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**Behind the mask of
so-called 'Communism'**



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From the Editor

Independent presidential candidate Lyndon H. LaRouche, Jr., fresh back from discussions with leading figures in Thailand, Japan, and the Republic of China, has defined the strategic crisis facing the non-Communist world in this week's cover story. The ideology behind the horrors the cover picture evokes, is not "Communism" alone, but the deeper-rooted, organized irrationalism that guides rentier-financier policy throughout Western capitals, as well as the butchers in Moscow and Beijing.

The signs of this murderous insanity are manifest in the economic wrecking of our allies and ourselves:

- Peru's economy is rapidly being turned over to that nation's blackmailers (p. 55).

- Brazil has officially renounced its debt moratorium, as the economy is turned over to export production, and malnutrition and disease spread (p. 14).

- In Mexico, a top anti-drug police official is "suicided" (p. 48) and the ruling party prepares to bring a terrorist gang into its ranks (p. 56) after Wall Street's presidential candidate is fraudulently imposed.

- Southern Africa is being readied for a Thirty Years War scenario by the diplomats at Geneva (p. 53), while the Pope's efforts to bring reason to the region are met with terrorist attacks (p. 57).

- In the Mideast, Egypt (p. 8) and Lebanon (p. 52) are served up to the interests of "regional accords" between Washington and Moscow, and of the IMF.

- In the U.S., even the food cartel companies no longer believe optimistic government crop forecasts (p. 15), while the failure to build urgent water management projects (p. 20) sets up further drought and floods for the next season. The savings banks' situation is dubbed "worse than Hurricane Gilbert" (p. 16).

How to politically fight such insanity? We highlight three cases:

- In Panama, General Noriega's moves to throw out the drug bankers (p. 10).

- In Western Europe, Mrs. Thatcher's remarkable counterattack on the one-worldism of the "Europe 1992" crowd (p. 42).

- Here in the U.S., Lyndon LaRouche's introduction of reason into the otherwise squalid presidential campaign (p. 60)—in an election where *everything* is at stake.

Nora Hamerman

EIR Contents

Departments

- 14 Report from Rio**
The cost of suspending the moratorium.
- 54 Report from Bangkok**
Burma coup no surprise in Thailand.
- 55 Andean Report**
Bankers' revenge against Peru.
- 56 Dateline Mexico**
The PRI and terrorism.
- 57 Vatican**
The Pope in southern Africa.
- 72 Editorial**
Our future in space.

Science & Technology

- 20 U.S. water development: an aborted mission**
Ronald Kokinda looks at the recent history of sabotage of American water development projects, and with them, American economic and population growth.

AIDS Update

- 68 Dannemeyer fights for strong AIDS legislation**

Economics

- 4 Defense production on the critical list**
An Air Force Association report shows that without a sea-change in economic policy, the United States will not much longer be capable of defending itself.
- 6 Ibero-American debt deals shaky; elections loom for several nations**
- 8 The time is running out for Egypt**
It's the latest of the allies that Washington is sacrificing, as part of the new U.S.-Soviet global "understanding," and in accord with IMF austerity demands.
- 9 Currency Rates**
- 10 Panama battles for economic future**
General Noriega has declared an end to more than a score of years of Panamanian economic dependency on drug-banking.
- 12 Colombia's state oil company dismantled to pay foreign debt**
- 15 Agriculture**
The crop reports no one believes.
- 16 Banking**
Worse than Hurricane Gilbert.
- 17 International Credit**
Moscow smells a 'golden' opportunity.
- 18 Business Briefs**

Feature



A mass grave of the victims of Pol Pot in Kampuchea, where "Peoples War" targeted especially the intellectuals and eliminated an estimated 3 million human beings out of a population of 7 million.

26 Behind the mask of so-called 'Communism'

"This report on some crucial problems of irregular warfare is prompted by meetings . . . with a man who is one of the world's leading anti-communists, and also one of today's leading strategic thinkers on the subject of those methods of 'irregular warfare' which have been adopted by the leaders of Moscow and Beijing," writes Lyndon H. LaRouche, Jr. Nothing is truly understood about so-called Communism, or so-called fascism, unless they are understood as instruments of policy of powerful rentier-financier interests who have targeted Western culture for extinction.

International

42 Thatcher cites Christian values against 'Europe 92'

A political intervention into continental Europe by the British prime minister has created hysteria among the fascist one-worlders of Brussels, Bruges, and Luxembourg.

44 Food crisis and national explosions intensify Soviet succession fight

46 NATO trains defense against spetsnaz

This year's "LV'88" maneuvers finally acknowledged the existence of spetsnaz, if not in the framework of a realistic scenario.

48 Mexico's Interpol chief dead in suspicious 'suicide'

50 Indo-Sri Lankan agreement furthered . . . but will it bring normalcy back?

52 Richard Murphy rigs Lebanon to explode

53 Geneva accords spell genocide in Angola

58 International Intelligence

National

60 LaRouche joins battle to shape next President's policies

The independent presidential candidate, in an open letter released on Sept. 19, outlined his points of agreement, and of profound disagreement, with the policy orientation of Henry Kissinger and his "balance of power" co-thinkers.

62 Strauss reveals fascist agenda

The bi-partisan National Economic Commission set out to market a package of cuts in Social Security, Medicare, and defense, to the public and Congress—but did they overplay their hand?

63 Soviet-tied dopers run dirty tricks against Bush for Dukakis

Now that the first phase of a Soviet intelligence operation smearing the Bush campaign as "Nazi-linked" has been completed, U.S. intelligence professionals would do well to draw the appropriate conclusions.

67 Eye on Washington

Will Canadians scuttle Free Trade Pact?

68 Congressional Closeup

70 National News

Defense production on the critical list

by Chris White

That the United States has reached a critical turning point, insofar as its economic capacity to produce what it requires to defend itself is concerned, was the theme of a report issued Sept. 20, during the course of the Air Force Association's Arlington, Virginia conference.

Prepared by the Air Force Association and the U.S. Naval Institute's Military Database, the report, "Lifeline in Danger: An Assessment of the United States Defense Industrial Base," makes hair-raising reading on two counts. Firstly, it establishes that without a sea-change in economic policy as a whole, the United States will not much longer be capable of defending itself, let alone the worldwide alliance it still leads. Secondly, the institutional capabilities through which what passes as policy is channeled, are suffering from an advanced case of ossification of their collective central nervous system.

The profile is stark: "The 'Arsenal of Democracy' that the U.S. built to support and sustain the armed forces in World War II is gone. . . . The defense industrial base, as it presently exists, is inadequate to a dangerous extent. . . . Defense procurement no longer dominates industrial development of high technology products. The market now is driven by commercial demand, not by military considerations."

More worrisome, however, is the insertion, almost in the same breath, of the corrosive pessimism of outlook, to the effect that "no serious defense professionals advocate reconstituting it"—i.e., the Arsenal of Democracy—and "The cost and other factors involved would be insurmountable under the conditions of today." And, as the first conclusion of the report: "It would be a mistake for the United States to seek complete independence for its defense industrial base. For many reasons, led by financial ones, this is impossible."

None of these assertions stands up to the test of truth. There are "serious professionals" who advocate reconstituting

the arsenal of democracy. The costs are not prohibitive. Actually the reverse ought to be considered the case. The costs of not doing it—meaning the end of the republic and the alliance—are what is actually prohibitive. And since the financial system, which is said to make things impossible, is in the process of collapsing itself, new options exist on that front, rather than constraints.

In one way this is the tired old rhetoric of the party line of the second Reagan administration: "We're sorry, we'd like to do something about it, but under present budget constraints, it's impossible because it costs too much," as applied to AIDS, health in general, education, the national infrastructure, in the form of transportation and power grids, water supply, and sanitation. Thus the world has been left to go to hell. With that kind of thinking, nothing else laid out in the report is going to work.

On the other hand, though, such constraints can also be set aside as simply the effluvia of the political bureaucratic environment within which such work is accomplished. Since the report devastates all of the claims that have been made about both the economy, and the nation's defenses over the past years, lip service to the prevailing party-line imposed on the bureaucracy as if a loyalty oath, is strictly secondary.

What emerges very clearly from the report is that the defense industries of the country don't function any more, because the economy as a whole doesn't function any more. That's at least a welcome dose of reality to counter the manic obsessiveness of the insistence that, reality to the contrary, the economy has been undergoing nearly 70 months of uninterrupted growth. The question that is therefore posed, in the guise of determining what to do to maintain defense capabilities, is in fact the question of the economy as a whole.

Numerous examples from all phases of the production process make this clear, including from areas that are not

generally considered to be part of the military's concerns. One of these is the pharmaceutical industry. The shocker is that which has become the refrain for many U.S. industries over the last years. "FEMA [Federal Emergency Management Agency] has identified several bulk drugs used to make finished dosage drugs for which there are no apparent U.S. suppliers. These include atropine sulfate, epinephrine hydrochloride, diazepam, and furosemide. For bulk tetracycline, digoxin, diphenhydramine HCl, ether, insulin, and morphine sulfate, there is only one U.S. source."

Otherwise, the destruction in the machine tool industry, the fastener sector, ship-building, semi-conductors, and precision optics are cited, along with critical dependencies both in strategic raw materials and in oil supply, along with the collapse of research and development and education, as the principal areas of concern. After that elaboration, there isn't too much left.

In each of the cited areas, the United States no longer produces for itself, or is significantly dependent on foreign supplies. In the area of precision optics, critical for "laser range-finders for tanks, high resolution photographic equipment for satellites, and many present and future needs of the Strategic Defense Initiative . . . foreign made elements made up more than 50% of Defense Department consumption in 1986, and 98% of U.S. consumption as a whole." As far as sources of optical glass are concerned, like the bulk pharmaceuticals cited above, there is only one remaining U.S. supplier, employing just 1,600 workers.

Machine tools, where the import dependency is over 60%; shipbuilding, where the United States no longer produces dry or liquid cargo merchant vessels, and can only count on 134 useful vessels when U.S. flagged merchant-men are combined with U.S.-owned ships sailing under flags of convenience; and semiconductors, where the destruction of household electrical and electronics industries has undermined the base to support military applications, are quite well known.

Beyond "growing concern in the United States about these dependencies," the reports says that "an additional cause for alarm is that the United States does not know how bad the situation is. The July 1988 Defense Department report says that the Pentagon 'does not know the extent to which foreign-sourced parts and components are incorporated in the systems it acquires' and that there is no reliable system even to identify such dependencies, not to mention systems to minimize them."

Among the package of proposals to deal with the crisis are: the establishment of a Presidential Commission "to chart a course" for the defense industries; a Defense Department investigation, "all the way to the end of the supplier and subcontractor chain" to identify foreign dependencies, and overlaps between domestic capabilities and foreign suppliers in what is called "surge" production requirements. Most interesting is the proposal to conduct a "command post exercise" to "diagnose and demonstrate the state of the defense indus-

trial base."

The precedents for this are a 1978 exercise called "Nifty Nugget," which tested the ability to mobilize, deploy, and support the armed forces, with disastrous effect: "400,000 troops were lost when ammunition and supplies did not arrive. Military Airlift Command received validated requests to move the same unit to 27 different places," and a more recent exercise designed to test the security of airbases. "A similar CPX could do the same for the present problem. . . . If conducted in the near future the results will be shocking. It would, however, provide credible answers to some important questions, and it would be a most useful step in the long road back to defense industrial preparedness."

McNamara's lunatic legacy

The report's contrast between the mobilization policies effected to fight and win World War I, World War II, and the Korean War, with the so-called "surge" policies adopted during the Vietnam disaster, and maintained in the aftermath of that war, point by implication to the kind of solutions that need to be adopted. In the three successful cases, statutory instruments were developed to submit the entire national economy to the mission requirement of winning the war. In the Vietnam case, under Robert McNamara's "surge" doctrine, the economy was never put on a mobilization footing. Instead it was insisted that war-fighting requirements could be met out of excess and unused civilian and military dedicated capacity. The "surge" doctrine has retained its hegemony even while the entire economy has crumbled.

Now the matter is yet broader. In the late 1970s and early 1980s the question could still be posed whether the country needed a defense industrial capability or not. Despite the first Reagan administration's increased defense budgets, the question was, in practice, answered in the negative. Now the question is, "Do we want an economy, or not?" since we can't have defense production unless we are again prepared to develop the capacity that also permits production for the civilian economy.

It isn't as if there were any choice in the matter, but it is a measure of the insanity of the way things are ordered, that the question is even posed. To survive, emergency action is needed: firstly to reorganize the bankrupt and collapsing financial system; secondly, to work out an international division of labor, with the principal trading partners of the United States, under which new missions and markets are developed by means of which existing imbalances in existing patterns might be corrected to the benefit of all. The furthering of man's destiny in the conquest of space is one such area. The development of the southern hemisphere another. Each makes possible the regeneration of the defense industrial base. It won't function unless the country returns to the idea that the military-strategic purpose of maintaining defense, not financial or market dictates, governs military security policy in all aspects. That's Russia's approach, why not ours?

Ibero-American debt deals shaky; elections loom for several nations

by Mark Sonnenblick

Since the Latin American debt crisis first erupted in 1982, the Reagan-Bush administration has claimed the problem had been "solved" through "case-by-case" treatment of the nations involved. On Oct. 12, Dukakis will promise "debt relief" through confidence games which would undermine national sovereignty for both debtors and creditors, while continuing looting resources. Neither of these shams will work for long.

The bankers' nightmare, that all postponement deals with the major debtors will become unstuck at the same time, is rapidly approaching. None of the debtors, even those like Colombia, Venezuela, and Panama which were model "performers" during the early years of the debt crisis, can pay. Whatever jerry-rigged schemes the bankers concoct will be blown out by rising interest rates, which add \$4 billion a year to the region's interest bill for every percentage point rise. Rates have gone up 2% in the last year. Dropping oil prices will further strike at the abilities of countries such as Mexico, Venezuela, and Ecuador to service their debts.

The simultaneous collapse of debt deals throws the ball back into the political court. Debtor nations could decide to unite and drop a "debt bomb" to force creditors to let them make their way out of the debt trap through economic growth.

The framework for such debtor unity was created at an Aug. 9-11 "Meeting Toward a Second Amphictyonic Congress" in Panama. Brazilian congressman Ruy Nedel reported back to his Chamber of Deputies on Aug. 16. Nedel briefed his fellows, "It was clear from studies, from lengthy discussions day after day that not only Brazil, but all of Latin America would be capable of escaping its economic crisis if it effectively united in a moratorium at least five years long." Nedel chastised his legislature "for not having even studied Latin American unity, a common market among our Ibero-American brothers."

Nedel, of the majority Brazilian Democratic Movement Party, indicted his own government's policy: "By entering isolated negotiations with creditors, we are massacring our people, increasing popular suffering, increasing unemployment and recession, and not solving anything at all." This assertion is now being documented in every study of what the continent has gone through since 1982:

- The Inter-American Development Bank (IADB) notes that per capita income in the region has fallen 9% since the

crisis began, that 130 million people are in utter misery, and that social and health spending levels have collapsed.

- The poorer countries of the world are paying the richer ones \$39.1 billion more than they are receiving this year, the World Bank reports. Such "reverse welfare" is up from \$31.2 billion last year.

The World Bank itself collected \$1.27 billion more than it lent during the past fiscal year. This misnamed "International Bank for Reconstruction and Development" is no longer lending for either of those purposes. Even loans which are tagged for "building infrastructure" are merely bookkeeping devices for repaying old loans and interest.

What would have happened had creditors allowed Ibero-America to keep up the growth rates of the early 1980s? A document released by the Latin American Economic System (SELA) on the eve of its Sept. 14-20 annual meeting found that the region would today be producing 30% more than it is. In 1987, the region produced \$230 billion less goods and services than it would have. From 1982 to 1987, the total production loss was \$800 billion—all because the Reagan-Bush administration and the banks refused to allow debtors to grow their way out of the crisis. That is on top of the \$146 billion the region spent servicing its debts during the same period. All this was lost thanks to a debt which has been inflated to \$450 billion.

Every country in the region has made a serious effort at the bone-grinding austerity, the "internal economic reforms" the U.S. liberal media say "will get their house in order" to obtain "new investments."

IMF statistics, however, show that only 17% of the reduced GNP is being invested, down from 24% in 1980 and 25% in 1981. And a much larger proportion of that is going into speculation than into productive investments.

The president of the World Bank, Barber Conable, summed up the political reason why creditors have strangled debtors. In a recent memo, he wrote, "Wholesale debt forgiveness will weaken the creditors' hold over debtors. Once granted, debt relief cannot be ungranted. It therefore marks a sharp break with the principle of conditionality, the foundation-stone of the current approach."

Conable also admits that it is getting much harder to perpetrate the "new money" fraud, the game under which the best behaved debtors are given "new loans" by their creditors

with which to pay old loans. That makes banks' offshore lending portfolios look "performing," when they are really dead in the water. In his terms, "it will be extremely difficult, perhaps impossible, to generate aggregate net flows for the heavily indebted countries in the necessary amounts exclusively through the concerted new money approach."

Debt-for-equity swindles

Thus, in the next phase of the debt crisis, not even those who crawl to the IMF and kill themselves to meet interest

"Wholesale debt forgiveness will weaken the creditors' hold over debtors. Once granted, debt relief cannot be ungranted. It therefore marks a sharp break with the principle of conditionality, the foundation-stone of the current approach."—World Bank head Barber Conable

payments will be assured that the unpayable principal will be postponed by such gimmicks. A conclave of bankers convened by the United States Association for the United Nations "specifically rejected recommending debt forgiveness," former New York Federal Reserve chief Tony Solomon wrote. They called, instead, for more "structural reforms" inside debtor nations and a wide gamut of "innovative mechanisms" for banks to take over the physical wealth of their bankrupt debtors.

Their only concession is to offer small amounts of "voluntary debt relief" as a sugar-coating to make such augmented looting more easily swallowed by debtor countries. In his September 1988 study, "Voluntary Approaches to Debt Relief," banker strategist John Williamson writes that such write-offs "could also have some psychological importance in reassuring debtors that the costs of past overborrowing (equals overlending) are being shared."

On Sept. 17, the Brazilian central bank president boasted his government has repaid \$6.7 billion in foreign debt by exchanging debt for equity. These swindles are packaged for relatively easy marketing in the debtor countries, since they usually involve old debts being ripped up at a discount from face value. A creditor may get 70 cents on the dollar for debts which would never otherwise be repaid by the bankrupt debtor. In its stead, the banker gets equity ownership of properties

at a cost one-half to one-tenth of what they are worth. The swindle only works in countries which permit unlimited outflows of "profit remittances." They expect to reap 30% annual profit on such "investments." Ending controls on "foreign investment" is one of the "structural reforms" bankers demand as a condition for any such "debt relief."

Michael Dukakis is going to parade a number of those who have pioneered such swindles before a debt forum in Boston on Oct. 12. Brazilian Finance Minister Mailson da Nóbrega, Venezuelan presidential candidate Carlos Andrés Pérez, and Peruvian investment banker Pedro-Pablo Kuczynski are among those expected to help Dukakis mold such "voluntary mechanisms" into the perception that he has a solution to the Latin American debt crisis.

Bush will flaunt Brazil's Sept. 22 signing of a \$5.2 billion debt refinancing package with its creditor banks before the IMF/World Bank annual meetings as proof that his campaign chairman James Baker III has succeeded in "defusing the debt bomb." But the bankers made Brazil put itself into depression and cause hyperinflation of 1,000% before they would, reluctantly, sign on for another round of new money fraud. The inflation and the way Brazil is triaging its own grain and meat consumption in order to export three times what it imports has put its finance minister on thin ice. (See *Report from Rio*).

In Mexico, the bankers have already gotten their hands stuck in the cookie jar, by forcing their local lackies into such abject subjugation that a political rebellion, led by Cuauhtémoc Cárdenas, is probably strong enough to block deeper austerity, bankers now believe.

Argentina's bankers' boys are also likely to fall in the spring 1989 elections. President Raúl Alfonsín is finding the bankers to whom he has sacrificed his country's economy and well-being unresponsive to his political plight. They flatly refuse his pleas for \$3.7 billion in new money to pay debt arrears and prevent bankruptcy before the elections. Anglophile bankers are determined to make Argentina suffer for the Malvinas War, which they blame for the eruption of the debt crisis in 1982.

The bankers have a political scheme to keep debtors in tow. Socialist International agent Carlos Andrés Pérez is their political point man to keep the defenders of national sovereignty who met in Panama from forging a unified debtors' front. His plans to offer well-behaved debtors special rewards from a Dukakis administration could, however, be spoiled on election day.

Their ultimate resource is to murder those who get in their way. They are well along in making a bloody example out of Peruvian President Alan García, the symbol of debtor resistance. Since García became President in 1985, *New York's Journal of Commerce* opined in early September, "Peru has pretended it could survive as an island outside the world economy." It offers "scant hope" for García. (See *Andean Report*.)

The time is running out for Egypt

by Thierry Lalevée

The Egypt of President Hosni Mubarak is the latest of the U.S. allies that Washington is now sacrificing, as part of the new American-Soviet global “understanding,” and in accord with the austerity demands of the International Monetary Fund. The latest developments, including the cutoff of food, aid, and credit, are nothing new or unexpected, however. Egypt has known since the 1970s that it was in for such treatment, and that it would have to fight politically if the nation was to be saved. But now, particularly under conditions of drought and worldwide food shortage, time is running out.

For the Middle East as a whole, 1989 is considered a “make or break” year, with most of the present regimes scheduled to be changed. What these regional changes actually mean, is generally already known: closer relations between Washington and Teheran, at the expense of the Gulf countries and such traditional allies as Egypt and even NATO-member Turkey. The changes on the agenda also include a greater temptation by leading Western circles to reactivate their moribund “Islamic card,” based, in Egypt, on Sunni radicalism. They include the breaking up of entire nations, as the case of Lebanon bloodily demonstrates.

Just as the overthrow of the Shah of Iran in 1979 threatened to engulf the entire Middle East in madness, today it is the specific role that Egypt plays within the Middle East, the Islamic world, and Africa which is targeted. Egypt is the Arab world’s largest, most populous, and most industrialized country, with a strong national identity dating back to the years of President Gamal Abdul Nasser, who was one of the founders of the Non-Aligned Movement. Plunge Egypt into chaos, and you open the entire African continent, from Sudan on down, to endless civil wars. It is because the entire African continent is being led toward a course of destruction, that the gloves have been taken off, and that Egypt has been chosen as an example.

The IMF bludgeon

Leading the attack on Egypt is the International Monetary Fund, which President Mubarak blasted on Sept. 7, during a rally in a Nile Delta town, while an IMF delegation was in

Cairo for talks with Egyptian government officials. Mubarak compared the IMF to an unqualified doctor, and charged that it prescribes a “huge dose” of medicine that will only make Egypt “sicker.” “This is exactly the IMF: one prescription for all,” he said. “If we do this, we shall sink.” He added, “We need economic reform, but I tell the IMF that this reform must be in line with our social and economic situation and our standard of living.”

The IMF delegation was demanding that Egypt increase energy prices 30-40%, restrain the budget deficit, and unify its various official exchange rates.

Under the sponsorship of the IMF, all leading financial institutions are cutting off credit to Egypt. The World Bank is withholding a \$250 million loan, under the pretext that Cairo has refused to raise its energy prices by 40%. The U.S. State Department’s AID is withholding \$330 million which should be going into several power projects. Using the pretext that Egyptian-IMF negotiations have gone nowhere since last year, the United States was the only country to veto a \$290 million loan at the recent meeting of the African Development Bank. Now Egypt has to return to the Paris Club for a second round of rescheduling of its government and government-guaranteed debt.

Strangled financially, Egypt is also being starved. At the beginning of September, the U.S. Department of Agriculture withdrew sales of wheat to Egypt, Tunisia, and Jordan because those countries would not pay the price. Yet, the following day, the United States announced a new record wheat sale to the Soviet Union at subsidized prices. The word is that wheat stocks for sale to Third World countries have diminished as a result of the U.S. drought, and that needy countries will have to fight it out—Bangladesh against Sudan against Egypt. Likewise, only a few days after the signature of a new protocol of intelligence cooperation among the United States, England, Australia, and New Zealand, Australia announced it was phasing out its sales of subsidized wheat to Egypt by 1992. The same decision had already been taken by Canada several months ago.

What will Egypt do?

Embarking on a European tour on Sept. 24, President Mubarak hopes to convince European leaders and especially France, West Germany, and Great Britain to help him reject the IMF demands. Yet, time is running short. If none of these decisions is reversed in the coming weeks, Egypt will face a social and economic crisis of major dimensions. As the *Financial Times* of London noted on Sept. 21, Cairo was able to reverse the trend of its budget deficit over the last year, but only at the price of cutting down all imports, including spare parts and goods for its industries. Coupled with an energy crisis because of the low water level of the Aswan Dam during the summer drought, this has had created a desperate situation for its industries. Not since the early 1950s had Cairo witnessed regular electrical power cuts, as it does now.

Currency Rates

The problem is that the Egyptian leadership has refused to take the necessary measures to deal with the crisis, which it has tried to postpone for decades. When *EIR* teams visited Egypt several times in the mid-1980s, it was obvious that there was a tremendous potential for bold political and economic initiatives. What President Mubarak finally said publicly only on Sept. 7, was common wisdom among all of the educated strata of Egypt by the late 1970s.

For those very reasons, *EIR* founder and contributing editor Lyndon H. LaRouche had planned to go to Egypt to address the issues of large-scale infrastructural programs, ranging from city-building projects in the Sahara Desert to its energy program of several nuclear power plants. But it did not take too long for Egyptian officials to be warned by the U.S. State Department that they had to choose between sponsoring a visit by LaRouche, and their monthly wheat supply. In the typical misguided thinking that confrontation should better be avoided, the choice was rapidly made. But by making such a choice, the Egyptian leaders increased the blackmail powers of the State Department and others over their country—and in recent years, they have seen these powers used.

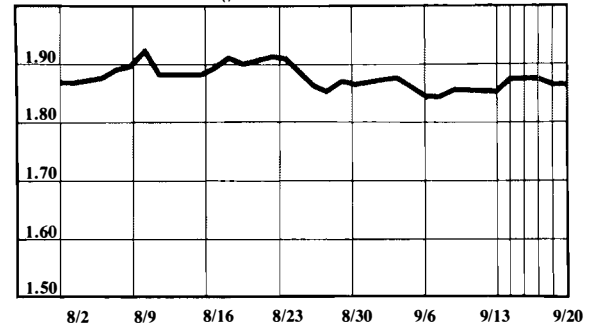
The Egyptian leadership is learning the hard way, that concessions and compromises with those out to destroy their country, lead nowhere but to catastrophe. Yet, they are now in a situation where, whatever they do, they have nothing—or very little—to lose. They played by the international rules, like everyone else has done. Like everybody else, they have been trying to postpone the crisis and play for time; but they are finding that this does not work anymore.

Washington does not consider itself bound by the sacrifices made by Egypt to preserve its relationship with the United States, least of all by the fact that Egypt is a co-partner in the Camp David peace treaty. Cairo cannot even attempt to play Moscow against Washington, because both are working together anyway. Moscow may be whispering sweet words to Egyptian ears, but its price is as unacceptable as the one demanded by the IMF.

Cairo can draw up as many political scenarios as it wants, but it has to face the fact that only a political offensive on the basic issues of debt, food, and survival will make any difference at this point. The Egyptians should take their own gloves off. They could provoke some interesting and healthy reactions, by making public the entire transcript of the Camp David negotiations, or the minutes of their meetings with IMF bankers. There should be more speeches like the one Mubarak gave in the Nile delta: The Egyptian leadership should put the issue directly to his people. Such an approach is also the only way to prevent the Islamic fundamentalist organizations—previously financed by Iran, and now by Libya to the tune of \$7 million—from capitalizing on the crisis. Because this is not the first time that IMF bankers and Libyan terrorists have converged in a common cause: wrecking havoc in Egypt.

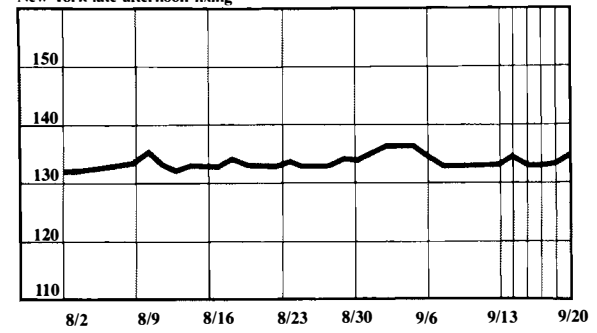
The dollar in deutschemarks

New York late afternoon fixing



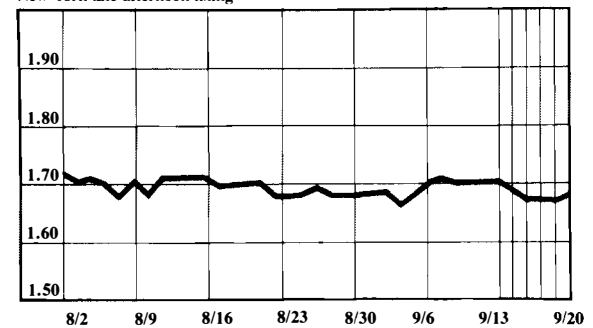
The dollar in yen

New York late afternoon fixing



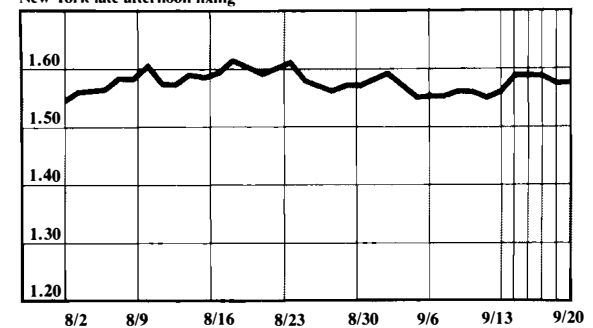
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Panama battles for economic future

General Noriega has declared an end to more than a score of years of economic dependency on drug-banking. Carlos Wesley reports.

