not be easy, inasmuch as the Khmer Rouge remain probably the most militarily powerful of the Cambodian factions."

To underline the point, the Khmer Rouge has launched an offensive against Phnom Penh forces in the Cardamon Mountains, on the eve of Vietnam's 50,000-troop pull-out.

Yugoslavia enters new stage of crisis

by Luba George

The Yugoslav government's killer austerity policy adopted in May, with wage cuts averaging 40-50%, demanded by the International Monetary Fund (IMF) as conditions for new credits, has triggered the biggest strike wave in Yugoslavia's history, and has accelerated fragmentation of the country along regional lines.

While the strike wave is national in dimension, the center of mass unrest is in the westernmost Republic of Slovenia, the country's most prosperous region. Strikes in Slovenia protesting the federal government's austerity have served as the gathering point for a mass protest which is taking an increasingly pro-separatist character. In Slovenia's capital, Ljubljana, protests were held against the Yugoslav Army leadership. Slovenia's second largest city, Maribor, has been paralyzed by a strike of its largest enterprise, the TAM auto plant, and the Slovenian government is in a head-on collision with the federal government over plans to drastically increase federal powers at the expense of each republic's autonomy.

The government's austerity program, its response to the strike wave, and its intent to stage a showdown with Slovenia, guarantee a very hot summer.

The strike and protest wave

In the wake of the government's capitulation to the IMF's demands for vicious wage cuts, the Yugoslav industrial and construction workforce has been slammed with average wage cuts of between 40 and 50%, as a result of the government's latest austerity package passed in May. Squeezed between such wage reductions and an inflation now (under-) estimated officially at 170% (actually above 200%), life has become unbearable.

These actions were met with mass strikes and protests in the last two weeks of June. Over 10,000 people, including some 5,000 farmers, marched on the Federal Parliament in Belgrade to protest against these measures. This occurred against a backdrop of smaller such marches on city halls in small towns throughout Yugoslavia.

In the town of Maribor, Slovenia, 5,000 auto workers went on strike on June 21, and over 4,000 of them rioted

before the city hall. The workers, who make up two-thirds of the workforce at the TAM auto plant, are demanding restoration of the cuts, and above that, a 50% wage increase. Other protests were staged by workers, mostly women, from the MTT textile factory, and workers from the Elektrokovina appliances factory. The next day, June 22, about 3,000 striking workers again marched on the city hall in protest. When Ivan Cuk, the president of the city government, tried to explain the cuts, he was met with jeers, and narrowly escaped being physically assaulted.

The Yugoslav government has announced that it will not give in to strike demands. On June 22, Deputy Prime Minister Janez Zemljarić told the Yugoslav news agency Tanjug that "thanks to the forced savings program [i.e., the wage cuts and austerity], \$1 billion in new credits" have already been acquired. He added, "Now, far-reaching structural reforms must be adopted"—code-language for the policy of shutting down "unprofitable" enterprises, which promises to massively increase unemployment, already at 20% nationally.

In Ljubljana, over 25,000 Slovenians marched on the evening of June 21 to protest the arrest in May of two Slovenian journalists writing for the youth paper *Mladina*, and one soldier, accused by the Serb-dominated Yugoslav Army of having "betrayed secrets" from official Army documents. The three face a military trial and stiff sentences, and the Army has been demanding the right to conduct a mass "roundup" of liberal and opposition figures in Slovenia. Indicating the growing separatist mood in Slovenia, in Maribor, the Republic's second largest city, groups of people throwing stones at soldiers is an almost daily occurrence.

In addition, a showdown is building between Slovenia and Yugoslavia's eastern republics, led by Serbia. The conflict is expected to erupt soon, when Slovenia will veto a Serbian-sponsored move to change the Yugoslav constitution to severely limit each republic's autonomy. In Serbia itself, a process that began last summer when Serbian chauvinist hardliners defeated those who had advocated a moderate course on dealing with the growing separatist threat from the Autonomous Region of Kosovo, has taken its course, with the June 23 expulsion of seven leading moderates from the Serbian Central Committee. They include Ivan Stambolic, the former President of Serbia, and Bogdan Bogdanovich, the former mayor of Belgrade.

Threat of military coup

More explosions in Yugoslavia are certain. The threat of a military coup was even raised in a June 22 speech by Deputy Defense Minister Adm. Peter Simić, at a special conference of Army party organizations. Referring to the crisis in Kosovo and the emerging separatism in Slovenia, Simić charged the Party with "failure" to control the situation. "The level of organization, extent, form and intensity of hostile actions," he declared, "have reached the point where they are beginning to threaten the constitutional order of the country."

Pamyat's 'appeal to the Russian people'

by Luba George

The document published below, titled "An Appeal to the Russian People," was released by the Russian-chauvinist mass organization Pamyat ("Memory") on Dec. 8, 1987. Some of the crucial demands put forward by Pamyat there have now appeared as policy pronouncements in Mikhail Gorbachov's June 28 report to the 19th Soviet Communist Party Conference. In the portions of Gorbachov's speech ignored by the Western media, he singled out for praise "civic organizations," including "societies for the preservation of historical monuments," the category under which Pamyat is listed.

Gorbachov also announced that "a nationwide movement to support *perestroika* is being created," a movement consisting of "party members, non-party members, and [Russian Orthodox] believers." Pamyat on Dec. 8 had called for the creation of "Perestroika People's Committees." Even in what are portrayed as the "reform proposal" passages of Gorbachov's speech, one finds curious echoes of the Pamyat document. Gorbachov called for a new Supreme Soviet chamber to be called "Congress of People's Deputies." A key demand in the Pamyat document reads that a body of "People's Deputies must become operative immediately."

Periodically, the Soviet media feign complaints about Pamyat, but nothing is ever done to hinder its growth. In truth, Pamyat and a myriad of groups closely associated with it are behind the rise of Great Russian chauvinism; it is a *legal* mass organization (see *EIR*, Jan. 8, 1988). It can be likened to the notorious "Black Hundreds" established at the end of the 19th century to carry out pogroms against Jews and non-Russian Orthodox peoples. Like the "Black Hundreds," which was a creation of the Czarist Okhrana secret service, Pamyat is controlled by a committee of the Soviet intelligence establishment, including the KGB and the military GRU. Pamyat's poisoning of the atmosphere with anti-Semitism has led to an upsurge, in the last six months, of assaults against members of Jewish organizations, desecration of Jewish cemeteries, and even the murder of Jews.

During June, a pamphlet was distributed in Moscow, saying that the celebrations of the Millennium of Christianity in Russia should prompt Russians to stand up for their Church and country against the threat posed by Jewry. Despite Pamyat boss Dmitri Vasilyev's denial, many members of the nervous Jewish community are convinced that Pamyat was

involved. Another suspected Pamyat-linked operation is the sudden appearance at the same time of an anti-Semitic organization called "Death to the Jews." According to a recent statement made by Soviet refusenik Yuli Kosharovsky, this organization has been allowed to spread its message in official meetings and workplaces "under the patronage of the Soviet authorities."

Pamyat's appeal to the "patriots" of the Holy Motherland is a far cry from the noble Schillerian republican idea of "patriotism," which is anathema to all forms of tyranny and imperial designs.

The Pamyat call for awakening "the rational and healthy forces in our society," and the polemic that "this *perestroika* bluff cannot continue any further," and heavy attacks against "Zionist conspiracy" and "cosmopolitans," was the precursor to the March 13 issue of *Sovetskaya Rossiya*, which published a "Manifesto" by Nina Andreyeva that attacked "cosmopolitans" and the drift that *perestroika* has taken.

Gorbachov's praise at the Party Conference for "societies for the preservation of historical monuments" was received with great applause. Among the pro-Pamyat delegates attending the conference is Anatoli Ivanov, the chief editor of an anti-Semitic youth monthly, *Molodaya Gvardiya*. In addition, Nina Andreyeva has prepared an "Open Manifesto" for the conference, along the lines of her "letter" to *Sovetskaya Rossiya*.

Documentation

Patriots of the World Unite! . . . Several years ago, the world looked once again on Russia with hope. . . . What is really going on in our country?

The atmosphere in the country can be summed up in a single sentence: *We've done some democratizing and that's it!* . . . This *perestroika* bluff cannot continue any further. The world must know *the whole truth*. . . . The activities of the *enemies* who have entrenched themselves in every sector of the *party*—the leading force of the U.S.S.R.—are becoming more and more evident in our country. The dark elements, speculating on Party slogans and Party phraseology, are to all practical purposes waging a struggle against the *indigenous population of the country and destroying the national face of the peoples*. They are reviving Trotskyism so as to discredit socialism, to sow chaos in the state, and open the sluice gates to Western capital and Western ideology.

. . . Pamyat represents and is the expression of *the will of public opinion* in the country. . . . And who would dare act against their own people? Only those who are remote from it and have not known its soul for a long time and are unable to understand it. It is they who are trying to convince

everyone that there are no dark forces in the state and no conspiracy. *No?! Then let them answer the following questions publicly.*

Who has been inciting terror in the country for 70 years? Who is destroying and crushing any independent thinking? Who is flagrantly violating the Constitution and the Law?

Who has blackened our history and culture? Who has destroyed the huge number of monuments of world renown which belong to the Russian people and other peoples? Who has reduced our historical sacred places—our churches, temples, monasteries, and graves of national heroes of our Motherland—to a state of extreme desolation and destruction?

Who has been ruining the economy all this time and destroying agriculture?

Who has reduced the ecology of the country to a catastrophic state?

Who arranged the disaster at Chernobyl and made a vast region of land unusable?

Who is depleting our raw materials and selling off our natural wealth abroad for a mere trifle?

Who is detroying our nation with ideological and alcoholic dope?

Who at the word *Russian* rushes like a watchdog to accuse us of chauvinism and nationalism? Who is trying to change the meaning of the word *Russian* to that of *enemy*?

We are the opposition to all who seek to betray the cause of perestroika and are ready to crucify their own mother for a mess of pottage! . . .

“International Zionism and Freemasonry have removed their visor and gone openly on the offensive against the last remaining islets of spirituality and national consciousness. Three years ago, Pamyat began ringing the *alarm bell!* . . . is the ideological apparatus, which is headed by Politburo member Yakovlev, trying to do away with our Patriotic Association! Because the patriots of Pamyat told Yakovlev of their *distrust* for the Russophobic views he expressed in his memorable article “Against anti-historicism” in *Literaturnaya Gazeta*, no. 46, Nov. 15, 1972. Those views have not changed to this day—the press, radio, and television are preaching cosmopolitanism and idolatry towards the West, and excluding what is fundamentally national and belongs to the people.

We accuse Comrade *Yakovlev* of having persecuted Pamyat because of our criticism of him! . . .

We appeal to you compatriots and friends, to use your collective will to make those who have straddled the Party and the Party press subject themselves to the demands of the majority:

1) To terminate the repression, slander and bans on Pamyat!

2) To make public all letters to newspapers, radio, and television defending Pamyat!

3) To award official status to Pamyat Patriotic Association!

4) To provide Pamyat with a platform on central television!

5) To demand that Pamyat publish an independent newspaper with the unshakeable principles of *objectively* reflecting all the processes of life and criticizing, *irrespective of who the target is.*

We call on all honest and courageous people to close ranks around Pamyat and support the healthy forces of the Party who do not separate themselves from the people, and to protect the ideals of the Motherland. . . . We appeal to all patriots in the Committee of State Security, the Ministry of Internal Affairs, and the Military: “Demand an open meeting with the leaders of Pamyat!” . . . We demand that *all forces be mobilized to explain the danger Zionism represents in our country and that an end be put to the actions of those who are selling their homeland for 30 pieces of silver!*

Stop the Cosmopolitans! . . . Raise up the deepest layers of the history and culture of the Motherland! . . . Demand the resignation of those who are inflicting economic and moral damage on the Motherland! . . . Do not permit any *lack of control!*

. . . *All media are misleading world public opinion.* True, there are exceptions. The two Arab papers *Al-Anba* and *As-Safir* have provided a great deal of honest and objective information about Pamyat. . . . We must pay attention to the experience the Arab people have accumulated in struggling against Zionism. . . .

The practice of people’s deputies proposed by Pamyat must become operative immediately! . . . *The Perestroika People’s Committees, expressing the will of the public, must be independent in their judgment and be subordinated only to the demands of the U.S.S.R. Law and Constitution!*

On the eve of the Millennium of the Christianization of Russia . . . it is time to grant believers total freedom of conscience! We are in favor of separation from the state of atheistic propaganda, like that of the church. This will allow artificially created sects to be destroyed. . . . *We consider it necessary to restore a church service in the heart of Russia—the Uspensky Cathedral in the Kremlin!* . . .

[Pamyat] is the *sole force* capable of withstanding the power of gold, the vanguard of imperialism—*Zionism and Freemasonry*, whose aim is to rip open all frontiers so as to penetrate, paralyze, and destroy the *national* forces of resistance. . . . We see cosmopolitanism invading all that is national with the help of international Zionist capital. Trillions of dollars are spent on an all-absorbing industry of human weaknesses and passions. The world is in a grip of the pursuit of luxury, pleasure, and living-for-the-moment. . . . And out of this labyrinth, nobody but Pamyat and the wisdom of the people will show the way. They will lead the way to salvation—to Nature, to the Land! . . .

(Signed) Chairman of the Council of Pamyat, K. Andreyev. Members of the Council of Pamyat, A. Gladkov, D. Vasilyev, E. Rusanov, A. Barkashov, A. Linev, N. Detkov.

Ledeen again named in uproar over ten-year-old Moro crime in Italy

by EIR's Rome Bureau

Aldo Moro, the president of the Christian Democratic Party and a former Italian prime minister, was found dead in a car trunk ten years ago this June, in Rome, after a 55-day captivity by the terrorist Red Brigades. Now, an uproar has broken out in Italy over who was responsible for Moro's death. In the flurry of charges and countercharges, everything points to the same American and Soviet circles now feverishly engaged in making a "New Yalta" redivision of the world, at the expense of all sovereign nations.

The uproar in the media and political and law enforcement circles centers around a polemic kindled by a former Communist senator, Sergio Flamigni, on the security committee which ran the investigations into the 55 days of the tragedy. Ex-Senator Flamigni had been on the parliamentary committees probing the Moro Case and the Propaganda 2 (P-2) lodge, the illegal freemasonic lodge headed by Venerable Grand Master Licio Gelli, which was tied to nearly every major terrorist incident which has occurred in Italy since 1969. Gelli himself was arrested and imprisoned.

In his book *La tela del ragno (The Spider's Web)*, Flamigni charged that all the men who led the investigation into the Moro kidnaping were members of P-2, i.e., the head of SISMI (foreign intelligence), Giuseppe Santovito; the head of SISDE (domestic intelligence), Giulio Grassini; the general commander of the Tax Police, Raffaele Giudice; as well as a restricted committee of consultants convened by Francesco Cossiga, then interior minister, and now President of Italy. It also included the criminologist Franco Ferracuti.

After the book came out, a group of Communist senators put a parliamentary question to the prime minister to ascertain the "role of P-2 lodge members" in the Moro affair. Everyone wondered why such a well-known fact was suddenly being played up by the Italian Communist Party. Do the Communists perhaps want to attack President Cossiga and through him, Prime Minister Ciriaco De Mita?

The Communists' aims are not clear, but they surely have nothing to do with truth-seeking. Certain masonic circles and their U.S. associates had a role in the kidnap-murder of Aldo

Moro, but it is with just those circles that the Communists have long flirted, and the individuals they are now denouncing took those important posts *with the Communists' blessing*, as parliamentarian Costantino Belluscio reveals in the interview we publish below.

Ledeen's role

The Communists were therefore in the group that decided to disastrously bungle the investigation into the Moro kidnaping. It remains to be seen what the role of the American "advisers" was. An interview given by Ferracuti to an Italian weekly may shed some light on the issue. Asked about his job at SISDE, Ferracuti answered, "I was in charge of relations with the American embassy, and therefore, I encountered both CIA and FBI agents, as well as Mossad agents."