The head of the Panamanian Defense Forces (PDF), Gen. Manuel Antonio Noriega, declared an end to more than a score of years of Panama's economic dependency on drug-banking. "We think that Panama is now dead as a financial center," Noriega told British parliamentarian, Brian Wilson, in a conversation reported by London's *Guardian*, Sept. 13. Instead, Noriega said that Panama should adopt a development strategy based on agricultural and industrial production, resuming the project launched by his predecessor as commander of the PDF, Gen. Omar Torrijos, leader of the nationalist "Torrijista" revolution.

Noriega's polemic against the banking center brought to center stage the crucial issue confronting Panama's very survival as a nation, at a moment when the country is on the verge of economic collapse due to U.S. sanctions: the fight between those who want to shift to a productive national economy, and those who want to use the crisis for completing the all-out transformation of Panama into a drug-based free trade emporium modeled on the British colony of Hong Kong.

Roberto "Bobby" Eisenmann, a leader of the U.S. State Department-created Panamanian opposition, reacted with alarm to Noriega's economic proposals. Noriega is proposing "a return to the past," said Eisenmann, whose Dadeland National Bank in Florida has been caught laundering drug money. Eisenmann said that Noriega was not showing "respect" for the 8,500 Panamanians who are employed in the financial center.

Eisenmann blasted the United States for its no-win policy of supporting ousted President Eric Delvalle against Noriega and President Manuel Solís Palma. The U.S. policy against Panama, is "a total fantasy, akin to Snow White and Mickey Mouse," wrote Eisenmann in the Spanish edition of the *Miami Herald* Sept. 9. Washington's policy of supporting the "government" of the hidden President Delvalle," Eisenmann added, is "a Disney World fiction." What is needed, Eisenmann suggested, is a U.S. military intervention against Panama.

What Eisenmann did not say, is that the only reason that Assistant Secretary of State Elliott Abrams and the rest of the Project Democracy gang in Washington are maintaining the fiction that Delvalle is the "legitimate" President is to provide a cover to fund "contra"-type operations against Panama, such as the mercenary force headed by ousted Col. Eduardo Herrera Hassan.

Panama at a crossroads

It is not only Eisenmann and others in the opposition that are against the shift from a financial center services economy, but also members of the government's own economic team. A proposal from the labor unions for Panama to launch its own currency to replace the U.S. dollar (the U.S. greenback is the only paper currency that circulates in Panama) was rejected by Commerce Minister Mario Rognoni—on the basis that it would endanger the banking center. "The existence of the center, above all, depends on the trust of foreigners," said Rognoni, who is close to the U.S. State Department. "That is why it would be absurd for us to issue a paper currency different than dollar," he said.

According to a Panamanian labor leader, Rognoni and others in the government's economic team are dragging their feet in facing up to the disastrous effects of the Reagan administration's economic warfare against Panama, because they want to force a total changeover to an all-out free trade economy.

Even the *Wall Street Journal* observed Sept. 7 that, "A remarkably nonchalant Mr. Rognoni sees the crisis as an opportunity to build a services-oriented economy on the ashes of Panama's overprotected industries. Panama, he says, could be one huge free-trade zone."

The same day, Noriega said on television that a "banking center of the type that exists here benefits no one." In an interview with Univision, the U.S. Spanish-language television network that was broadcast in Panama Sept. 7, Noriega said that both he and Torrijos had opposed the banking center from its inception. "Torrijos," he said, "did not believe in that banking center. He used to ask: How much are those banks going to lend to the farmer? Nothing. Those banks are only for the transfer of money from one place to another. How much is the banking center going to lend for local construction? Nothing, because that money is captive and is in multinational corporations. In other words, that dollar is just coming to rest in Panama. If a dollar is not loaned to the farmers, if it is not loaned to the workers, if it is not invested in construction, that dollar does not belong to the Panamanian people."

Economic warfare

The economic sanctions adopted by Reagan against Panama, using the War Powers Act, are "threatening the very

survival of the Panamanian nation,” said President Solís Palma earlier this month. Panama’s already meager industrial output has dropped to 50% of capacity; 50,000-75,000 workers have lost their jobs this year; government revenue is about half of projections, forcing a 15-30% pay cut for higher-paid functionaries at the beginning of September.

The government was unable to pay on time the second installment of the public employees’ annual bonus, thus making them easy prey for a provocation by its enemies: on Sept. 13-21 state workers staged a series of job actions, partial strikes, and demonstrations, culminating in a 48 hour total work stoppage. Sources in the labor movement say that the work stoppage was not really because of the delay in meeting the bonus pay—which they realize is difficult for the government because of the lack of resources—but to prod the government’s economic team to adopt a nationalist program, including the creation of even a temporary currency that would allow the issuance of credit for productive investments. Otherwise, they say, the economic team should quit.

Noriega and the PDF are aware that the continued deterioration of the economy threatens the security of Panama. “In the war declared by the U.S. against Panama,” commented Luis Restrepo in the daily *La República* Sept. 19, “the most violent aspect has been the economic terrorism, because the aggressor knows we are a country with a weak economy and they trust that at some point the government will not have the resources to meet its basic obligations, such as the public employees’ payroll.” At that point, he adds, agent provocateurs will sow panic, which “will be taken advantage of to launch a wave of violence on a large scale that will be used to justify a military intervention by the U.S. in Panama.”

On Sept. 6, CNN reported that ousted PDF Lt. Col. Eduardo Herrera Hassan is recruiting mercenaries to stage an invasion of Panama. Funds for Herrera’s army are being provided by the Reagan administration, through the fictitious Delvalle government, from money that belongs to Panama that was frozen in the United States when the War Powers Act was invoked. Herrera, who is believed to have moved his hired troops to Costa Rica on the border with Panama, has the limited mission of taking a small portion of Panamanian territory as a base from which Delvalle would proclaim that he is again governing Panama and call for a U.S. intervention.

According to CNN, one of Herrera’s principal boosters in the United States is Sally Shelton Colby, vice chairman of the board of directors of the National Endowment for Democracy (NED). The NED is Project Democracy, the supra-governmental body responsible for the Iran-Contra operation and other foreign policy follies, including the current destabilization campaign against Panama. On the same board with Shelton Colby are such luminaries as Henry Kissinger and Lane Kirkland.

Sally Shelton is also the wife of Vietnam era CIA chief

William Colby, until recently a partner of former National Security aide Norman Bailey’s consulting firm. Bailey was contracted by Delvalle’s predecessor, Nicolás Ardito Barletta—who created Panama’s offshore, money-laundering banking center—to assist in transforming all of Panama into a free trade zone. When Barletta was ousted in 1985 because of widespread opposition to his plans, Bailey became the principal architect of the operations to destroy the PDF and to force Noriega out. Ironically, at that time Bailey, Colby and Shelton Colby were calling for the overthrow of then-President Delvalle.

Military force against Panama could come as early as October, notes columnist Baltazar Renan Aizpurua in the daily *Crítica* Sept. 8. “President Reagan should not be taken as a joke. We have said that the months remaining before the U.S. elections are critical for his administration, because a direct, armed intervention—in this case with armed Panamanian groups, who would find a place to set up a government—to create a new Grenada would be a propaganda resource for George Bush’s campaign.”

Aizpurua, who is close to the PDF, added Sept. 15 that, “The most dangerous period will be during the recess the U.S. Congress will take in October for the presidential elections.”

History rewritten

To prepare for the October surprise, a new spate of psychological warfare operations has been launched, since the charge that “Noriega is a drug trafficker” is less and less credible in the face of the U.S. Drug Enforcement Administration’s continued collaboration with Noriega in the war on drugs. DEA head John Lawn defended Panama’s role in a continent-wide coordinated sweep against the drug traffickers carried out in August, under the aegis of the International Drug Enforcement Conference (IDEC). The IDEC operation was, said Lawn at a press conference in Bogota, an “unqualified success.” A DEA official said that the whole concept of IDEC was Noriega’s.

London *Financial Times* correspondent Tim Coone laid out what could be the new justification for military action against Panama in an article Sept. 21. Coone, who has recently penned several articles in favor of the Panamanian free trade zone idea, claims that “General Noriega may now prove to be more radical than General Torrijos by sheer force of circumstances. Junior officers in the armed forces now receive political education from Marxist teachers. U.S. automatic rifles have been replaced by the Soviet AK-47 as the standard infantry weapon,” he claims. Coone adds: “Some Western diplomats believe these may simply be warning signals from General Noriega to the United States not to push him too far. But it may also be that the enigmatic General Noriega has already decided to raise his own flag alongside that of Torrijos and not wait for the rest of Central America to lead the way.”

Colombia's state oil company dismantled to pay foreign debt

by Javier Almario

The investment fund for oil exploration belonging to Colombia's state petroleum company, Ecopetrol, is slated to be used to pay the country's foreign debt. This has been ordered by the Monetary Council, the supreme regulatory body that controls currency issuance, and oversees all monetary aspects of the Colombian economy.

The decision to originally create an exploration fund was made in 1986 by the board of directors of Ecopetrol, Colombia's largest state company. The fund is made up of 10% of the income obtained from oil export revenues. In this way, Ecopetrol was able to begin conducting its own oil exploration, which previously had been the exclusive activity of the oil multinationals. In 1988, thanks to the fund, the country will be exploiting a total of 96 oil wells, 20 of which were drilled by Ecopetrol, and the other 76 by Ecopetrol in association with one or another foreign oil company.

With the new ruling of the Monetary Council, the Ecopetrol exploration fund will be transferred to the Foreign Debt Service Fund (FODEX, also known as the Fund of Foreign Currencies), an entity created explicitly for lending to state companies unable to meet their debt service commitments to international creditor banks.

Already in 1987, Ecopetrol had "invested" \$99 million in the so-called National Surplus Regulation Bonds (TREN), which channel funds into FODEX. "In 1988, Ecopetrol's investments in these bonds rose by \$35 million," according to the newsletter of the Colombian central bank. This money has served to meet the foreign debt payments of the country's electricity companies.

Ecopetrol had dedicated 10% of its export revenues to investment in oil exploration as a means of guaranteeing oil self-sufficiency, as well as to assure that the available petroleum reserves increased to guarantee continued export revenue. In effect, that 10% was used to capitalize the company.

The government's seizure of the oil exploration fund, sacrificing the critical investment requirements of Ecopetrol to pay foreign debt, was made two weeks after President Virgilio Barco and his Mines and Energy Minister, Oscar Mejía Vallejo, fired the president of Ecopetrol, Francisco Chona Contreras, along with half of the company's board of directors. Chona was quick to explain to the nation that he

had not voluntarily resigned.

Named by the government as Chona's replacement is Andrés Restrepo Londoño, who as manager of Cementos Samper diligently applied the Baker Plan recommendation of debt-for-equity swaps by paying off the company's foreign creditors with company stock.

Why was Francisco Chona fired?

Francisco Chona went to work as an Ecopetrol laborer 26 years ago, and rose through the ranks of the company until his appointment as manager. Every employee of Ecopetrol, from the newest worker to the members of the board, is known to recognize Chona's complete knowledge of Ecopetrol's problems, and how to resolve them. It was for this very reason—his dedication to the success of Colombia's most vital state sector company—that he was fired.

The explanation was given by Mines and Energy Minister Oscar Mejía Vallejo during a House of Representatives debate. "Precisely because of his great capacity and great love for the company, it was becoming a technocracy under Dr. Chona's leadership. . . . This is very meritorious from Dr. Chona's point of view," said Minister Mejía, "who thought only of his company, and wanted the best for it. But unfortunately, Dr. Chona reached the extreme of viewing the company as more important than the country."

The policies of Ecopetrol, insisted the minister, "should be linked to the general policy of the country. Especially to the macro-economic policies of the government." The national government has defined its budget on the assumption of Ecopetrol profits of 15 billion pesos. (A full 25% of the national budget is allocated to servicing the country's foreign debt.)

"But this year," said Mejía, "the government discovered to its surprise that Ecopetrol had significantly increased its reserves, meaning a reduction in profits, and that only 5 billion pesos were available for the national budget when 15 billion had been projected."

Chona rebutted this, saying that there had been no tricks played by his company's accountants, or by himself. The fall in profits was due, he said, to the fall in international oil prices and to the constant dynamite attacks on the vital Caño

Limón-Cóvenas pipeline, perpetrated by the Cuban- and Moscow-controlled National Liberation Army (ELN).

These explanations were, however, unacceptable to the minister. "Given this situation, the President of the Republic insisted that we could not plan our budget, depending on the internal will of a company. . . . It was therefore necessary to make changes in the Ecopetrol management," Mejía concluded.

Oil to pay the debt

As president of Ecopetrol, Chona had always believed that oil should serve to develop the nation. However, he crossed swords with Finance Minister Luis Fernando Alarcón Mantilla and his economic team, who saw oil as just one more means of paying the debt. Oil activity, according to a central bank document, had become "a sector that generated surplus resources for transfer to other fronts of public administration, [and] in that way has contributed to macro-economic adjustment. It has permitted the generation of foreign exchange and resources in domestic currency that are compensating for the deterioration of other sectors, such as coffee," whose export revenues have fallen.

The seizure of Ecopetrol's investment funds to pay the foreign debt takes place at a moment when Alarcón and company are desperately trying to win an international loan of \$1.85 billion, which is the amount Colombia must disburse to the same creditor banks in debt service. However, the bankers are demanding that Colombia reduce its credit request by 20%, while at the same time paying off a full 20% of its current debt obligations. The bankers are also demanding other forms of debt repayment, such as conversion of Colombia's foreign debt into direct investment by the banks inside the country.

Just one year ago, Mines and Energy Minister Mejía Vallejo was president of the state coal company, Carboacol. At that time, Mejía proposed paying off Carboacol's substantial foreign debt by converting it into stocks in Colombia's Cerrejón coal project, the largest coal reserve in all of Latin America. The proposal was rejected by the government when Ecopetrol countered with an offer to pay \$750 million of Carboacol's foreign debt in exchange for acquiring majority stocks in the coal company, and thus majority control over the company's decisions.

However, Mejía rejected Ecopetrol's offer. He was determined to have Ecopetrol pay Carboacol's foreign debt—but without Ecopetrol's intervention in decisions concerning the state coal company. Representatives of the various international creditor banks in Colombia now say they are waiting for the presentation of "a more attractive menu" by the government than a mere request for new funds.

The surrender of Colombia's state companies, and the mineral wealth they represent, in payment of the foreign debt, is clearly the only "attractive menu" that could satisfy the voracious appetite of international usury.

EIR

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The cost of suspending the moratorium

Brazil's effort to propitiate its creditors has led to record levels of looting, hyperinflation, and less new foreign investment.

On Sept. 21, President José Sarney solemnly proclaimed, to a meeting of the National Security Council, the end of Brazil's debt moratorium. This gesture was performed the day before Brazilian officials and hundreds of commercial bankers signed contracts in New York to renegotiate Brazil's \$66 billion foreign private debt. It was, in fact, one of the preconditions for ending more than a year of banker stalling on the contracts.

Although the moratorium was broken in practice last December, the bankers demanded that the government as a whole formally ratify that as state policy. The National Security Council (on which the military services are well represented) was precisely the body upon whose authority the moratorium was decreed Feb. 20, 1987. Sarney's act of penitence is also the harbinger of the new ratchet of austerity to be ordered at the upcoming IMF annual meeting in West Berlin.

Brazil has paid for ending the moratorium with the worst economic looting in the country's history. This is palpable even to financial analysts, one of whom recently observed, "The bankers pinch themselves every morning to make sure that the mountain of money Brazil is now paying in interest is not just a dream."

The looting is accomplished largely through Brazil's running up megasurpluses on its trade account. It has done this by exporting at ever-cheaper prices and by shrinking the internal market. New statistics show, for example, that meat consumption per capita is at the lowest level in 34 years,

while meat exports have soared. As a result, the only productive sectors now growing are export-oriented. Orange juice production, for example, is up 4.2% and auto up 14%, while the economy as a whole will not grow even 1%.

Thus, August exports reached a record \$3.645 billion, led by food products: soy, beef, and orange juice. With imports held to an austere \$1.549 billion, there was a record \$2.096 billion trade surplus. In the first eight months, the surplus, at \$12.591 billion, has equaled the total for 1987. At this rate, 1988 will bring in a \$19 billion surplus, almost all to be transferred abroad. (See *EIR*, Sept. 16, page 9, for more details.)

This year's looting is at record levels. A total of \$18.6 billion, equal to 25% of total internal savings and 5.5% of gross national product, will be sent abroad as tribute for financial services. In 1987, the year of the moratorium, the total transference was \$10 billion, 13.7% of internal savings and 3.1% of GNP. This year's total includes:

- \$10.2 billion in interest on the foreign debt;
- \$3.6 billion for "informal" debt-for-equity conversions;
- \$1.6 billion in profit remittances by foreign corporations;
- \$3.2 billion in flight capital.

The conversion of the foreign debt into ownership of Brazil's productive apparatus is producing windfall profits for the investment banks and brokers who speculate with debt obligations they can pick up on the international secondary market for 48 cents

to the dollar. "Informal" debt conversions, performed without any regulation or monitoring by Brazilian authorities, are expected to drain \$3.6 billion in resources from the country this year, while formal debt auctions carried out through the stock exchanges will cost another \$2 billion.

Informal conversion, genuine bloodletting of resources abroad, is done with debts coming due. The bank owed the debt sells collection rights to a wheeler-dealer at the discount prevailing on the international market (now 52%). This intermediary collects from the Brazilian debtor entity in the local currency, the cruzado. He uses these cruzados to buy dollars on the black ("parallel") market and sends most of these dollars abroad, while keeping a hefty profit for a few hours' work.

These operations have created extraordinary demand for black market dollars, causing their price to rise to a 60-70% premium over the official exchange rate. As is now being admitted even by the banks involved, debt payments in cruzados are ballooning the money supply and thereby causing hyperinflation, now approaching 1,000% annually.

Multinational companies are making scandalous arbitrage profits from this officially tolerated aberration of exchange controls. They are registering a record \$1.6 billion in profits so as to obtain that amount at the official exchange rate. They sell these dollars on the black market or use them for informal debt conversions and end up with 70% more cruzados than they started with.

Cruzados available at a discount through debt conversion schemes have totally ended inflows of hard currency for investments—the supposed objective of Brazil's free market reforms. As Gresham said, "Bad money drives out good."

The crop reports no one believes

The USDA forecast has so little credibility, that even food cartel companies are calling for an end to land set-aside.

The next U.S. Department of Agriculture crop forecast report is due for release on Oct. 12. It is expected to be another whopper of a lie like the Sept. 12 forecast, that minimized the crop losses from the drought, and once again, stated reassurances that despite low stocks, there would be plenty of food.

On Sept. 12, Assistant Secretary of Agriculture for Economics Ewen Wilson stated that the USDA expects domestic food prices to rise only another 1%, for an annualized total of 5-6% food price inflation.

By Sept. 30, the USDA is required to release its plans for land set-aside for the 1989 crop season, and based on its overstatements of harvests and food stock levels this year, USDA officials are still talking in terms of requiring land set-asides of 10-12.5%, depending on the crop.

However, as of mid-September, despite all the USDA reassurances about grain sufficiencies, a chorus has grown louder to eliminate any land set-aside at all. No one really believes the USDA statistics.

Over the summer, various consumer lobbyist groups called for the elimination of USDA restrictions on food output. By the fall, the big guns in the brewers associations, and even the food cartel companies joined the call. Miller Brewing Company, the maker of Miller High Life—promoted as “brewed the American way”—let it be known that U.S. barley supplies are so short, Miller High Life may have to be brewed from imported French barley, because it will be cheaper.

Over the year to date, grain prices

overall have gone up between 30 and 60%, although there is a suspicious “lull” in price rises right now, while the negotiations are being completed between the United States and the Soviet Union on the next Long-Term Grain Agreement.

Malting barley, for example, (grown primarily in the Dakotas and Minnesota) has gone up from \$2.00 a bushel last year, to over \$4.50 a bushel this year. The drought cut the tri-state crop by at least 80%, to 35 million bushels. The brewers want a zero land set-aside next spring.

Continental, one of the top international grain cartels, has also let it be known that the company wants a zero land set-aside next year, in order to continue to have a grain supply. It is an open secret in Western capital cities that the grain cartel companies want to make the political and economic guarantees to the Soviets of a continuing grain supply.

Under the present conditions of the drought devastation and low stocks in North America, this is impossible, no matter what the USDA says.

On Sept. 12, the USDA reported that grain overall would be down by 31%—the same overall decline they projected in their Aug. 11 report. The amount of production of corn is forecast at 4.46 billion bushels. This is down 37% below 1987 crop.

Soybean production is projected to be down 23% from 1987 and wheat production is projected to be down 14% at 1.47 billion and 1.81 billion bushels respectively.

The serious impact these forecasts have politically, as the drought coincides with a still shaky farm financial

picture during an election year, can encourage creative forecasting. For instance, the USDA compares this year's production to last year's, so as to minimize the rate of decline.

Why not compare it to a previous year, when we have had higher production than 1987? After all, a food shortage can be caused by not planting as well as by a drought.

Compared to the 1985 crop, we have a 50% reduction in corn production. Compared to 1985 soybean production, this year's crop is down by 30%. Wheat production in 1988 is down 35% from 1981 wheat production.

What is that story about how figures don't lie, but liars can figure? The percentage of loss takes on its real relevance, depending upon what the loss is compared to.

What is the reliability of USDA crop production forecasts? Based on their own 10-year record, the September forecast has been too high 40-60% of the time. The USDA plays down the real impact this summer's drought will have on the food buying dollar of an increasing number of citizens in poverty.

First-hand reports from actual harvests taking place in Iowa, which produces about 23% of the nation's corn and soybeans, indicate that corn yields are 15-25 bushels per acre, a 70-90% reduction of normal expected yields. Moreover, much of this corn has aflatoxins (carcinogenic bacteria caused by the poor growing conditions), which causes health problems in the reproductive systems of livestock.

Where soybeans are being harvested, farmers are getting yields of 15-20 bushels per acre, which is 44-55% below what is expected. Also, due to poor quality, soybean producers are being docked 30 to 50 cents per bushel when they sell to the grain company.

Worse than Hurricane Gilbert

The American Bankers Association has issued a report decrying the state of the S&Ls—and they are headed in the same direction.

On Sept. 20, the American Bankers Association, the trade and professional organization for America's commercial banks, issued a report on the state of the savings and loan industry. Such reports have become quite popular of late. The cat is out of the bag on just how devastated the thrift section of the economy is, and now everyone wants to jump on the bandwagon to register his or her shock at how such a state of affairs could have come about.

"The thrift crisis poses a Gilbert-like threat to the entire U.S. financial system—especially healthy thrifts and banks," said Donald Ogilvie, executive vice president of the ABA.

In the case of the ABA, there is a vested interest in going on record lambasting the poor management and shoddy practices of the thrifts and their regulators. The commercial banks have had their own share of problems over the past two years, and are overly anxious that they don't end up in the same spotlight.

There is an added fear for the bankers. Talk has gone around Washington and Wall Street about having the Federal Deposit Insurance Corporation (FDIC) come to the aid of Federal Savings and Loan Insurance Corporation (FSLIC), and possibly even a merger of the two insurance agencies. Such suggestions give these bankers nightmares.

From their report, it is clear why. "FDIC funds should not be used for funding FSLIC problems. Like farmer drought-relief, or hurricane relief, FSLIC's insolvency is a national problem that requires a national solu-

tion. The burden for solving the crisis should not fall on a single group."

Indeed! Very noble sentiments coming from an industry that has made its main business practicing usury on Third World countries.

The real motivation for their civic-mindedness in bringing this emergency to Congress's attention appears in the very next sentence. "From a practical viewpoint, the FDIC fund is too small to solve the thrift insolvency." In fact, from a practical viewpoint, it isn't clear that the FDIC fund is large enough to deal with commercial bank insolvencies, which are now pushing 300.

But, after all, why can't those who live in glass houses throw stones? Push aside the banking situation, and examine the report and plan of action that the ABA is suggesting on its own.

Donald Ogilvie, the ABA's executive vice-president, clarified what the main worry is.

"The thrift crisis has affected our ability to compete. Allowing undercapitalized or 'brain dead' institutions to continue in operation, puts healthy institutions at a competitive disadvantage by bidding up the price of deposits and the cost of doing business overall." It's not just the depositor who has a problem. Mr. Ogilvie has been terribly inconvenienced.

Most everyone now agrees that the price tag of this inconvenience is upwards of \$100 billion. Hence, the ABA "feels that the use of public funds and/or the Treasury's credit now appears unavoidable" in the S&L crisis. Their suggestion as to how these funds are

to be deployed is indicative of the methodology of banking in the "Recovery."

"Insolvent thrifts must be liquidated at a faster pace. Efforts by the current FHLBB administration to increase the pace of case resolutions . . . and improve standards and staff capabilities have been very encouraging, but more needs to be done."

Everyone else is appalled at the ease with which the Bank Board is issuing billions of dollars in promissory notes and merging small disasters into larger ones with worse management than before. But for these bankers, chairman Wall isn't going fast enough.

The use of the term "case resolution" is most telling. A hue and cry has been raised from the House Banking Committee, because they have suddenly discovered that, truth to tell, there have been no resolutions, simply exchanges of paper and titles.

But such facts have no relevance for Ogilvie, nor for L. William Seidman, chairman of the FDIC. After all, if one becomes too picky as to what constitutes a case resolution, then the numbers the FDIC has been announcing in terms of their resolutions might be held up for scrutiny.

It is not a question, as it might be for a sane investor, of throwing good money after bad. For Seidman and Ogilvie and Rockefeller, it is a question of who pays. Once that is settled, they're quite willing to see a blank check issued for the funeral of the whole thrift industry. "The funds available from the FSLIC recapitalization plan . . . appear to be insufficient. . . . A broader framework for funding . . . is needed." After all, these are the guys who spent their careers developing a very broad framework for compiling trillions of dollars in unpayable debt to bury whole continents.

Moscow smells a 'golden' opportunity

The Soviet Union has joined the elite "gold club" of London bankers. Who is playing whom for a sucker?

Sept. 15 was an exhilarating day for certain high-level personages in the City of London. Leading merchant banks and the Bank of England itself were hosts for a senior delegation from Moscow headed by Ivor Levchuk, chairman of the Soviet State Bank (Gosbank). The 10-man delegation was the most visible of a recent series of Soviet initiatives toward Western Europe, most in the context of the opportunities perceived under the European Community's "1992 Internal Market" transformation.

Levchuk's group met with London's financial elite: John Craven of Morgan Grenfell; the chairmen of the four large international commercial or clearing banks, including Barclays and Midland Bank; the Bank of England; and most intriguing, the London Bullion Market Association. Moscow's London-based Narodny Bank Ltd. used the occasion to announce that it had been accepted as a member of the London Bullion Market Association, the world's largest group of gold trading banks.

On Sept. 15, Vladimir Malinin, deputy chairman of the Bank for Foreign Economic Affairs, made a first-ever address to the 62-member London precious metals trading association, in which he announced that Moscow will share a few of its state secrets concerning its sales of its vast gold reserves in the West. But not too many.

What does it mean in practice for Moscow to become an official member of the West's elite gold club? Aside from the giant production fields of South Africa, Russia is the world's second most important gold producer.

Since Stalin's time, Russian annual mining output has been classified as a state secret. Consolidated Gold Fields, the leading London-based gold mining concern, estimates that Russian gold sales into Western markets this year will run approximately 325 tons. Total non-communist world gold mining production in 1987 was almost 1,400 tons, of which South African mines produced almost 700 tons.

While the exact amount of Russian gold reserves and production remains secret, informed London gold trading sources estimate that the 325 tons the Soviets sold on the Western markets in 1987 netted some \$4 billion in precious hard currency earnings needed to purchase Western goods. With falling oil prices since 1986, Soviet import capacities have been severely constricted.

But the real significance of the recent London visit seems to be far more than securing a few more dollars by imitating sophisticated Western gold "futures" and other speculative markets in their dealings. According to informed traders in Switzerland, London, and elsewhere, Moscow does not need to join the Bullion Association to enhance its trading gains in gold. Something else is behind the recent overtures to the City of London.

The week before Moscow's banking and bullion team was in London, the president of the European Parliament, Henry Lord Plumb of Britain, was in Moscow. The purpose was to further the recent "spirit of cooperation" which has apparently developed between Moscow's CMEA (Comecon) and the European Community,

since the two organizations signed a mutual recognition accord this June.

On Sept. 5, Moscow also sent delegates to the Aspen Institute meeting in Paris, another historic first. At that gathering, according to Aspen participant Richard Gardner, "All of us were impressed by the message they brought, which is this: . . . the success of *perestroika* requires that the West should not have an economic crisis. They wish to enter into the process of managing the world economy in a responsible way, and this means, eventually, their taking a place in the General Agreement on Tariffs and Trade, the International Monetary Fund, and World Bank."

While Gardner admits it will "take 5 to 10 years" before Moscow is ready to become a full member of the elite Western Bretton Woods "club," it seems clear that certain circles in the Soviet Union are cultivating the idea that Moscow will be of benefit in propping up the rotted debt-laden edifices of Western finance and banking, in return for "playing by the rules." Not since the 1917 Bolshevik repudiation of Russia's bonded debt to the West, have the City of London and Western bankers been so keen on extending ties to Moscow. On Sept. 5, France's *Crédit Lyonnais* announced a first-ever "banking joint venture" in Moscow, with a Soviet director and owned 51% by Moscow, 49% by a consortium of European banks including Italy's BCI, a Finnish, and a British bank.

What interests Moscow are the prospects of keeping these Western circles off balance a bit longer, drooling over prospects of huge looting gains from some future opening of Russian markets and joint administration of a global Bretton Woods. "Talk is cheap" as they know well. Moscow, not the West, plans to set the terms of the new game, if they get serious about joining the IMF.

Business Briefs

Banking

Radical changes in Texas regulations

The banking section of the Texas State Finance Commission ruled Sept. 16 that state-chartered banks could create branches across county lines, thus completing a radical change in state banking regulations.

In 1986, after 82 years of unit banking, i.e., no branches allowed, Texas voters approved a constitutional amendment allowing in-county branching, effective Jan. 1, 1987. The law prohibiting out-of-state ownership of the state's banks was also changed.

In 1988, backed by federal court decisions, the U.S. Comptroller of the Currency began permitting federally chartered Texas banks to branch across county lines, despite state laws to the contrary.

The State Finance Commission ruling of Sept. 16 gives state-chartered banks the same branching rights as federally chartered banks.

Dope, Inc.

Chinese mafia seizing control of trafficking

The Triad Society, or Chinese mafia, held a meeting in June in Hong Kong, presided over by the Burma-based ethnic Chinese warlord, Khun Sa. The purpose of the meeting was to restructure the financial side of the drug trade, according to the Italian weekly *Europeo*.

The Drug Enforcement Administration is watching Khun Sa and his Burma-based Shan United Army closely, it says, because in the past three months alone, the Shan mafia's share of the world heroin market has grown from 3% to 40%, and it is in the middle of a war with the Sicilian mafia to take over the drug trade entirely.

According to *Europeo*, Khun Sa had originally sought to set up joint operations with some of the leading U.S.-based mafia families, including the Bonnano and Genovese clans. But now, in light of crack-downs on the Sicilian drug-runners in both Sicily and the United States, Khun Sa sees

the opportunity to entirely displace them.

Police in New York report finding dead Sicilians with Chinese tattoos painted on them.

The reason for the Hong Kong meeting, CIA and other sources are said to speculate, is that the Shan will have to relocate its financial operations once Communist China takes over the British Crown Colony in 1997, *Europeo* claims.

That last item is typical of the political disinformation permeating the *Europeo* report. It claims the Shan leaders are the old Kuomintang followers of nationalist Gen. Chiang Kai-shek, and refers to the Triad as the "Taiwan mafia." In fact, although the DEA has repeatedly declined to admit it, Khun Sa, by his own admission, works with the Red Chinese and the Theodore Shackley section of the CIA, the "privatized" section that figured prominently in Oliver North's Iran-Contra operations. (Shackley was CIA station chief during the 1960s "Dirty War" in Laos, and financed many off-line operations with aid of Khun Sa's opium trade.)

What neither *Europeo* nor official DEA spokesmen acknowledge is that the Shan's opium is grown not in Burma, but in Hunan province, People's Republic of China.

Food

Soviets facing very bad harvest

This year's harvest in the Soviet Union will barely reach 200 million tons, reports West Germany's *Frankfurter Allgemeine Zeitung*, quoting "official sources in Moscow."

Originally, it was estimated at 220 million tons, current official estimates are 205 million tons, "but it could very well be only 190 million tons."

Official figures say that last year's harvest was 211.4 million tons. But the Soviets count the so-called *Bunker gewicht*, says the newspaper. That is, the grain is not cleaned and dried before being weighed. To compare the Soviet harvest to Western standards, one must subtract about 30% of the reported total.

Soviet demands for food tribute from Western as well as developing nations are

bound to rise in this light, because current Soviet food needs are estimated to be at least 234 million tons per year.

Technology

New x-ray laser breakthroughs

Lawrence Livermore director John Nuckolls told the University of California Board of Regents Sept. 15 that the x-ray laser has made significant progress recently. His remarks were reported in the *San Jose Mercury*, under the headline, "X-ray Laser Progress Reported."

The x-ray laser is under development in connection with the President's Strategic Defense Initiative. It promises to become a weapon system one unit of which, the size of an office desk powered by a miniaturized H-bomb, could destroy the entire Soviet missile fleet in the space of minutes. According to Dr. Edward Teller and other specialists, it could be deployable within 4-5 years. However, the kind of power involved means that the x-ray laser represents a whole new dimension in human mastery of the electromagnetic spectrum, promising many civilian spin-off applications.

The *San Jose Mercury* quotes Nuckolls telling the regents of the university, which operates Livermore Lab, "In our most recent experiment, I believe we took a great step forward."

Phil Coyle, Livermore associate director, said that the recent test produced the most powerful beam yet, and that the real breakthrough was in the development of diagnostic instruments that measure the beam's characteristics.

Informal Economy

Underground bankers launder drug funds

An ancient international system of underground Asian "bankers," known as the *Hawala*, is being revived in Europe and Asia to

launder dope money, the *Daily Telegraph* reported Sept. 20, based on a British police briefing. This has resulted from the success of the Drugs Trafficking Offenses Act, which allows police and customs "unorthodox" access to banks to track, freeze, and confiscate drug-traffickers' assets.

These "bankers," who originated on the Indian Subcontinent, can move enormous amounts of money around the world without trace. The system is called "Chiti banking," and turns over several million pounds per day in London alone, police said. The Hawala are members of ancient clans or families of moneylenders, who often run legitimate businesses as a cover. The "banking" system works on trust. The drug trafficker deposits cash with a Hawala in London, for example, who gives him a token or "chiti"—often just a torn card or half a banknote. The Hawala then instructs another "banker" in, for example, Pakistan, to redeem the "chiti" for his customer there—minus a big commission.

The transfer of funds by Hawala bankers—totally ignoring exchange controls—is reportedly causing a "hemorrhage" from some Third World economies. Some countries are losing money almost as fast as they can print it, the British police said. "The system is beginning to undermine the fiscal integrity of whole nations. Often, to extract large sums of money from state banks that control currency outflow, the Hawala will create false bills of lading and invoices for non-existent goods on behalf of a client for credit overseas. The worth of this money, often represented in drugs or arms, once removed from a developing country's economy, is gone forever. The country has to make further external borrowing to replace the lost capital, and growth is either slowed down or stopped," police sources said.

Trade

West Germany is Iran's top partner

West Germany is the number-one trading partner of Iran in the West, according to information made available at a mid-Sep-

tember industrial fair in Teheran. At present, 80 German industrial companies have offices in Teheran, and German exports to Iran will total 3.0 billion deutschemarks in 1988.

"The prospects are very good, really," declared Volker Franzen, the official spokesman of the German Ministry of Economics in Bonn Sept. 14. "For reconstruction projects, we are the first address for Iran."

Britain's industry is also heavily interested in broadening business relations with the Iranians, as is shown by the fact that 64 companies attended the industrial fair.

Japanese firms were present at the fair, but only eight of them. However, they are all large companies, like Komatsu, Bridgestone, and Ricoh.

The French are taking part in the Teheran fair for the first time in nine years, with 20 companies represented.

Usury

UNICEF says IMF is killing children

International Monetary Fund policies kill children, and that's official. On the occasion of World Children's Day, Sept. 20, the United Nations International Children's Education Fund (UNICEF) attacked IMF policies in the developing sector as responsible for increased infant and child mortality.

In a statement of the German Committee for UNICEF, former Tanzanian President Julius Nyerere is quoted, "Do we have to let our children starve to pay our debts?"

UNICEF cites its recent report, "Adjustment with a Human Face," which showed how IMF policies lead to falling wages, increased unemployment, price increases of basic goods like food, reductions of government spending in the social field, and thereby worsening of the health supply and education. "In the above mentioned study, UNICEF reported on ten countries, where the number of malnourished children increase, diseases increase, child and infant mortality increase, where a policy of financial stabilization leaves the human factor out of account."

● **THE FRENCH** government has allocated "five times less money for the anti-AIDS fight" this year than last, according to a report in *France Soir*. Leading AIDS researcher Luc Montagnier of the Pasteur Institute is quoted, "Authorities have to persuade themselves that a long and continued effort has to be undertaken, which requires stable funding."

● **ONE-QUARTER** of all patients in the hospitals of Dar es Salaam, Tanzania are infected with AIDS, according to a doctor working there.

● **OFF-BALANCE-SHEET** obligations of international banks—usually guarantees of various transactions by other parties—are greater today than before the October crash, according to a Swiss banking spokesman. Speculation combined with computerized global financial "dealing" have created an extremely "dangerous" situation, the source said.

● **THE SOVIET UNION** may have been behind the \$7 fall in gold prices Sept. 16 to the lowest point in 18 months. Rumor has it that the U.S.S.R. unloaded a huge amount of bullion on the Swiss market to raise cash.

● **EUROPEAN COMMUNITY** butter stocks are at a historic low of 180,000 tons, after 110,000 tons were sold to Russia and 18,000 tons to Egypt, Tunisia, and Algeria. The figure is even lower than in 1982, when butter stocks first started to mount.

● **GERMAN-SOVIET** cooperation in railway technology was agreed by the two ministers of transportation, Juergen Warnke and Nikolai Konarev, in Bonn Sept. 16. The Soviets are most interested in the West Germans' experimental magnetic train. Said Konarev, if the Germans have any problems with environmentalists (!), the experimental track could be built in the Soviet Union.

U.S. water development: an aborted mission

Ronald Kokinda looks at the recent history of sabotage of American water development projects, and with them, American economic and population growth.

A precondition for continuous, real physical growth in the American economy is an abundance of infrastructure, developed with enough lead time to ensure that no limit is placed upon population growth. Water and water management, among infrastructure projects, are key.

During the 1950s and early 1960s, it was recognized clearly by some among our public officials that unless an aggressive water development mission was undertaken for the nation, the resulting deterioration in the U.S. economy would begin to put upper limits on population growth, at least regionally, by as early as the 1980s.

Leadership to spark the implementation of broader and longer-range water management planning and an aggressive building program, giving a sense of national mission, also emerged at this time with the presidential candidacy of John F. Kennedy. Kennedy campaigned with the promise of a strong water development program. And he kept that promise.

Water projects were for the citizens of the 1950s what the space program represents today. Major engineering feats, such as the Hoover Dam, represented progress and inspired pride and optimism in what the nation could accomplish. They were a concrete reaffirmation that the nation had a commitment to the future.

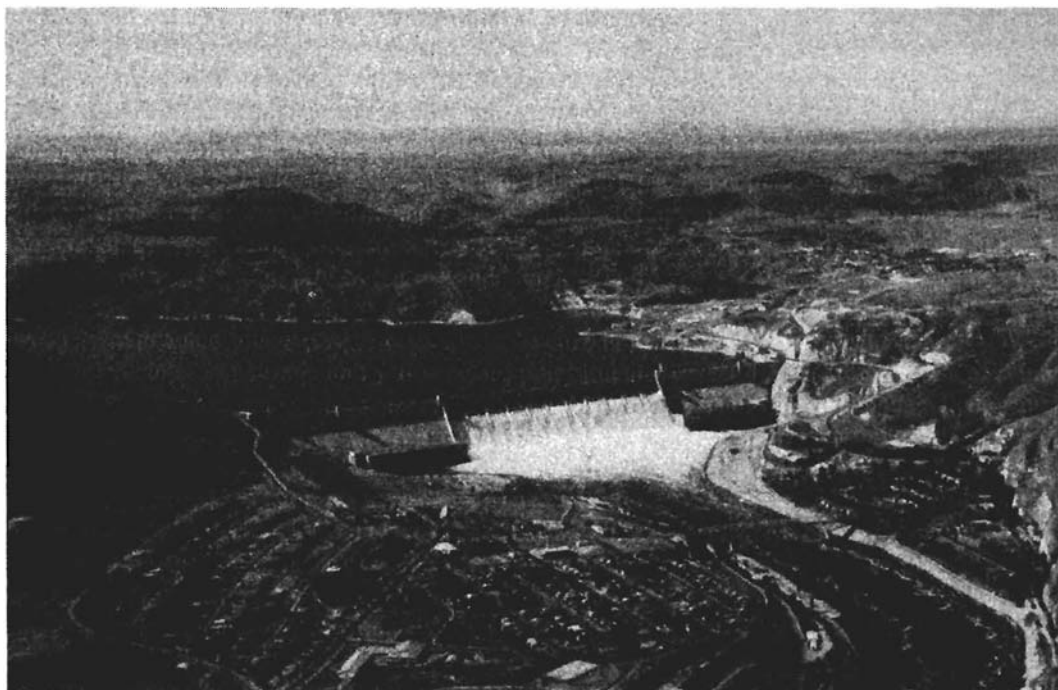
But providing adequate water for the nation was a mission that was aborted. The shift in national direction from development into what became known as the "post-industrial society" policies beginning in the mid-1960s was the turning point. The development of water management infrastructure has been under assault ever since. Every President since Kennedy—Lyndon Johnson, Richard Nixon, Gerald Ford, Jimmy Carter, and Ronald Reagan—has continued this attack.

The crucial tool which was used to enforce an anti-development policy was the budget process and its bureaucracy, the so-called "fifth branch" of government. To gain a commitment for a water project, whether for fresh water supply for cooking or drinking, for deep water ports, river navigation, locks and canals, flood control, hydropower generation, or irrigation, the projected benefits must be shown to exceed the expected costs. It should be clear from this brief history of water development that whenever a political commitment to development existed, the basic assumptions of this cost-benefit ratio—the methods and costs of financing, and the methods, length of time, and sources of repayment—were selected to favor development. But as the "post-industrial society" was imposed upon the nation, cost-benefit criteria were shifted to bury projects under a flurry of unfavorable economic analyses.

Water shortages anticipated

Alarm bells over projected water shortages were already ringing by the late 1950s. Both the Congress and water development agencies recognized that shortages were looming.

Fights between water development advocates in the Congress, and the anti-water development policies of the Eisenhower administration, became increasingly severe by the late 1950s. Budget circular A-47, placing increasing review powers, and therefore "restrictiveness," in the hands of the Bureau of the Budget, angered many water supporters. In 1958, President Eisenhower vetoed omnibus rivers and harbors legislation. In 1959, Eisenhower proposed the elimination of the Public Health Service's grants for sewage treatment plants. When Congress added more money to this program, he vetoed that as well. Eisenhower then announced a policy of "no new starts" in public works projects for FY 1959 and FY 1960.



The last major hydropower project in the United States was the third power plant added to the Grand Coulee Dam, which was authorized in 1966 to add 3.6 million kilowatts to the 2 million kilowatt capacity already there. This was only approved because it involved no new site construction. Left, the Coulee Dam in June 1965.

Congress reacted by passing Senate Resolution 48 setting up the Senate Select Committee on National Water Resources “to make exhaustive studies of the extent to which water resources activities in the United States are related to the national interest, and the extent and character of water resources activities, both governmental and non-governmental . . . required to provide the quantity and quality of water for use by the population, agriculture, and industry between the present time and 1980.”

Released on Jan. 30, 1961, the report defined water problems as becoming “more acute and widespread as the demands of our growing population, agriculture, and industry press ever nearer to the potential limits of the supply of water that nature provides.” It predicted severe water shortages by 1980 in 5 of the 22 regions used in the studies, which were the South Pacific, Colorado River, Great Basin, upper Rio Grande-Pecos Rivers, and upper Missouri River. Severe shortages were projected for three others by the year 2000: the upper Arkansas-Red rivers, the western Great Lakes, and the western Gulf. The report warned that bold programs for construction of storage reservoirs, desalination, evaporation control, waste water reclamation, underground storage, and interbasin transfers would be needed to avoid “placing a ceiling” on the growth of population and economic activity.

The Senate Select Committee was not alone in warning about the amount of work that had to be done. Resource constraints were also being recognized by those with foresight in the water development agencies.

Speaking to a group of his peers on “The Future of Water Development” on Aug. 16, 1962, Maj. Gen. William F. Cassidy, director of civil works for the Army Corps of En-

gineers, laid out a perspective for overcoming these limitations. After reviewing the increase in population, and the declining numbers of acres needed per capita to sustain the population from the period of the Indian tribes to the present, Cassidy said, “During the next 20 years, we estimate that we will have to provide 320 million acre feet (MAF) of reservoir storage at a cost of about \$15 billion; about 13,000 miles of new or improved inland waterways; about 60 new or improved commercial harbors; 30 million kilowatts of hydroelectric power generating capacity; some 11,000 miles of levees, floodwalls, and channel improvements; and recreational facilities for perhaps 300 million visitors at our reservoirs.” Cassidy reminded his audience, “Let us remember the responsibilities our nation is facing.”

Storage capacity built up to that time was 300 MAF, and hydropower was 37.342 million kilowatts. So, Cassidy was talking about doubling these in 20 years. One could argue, certainly, that his projections did not take into account technological shifts, such as nuclear energy, and would run into exhaustion of resources in a given technological mode, but the vision of what would be needed was clear.

In 1964, the Department of the Interior’s *Conservation Yearbook* stated administration policy as one of using reclamation to meet water needs for a Western population expected to double by the year 2000. The Bureau of Reclamation in the Interior Department expected a 47% jump in water supplied by itself by the end of FY1965 over the previous four years, and a 29% jump in FY1965 over FY1964. The Secretary of the Interior strongly endorsed the Pacific Southwest water plan as a means to forestall economic stagnation in the region.

Kennedy: getting America moving

In 1960, presidential candidate John F. Kennedy promised more federal water development as part of his central campaign promise to “get America moving again.” Kennedy, in a September 1960 speech in Billings, Montana, outlined a nine-point natural resources program, including a reversal of Eisenhower’s “no new starts” policy. He also proposed a rejection of the “partnership principle,” which placed more burden on localities; new investment in hydroelectric power development; building federal transmission lines; marketing of federal power to public power preference customers; and more federal aid for water pollution control. Research programs into desalination, which is critical to overcoming the increasing salinity problems of specific areas such as the Colorado River, as well as promising to provide major new freshwater sources from salt water, was to be given special attention.

Upon assuming office, Kennedy stated his belief in the Senate Select Committee’s perception that current and projected water supply shortages were threatening economic growth, particularly in the West, in a message to Congress on natural resources. He recommended an active program of new starts, speeding up flood control programs, full development of the power and water of the Columbia basin, reservation of future sites for reservoirs, new emphasis on desalination research, and doubling the grants for sewage treatment facilities. He later signed into law an appropriations bill which increased the rate of new project starts and accelerated construction.

His was clearly a “scientific” management of natural resources. In the spring of 1962, Kennedy predicted to a White House Conference on Conservation that the most noteworthy contributions of conservationists during the 1960s would be to teach the proven techniques of wise resource use—specifically dam building—to developing nations, and to apply new scientific methods such as desalination and ocean farming to increase the supply of usable natural resources.

Congress backed these initiatives in many ways, including passing Senate Document 97, which revised the standards for cost-benefit analysis in ways that were expected to permit many more projects to be found economically feasible and built.

Johnson: development squelched

Lyndon B. Johnson completed Kennedy’s term of office without any significant changes in resource policy. Upon election to his own presidential term, however, Johnson shifted resource development policy toward what someone described as “a consumer orientation toward nature,” or nature preservation. The natural beauty of the countryside was to be a priority second only to urban open spaces and communion with nature. “Environmentalism” was to be implemented from the top.

All the measures Johnson proposed to the 89th Congress stressed environmental, “non-material” values. Ignoring re-

clamation, he pushed national parks acquisition, “Wild and Scenic Rivers” legislation which removed entire sections of rivers along with their dam and reservoir sites from future development, and pollution control. In a special message to Congress, he called for a White House conference on “natural beauty.” Lady Bird pushed her “beautification” campaign, urging people to plant “a tree, or a shrub, or a bush.” At the same time, he ordered the Secretary of the Interior to review the Army Corps’ proposed dams and flood control measures on the Potomac, a step which led to killing them. It took Johnson a year, however, to come up with a single “building” initiative for his environmental concerns, a proposed \$50 million for a “Clean Rivers Demonstration Project.” This proposal included the first major conservation measures, including water metering, sewage system user charges, and so forth.

After Kennedy’s accelerated public works building programs, Johnson asked Congress for 29 new starts for the Army Corps of Engineers and the Bureau of Reclamation, the two major water agencies, for FY1966. Congress gave him 63. In FY1967, he asked for 7 new starts. Congress gave him 36. In FY 1968, LBJ asked for 11 new starts. This time, Congress gave him only the 11 starts. Budgetary constraints on development were being enforced by the demands of the Vietnam war.

Congress and the water development agencies expected that the lack of available funding, which had led to a backlog of \$7 billion in authorized but unfunded projects by 1969, was only temporary, and that building would resume once the budget constraints of the war were lifted. The Corps felt that the war would have only temporary effects on regional industrial development. However, the rabid environmentalism which Johnson was imposing on national policy was not the only danger development advocates faced. Cost-benefit analysis was being shifted against them.

Cost-benefit perspectives

Opponents of development understand that slight changes in the underlying assumptions used to analyze the costs or economic benefits of projects can have major consequences. The authors of the *Global 2000* report prepared for Jimmy Carter, as have their allies before and after them, strongly attacked the traditional American System economic approach of the lowest possible cost of infrastructure development, of which water availability is an important part. “Water,” the *Global 2000* report reads, “has been presumed to obey economic laws different from those that apply to other resources. The planning and construction of water supply works, the allocation of water among users, the pricing of water—these and other activities have been frequently influenced by the notion that water is virtually ‘free goods,’ which should be provided as cheaply as possible in any quantity desired.”

Global 2000 then very precisely identifies the effect of small shifts in analyzing projects. “The common property characteristics of water, the large quantities used, and the

TABLE 1

Trend in Corps of Engineers backlog of authorized civil works projects, FY1962-71¹

Fiscal year	Active projects unfunded for construction ²	Cost (million \$)
1962	245	\$2,332
1963	279	3,941
1964	273	3,468
1965	377	5,198
1966	312	4,854
1967	399	6,519
1968	388	7,614
1969	361	7,198
1970	452	9,670
1971	408	9,675

1. Excludes Mississippi River and tributaries projects (i.e., valley of Mississippi).

2. The projects authorized in various omnibus acts are reflected in the unfunded project figures for the following fiscal years.

Source: *History of Federal Water Resources Programs and Policies, 1961-70*, USDA.

low user costs all act as deterrents to forecasting future water use. . . . The possibilities for changes in the structure of use in response to *relatively minor adjustments* in the way water is managed are so great as to render extrapolation essentially useless [emphasis added].”

In 1967, two study commissions appointed by President Johnson—the National Commission on Food and Fiber and the National Commission on Rural Poverty—recommended that all federal subsidies for irrigation, and all other federal agency programs of agricultural land development, be terminated. It was “unsound policy to invest public funds in

new farm capacity at a time when the overriding problem [is] too much capacity.” The Rural Poverty Commission urged industrial development and environmental improvements over agricultural land development except when it provided the “only feasible escape from poverty for Indians and other specific groups of rural poor people.”

“It is ironic,” one water historian noted, that at the time these arguments were advanced, the crop surpluses of the 1950s and early 1960s “were in fact beginning to decline.” Project proponents argued that there would be no crop surpluses during the 1980s because of world food shortages, a projection that is proving to be all too true. They also argued that there were no longer any real surpluses because of the food for peace program, and that remaining stocks were merely an inadequate reserve which could be quickly exhausted by catastrophe. But their arguments were to no avail.

Irrigation projects had, and continue to have, an additional hurdle. Not only have they faced the argument of too much food production, but they face the problems of the prices for farm products. If the benefits of projects such as irrigation are the crops produced, there is obviously a massive difference between a parity and an open market price. Similarly with navigation projects. The benefits were at one point counted as all the additional traffic that was added to a river. In November 1964, the benefit analysis was shifted to reflect the “water compelled” rate, that is, additional river traffic minus the loss of traffic in other forms of transportation. This stopped every authorized navigation project in the nation cold. Fortunately, the Bureau of the Budget was forced to drop this approach in 1966.

Johnson then delivered a body blow to all water projects as their financing costs were driven up. In January of 1968, after repeated Bureau of the Budget attacks on the water agencies’ evaluations of the economic efficiency of water projects, LBJ instructed the Water Resources Council, a water interagency group created in 1965, to develop a “more ap-

TABLE 2

Bureau of Reclamation construction expenditures, FY1965-71

(in millions of dollars)

Fiscal year	Irrigation	Multiple-purpose reservoirs, including power	Power transmission	Flood control	Municipal water	Subtotal direct expenditures	Small projects, programs, loans, and grants	Grand total
1965	\$ 88.6	\$100.9	\$47.9	\$ 9.3	\$ (1)	\$246.7	\$12.0	\$258.7
1966	99.8	133.1	30.9	13.6	(1)	277.4	18.0	295.4
1967	155.5	25.3	31.5	10.0	8.4	230.7	16.8	247.5
1968	127.0	36.3	31.5	13.5	3.1	211.4	13.6	225.0
1969	79.0	65.9	24.6	10.6	19.9	200.0	4.4	204.4
1970	64.7	63.0	23.1	2.3	23.9	177.0	3.8	180.8
1971	64.6	119.2	10.8	2.4	29.2	226.2	6.5 ²	232.7

1. Less than \$50,000.

2. Although expenditures for this program were at a low level in fiscal 1971, they were projected to—and did—rise dramatically in the early 1970s.

Source: *History of Federal Water Resources Programs and Policies, 1961-70*, USDA; compiled from Office of Management and Budget’s Special Analyses—Budget of the United States, fiscal years 1967-73.

propriate" discount rate, i.e., to raise it. Under Kennedy, Senate Document 97 had set project financing at 3¼%. Under a compromise, the new rate was to rise to the cost of government bonds, jumping to 4½% immediately in 1969, and rising ¼% per year maximum thereafter. An entire range of projects were erased from the drawing boards. More possible new starts were inhibited as the rate was expected to rise to 5½% for 1971, which it did. By 1976, the rate had reached 6½%.

Another devastating blow to water development also hit as support for interregional water transfers, always a sensitive issue, collapsed. During the early 1960s, while the building push was on, studies were being conducted to bring major new water supplies into the driest regions of the Western United States. In 1963, one water resources subcommittee in the Senate, chaired by Sen. Frank Moss (D-Utah), favorably reported on the North American Water and Power Alliance (NAWAPA) concept to import Alaskan and Canadian water.

However, incorporated into the Colorado River Basin Project Act of 1968 at the behest of the chairman of the Senate Interior Committee, Sen. Henry Jackson (D-Wash.), was a provision that importing water from outside the Colorado Basin could not be studied for 10 years. While ostensibly designed to protect the export of water from the Columbia River basin, this barred further study of NAWAPA as well. The Colorado, at roughly 15 million acre feet of water per year, supports an amazing amount of agricultural, industrial, and municipal water needs, including 4.4 MAF delivered to the Los Angeles-San Diego region. The Columbia River, with roughly 180 MAF per year, was projected shortly thereafter to be completely needed for their own use by the Pacific Northwest states, largely for hydropower development. While reuse of Colorado water is high, environmentalists can't stand engineers calculating how many sets of kidneys Colorado River water passes through during its course down the river. Without new water sources, the Colorado supply would clearly become critical.

The only interbasin study that the Bureau of Reclamation undertook was a proposal by the Texas Water Development Board to transport 6 MAF of Mississippi River water to the relatively fertile soils in West Texas and eastern New Mexico. The proposal estimated that six nuclear reactors at a cost of \$20 billion were needed. But this proposal had a special drawback: Hydropower revenues from projects were considered "money-makers" that repaid the projects and offset a great deal of the cost side of the cost-benefit ratio. Hydropower revenues from increasingly broader areas within a water basin were used to pay for less profitable irrigation projects, and the Mississippi transfer was unable to offer hydropower. Instead, revenues to pay for the project were to be generated from higher municipal and industrial water user rates. Texas voters thereupon rejected the state bond issue.

The Army Corps budget, which had been \$0.8 billion under Eisenhower, and had risen to \$1.3 billion by 1966

(construction of \$1.05 billion), had dropped to \$900 million in construction funds by 1971. It didn't drop further because of the large number of starts from the early 1960s.

Nixon: putting teeth into environmentalism

Nixon's White House task force on resources headed by Conservation Foundation president Russell Train (now head of the World Wildlife Fund, which shares Washington offices with the Conservation Foundation), urged that environmental protection be given the highest national priority. Nixon signed Executive Order 11472 on May 29, 1969, establishing a Cabinet Committee on the Environment, the first of several rabidly environmentalist steps. At the same time, an increasingly environmentalist Congress passed the National Environmental Policy Act (NEPA) which, backed by an enthusiastic Nixon, was signed into law on Jan. 1, 1970.

NEPA began to put real teeth into environmentalism by requiring all federal agencies to submit "environmental impact statements" for all proposed projects and work. On March 5, 1970, Nixon signed Executive Order 11514, which ordered all federal agencies to report on possible divergences of their enabling authorizations and procedures from NEPA's purposes. Shortly thereafter, Nixon created the Environmental Policy Administration separating water development from pollution control. Nixon proposed 37 project starts for the Bureau and the Corps for FY1970. Congress passed appropriations for 102 projects. But while unwilling to increase funding for the water development agencies, Nixon was willing to shift funds into pollution control.