Ferracuti names a key U.S. figure who is under scrutiny for having protected Israeli Mossad spy Jonathan Jay Pollard, now in jail for having stolen U.S. military secrets of critical interest to the Soviets. "In that period, Michael Ledeen showed up and offered to help me in the investigation into the Red Brigades. He now denies that detail, but I remember full well that I said to General Grassini not to accept the collaboration of Ledeen, because Alexander Haig and Henry Kissinger, members of the U.S. Republican Party, were part of Georgetown University at the time. . . . [Democrat] Jimmy Carter was then in power, and it seemed to me that to accept the collaboration of Ledeen on such a delicate theme as the Red Brigades, could put us on a collision course with the American government."

"How did it end up?" asked the interviewer. "Ledeen talked about it directly with our prime minister [Giulio Andreotti]. . . . Ledeen was on very good terms with some of our politicians. He was on a first name basis with Cossiga, I heard him." Was Ledeen able to intervene directly to sabotage the investigation? If so, why, and who was behind him? Kissinger? Haig? These, and many other questions are now being raised by the spate of publications coming out on the anniversary of the Moro murder.

Interview: Hon. Costantino Belluscio

A journalist by profession, Costantino Belluscio has been a member of parliament in the Italian Social Democratic Party (PSDI) for several terms. He has served several times in the Italian government, and was the private secretary to the President of the Republic, Giuseppe Saragat (1964-71). The interview was granted to EIR's Rome correspondent.

EIR: In recent days, you have said that the secret services, rather than taking orders from [P-2 Grand Master] Licio Gelli, were in fact taking them from Senator Ugo Pecchioli, i.e., from the Italian Communist Party.

Belluscio: Starting in 1978, there have been very frequent and intense operative and functional contacts between Pecchioli and the so-called P-2 secret services. Pecchioli has defended himself from my statements by saying that he had relations with the secret services in his capacity as vice chairman of the parliamentary committee with oversight for this. But this committee only has the job of exercising control over the strict application of the principles established by the law instituting the secret services. Its members cannot individually have relations with the secret services, nor with their heads, nor with their personnel, nor can they obtain direct information of any type from the services. Such contacts must go through the government, which authorizes, from time to time, the individual components of the services to give or not give all or part of the requested clarifications only in the institutional context, i.e., within the committee itself.

Instead, Pecchioli's contacts took place at secret places and in clandestine forms, generally in little rooms reserved in big Roman hotels, including the Metropole which is near Stazione Termini. Meetings in which Pecchioli participated also took place in one of the three secret offices which the SISDE [domestic intelligence service] then had at its disposal in the capital, and in particular in Via Margutta. At almost all of these meetings, Colonel De Gaudio, who is also from the secret services, participated. A SISDE official often went to Senator Pecchioli's office at Via della Botteghe Oscure [Communist Party headquarters]. Sometimes Colonel Rizzuti was also seen; he is from the administrative division of the secret services.

EIR: What was discussed in those encounters?

Belluscio: The Communist Party, via the channels of which I have spoken, collaborated with the so-called P-2-linked secret services, supplying certain information and concrete data on presumed terrorists. They were generally names of workers singled out by the Communist federations or the CGIL [communist trade union] organizations. Gen. Carlo Alberto Dalla Chiesa told me on April 15, 1982, speaking of the action which had been attempted against him because of

his presumed membership in the P-2, that the Communists should be more careful in certain campaigns, and he let slip, in the midst of his sincere anger, that he, with the full assent of Communist Party head [Enrico] Berlinguer, had placed a high-level infiltrator into the Red Brigades with very important results. The Communists not only gave information, but received it. It was concrete collaboration.

EIR: Did Pecchioli also meet with other persons whose names showed up later in the P-2 lists?

Belluscio: Sure. He often met with the famous criminologist Prof. [Franco] Ferracuti (also a P-2 member), who had been part of the committee of experts named by the interior ministry to investigate the Moro kidnaping. According to Professor Ferracuti, Pecchioli also met with Dr. Brian Jenkins, chief of the antiterrorist section of the Rand Corporation. Ferracuti at the time had institutional contacts with the best known scholars on the phenomenon of terrorism, among them Dr. Robert Kupperman, an expert on terrorism at the Center for Strategic and International Studies [CSIS] and the better known Michael Ledeen of the same center, who was later a consultant to Secretary of State Haig. Ferracuti had the most intense relations with Professor Jenkins. Pecchioli, in his meeting with Jenkins, according to what he himself later told his close collaborators, got upset—rather strange given his usual equilibrium—exaggerating his feelings of sympathy for the U.S.A., and in contrast, his distrust vis-à-vis the U.S.S.R. The discussion was recorded, and it cannot be ruled out that sooner or later there will be an interesting *coup de theatre*.

EIR: Could Gelli have exercised influence on the development of the investigation of the Moro kidnaping?

Belluscio: The government, under PCI pressure, took on a rigid attitude in the face of the idea of negotiations for the liberation of terrorist prisoners. This led to not activating the little that existed of the secret services' capability to liberate Moro through applying the so-called "special methodology" (action of the services without the government being involved as responsible).

EIR: So you mean that the questions that are still waiting for accurate replies essentially have to do with renunciation of all the available means to free Moro?

Belluscio: I don't precisely know. I know only that it has always been said to me that Moro could have been saved, but the political will to attain this objective was lacking.

EIR: Among the many statements that there is an attempt to give credibility to, is the fact that the Soviets viewed Moro kindly. Do you think so?

Belluscio: I think the Soviets hated Moro, because they knew his substantial aversion to communism and the real meaning and the real objectives of his policy, which did not coincide with Moscow's strategy.

Gov't capitulates to terrorist blackmail

by Valerie Rush

In a startling about-face, the Colombian government has announced not only its willingness to enter into negotiations with the narco-terrorist kidnapers of Conservative Party leader and twice-presidential candidate Alvaro Gómez Hurtado, but that it is ready to make concessions to win Gómez's release. Immediately following the bloody May 29 kidnaping by the M-19 movement, in which Gómez's personal bodyguard was gunned down, the Barco government had stated its *pro forma* opposition to "dialogue" with kidnapers.

On June 24, Interior Minister César Gaviria Trujillo stated that his government was prepared "to make some concessions to the M-19 movement, on the condition that the life of Dr. Alvaro Gómez Hurtado be respected." The M-19 responded with a communiqué praising the government's move: "Finally, there is talk of dialogue, of political solutions . . . other than those of force. This we see as leading toward a solution of the Gómez kidnaping." The communiqué went on, however, to demand: "We want to know just what the minister means by concessions."

Gaviria has been personally invited by the kidnapers to go to Panama, Costa Rica, or Mexico, to enter into direct negotiations with them. His response is expected shortly.

The government's submission to the kidnapers' demands was paralleled by the formation of a Commission of National Dialogue, which will conduct audiences with "all sectors of society" on "winning the peace" in Colombia. Made up of the ruling Liberal, opposition Conservative, and Communist UP parties, the commission is a concession to the M-19's demand for "dialogue, or civil war." Outrageously, representatives of the Simón Bolívar National Guerrilla Council—headed by the M-19—are to be invited, along with the Church, trade unions, and other "social sectors," to address the Council!

Attorney General Horacio Serpa Uribe has also jumped on the bandwagon, insisting that a new dialogue effort with the guerrilla movement be attempted, "despite the bad results of the past." Serpa Uribe promises that the "disappearances" and "tortures" committed under the "dirty war" (the narco-terrorists' standard slanders against the Colombian military)

will be brought to an end.

The capitulation of Colombia's spineless government to the blackmail of Moscow's irregular warfare troops has provoked the disgust and repudiation of numerous "social sectors." The Church, speaking through the voice of Cali Archbishop Pedro Rubiano Saenz, announced that the Catholic Church rejected any possibility of dialogue with the perpetrators of kidnapings, assassinations, economic sabotage, and ambushes of military patrols. Monsignor Rubiano's statement is an important clarification of the Church's offer earlier this year to mediate between the government and the insurgent forces.

Resistance to surrender

The military has been equally explicit. Armed Forces Commander Gen. Jaime Guerrero Paz told reporters on June 23 that the Gómez kidnaping is intended to "blackmail the Colombian nation. . . . The demands they have made of the national government are palpable evidence of the behavior the terrorists intend to use in their drive for power." He added that dialogue with terrorists in the past has proven ineffective.

At least three brigadier generals have recently announced possession of evidence that the guerrilla movements and the drug traffickers are working together in common pursuit of destabilization of Colombia's institutions. Also, the crack counterinsurgent IV Brigade, based in the drug capital of Medellín, succeeded in breaking up an extensive narco-terrorist plot to terrorize that city and, together with police and other law-enforcement troops, arrested 224 suspects in a citywide dragnet.

At the same time, the defense ministers and chiefs of staff of both Colombia and Venezuela held an unprecedented June 22 meeting in the border region of Cucutá to map out a joint strategy for defeating the narco-terrorist scourge, which has begun to spill over into Venezuela. Colombia's Defense Minister Gen. Rafael Samudio stated, "We are going to fight together against the guerrilla." His Venezuelan counterpart, outgoing Defense Minister Guerrero Paz, in turn openly admitted to the tensions that have existed between the two countries, "intensified by the criminal actions of the subversives, terrorists, and drug traffickers." He added, however, "The Colombian situation distresses us, because what is happening there affects us in Venezuela. . . . We must return to the union of the [Simón Bolívar] Liberating Army from the beginning of the past century."

The director of the anti-drug newspaper *El Espectador*, Juan Guillermo Cano, wrote a commentary denouncing the M-19 as assassins, kidnapers, and blackmailers, and indicting them for the "associate authorship" of his father's 1986 murder by the cocaine-trafficking Medellín Cartel. In a follow-up editorial, *El Espectador* congratulates the IV Brigade for its "magnificent" performance, but questions whether the civil authorities have the will, or the courage, to condemn the captured narco-terrorists. "There is no evidence to invite optimism," assert the editors.

Cárdenas fills the Zócalo

The nationalist movement that has rallied to Cárdenas is now a major challenge to the ruling PRI apparatus.

More than 300,000 Mexicans filled to overflowing Mexico City's historic central plaza facing the national palace, known as the Zócalo, for the final campaign event of National Democratic Front (FDN) presidential candidate Cuauhtémoc Cárdenas. In his address to the enthusiastic crowd, Cárdenas reiterated his proposal to suspend payment on the foreign debt "under the current International Monetary Fund conditionalities," and to redirect Mexico's economic policy.

"The reconstruction of the nation is unpostponable," said Cárdenas. "The speculative economy, controlled by an oligarchy associated with and dependent upon multinational capital, must be transformed immediately into a productive economy which gives priority to investment, to the development of companies with Mexican capital, the generation of employment and the equitable distribution of social wealth."

The multitudes cheered when the candidate evoked the image of his father, Gen. Lázaro Cárdenas, the beloved President of Mexico from 1934 to 1940, and symbol of Mexico's battle for national sovereignty. "The remembrance in the collective memory, has decisively influenced the popular response to my campaign," he said, and went on to denounce the betrayal today of his father's nationalist policies. "The people and history do not forgive. The current regime is going to pay on July 6—the day of the presidential elections—for its mistake of having surrendered to interests both foreign and harmful to the interests of

the Mexican people."

And leaving no doubt as to whom he had in mind, Cárdenas denounced the "modernization" campaign of ruling PRI party candidate Carlos Salinas de Gortari, as "the new face of fascism." For the first time in his campaign, Cárdenas spoke openly of the "clear coincidences" between the proposals of the PRI and those of the Nazi-communist National Action Party (PAN).

The leader of the Mexican Workers Confederation (CTM), Fidel Velázquez, who previously had refused even to mention the Cárdenas campaign, has now publicly acknowledged that "Cuauhtémoc is undoubtedly the second force" in the country, after the PRI. A war of polls was fought throughout the month of June, in an attempt to focus the voters' attention on competition for second place between the PAN and Cárdenas's FDN, not on the contest for first place between PRI and FDN.

A Gallup poll gave 56% to the PRI, 23% to the FDN, and 19% to the PAN, results which were released in late June *although the poll itself was conducted back in March!* Following the spectacular close of Cárdenas's campaign in the Zócalo, a poll by Univisión gave 38% to the PRI, 29% to Cárdenas, and 26% to the PAN's Manuel Clouthier. Another poll, by the National University of Mexico, gave first place to Cárdenas in Mexico City.

Fear of the possibility of a last-minute avalanche of votes in Cárdenas's favor led Urban Development and Ecology Minister Manuel Camacho

Solis, intimate of Salinas de Gortari, to state June 16 at a San Diego, California conference, "We retain the support of the country's principal organized forces. We can count on the constitutional Armed Forces."

Cárdenas himself referred to Mexico's military, during his Zócalo speech. Commenting on the possibility of electoral fraud at the polls, Cárdenas said, "In the ranks of the Armed Forces, the problem is being actively discussed. The Army of the Revolution cannot break with the constitutional order. The people are confident that the Armed Forces will be the principal guarantor of legality."

The government of President Miguel de la Madrid can no longer hide the fact that division in PRI ranks is widespread, the result of its economic austerity policies. It is an open secret that the most powerful nationalist machines in the country, to be found principally among the trade unions, have maintained a formal allegiance to the PRI, but expect to gain maneuvering room if Cárdenas succeeds in getting second place.

This is already occurring. On June 21, Jorge Sánchez García, the new president of the Labor Congress which represents Mexico's most important trade unions, told President de la Madrid, "The Mexican people have reached their limit; we cannot pay the foreign debt at the expense of the nation's backwardness and misery, because it is a constant threat to social peace." Sánchez added that the President would have the full support of the workers if he were to make "this great decision."

But the President continues to be deaf to the warnings. On June 22, he responded to the workers, "I have always believed, and continue to believe, that a [debt] moratorium would endanger the nation."

Will terrorist Morote walk free?

Shining Path guerrillas are seeking to manipulate Peru's judicial system into declaring their war constitutional!

Shining Path terrorists are on an offensive to turn the case of Osmañ Morote Barrionuevo, their military commander captured by police on June 12, into a legal victory which establishes their right to wage war against the nation.

Their strategy is to get the courts to free Morote, on the basis that the Constitution guarantees a person's right to advocate terrorism, or even to join Shining Path, as long as there is no "proof" that the person ever pulled a trigger. Such a decision would constitute de facto legalization of the terrorists' war.

The terrorists are doing more than hiring well-heeled human rights lawyers to win their case. On June 17, incendiary bombs were thrown into the home of Morote's prosecutor, Dora Altamirano; on June 24, terrorists attempted to kidnap and kill her daughter on her way to school.

Police arrested 45 terrorists carrying explosives and floorplans of various government offices, including the justice ministry, on June 23. The same day, Deputy Luis Alvarado Contreras warned police that Shining Path had plans to capture some congressman, in retaliation for Morote's capture.

If Peru's courts let Morote walk free, no terrorist has to worry!

Osmañ has been on the wanted list for years, identified as Shining Path's number-two man, in charge of military operations. All three of his sisters and brothers are married to top Shining Path killers. His father, Efraín Morote Best, an anthropologist and avowed communist, is believed to be the "spiritual father" of Shining Path;

he ran the University of Huamanga where Shining Path was founded, selecting the teachers who were recruited to its ranks.

Previously captured terrorists have named Morote as the intellectual author and coordinator of Shining Path's assassination of three government officials, and attacks on three banks, and the country's electrical and telephone companies. Morote is also charged with leading a massacre of six peasants at a northern cattle cooperative in 1986.

There have been contradictory reports of what kinds of documents and weapons, if any, were found with Morote when he was captured. On June 27, *Caretas* magazine published facsimiles of lists of raids and killings carried out by the group—a kind of scorecard of hits—in Morote's own handwriting, they say, and now in the hands of the courts.

Morote's defense strategy is being handled directly by his father, who argues that no proof exists that his son carried out any acts of terrorism. Morote's father told the press that he knew nothing about his son's supposed subversive activities; all he knew was that, since he was an anthropologist, his son traveled all over the country!

Leaders of the terrorist support apparatus who operate aboveground jumped to his defense. Unified Left party congressmen demanded to be allowed to visit Osmañ in the headquarters of the anti-terrorist police unit, Dircote, where he is being held.

Sen. Javier Valle Riestra has issued several press statements stressing that Osmañ Morote cannot be sen-

tenced for the crime of belonging to an organization. "You cannot judge or accuse ideas. Having an ideology does not mean that one has engaged in acts which society judges and punishes," he insists.