NEPA and its environmental impact statement opened various water projects up to attack by environmentalist opposition, which sought to terminate their funding through the Congress and the political process. Worse, legal suits which tied projects up in long court delays were now being filed by private groups. Some projects, such as the Tennessee-Tombigbee waterway, had enough support to weather the attacks and make it to completion. The Tenn-Tom became the last major new navigation project in the nation. Others, such as the Cross Florida Barge Canal, which was under construction and one-third complete, were abandoned. The Ohio River-Lake Erie canal never really made it past the drawing boards.

Despite increasingly unfavorable cost-benefit "analyses," the Army Corps of Engineers' backlog of authorized but unfunded projects had grown from 245 in 1962 at a projected cost of \$2.3 billion, to 452 projects in 1970 at a cost of \$9.67 billion.

Hydropower development had essentially come to an end in the mid 1960s. The Bureau of Reclamation, facing the loss of the few remaining good sites for power generation because of the environmentalists and Johnson's Wild and Scenic Rivers legislation, and making their calculations on the basis of the most economical alternative, concluded that hydropower was not the most economically feasible approach. The last major hydropower project was the third power plant added to

the Grand Coulee Dam, which was authorized in 1966 to add 3.6 million kilowatts to the 2 million kilowatt capacity already there. This was approved largely because it involved no new site construction.

Desalination began to fail by the late 1960s also. As the nuclear industry began to wither under similar environmental and economic attacks, the water agencies concluded that it was not feasible to desalinate water on a major scale without dramatic cheapening of the inputs, specifically the cost of energy.

Those projects which survived the increasing financing costs, the environmental attacks, and less favorable analysis of their benefits, were attacked again during the administration of Jimmy Carter. A "hit list" was issued by Carter shortly after his inauguration, which proposed deauthorization of dozens of projects. Congress, for the most part, complied.

Similar to the death of the nuclear industry, where whatever survived the environmentalism of the Carter administration was finished off by the economics of the Reagan administration, water development under Reagan has also suffered. The privatization of public projects, forcing more local financing upon already debt-strapped localities, imposing user charges, and continuing the trend from the 1970s to place greater emphasis on state planning, has served to ensure that no solutions on the scale required to address what have now become serious water shortages were even to be considered.

The Reagan administration ideology is basically one of getting the federal government, except for Army Corps of Engineers responsibilities such as navigation, out of the business of water development. The Bureau of Reclamation today, like the Eisenhower administration, has an unofficial "no new starts" policy. The biggest program the Bureau is proposing is a retrofit or refurbishing of already operating Bureau projects at a cost of a couple hundred million dollars a year, to reduce leakage and similar problems associated with 25- to 80-year-old facilities.

Irrigation

Irrigation has played an important role in increasing agricultural productivity, which, some experts warn, has returned to the 1% per year growth of the early part of this century, down from the 2% per year increases of the 1950s and 1960s. Agriculture has suffered from the same shift into environmentalism and consumerism, as well as the same cutbacks in research funding. It is estimated that agricultural research budgets growing at 3% per year would yield a 1.1% growth in productivity, while 7% growth in research budgets is expected to translate into 1.3% productivity growth. Research budgets have been growing at 1% per annum during the 1970s and 1980s, and results require about a ten-year lead time to materialize.

Irrigation acreage doubled between 1950 and 1980, and tripled between 1940 and 1980. In 1980, an estimated 27% of the value of farm crops was produced on irrigated land,

which was only 12% of all acres harvested. The comparative differences in food produced between crops grown in the irrigated West, the dryland West, and the East, for corn, for example, are 115.2, 48.3, and 88.6 bushels per acre, respectively. This, of course, results not just from the water. By removing uncertainties, irrigation leads to more capital inputs and intensive crop management. Growing seasons, days of sunshine, etc., are also different for the bulk of irrigated lands.

Because of depletion of groundwater supplies, which accounts for roughly 40% of the water used for irrigation, and rising energy costs, and since many states over the Ogallala Aquifer planned a 25- to 50-year exhaustion of these supplies, the Soil Conservation Service of the U.S. Department of Agriculture was projecting as early as 1977 that 5 million irrigated acres would revert to dryland farming in the West by 2010, a 10% drop.

The response to date has been to do nothing or worse than nothing. The last major irrigation projects authorized were the North Dakota Garrison Diversion Project in 1965, the Nebraska Mid-state Diversion in 1967, and the Oahe unit and James diversions in South Dakota in 1968. None are built today.

In 1964, Congress mandated a re-study of old proposals before construction could start. All of the above-mentioned projects survived, because the financing costs continued to be calculated at the old 3½% rate, and they had already been authorized once. Garrison Diversion survived this test politically because of reciprocity with the lower Missouri states. Upper Missouri states had given up their farmland for reservoirs to protect the lower Missouri states from flood damage, and now, it was argued, they should get some farmland back. The Bureau, playing off of LBJ's "concern" for urban decay, argued further that it would reverse the rural population decline already under way in the northern Missouri basin and relieve pressure on the large urban areas.

Opponents attacked the project by saying that beef, lamb, feedgrains, potatoes, and sugar beet producers were being paid not to produce. They pointed to North Dakota farmers who were paid \$20 million to divert wheat and feedgrain acreage, and \$15 million to keep soil bank land out of forage, in 1965. But the project survived because hydropower revenues generated throughout the Missouri Basin were allocated to help repay the costs of the project.

Garrison Diversion was initially authorized to irrigate 1 million acres, or about 2.4% of North Dakota cropland. There was a 10-year restriction against growing any crops which were receiving support payments from the Commodity Credit Corporation, but proponents felt that this time limit would lapse before construction was completed. Unfortunately, they didn't know how right they were. Congress later scaled back the project to 250,000 acres. In 1985-86, Congress, still fighting out the issue, reduced the project to 90,000 acres. Nothing has yet been irrigated.

Behind the mask of so-called 'Communism'

by Lyndon H. LaRouche, Jr.

This report on some crucial problems of irregular warfare is prompted by meetings, over a three-day period, with a man who is one of the world's leading anti-communists, and also one of today's leading strategic thinkers on the subject of those methods of "irregular warfare" which have been adopted by the leaders of Moscow and Beijing.

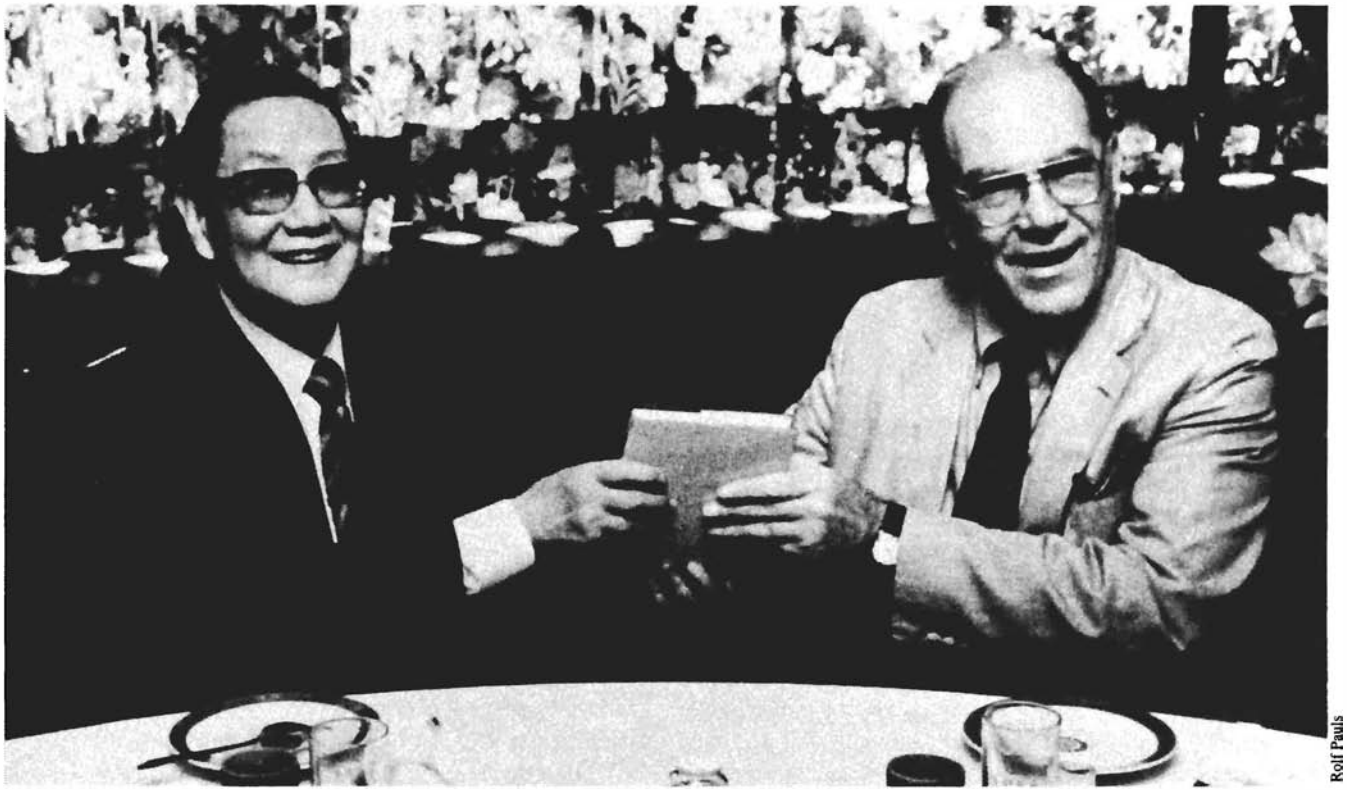
My distinguished host for that occasion is a former instructor at China's Whampoa military academy where he was for a time, coincidentally a colleague of leading Chinese Communist leaders such as the late Chou En-lai. He is known to insiders internationally as a leading advocate of the principles of the liberator of China, Dr. Sun Yat-sen, and was an adviser to Dr. Sun Yat-sen's designated successor, Generalissimo Chiang Kai-shek.

He is a repository of what some might term "many secrets" of historical importance and consequence. These include facts generally unknown to today's self-deluded so-called "U.S. China experts," including Henry A. Kissinger's and William Weld's China-policy advisers among the pro-communists of Harvard Law School, or what passes for such expertise in circles of the London Tavistock Institute and State Department liberalism.

In particular, he is an expert on the subject of what Beijing calls "Peoples War," a doctrine which the 1960s associated most commonly with the late Lin Biao. He recognizes Peoples War as the Chinese term for what my military specialist friends and I term "irregular warfare"—not to be confused with mere bloody games in the name of "low-intensity warfare."

In addition to the importance of my host's valuable special contributions to mastery of this field, it is very useful to us in Western Europe and the U.S.A. today, to insist that Peoples War and Irregular Warfare mean precisely the same thing. The equation of Irregular Warfare to Peoples War should help to correct the blunders of those all too many professional as well as popular circles, who assume wrongly that the term Irregular Warfare is taken to be just another name for "low-intensity warfare."

For example, in Cambodia, the Pol Pot regime conducted relatively the greatest



Rolf Pauls

Lyndon LaRouche (right), independent Democratic candidate for President of the United States, is fêted by General Teng Chieh during his visit to Taipei, on Sept. 4. General Teng was a trusted adviser to the late Generalissimo Chiang Kai-shek and is now an elder statesman of the Nationalist Kuomintang Party in the Republic of China.

genocide of the twentieth century to date; this example of Peoples War—irregular warfare—ought to remind us that Peoples War is not something below the intensity of regular warfare.

For example, I would recommend a reading of Gen. Saiyud Kerdphol's *The Struggle for Thailand* account of the essentially successful 1965-85 counterinsurgency in that country. I would recommend that that be compared with the actual course of counterinsurgency in postwar Malaysia—as opposed to the misrepresentation supplied to credulous Americans by the obtuse “Malaysia” Thompson.

For example, in modern European experience, the classic case of Irregular Warfare, or Peoples War, is the 1618-48 Thirty Years War brought to an end by Cardinals Richelieu's and Mazarin's actions against the Hapsburgs. The classic analysis of this characteristic of the Thirty Years War is that elaborated by historian-dramatist Friedrich Schiller in preparing his *Wallenstein* drama. Schiller's analysis of Irregular Warfare was brought into formal Prussian military doctrine by the colleagues of Gen. Gerhard Scharnhorst, in the planning of the 1812-13 campaign to topple Napoleon Bonaparte. The experience with the Prussian general staff's campaign of 1812-13 was the starting-point for the elaboration of the Soviet “Tukhachevsky Plan of the Offensive” intended for war of conquest to be launched against Germany.

The increases in rates of per capita firepower and mobility accompanying and following World War I, systematically destroyed the attempts to distinguish a well-defined military front screening the civilian populations of the interior from direct participation in warfare. Although I agree with the Soviet professionals' estimate that a war defined by nuclear and counter-nuclear arsenals could be fought, I also agree with my host that modern developments in firepower, mobility, and considerations of depth have made Peoples War—but not “low-intensity warfare”—the characteristic form of warfare at this time. Indeed, the changes in Soviet order of battle integral to the Ogarkov Plan contain some elements of military genius, this in respect to the Soviets' work on integrating regular and irregular forms of warfare to single effect.

Comparing such examples of Peoples War as Pol Pot's Cambodia and Europe's Thirty Years War ought to remind us that Peoples War is implicitly a more terrible form of warfare, and of far greater intensity than even what might be imagined as predominantly a regular war involving nuclear arsenals. The combination of person-to-person cultural, economic, political combat with neighbor-to-neighbor killing, admixed with effects of extensive famine and epidemic, brings us closer to a vast depopulation of this planet than would be accomplished by any major power's conjecturable, hypothetical use of nuclear arsenals in regular warfare.

From the standpoint of the modern classic military doctrine established by the example of the American Revolution, and, more emphatically by Lazare Carnot's and Scharnhorst's successive reforms, the difference between Irregular Warfare and so-called "low-intensity warfare" are simply the following.

The U.S.A.'s shift from classical military doctrine, to the postwar practice of "no-win wars," as institutionalized by the firing of Gen. Douglas MacArthur, represents a return to the mentality of eighteenth-century "cabinet warfare," to the follies temporarily obliterated at the twin battle of Jena and Auerstädt. Under the U.S.'s postwar "no-win war" doctrine, conflict is run not by the generals, but by the State Department's negotiating team, using military force merely as an expendable pawn of the diplomatic games. The notion of "low-intensity warfare" is a product of that mentality.

It ought to be no secret, that the war policies of Winston Churchill's circles reflected, in part, or were otherwise at least coincident with Churchill's admiring reflections on the policies and practices of his famous ancestor, the first Duke of Marlborough. It is no secret, that from 1938 onward, at the latest, Churchillian policy was to secure an alliance with Moscow, not only for the war against Germany, but into the postwar world. A pattern of Anglo-American agreements respecting postwar global power-sharing relations with Moscow, typified by the Yalta and Potsdam agreements, reflect this policy.

One of the most naked expressions of this Anglo-American commitment is Bertrand Russell's contribution to the October 1946 issue of *The Bulletin of the Atomic Scientists*. The view Russell expressed in that item accurately reflects the true character of what less sensitive minds might imagine to have been Churchill's switch from Potsdam to "Iron Curtain" policies in his famous Missouri address. The purpose of the "Cold War," in those circles was to adjust the balance of power preparatory to negotiating with Stalin's successors those terms of "global power-sharing" deemed acceptable to the Western (philosophical) liberals.

The simplest feature of the motives of those Anglo-Americans is their commitment to a "world-federalist" sort of utopian perspective. The world-federalist conceits of Britain's wartime ambassador to Washington, Lord Lothian, typify this, as does the cited Russell contribution to the October 1946 issue of *The Bulletin of the Atomic Scientists*. We see this today, in such manifestations as the troubled treaty of integration struck between Washington's and Ottawa's negotiators, and in that "Europe 1992" perspective pushed by Lloyd Cutler and other controllers of the unhappy governor of the de-energized "Peoples Republic of Taxachusetts." These reflect the world-federalism of Lothian, and of such ideologues as one-time Hitler supporter, Count Richard Coudenhove-Kalergi, Denis de Rougemont, Jean Monnet, and ex-Trotskyist Paul-Henri Spaak.

In other words, the Cold War and its associated conflicts,

at least from the vantage-point of such world-federalist liberals in command of U.S. policy-shaping drifts, were an echo of the "balance of power" doctrine adopted by the leaders of the 1815 Treaty of Vienna. Their objectives included the virtual extermination of the modern sovereign nation-state, and the establishment of a "one-world empire" ruled by power-sharing arrangements among the Western liberals, Moscow, and Beijing.

So, since liberals of that persuasion have dominated the postwar Anglo-American Establishment, the impulses of patriots, including military professionals, have been checked to the effect of ensuring that instruments of warfare were limited in expression and capabilities to the requirements of a modern equivalent of eighteenth-century cabinet warfare. It was this feature of the liberal establishment's control of the Kennedy administration which prompted the imposition of cabinet-warfare thinking in the form of adopted "low-intensity warfare" doctrine.

By contrast, Peoples War, Irregular Warfare, is "total war" in the truest sense, as the relevant circles in Moscow and Beijing rightly understand that point. It is the U.S.'s failure to grasp this point which prompted Mao Zedong to characterize the United States as a "paper tiger."

So, to resume the reference to the discussions in Taipei.

My contribution to the exchanges, was the view that we must escape the narrow definition of "Communism" as adopted by most professedly anti-communist factions.

We must see Communism rightly, not as both the credulous pro-Marxist professors and most anti-communists define it, but rather as *an instrument of policy created and deployed by certain among the same, powerful, supranational agencies which created the fascist movements of the period between two World Wars, and which have created the international "environmentalist," "New Left," and "radical counterculture" movements of the post-1963 period.*

My host stressed, and I certainly agreed, that the important general fact about Communism is that its results in practice do not accord with the avowed goals used to recruit credulous sympathizers and adherents. What Communism professes itself to be to the credulous, and what its controllers intended to accomplish by recruitment processes, have no efficient connection to one another.

This fact is frequently stressed by anti-communists. This fact indicates that Communist movements are governed, at the top at least, by different goals and motives than those argued with such factional heat among the West's socialist doctrinaires and academic commentators on these subjects. If socialist remedies for the injustices within capitalist and imperialist states are not the true motives and goals motivating such movements, then what are the actual motives and goals hidden behind the mask of propaganda and socialist dogma?

The obvious questions this poses are usually overlooked. One explanation is that as socialists achieve great political

power, especially state power, the initial idealism wanes to the degree that the old socialist ideals are betrayed by newly acquired, corrupt motivations among those in leading positions. That is pure sophistry; when we examine the origins of the Jacobin organization and its socialist, anarchist, and fascist successors, we find that from the beginning these organizations were fostered by powerful financier interests, and used by them as instruments of policy. What are the powerful financiers' motive and goals for creating such an instrument of policy?

Old Communist Herbert Marcuse insisted that "there are no conspiracies in history." Those who purport to draw inferences from the control of socialist movements by powerful rentier-financier interests, as Heinrich Heine reported angrily his first-hand knowledge of this, are deprecated as "conspiracy theorists." Catch Marcuse with his hand in the cookie-jar, and he would probably insist, "What cookie-jar? There is no cookie-jar." So, the obvious facts are brushed aside, and the relevant questions rarely explored.

Communist conspiracies exist, of course; yet, they are but a mask for something far different than Western left-wing propaganda represents Communism to be. The really efficient enemy is not Communism per se, but rather that which operates, in part, behind the mask of Communist doctrine's utopian features.

An analogy helps to clarify the significance of such a distinction.

A man who employs assassins might not wish his daughter to marry such a fellow. Or, an employer who hires gangs of strikebreakers may despise those he employs so. An intelligence service may have contempt for the traitor it recruits as a spy or turncoat. Or, powerful financiers who assist the international narcotics traffic and reap vast wealth from this activity, naturally despise the drug-traffickers they employ. In such cases, we must distinguish between the nature of the self-interest which motivates a policy and the adoption of instruments to further that policy.

Similarly, those wealthy Western families which helped to bring about the Russian Revolutions of 1905 and 1917 had no intention of ceasing to operate as successful financiers. The Winston Churchill who was the chief architect of the terrible Yalta and Potsdam agreements was obsessed with the wealth and power of his ancestor, the first Duke of Marlborough. In such cases, we must distinguish between the perception of self-interest which motivates the adoption of such policies by the first party, and the self-interests of a Communist state or movement, the second party, which are adopted as instruments of the first party's policy.

Conversely, we must not assume that the second party's own policy is the motivation of the first party. The hired assassin kills for money and related personal considerations; what are the motives of the persons who hire the assassin?

It is the commonplace failure to recognize these sorts of distinctions, which has caused many to misunderstand both

the origins of Communism and the manner in which its influence and interests are sometimes furthered in seemingly astonishing ways. To understand Communism, we must understand it primarily as an instrument of policy, and focus our attention primarily not upon the dupes of Communist influence as such, but upon those powerful, often non-Communist financier and related agencies which have simultaneously created and furthered the creation and spread of both communism and fascism, and often did so simultaneously during the heydays of the 1920s and 1930s.

This does not contradict the fact, that once established as political power, especially in state power, communist and fascist movements take on a character which is relatively more independent of their financier sponsors. One is reminded of the famous story of the wife of a legendary rabbi of Prague, the story which inspired Goethe's tale of the "sorcerer's apprentice." The rabbi created out of loathsome mud, a magical creature of his will, a Golem. His wife, prying into her husband's secrets, set the Golem into motion one day, and was unable to control it. The ruling oligarchy of the Soviet empire, the famous *Nomenklatura*, is such a "Golem." Like Mrs. Shelley's Frankenstein monster, it could become the case, that the creation destroys its maker.

Even in that case, the monster's genetic nature remains that embedded in it at its moment of creation. The fact that a monster turns parricide, is the end of the father, but not of the genetic fact that the victim was the monster's father.

Communism and fascism were created by a powerful rentier-financier oligarchy against the influence of institutional forms typified by the case of the American Revolution and our constitutional form of federal government. The purpose of communist and fascist movements was to enable their creators to go beyond the mere overthrow of governments it did not like, and to seek to eradicate the cultures and institutions from which the modern form of sovereign nation-state republic tends to spring afresh. The purpose was chiefly to eradicate from Western European civilization, and also from this planet as a whole, the last vestige of the Augustinian heritage, and, most immediately, the influence of the 1439 Council of Florence.

So, from the outset, communism and fascism were designed to serve as instruments of Peoples War. That is their genetic character, a character which comes more fully to the surface of such movements as they enter their adult phases. Hence, modern Peoples War has been shaped into a specific form by the increasing power of these movements during the course of the present century.

To win Peoples War, we must understand the nature of the adversary, his motives, his goals, his methods, in the same way a professional hunter stalks a dangerous beast. This nature is that embedded into the foe through the process by which these movements are created and set into motion. That genetic quality cannot be defined without examining the relationship between such radical movements and their pow-

erful non-communist sponsors. Nor can we resist the successful penetration of our societies by these movements unless we address the point that this is made possible by the fact that those movements are also an instrument of policy of certain powerful financier and related agencies operating inside the highest levels of policy-shaping within our own nations.

The case of the 1922-27 "Trust" arrangements between the Soviet government and the Anglo-American liberal Establishment is, still today, the most convenient point of access to this phenomenon. That was the qualification I introduced briefly to those discussions in Taipei.

To this effect, I suggested that we reference part of our future deliberations to the 1922-27 period of Kuomintang history, a period during which the tactics and strategies of the Communist International and Moscow in China were governed by the same policies prevailing in Moscow's "Trust"-centered collaboration with certain powerful, Western financier interests. Since my host was already, during that 1922-27, emerging to become an important figure in the development of the Kuomintang's military leadership, he and his surviving peers of that age-range command a rare quality of first-hand knowledge on the role of the "Trust" in shaping the attempted subversion of the Kuomintang during that period.

I was born in 1922, and acquired my first strong impressions of the struggles in China about 1927-28. By that latter time, my host had been already a leading young adult of the Whampoa military academy community. Today, since the financier interests associated with the 1922-27 Trust have avowed themselves at least as bitterly my personal enemies as do their accomplices in Moscow, I have come to know certain secrets of modern world history better than my friends in China.

So, if we integrate what my collaborators and I already knew of the Trust and its origins, with China's own experience with the same Trust, the common fruit is an improved knowledge of the quality of a powerful new weapon in our hands. It is to that purpose that this report is dedicated.

What Americans don't know about communism in China

It is sufficient to mention, that what most U.S. circles have come to believe about the 1940s' military political history of China, are handed-down versions of false representations originally concocted to cover up the Anglo-American liberal Establishment's application of the 1943 Yalta doctrine to the Far East. The facts as I know them appear to coincide with the policies and actions of Gen. Douglas MacArthur prior to his Britain-prompted firing by President Harry Truman, and are in opposition to the falsified views and wrong policies of the Truman administration's State Department.

To this effect, it should be emphasized that the truth of the history of the modern Republic of China is that it has been

a period of ebbs and flows of a process of continuing civil war from the time of the establishment of the first provisional government of the republic down to the time of a divided China today. Mao Zedong's Great Leap Forward and Cultural Revolution were but prominent features of a continuing Peoples War on the mainland, the latter each a civil war fought in the form of application of Peoples War to the setting of both the mainland and the overseas Chinese, also applied to other populations of Asia.

There are not "two Chinas," nor a mainland China distinct from an island nation of Taiwan. There is but one China with two rival governments.

So, the problems of the Republic of China during the 1930s and 1940s, were reflections of this state of unresolved civil war—actually the form of irregular warfare usefully equated to a correct definition of Peoples War. The generally accepted Western myths about that period of China's history depend upon ignoring the related internal circumstances confronted by the Nanking and Kunming governments, then under conditions of combined foreign and civil warfare.

In the matter of Asia, including China, the relevant circles in Japan are vastly superior in knowledge to any visible so-called experts in the United States. However, Japan's view, while vastly superior to that of the U.S. State Department, for example, suffers two defects. Its perception, while a rational one from the standpoint of Japan's estimation of its interests, tends to overlook some crucial higher considerations of a true Asia policy which a well-advised U.S. government might come to share with Japan, China, and other patriotic forces of the East and South Asia regions, and as a Pacific-Indian Oceans Basin policy generally.

My own advantage in this is that I am committed to a worldview inherited from such leading European figures as Cardinal Nicolaus of Cusa, Leonardo da Vinci, and Leibniz. Thus, I am committed, as were Cusa and Leibniz, to the establishment of a world order based primarily on the Christian view of the equality of each individual human soul, of all races and nationalities, under the rule of universal natural law as Cusa and Leibniz, for example, understood this. For the same reasons, I am committed to the establishment of a world system of perfectly sovereign nation-states, states whose common submission to universal principles of natural law defines the relations among those sovereign republics (in Plato's and Cusa's sense of the term "republic"), as consti-

tuting what U.S. Secretary of State John Quincy Adams described as a "community of principle."

For me, there are no master-races, and no margin for tolerating any continuation or revival of forms of world-government such as those modeled upon ancient Mesopotamian or Roman forms.

For the same reason, we must not tolerate the kind of world-federalist empire which the followers of Lord Lothian, Coudenhove-Kalergi, Denis de Rougemont, Paul-Henri Spaak, and Jean Monnet, are now supposed to bring into being by approximately 1992. I am a patriot of the United States, but I am also a dedicated ally of the patriots of every nationality. I am thus in effect a patriot of India, of Thailand, of Japan, of the Philippines, of Mexico, of Argentina, of Colombia, and of the nationalities of Europe, as I am primarily a perfect patriot of the United States. I wish for them the same rights as I demand for the United States.

At the close of the last World War, many U.S. overseas veterans in the Asia theater (at least) shared with me the view of a true "manifest destiny" for the postwar United States. We thought intolerable the oppressive conditions we saw in those nations. Our Christian consciences, our related sense of justice, and our perception of vital U.S. strategic interests in establishing future world peace prompted us to dedicate our nation to providing the nations of what we call today the "developing sector" those same rights to sovereignty, sacredness of the individual life, and economic development on whose behalf the American Revolution of 1776-89 had been fought against the imperialist liberal faction then ruling Britain.

It has been my fate to remain an adherent of that view, that commitment, when most of my peers among those veterans had abandoned this cause. The entirety of my political life has been committed, at least centrally, to this cause, the cause for which I have been so wildly reviled by the liberal news media and the Soviets and their fellow-travelers alike.

For reason of this attitude, and the philosophy from which it springs, patriots of many nations of this world have come to recognize me as a unique quality of friend among the political figures of the United States. I have not betrayed that confidence, and never shall; my commitments flow from my deepest sense of personal identity, to such effect that there is no desired advantage for which I would gain anything important to me by compromising that policy. That standpoint, and the knowledge which I have acquired in attempting to guide my actions accordingly, afford me what are, unfortunately for this world today, relatively unique advantages as a "world-class statesman" in such matters.

On the subject of the postwar history of China in particular, and South and East Asia in general, the U.S. citizen's ignorance of the truth about this history has been aided by the way our nation has misdefined the threat of Communism. For this, the late Sen. Joseph McCarthy (R-Wis.) (who had been elected by a critical margin of U.S. Communist Party sup-

port) is significantly to blame. The role of FBI Director J. Edgar Hoover is also much at fault in this.

Much of what McCarthy, for example, and the John Birch Society alleged about the role of Secretary of State George Marshall in "losing China" was true. It is also true, that while General Marshall and Patrick Hurley were by no means Communist ideologues, some relevant sections of the U.S. foreign-policy establishment were either Communists or fairly described as "fellow-travelers." However, the simplistic emphasis on a Communist conspiracy per se was obviously the wrong analysis, and one which was easily discredited during the famous Senate hearings on the McCarthy case.

So, as the discrediting of McCarthy was made possible by his mistaken representation of the problem, all serious discussion of the issue of what happened in U.S. policy toward China was pushed from public attention into relative obscurity.

The true authorship of Anglo-American policy-shaping in connection with the Yalta and Potsdam agreements, and related matters of policy toward China, was effectively let off the hook, and only the Communists, both real and falsely so portrayed, took the entire blame, to the effect of diverting attention from the more important culprits. So, through the bungling of McCarthy and the fanatical stupidity of the FBI, the campaigns of Joe McCarthy and others had the net effect of being efficient disinformation to net Communist advantage.

This legacy is conspicuous in both the record of U.S. commitment to "no-win warfare" as military doctrine, and the details of conduct of such "no-win wars." The U.S., in Indochina, failed to grasp principles effectively understood by the ISOC command in Thailand, and U.S. SOC operations, from near the beginning, committed every foolish error against which Thailand's ISOC command later warned. These U.S. blunders reflected the same silly notions of anti-Communist counterinsurgency which were allowed to shape the practices of Joe McCarthy and FBI Director Hoover. They attacked only the surface of the problem, and refused to consider the underlying realities which must be addressed in countering Peoples War, especially Peoples War as the characteristic of land war in Asia.

It must be stressed in this connection, that, apart from the McCarthy and FBI operations, there were intelligence and kindred investigations afoot then, dedicated to uncovering the nature and motives of ostensibly pro-Communist actions by some powerful financier circles within the Anglo-American liberal establishment. These persons and circles focused their attention rightly, as I do, upon the phenomenon of the 1922-27 Anglo-Soviet "Trust." Unfortunately, it was precisely these serious circles' work which was injured by the bad reputation of the FBI's and Joe McCarthy's conduct. This made possible the dirty work of W. Averell Harriman and Walter Sheridan, among others, in cleaning these patriots out of key positions in government under the John F. Ken-

nedy administration.

Thus, the Americans of the 1950s were confused on these issues, and the generation graduating from secondary schools from about 1963 to the present have swallowed whole-hog the myths dished out by the Ivy League universities, the liberal news media, and that social-democratic nest of Albert Wohlstetter's and Richard Mellon Scaife's friends which has invaded our intelligence establishment, and which latter has virtually destroyed the last semblance of competent U.S. counterintelligence to Soviet advantage.

This disorientation bears directly on the most crucial matters of U.S. strategy today. In this connection, it is to be stressed that modern irregular warfare, although it owes much to the pre-World War II Soviet plan of attack on Western Europe—the famous “Tukhachevsky Plan of the Offensive,” is, in its present form, an outgrowth of the experience of Peoples War forms of communist struggles inside China, especially those of the period since the founding of Dr. Sun Yat-sen's provisional republican government. Without examining the bearing of this experience and its influence on post-1961 Soviet strategic thinking, no adequate picture of the present global strategic situation can be elaborated.

Perhaps, on the military side, U.S. thinking is not quite as bad as I paint it sometimes. However, I am not situated within the line of command, and cannot report of my own knowledge that the good things I hear are effectively in progress; even when I do know that they are in progress, there is no indication, to the best of my knowledge, that the political conditions for their implementation are presently to be foreseen. My policy is therefore to state what I do know, and heap deserved criticism upon policies and lack of policies as these conditions appear to my knowledge to be the case.

I have become an “old hand” in the business of receiving information from highly authoritative sources. Even when I respect the sources personally, and have a high regard for their experience, intelligence, and knowledge of matters, I have found that there is usually a serious flaw in their assurances and related opinions. In all matters bearing upon the shaping of my own policies and related public utterances, I accept nothing which is not independently intelligible to me—I do not accept authoritative opinion as a substitute for, or contradiction to my own powers of reasoning. It is my policy to offer no public policy-opinion which I am not prepared to defend entirely by my own resources, without relying upon mere faith in the authority of reliable sources. In this practice, I have invariably found myself usually correct, and those who have opposed me in these matters usually wrong.

In the matter of irregular warfare, and its increasing bearing upon military and other strategic matters generally, I concede that many good things are being done. However, despite that, what is not being done is a crucial omission. It is safer, in these and other matters, to take the full responsibility for defining policy upon my own shoulders. If others come to agree in total, or even in part with that, so much the better. It is from that vantage-point that I state what I have to

offer in this report.

From that standpoint, I situate the problem of “Peoples War,” or modern irregular warfare with respect to the pivotal role of the Anglo-Soviet “Trust” and its present-day replications. In this instance, I situate that with respect to the case of China.

On China itself, there are three sets of facts to be considered. First, the area in which I have only some minimal knowledge, the summation of the culture of China, especially as this was formed over the period of approximately 2,500 years from the period of legalist philosophy to the time of extensive contacts with modern European nations. The second two sets of facts pertain to those matters in which I have exceptional competence, in which I am qualified to make a contribution to the total knowledge and experience already commanded independently by leading representatives of China.

The first of these latter two, is the matter of the proper moral mission of Western European Augustinian and Renaissance factions respecting a people who represent in total something just less than one-quarter of the population of this planet. All effective collaboration between the patriots of China and Western leaders, such as those of the United States, must be premised on understanding of that proper moral mission. The second area of knowledge which we have to contribute to the body of knowledge already commanded by leaders of China, is the application of the study of the 1922-27 Anglo-Soviet “Trust” to the combined roles of Western nations and Moscow in China during that same period, and down through the present, “New Yalta” phase of that “Trust” doctrine.

I shall emphasize the second of these two latter considerations, the “Trust” aspect, situating within that some observations on the other aspect in the topical setting of the “Trust” paradigm.

Before turning to that subject, I situate the entire discussion with a broad characterization of China today.

There are not “two Chinas,” nor a mainland China distinct from an island nation of Taiwan. There is but one China with two rival governments. Not only are the cultures of the mainland and Taiwan as identical historically as almost any two regions on mainland China; the 6 million-odd Chinese who emigrated to Taiwan from 1949 onwards are members of mainland families. If we discount the distinctions between European cultures and East Asia generally, Mainland China and the Republic of China headquartered at Taipei are no more distinct than the Federal Republic of Germany and East Germany, or North and South Korea. By modern, post-Renaissance standards for defining nationality, China is but one nation, organized temporarily as two separate states.

China during the ‘Trust’ period

Approximately 1922, with Lenin's promulgation of the Soviet New Economic Policy (NEP), until Stalin's overthrow of the Communist International's Left and Right Oppositions

circa 1927-29, the Soviet government maintained a special relationship with certain powerful European and North American financier interests, a relationship usually referenced as the "Anglo-Soviet Trust." It is less frequently acknowledged that Soviet policy toward China during the 1918-29 period echoed almost precisely the twists and turns in Soviet relations to Moscow's partners among Western financier interests.

The crucial, 1920 Baku conference of the Communist International is the key to the Asia policy of both Moscow and its Western "Trust" associates, during the 1920s NEP period, and later, and down to the present day.

This connection is emphasized to the present day in what might otherwise seem the curious fact, that Soviet regional policy toward Central and South American communist operations is directed by the same Soviet Oriental Institute which controls Soviet agents and operations throughout Asia. This connection was established during the period preceding 1917, when future Soviet and Communist International operations in both Asia and so-called "Latin America," as well as California, were directed by super-operative M.N. Roy.

It is also relevant to stress that the special role of Harvard Law School to Beijing today has two principal points of reference. Modern Harvard is dominated traditionally by the wealthy families formerly associated with the British East India Company's Salem, Massachusetts-based Perkins Syndicate of China opium-traders, an historical fact of more than a little bearing on U.S. "China experts" policies toward China today. More immediately, Harvard's connections to China's Communist Party were consolidated in the setting of the 1920 Baku conference of the Communist International, through negotiations mediated by M.N. Roy associate Agnes Smedley. One may say, without exaggeration, that there are ele-

ments of an old opium-trader's pipe-dream in the views of the associated U.S. "China experts."

The Communist International's and Moscow's own relations to Dr. Sun Yat-sen's Kuomintang, with all the twists and turns in those policies, were a direct reflection of policy-shaping within both the Communist International and Trust arrangements.

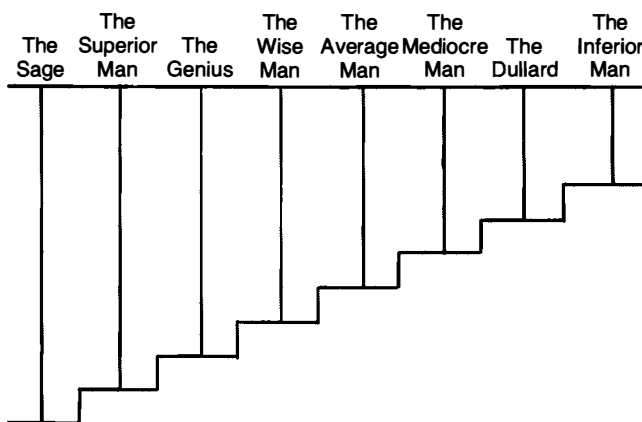
It is also notable, that Dr. Sun Yat-sen and his Chiang Kai-shek were Christians. In Lecture Three of his 1925 *The Three Principles of the People*, Dr. Sun Yat-sen writes:

China's tide of revolutionary ideas came from Europe and America, and the theory of equality has also been introduced from the West. But our Revolutionary Party advocates a struggle, not for liberty and equality, but for the Three Principles of the People. [Nationalism (government of the people), Democracy (by the people), Development (for the people)]. If we can put these Three Principles into practice, we shall have liberty and equality.

He continues (Price abridgement, Taipei, 4th ed. p. 70) to emphasize again the following important qualification:

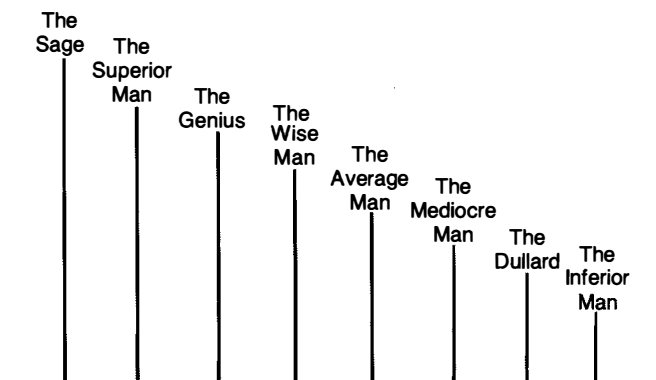
Although Western nations warred for liberty and equality, they have since been constantly led astray by them. If we put the Three Principles into operation and achieve true liberty and equality, how can we be sure to keep on the right track? If, as in Diagram I [Figure 1 below], we put the line of equality at the top, we will not be following the right course. But if, as in Diagram II [Figure 2 below], we make the line of equality the base upon which to stand, we will be on the right track of equality.

FIGURE 1
False equality



Source: *The Three Principles of the People*, by Dr. Sun Yat-sen, Diagram II, p. 68, Price abridgement, 4th ed., Taipei.

FIGURE 2
True equality



Source: *The Three Principles of the People*, by Dr. Sun Yat-sen, Diagram III, p. 69, Price abridgement, 4th ed., Taipei.

With this view I am fully in accord. This echoes Tom Paine's warning that pure democracy is as evil as monarchical autocracy, and similar observations made by Europeans contemplating the horrors unleashed by Robespierre's Jacobins. Dr. Sun's text continues:

So, if we want to know whether the principles we are using in our revolution are desirable or not and whether they are following the right line, we must first study carefully the history of European revolutions from their very beginnings. And if people want to understand thoroughly our Three Principles and to know whether they are really a good thing, suitable to the needs of our country, if they want to be able to believe in our Three Principles and never waver in their faith, they, too, must study carefully the history of European revolutions from their inception.

In the following paragraphs, some of his historical views are based on secondary sources of information which were not always correct. Nonetheless, on the crucial features of the establishment of a constitutional federal union in the United States, his reading of primary sources is essentially the right one; he draws the correct conclusions—in favor of Alexander Hamilton, over the Jacobin leanings of Jefferson's policy.

The point being illustrated by aid of these references, is that a ruined China, unable to free itself by solely its own internal cultural resources, sought to adapt the best contributions from Western European Christian civilization to the cultural heritage of China, to incorporate into China's culture, thus, the new elements required to establish China as an economically developing sovereign nation based upon durable forms of political and social institutions.

The proper mission of Western European civilization is to make our best contributions to human development available to China. France's great Foreign Minister Gabriel Hanotaux and certain enlightened forces in Japan did reach out to Dr. Sun Yat-sen. The destabilization of Hanotaux, the fall of Russia's enlightened Count Witte, the U.S. "Open Door" folly, and the British-Japan treaty of 1902 spoiled the initiative. Despite these wrongs and follies, the violated principle was a good one.

Perhaps the most horrifying thing which a Westerner of Christian conscience sees so pervasive in the Far East, is the lack of an efficient regard for the principle of sacredness of individual human life. The selling of young girls into the slavery of prostitution, by their own families, is an aspect of this horror. The injured left to die by the side of the road or street in even better nations, is another common such experience. Each such individual case justly horrifies us; our conscience demands that we do something, whatever is properly in our power to this effect, to right this great wrong. Even if we cannot be the Good Samaritans to right each such wrong today, we are impelled to bring about the con-

dition in which such wrongs are no longer tolerated, and righting that wrong in that way might thus give positive meaning to the departed lives of the many wronged on this account.

Modern Harvard is dominated traditionally by the wealthy families formerly associated with the British East India Company's Salem, Massachusetts-based Perkins Syndicate of China opium-traders, a fact of more than a little bearing on U.S. "China experts" policies toward China today.

We look into the faces of the children of China and other nations of this region; we must do what we can properly and efficiently to bring the system of wrong to an end. As citizens of Western nations, we must act as patriots and also world-citizens, to ensure that our nations' policies toward the efforts of the Sun Yat-sens of every nation are the appropriate ones.

We must view the matter of Communism from this moral vantage-point. Communism's putative appeal is that it promises utopian dreams of freedom from such and related evils; yet, wherever it has power, it is more cruel than the regimes so replaced. In practice, Communism is never what it pretends to be; it is something to be admired by the credulous in those countries where the Communists are a tiny, impotent minority. Once those same credulous ones had tasted the Communism they foster so, they would wish they were free of it, but find they have lost more or less the power to free themselves from the tyrannical grip of the Communist state. It is Jacobinism and its built-in propensity for the insane tyranny of terror all over again, but more systematic, more efficient, worse.

This were bad enough were Communism per se the root of the problem. Turn to the case of the Russian Revolutions of 1905 and 1917. These revolutions were organized from inside Russia by a cabal of the most powerful landowning aristocratic families controlling the Czarist political police—the Third Section of the Okhrana. From outside Russia, as the case of the notorious Alexander "Parvus" Helphand illustrates the point, the Russian Revolution of 1917 was organized, together with World War I, by the most powerful

consortium of Venice-centered financier interests, with complicity of some of the most powerful financier elements of the U.S. Eastern Liberal Establishment.

When the Bolsheviks had consolidated power, the Parvus intelligence apparatus became the Bolshevik secret police, the Cheka, incorporating former high officials of the Czarist Okhrana who had been Bolshevik controllers for the Okhrana prior to the Revolution. This same apparatus became the foreign intelligence branch of the Bolshevik state and Communist International, with the Communist parties of various Western nations—including the Communist Party U.S.A.—created by powerful financier interests in their respective nations, financier interests also serving as Soviet partners in the 1922-27 forms of the Anglo-Soviet Trust.

Differentia specifica discounted, the same is true of the role of Communism in 1922-27 China. We must apply to the case of China the same “Trust”-referenced criteria of analysis required for competent understanding of Soviet Russia.

There is another striking fact about this foreign financier backing for Bolshevism. The same financiers who backed Bolshevism and were its Trust business partners of the 1920s, also backed the creation and ensconcing of fascist governments, including Mussolini in Italy and Hitler in Germany.

“Communism” is by no means *sui generis*. It is a creation of powerful international financier circles, the same circles who also gave the world modern fascism. In both cases, Communism and Fascism have been merely instruments of policy of these powerful international oligarchical circles. To what end? On behalf of what sort of self-interest? Why? The answer to these questions is the secret of modern irregular warfare, and the key to understanding the problems of U.S. strategy generally.

The true enemy, Satan

Since the influence of René Descartes in France, the French eighteenth-century Cartesian Enlightenment, and the influence of Kant and Savigny’s irrationalist Romanticism in Germany, metaphysics has become a dirty word. So, references to Satan have become chiefly the practice of some Protestant evangelicals and the Vatican. Yet, in fact, Satan, as worshipped by such as Friedrich Nietzsche and Britain’s Aleister Crowley, is the true author of both Bolshevism and fascism, and the key agency to be destroyed as a precondition for victory in irregular warfare.

In the observation we have just made, there is no mere supposition. It is simply a summary statement of documentary fact.

This is the key to the Anglo-Soviet “Trust” and the roles of such as Venice’s Count Giuseppe Volpi di Misurata in creating the Bolshevik regime in Moscow and the same person’s crucial role in the establishment of fascist power in Italy and Germany. The pivotal issue, on which the attention of Moscow and its Trust-like accomplices are focused, is the

1439 Council of Florence.

The process leading into the Church of Scotland’s formal alignment with Moscow on the issue of the 1439 Council of Florence is key to today’s Soviet subversion in the targeted nations of east Asia: the Philippines, the Republic of Korea, Singapore, Malaysia, Burma, the Republic of China, and also Japan. In effect, the World Council of Churches’ relevant roles, on the ground in Asia, and in shaping the Asia policies of the Atlantic nations toward the region, are, together with U.S. Rep. Stephen Solarz (D-N.Y.), a principal arm of Soviet strategic subversion of the western shores of the Pacific Ocean.

In Mediterranean cultures, Satan has various names: the Semitic Satan and Baal, Osiris, Lucifer, Apollo, Dionysos, and so on. In these sundry satanic cults, all directly or indirectly spawned out of India’s pre-Aryan Shakti-Siva cults, the “mother principle” is the higher authority. She is known variously as the “Whore of Babylon,” Ishtar, Athtar, Astarte, Isis, Cybele, and so on, otherwise the great goddess of the Wicca cult spawned by the Lucifer-worshipping circles of Aleister Crowley. The rise of Satan’s mother to power in Western culture over the recent hundred years or so, is defined by the defense of the idea of matriarchal against patriarchal society, and by the Crowleyites’ organizing of lesbian and homosexual cult-formations built up around the admiration of a supposedly pre-patriarchal form of society.

In the history of European civilization, the ancient classical paradigm for what we term irregular warfare today is the Cybelene cult of Dionysos. That is precisely the model proposed by the precursor of Adolf Hitler, Friedrich Nietzsche. That is the model adopted by Aleister Crowley and such cronies as the Fabians H.G. Wells, Bertrand Russell, and Aldous and Julian Huxley. That is the not-so-secret ideology embedded in the cult of the United Nations Organization by such Aquarian agents of Crowleyism as Julian Huxley. That is the model used to create the cult of Great Russia, and the model referenced for mobilization of Russian Raskolniks, guised as Bolshevik and other radicals, against the civilization of the 1439 Council of Florence.

Some historical examples help to show that our emphasis upon satanism is in no degree an exaggeration.

In the case of Bolshevism, Bolshevik cultural policy was elaborated at the Isle of Capri during the first decade of this century. The key figure was the Maxim Gorki then resident there. Sundry Russian left-wing leaders, including Lenin and Stalin, were indoctrinated in Satanist dogma there under Gorki’s tutelage.

The Isle of Capri, then and since, was not only the center of the network of homosexual cults spreading throughout Europe. It was the world capital of satanism, presided over by the notorious Axel Münthe. The significance of the island was that it was at this place that Octavian, later Augustus Caesar, struck the agreement with the Syrian Magi which gave the Roman Legions rule over the consolidated empire

of Syria, Egypt, and Rome. This island was made the personal property of the family of Augustus Caesar, and achieved its greatest notoriety during ancient times as the residence of the Emperor Tiberius who ordered the crucifixion of Christ from this place. Hence, to all modern Satanists, such as Münthe, Crowley, Maxim Gorki, and Adolf Hitler personally, Tiberius was the true Anti-Christ whom they revered. (According to Hermann Goering's statement to Axel Münthe, Adolf Hitler considered himself the reincarnation of Tiberius.)

Perhaps the most horrifying thing which a Westerner of Christian conscience sees so pervasive in the Far East, is the lack of an efficient regard for the principle of sacredness of individual human life.

The broader name for this association of satanists was the "Age of Aquarius" movement as proclaimed by Hitler predecessor Nietzsche and Crowley. British members of this cult included H.G. Wells and the famous Huxley brothers. Famous British traitors of this century were under the influence of this cult, who saw Moscow's empire as the instrument by which the utopian, world-federalist goals of the Satanist Aquarian cult could be realized, as the recently deceased co-creator of Mussolini, Dino Grandi, recently bragged in his death-bed confession.

Typical of this pattern, during World War II, Winston Churchill launched a special British intelligence operation ostensibly designed to exert control over the mind of Adolf Hitler. This institution was created by the circles of Aleister Crowley, and named British SIS's Occult Bureau, an agency put into operation in Hollywood, California in 1938. Since Hitler, like Rudolf Hess, Hermann Goering, and the original Bavarian insiders of the Nazi cult, were highly superstitious members of the Aquarian cult, Churchill accepted the Crowley organization's proposal that it use its cult-penetration of Hitler's immediate circles to such effects as controlling Hitler's personal astrologer. The Crowleyites then used the official position they had gained to destroy the culture of the U.S.A. and other nations from within, to the purpose of enabling Moscow to fulfill its Nietzschean mission of conquering and destroying Western civilization.

This Aquarian cult is the movement which has organized the process undermining the nations of North America and Western Europe during the recent twenty-five years. This is

typified by the 1963 launching, by Bertrand Russell's cronies, of the rock-drug-sex counterculture in the United States, and the coordinated launching of the malthusian "post-industrial society" utopia. These two features of subversion of the cultures of Western Europe and the United States, features promoted by the so-called left wing of the Socialist International, are the principal cause of the moral and material decay of the Western industrial nations, and others, in face of the growing Soviet preparations to make Mosocw the eternal capital of a new world empire.

This Aquarian cult, the mother of both Bolshevism and fascism, is the "mother" of Satan, the direct expression of the evil for which Bolshevism and fascism are but instruments.

Peoples War is essentially cultural warfare, and the armed features of such warfare subordinate to the cultural ones. Peoples War is the most terrible, and primordial form of warfare, more terrible than thermonuclear warfare—as Pol Pot's genocidal butchery of Cambodia illustrates, and as the present insurrection in Burma threatens to repeat the essential features of the Pol Pot development in Cambodia, spilling that aspect of U.S. Representative Solarz's support for Soviet insurrection into the destruction of Korea, Taiwan, Indonesia, Malaysia, Singapore, Thailand, and the pending, genocidal virtual extinction of the Philippine nation. This genocidal feature of Peoples War in the extreme is the work of Satan as Nietzsche and Crowley worshipped Satan as the instrument of their policy. The insane tyrant, North Korea's Kim Il-sung, is a key instrument of these ventures in Asia.

In the case of China, this draws our attention directly to the referenced example of Dr. Sun Yat-sen's elaboration of Three Principles.

As the case of Pol Pot's Cambodia illustrates the point, Asian cultures generally lack the crucial elements of defense against the effects of what is called Peoples War. They must turn to the European culture established by St. Augustine's influence and as refined by the 1439 Council of Florence, to obtain the means for defending their national cultures against this sort of warfare. Essentially, Dr. Sun Yat-sen grasped this point, and embodied this, echoing Abraham Lincoln's famous Gettysburg Address in his Three Principles.

Here lies the crucial flaw in the informed views of the Harvard and kindred U.S. "China experts." It should be obvious, that one might study the history and culture of China to the degree one understood it only less well than do native China scholars of the Mandarin tradition, and, yet, if one did not understand the argument of Dr. Sun Yat-sen respecting the problem of China's culture, one understands really nothing of strategic relevance respecting China today.

What the European agents did to the Mogul empire and China during the seventeenth, eighteenth, and nineteenth centuries, and what the East India companies were enabled to do with that assistance, was a form of destruction China's culture was not organized to resist. Something new must be

added to that culture, to inoculate it against Palmerston's and related modes of orchestrating Peoples War.

In the language of physical sciences, the problem so posed assumes a form associated with the term "crucial experiment." In a crucial experiment, major defects in the presently accepted form of scientific knowledge are uncovered and remedied through such crucial experiments, leading to scientific revolutions. Without such progress through crucial experiments, the vitality of scientific knowledge comes to an end, and science in the true sense ceases to exist. Similarly, to understand any culture, we must isolate and focus upon those flaws and omissions which need be remedied that the culture would acquire the capacity to survive.

Hence, Dr. Sun's elaboration of his Three Principles has the significance of a crucial experiment. As we are able to understand science retrospectively only through concentration on the scientific progress effected through a succession of crucial experiments, so culture can be comprehended adequately only in a similar way.

So, the entirety of the culture of China is defined implicitly by the work of Dr. Sun. He turned to Europe to discover the weapons for defeating Satan's power in China. Here lies the essential error of the Harvard and kindred "China experts." Because they are not loyal to the cause of Dr. Sun, all their expertise on China degenerates readily into mere ideological fustian.

Who is the Satan incarnate whom we must defeat to win the global irregular warfare currently in progress? In other words, who are the worshippers of the cults of Isis, Lucifer, and so forth? Who are the powerful families who sponsor such cults as wealthy families otherwise attempt to control priests and bishops of the Christian Church since Diocletian proposed this tactic and his heir Constantine implemented it? From the standpoint of the modern history of China, these are the same U.S. and European families behind the British and Dutch East India Companies' conduct of opium-warfare against China.

It is so crucial, that I cannot be accused of saying this too often, that our enemy is a cabal of powerful families, including the Soviet *Nomenklatura*, which despise the Council of Florence and institutions of modern sovereign nation-states dedicated to scientific and technological progress. These families constitute a parody of the mythical gods of Olympus. Their adopted enemy is Aeschylus' Prometheus, whose offenses, in their eyes, were to worship a Creator in defiance of the Olympian self-proclaimed gods, and, in the spirit of that worship to bring "fire" and its power into the hands of mankind.

In Christian culture, Christ, as both Messiah and Son of God, is the true Prometheus, and those who follow in the footsteps of Christ, in imitation of Christ that they might serve that mission, are the Prometheans.

On this account, the Soviets' Russian Orthodox Church, based on the ill-disguised worship of Ishtar-Isis-Cybele as

the Muscovite Sophia, is the instrument of the modern would-be gods of Olympus in its commitment to exterminating a Western Christianity committed to the principle of *Filioque*, by canonical "delphic reinterpretation," as some American doctrinaires do, or by outrightly expunging it, as the Church of Scotland has vowed to assist this.

Certain powerful American Catholic families' complicity in this—as the cases of the cronies of Peter Grace and the Kennedys illustrate the point—reflects the fact that although they are nominally Catholics, they are primarily self-identified as members of a collection of usury-practicing families esteeming themselves the earthly gods of Olympus of our time. Thus, as the Pope might have added to the text of his recent *Sollicitudo Rei Socialis*, the "structures of sin" are rampant not only in both Western and Soviet society, in the U.S., in particular, they are also found within the highest level of clergy in the United States, walking thus in the footsteps of Judas Iscariot. So, my avowed enemies Frank Shakespeare and the late Edward Bennett Williams have exposed themselves as accomplices of this satanic hatred of everything relevant to our discussion for which the Christian church and its present Pope stand.

Such pseudo-Christians reveal themselves as enemies of God and humanity by their attitudes respecting those rights of nations and peoples to development as defined by such encyclicals as *Populorum Progressio* and *Sollicitudo Rei Socialis*. Anything which threatens to interfere with their gaining of wealth and power through parasitical usury they seek to expunge from Christian doctrine, as even such nominal Catholics have attacked Pope John Paul II's *Sollicitudo Rei Socialis* publicly on this account. By such wicked deeds on this issue, they proclaim their more efficient choice of profession—as accomplices of "the Whore of Babylon."

Similarly, in practice, no malthusian is a Christian, but rather directly an accomplice of Satan. In China, the policy of allowing a birth-rate of one child per family, as the alternative to development of the infrastructure of the interior, and the Soviet partnership with the Club of Rome, reveal an essential commonality. When the life or death of a human being is placed at the convenience of "policy," rather than enslaving policy-shaping to the sacredness of individual human life, evil is rampant in that state or other potent agency. When policies, such as IMF "conditionalities" or so-called "free trade" agricultural policies are encouraged to accomplish the ruin and massively increased death-rates of populations of nations, even entire regions of this planet, in the sponsors' faces, as in the face of Adolf Hitler before, we see the true face of satanic evil.

To rid this planet of those institutions which threatened the power and pleasure of the would-be gods of Olympus, these wealthy families launched what China calls "Peoples War" against the Council of Florence, against the *Filioque*, against agapē, and against those forms of government, religion, and other institutions which are the foundation of the

modern sovereign nation-state. When Dr. Sun Yat-sen undertook to borrow those Augustinian traditions to give strength to the national culture of China, the would-be gods of Olympus resolved to destroy his work and the institutional forms it had assumed. These families had developed such tactics within Europe itself.