For his part, Morote continues to insist on his constitutional right to refuse to answer any police interrogators, stating that he "will only speak before members of the court, and the judge who knows my case." His lawyer has demanded that Osmañ be transferred out of police custody, and placed immediately in the hands of the Second Tribunal, which is scheduled to hear the case.

In September 1985, Second Tribunal Judge Carlos Saponara Milligan—the very man now presiding over the Morote case—gave unconditional freedom to another top Shining Path killer, Julio Casanova Rodríguez, claiming "lack of proof" of any crimes.

Casanova is not only Morote's brother-in-law, but according to *Oiga* magazine, he is now considered Morote's replacement in the leadership ranks of Shining Path!

"Poorly carried out, the trial of Morote could become the ideal complement of this new strategic phase of Shining Path, in which the seizure of legal space is as important to them as their attacks," Lima's *La República* noted in a June 26 editorial.

The paper warned that the Shining Path has adopted its two-pronged strategy of intimidation and "meticulous legalism," in order to "keep the judicial system from operating, and at the same time, if this proves impossible, turning the whole democratic system into a hostage of the judicial machinery, while Morote becomes—thanks to a certain type of unthinking enthusiasm of the media—at the same time victim and celebrity . . . a superstar."

Eighth Plan breakthrough on the anvil?

The prime minister has called for bold initiatives on the economy, and wheels are spinning at the Planning Commission.

Discussion is heating up on the outline of India's Eighth Five Year Plan, whose implementation will begin less than two years from now, on April 1, 1990. Wheels are spinning at Yojana Bhavan on Parliament Street, where the Planning Commission, officially responsible for the country's development plan, is housed, but it is as yet impossible to predict what the final product will look like.

In speeches, comments to the press, and a series of informal sessions with non-official economists and others since the beginning of the year, Prime Minister Rajiv Gandhi has made it clear that he wants the Eighth Plan to be a real point of departure for putting India's economy on a sound and dynamic footing by the turn of the century.

The plan must bring about a qualitative change in the structure of the economy and society—where nearly 80% of the population is still tied to subsistence farming—and a change in the work culture.

Mr. Gandhi has said that the plan must be bold and innovative—with no “soft options” allowed—and that it must focus on agricultural development, employment generation, and increased use of science and technology to raise productivity. Mr. Gandhi has also emphasized that the planning process must be institutionally rooted at the district level, or “decentralized,” to involve the ordinary citizen.

It's a tall order by any standards, certainly by those of India's planning practice to date, which has deteriorated over the years to a tedious exercise in linear extrapolation of existing activities and sector allocations. At Mr.

Gandhi's insistence, the Seventh Plan, now all but over and woefully behind target, had been presented in the context of a 15-year perspective to remove poverty and unemployment by the year 2000.

Planning Commission gophers have translated this goal into a requirement of a 6-7% annual rate of growth of GDP for the Eighth Plan (compared to the 4-5% of the Seventh Plan and India's historical average of 3.5%). The 7% overall growth rate has been further broken down into a requirement of 5-7% growth in agricultural output and 12% growth in industry. So far, the numerologists have neither explained *how* to increase growth, nor shown how the designated rate will eliminate poverty and unemployment in the real world.

Other numbers are more to the point. For instance, considering current demographic trends and the present backlog of unemployment, it is estimated that to remove unemployment by the year 2000, the rate of productive job-generation will have to climb to 10 million new jobs per year by then. For comparison, India's organized sector, which consists of medium and large industry, infrastructure, public administration, and services, currently absorbs some 500,000 new workers a year!

Can the planners come to grips with these types of “real numbers” using more than rhetoric? Much will depend on the political leadership brought to bear, as Union Energy Minister Vasant Sathe, for one, clearly comprehends. Sathe wrote recently to the prime minister, arguing that it is essential to examine the causes of

failure to achieve plan targets in the past 20 years while preparing the Eighth Plan. In many items in both industry and agriculture, Sathe pointed out, the country has not yet met targets set for 1975-76.

For instance, said Sathe, in a core sector such as steel ingots, production levels of 30 million tons should have been reached by 1975-76, and 60 mt by 1985-86. Instead, by 1985-86 only 12.15 mt was achieved. Or, take power: Installed capacity should have been 80,000 MW by 1985-86, but only 52,399 MW was achieved. We must reflect, say what has gone wrong, and correct it, says Sathe, “In these matters honesty is the best policy, and the best politics.”

In his letter, Sathe further argued that priority emphasis must be on infrastructure, because both industrial growth (as an end product) and large-scale employment growth can result only from the availability of these infrastructure inputs at economical prices. One million tons of steel can create employment for about 250,000 people downstream, and the spinoffs in terms of industrial products based on steel is many times more valuable than the steel itself. Similarly, he said, one megawatt of power, which costs a little less than \$1 million today, generates industrial production seven times its value.

Hopeful is the fact that this time around, the plan discussion is being deliberately broadened to include serious individuals beyond the circle of planning bureaucrats. Businessmen, professionals, economists, and others have been involved in the work of the different task forces set up by the Planning Commission. And a flurry of “approach papers” authored by Planning Commission members and others has thrown up a number of sound ideas—some of which will be evaluated in this space in the future.

Pope, in Austria, pleads for life

Despite manipulated protests over the "Waldheim issue," John Paul II raised a vibrant appeal to stop Nazi euthanasia today.

Yes to the faith, yes to Life"—with this motto the Pope greeted the Austrian people during the welcoming ceremony upon his arrival at Schwechat Airport on June 23. It was John Paul II's second pilgrimage to Austria, a difficult visit since the echos had not yet died away of the objections by groups of protesters in the Austrian Church against the Pope's recent nominations of bishops, nor the protests of some members of the international Jewish community against Austrian President Kurt Waldheim, and against the Pope for having received him at the Vatican last year.

These are manipulated protests, amplified by the mass media, as was rightly underlined by the Archbishop of Vienna, Msgr. hermann Groer, in an interview with the Milan daily *Avvenire* referring to the unproven charges that Waldheim had committed war crimes under the Nazis: "The President," said the future cardinal-designate, "was democratically elected by the people, he is recognized as such also by the Catholics. He deserves loyalty and respect. Waldheim, moreover, is a professed Catholic, and the Catholics are able to appreciate this testimony of his faith."

Groer added, responding to personal criticisms of himself, "There are some masons who cannot tolerate me. . . . But now, things have changed even in this area, and there is no longer negative reportage as [there was] two years ago. It should be clear that I have personal contacts with some masons, but dialogue with the masonry is difficult insofar as they deny the

role of God in history, which is the foundation of Christianity."

John Paul II did not avoid confronting the tragic subject of the persecutions and the Holocaust. Meeting with representatives of the Jewish community at the office of the Papal Nuncio, he said, "There still weighs on you, and also upon us, the memory of the *Shoah*, the extermination of millions of Jews in the concentration camps. It would be unjust and not truthful to blame Christianity for these unspeakable crimes. Rather, unveiled here is the dark image of a world without God, or even against God, whose determination to exterminate was directed more openly against the Jews, but also against the faith of those who honored in the Jew, Jesus of Nazareth, the Savior of the world."

The Pope announced the creation of a new entity for Jewish-Christian dialogue which will be instituted in Poland: "The Center for Information, Education, Encounter, and Prayer," he said, "is designed to carry out researches into the *Shoah*, as well as into the martyrdom of the Polish people and other European peoples during the period of National Socialism." The Pope reminded the Jewish community, "Peace implies . . . disposition to forgiveness and mercy, which are the most important attributes of our God, the God of union."

Later he added: "The cause of peace is in all of our hearts, above all in the Holy Land, in Israel, in Lebanon, and in the Middle East. . . . The Jewish people has the right to a homeland, like every other nation, accord-

ing to international law. The same, however, goes for the Palestinian people, in the midst of which there are so many refugees without a country."

During his visit to the former concentration camp of Maythausen, John Paul II repeated his denunciation of evil in the world. "Whatever can our century pass on to our posterity if there persists, even today in some part of the world, the system of concentration camps?"

The following day the Pontiff went to Eisenstadt, a small town only a few kilometers away from Hungary where, for the first time since the Soviet occupation of Hungary, more than 100,000 Hungarian Catholics were able to cross the border and attend the mass officiated by the Pope, together with another 20,000 Croatians who came from nearby Yugoslavia. The destiny of mankind was the topic broached by John Paul II during the course of his homily.

The Pontiff asked whether it is not man who has distanced himself from God: "When we consider the terrible events which, because of men, have befallen the world, and in the face of the multiple threats of our time."

He continued, "Do you not believe that, in the experiments conducted on man, experiments which contradict his dignity, in the mental attitude of many toward abortion and euthanasia, there is expressed a disturbing loss of respect for life? Is it perhaps not evident, even in your society when you look at the lives of many—characterized by internal emptiness, fear, and flight—that man has cut himself off from his own roots? Sex, alcohol, and drugs—should not they be understood as alarm signals?"

The Pope said, "History teaches us that men and peoples who believe they can exist without God are inevitably destined to the catastrophe of self-destruction."

International Intelligence

Japan increasing role in Middle East

Over the next five years, the Japanese government expects to allocate about \$50 billion for assistance to foreign nations, and a good chunk of this is aimed at increasing its political weight in the Middle East.

This policy was announced June 26 by Japanese Foreign Minister Sosuke Uno, during a one-hour meeting with Israeli Prime Minister Yitzhak Shamir, according to the *Los Angeles Times*. Uno's was the first-ever visit of a senior Japanese government official since Israel's founding. Following the meeting, Shamir's spokesman, Avi Pazner, stated, "The Japanese foreign minister told the prime minister that . . . Japan is now taking a greater interest in regional problems and wants to be of help."

U.S. plans to reduce Philippines forces

The United States is already planning to pull military units out of the Philippines, the British Broadcasting Corporation reported on June 23. Included in the pullout will be 11 F-5 fighters and 20 hospital planes from the air base at Clark Field. The planes will be relocated at other bases in the region—possibly in Japan or Micronesia. The move will be completed by 1989, although no exact date has been announced yet.

A Clark Field spokesman said that there were not enough support facilities for the planes at Clark, and that the pullout was part of an overall plan.

The announcement was made in the midst of increasingly difficult negotiations around the bases, in which U.S. Secretary of State George Shultz, who will visit Manila in July, has completely rejected all Philippine requests for increased rent payments for the bases.

Any proposal for a rent increase must be ready for presentation to the U.S. Congress for consideration by August, the BBC reported.

On June 26, Philippines President Cory Aquino said that the Philippines has em-

barked on a program of military self-reliance to lessen its dependence on the United States. She said the Philippines is trying to manufacture its armaments under a "self-reliance defense program," and that her government has asked the Filipino Congress for a budget of \$9.5 million to fund the project.

Relations suffer between U.S., Singapore

Brig. Gen. Lee Hsien Loong, son of Singapore Prime Minister Lee Kuan Yew, said at the end of June that there was "long-term loss to relations and confidence" between the United States and Singapore after a recent diplomatic dispute with the United States, the *International Herald Tribune* reported June 28.

Lee said the incident, in which a U.S. diplomat was expelled for attempting to encourage and promising funds to opposition candidates, meant that Singapore will have a "certain reserve" in future dealings with Washington. First Deputy Prime Minister Goh Chok Tong also said in Parliament earlier in June that it is possible that Singapore will move "into a more neutral and non-aligned posture."

Joint talks on Angola will continue in U.S.

Talks on ending the civil war in Angola were held in Cairo, Egypt on June 25-26, bringing together delegations from Cuba, Angola, South Africa, and the United States, and they are scheduled to continue in July somewhere in the United States.

A joint communiqué issued at the end of the talks stated, "The parties agreed to meet at the experts level during the week of July 11 at a venue in the United States," but gave no further details. Angola's ambassador to Cairo, Kamu De Almida, fueled rumors that little else was agreed upon during the talks, when he said, "As long as we are still talking, that's progress."

Angola reportedly agreed in principle to withdraw Cuban troops, but linked that to

South Africa's withdrawal from Namibia and free elections in that country. South Africa demanded that all Cuban troops be pulled out of Angola before it withdraws from Namibia.

Africans' problems "should be solved by Africans in Africa," South African Foreign Minister Pik Botha had declared at the June 24 opening of the negotiations. According to the *Financial Times*, Botha's statement to the Angolans was a warning that the Americans, the Russians, and the Cubans are not to be trusted.

Pentagon report wants U.S. military in Nicaragua

"The growing potential for Soviet military use of Nicaragua may require sending U.S. troops and military equipment to the region 'in a crisis situation,'" the *Washington Times* claimed on June 27, basing their observation on a new Defense Department report leaked to that newspaper.

The report indicates that Nicaragua's seven principal airports are now capable of handling all of Russia's tactical fighter-bombers and long-range bombers. Nicaragua's three major port facilities are also now reportedly large enough "to allow the largest Soviet surface combatants to dock," says the report.

In addition to an unequalled military radar system, "the Sandinistas have also acquired four communications intercept facilities from the Soviets." The report concludes, "The potential for Soviet military use of Nicaragua complicates U.S. defense planning," and warns that "in a crisis situation, the United States could be compelled to divert resources to counter such a possibility."

Shultz to Central America, Ortega to Cuba

U.S. Secretary of State George Shultz left Washington, D.C. June 29 on a tour of Central America that included Guatemala, El Salvador, Honduras, and Costa Rica before his return July 1. Nicaragua is not on Shultz's

Briefly

mania's 2-million-strong Hungarian minor-
agenda.

Meanwhile, Nicaraguan President Daniel Ortega has announced plans to travel to Cuba "in the coming days," as he and other Sandinista leaders expressed fears that the United States is preparing to step up pressure on their government. "President Reagan is still determined to defeat the Sandinista revolution before he leaves the White House," Ortega told a group of visiting Americans June 24.

With the United States openly backing the coup in Haiti, despite the fact that this undercuts any possible justification for the continued U.S. refusal to recognize the government of Panama, it can be assumed that Shultz could only be going to Central America as part of some drastic action planned by the administration.

Britain and Iran may resume full ties

Following the return of a Church of England-sponsored delegation to Iran during the second week of June, Great Britain and Iran may now be close to reopening full diplomatic relations.

Immediately upon the delegation's return, Foreign Minister Geoffrey Howe met with leading Tory parliamentarians, ostensibly to discuss the result of the negotiations. However, the real issue, press sources report, was the conditions for reestablishing relations.

One British businessman, Roger Cooper, who has been in jail in Iran for two years on charges of spying, has written a 16-page open letter to the government, urging moderation and the reestablishment of ties with Teheran.

Conflict grows between Romania and Hungary

The most intense "nationalities conflict" inside the East bloc is now under way between Hungary and Romania. Romanian leader Nikolai Ceaucescu plans to demolish 8,000 villages, including all villages of Romania's

2-million-strong Hungarian minority in Transylvania, and of the German minority. The Hungarians in both Romania and Hungary have reacted violently.

On June 27, an "illegal" demonstration was held in Budapest, Hungary to denounce Ceaucescu. A crowd of 100-150,000 from all sections of the population carried Hungarian flags, and huge banners reading, "Hitler, Stalin, Ceaucescu," "Adolf Ceaucescu," etc.

There was no police interference; on the contrary, city police directed traffic around the demonstration site so as not to disrupt a torchlight march on the Romanian Embassy. The marchers shouted slogans from the 1848 Hungarian Revolution and sang the old Hungarian national anthem and the "Szekler Hymn," the now-banned anthem of Hungarians in Transylvania.

Addressing the Romanian Central Committee three days later, Ceaucescu called the Hungarian demonstrators "adventurist, nationalist, anti-Romanian, and anti-socialist, organized with the agreement and under the aegis of the official party and state bodies in Hungary."

Quiet diplomacy between North and South Korea

Pak Chol-un, a senior secretary to South Korean President Roh Tae Woo, secretly visited Pyongyang in mid-April, a Japanese weekly reported June 14. In a reciprocal step, North Korea sent a deputy director-level official of the Workers' Party to Seoul in early May, it said.

The government in Seoul promptly denied the report. But if the exchange of visits indeed occurred, which is highly likely, they are a continuation of secret contacts between the two Koreas in recent months, said the *Sekai Shubo* (*Weekly Global News*) published by the Jiji press.