As H. Graham Lowry's ground-breaking *How The Nation Was Won* demonstrates, one of the crucial steps in launching this warfare against the Council of Florence was the victory of what was then rightly termed "the Venetian party" of the Duke of Marlborough in bringing Liberalism to power in England with the death of Leibniz's ally, Electress Sophie of Hanover, in 1714. This same "Venetian party" controlled Napoleon Bonaparte, and succeeded the Bonaparte project for establishing a French-ruled new Roman Empire, by the arrangements introduced to the 1815 Treaty of Vienna by Venice's John Count Capodistria, attempting to establish Russia as "the policeman of Europe."

It was against this "Venetian party's" liberalism that the United States fought two wars against Britain, and several times later, through 1863, nearly came to the point of a third war against the Britain of Lords Palmerston and Russell, the latter not accidentally the grandfather of the most evil man of this century, Bertrand Russell, the latter a figure with a crucial role in fostering the Communist insurgency against Dr. Sun's forces in China. Names such as Russell, Contarini, and Cini typify the twentieth century's enemies of all humanity during this century to date.

This Satanism incarnate has a hierarchy.

At the topmost level, it borrows the forms of the patriarchal family. Satanism becomes thus the policy of a cabal of powerful families. These families, typified by the authors of the 1815 Treaty of Vienna, are organized according to both ancient Phoenician principles, and, more immediately, the old Roman form of the family under the *pater familias*. The form of organization is the Venetian *fondo*, a special sort of corporation, under whose terms the members of the family are themselves the property of the *fondo*, rather than owners of a joint-stock company.

The executive power for these *fondi* is delegated to special agents, who serve as the executive power of the *fondi*. As agents of the personality of the *fondo* itself, these executives hold virtual power of life or death over the family members, in the image of the Roman *pater familias*.

Like the immoral mythical gods of Olympus, these families compete with one another, even rather cannibalistically. However, respecting any challenge either to their class-rule, or an affront to the policies agreed upon among them, they are united in willing the destruction of the "outsider."

Thus, the entire history of Western civilization since the time of Solon of Athens is defined by a great struggle between two principal opposing forces in that civilization, a great struggle between the Olympians and the Prometheans, more or less as the ancient Aeschylus described this, and as Fried-

rich Schiller described this in his paper contrasting the constitutions of Solon and Lycurgus.

The mission of the true heirs of Solon, the modern Christians in the pathway of St. Augustine and the 1439 Council of Florence, is to bring to humanity in entirety the blessings which include those Dr. Sun Yat-sen referenced in respect to the Three Principles. The Olympians, admiring the model of Sparta and the Canaanites as their forebears, see the emergence of true equality of the people, as Dr. Sun describes this, as the same kind of threat to their oligarchical interests as

The mission of the true heirs of Solon, the modern Christians in the pathway of St. Augustine and the 1439 Council of Florence, is to bring to humanity in entirety the blessings which include those Dr. Sun Yat-sen referenced in respect to the Three Principles.

Solon's reforms temporarily destroyed their power over ancient Athens (and thus created a classical Athens capable of withstanding the Babylonians and Canaanites' relatively vast military power for centuries).

Wherever the most effective form of organization of the anti-Roman Augustinian heritage, that of Cardinal Nicolaus of Cusa and Pope Pius II, exists, the Olympians are impelled by instinct to destroy it. Wherever the institutions of the sovereign modern nation-state threaten to arise, the Olympians seek to crush that infant in the cradle, as they attempted in the case of Dr. Sun Yat-sen's China.

In the sweep of history of the Mediterranean, since the Golden Ages of Egypt, the Olympian enemy has always relied upon the methods and goals of the ancient cult of Shakti-Ishtar-Isis-Cybele—"the Whore of Babylon." Since ancient times, in the history of European civilization, the methods of the ancient Cybelene cult of Dionysos have been the most common method employed, as the instance of Geneva and London bankers direction of the Jacobin Terror illustrates this point.

French Jacobinism was created by the "Venetian party" and deployed by combined Swiss, French, and British liberal financier interests to attempt to destroy the France inspired by the American Revolution and Constitution. The radicalism of Giuseppe Mazzini's Young Europe and Young America organizations was a neo-Jacobin venture deployed by the same financier interests in collaboration with Britain's Lord

Palmerston. The Pre-Raphaelite Brotherhood of Oxford University's John Ruskin was the agency which created British theosophy and the British socialist movement and Fabian Society for this purpose. The Age of Aquarius project, with its Bolshevik and fascist offshoots, was, as the Bolsheviks rightly insisted, the heir of not only the Mazzini-controlled Karl Marx, but of the Jacobin Terror which undertook literally to decapitate the scientific and civilized culture of France.

The mechanism which Communist propaganda and methods of organization employ to spread its influence is essentially the irrationalist hedonism associated, in the English-speaking world, with the names of Francis Bacon, Thomas Hobbes, John Locke, David Hume, and Adam Smith. The principle of Communist influence is what Christianity defines as the Seven Deadly Sins. This is not unique to Communism, as the case of Adam Smith's following suffices to demonstrate. It is the method of fascist recruiting, too. It is the method also of all explicitly satanic cults, including that Crowleyite rock-drug-sex counterculture which has ruined the morals, economies, and strategic security of Western civilization.

The injustices which that propaganda identifies are variously actual and fictitious ones. Many of the actual injustices so addressed are very important, very cruel. So, when nations refuse to address the real such issues efficiently, or, worse, when they defend the perpetuation of such injustices, putatively anti-communist governments and political parties play into the hands of the Communists—and others of that ilk. Yet, even when the injustices referenced are issues of true merit, Communist propaganda drags the level of perception of these issues down to the lowest moral level, the level of irrationalist hedonism.

These views are not idle speculations. Since I learned to hate the Communist Party of India, and Stalin, through experiences in Calcutta back in 1946, I have had first-hand experience of confrontation with the Communist mentality, as my host experienced this in such settings as the Whampoa academy's life. In my own case, I confronted this as a dedicated follower of Leibniz in philosophy, and reacted to each encounter with the sordid, cynical philistinism of the Communist mind with deep-going moral indignation, and, more important, a Leibniz's sort of Socratic insight into the mechanisms of the subject mentality.

In my own case, whenever I am situated to examine the epistemological characteristics of an ex-Trotskyist's or ex-Bukharinite's patterns of mental behavior, I have found that my instinct is nearly infallible. Persons without my peculiar advantages rely upon struggling to identify catch-phrases which they deem consistent with the "communist line." I examine not what the subject says, but on recognizing the manner in which his or her mind works, a quality which a man may attempt more or less successfully to conceal, but the one thing no man can counterfeit efficiently once it is exposed.

People are not what they appear to think consciously. They are their method of thinking, more exactly the method by which they develop further their method of thinking in the course of relevant kinds of experience. The Communist mentality is essentially a method of thinking, a distinct species of method of thinking within the family of satanic species which includes the "Venetian party" behind the ruinous protracted warfare of the period of Queen Anne's reign.

Communist propaganda plays upon perceived, painful injustice by appealing to that lower aspect of the individual's nature which motivates the Seven Deadly Sins. The immediate object of this seduction is to make the targeted persons useful instruments of what the Communists currently perceive as their policy. The longer-range object is to habituate the seduced person to a Communist's method of thinking.

This is accomplished in the way portrayed by Oscar Wilde's portrayal of the degeneration of his fictional "Dorian Gray." The communist movement, if one tolerates its influence to this effect, is a process of corruption which frequently transforms the victim from a person merely drawn ever-more deeply into moral compromises, into a person who enjoys a certain kind of evil for its own sake. In this connection, there is a distinction between the person who succumbs, against his own conscience, to the commission of crimes, and the person who no longer has such a conscience. There is a difference between the man who steals for personal advantage, and the person who steals solely for the satanic pleasure of committing crimes. There is, in the extreme, the person who does evil because doing evil is a form of pleasure he requires as an addict requires a drug.

The communist who has completed that sort of transformation is motivated by the pleasure of destruction, echoing thus the image of those ogres Robespierre, Danton, and Marat. In this sense, the image of the brutal horrors of the Jacobin Terror are the conscience of the hardened communist. To destroy what society considers good, and to gain ever-increasing power to wreak such destruction at whim, is the essence of this personality-type, as we witness in the case of Pol Pot's genocide in Cambodia.

Ultimately, such a hardened communist goes beyond mere communism, into a state in which the qualities of communism and fascism are indistinguishable. We refer here to the occult beliefs of Hitler's immediate circle, Hitler's documented commitment to eradicate the Christians, like the Jews, once he had won his war. At this point, the process of degeneration goes over to pure evil of the sort embodied in the person of Bertrand Russell and the overtly satanic cults of the Crowleyites.

The newborn human individual comes into this world with two contrasting potentials. In his inferior qualities, the human individual partakes of the nature of the beast: simple, compulsive appetites of the sort which, if they dominate the person, take the cultural form of the irrationalist hedonism admired by David Hume and his disciple Adam Smith. At

the same time, that person has a divine potential, a quality of potential for creative reasoning which is a fundamental species-distinction between human beings and all beasts.

It is the latter potential which has enabled our species to rise above the level of a maximum of 10 million wretched persons a primitive hunting-and-gathering society would be. That suggests immediately, and rightly so, the history of scientific and technological progress which distinguishes human ecology from that of the beasts.

This quality, the power to generate and to assimilate efficiently valid revolutionary creations in scientific knowledge, is not limited to the benefits of physical-economic progress. Western classical art, as typified by the harmonic design of the Athens Acropolis, by the musical productions of such as Bach, Mozart, and Beethoven, by the revolution in painting effected by Leonardo da Vinci and Raphael Sanzio, is also an expression of the same creative processes of mind responsible for the creation and efficient assimilation of scientific discoveries.

Indeed, a literate form of language expressed in the singing of poetry is the origin of beautiful music, and expresses the same artistic principles as music.

The creative processes are associated with an emotional quality, which the Christian associates with the New Testament's usage of *agapē*, and which is sometimes also described as *sacred love*, as so distinguished from the *profane love* more agreeable to man's baser, elemental desires. This emotion is at once love of truth, as science and creative art are love of truth; it is love of beauty, as the classical tradition defines beauty in art and in nature; it is love of God; it is also love of mankind for the sake of the Creator.

The satanist works to make the lower faculties supreme, and to eradicate the influence of the higher ones. The satanist goes further than this, to make destructive hatred of the good the pleasure of the recruit, as the use of sexual symbols, and even Isis-cult forms of sexual orgies among the same and different sexes, and with beasts, the accompanying feature of a witch's "black mass."

The image of Pol Pot's use of deranged children to assist the genocidal butchery of millions of his own people, is the appropriate one. Count the governments which tacitly condoned this genocide. Count the United Nations Organization's tacit approval of this genocide. Think of those officials of governments and supranational agencies who shrug diffidently at news of mass deaths in Africa, or in Bangladesh, and who say, echoing the explicit proposal of the satanic Bertrand Russell, "We must not interfere with this natural correction of overpopulation." Hitler was a petty criminal compared with these fellows of today.

This progress of the influence of satanism over supranational institutions and governmental policy-shaping has brought us to the verge of a global New Dark Age. At the highest levels of the wealthy powerful families who have sponsored the ventures, usually the same families who use

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Bolshevism as an instrument of their global policy, this catastrophic state of current affairs is not accidental. From the writings of the leading Aquarians, including Crowley, H.G. Wells, and Russell, this result, establishing a one-world government under the rule of international socialism as Russell and Wells defined it, was intended from the outset, as Oxford's John Ruskin intended it, and as Friedrich Nietzsche intended it.

The global setting of Peoples War

It is now inevitable that during the course of the coming two years this planet will be convulsed by the worst combination of crises the planet as a whole has experienced during a period of approximately three thousand years to date.

During the coming two years, the global financial crisis which began to erupt during 1982, and became unleashed during October 1987, will sweep away more than \$10 trillion of value of nominal financial assets internationally. Since October 1987, the ruling governments and other monetary authorities have been no more successful in checking the progress of this financial crisis than were their fathers and grandfathers back during the years 1929-32. The efforts to postpone the next major drop in financial markets until after the November U.S. elections have been accomplished by an exhaustion of resources which will make the coming financial storms only more violent than if no such delaying efforts had been attempted.

Relatively, the physical economy of the United States today is already far worse than even at the 1939 end of the

last Great Depression. The same is true of the United Kingdom, and, under the influence of the EC Commission in Brussels, all of Western continental Europe's infrastructure, agriculture, and industry is being collapsed at an accelerating rate.

The economic practices imposed upon nations by supranational authorities have created an already catastrophic and worsening food shortage globally. This has been caused, most immediately, by so-called "free trade" agricultural policies. The disastrous instabilities in weather-patterns responsible for the drought now to afflict this planet over not less than two coming years, are also man-made results of the same monetary and economic policies imposed by supranational agencies. The insane cutting of crucial rain forests, combined with reduced biomass activity caused by agricultural policies, is chiefly responsible for these presently catastrophic instabilities in weather-patterns.

Throughout this planet, there is currently an explosion of epidemic diseases, including a revival of old kinds of pandemics and pestilences, and the emergence of a new pandemic caused by the rapidly mutating HIV lentivirus strains.

All in all, the catastrophes now breaking out on what is effectively a planetary scale portend a far more disastrous result globally than Europe experienced in the New Dark Age erupting during the middle of the fourteenth century.

We have the means to meet and defeat this danger, and even to bring out of the ashes of this period a better world than has existed before. However, it must appear that the political conditions for implementing such corrective measures are extremely poor.

Africa, much of Asia, and Central and South America, are now gripped by a rapidly spreading destabilization. In Western Europe and North America, the present governments and mass-based political organizations are of the poorest quality we have known in this century.

Worse, as if to mock those who echo the deluded fools of 1938 with their cries of "Peace," the worsening global food crisis of the coming two years will catalyze all potential domestic and strategic problems of nations into the potential for eruption of general warfare.

We must give special attention to the fact, that the Soviet empire will require in each of the years 1989 and 1990 far more imported foodstuffs than it will have received by the end of 1988.

However, the food reserves of the U.S.A. are down to zero—as result of a persisting policy of eradicating so-called "surpluses." The food reserves of Western Europe are virtually depleted, chiefly through the agricultural policies of the Brussels Commission. This year, the U.S. alone will have lost not less than about 60% of soy, corn, oats, and barley crops, with even some crucial seed production in jeopardy.

It will be worse next year. This year's drought has destroyed a most significant portion of the acreage available for planting at the time of this year's planting. Under these con-

ditions, an even more significant liquidation of foundation herds of livestock—cattle and poultry—has occurred. We shall begin 1989's planting season far worse than in 1988, and the weather instabilities during 1989 will be at least as severe as during 1988.

Simply, the West will not have the foodstuffs needed to approximate the food subsidies delivered to Moscow this year. It must be noted, on Moscow's side, that Romania and Poland are in a disastrous food crisis, and that the Soviet Union itself is in a severe food crisis even with this year's enormous food subsidies.

Were Michael Dukakis, the governor of "The Peoples Republic of Massachusetts" to be elected U.S. President, the combination of military and political-command qualities in both the U.S.A. and Western Europe would be such that the Soviets will have a decisive margin of effective strategic superiority over the West. Already, during 1989, and certainly by 1990, the Soviet temptation to use its military power as a club for extorting food from the hungry tables of the world will be enormous.

Dukakis's election would ensure that the decoupling of Western Europe from the United States, already far advanced, will take place within approximately two years. Dukakis's controllers, such as Lloyd Cutler, are committed to the utopian plan, called "Europe 1992," to put all regions of continental Western Europe excepting Baden-Württemberg, southern France, northern Italy, and Catalonia, "back to the Stone Age." The margin of military superiority of a food-desperate Moscow, under such conditions, is virtually absolute.

This intersects the fact that the Soviet Ogarkov Plan now being implemented, re-orders the Soviet forces to emphasize the leading role of *spetsnaz*, and with that, to exploit to the maximum the potential for using corrupted layers of adversary nations for a Peoples War role auxiliary to *spetsnaz* operations. These changes in the order of battle, emphasizing increased roles of irregular warfare, ensure that during several years fairly characterized as a pre-war deployment, assassination and sabotage deployed by the communists and their accomplices will be an increasing feature of the world situation. Indeed, this escalation is now visibly in progress during the course of 1988 to date.

At a certain point, the unleashing of the Golems of Peoples War goes beyond the power of the Soviet state to control it efficiently. The potential for Peoples War in various regions of the globe to take on an independent life of its own, including the interior of the Soviet Union, is the condition we are now approaching.

The problem is a soluble one, but we require the political will to adopt those solutions. If we discover the needed political will, we shall also require a deeper understanding of Peoples War, including the informing of practice by a clear view of the matters on which I have concentrated in this report.

Thatcher cites Christian values against 'Europe 92'

by Mark Burdman

A remarkable political intervention into continental Europe by British Prime Minister Margaret Thatcher during the week of Sept. 19 has created hysteria among the supranationalists at European Community headquarters in Brussels who are behind the corporatist "Europe 1992" plan. In that year, all customs barriers are to be dropped among the 12 EC nations, and the continent "integrated" under a bankers' dictatorship, aligned with Russia.

In speeches in Bruges, Belgium, and Luxembourg, on Sept. 20 and 21, respectively, Mrs. Thatcher attacked the idea of a supranational "United States of Europe" as a "nightmare" and a "folly," and invoked a contrary, positive idea of Europe as the radiation-point for great culture and the highest values of Christendom around the world. She identified this positive culture, as that which divides Western civilization from the culture imposed on Eastern European nations by the Soviet empire.

This quality of political ideas has not been expressed by a political leader in Europe since the time of France's President Charles de Gaulle. The idea that a British prime minister would revive de Gaulle's conception of a Europe of "independent, sovereign nation-states," and throw cold water on the utopian notion of a "common European house" advocated both by Soviet leader Mikhail Gorbachov and appeasers in the West, is indeed a "nightmare" for the architects of the "Europe 1992" plan.

The intervention at the College of Europe in Bruges was a classic case of "bearding the lions in their den." The college is an important training center for European-integrationist bureaucrats and ideologues, and Thatcher's audience was predominantly a hardcore "Europe 1992" constituency. She began her speech with a joke, that having invited her to speak on the subject of "Britain and Europe" would seem to some

like "inviting Genghis Khan to speak on the virtues of peaceful coexistence."

Mrs. Thatcher contrasted two concepts of Europe. One, which she supported, was a Europe of "independent, sovereign nations," a "family of nations . . . but relishing our national identity no less than our common European endeavors." This would be a Europe which "looks outward, not inward, and which preserves that Atlantic Community, that Europe on both sides of the Atlantic, which is our noblest inheritance and greatest strength." Her central "guiding principle" for the Europe of the future, Mrs. Thatcher stressed, was "willing and active cooperation" between sovereign states. With this view, Mrs. Thatcher endorsed the "Europe of the fatherlands" conception of de Gaulle, as she had previously done in a late-July interview on the British Broadcasting Corporation. (See "Thatcher endorses de Gaulle against fascist 'Europe 1992,'" *EIR*, Vol. 15, No. 32, Aug. 12, 1988.) The contrary idea of Europe would be a "European super-state exercising a new dominance."

Said Mrs. Thatcher, "To try to suppress nationhood and concentrate power at the center of a European conglomerate would be highly damaging and jeopardize objectives we seek to achieve. Europe will be stronger precisely because it has France as France, Spain as Spain, Britain as Britain, each with its own customs, traditions, and identity. It would be folly to try to fit them into some sort of identical European personality." She derided the "abstract intellectual concept" involved in such ideas, and attacked the idea of centralizing power in Brussels, where decisions would be taken by an "appointed bureaucracy." This, said Mrs. Thatcher, reminded her of the Soviet Union, which has "tried to run everything from the center," but which is now realizing the ineptness and failure of such an approach!

She also firmly rejected the naive parallels between the mooted “United States of Europe” and the United States of America: “The whole history of America is quite different from Europe. People went there to get away from the intolerance and constraints of life in Europe. They sought liberty and opportunity, and their strong sense of purpose has, over two centuries, helped create a new unity and pride in being American—just as our pride lies in being British or Belgian or Dutch or German.”

Hitting at the fascist essence of these schemes, she asserted, “We in Britain would fight attempts to introduce collectivism and corporatism at the European level.”

In abridged form, but sometimes using even stronger language, she reiterated her attack the next day in Luxembourg, a country that has pretensions of being one of the three “capitals”—together with Brussels and Strasbourg—of a future “federal Europe.” She declared, “A centralized European government would be a nightmare. . . . It would be absurd for us in Europe” to move in such a direction. She attacked the “utopian goals” of “theoreticians” who want to suppress national identity, and insisted, “No, our future must lie in willing and active cooperation between independent sovereign governments, each answerable to their national parliaments.”

The East-West cultural divide

What was new, and stunning, in her Bruges speech, was her invoking of the universality of the values of European Christian civilization, and defining the suppression of these values in Soviet-dominated Europe as the key to the conflict between East and West.

She began by reviewing the historical influence of Europe on Britain and vice versa, and then said:

“Visit the great churches and cathedrals of Britain, read our literature and listen to our language: All bear witness to the cultural riches which we have drawn from Europe—and other Europeans from us. . . .

“From classical and medieval thought, we have borrowed that concept of the rule of law which marks out a civilized society from barbarism.

“And on that idea of Christendom—for long synonymous with Europe—with its recognition of the unique and spiritual nature of the individual, we still base our belief in personal liberty and other human rights.

“Too often, the history of Europe is described as a series of interminable wars and quarrels. Yet from our perspective today, surely what strikes us most is our common experience. For instance, the story of how Europeans explored and colonized and—yes, without apology—civilized much of the world, is an extraordinary tale of talent, skill, and courage. . . .

“The European Community is one manifestation of that European identity. But it is not the only one. We must never forget that, east of the Iron Curtain, peoples who once enjoyed a full share of European culture, freedom, and identity,

have been cut off from their roots. We shall always look at Warsaw, Prague, and Budapest as great European cities.

“Nor should we forget that European values have helped to make the United States of America into the valiant defender of freedom which she has become.”

One London Conservative Party-linked source told this correspondent that Mrs. Thatcher’s support for the diffusion of Western European cultural ideas into Eastern Europe was, in part, a gesture of support for the Ukrainians, Poles, and others whose cultural heritage is integrally linked to the values of European Christendom, but who live under Soviet domination.

The reaction to her speech at Bruges was quick and furious. EC officials told reporters they were “outraged” by her comments. Belgian Foreign Minister Leo Tindemans, a protégé of European federalist ideologues like Jean Monnet and Paul-Henri Spaak, charged Mrs. Thatcher with echoing the ideas of de Gaulle—to which, Mrs. Thatcher responded, “De Gaulle was quite a formidable personality. It’s certainly not an insult.”

Speaking to that BBC from his hospital bed in London, in his capacity as current president of the European Council of Ministers, Greek Prime Minister Andreas Papandreu arrogantly demanded that Mrs. Thatcher “*formally* inform the Commission of her view of Europe.”

Two opposition parliamentarians in Britain accused Mrs. Thatcher of acting like a “soccer hooligan” on the European continent, while Italy’s *La Stampa* charged Sept. 21 that she was like a “bull in a china shop.” From her own Tory Party, Sir Anthony Meyer stated glumly, “The cause of 1992 has been very seriously set back by this.”

As the criticisms mounted, a member of the Thatcher entourage told the *Times* of London, as reported Sept. 22: “We have reached the stage where we don’t give a damn what people say so long as they eventually come round.” This individual insisted that Mrs. Thatcher’s aim was to provoke a wide-ranging and fundamental debate about the future of Europe.

But of all the reactions against Mrs. Thatcher, perhaps the most interesting came from Robert Maxwell, the Soviet-linked publishing magnate, who is chief of Pergamon Press and the Mirror newspaper chain. Speaking to the EC Commission in Brussels Sept. 21, Maxwell condemned Mrs. Thatcher’s views as “an ignorant attempt to try and sabotage a strong and united Europe.” During a day-long series of meetings about European business and communication strategy, Maxwell insisted that “she will not succeed in this endeavor. Indeed, if she persists, she will succeed in being herself defeated within her own party—which is more than we in the Labour Party have achieved in recent years.” He was particularly aghast at Mrs. Thatcher’s intervention on the cultural level, since his associates are moving to *integrate* the cultures of East and West into one oligarchical cultural matrix for Europe, as in Gorbachov’s “common European house.”

Food crisis and national explosions intensify Soviet succession fight

by Konstantin George

The combined effects of the worsening Soviet food crisis, the explosive situation in the Transcaucasus, and the threat that Poland could again erupt at any time, have touched off a new round in the Soviet succession fight. Signs are multiplying that a full-blown leadership crisis is probable as early as October, when the next Central Committee Plenum is expected to convene. The coming storm can already be predicted; only the extent of the damage and the direction it takes remain open questions. What is definitely on the agenda, and is already being manifested in Moscow's response to the latest crisis in Nagorno-Karabakh and Armenia, is a brutal neo-Stalinist crackdown on national unrest.

The Transcaucasus

The latest explosion in the Transcaucasus was provoked by the KGB itself, to create a climate whereby the KGB can maintain its vast political power and leverage within the Soviet leadership as a whole during the succession battles to come. Recent developments prove this thesis.

On Sunday, Sept. 18, thousands of Armenians came to an officially sanctioned rally in Stepanakert, the capital of the Armenian-inhabited region of Karabakh in Azerbaijan. This marked, suspiciously, the first such *authorized* rally in all the months of mass rallies held in Karabakh, where Armenians have called for Karabakh's incorporation into Armenia. While the crowd was marching through the streets of Stepanakert, a KGB-led gang of Azerbaijani thugs, armed with shotguns and knives, attacked a busload of Armenians en route to Stepanakert, in the Azerbaijani-inhabited village of Khadshaly just south of the city. Eighteen Armenians were wounded, four of them critically (one later died in the hospital). The bus reached Stepanakert; word spread through the crowd, and a peaceful gathering was instantly transformed into a mob, which raced to the Azerbaijani village, and the "ethnic clashes" the Soviet media and the world press have been reporting, then began.

By the next day, when word of what happened reached Armenia, daily mass demonstrations (averaging over 250,000) began in the capital of Yerevan, where strikes also broke out. In Karabakh, a general strike began.

The KGB's "Sumgait II" operation (referring to the February-March massacre of hundreds of Armenians in the Azerbaijani city of Sumgait), or pogrom, in the village of Khad-

shaly, produced the intended effect in the Moscow leadership. Whatever other differences may exist in the Kremlin, the decision was taken for a brutal crackdown against Armenia and Karabakh. The chronology of the crackdown emerged, to date, as follows:

Sept. 19: An airlift of Soviet Army troops into Armenia begins, with transport planes spotted landing at 10-minute intervals at Yerevan Airport, itself occupied by Soviet Army units since early July, when Army troops stormed it and cleared it of Armenian protesters, killing nine.

Sept. 20: The airlift continues, around the clock. As many as two divisions have been brought in, to further increase the strength of the over 300,000 Army and Interior Troops in the Transcaucasus, under the command of Gen. Lt. Igor N. Rodionov, a former commander of Soviet forces in Afghanistan.

Sept. 20: Mass demonstrations in Yerevan now reach a peak of 400,000.

Sept. 20: Concerning Armenia and Karabakh, Moscow drops the phony *glasnost* mask. First, the Soviet news agency TASS reported (after a 36-hour delay) that on Sunday, in Stepanakert, the offices of the Karabakh "State Prosecutor were attacked," and "militia as well as employees of the interior ministry received bodily injuries." Then, reporting on the "clashes" in Khadshaly, TASS noted: "Security Troops (KGB) and police succeeded in preventing any further escalation." Then, the TASS warning: "The state of affairs has fallen into one of blatant contradiction to the interests of the working people of both Soviet Republics [Armenia and Azerbaijan], and this *can no longer be tolerated*."

TASS then announced that an "active staff" for Armenia and Azerbaijan, headed by one Arkadi Volsky, had been commissioned and placed in charge of the situation. Volsky, a KGB-linked functionary of the Central Committee Secretariat, under the Politburo's ideology czar and powerbroker, Yegor Ligachov, was dispatched to the Transcaucasus in late July, and has been functioning ever since as Moscow's de facto governor general for the region. Volsky's KGB credentials are impeccable. In late 1982, when former KGB boss Yuri Andropov became General Secretary of the Soviet Communist Party, he selected Volsky to be one of his personal advisers.

Sept. 21: *Pravda* employs language reminiscent of that

used before Moscow's 1968 invasion of Czechoslovakia: "The workers are concerned and have turned to the Party and State with the request that decisive measures be taken to guarantee security, to end the troubles and stop the activities of irresponsible persons who are threatening the normal life of the population."

Sept. 21: At a press conference in Copenhagen, Soviet Foreign Minister Eduard Shevardnadze responds to a question on Karabakh by revealing the Stalinist program for the region: "It should be evident that the failure to adopt measures to ensure law and order has been disastrous. Serious measures will now be taken to prevent the situation from escalating, and one cannot exclude *extraordinary measures*, within the Constitution, of course."

That same afternoon, Moscow proclaims a State of Emergency for Karabakh. The announcement is read on local TV and radio in the name of Volsky.

By the evening, the Soviet Army and Interior Troops are not only patrolling all of Karabakh, but move in to Yerevan, and tanks and troops take up positions at all major intersections, squares, and in front of all party and government buildings.

Sept. 22: The demonstrations in Armenia end, but the general strike has spread from Yerevan to all of Armenia.

Moscow's Poland tactic

Behind Moscow's current brutality against the Armenians is the compelling urgency to crush national movements inside the U.S.S.R. *before* the next, inevitable Polish crisis erupts. Neo-Stalinism is also on the agenda for Poland, but for the reason we have just cited, plus the crucial consideration of keeping Poland calm before the November U.S. presidential election and the Soviet October Central Committee Plenum, the Stalinists in Poland, led by Interior Minister Gen. Czeslaw Kiszczak, have adopted the time-buying tactic of "round table negotiations" with the Solidarity trade union. Under Moscow's orders, Kiszczak will do anything to keep the illusion of "compromise" alive until November, and the promise of "concessions" and even—for the short-term—the actual granting of concessions can be expected.

To attempt to give credibility to this game, the Polish Politburo gladly sacrificed the "government" of Prime Minister Zbigniew Messner, which resigned Sept. 19, after a Polish Parliament "vote of no confidence." Even by communist standards, the show put on was ludicrous; the vote was unanimous, 359-0.

The October crisis

The signal for the coming storm in the Soviet leadership was given by Soviet television coverage on the first day (Sept. 12) of Gorbachov's tour of the Krasnoyarsk region in Siberia. Here one saw a deliberate decision to portray the general secretary as weak and indecisive, surrounded by people screaming: "We have no meat! We have no fish! The shops

are empty, see for yourself! We have no hot water! [this, in Siberia], Mikhail Sergeyevich, do something!" Gorbachov could only reply: "What can I do? What is there to do? You tell me, what is there to do?"

Two days later, during Gorbachov's stop in the town of Norilsk, he was quoted by Radio Moscow, "We have to shake up the leadership"—but carefully, because the situation among the leadership is so explosive: "We have to avoid splitting our country into camps, so that no head-on collision occurs. Today's problems cannot be solved with the methods of 1937"—meaning a violent purge of the party leadership as occurred under Stalin. But a "peaceful" purge is on the agenda for Gorbachov: "We have to implement changes through party elections."

By rebuking the "methods of 1937" of the KGB's predecessor, the NKVD, Gorbachov was delivering an unmistakable message to the KGB itself. On the same day, the weekly *Literaturnaya Gazeta* published an article which declared how the KGB had played the crucial role in the October 1964 overthrow of Nikita Khrushchov. The author was Fyodor Burlatsky, a KGB officer and confidant of the late Yuri Andropov. Despite the fact that Burlatsky's article attacked the overthrow of Khrushchov by the pre-Andropov KGB, and also attacked Leonid Brezhnev, it is widely seen as a KGB warning shot at Gorbachov. One of Brezhnev's "cardinal sins" listed, was having dared to place his own people in top KGB posts, as a check on Andropov's political power.

Till now, Gorbachov has never touched the KGB, and this may be changing. If so, it means that Gorbachov has the backing of the military in this endeavor. No other explanation is possible.

The food crisis

Gorbachov, during his Krasnoyarsk tour, also underscored the gravity of the Soviet food situation, repeating over and over again, that solving the food crisis "is our top priority." That crisis will dramatically worsen during autumn and winter. Gorbachov himself broke the bad news in a speech in Krasnoyarsk Sept. 17, when he denounced Soviet ministries for being responsible for "mistakes in the agrarian sector," and stated that "the amount of grain harvested rose from 178 million tons in 1985 to 211 million tons in 1987, but this year we will not achieve this level, because in many regions, in Siberia, in Kazakhstan, and on the Volga, production was lower."

The official Soviet preliminary estimate is 205 million tons. Such estimates are invariably 10-15 million tons above the actual amount of grain harvested that survives the appalling losses caused by inefficient storage, transport, and food processing facilities. Thus, in reality, the grain harvest will be only 195 million tons, and perhaps even lower. The minimal requirement for the population, by Soviet standards, is 234 million tons. This shortfall means either record or near-record grain imports, or an impending famine catastrophe.

NATO trains defense against spetsnaz

by Rainer Apel and Michael Liebig

In the framework of this year's NATO autumn maneuvers, the exercise "LV'88" was held from Sept. 8 to 13, to practice securing freedom to operate in the Rear Combat Zone (RCZ) of NATO's Central Army Group (Centag).

Centag encompasses the southern half of West Germany, south of a line running from Kassel to Bonn and from there through the Ardennes in Belgium. "LV'88" was confined primarily to the West German state of Rhineland-Palatinate (the part of Germany west of the Rhine and south of Bonn, bounded on the south by the Saar, and to the West by Belgium and Luxembourg). "LV'88" was under the command of Territorial Command South of the Bundeswehr (West German Armed Forces), located in Mannheim.

Were war to break out, some 250,000 German Territorial troops (for the most part reservists) would be placed under Centag's command; however, for the LV'88 exercises, only about 30,000 Bundeswehr troops, including some 15,000 reservists, were involved. The Territorial Forces of the Bundeswehr, in contrast to the standing Army, are not deployed directly under NATO command, but under a national, German command.

Defending the rear

All too often, the importance of the military dimension of "rear areas" relative to the "front" is underestimated. Usually the rear's significance is seen as logistical supply areas for the troops fighting at the front. In this regard, the main supporting task of the Territorial Command South encompasses: a) Securing the lines of supply to the front; b) Keeping open the transport routes, in particular those crossing the Rhine; c) Receiving and treating the wounded; d) Cooperation with German civilian authorities; e) Securing the movement of fresh combat forces to reinforce or replace units at the front. These reinforcements include above all the American "Reforger troops" (airlifted in from bases in the United States), and also French and Canadian forces.

This support dimension of the wartime tasks assigned to Territorial Command South was reflected in the "LV'88" exercises. The Territorials practiced organizing the moving columns of large American and French units through the Palatinate and over the Rhine. The American units then went on to participate in the large "Certain Challenge" maneuvers east of the Rhine in the regions of the Main and Neckar rivers,

with the French units concentrated in the Neckar region.

The second dimension of the wartime tasks assigned to Territorial Command South involves military operations by the Territorial Forces in the rear zones, where they have to operate "on their own two feet." Here, the job is to defend against and smash enemy sabotage and commando operations, as well as enemy forces parachuted or air-transported into the rear zone. In the "LV'88" exercises, *combat actions* in the rear area were given a high priority—reflecting, in turn, the huge attention the Soviet military leadership accords to operations against NATO's rear areas.

Specifically, in the framework of Marshal Nikolai Ogarkov's reorganization of the Western Theater of War High Command, the Soviet special forces units (*spetsnaz*) and airborne troops have been expanded, quantitatively and qualitatively. These *spetsnaz* and airborne forces will be primarily employed, and clearly so, in NATO's rear.

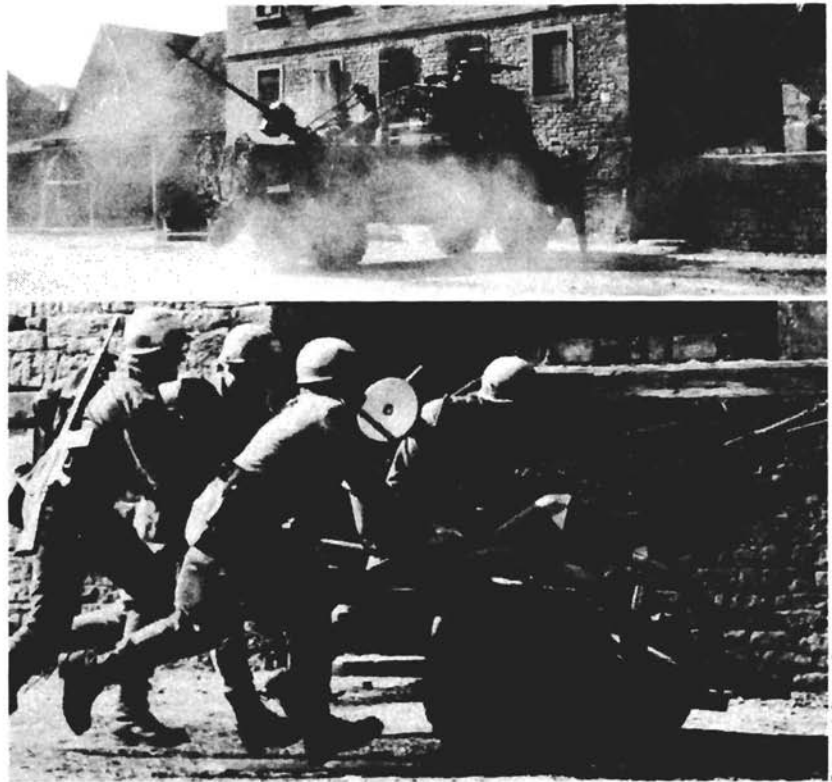
Those who observed the NATO autumn maneuvers last year, were struck most unpleasantly by the fact that the maneuver scenarios accorded no importance whatsoever to commando and sabotage operations mounted by the aggressor. Questions posed along these lines were usually met with a shrug. It was therefore refreshing and encouraging that in the "LV'88" exercises, the guarding of vital objects, and the defense against and crushing of commando operations were given a central role at every level of command, down to the company level. In the "LV'88" maneuvers, *spetsnaz* was no longer some exotic, foreign word.

Too tame a scenario

However, one must also critically note that the arrangements for the maneuver scenario for "LV'88"—as far as the observer could see—concerning the firepower, intensity, and extent of enemy commando operations, were staged in a rather tame and quite artificial "gradual-escalation" fashion. In accordance with the Soviet conception of the "initial period of war," as it has been developed since the 1970s by the Ogarkov School, one must assume that a Soviet attack will begin through lightning, surprise commando operations, conducted over a broad area. The scenario assumption in "LV'88" therefore seems more than questionable—as it appeared at least to the observers: After being infiltrated into the NATO rear, enemy special forces units would first spend a long time reconnoitering the objects they were assigned to take out, then "probe" for soft spots in the NATO defense, and then finally attack.

It was also unclear what attention "LV'88" had paid to the problem of "pre-infiltration" by *spetsnaz* forces and that of their "local" in-place infrastructure. Furthermore, any hint of "unconventional" airborne operations by enemy special forces, for example, by Soviet forced development of glider parachute capabilities, remained unfortunately very vague. The observer was left with the impression that NATO's military leadership has finally come to grips with the burning

Three images of the Territorial Army in action, from the "LV'88" maneuvers in September in West Germany.



Pressestab Speyer/Quast

problem of enemy commando operations in the NATO rear, but has, at the same time, applied the "brakes" on drawing the necessary conclusions from this fact.

This evaluation certainly does not apply to the lower levels of the chain of command, nor to the ordinary soldiers, who definitely seem prepared to appreciate this obvious and extremely dangerous form of threat deep in their own country. These reservists require no paranoid, tension-ridden scenarios in order to understand, for example, how easily infiltrated commando troops could be disguised among the many Eastern European migrant workers involved in the harvesting of grapes and wine-making in the area where "LV'88" was in progress. For reservists, it's not hard to comprehend the immense military use for the aggressor in undertaking commando attacks against the military and civilian infrastructure in NATO's rear. They fully realize that the enemy here can count on what for him is an extremely favorable ratio of results scored to forces deployed.

Here lies a broad potential to motivate and activate the Bundeswehr reserve forces, whose importance for the defense of West Germany will clearly dramatically increase. The observer at the exercises witnessed, at the battalion and company level, encouraging signs of readiness and initiative in conducting defense against commando operations. Beyond the necessary task of providing static defense for fixed

objects and defending against *spetsnaz* attacks, the reservists moved in a highly mobile fashion, actively seeking out and destroying enemy commando forces.

How important such active hunting for the enemy before he strikes is, was shown in the defense of airfields. Enemy commando troops, without directly attacking an airfield, simply by using hand-held SAMs fired from near the airfield, can effectively shoot down NATO aircraft taking off or landing. A purely static defense in this case would be senseless. A broad, wide-ranging training program for the Territorial Forces in executing such search and destroy missions against enemy forces lurking in the vicinity, is urgently required.

This example brings home the need for close cooperation between the civilian and military authorities. Not only must the Armed Forces work with police and the Bundesgrenzschutz (West German Border Forces) in locating and defending against *spetsnaz* forces; when it comes to the locating *spetsnaz*, the help provided by the citizens is decisive. The German people's unbiased attitude and indeed good will toward the armed forces was perhaps the most important and most joyful impression gained from the "LV'88" exercise. The actual behavior of the majority of Germans corresponds in no way to the distorted, lying picture of non-existent "irritation" or "hostility" toward NATO maneuvers, that the German mass media frantically attempt to concoct.

Mexico's Interpol chief dead in suspicious 'suicide'

by Our Special Correspondent

On Sept. 17, Mexico was stunned by the news of the "suicide" of Commander Florentino Ventura, chief of the anti-drug division of the Attorney General's office, as well as director of the Mexican section of Interpol. His alleged suicide occurred late at night, obscured by the festivities of Mexico's Independence Day, Sept. 16, as well as by the unprecedented speed with which the police authorities acted to "clarify" the case and shelve its investigation. The report filed by Mexico City's judicial police was that Ventura had killed himself after first murdering his wife and a female friend of the couple's, following an alleged drunken fight between Ventura and his wife.

Ventura's death is a serious loss to the dwindling group of civil police who make up the backbone of Mexico's fight against the drug trade. Ventura's record in the battle against drugs, since the 1970s, was the most outstanding of any police officer. During the government of Luis Echeverría (1970-76), Ventura served as an iron-handed prosecutor against the drug trade, during the period when traffickers came under the sharpest attack in Mexico. He helped capture the infamous Alberto Sicilia Falcón, whose marijuana and cocaine network stretching from South and Central Mexico to the United States is considered the predecessor to today's Medellín Cartel.

During the López Portillo government (1976-82), Ventura's anti-drug role was considerably restricted; his battle was re-defined as rooting out government corruption. At the beginning of the present Miguel de la Madrid government, Ventura was the only policeman to agree to personally bring back the former chief of Mexico City's police, Arturo Durazo Moreno. Mafia kingpin Durazo was captured by the FBI in Puerto Rico in early 1984, and then tried on minor charges in Los Angeles, California. Durazo is in a Mexican jail today.

In 1985, Ventura reappeared at the head of the anti-drug fight, when most chiefs of the Federal Judicial Police (in charge of fighting drugs) and the Federal Security Agency (a now defunct Mexican version of the CIA), were forced to resign due to their involvement in a mafia protection racket.

Ventura's anti-drug commandos were famous for their

incorruptibility and for their ability to strike powerful blows against the mafias linked to the Medellín Cartel. As a result, Ventura was repeatedly attacked by drug traffickers, who accused him of being the "DEA's man," or "the gringos' man in Mexico." He was slandered as a torturer. Clearly, Ventura maintained a mutually collaborative relationship with the Drug Enforcement Administration (DEA). His effectiveness was respected at the highest levels of the DEA and Interpol, as well as among police circles throughout the Western world.

Official version doubted

Since news of his "suicide" first surfaced, that story has been publicly questioned by several political commentators in the Mexican media, in sharp contrast to absolute silence on the matter from police circles, now that an "official version" of the events surrounding Ventura's death has been issued.

Mexico's most important newspaper, *Excelsior*, however, has published several stories designed to demonstrate that the official "suicide" line is absolutely false. On Sept. 20, it ran an interview with the waiters at the place where Ventura had supposedly gotten drunk. They denied that Ventura had been drinking or that he was arguing with his wife, as claimed by the police version. Nor did they recognize Enrique Orozco, whom police indicated as the only witness to the deaths, as the same man who had been with Ventura and his wife on the day of the crime.

The next day, *Excelsior* revealed that the authorities had not even interrogated the waiters to confirm the facts of the case. Nor had the detectives interrogated the first policemen on the scene, the man who had seen the alleged witness. In the same article, Ventura's two children declared categorically about their father's supposed suicide, "We don't believe all those lies." They also questioned why the government of Miguel de la Madrid had closed the case only hours after the events. "Some day we will know the truth," said one of them.

Ventura's death should be analyzed in the light of two important facts which could show that he was assassinated by the Medellín Cartel and its Mexican partners.

1) On Sept. 4, Ventura personally directed a multi-state raid which confiscated 700 kilos of cocaine from Colombia and captured a key man in the Medellín Cartel, the Nicaraguan Hugo Ettiene. Also jailed were two Americans (Mike Baldrike and Patrick Henry), one Mexican (Rafael Abud Osuna), and a Colombian (Hernán Jaramillo Jaramillo). The cocaine was seized in the state of Michoacán, now considered Mexico's most active narcotics trafficking base.

2) On Aug. 15, Ventura led the capture of another Medellín Cartel 700-kilo cocaine shipment. That operation led to the arrest of 17 members of a gang headed by the Colombian William Mayor Arias and his lover, actress Rossy Escudero. It is heard in public and private that a number of influential Mexicans were behind that mafia.

Escudero's arrest provoked a scandal in the press, due to her hot links to top political and entertainment figures. The media gave big play to her charges that she had been raped and tortured by Ventura. On Aug. 20, Ventura responded that she was making charges "in order to undercut the importance of William Mayor, member of the Medellín Cartel."

On Sept. 5, Escudero was quoted in *Quehacer Político* magazine threatening all involved in her capture. She said, "God will punish . . . all those involved in my detention and in my defamation." She alleged she had no relation with William Mayor. Asked if she knew Mayor's movements in relation to the Medellín Cartel, the actress broke into hysterical screams and ended the interview.

Investigators found Mayor ran a sophisticated communications network out of his Mexico City hotel suite, from which he coordinated cocaine flights from Colombia. Escudero had often visited that suite.

A few days before Ventura's "suicide," *Quehacer Político* revealed that Escudero and one José Antonio Curiel Miranda, arrested in the same bust, were part of the drug-trafficking ring run by former Mexico City police chief Arturo Durazo, whom the magazine called the Medellín Cartel's chief partner in Mexico. Durazo had brought in Curiel as his deputy police chief.

Several "Mexicans" caught in Ventura's net were really Bolivians. *Quehacer Político* asks that it be determined who issued them Mexican military registration cards, birth certificates, and passports. "If that were done," it opines, "the Mexican police would deliver a major blow to narcotics traffic, as well as discovering the Mexican crew which aids such crimes."

Escudero was also intimate with Francisco Sahagún Baca, officially Durazo's "chief of crime prevention investigations," but really his right-hand man in criminal activities, according to the weekly. Sahagún Baca is a known narcotics trafficker and assassin. He has been seen in several Mexican cities, but has miraculously never been captured, even though there has been an arrest warrant out for him since De la Madrid took office. Sahagún's operations base is known to be in his native state, Michoacán.

PRESIDENTIAL CANDIDATE



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Indo-Sri Lankan agreement furthered, but will it bring normalcy back?

by Ramtanu Maitra

Sri Lankan President Junius Jayawardene's proclamation merging the Tamil-majority Northern and Eastern provinces, and the simultaneous release of 115 Tamil detainees, has paved the way for holding elections to a combined provincial council. If the elections are successfully held in November, as now planned, it will be a major step forward in implementing the Indo-Sri Lankan agreement. The North-Eastern Council election is the last of the provincial council elections to be held under a scheme for devolution of power worked out between India and Sri Lanka as the core of the political resolution of the island's ethnic crisis.

The crucial proclamation was issued with no publicity, at midnight on Sept. 8, and published in the gazette the next night. The ostensible reason for such a sneaky approach by the government, according to one commentator, was that the majority of Sinhalese are opposed to the merger.

The Indo-Sri Lankan agreement, signed by Prime Minister Gandhi and President Jayawardene last year, included among other clauses, the merger of the two Tamil-majority provinces, surrender of arms to the Indian Peace Keeping Force (IPKF) by the Tamil militants belonging to the Liberation Tigers of Tamil Eelam (LTTE), and bringing them back into the mainstream of the society. While the agreement contained elements for ushering in peace, its implementation has turned out to be difficult.

In spite of repeated efforts by New Delhi, which included a two-hour talk between Prime Minister Gandhi and the top LTTE leaders just before the agreement's signing, it was clear from the outset that the Tamil militants were suspicious. Their fear was that the disarming of the LTTE is a "trick" foisted upon the unsuspecting Indians by the wily Sri Lankan President. They voiced the worry that India was being used to pave the way for eventual annihilation of the minority Tamils by the chauvinist Sinhalese. As a result, the LTTE began to resist the disarming efforts of the IPKF. It has been more than a year since some 6,000 IPKF troops were landed in Sri Lanka for an operation projected to take no more than a few months.

Using conventional methods against a fully armed group of guerrilla units on the latter's own territory, the IPKF encounter has been bloody, with hundreds of lives lost. In all probability, the IPKF will be able to defeat the militants, but the basic footing on which the agreement stands has gotten

shakier with every passing day, and it remains to be seen whether the proclamation can advance its implementation qualitatively.

A long history of distrust

The Tamils' distrust of the majority Sinhalese has a long history. Since 1948, following Sri Lanka's independence from British rule, the Sinhalese majority governments have repeatedly promised to give the minority Tamils equal rights. During the 1950s, the provincial merger was also promised, but the promises were hollow, and three decades of political efforts by the Tamils ended nowhere. In 1983, the island exploded with a wave of violent riots which drew the world's attention to the crisis. More than 150,000 Sri Lankan Tamils fled to India as refugees, and many more left the hostile Sinhalese majority part of the island to move north where the Tamils are historically the majority. Even before the riots, militant Tamil groups began to emerge. They soon developed contacts with the Palestine Liberation Organization and human rights groups outside of Sri Lanka, and began indulging in violent acts aimed at carving out the Northern and Eastern provinces as a homeland for the Tamils.

It was evident that the polarization between the Tamils and Sinhalese was acute. Political leaders such as the main opposition leader, Mrs. Sirimavo Bandaranaike, for opportunistic reasons joined the fanatic Buddhist monks, demanding there be no concessions to the Tamils. A fascist group with a Maoist ideology, Janata Vimukthi Peramuna (JVP) was reactivated, and they set upon those who are "soft" on the Tamils and began to annihilate them. Within the ruling party cabinet itself, there are some, including the prime minister, who are equally chauvinistic Sinhalese.

Though President Jayawardene had earlier sought Indian assistance, New Delhi was reluctant to get involved until it became apparent that the Sri Lankan government, unable to quell the Tamil militants, was seeking external help to deal with the situation. Israeli counter-terrorist experts and British mercenaries were already on the island. President Jayawardene had also contacted China and Pakistan for advice and suggestions. None of these nations, India noted with concern, are friends of India.

If the problem preceeding the signing of the Indo-Sri Lankan agreement were complex, the Sri Lankan govern-

ment did very little to change this in the post-agreement period. As the Indian soldiers walked into the LTTE-lair, the Sri Lankan soldiers withdrew. LTTE saw in the IPKF a bigger adversary, but an adversary just the same. During the year following the agreement, the Indian Peace Keeping Force pushed the LTTE activists deeper into their well-hidden den and are now trying to ferret them out. But it would be wrong to assume that the areas which have been "cleared" of the LTTE are in fact free of LTTE influence.

On the contrary, the situation in northern Sri Lanka remains paralyzed. According to available reports, in Jaffna, the major northern Sri Lanka city, the secretariat works only one a day a month to pay the salaries of the civil servants. All other government offices are closed and the banks function three days a week. LTTE makes sure its decrees are heeded with threats of reprisals. One 24-year-old student leader of the 2,000 strong Art Faculty Student Union told a newsmen, "Unless the LTTE is brought in, there can be no elections."

Reports from southern Sri Lanka are equally ominous. Although labeled as a small group of fanatics by Sri Lankan authorities, the JVP has surprisingly succeeded in dictating its terms in the southern district, espousing vitriolic anti-Indian rhetoric and systematic killing of those who support the Indo-Sri Lankan agreement. In spite of oft-repeated threats from President Jayawardene and others that they would be

eradicated, the JVP has not only grown in the last few years, but now seems to be acting with impunity. Heavily armed, the JVP is gathering strength all over the country except in the north and east. Last week, in a show of strength, the JVP called for a total shutdown to protest the death of a human rights lawyer, also a JVP activist, in police custody. The strike was total; most of Sri Lanka was paralyzed on Sept. 11.

Indeed, the JVP's rise has been phenomenal. According to his own apprehensions on this account, India's former foreign secretary, A.P. Venkateswaran, wrote in *The Hindu*: "One may devoutly hope that the special consideration being shown by Mr. Jayawardene to the JVP is not with the intention of using that organization's antipathy towards the Tamils in Sri Lanka and thereby subserving the negative policies of his government."

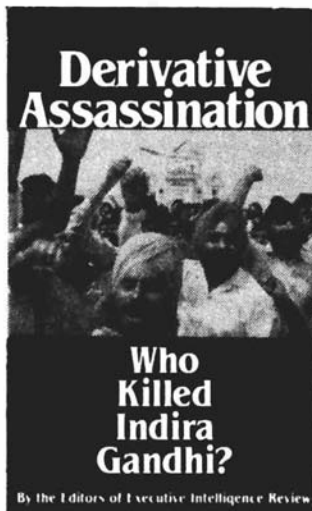
It is abundantly clear that the post-agreement policies have failed to shake loose the grip of radicals who have polarized the Tamils and Sinhalese. President Jayawardene's failure to leash the anti-Tamil Sinhalese terrorizing those who are soft on Tamils and India, is a major failure. Moreover, using the Indian soldiers to "silence" the Tamils may create a strong backlash within the Tamil community generally. If that happens, the good will on which the Agreement was based will be completely lost.

Derivative Assassination: Who Killed Indira Gandhi?

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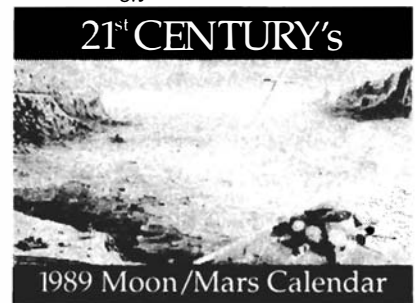
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Richard Murphy rigs Lebanon to explode

by Scott Thompson

Assistant Secretary of State for Middle East Affairs Richard Murphy has been caught once again rigging Lebanon for a new outbreak of bloody civil war. This time, Murphy traveled hat-in-hand to Damascus, where he put the U.S. seal of approval on Syrian President Hafez al-Assad's attempts to impose a pro-Syrian stooge as President of Lebanon, which would have strengthened the Syrian occupation of that country. However, when the vote for the new President was to have taken place in Parliament on Sept. 22, 41 Christian deputies refused to attend, and there was no quorum.

On the same day, outgoing Christian President Amin Gemayel formed a provisional military government. There is now the prospect of Lebanon being de facto partitioned between Gemayel's Christian government (that three Muslim appointees refused to be part of) and a pro-Syrian Arab government headed by Prime Minister Selim Hoss. Many informed analysts believe that there will also be a renewed outbreak of fighting between the Christian forces and various pro-Syrian paramilitary Muslim sects.

Murphy goes too far

A senior former Middle East CIA agent told *EIR*, "Richard Murphy has made too many concessions. The man he picked to be President of Lebanon, Michel Daher, is one of Franjeh's boys." This source was referring to Suleyman Franjeh, the Syrian stooge whom Assad first tried to impose as the new "Christian" President of Lebanon on Aug. 19. The source elaborated that if Murphy were truly interested in finding a "compromise candidate," then there were several people, like Raymond Edde, who would have protected the interests of the Christian minority and Lebanese sovereignty during the Syrian occupation.

The reason why Assad sought to impose Franjeh and then Daher, according to this CIA source, is that he had caught the Christian Falange receiving weapons and money from Iraq, and Pakradouni of the Lebanese Falange had begun to form alliances against the Syrian occupation. Nonetheless, this source insisted, "Dick Murphy may have gone overboard on this. The Christians will never accept the candidate he is backing, and there will be a violent reaction."

Just how far Murphy's deal went was spelled out to *EIR* by a reliable Lebanese source, who said that while Murphy was in Damascus prior to the elections, he not only accepted

Daher as the candidate, but 1) offered to have the U.S. pay the \$850 million that Syria owes Iraq for oil and other supplies; and 2) guaranteed that the Saudis would continue to fund the 25,000 Syrian occupation troops in Lebanon for another two years. In exchange for these concessions, Assad reportedly stated that Syria would see that American hostages are released.

Up until the last minute of the Sept. 22 parliamentary election for President, State Department spokesman Charles Redman revealed, the Reagan administration had pressured the Lebanese Christians to elect Daher, who was publicly billed as "a President who can institute reforms." The specific reform State had in mind was a Syrian-dictated rewriting of the Lebanese Constitution, which would have been devastating to the Christian minority.

As one former assistant secretary of state for Middle East affairs told *EIR*, this entire incident confirms that "the Reagan administration is merely continuing the policy begun by Secretary of State Henry Kissinger of involving Syria in Lebanese internal affairs. This policy lacks coherence. Not only is Syria closer to the Soviet Union than to the United States, but Syria has never even recognized the existence of Lebanon on its border. It has deep, historic claims to Lebanese territory." While Kissinger claimed that he had offered Syria a leading role in Lebanon to woo it away from the Soviets, the truth is that this step was part of a "New Yalta" deal with the Soviets that was intended to partition Lebanon between a Greater Syria (backed by the Soviets) and Greater Israel (backed by the United States). Kissinger's policy was to carve up a sovereign nation that had been a real friend of the United States in the region.

Renewed civil war?

There is no question that the State Department was crying "crocodile tears" when spokesman Charles Redman raised the specter of Lebanon emerging with two irreconcilable governments after it failed to elect a new President to Syria's liking. It would not have taken exceptional genius for Assistant Secretary Murphy to know that the Christians would never accept a pro-Syrian stooge as President and that there was a danger of a violent reaction. Beginning with a major car bombing Sept. 21, Lebanon is now poised for a renewed outbreak of civil war.