South Korea has publicly urged North Korea to attend a general meeting of the International Olympic Committee slated to be held in Seoul during the Olympics, and to give up its attempt to disrupt the games, it said. In a gesture of goodwill, South Korea has also expressed its willingness to provide the North with economic aid.

● **NARCOTICS** addicts in Spain are sticking their used syringes pointing upward in the sand, on the beaches near Almeria, to cause terror, reported Italy's *Corriere della Sera* on June 26. All beaches in Mallorca have notices warning people to watch out for the syringes.

● **GEORGE SHULTZ** has rejected a proposal by Senate leaders Robert Byrd and Robert Dole to appoint an ambassador-at-large on Afghanistan to "send a needed signal" to the resistance, the Soviets, and other regional states that the U.S. intends to remain involved in Afghan affairs, the *Washington Post* reported June 24. Shultz will name a special assistant to the U.S. ambassador in Pakistan instead.

● **PLO CHIEF** Yasser Arafat said he wants to meet with U.S. officials soon to discuss the PLO's latest peace initiative, said an official PLO statement distributed at the Algiers summit. The statement calls for an international peace conference, and says the PLO accepts all U.N. resolutions, specifically those which guarantee Israel's right to exist. A U.S. spokesman described the statement as a "constructive one" with "positive points."

● **PAKISTANI** President Zia ul-Haq's dismissal of Prime Minister Khan Junejo, the Soviet weekly *New Times* opined on June 24, was due to the fact that Zia "had repeatedly stated that Islamabad would sign no agreements with the 'unlawful government in Kabul,'" Afghanistan, which Junejo did.

● **ISRAELI** officials are convinced that the United States has not been telling them the truth about agreements reached at the Moscow summit, reports the June 17 *Jerusalem Post*. Various unnamed Israelis are quoted, warning that American-Soviet agreements on the Middle East have "gone much farther" than what has been said publicly and are "full of dangers" for Israel.

DoJ seizure of Teamsters 'smacks of totalitarianism'

by Webster G. Tarpley and Edward Spannaus

When the state prosecutors and the secret police come forward to demand the government seizure, without a trial, of the largest and politically most powerful trade union in the country, it must begin to dawn on even the most naive person that the clear and present danger of a totalitarian police state exists. And it can happen here, as shown by the court action commenced on June 28 by the U.S. Attorney for the Southern District of New York, Rudolph Giuliani, and now pending before U.S. District Judge Edelstein: Shortly after the July Fourth holiday weekend, Edelstein is expected to rule on the first of Giuliani's requests, the preemptive naming of a "court liaison officer" to seize control of the presidency and executive board of the 1.7 million-member International Brotherhood of Teamsters and run that union while the case proceeds in court.

Giuliani's unprecedented attempt to make New York City's Foley Square U.S. Courthouse the headquarters of the biggest union in the U.S.A. comes just days after the raids on the Pentagon and defense contractors unleashed by the William Weld-Henry Hudson-Oliver Revell group of "secret government" operatives in and around the Reagan administration. This is the exact same group which ran the massive October 1986 raids on the offices of this magazine and other offices identified with Lyndon LaRouche, and then shut down and seized a number of our sister publications in the government's unprecedented involuntary bankruptcy seizures in April 1987. The Justice Department's move against the Teamsters bears a number of features similar to the seizure of *EIR*'s sister publications in 1987—including the *ex parte* nature of the proceedings, extensive reliance on hearsay and unverified testimony, and improper use of parallel civil and criminal proceedings.

In this context, the assault on the Teamsters shows that the invisible government is determined to use lawless, punitive raids to ram through police-state procedures as the new, dominant political-institutional framework for this country. The Justice Department is out to show that any institution considered an obstacle to police-state rule will be destroyed. The specifics of the Teamsters' case are of very little importance in this picture. As the Eastern Liberal Establishment bankers tighten their condominium arrangements with the Soviet Union, they are coming to imitate more and more of the domestic practices of the Soviet KGB.

The Justice Department's civil Racketeering-Influenced and Corrupt Organizations (RICO) complaint against the Teamsters alleges that the union is ruled by a "devil's pact" with the nationwide criminal cartel denominated "La Cosa Nostra." There are 48 defendants, reflecting the current preference for show-trials. These defendants include, along with the "Commission of La Cosa Nostra," a list of 25 organized crime figures, including Anthony "Tony Ducks" Corallo of the Lucchese family, Carmine Persico of the Colombo family, Anthony "Fat Tony" Salerno of the Genovese family, and other mafiosi who are alleged to dominate the union. Also among the defendants are the current president of the Teamsters, Jackie Presser (who has admitted to working as an informant for the FBI), and the entire General Executive Board of the union.

In the service of his theory, Giuliani's court papers warm over dozens of episodes gleaned from the Department of Justice's three-decade vendetta against the Teamsters, going back to the Kennedy brothers' operations against Dave Beck and the disappeared Jimmy Hoffa. Accusations of "corruption" and "racketeering activity" against the Teamsters are

made, but no new evidence is brought forward. Rather, the centerpiece of the court papers turns out to be the March 1986 report of the President's Commission on Organized Crime, which called the IBT the union "most controlled" by organized crime and which included the recommendation that "the time and testimonial record would seem ripe for the Justice Department to initiate a civil RICO action to place the entire International Brotherhood of Teamsters under a court-appointed trustee." The chairman of that Commission was Chief Judge Irving R. Kaufman of the U.S. Court of Appeals for the Second Circuit, which includes the Southern District of New York in its jurisdiction. Giuliani is now carrying out that advice, in the midst of a financial crash and just as the financiers of Wall Street are preparing to impose a "100 days" regime of drastic austerity at the outset of the next administration, in a way that will strike at the heart of trade unionism.

Giuliani has already made an *ex parte* motion for the appointment of a "court liaison officer" to run the IBT and for a preliminary injunction to bar members of the IBT General Executive Board from engaging in any racketeering activity or associating with La Cosa Nostra members or associates. After a trial—if it ever occurs—Giuliani is asking that the court remove from office any IBT officers found at trial to have "committed violations of federal racketeering laws," and that the court appoint "a union trustee whose primary responsibility will be to ensure free and fair elections of new officers, "as well as to "bar racketeering activity." This, he asserts, is required to protect the members of the union as well as the "public interest." It is relevant to note that Giuliani's office had unsuccessfully sought the criminal conviction of several of the same defendants on much the same charges in the Genovese family case, which concluded with acquittal on several key counts on May 3. In the present civil case, Giuliani's court papers confidently point out, their task of proof is now less daunting ("preponderance of evidence" as against "beyond a reasonable doubt" in the criminal case).

Court-appointed trustees have already been named under the RICO statute in seven lesser cases, in an obvious buildup for the present attempt. Trusteeship has been imposed on two Teamster locals, Local 560 in New Jersey and Local 814 in New York, as well as on a New York restaurant. The same fate has befallen District Council and Local 6A of the Cement and Concrete Workers Union in New York, and Local 30 of the United Slate, Tile and Composition Roofers in Philadelphia, where the collective bargaining process has been totally taken over. The Fulton Fish Market in Manhattan is being run by a trustee, and one may soon be appointed to take over the United Seafood Workers Union.

The method used by the IBT to elect its president has been found to be legal under the Landrum-Griffin Labor Act. (According to the government, the election process has been "perverted" by La Cosa Nostra.) Laws already exist to prosecute those who have actually committed crimes. Other laws

prohibit convicted criminals from holding office in labor unions. Seizure, on the other hand, violates the First Amendment guarantees of free speech and free association. Nevertheless, Giuliani insists on seizing the largest international trade union, creating problems that reach far beyond a restaurant or a fish market. What, for example, will be the collective bargaining strategy approved by the court-appointed trustee? The government's court papers seem to attack "sweetheart contracts." Will a court-controlled IBT fight austerity, or cooperate with it? Then there is the coming presidential election. The IBT supported Reagan in 1980 and 1984. As a result of the present legal assault, the IBT is clearly leaning toward the Democrats. Whom will the court-appointed trustee endorse, or will he abstain from an endorsement, and in the latter case, what happens to the interest of the union members in exercising their right to participate as an organization in the election?

Constitutional questions

The trustee is supposed to "exercise the disciplinary powers" of the IBT president and later carry out "certain duties" of the union leadership to "bar racketeering activity." Unless even broader police powers are intended, this evidently refers to the power of placing union locals in receivership, ousting their leaders (who have presumably been legally elected), and replacing them with local presidents of the trustee's choosing, probably without the approval of the federal court. The way would be clear for all previous union elections to be overturned, and all officers replaced by appointees of a branch of the federal government. All of these issues threaten to expand the powers of the judicial branch in totalitarian and unconstitutional directions.

This attempted operation by the Justice Department is outrageous enough to have provoked a full-scale backlash by a wide variety of political and social groupings. Sen. Orrin Hatch (R-Utah), ranking Republican on the Senate Labor Committee, responded to Giuliani's move with several statements condemning the call for trusteeship. "Trusteeship . . . smacks of totalitarianism," Hatch said on the MacNeil-Lehrer NewsHour. Former presidential candidate Sen. Paul Simon (D-Ill.) commented, "I think we're getting on very, very thin ice here." President Lane Kirkland of the AFL-CIO issued a statement assailing the RICO suit against the IBT as "a clear abuse of the government's prosecutorial power" and "based on legal theories which, if sustained, would undermine a free trade union movement." "This suit," says the AFL-CIO, "is one more reminder why Congress should not give the Justice Department vague, far-reaching grants of discretionary authority. . . . In a democratic society, labor unions must be controlled by their members and not by the government." The acting president of the IBT itself, Weldon Mathis, attacked the "anti-labor zealots of the Reagan-Bush administration" who "authorized the filing of this unprecedented effort to destroy our country's largest trade union."

William H. Wynn, the president of the United Food and Commercial Workers Union, which has 1.3 million members, pointed out that “the Department of Labor reviews a union’s election procedures. For the government to now seek what it calls ‘free’ elections is a denial of the freedom of Teamster members to run their union. . . . If one government agency can seek new elections under new rules just because it doesn’t like the outcome of elections held under procedures another government agency previously approved, then what is the point of having elections?”

Back in December, some 250 members of the House of Representatives led by Reps. William Clay (D-Mo.) and James Jeffords (R-Vt.) wrote to Attorney General Meese to protest Justice Department plans to impose federal trusteeships not just on the IBT, but also on the Laborers’ International Union of North America, the Hotel and Restaurant Employees International Union, and the International Longshoremen’s Association. The congressmen described trusteeship as “inherently destructive of the ability of workers to represent and speak for themselves through their unions. The exercise of such authority by the government to essentially remove one of the major participants in the democratic process, establishes a precedent which strikes at the very foundation of our democracy.”

These congressmen were joined in a separate letter by Rep. Jack Kemp (R-N.Y.), at that time a presidential candidate, who said he was “firmly opposed to a government takeover of the Teamsters or any private institution.” Kemp went on to say that “the United States government is not meant to be in the business of taking things over—not newspapers, not schools, not corporations, and not unions. The Teamsters are entitled to what every American has a right to by birth—due process.”

These warnings are being seconded by the Americans Against Government Control of Unions, which is sponsored by the AFL-CIO Building Trades, the Retail, Wholesale and Department Store Union, the United Mine Workers, and the United Food and Commercial Workers. “What,” asks the AAGCU, “would be the difference between an American union under government trusteeship and the ‘official’ state-sanctioned unions of the Eastern bloc?” The AAGCU has announced paid political advertisements in the major daily newspapers for the July Fourth weekend, with quotes from politicians and unionists protesting the Giuliani lawsuit.

Even the Department of Labor was decidedly lukewarm toward the Giuliani suit. Labor Secretary Ann Dore McLaughlin said that her department has “deferred to the Justice Department on the legal issues.” She also said that her department is “very concerned about the effect of this action on the overwhelming majority of Teamster locals and rank-and-file members who have had no part in corrupt activities. This will be a difficult time for them.” Finally, even the FBI’s own dissident groups within the IBT have condemned trusteeship, providing some measure of the unpopularity of the measure among the union rank and file.

LaRouche attorneys seek total dismissal of Boston case

Charging government prosecutors with deliberate lying and other misconduct, defense attorneys have moved to have the Boston indictments against Lyndon H. LaRouche, Jr. and other defendants completely dismissed. It was lengthy hearings on that misconduct which caused the criminal trial in the *U.S. v. The LaRouche Campaign, et al.* case to end in a mistrial on May 3.

On June 27, defense attorneys filed legal memoranda summarizing the evidence presented in the recent hearings and asking that the entire case be dismissed. They charge that lead prosecutor John Markham and others on his team engaged in intentional withholding of evidence, lying to the court and to defense attorneys, and then continued the cover-up even weeks after the hearings got under way. The hearings focused on the role of Ryan Quade Emerson, who was revealed to have been a long-standing, paid FBI informant who was feeding information to the defendants. Emerson’s FBI relationship was not even disclosed until 55 days into the trial.

“The government knowingly and intentionally withheld this information until well into the trial and even withheld some of the most significant information until the Emerson hearing was well under way,” says the defense memo. “John Markham himself consciously withheld evidence about his personal involvement in Emerson’s escapades. The most egregious example of this is John Markham’s role as creator of the cover story which [FBI agent] Klund gave to Emerson and which was then fed into the defendants’ notebooks on September 29, 1986.”

Also emphasized in the newly-filed defense memo is the fact that Markham used, in his opening statement to the jury, a quote from Emerson found in a notebook of defendant Jeffrey Steinberg. Because Markham had suppressed the fact that Emerson was an FBI informant, “the government prevented the defendants from explaining the background for this quote from Mr. Emerson.” In fact, the memo argues, several defense lawyers made “misguided strategic decisions” about their trial strategy because of the government’s withholding of the evidence about Emerson.

In arguing that the entire case must be dismissed at this point, the defendants argue as follows:

“The mistrial does not cure the prejudice. This is not an

ordinary case. Defendants have already been put to the time and expense of a 93-day trial. Moreover, Mr. Markham, based in part on mis-statements regarding the nature of the supposedly inculpatory notebooks, succeeded in obtaining pre-trial detention, some of which lasted 100 days before Mr. Markham agreed to conditions of release. A fair inference can be drawn . . . that his efforts to obtain detention were primarily motivated by the search for a co-operative defendant. . . . The October 6 search alone, unique in its massive scope and unprecedented use of manpower and weaponry, gave rise to multiple motions, which resulted in several days of colloquy [and] hearings. . . . These issues and others were made all the more complicated and difficult by the government's initiation of bankruptcy proceedings while the indictments were pending. . . . Aside from these multiple skirmishes, the trial itself consumed five months of ten defense lawyers' time, involved literally hundreds of documents and scores of witnesses.

"We are talking at base about a massive, multiple count indictment against political organizations and people whose primary objectives relate to the political process and the expression of political ideas. In that context, these defendants' efforts have been irreparably impaired since October 6, 1986, nearly two years, by pre-trial detention, enormous investigative and legal expense, and untold manhours both in and out of court. The individual defendants continued throughout under express conditions of release, limiting their right to travel and their right of association and expression.

"The enormous harm—in money, manpower, detention, impairment of travel, expression and association—is irreparable. It has been accomplished first by the government's failure to provide timely discovery, in violation of the Constitution, the rules of the court and the agreements of counsel, and second, by that misconduct necessitating a lengthy and costly evidentiary hearing. . . . The result is the most serious prejudice of all: defendants have lost the benefit of a verdict by that particular jury which has now been discharged. . . .

"To satisfy the institutional values undergirding this Court's supervisory powers—to deter future government misconduct, insure judicial integrity and fashion an appropriate remedy for violation of rights—this Court should order dismissal of these indictments with prejudice."

'Secret files'

Following are excerpts from a June 29 article in the Boston Globe by investigative reporter Ross Gelbspan, under the headline, "Note Suggests That FBI Keeps Secret Files."

A recently released FBI document has raised suspicions that the bureau created secret files as late as 1985, despite sworn statements by FBI officials that the practice was discontinued before 1980.

During the 1960s and 1970s, the FBI maintained a set of secret records known as "do not file" files that were used to

conceal controversial FBI activities such as political burglaries and wiretaps.

That practice was supposedly stopped in the 1970s following revelations of FBI excesses by congressional investigations. . . .

An FBI spokesman on Friday denied that the FBI maintains "do not file" files.

But a Feb. 15, 1985 FBI document, provided to the Globe by a source who asked not to be identified, is marked by a typewritten "do not file" heading across the top of the document. A handwritten notation reads "Do not destroy w/o my permission." The signature is blacked out.

The 1985 document is a communication from Oliver Revell, the FBI's executive assistant director, to William Webster, former FBI director, citing a request from an aide to Henry Kissinger for a personal meeting with Webster about alleged harassment of Kissinger by the Lyndon LaRouche group.

FBI spokeswoman Sue Schnitzer said that the document was marked "do not file" because it contained no information or policy deliberations that were not already recorded in other FBI files. Schnitzer stressed there is no current FBI category of records with "do not file" designations.

"This document was strictly an informational status report from Revell to Webster, summarizing things in the file. There's nothing in here that isn't in other files, so there's no sense in filing it, since the material is already filed," she added.

But some congressional observers and attorneys for the LaRouche organization said they did not find that explanation persuasive.

Rep. Don Edwards (D-Calif.) said he was angered by the existence of the document.

"Our committee will strongly object to this sort of practice by the FBI," said Edwards, who chairs the House subcommittee on civil and constitutional rights.

"Reconstituting 'do not file' files would emasculate the oversight process. It would take us back to the bad old days when J. Edgar Hoover had a desk full of 'do not file' material which no one knew about until after he died," he added. . . .

The "do not file" files were used by the FBI, especially during its investigation of black and antiwar activists in the 1960s and 1970s, to conceal activities of questionable legality by FBI agents, according to several sources all of whom expressed surprise that the FBI was still engaging in the practice. . . .

The recently released 1985 document refers to a request by a Kissinger aide for a meeting that day with Webster about the LaRouche organization.

The document notes that at a press conference the previous day, LaRouche released earlier correspondence between Webster and Kissinger, including a directive from Kissinger to Revell to determine whether the FBI had a basis for investigating the LaRouche group "under the guidelines or otherwise. . . ."

Pentagon raid sparks fear and anger

by Leo F. Scanlon

In the 24 hours which followed the June 23 circulation of over 3,500 copies of *EIR*'s supplement on the Pentagon raid, reaction against the KGB-style tactics of the Justice Department began to surface in Washington. Numerous industry officials told *EIR*, "You people have been through this, and you have been vindicated; you are in position to lead a fight." Another observer reacted with disgust at the FBI-run spectacle: "They did this to Beggs, and he was acquitted; they did it to LaRouche, and he was acquitted. . . . This has got to stop."

By June 24, the *Wall Street Journal* took aim at the unconstitutional actions of the Justice Department with a series of editorials. "Whatever else transpires, two laws have indeed been broken. . . . Federal Rule of Criminal Procedure 6(e) makes it a crime to divulge material gathered in a grand jury investigation. The wiretap law makes it illegal for prosecutors to leak the conversations. The allegations already made by unnamed sources . . . are more than illegal. They also raise doubts about the entire investigation. . . . There is a method in the leaks, of course. If prosecutor Henry Hudson or his minions are following the new tradition of strategic leaking, the idea is to sully individuals badly enough that they rat on others or cop pleas."

That, of course, is exactly what Hudson has been doing. A widening circle of congressional offices and defense consultants has been implicated in press stories which lack even a single allegation of criminal wrongdoing. With the exception of one search warrant released in St. Louis, the entire structure of legal argument behind the investigation remains under judicial seal, and Justice Department officials have explained that this is necessary in order to pressure targeted individuals and companies to "cooperate." Justice Department officials are bragging to the media that they are playing tapes of conversations and alleged "bribes" in order to terrorize the victims into implicating others.

Said the *Journal*, "So, in the name of discovering defense procurement fraud, we are supposed to accept the idea of placing a vast wiretapping network, approved only by a federal judge, on the U.S. government's highest, most sensitive defense officials. We don't accept that.

"We do not accept that a considered judgment about this

country's defense has to simply stand aside for such an Orwellian fraud dragnet. . . . By now, when we hear the murky allegation of 'fraud,' we reach for our copy of the U.S. Criminal Code. What exactly is the crime supposed to be?"

It was not long before the anti-defense mob in Congress got very specific about what they considered the "crime" to be. Les Aspin (D-Wisc.), chairman of the House Armed Services Committee, recommended that the Pentagon consider a temporary freeze on awarding any contracts that have come under suspicion. Indicating that he was in possession of evidence leaked to selected congressmen, but withheld from the Pentagon, Aspin said the inquiry involves as many as 85 contracts, worth billions of dollars. The impact of this will be to grind the entire procurement process to a halt.

Right on cue, the Government Accounting Office declassified a report which attacked the top secret "black programs" of the Pentagon, which, it alleged, are secret so that budgetary fraud can be covered up!

Not surprisingly, Caspar Weinberger has emerged as a prime target of the smear artists in Congress and the media. The attacks on Weinberger were accompanied by indictments of Egyptian officials and their American confederates, on charges of arms smuggling. Insiders point out that this is designed to dismantle the delicate alliances Weinberger had built to check State Department sellout excesses in the Middle East.

Ironically, the media excesses began to make the FBI's dirty tricks specialist in charge of the smear campaign, Oliver "Buck Revell," so nervous that he gave an interview to the *Washington Times* June 29, in which he asked the media to stop making an "idol" out of U.S. Attorney Henry Hudson! Hudson, for his part, submitted a legal argument to the federal court in New York saying he had evidence of "destruction of documents" by targets of the investigation, and therefore the investigation must remain under court seal. The artifice was generally seen for what it is—a lie calculated to produce lurid headlines.

In one instance of capitulation to the inquisition, Robert Costello, undersecretary for acquisition, recanted a memo he had written to Secretary Carlucci, in response to a February raid on the Emerson Electric factory in St. Louis by the Defense Criminal Investigative Service. The memo stated, "To send 19 DCIS agents, one customs agent, and several Missouri state troopers directly to the plant appears to me to be an unwarranted show of force." The investigator in the case, according to the judge reviewing the warrant, included "false statements" and "significant inaccuracies" in his affidavit! Costello had suggested that such raids should be subject to "an appropriate level of review, and or approval."

Accused of "cover-up" and "smelling bad" by congressmen, Mr. Costello announced, "I can change my mind," and joined the ranks of those charged by the *Wall Street Journal* with abdicating their political responsibilities in an era characterized by "criminalizing of policy disputes."

President Reagan sent OMB's 'junkyard dogs' after the Pentagon

by Jeffrey Steinberg

The June 14 FBI raid on the Pentagon and the offices of scores of major defense contractors was the direct result of a long-since-forgotten initiative by President Reagan, taken during the early moments of his presidency. That nominally "bureaucratic reform" initiative may well prove to have been Moscow's greatest foot-in-the-door for dismantling the Western alliance and bringing about a global "Pax Sovietica."

Defense contractors and Pentagon officials alike who find themselves siding with the Justice Department and FBI's "crime busters," as a means of shielding themselves from the worst of the pending "procurement fraud" bloodletting, would do well to consider the hideous consequences of the U.S. Congress's failure to defend its colleagues, when a rogue FBI went after a few "bad apples" during the "Abscam" operation.

The PCIE 'whistleblowers'

On March 26, 1981, President Reagan signed an Executive Order aimed at rooting out fraud, waste, and corruption among government officials and contractors. The principal mechanism created by the executive order was the President's Council on Integrity and Efficiency (PCIE). The initiative was the brainchild of David Stockman, the former campus radical turned free market conservative, who was Reagan's first Office of Management and Budget chief. Not surprisingly, the chairman of the PCIE was designated to be the deputy OMB director, who was to sit astride an inter-agency "crime busters" force comprised of the deputy attorney general, the deputy director of the FBI, and the inspectors general of every federal agency.

Echoing President Reagan's own words, White House Press Secretary Jim Brady promised that the new body would be "meaner than junkyard dogs" in pursuing government corruption. President Reagan himself pledged, in signing the executive order, "We are going to follow every lead, root out every incompetent, and prosecute any crook we find who's cheating the people of this nation."

Thus, President Reagan, who had campaigned for office on a pledge to rebuild the national defense, gutted by four

years of Jimmy Carter, unleashed—perhaps inadvertently—the hounds of Hell against the Pentagon.

On April 16, 1981, PCIE chairman and deputy OMB chief Edwin L. Harper announced in President Reagan's name that the administration had created a system of "whistleblower hotlines" in 13 Cabinet-level departments, including the Department of Defense, and at seven independent agencies. Further, six new inspector general posts would be created to investigate allegations "of waste, fraud, and abuse."

"The vital element in any program designed to fight fraud and waste is the willingness of employees to come forward when they see this sort of activity. They must be assured that when they 'blow the whistle,' they will be protected and their information properly investigated," said President Reagan, in a prepared statement accompanying the release of the "whistleblowers' hotline" numbers.

PCIE set up an ambitious set of quotas, to be reached by 1988: 27,000 successful criminal prosecutions of government employees and contractors; 10,000 administrative actions (stiff fines, contract cancellations, firings and demotions); and over \$100 billion in savings and recovered losses to the federal government.

The DoJ and FBI's roles

The "teeth" behind Stockman's budget-hacking brainchild, the PCIE, however, would be the Justice Department and the FBI's enthusiastic pursuit of the "crooks in the government." On May 16, 1983, the Justice Department announced the creation of the Economic Crime Council, headed by the deputy attorney general—who just happened to be the DoJ's representative to PCIE. This post was held in turn by Stephen Trott, Arnold Burns, and now Francis Keating. The executive assistant to the ECC was Robert Ogren, Fraud Section chief in the Criminal Division. Ogren's dubious credentials as a crime stopper were underscored by his bungling of the investigation and prosecution in the murder of Iranian anti-Khomeini leader Dr. Ali Tabatabai, who was gunned down in suburban Washington, D.C. in 1980, and also by his sweetheart settlement of the E.F. Hutton money-laundering case several years later.

Ogren was clearly bent on going after the Pentagon. Defense procurement fraud was listed by the Economic Crimes Council as its number-one priority, and Ogren had already established the Defense Procurement Fraud Unit within the Fraud Section to coordinate DoJ efforts with the Pentagon's inspector general.

Rounding out the "clockwork orange" apparatus, the Justice Department, in conjunction with other enforcement agencies, simultaneously established Law Enforcement Coordinating Committees (LECC) in 90 separate jurisdictions, drawing the FBI, Internal Revenue Service, Bureau of Alcohol, Tobacco and Firearms, Secret Service, and state and local police agencies into mega-task forces. Their target? Not drugs, not drug-related violence, but fraud and "business crimes."

Around the DoJ, the U.S. Attorney most frequently cited as running the "model LECC" was none other than William Weld, the chief federal prosecutor in Boston, Massachusetts, who earned media praise in 1983 when he launched a high-profile assault against a string of small defense contractors in the New England area and managed to get stiff jail terms for several top execs. Weld's September 1986 confirmation as head of the Justice Department's Criminal Division—in spite of his cover-up of a multi-billion-dollar money-laundering scheme by the Bank of Boston and Crédit Suisse—gave the green light to the "junkyard dogs" to stampede all over the military-industrial complex.

The Grace Commission joins in

When the President's Private Sector Survey on Cost Control, better known as the Grace Commission (after its chairman, J. Peter Grace) issued its findings in the spring of 1984, President Reagan wasted no time in embracing the budget-hacking recommendations. On June 2, 1984, he named a 24-member Council on Management Improvement (CMI), to work under the President's Council on Integrity and Efficiency. Reagan appointed then-PCIE chairman and deputy OMB director Joseph R. Wright, Jr. to head the new council. The Grace Commission had slated the Pentagon as the major target of "cost control" reforms.

In point of fact, ever since President Reagan signed Executive Order 12291 in February 1981, giving the OMB veto power over all federal regulations, he had unleashed a cost-cutting virus not seen around the federal government since Robert Strange McNamara and James Rodney Schlesinger tore through the corridors of the Pentagon with armies of "cost accountants."

The fact that fraud, waste, and corruption were never the real targets of the budget slashers, who were simply out to gouge the national defense, is underscored by a string of corruption scandals centered around key players in the PCIE, beginning with its longest standing chairman, Joseph Wright.

A former vice president of Booz, Allen, and Hamilton, Inc. and ex-president of Citicorp's credit card subsidiary,

Wright surfaced in May 1985 at the center of a controversy over—of all things—overcharges, influence peddling, and nepotism.

It seems that in September 1982, the Department of Energy was about to launch a legal action against two Tulsa oil companies, Anchor Gasoline Corp. and its subsidiary, Canal Refining, on charges that during 1973-81, a period in which the federal government strictly regulated prices of oil and petroleum products, the two companies had overcharged government purchasers to the tune of \$39 million in fees and interest. Anchor was run by Joseph Wright's father. The deputy OMB chief himself was a 3% shareholder in the company. On Sept. 23, 1982, according to press accounts, Wright contacted the head of DOE's Economic Regulatory Administration, Rayburn Hanzlik, seeking a review and reconsideration of the Anchor case. At the time, OMB was preparing its recommendations to President Reagan on the Energy Department's budget. Shortly after the conversation, Hanzlik met with officials from Anchor, the case was transferred to a different field office of the Department of Energy, and the \$39 million claim against Anchor was dropped.

Scandal surrounds Arnold Burns

Another PCIE bigwig, former Deputy Attorney General Arnold Burns, who presided over Stephen Trott and William Weld's 1986 onslaught against "Pentagon procurement fraud," continues to be at the center of a storm surrounding his potentially criminal involvement in a string of phony offshore tax shelters set up by his law firm, and his role in pushing the appointment of an ex-law partner, Stuart Summit, to a federal judgeship. According to a series of stories by *Washington Times* Justice Department correspondent George Archibald, Burns, whose law firm represents the Anti-Defamation League-mob linked Sterling National Bank, had been involved in offshore Caribbean tax shelters, purported to be investing in Israeli high-tech companies that were joint ventures with Americans. According to several sources, the funds never went to Israel, but may have been used to finance Israeli spy operations in the United States, including the activities of Jonathan Jay Pollard, who was later convicted for espionage.

When IRS turned the Burns probe over to the tax fraud section of the DoJ for possible criminal prosecution, William Weld personally put the kibosh on the probe, and later teamed up with Burns to have the tax fraud chief, Roger Olson, fired from the department.

Burns, it was later learned, received a total of over \$1 million in continuing payments from his former law firm while serving in the Justice Department. At the same time, he failed to reveal that Stuart Summit, whom he had shepherded to a federal judiciary appointment, was a partner in that very same law firm. This June, the entire matter was turned over to the Public Integrity Section of the Justice Department. Criminal charges against Burns may follow.



'Military industrial complex should be active politically'

Rear Adm. C.A. (Mark) Hill, Jr. (USN-ret.) is the vice president for government affairs of the Association of Naval Aviation (ANA). Rear Admiral Hill is well known in Washington, D.C. as an outspoken advocate for the professional military and their counterparts in government and industry. EIR's national security correspondent, Herbert Quinde, interviewed Rear Admiral Hill on June 29.

EIR: You were one of the first to publicly criticize the raid on the Pentagon, on the CNN "Crossfire" TV program. The Soviet press has lauded the action. Why do you think the Kremlin is so happy?

Hill: I appeared on the "Crossfire" TV program in an effort to support the issue, as professional naval officers see it, with regard to the so-called "military industrial complex." We feel strongly that the "user," the active duty military, must have complete communication with the manufacturer, whether it be General Dynamics, McDonnell Douglas, Grumman, etc. They must have freedom of communication so they can build the kind of weapons systems that we need to defend this country.

I did not in any way criticize the attempt to make certain that the whole Pentagon was purged of any true wrongdoing. I see no reason why a handful of individuals should be used as an example to castigate the entire industrial base and military organizations that are so vital in defending, not just this country, but the entire free world.

If the Kremlin is happy that we are generating headlines that indicate that there is waste, fraud, and abuse rampant, it is because of the media slant on this thing. Let me emphasize that the entire investigation started within the U.S. Navy by the Naval Investigative Services two years ago. It was the military doing exactly what the law enjoins them to do to—make certain there is no corruption. Mind you, we don't know there is any corruption, yet. The media immediately pounced on this, giving the impression worldwide, that the Pentagon is nothing except one loosely run porkbarrel. This is absolutely false.

EIR: Numerous editorials in the press have expressed concern about the seemingly unconstitutional aspects of the methods and procedures used in the investigation. Editors of *EIR* have experienced this lack of due process. Do you think the grand jury system is abused for political purposes?

Hill: When you pin it down to this particular case, I must at least wait until we have more information. If you say, in general, is the grand jury system used in an abusive way, I would say there is not much question about that going on in our government at the present time. People can be on both sides of this issue. I am on the side of supporting the active duty military and government servant and corporate officers of our major industrial base in thinking that they are for the most part, honest, sincere individuals, trying to do the right thing. I will use the Iran-Contra affair as an example. I feel the people in the National Security Council and the President were carrying out the policies of the U.S. government to the best of their ability. To use special prosecutors, grand juries, and so forth against those people is a travesty.

In this present instance . . . I personally have some reservations about the methods used in this investigation. . . .

I think the media and the politicians pick up on things of this sort for their own purposes almost immediately. This encourages the leaks. For example, I said on the "Crossfire" program, that John Lehman was a vigorous and powerful person in pushing the buildup of the 600-ship, 15-carrier battle group Navy when he was secretary; in doing so, he stepped on a lot of toes. Those toes were not all political. Some of them were in industry. He really knocked heads in industry, too, if you will, to get General Electric to work with Pratt & Whitney, and that sort of thing. All kinds of pressures are being brought to get information out that will do somebody's political dirty work. If it looks like someone such as John Lehman is getting close to the seat of power in the next election, I can see where the leaking is encouraged to impugn his honor, long before there is any indictment, long before there is a hearing, long before there is any conviction. They are looking for the big names. . . .

EIR: Leonardo da Vinci was one of the biggest “defense contractors” of his day. He believed that the development of military technologies was a singular catalyst for scientific and technological progress serving society at large. Do you sympathize with his view?

Hill: Would that we had Leonardo da Vinci today. There is hardly anything that we have on the drawing boards that he did not think about. In the military, we are constantly pushing to the far edge, to the horizons of technology. To do so requires more and more communication between all areas involved.

Consequently, at a time when we need more communications than ever before, we are beset by voices claiming that this is the antithesis of the free enterprise system. That argument is pure nonsense.

EIR: Marxists have given the “military industrial complex” a bad name. What is the positive role of the Association of Naval Aviation?

Hill: It has been the goal of the ANA to reestablish the communication that we had between the aerospace industry, the shipbuilding industry, and the user before World War II. In the early days, the great pioneers from different companies in aviation would sit around a table on a Saturday and discuss all the aspects of their technology as they knew it. It was this transfer of information in an informal way that allowed any corporation to step in and take over when we really needed production during World War II. In addition, few people realize that most of the machine tools that were used to build airplanes in World War II and subsequently, until recent times, were owned by the military, by the Bureau of Aeronautics, now Air Systems Command. They owned a tremendous store of machine tools that industry could draw on. We made sure that the transfer of technology between various companies was sufficient to allow uninterrupted production of ships or airplanes.

We really continued that pretty much until the Kennedy administration and the McNamara regime, which, in my opinion, attempted to substitute for this direct communication between the uniformed military and the industrial base, substituting a middle management to bring about, in their words, “a more efficient use of resources.” . . .

I was part of the so-called “whiz kid” organization, working for Alan Enthoven, individuals for whom I have a great deal of personal respect. That notwithstanding, the shift from the Navy Department base of information and what they needed, into a handful of analysts around the Secretary of Defense was not good.

EIR: Is defense procurement fraud, as we are reading about in the media, a red herring?

Hill: To the degree that no laws were broken, it is a red herring. To the degree that laws were broken, so disciplinary action must be taken. I’d also point out that we have had

some 75 new laws on defense procurement from the Congress in the last two years. It is my understanding that it takes about 14 months to get changes implemented through the procurement system, as a result of the new laws. Anytime you get a complexity of laws, regulations, boards, and auditors, you have the opportunity to create the appearance of fraud, even though none exists. . . .

If someone really wants to build an airplane and get it through the system in a relatively short period of time, shortcuts may sometimes be demanded. We have many examples of this, when shortcuts for the safety of the nation were so great that we bypassed as many different rules on procurement as we could. A case in point is the Polaris system, a perfect example. The direction for the Polaris system came directly from President Dwight Eisenhower. . . . It was the direction from him to the Chief of Naval Operations that brought about the special management system that put Polaris on line, years before it could have been done under any other method.

EIR: The present investigation is similar to the General Dynamics case, which led to the indictment of James Beggs, former head of NASA. Although Beggs was vindicated, the indictment indirectly led to the Shuttle disaster. Can you foresee a similar impact on our defense capabilities?

Hill: Less so than in the case of Mr. Beggs and General Dynamics. That case indeed was a travesty. Let me reference how we run things in our military organizations. We emphasize the requirement to have trained replacements to take over any job, at any time, based on any contingency. I think the strength of our defense organizations, whether it be a secretary of the navy or a four star officer, is that we have waiting in the wings adequately trained replacements. So I think the chances of our defense being hurt by individuals having their reputations tarnished is far less than in other agencies in the government. NASA, in comparison, is a relatively small organization.

EIR: Many of the procurement programs under scrutiny, such as the F-18, impact on our NATO, Middle East, and Asian allies. In the context of the INF treaty, could a payoff-style scandal disrupt U.S. relations with our allies?

Hill: This, of course, is a very delicate area. There really are only one or two countries that look askance at a payoff for a contract, one of them being the United States. Anyone who has dealt in foreign sales, military or otherwise, knows that combinations which we consider illegal or unlawful in this country are considered a perfectly natural way of life in other areas of the world. I faced this when I was chief of the naval mission to Brazil, in trying to assist U.S. corporations in their dealings with the Brazilian military in certain contracts that we thought would be helpful for both nations. We saw the combination that was arrayed against the U.S. and U.S. manufacturers by England, France, Germany, and Italy, to

which a cartel is a way of life. For example, we might be dealing in a single weapon system; a U.S. company would be constrained by the anti-trust laws with putting together a combination package to be sold to another country. But those laws do not constrain England, France, or Germany. . . .

When it is important to our defense to supply our allies with what they really want, to defend themselves, it is U.S. weapons systems that they want. We are up against a kind of competition from our industrial allies that makes it difficult for us to respond effectively. On that basis it is very hard for a U.S. company, being pushed by the State Department or members of the Congress . . . to face that kind of competition without acceding to what we in the U.S. call the "payoff" route. I am not saying that they should do so. I am merely pointing out that the pressures are tremendous and we should understand that the global marketplace is not controlled by U.S. laws.

EIR: The anti-defense lobby has been supported by powerful insurance and banking interests. The Grace Commission followed by the Packard Commission have recommended severe austerity. Is budget-driven austerity a threat to maintaining our national defense?

Hill: We all would like to see the budget deficit kept under control. The important thing to remember is that the defense share of the the total GNP is only 6-7%, the total defense budget is only in the 21-22% of the total national budget. There is no reason to apportion to defense any greater share of the deficit than their share of the budget. . . . I do not believe that we can defend this country and the free world with anything less than 3% real growth in the defense budget on an annual basis.

I was involved with Mr. Grace in an exchange, at the time he headed the Grace Commission, because he represented the monumental failure of the outsider to understand how the system works. In attacking certain areas of the military—for example, fringe and retirement benefits and pay—it was apparent to us that Mr. Grace was really reaching into the public sector to grab monies on behalf of the private sector, specifically to remove the military commissaries and replace them with privately run supermarket management.

The insurance companies would dearly love to be able to manipulate the fund we have for military retirement, Social Security, funds of that ilk. If you look at the Grace Commission recommendations, to make their case, they became part of the anti-defense lobby from the standpoint of its attempt to cut manpower and personnel. They attempted to portray military pay and retirement pay as a huge porkbarrel. The Grace Commission found itself as part of the anti-defense lobby by virtue of its recommendations.

EIR: Is the Strategic Defense Initiative threatened by this anti-defense hysteria? Is a Conventional Defense Initiative a militarily acceptable and cost-efficient alternative?

Hill: That is a fascinating question because it gets to the heart of what I said about the role of the military in pushing to the horizons of new technologies. Contrary to a lot of liberal thinking, everything that we have that can be considered a rapid or a substantial advance in technology is generated by the military, including in the field of medicine. The sonogram that we use to look inside the human body is an adaptation of the sonar developed for anti-submarine warfare. The first major jet transport, the 707, was a derivative of the military KC-135 tanker, and there are many more examples. We will continue doing this.

The Strategic Defense Initiative is just that sort of combination of technologies that is going to affect everything else that follows. I like to use the phrase "serendipity factor." We are looking for something, and we find something else. And that something else is far better than that which we were originally searching for. So, when people try to separate the Conventional Defense Initiative from the Strategic Defense Initiative, they don't understand the mission, or the facts, in the first place.

The SDI is theoretically a way for us to protect ourselves from incoming ballistic missiles. But you are not protecting the country, if you have an umbrella over the country while you let sea-skimming cruise missiles come in underneath. Therefore, there is no SDI without a CDI. They are intertwined. If you get an adequate CDI below the atmosphere, you'll only get it as a spinoff from the research being done on SDI. CDI means nothing without SDI and vice versa. This is just a game aimed at discrediting SDI research, development, and some deployment. . . . When people suggest we should abandon SDI and just concentrate on conventional build-up, I point out that it will cost four to five times more than what we are doing right now, alone and in isolation from our nuclear defense capabilities.

EIR: In this election year, do you think the "military industrial complex" should lay low or seek support politically from the American people?

Hill: Quite clearly I think that the "military-industrial complex" is an absolutely vital part of our defense and they should be active politically. It should be making the point that a vital requirement for defending this country is an industrial base. I think it is also important that when people think of real economic wealth being created by jobs that produce, there is often a tendency to think that the man who works on the production line in General Motors and turns out a Chevrolet is producing more than the man on the production line at, say Grumman, that produces an A-6, our standard all-weather attack aircraft. Quite the contrary, both provide as much real wealth in what they do; indeed, I'd say possibly the man working on the A-6 is producing something of more lasting value. We started producing that airplane in 1957 and some in the fleet are 30 years old. We have far fewer 30-year-old Chevys on the road.

Will Pentagate be the Three Mile Island for defense?

by Marsha Freeman

On March 28, 1979, the commercial nuclear industry in the United States suffered its worst public relations defeat ever, at the Three Mile Island nuclear power plant near Harrisburg, Pennsylvania. The fallout was not radioactive; it was political. Due to the cowardice and short-sightedness of the industry, which refused to launch a fight to counter the hysteria being generated by the anti-nuclear environmentalists inside and outside the government, this otherwise innocuous incident became the Waterloo for an entire industry.

The nuclear industry today is nearly nonexistent. The last time a nuclear plant was ordered by a U.S. utility was *10 years ago*. Instead of designing and building new power plants, the industry keeps busy fixing the already-operating facilities. No one has any hope of ever advancing to the next-generation nuclear technologies, which have been on the drawing boards for more than a decade.

The public response of the aerospace/defense industry to the onslaught of accusations and innuendo by the media and the Justice Department is, so far, a cowardly replay of the nuclear industry's response to TMI. Just as the nuclear industry bent over backward to "cooperate" with the raving anti-science mob taking down their industry (under the guise of making power plants "safe"), spokesmen for the aerospace/defense companies and Pentagon officials are volunteering to aid in "fraud" investigations being carried out by the Justice and Defense Departments, under the guise of finding the "few rotten apples."

Only being willing to tell the truth will stop what will quickly escalate into a top-down restructuring of the way the defense industry and the government ensure our national defense. The purpose is to eliminate any institutional opposition to the U.S.-Soviet condominium designed to leave only one superpower.

Setting the stage

The destruction of the nuclear industry did not start in March 1979, just as the first volley in the war against the defense establishment did not take place on June 14.

In its *1980s Project* report, the New York Council on Foreign Relations had dictated to what would become the Carter administration that there should be a "planned phase out of nuclear power." This energy policy went hand-in-hand

with the "arms control" program pushed by Carter's Secretary of State Cyrus Vance, and played on the President's irrational fear of radiation.

RAND Corporation print-out James Schlesinger was brought back into the government to head the newly created Energy Department to finish off the highly effective working relationship between the Atomic Energy Commission and the industry. Earlier in his career, he had overseen wrecking operations against the Department of Defense, Central Intelligence Agency, and the budget process.

In 1962, Schlesinger had written in his book, *The Political Economy of National Security*, that there was no longer a necessary link between a strong economy and national defense. Therefore, advanced industrial technologies, such as nuclear power, were no longer necessary.

During his stint as energy secretary in the Carter administration, Schlesinger tried to slash the nuclear fission and fusion research programs, end the development of the nuclear fast breeder reactor, agitate for an oil crisis, and kill international research cooperation; he did succeed in squandering billions of dollars on "soft energy technologies" such as conservation, solar, and biomass (burning garbage or food).

Three months after Three Mile Island, Energy Secretary Schlesinger described nuclear energy as a "barely viable option."

Also years before Three Mile Island, the Union of Concerned Scientists (UCS) had been working to destroy the effective relationship of the nuclear industry, the Atomic Energy Commission, and the Joint Congressional Committee on Atomic Energy.

In the early 1970s, the UCS managed to find "disaffected employees" in the AEC to meet with ("whistle blowers"), and collected "anonymous" letters from them on supposed safety violations at nuclear power plants. They were somehow able to get their hands on classified documents leaked to them from these "employees."

These "revelations," that the public was "at risk" from this energy source, created such a stink on Capitol Hill that calls were raised by Congress to separate the regulatory function of government, which had been performed by the technology division of the AEC, from the "special interest" groups, i.e., the industry, who were unduly influencing government

policy (sound familiar?). That is how the Nuclear Regulatory Commission was created.

At the same time, on the street level, the Washington, D.C.-based Institute for Policy Studies and a gaggle of new "environmentalist" organizations were organizing anti-nuclear demonstrations at power plants and construction sites, and the nation's television stations were showing this growing "mass movement" virtually every night. Months before TMI, actors and actresses became involved in the fray, as the movie "The China Syndrome" was released, just to make sure that the misinformed public would assume any nuclear plant accident would lead to the ubiquitous "meltdown."

The stage was set to turn almost anything into a disaster, and an excuse to shut down nuclear power.

Fighting back?

If you think the media are hanging the defense industry before there are any actual charges, remember what the press said about TMI. "Nuke Leak Goes Out of Control," "Race With Nuclear Disaster," "Pregnant Women, Kids Flee N-Zone," are only a small sample of the headlines generated at the time of TMI. People who fled from Harrisburg only did so because they believed what the media were reporting!

No matter what industry or utility spokesmen said, the media refused to report any of the facts, but the industry did not go on its own media offensive. Printed rumors appeared for years, reporting on two-headed cows, children with birth defects, increased cancer rates, and many other horrors, none of which were true, of course. Somehow, the industry thought that if it just "defended" itself, and did not take the anti-nuclear lobby head on, the problem would "blow over."

For its June 1979 issue, *Fusion* magazine interviewed some of the spokesmen for the nuclear industry, concerning their plan of action. The Edison Electric Institute, the lobbying arm of the nation's electric utilities, stated valiantly, "Our response so far has been to lay low and say nothing, hoping the whole thing blows over."

The Atomic Industrial Forum, the nuclear industry lobbying organization in Washington, stated, "We see the future of nuclear power as a pretty tough battle for the next year or so—until we can study or learn from what happened, especially at Three Mile Island."

"Time is needed for corrective measures," looking for rotten power plants. "The public has to sort out the comparative risks between nuclear power and other methods of producing energy. The Atomic Industrial Forum will be active in informing the public about Three Mile Island and other problems."

The industry representatives busily set up training programs and institutes to "improve" nuclear energy, while the companies responsible for building power plants had a bit more sanguine evaluation. A Westinghouse Corporation official told *Fusion*, "The reactors now on order will be completed, then that's it. It's the end of the nuclear industry in

the United States." Because companies, including Westinghouse, did not lead a political fight, that statement has come true.

How to win

Only the Fusion Energy Foundation (FEF) and this publication had the guts to tell the American public the truth about TMI and nuclear power. The most likely cause of the "accident" was sabotage, an Independent Commission of Inquiry to Investigate Three Mile Island, organized by the FEF, determined. This message was repeated in full-page newspaper ads, in college campus debates, at conferences and symposia, and even on bumper stickers.

The real purpose of the "mass movement" to shut down nuclear power, the FEF insisted, was to carry out the agenda of destroying the industrial, agricultural, and military power of the United States. The attack on nuclear energy, the FEF warned, was only the opening shot in a broadside against the development of new technologies which are required for real economic growth.

The groups seen marching on television did not represent the "American public," the FEF said. Each group was well-financed by Eastern Establishment think tanks, such as the Ford Foundation, and by financial interests. An effective fight, FEF warned, would require that the industry expose these supposed "do-gooders" as the malthusian wreckers they were. The industry chose instead to hide and try to "correct" its "mistakes."

The "scientists" paraded before a frightened public, trying to scare people about radiation, were largely just representing the political line coming from the modern-day Luddites, the FEF warned.

The nuclear industry barely exists today, because the anti-nukes won the war. Since 1978, there have been no new orders for plants. Less than a year after TMI, General Electric and Babcock and Wilcox, two of four U.S. nuclear suppliers, announced shutdowns of major production facilities.

By the mid-1980s, power plant construction time had more than doubled to 120 months, and the infamous Shoreham plant in New York, was in its 18 year and still awaiting an operating license, when the utility reached an agreement with the state to destroy the plant. Today, due to the stretch-outs and obstruction of the anti-nukes, half of the cost of a power plant is finance charges, and less than 10% of the total investment is the actual nuclear reactor.

As a result of this sabotage, the electric grid is in the most vulnerable position it has been in since the introduction of electricity 100 years ago. It has become nearly impossible, and certainly "economically unviable," to build any kind of baseload power plant in the formerly industrialized U.S.A.

Whether this will be the way of the aerospace/defense sector of this nation, largely now depends on whether the patriots in that industry learn a lesson from an unfortunate predecessor.

Does Dem platform mask hidden agenda?

Compared to Democratic Party platforms of the last several elections, the one that will be presented to the party's convention in July is a relatively mild piece of work. No calls for a nuclear freeze or drastic cuts in defense spending; no endorsement of gay marriages or weekend furloughs for murderers.

Its worst feature is its labeling of South Africa a "terrorist state"—a grossly irresponsible act, which was compounded by Mike Dukakis's public denunciation of Angolan UNITA head Jonas Savimbi during his visit to Washington. It's being justified as a necessary concession to Jesse Jackson.

The platform's vagueness fulfills the instructions of chairman Paul Kirk, who wanted to avoid the usual super-liberal pronouncements that had helped defeat the Democrats in four out of the last five presidential elections.

Its main virtue, in the eyes of many Democratic politicians, is that it says nothing that can get them in trouble with the electorate. As Rep. Tom Bevill, a conservative Democrat from Alabama, put it, "No member of Congress has ever been defeated because of what he didn't say."

But what the platform doesn't say is exactly what voters should be concerned about. It's no secret that policymakers across the spectrum have agreed that a sharp reduction in American living standards will be the order of the day, and that while there may be slight differences in tactics be-

tween a Bush or a Dukakis administration, their overall policy thrust will be the same.

Coalition government

Does the Democratic platform's fuziness hide a hidden agenda? No doubt; and one clue to that agenda can be gleaned from the policy outlook of the platform's chief architect, former John F. Kennedy speechwriter Ted Sorensen.

Currently an attorney with the prominent New York law firm of Paul, Weiss, Rifkind, Sorensen laid down his prescriptions for the United States in a 1984 book, *A Different Kind of Presidency*, which called for a "government of national unity" that could foist politically unpopular measures on the population.

Such a "bipartisan 'grand coalition' of national unity" would be able to shield legislators more effectively from constituency backlash, Sorensen argued, because both parties would be represented in the government, and would be publicly committed to its program.

This government would include a President and Vice President from opposite parties; a cabinet and sub-cabinet equally divided between the two parties; a Presidential Advisory Council of elder statesmen; a National Council of Economic Cooperation and Coordination "harmonizing the practices of private interests"; and a joint executive-congressional delegation to the U.S.-U.S.S.R. arms talks.

The administration would voluntarily promise to serve one term only, which would make it even more immune to political pressures.

Political immunity is precisely what such a government would require to survive, given the kinds of policies Sorensen said it should effect. Among them:

- Drastic cuts in the U.S. budget, affecting both military and social spending.

- A series of international agreements to enforce this austerity, under which the United States would surrender what's left of its national sovereignty in economic matters. These "may require . . . some restrictions on [America's] freedom of action. But many governments borrowing from the International Monetary Fund . . . have . . . accepted temporary restrictions, some of them vastly unpopular, on their economic conduct. The United States and other industrialized nations . . . should similarly be able to accept some self-discipline for the common good."

- The establishment of tripartite committees of labor, government, and industry, which would coordinate economic policy under the direction of the national economic council; that is, fascism.

- In the strategic policy realm, the national unity government should strive for major new arms agreements with the Soviet Union, including a START pact. To show its good faith, it should "halt the production, testing, and deployment of strategic nuclear weapons (including the MX missile and the B-1 bomber), the production of plutonium, and the testing of anti-satellite and other space weapons, and comply with . . . the unratified SALT II treaty."

Sorensen's proposals for government restructuring may seem wild at first glance, but there are plenty of people in the elite who believe this is the way to go. Indeed, Congress has already established a National Economic Council, and, even if the precise details of Sorensen's "government of national unity" don't come into play, government by non-elected "commissions," armed with fascist policies, is definitely in the works.

Two freedom fighters assailed by media

Two military commanders, on the front lines in the battle to save Western civilization, came to Washington, D.C. at the end of June only to be assailed and insulted in shameful fashion by the major news media here.

President Kenan Evren, the former general in the Turkish military who pulled off a coup in 1980 and has led his country as one of the staunchest NATO allies since, and Dr. Jonas Savimbi, president of the National Union for the Total Independence of Angola (UNITA), both met with President Reagan and spoke before the National Press Club here in the same week in late June.

Evren was pummeled with a half hour of hostile questions based on every Soviet disinformation slander that has ever been cooked up against his regime.

The 71-year-old leader graciously took the questions, each as they came, and spelled out the facts which demonstrated the falseness of the allegations hurled at him, ranging from charges of torture in Turkish prisons to a Turkish role in an assassination attempt against the Pope.

Evren met the outlandish innuendo about the assassination attempt with the news that it was his government which first discovered that two Turks were plotting such a scheme, and tipped off Austrian authorities.

Although Turkey's border with the Soviet Union is the longest of any country in NATO, and Turkey has the largest standing army of any nation in NATO except the United States, and

for that reason is the third-largest recipient of U.S. aid (after Israel and Egypt), Evren was not in Washington seeking more aid.

Instead, he surprised his audience by only alluding to NATO security issues, and devoting most of his speech to Turkey's success in practicing democracy, and eagerness to expand trade.

Evren's point about Turkey being an important model for the world in proving that democracy can flourish in a secular Islamic nation could not have been more timely. Among other things, the future of Iran will be thrown up for grabs in the succession fight that will follow Khomeini's death.

Evren made the point that Turkey is proving to the world that an Islamic nation does not need to be ruled either by a despot or a religious fanatic. He said the free elections that have occurred in his country since 1980 demonstrate that "the rule of law based on equal rights and the inviolability of human dignity, with guarantees for the protection of human rights based in an independent judiciary," functions in his country.

Savimbi wins support of civil rights leaders

Dr. Jonas Savimbi of UNITA, who has led a remarkably courageous and successful fight against Soviet and Cuban expansionist aims in Angola for the last 13 years, was subjected to similar harsh treatment from the Washington press corps.

However, despite efforts of the major TV networks to play up alleged opposition to Savimbi in the United States, by devoting most of its footage on his tour of Mississippi and Alabama to six demonstrators who followed him from event to event, Savimbi outflanked the U.S. media and

political dupes by winning critical support from some important civil rights leaders here.

The White House press corps was stunned when Dr. Ralph Abernathy, the man who took over the Southern Christian Leadership Conference (SCLC) after Martin Luther King was assassinated, emerged from the West Wing with Savimbi and delivered a strong statement of support.

Savimbi said that he had asked in 1981 to meet with the Congressional Black Caucus, and got tired of waiting for an answer. So he decided to bypass them and go directly to the American people. In Mississippi and Alabama, he said, he found deep support.

He said those black leaders who would not meet with him here (like Jesse Jackson) are practicing the same kind of prejudice that the civil rights movement fought against in America. "The key to democracy is the ability to discuss, to talk," he said. "What troubles me is that they are not willing to even talk to me."

When told that Gov. Mike Dukakis has promised to cut off U.S. aid to UNITA if elected President, Savimbi said, "He does not yet have all the information. When he does, he will have a different approach, I hope. The fight for freedom goes down well in America."

Savimbi wants the removal of all outside forces from Angola (South Africans as well as the 57,000 Cuban troops), and free elections, which the self-proclaimed Marxist MPLA regime now refuses to have.

When asked about the MPLA offer to form a coalition with UNITA minus Savimbi, Savimbi said he would not expect the Republicans to have the right to demand who they want the Democratic candidate to be in the United States, and neither should the MPLA decide who UNITA's leaders will be.

Hill negotiators slash SDI budget

House and Senate conferees voted to halt five years of growth in the SDI program by holding its budget increase to 3% next year. They are also demanding that much of the funding be transferred from weapons development to "long-term research."

The \$3.73 billion authorization for 1989 falls considerably short of the \$4.5 billion proposed by Secretary of Defense Carlucci in February, and way short of the \$6.3 billion budget envisioned by former Secretary of Defense Weinberger as the minimum necessary for a successful and speedy program.

The SDI has been a prime target for the "professional Pentagon bashers" as Caspar Weinberger calls them, who want to dismantle the defense institutions of this country. The SDI has also been under heavy criticism since its inception from the Soviet Union, which has been working full-time on their own program of laser defense. Their budget has not, however, been placed under any major constriction by the Supreme Soviet. Their only restriction is what their country (and their satellites) are capable of producing.

The congressional legislation made significant cuts in the administration's program to develop space-based rockets which can shoot down Soviet nuclear missiles as a first-phase missile defense deployment. The negotiators allocated \$85 million instead of the \$330 million requested for that purpose.

The conferees also rejected SDI program director Lt. Gen. James Abrahamson's proposal to make the cuts across the board, thereby spreading the effect proportionally over the

entirety of the program rather than entirely eliminating certain features of the program which may be vital.

The conferees ordered, however, that no cuts whatsoever be made in planned expenditures on ground-based weapons that could defend against a small, accidental attack. This would help further the proposals made by Sen. Sam Nunn (D-Ga.), who wants to transform the SDI program into a limited defense mode conformable to the terms of the 1972 ABM treaty with the Soviet Union.

The conferees also, in a somewhat unprecedented action, cut the Energy Department's spending for defensive weapons powered by nuclear explosions. This was aimed primarily at sabotaging the extremely promising x-ray laser program, which could become the backbone of a total beam defense system.

Meteorologist warns of rising global temperatures

Speaking before the Energy and Natural Resources Committee on June 24, Dr. James Hansen, director of NASA's Institute for Space Studies in Manhattan, stated that it was 99% certain that the current warming trend is not a natural variation, but is caused by a build-up of carbon dioxide and other artificial gases in the atmosphere. Dr. Hansen said that projections of the climate change that is now apparently occurring mean that the Southeast and Midwest of the United States will be subject to frequent episodes of very high temperatures and drought in the next decade and beyond.

The thesis is that the burning of fossil fuels and other activities have altered the global climate, the so-called

"greenhouse effect."

Other scientists are arguing that warmer temperatures in recent years may be the result of natural fluctuations rather than human-induced changes. Sen. Timothy Wirth (D-Colo.), who chaired the hearings, responded, "Now the Congress must begin to consider how we are going to slow or halt that warming trend, and how we are going to cope with the changes that may already be inevitable."

The issue of the "greenhouse effect" is by no means resolved at this stage of the game, although the argument is already being used in order to force people to accept a situation of increasing misery as a product of "natural conditions" rather than human decision. If, however, the burning of fossil fuels is causing a major problem in the ozone layer, then it might behoove the opponents of nuclear energy like Senator Wirth to change their attitude—for the sake of the environment.

Plant-closings bill again focus of controversy

The controversial plant-closings clause of the trade bill—the item which led to the bill's veto by the President—is again on the floor as a separate bill. The bill will undoubtedly be passed by the Democratic majority, although the Republicans are filibustering to prevent it from passing before the Democratic Convention in the middle of July. The Democrats fell 2 votes short of the 60 votes needed to invoke cloture, which would have set a time limit to the debate.

The Democrats would like to see the plant-closings bill passed in order

to make it a key issue in the election campaign.

Task force on drought to report by mid-July

Hearings of the Congressional Task Force on the Drought are now scheduled for mid-July, with the Senate proposals to be issued on July 11, after which both the Senate and the House proposals will be welded together in a joint session of the task force on July 13-14.

The proposals mainly concentrate on maintaining farm income in the face of the tremendous crop shortfalls throughout the country. Sen. John Melcher (D-Mont.) would like to maintain "deficiency payments" (incrementing lost crops) to up to 80% of average farm income. Consideration would also be given to whether or not a farmer had crop insurance, which could otherwise compensate the farmer for some of his losses. Major water projects, such as NAWAPA, have not been directly discussed, although the Melcher bill would provide financial assistance to farmers to secure a supply of water to them, e.g., transporting water by tanker truck.

An aide to one of the task force members did mention that water projects had been dealt with at the recent conference of governors in Washington, where the proposal was made to filter water from Lake Michigan into the Mississippi in order to alleviate the flow of the traffic now clogged up on the river. "There was even a proposal by Lyndon LaRouche at that conference," said the aide, "where he wanted to take water from Canada and bring it down into the Central Plains and Rocky Mountain regions." The aide added, "You know, that's not such a

bad idea at all."

One agricultural aide said that Sen. Patrick Leahy (D-Vt.) is concerned to get out some form of drought relief proposal before the Democratic Convention, because it would otherwise become a major issue at the convention itself.

Is the FBI bugging the Congress?

There has been a lot of trouble with the AT&T lines on Capitol Hill. The problem with getting through to the House offices has become legendary at this point. Some evil tongues have been saying that the problem has been perpetrated by irritated congressmen who do not want to face the wrath of their constituents as they sell the country down the river to the Soviets and savage the economy through budget austerity.

One congressional aide spoken to recently had another explanation. "The bugging around here has become so bad that FBI computers must be working overtime, as our telephones aren't working at all."

Congressman lashes out at Federal Reserve

Rep. Henry Gonzalez (D-Texas), the *bête noire* of the Federal Reserve System, lashed out again at the "privileged orders," with criticisms verging rather interestingly on some proposals for financial reform. "Why, you take a dollar bill out of your pocket today and it says 'Federal Reserve Note,' When I came to the Congress, if I took a dollar bill out of my pocket, the chances were 9 out of 10 it would have

been a U.S. Treasury note. There is a vast difference there.

"The reason the Federal Reserve Board System was set up was that that was intended to be the protector of the general interest as the fiscal agent of the U.S. Treasury, but today the U.S. Treasury is the little errand dog, if not lap poodle, of the Federal Reserve Board."

Senate prepares to sell Freddie Mac

Sen. William Proxmire (D-Wisc.) predicted swift Senate approval of a bill to let thrifts sell their preferred stock in the Federal Home Loan Mortgage Corp. to the public. Freddie Mac is a quasi-governmental corporation that buys mortgages from lenders and issues securities backed by them. Witnesses at a committee hearing said that dropping the ban against public sale might cause Freddie Mac preferred stock, currently only held by thrift institutions, to roughly double in price.

When Proxmire suggested that the thrifts share the expected windfall with the struggling Federal Savings and Loan Insurance Corp. he sent shivers through the industry.

Supporters of the legislation say that it would help the troubled thrift industry, although it is unclear how it would help the disaster-ridden FSLIC, which faces a bill of \$20-60 billion or more to resolve the problems of the insolvent thrifts. Insolvent thrifts hold only 11% of Freddie Mac preferred stock, so almost 90% of the stock's appreciation would go to solvent thrifts. It would do little to lower the FSLIC's costs, or to lessen the need for extra taxpayer funding to close the sick thrifts.

National News

Post fears public outcry against drugs

Why have a war on drugs now that usage is in decline? asked two *Washington Post* executives, Richard Morin and Jodie Allen, writing in the newspaper's "Outlook" section June 26.

"America seems ready to go nuclear in its war on drugs, just as the tide of battle appears to be turning against drug use. . . . At a time when objective measures show that the drug problem is easing," they argued, "a new *Washington Post* survey shows that the public is ready to take harsh new measures to combat drug trafficking and use—including ones that would needlessly erode civil liberties."

They used charts from the University of Michigan's Institute for Social Research to "prove" that drug use is declining and that awareness that drugs are harmful is climbing.

"The danger exists that public demands for fast results will translate into government responses that are both ineffective and needlessly intrusive into individual liberties, potentially undermining support for the long-term education, control, and prevention efforts that promise real improvement," the pair contend. "In short," they conclude, "America may be about to shoot itself in the foot in the war on drugs."

For proof that there never was a "war on drugs," see the *Feature* in this week's issue.

'Glitz' prepared for Democratic convention

Glitz, not substance, will be the order of the day at the Democratic Party national convention, according to a report appearing in the *San Francisco Examiner*.

"Think of it as a four-day television commercial," the *Examiner* began its article. The convention planners are convinced that the key to getting Michael Dukakis into the White House is to appeal to viewers'

"visual senses." Therefore, they have designed a podium that looks like a "five-tiered wedding cake," complete with a 32-piece orchestra, and are lining up Hollywood stars for interviews.

Convention designers have commented that the structure of the Omni hall in Atlanta, the convention site, is advantageous because the tiered seating arrangement will make it difficult for delegates to leave their seats, thereby cutting down on the "embarrassing milling around" that often goes on during speeches.

The convention is being "produced" by the same firm that ran the Statue of Liberty reopening ceremonies and television specials at Disney World.

More dirt uncovered on Arnold Burns

Former Deputy Attorney General Arnold Burns was in partnership with federal judicial nominee Stuart Summit in two real estate ventures and an Israeli pharmaceutical research company while actively seeking to have Summit nominated to the 2nd Circuit Court of Appeals in New York, the *Washington Times* divulged June 27.

Under federal ethics law, Burns was obligated to inform the Attorney General he was a business partner with Summit and to disqualify himself from any official matter involving Summit.

Summit testified April 21 to the Senate Judiciary Committee that Burns actively recruited him in 1987 for the nomination—which he was formally given by President Reagan last fall, although the appointment has been held up in the Senate committee since that time.

The *Times* reported, "Under the Ethics in Government Act, it is a felony punishable by a two-year prison term and \$10,000 fine for a government employee to participate substantially . . . through decision, approval, disapproval, recommendation, the rendering of advice in any matter in which a close relative or partner has a financial interest."

The *Times* also revealed that Justice De-

partment officials are starting a criminal investigation, rather than a routine probe of Burns, who resigned in March in protest over Meese's ethics problems.

President must okay future indictments

"The Reagan administration has adopted a new policy under which Federal prosecutors must obtain the President's approval before a foreign leader can be indicted by a Federal Grand Jury," the *New York Times* disclosed June 27.

The new policy was proposed by the State Department in mid-June, when it learned that Florida was investigating the involvement of Bahamian Prime Minister Lynden Pindling in drug smuggling.

According to the *Times*, "Administration officials said the new policy was also aimed at preventing a repetition of the embarrassment they suffered in their unsuccessful effort to persuade Gen. Manuel Noriega to surrender power in Panama."

"Given the fallout from the Noriega case, you can be sure things will be handled differently next time," a Department of Justice official is quoted. "We will make sure the President is consulted before we go forward. We will not just sit back and assume the staff of the National Security Council will do that job."

U.S. bishops attack the SDI

U.S. Roman Catholic bishops have called the Strategic Defense Initiative "morally flawed." "We are against the deployment of SDI," said Chicago's Joseph Cardinal Bernardin June 25, while issuing a vaguely worded document authored by the ultraliberal U.S. Council of Bishops, containing the "morally flawed" formulation.

The Bishops' report stated that "the combination of the technological and the strategic evaluations of the present status of

SDI appear to us to promise serious risks and very hypothetical benefits."

The report did, however, endorse nuclear deterrence, saying that it "most likely has contributed to a more cautious posture of the two nuclear powers in world affairs," adding that in a "dangerous world of both widespread nuclear knowledge and extensive nuclear arsenals, we find condemning nuclear deterrence too drastic a solution and embracing it too simple a response."

U.S. won't help stem arms into Mexico

The U.S. government is refusing adequate cooperation with Mexico to stem a flood of illegal arms crossing the border from the United States, and Mexican officials are upset about it, the *Boston Globe* reported June 24.

Mexico has already captured over 600 AK-47 assault rifles and hundreds of thousands of rounds of ammunition, some bound for South America, and some for Mexico's drug gangs.

Mexican officials complain that U.S. officials have bungled investigations based on leads supplied by Mexico, and is doing nothing to inhibit the legal purchase of AK-47s in the United States.

The AK-47 is the Soviet-design rifle of choice of guerrillas and drug traffickers.

White House: proceed with Iran-Contra case

A White House spokesman said June 24 that it wants "legal proceedings" in the Iran-Contra criminal cases to continue. The spokesman, however, did not say that it would speed declassification of secret documents needed for the trial of former White House aide Oliver L. North.

Responding to reports that U. S. District Court Judge Gerhard Gesell had asked the White House to end delays caused by review

of classified documents, White House spokesman Roman Popadiuk told reporters the White House was "on record as saying that we want to get to the bottom of the situation. . . . We've been cooperating. . . . And we've done everything possible to facilitate this."

To speed up the declassification process, Judge Gesell ordered special prosecutor Lawrence Walsh to turn over by July 1 all 150,000 pages of classified documents, without waiting for an interagency group to sift through them. Walsh had proposed such a procedure June 23.

Another Meese affair probed

In addition to the other investigations, Attorney General Edwin Meese is now the subject of investigation by two congressional groups for possible violation of a presidential order by his frequent use of an FBI executive jet, according to *Newsday* reporter Dennis Bell.

According to documents leaked to *Newsday*, a Long Island newspaper, and interviews conducted by that paper with government sources, the probes were initiated by Rep. Glenn English (D-Okla.), chairman of the House Government Operations subcommittee on information, justice, and agriculture.

English wrote a letter to the Government Accounting Office, noting that a 1983 presidential order "prohibits the use of government aircraft when more economical commercial aircraft are available," adding that "it is not at all clear that the Attorney General's use of the aircraft conforms to federal regulations."

Meanwhile, U.S. District Court Judge Constance Baker Motley June 27 rejected a defense attempt to subpoena Meese and one of his former aides as witnesses in the Wedtech corruption trial. In rejecting the defense request, Judge Motley said that testimony by Meese and James Jenkins would be "simply cumulative" and "not relevant to anything which this jury has to decide."

Briefly

● **JONAS SAVIMBI**, head of the Angolan resistance movement, UNITA, has received the Medgar Evers Humanitarian Award from Charles Evers, the mayor of Fayette, Mississippi. Savimbi is supported by South Africa in his fight against the Marxist government of Angola. Evers, brother of the slain civil rights leader, said, "I could care less. I feel Savimbi deserved it, and that's all that matters."

● **LAWYERS** and paralegal employees of the Department of Justice, 42 in all, have sued the department claiming that planned drug testing violates their constitutional rights. The suit was filed in federal court in Washington June 28.

● **MEIR KAHANE'S** bodyguard, Robert Manning, and his wife have reportedly been directly implicated in several murders widely known to have been carried out by Kahane's Jewish Defense League, including the 1985 killings of Arab-American Alex Odeh and Tschirim Soobzokov. Manning's wife was arrested June 28 at the Los Angeles airport, and is being held without bail in connection with a 1980 murder.

● **100,000** copies of an *EIR* Special Supplement, "FBI raids Pentagon in pro-Soviet coup," whose content served as this magazine's cover story last week, are now being sold throughout the country.

● **RADICAL** environmentalist groups have been driving nails into Douglas fir trees in Oregon, in an effort to prevent them from being logged. The nails have been found in a zig-zag pattern. When struck by a logger's chain saw, they often break and spray out like machine gun bullets. One California millworker was critically injured last year when his saw broke on a tree that had been nailed. One source told *EIR* that the Earth First "Nazi environmentalist" group is responsible.

Editorial

A litmus test for fools

A case of willful blindness is typically afflicting that section of the Western ruling elites which is most committed to the present strategic and economic deals with Moscow. The Soviet leaders are engaged in an unprecedented military build-up, involving the most advanced weaponry, at the same time that they have convinced a presently hegemonic section of the Anglo-American Establishment, that they are seriously willing to negotiate a "New Yalta" settlement.

The U.S. and Western European media reflected this refusal to see reality, in the way that they covered the recently concluded 19th Soviet Communist Party Conference. This media fraud was conveniently stage-managed on their behalf, by the Soviet collective leadership.

"Ah, *glasnost*," the Western commentators blither, while the reality is that the Russians are still masters of the art of creating "Potemkin Villages," (the stage-set villages which were shown to the royal family by the infamous Prince Potemkin, to show the supposedly happy lot of the Russian peasantry).

The heirs of Prince Potemkin have succeeded once again in convincing hordes of corrupt and gullible Western journalists that we have just "seen" an unrivaled week-long display of "openness" in the Soviet Union, at the party conference. The picture being presented to the Western public is a fraud.

The normally closed Soviet party congress is a thousand times more "open" than the recent party conference, which, unlike the party congresses, did not even permit "observers" from the countries of the Soviet bloc to attend its sessions. What Western correspondents "saw," was about 15 minutes of live Soviet television coverage, of staged portions of the conference, per five hours of closed sessions—in other words, a mere 5% of the total.

The rest of the raw material for Western coverage comes from the carefully edited and greatly shortened TASS summaries of what speakers said. Many a "tail" and an "ear" have been "seen," but the elephant has

been preserved in secrecy by the most secret Soviet party gathering since the Stalin era.

The fraud and travesty are being compounded by the Western media, which are editing even the minute "news" placed at their disposal by Moscow, to conform to their prejudices and illusions.

For example, they are fascinated that President Andrei Gromyko appears to be in the process of being retired, by agreement of all political factions. They accept the myth that Russia is to become a parliamentary democracy. Fat chance! Far more likely, this is a convenient way to move Gorbachov upstairs, into a purely ceremonial role.

With the conclusion of the party conference, the situation in the East bloc is becoming more and more explosive. Yugoslavia appears to be on the verge of civil war, and border clashes may soon erupt between Romania and Hungary, over President Nicolae Ceaucescu's insane drive to evict Hungarian and German farmers from their land, and to force them into exile.

In the coming weeks, will see his campaign beginning in earnest to burn down 8,000 Romanian villages, which are populated mostly by Hungarians, and by some Germans. Not only has the cultist Romanian dictator gone on a blood-and-soil rampage, but he is driving the "racial" message home by closing down Hungarian cultural centers. At this writing, the border between Romania and Hungary is sealed off, and there is a 10-mile area policed by Romanian troops who reportedly have orders to shoot to kill anyone wandering into the area.

Are we on the verge of a third world war? Probably not immediately, but we are certainly seeing a replay of the same Anglo-American political stupidity which has already brought the world to fight two global wars. A third world war will be incalculably more devastating in its consequences, not least because the United States is in the process of disarming its defense capabilities.

They whom the gods would destroy, they first make mad!

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

NEW EDITION
DECEMBER 1987

White Paper on the Panama Crisis

18 months later: the Project
Democracy assault on Panama



Americans have been told that there is a crisis in Panama because a "narco-dictator" rules. That the United States government has mobilized to drive him from power. That only when Defense Force Commander General Manuel Noriega is out of the way, will Panama be safe for democracy, and U.S. interests in the region protected.

Is this true? The answer is no. On this, the Reagan administration is wrong, dead wrong.

Did you know, that the so-called "democratic" opposition movement which the State Department seeks to install in power is led by Nazis, drug-traffickers, drug-money launderers, advocates of narcotics legalization, and arms-traffickers?

Did you know that the liberal Establishment's "secret government" created the crisis in Panama, lock, stock and barrel, as an excuse to bring those drug-runners to power?

That the campaign against General Noriega is being run by the same team which was caught trading arms-for-hostages in the Iran-Contra scandal?

That the attack on Panama went into full gear when Panama's military angered international bankers, by seizing bank accounts caught laundering drug-money? If you had read *EIR's* Special Report, you would know.

This 135-page report, now updated, provides:

- A "Who's Who" in the drug mob's campaign to overthrow Panama's government;
- The facts on how the Establishment's secret government set up the war on Panama, why they did so, and how the Soviet Union will benefit from it;
- The story of how that liberal Establishment, through David Rockefeller's Trilateral Commission and the New York Council on Foreign Relations, created the "offshore" banking center in Panama, to handle their debt-and-drug looting of South America;
- A proposed alternative strategy, based upon the industrial development of Panama. With the long-overdue construction of a second, sea-level Canal—the necessary centerpiece of a booming Ibero-American Common Market—Panama can break its dependence on the "offshore" economy owned by the international banking cartel.

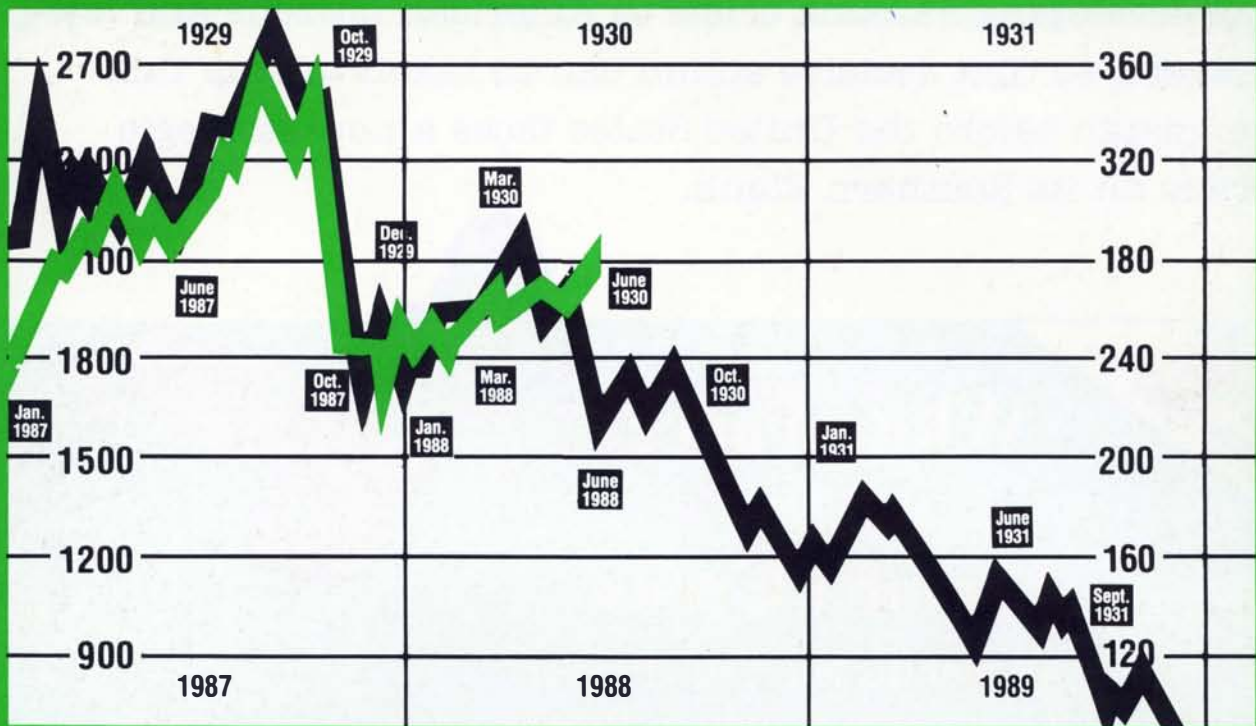
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