Recognizing the bind that Murphy had placed his country in, outgoing President Amin Gemayel announced a provisional government. Its head is Christian Army Commander Michel Aoun, who was named prime minister and defense and information minister. In addition to Gen. Aoun, President Gemayel appointed three cabinet officers who were the commanders of the army's brigades representing the Sunni Muslims, Shi'ites, and Druze. Unfortunately, the Muslim cabinet officers refused to serve in Gemayel's provisional military government, which would have strengthened the Lebanese Army's position among warring militias.

Geneva accords spell genocide in Angola

by Jeffrey Steinberg

According to well-placed sources in Southwest Africa (Namibia), Cuban troops early in September began a scorched-earth policy of destroying villages and massacring civilian populations in areas of southeast Angola formerly controlled by the anti-Soviet UNITA forces of Dr. Jonas Savimbi. This genocide is the first fruit of the "regional matters" deal negotiated by the United States and the Soviet Union in Geneva early this year.

The prospect of regional warfare, and the growing threat of an assassination of UNITA leader Savimbi, should provide a serious warning to those naive or pro-Soviet forces in the West who believe that a superpower-administered global restructuring can avert a descent into chaos. On the contrary, the southern African situation provides damning proof that all so-called regional matters arrangements are inherently destabilizing, and will cumulatively tend to trigger a global Thirty Years War, the first phase of which will be characterized by the slaughter of longtime Western allies, such as Savimbi and the already murdered Pakistani President Mohammed Zia ul-Haq.

During early September, Southwest African security forces captured and executed four SWAPO terrorists as they made their way towards the capital city of Windhoek, after having crossed into the country from Angola. At the time of their arrests, the four were wearing Army uniforms of Angola's ruling MPLA. Immediately, Southwest African security services put out an alert for other SWAPO teams entering Namibian territory under similar guise.

The capture signaled that the Angolan-Namibian border, which had been previously secured through the positioning of South African regular military units along the border area inside Angolan territory, is no longer secured. That area is now patrolled by U.N.-sanctioned "monitors," who apparently are allowing anybody wearing regular Angolan Army uniforms total access. Reportedly, the only international journalists allowed into the areas under the monitors' control are notoriously pro-SWAPO.

In yet another demonstration of the sham treaty negotiated under joint Soviet and U.S. State Department sponsorship, the Cuban Army's chief of staff, according to West European press accounts, announced early this month that 25,000 of the officially acknowledged 50,000 Cuban troops

presently stationed in Angola will renounce their Cuban citizenship and seek Angolan citizenship, in order to remain behind after the formal withdrawal of all Cuban troops is completed at some as yet undetermined time in the next three years. Regional sources have underscored that the lack of serious verification procedures in the Geneva agreements means that Cuban troops could return to Angola within hours of their "departure." Alternatively, the remainder of the Cuban troops has been reportedly slated to simply relocate to Zimbabwe, Mozambique, or other frontline states adjacent to Angola and the Republic of South Africa.

Isolation of UNITA

The dramatic heating up of the situation within southern Angola centers around the fact that the UNITA forces, shut off from South African air support and other crucial military backing under the terms of the "treaty" negotiated by U.S. State Department official Chester Crocker, are now threatened with slaughter if they remain in their previously secured bases in the southeast of the country. In the process of redeploying into the northeast mountain region adjacent to Zaire, the Savimbi-led national liberation forces are highly vulnerable to attack. Between the massive buildup of Cuban forces directly to their north and the regrouping of SWAPO guerrilla forces to their immediate south, the UNITA Army could be caught in a pincer unless it relocates.

Angolan, Cuban, and Russian officials are reportedly desperate to assassinate Savimbi during the brief period of dry season fighting that will occur over the next 30 days, hoping to cripple the opposition politically, in a replay of the "settlement" that turned over Zimbabwe-Rhodesia to pro-Soviet butcher Robert Mugabe.

Within the Republic of South Africa itself, a perceptible power shift has been quietly unfolding over the past several months, indicating the further disastrous impact of the Geneva regional "peace accord." The South African Foreign Ministry of Pik Botha, aligned with the State Department's Crocker and Britain's Tiny Rowland Lonrho interests, has seized apparent control over the political decision-making apparatus in Pretoria, to the overall weakening of the patriotic elements grouped around the South African defense ministry.

President P. W. Botha's recent state visit to Maputo, the capital of bordering Mozambique, was taken as a dramatic signal that South Africa was no longer politically committed to the overthrow of the Frelimo government and the coming to power of the national resistance movement, Renamo. Renamo has been engaged in a struggle paralleling the Savimbi-UNITA efforts in Angola, and is believed to control better than one-third of Mozambique's territory.

According to Washington sources, during a recent visit to the U.S. capital, Savimbi was warned by senior State Department officials that if he made any attempts to meet with Renamo representatives, UNITA would be cut off from all U.S. assistance.

Burma coup no surprise in Thailand

Two key factors are involved in shaking the military: the rice harvest, and whether the minority armies join the opposition.

The coup d'état by Gen. Saw Maung on Sept. 18 did not come as a surprise to watchers of the Burmese situation. Rumors of a military coup and the coming to power of a new military figure were rampant in Bangkok, where many journalists are monitoring events in Burma, as visas have been denied for weeks. As with Sein Lwin, who took over for a couple of weeks in August after Ne Win stepped down and Maung Maung who subsequently followed, Gen. Saw Maung is known to be a close associate and protégé of 26-year-long dictator Ne Win.

With the military coup, it looks like institutions in Burma have crumbled, including the Burma Socialist Program Party, which had been controlled by the military since its creation. The only institution left standing is the military, a force of about 186,000 that has held together despite defections from the lower ranks. The opposition itself has been unable to come up with a unified platform or leadership.

Certain press reports have perhaps fomented the illusion that significant parts of the military have switched over to join the demonstrators. In reality, these military defectors, at best, number in the hundreds. There has been no report as of this writing of any platoon or division joining the opposition.

Although Gen. Saw Maung has officially "consolidated" power by declaring himself prime minister, defense minister, and foreign minister, other cabinet members are not yet known. For sure, brutal repressive measures are going to continue against

demonstrators and opposition forces, as has been evident from the news reports from Rangoon right after the coup.

What is key to the Burmese military at this point is that they are still backed by the Soviets on many counts. During October, newly trained pilots and new helicopters—apparently a Soviet-backed military assistance program—will return to Burma after training in India. The army in the north of Burma has had Vietnamese advisers and more recently North Korean experts. Over the past two years it has been known to intelligence circles that the Soviets have moved in to infiltrate Burmese army ranks on practically all levels.

Even though the military's power seems overbearing, Burma is still deadlocked, and observers expect the stalemate to linger five or six months more. The size of this December's rice harvest will be a decisive factor. Will there be enough surplus rice to export, to earn foreign exchange so the military can buy more arms and equipment? Or will the peasants want to keep the rice for themselves, if the harvest is poor?

Two other factors will be key in whether the Saw Maung regime, with Ne Win calling the shots, will hold or will be toppled by the opposition. One is foreign aid. The cancellation of \$12.2 million from the United States would be just a drop in the bucket. But were Japan to cut off aid to the Burma regime, which accounts for 80% of all Burma's foreign assistance, this would make a bigger dent. U.S. financial and military aid was earmarked for fight-

ing narcotics production, while Japanese aid was used to set up assembly line production and pay the military.

Secondly, if the minorities along the Thai-Burmese border throw their full weight behind the urban resistance, this could tip the balance in the opposition's favor. Civilians wielding swords, knives, slingshots, and bicycle spokes will never be able to withstand the hail of bullets from government troops. But members of the National Democratic Front, which gathers spokesmen of the ethnic minorities, have already met on the issue of whether the minority groups should not only give sanctuary to fleeing opposition leaders, but move their armies in alongside the demonstrators.

The Karens, with a population of 7 million, have about 12,000 armed men in the Karen National Liberation Army, plus 5-6,000 trained guerrillas. By far, the Karens are the richest of the minority groups. They trade in lumber, tin, wolfram, gold, rattan, but not in dope. The Kachins, numbering about 1 million, have an army of 6,000. They control 5-10% of Burmese opium production, and also deal in jade and gold. They receive aid from China and train other resistance movements against India. As for the Shans of the Shan State Progressive Party which is allied to the Karens, they have a population of 2-3 million, an army of 2-3,000, and deal chiefly in opium. The Karennis have a population of 3-400,000 and an army of 2,000. The Mons have an army of 400 and deal in both heroin and marijuana. The Paos have 1,000 armed men, and the Was some 800.

The rallying of the ethnic groups behind the opposition to the military government could provide the opportunity for the more important groups to take part in an eventual new government, if the opposition wins.

Bankers' revenge against Peru

President García is paying the price for his own compromise with the Socialist International.

Now that the Socialist International and the drug bankers appear to have wormed their way back into the driver's seat in Peru, the international financial community is wreaking its revenge against the man who defied the law of usury by declaring that he would pay "the debt of his people's hunger before the debt of the bankers."

Rumors of President Alan García's tendered resignation began to spread nearly simultaneously with the announcement by Prime Minister and Socialist International agent Armando Villanueva del Campo, of the new brutal austerity program which has the Peruvian population in a state of shock. Faced with empty supermarket shelves, and 400% to 1,000% price hikes on what little remains, Peruvians feel betrayed by the President who promised to defend them from such genocidal dictates from abroad.

Loyalists to García within the ruling APRA party are being threatened, and in some cases beaten, according to reliable reports. A number of high-level government officials, including García's two leading economic advisers, Daniel Carbonetto and Javier Tantalean Arbulu, have quit their posts, while others are surreptitiously seeking a way out of the country.

Coup threats are circulating openly in the media, and elements of the Navy are known to be conspiring against the President. As the social democratic magazine *Sí* bluntly put it, the "countdown has begun, Mr. President." *Sí* has also editorially acknowledged the naval conspiracy, wondering if García will "come out

alive" from the "inevitable" coup d'état. Prime Minister Villanueva del Campo acknowledged the coup threats in a Sept. 20 speech to ruling party activists, in which he declared that APRA members were prepared to "offer our lives" to defend Peruvian democracy.

It was President García's 1985 imposition of a 10% ceiling on export revenues going to foreign debt service, that inspired debt-strangled developing sector nations worldwide, and won García the eternal enmity of the International Monetary Fund and its foot soldiers inside the Socialist International. Undermined by a credit blockade from abroad and economic and terrorist sabotage at home, García opted for the "expediency" of an alliance with the same social democrats who had opposed from the start his war on narco-terrorism, his war against usury, and his effort to nationalize the drug banks.

García is now paying the price of his own pragmatism, as his nation falls prey to the bankers and to Moscow's narco-terrorists. The President's pledges against returning to the IMF notwithstanding, a growing chorus of demands for Peru's total submission to the Fund—ranging from a group of APRA congressmen, to the Senate president, to García's own vice-president, octogenarian Luis Alberto Sánchez—has already opened a major breach in Peru's last defenses.

A representative of the World Bank is secretly negotiating in Lima, and Central Bank President Pedro Coronado is currently in West Berlin, head-

ing a Peruvian delegation to the IMF annual assembly there. Said Coronado before his departure for Berlin, "Peru will reinitiate dialogue with the international economic community." Newly appointed Economics Minister Abel Salinas is rumored to have packed his bags, and will be leaving for Berlin shortly.

The Peruvian business sector is at the same time being wooed by the U.S. State Department in preparation for an anti-García coup. According to the Sept. 19 issue of the magazine *Oiga*, a delegation of businessmen from the Peruvian private sector federation Confiep is currently in the United States, on invitation of the U.S. Embassy in Lima, to meet with a variety of government and non-government figures, among them State Department official Luigi Einaudi, the RAND Corporation creation who helped orchestrate the 1976 coup d'état against then-Peruvian President Gen. Juan Velasco Alvarado. The Confiep delegation also participated in a seminar sponsored by David Rockefeller's Council of the Americas in New York, attended by representatives of the World Bank, IMF, and other financial institutions.

That the international bankers will never forgive García, even with all his capitulations, was made clear by a *Journal of Commerce* editorial Sept. 13: "Peru has pretended it could survive as an island outside the world economy. . . . It is not probable that the Peruvian economic plan, improvised hurriedly and incoherently, will achieve anything but encouraging capital flight and emigration. García's insistence on maintaining a large part of the economy in the hands of the government, and his absence of readiness to consult with the IMF offers scant hope that his government can take good advantage of the foreign resources that it could receive."

The PRI and terrorism

The terrorist rural group Peasant Torch has been invited to enter the ranks of the ruling PRI party.

A deep discontent is spreading in the ranks of the ruling Institutional Revolutionary Party (PRI) because its national leadership, headed by secretary general Manuel Camacho Solís, is on the verge of making official the entry of the terrorist organization Peasant Torch (*Antorcha Campesina*) into the PRI.

Torch national leader Aquiles Córdova announced Aug. 14 that his movement's entry into the ruling party was "a matter of days," since the negotiations with Camacho Solís and with national PRI president Jorge de la Vega Domínguez were going well. "We have been met with understanding and comprehension" by the close collaborators of President-elect Carlos Salinas de Gortari, who had been the official PRI candidate, said Córdova.

Peasant Torch has taken part in armed battles and assassinations of political opponents in the state of Puebla. The Trotskyist Independent Peasant Organization blames Peasant Torch for the murder of at least 80 of its followers. The armed clashes between the two bands have also led to the death of several Torch leaders, including the sister of its national leader Aquiles Córdova.

Peasant Torch has also gotten into fights with the National Peasant Federation (CNC) and Independent Peasant Organization (CCI), both affiliated to the PRI, for which reason it has been dubbed in the regions of Puebla, Tlaxcala, and Veracruz the "Shining Path of Mexico," after the savage Peruvian drug-trafficking terrorists.

Peasant Torch's radical Maoist tendency and "socialist-communitarian" methods of organization—also similar to Shining Path's—have turned it into one of the most feared groups in Mexico. Its black reputation has forced its leadership to conduct a campaign to refurbish its image.

During a recent demonstration in Mexico City, Aquiles Córdova denied that his group was the "Shining Path of Mexico," and its members assassins. Its leaders insist, however, that "Antorcha must exist, and we will defend it to the death."

Peasant Torch states that, despite the accusations of assassination thrown against it, not one of its members has ever been criminally charged. Even so, those in the know suggest that this is because they are well protected by former Puebla governor Guillermo Jiménez Morales, the current head of the PRI bloc in the Mexican Chamber of Deputies.

Peasant Torch represents some 800,000 peasants in 22 Mexican states, and its main headquarters can be found in the Puebla mountains. It was founded in 1974 by radical students and teachers from the Autonomous University of Chapingo (Maoist), who operated out of the ultra-left and pro-terrorist National Federation of Bolshevik Organizations, which is known for its participation in armed confrontations with other leftist groups.

On June 28 of this year, Peasant Torch held a demonstration of 60,000 in central Mexico City, to support the presidential candidacy of Carlos Salinas de Gortari, whom the Torch de-

scribed as "the only one capable of carrying forward . . . the historic development of the nation."

The mobilizations in support of Salinas have been well-financed, with resources that the organization clearly doesn't have on its own.

Private researchers have discovered that the rapid growth of Peasant Torch stems in large part from the help it has received from the government's Department of Agricultural Technical Education. Dozens of graduates of the University of Chapingo have been employed throughout the country by the Department, giving Peasant Torch organizing and recruitment opportunities.

One of the most interesting angles that certain serious researchers into Peasant Torch have turned up is the relationship it maintained with Puerto Rican terrorist William Morales, who was illegally freed from jail by the Mexican government just before the July 6 presidential elections.

According to rumors circulating among political circles, the PRI intends to bring Peasant Torch into its ranks to replace the CNC as the official peasant wing of the party, and install it as a shock force.

The key question is why the PRI would want to replace the CNC with a band of pro-terrorist anarchists who could easily spin out of control of the party hierarchy. The only explanation is fear that the CNC base and the majority of its regional leaders might openly defect to the ranks of the opposition presidential candidate Cuauhtémoc Cárdenas, who was defrauded of victory in the July 6 election. It is a fact that the peasantry is the layer of Mexican society most brutalized by the austerity regimen imposed by President Miguel de la Madrid, but *designed* by Salinas de Gortari.

The Pope in southern Africa

The missed landing and the terrorist hostage affair in Lesotho may be aimed against his call for a New World Economic Order.

John Paul II's latest pilgrimage to Africa took him to the nerve-center of Zimbabwe, Botswana, Lesotho, Swaziland, and Mozambique, with an unexpected stopover in South Africa—a region wracked by racism, bloody tribal warfare, poverty, and the painful problem of refugees.

While the superpowers, which foment much of the guerrilla actions, are setting up their new order, i.e., carving up "spheres of influence" in these zones at the cost of national sovereignty and the interests of the local peoples, the Pope defied the dangers and traps, and took his message of peace and reconciliation to southern Africa.

"It is important that you maintain your determination to find a solution through dialogue sustained by prayer," said John Paul II to the assembly of Southern African Bishops gathered in Harare, Zimbabwe's capital. "You must be fully convinced that only a negotiated solution of differences can lead to true peace and true justice. A loss of faith in the possibility of a peaceful solution can easily lead to greater frustration and violence, increasing the threat to peace, [which is] not limited to this region."

The Pope warned President Mugabe at the airport, "The political, economic, and ideological forces that hold power are endangering the still-precarious order of countries which have barely begun to consolidate independence. These forces hinder the self-determination of peoples and foment ideological, ethnic, and tribal conflicts, and they slow down the de-

velopment process." He appealed to those responsible for the destiny of peoples in that region, to renounce violence as a means to reach their goals.

Reiterating his personal commitment to genuine progress, he told thousands of youth in the stadium at Harare, "I know that many young Africans are unemployed and will find many obstacles in the future to finding jobs. Unhappily, many young people all over the world find themselves in this sad situation! Through no fault of your own, many of you are deprived of the means to continue your own growth and individual development and to realize your own hopes, that is, you are deprived of the chance of exercising a job or profession. There is need for outside help. I know that your Bishops are preparing programs to favor the formation of other kinds of aid, especially in rural areas. And I will continue to spur on the creation of a New World Economic Order which would favor the expansion of the basic economy in development countries without their having to take on unjust burdens or having to depend on the more advanced countries."

The thirst for justice, and the upheaval provoked when it is lacking, was the theme of the Pope's address at the mass celebrated in Gabarones, the capital of Botswana.

At his third stop, in Maseru, capital of Lesotho, began the long, dramatic stage of the Pope's journey, when his Boeing 707 was unable to land at the airport due to still-unexplained problems, and then a heavy storm hit the capital. The papal plane

changed route and landed in Johannesburg, capital of the Republic of South Africa, where John Paul II briefly met with Foreign Minister "Pik" Botha, and South African authorities supplied him with ground transport to Lesotho.

Meanwhile, in Maseru, four guerrillas took a bus hostage, with 71 pilgrims headed for the capital to take part in the Pope's mass. After hours of anguish, the incident ended with the death of three guerrillas and one hostage and the wounding of several, some critically—all within a few hundred meters of the Pope.

The atrocity raises disquieting questions. The landing problems could have resulted from sabotage, and the hostage-taking appears to be related. The unscheduled, six-hour overland journey of the Pope put his security in danger, while the terrorist incident had all the earmarks of an act of intimidation against his visit. The violence scared off many believers who had intended to go to the Pope's mass.

Who wants to stop John Paul II's missionary work—and why? The African continent is in tragic condition. Its foreign debt amounts to some \$218 billion, while its export income has collapsed. The continent is threatened by hordes of locusts, prostrated by wars, and sapped by AIDS and other terrible epidemics. While Africans face this holocaust, the indifference of the so-called developed sector suggests that the international banks and the governments they run have already written the continent off the map.

One man, John Paul II, has had the courage to break this guilty silence, this abominable conspiracy, by going to Africa to cry out to the world that there is still much to be done there, and to renew in Africans' hearts the hope for a better world, where the dignity and rights of every human being will be safeguarded.

International Intelligence

Did Israel create Islamic radical group?

At least one Muslim fundamentalist group in Jerusalem may exist only because the Israeli intelligence service wants it to.

A well-informed Palestinian source told *EIR* that the Israeli intelligence service created the Muslim fundamentalist group known as Hamas. The Hamas group has been seeking to foment a jihad (holy war) over Jerusalem and the Temple Mount, whose Dome of the Rock is the third most holy site in the Muslim religion. Jewish radicals insist it is the sight of Solomon's Temple. The radicals on either side therefore vie over their "religious" claim to the site.

The source said that the national security project to launch Hamas involved covert aid for the group's leaders so that they could study in Egypt with the Muslim Brotherhood.

At least one powerful faction of Israeli intelligence backed the Hamas group for two additional reasons: 1) Hamas originally disavowed armed struggle; and 2) Hamas's goal was to supplant the Palestine Liberation Organization within the Intifadeh, the uprising in the Occupied Territories. The Palestinian source said that Israel may now believe that it has created a "Frankenstein monster," and it has begun a crackdown on Hamas by deporting some of the more extreme leaders.

Sweden hosts IRA, other terrorists

Swedish anti-terrorist squad head Krister Hansen told the daily *Svenska Dagbladet* the weekend of Sept. 17 that several terrorist groups have active or dormant cells in Sweden, including Middle East groups and Sikh and Basque separatists. Hansen insisted that it was impossible to monitor all their activities: "We cannot listen to their telephones or breathe down their necks. We have neither the resources nor the legal possibilities to do so."

He pointed to a large number of IRA terrorists located in the southern city of Malmö. According to Hansen, the group was visited on several occasions by active IRA operatives based elsewhere in Europe. For example, Terence McGeough, an IRA suspect arrested this month in West Germany after having crossed the border from Holland, had intermittently lived in Malmö for five years, operating under a false identity. "While he was living here under his real name, we could keep a check on him, but when he went underground, we had insufficient resources to locate him," Hansen declared.

He noted that the other IRA suspects living in Sweden "were people with the same convictions and activity as McGeough." McGeough is under arrest on suspicion of having murdered British soldiers in West Germany and Belgium.

Malmö's chief public prosecutor, Axel Richter, has ordered a full investigation into IRA activities in Malmö. Said Richter, "At present, McGeough is merely suspected of illegal residence in Sweden, but we must investigate whether he used his flat in Malmö to prepare terrorist outrages and as a depot for weapons and explosives."

British police are demanding that the British government make top-level approaches to the Swedish authorities to deal with the situation. The *Daily Mail* of London commented Sept. 19 that Hansen's revelations are likely to cause "a major row" in Sweden, after all the controversy that has hit the security services because of the Palme assassination.

The *Mail* article is headlined, "Sweden 'a Safe Base for IRA Terrorists.'"

Israel launches first spy satellite

Israel put an experimental communications satellite weighing 3½ pounds into orbit Sept. 19. Prime Minister Yitzhak Shamir hailed the launch, saying, "It makes Israel a partner in the upper echelon of the modern technological world."

Israel had spent much time denying that

it was about to launch a satellite, which proves that it has an ICBM capability. Cabinet secretary Eliyakim Rubinstein a day earlier had said that he had no knowledge of the matter, and that the government would not discuss it. He declined to say whether the 10-man inner cabinet decided to launch the rocket when it met early on Sept. 11, as alleged by the British magazine *Flight International* and other publications. *Time* magazine, too, had reported that Israel had only to set a launch date to become the eighth country known to possess a rocket powerful enough to lift a satellite. Other reports had said that Israel tested a medium-range missile code-named Jericho-2 last May, and that it was capable of carrying nuclear warheads over a range of 900 nautical miles.

After the Sept. 19 launch, the head of the Israel Space Agency, Yuval Neeman, said that a rocket placed the satellite into low Earth orbit, where it would send back data for about a month before burning out. He said that Israel would decide in due course whether to launch military reconnaissance satellites.

Li Peng responds to Gorbachov initiatives

Chinese Premier Li Peng gave an apparently positive response to the "diplomatic initiatives" that Mikhail Gorbachov outlined on Sept. 16 in Krasnoyarsk, Siberia. While proposing that the United States leave the Philippines, in return for the Soviets leaving Cam Ranh Bay, Gorbachov also issued another call for an early Sino-Soviet summit.

"We would like very much to normalize our relations with the Soviet Union," Li Peng is quoted. "Our objective is to get our relations back to a normal state of affairs, but not to the state which existed in the 1950s. We will not return to the days when we were allied with the Soviet Union."

He added, "Our American friends should not feel uneasy about this," because U.S.-Soviet relations have made "a lot more progress" than those between Beijing and Moscow recently.

Meanwhile, the Soviet Union has agreed

to lend China \$82 million to complete a rail line across their central Asian border. The line will join China's northwest region of Xinjiang with the Soviet Kazakh Republic, and provide a shorter route between Europe and the Far East. The Soviet section was completed in the 1950s, but China stopped work after the break in relations, and did not resume it until 1985.

Club of Life sets back 'Dr. Cyanide'

A partial victory for the Club of Life's mobilization to halt West Germany's "cyanide doctor" Julius Hackethal was marked on Sept. 21, when it was announced that Hackethal would close his private clinic at Chiemsee, Bavaria. Hackethal has led a brazen campaign to win public support for his revival of Nazi euthanasia, as "humane death."

The Club of Life, an international group founded by Helga Zepp-LaRouche, is working to get Hackethal's medical license revoked, and to have him prosecuted for murder. Hackethal blamed a Bavarian state health minister's decision to disallow state insurance benefits to patients "treated" in his hospital, and the threat that his license may be revoked, for his decision to close the clinic. He had intended to run it until at least 1991.

Pakistan deepens probe of Zia 'sabotage'

Pakistan's civilian and military intelligence services have now been brought into the investigation of the plane crash that killed Pakistan's President Mohammed Zia ul-Haq, according to an announcement by senior Pakistani security officials Sept. 15. "There was no need to expand the investigation if the plane . . . crashed due to a mechanical fault," an official said in response to reporters' questions.

Senior Pakistani officials said that the country's Intelligence Bureau Directorate

and Federal Investigation Agency have become involved in the investigation, which has been widened to determine who might have sought to harm Zia. "President Ghulam Ishaq Khan wants all the security agencies of the country to work together to unearth the hands behind the sabotage," a senior intelligence officer said.

Another source said that a special team has been constituted to interrogate five men arrested this week for their involvement in the assassination of extremist Shi'ite Moslem leader Allam Arif Hussain Hussaini outside his house near Peshawar two weeks before the plane crash. "Officials investigating the crash believe that the murder and the crash were interlinked," a senior source said.

Princess Gloria meets Fidel

Princess Gloria von Thurn und Taxis has a new conquest, Cuba's Fidel Castro. So says the Venezuelan magazine *Z*.

"Prince Johannes von Thurn und Taxis," of the Bavarian family whose wealth and power some say is beyond estimation, "and the Princess," who is about 40 years his junior, "arrived in Cuba aboard the Prince's white yacht, coming from another exclusive multimillionaire haven, La Romana, in the Dominican Republic, and they were received with open arms by Castro himself."

The magazine said that Thurn und Taxis tried to invest in La Romana, but he and designer Oscar de la Renta, the owner, argued heatedly, and de la Renta vetoed the idea. The argument occurred at the mansion of Venezuelan Gustavo Cisneros, whose family used police-state measures to suppress *Dope, Inc.*—the book that exposes the financial networks behind drug running—in Venezuela.

EIR investigators have identified Prince Thurn und Taxis as a pivotal figure in collaboration between old Nazi networks and the Soviet intelligence services. Gloria is very much part of the cocaine-sniffing jet set of Europe.

Briefly

● **BOLOGNA** University celebrated its 900th anniversary on Sept. 16, and the event and an accompanying publication were denounced by the Catholic group Communion and Liberation. The publication had stated, "The message of these 900 years is a republican and Mazzinian one," referring to the 19th century political figure Giuseppe Mazzini, who organized revolts all over Europe under a banner of satanic libertarianism. Communion and Liberation called this claim "a revival of the old Masonic anti-Christianism."

● **PHILIPPINE** President Corazon Aquino said Sept. 17 that the Soviet offer to withdraw from a naval base in Vietnam in exchange for the scrapping of U.S. bases in the Philippines was not an issue for the Philippines, but for the two superpowers to resolve.

● **THE PALAU ISLANDS** broke off negotiations with the United States regarding a possible military basing agreement. The Palau island chain is located 530 miles east of the Philippines and is considered the fall-back option for Clark Airfield and Subic Bay Naval Station, if the Philippines facilities become unavailable.

● **CRASHES** of NATO military aircraft continue in Europe. A German Phantom F-4 crashed near the Baltic island of Omoe Sept. 14. Both pilots are missing. It was on a routine flight as part of NATO air exercises in the western Baltic. A U.S. Army Cobra helicopter crashed near the German city of Erlangen the same day, after coming into contact with a high-tension line. Four days earlier, a U.S. OH-58 Kiowa helicopter crashed near Mergentheim.

● **SIX AFGHAN** planes violated Pakistan's airspace over the Northwest Frontier Province on Sept. 12 "with the intention of bombing Pakistani territory," Islamabad Domestic Service reported. Pakistani F-16s intercepted and shot down two of the planes.

LaRouche joins battle to shape next President's policies

Independent presidential candidate Lyndon LaRouche, in an open letter released on Sept. 19, challenged the ongoing bid by Henry Kissinger and other policymaking elites to shape the program of the next administration. "During the coming four years, beginning 1989," he writes, "the United States will be confronted with the worst complex of crises during this century. We require, more than at any time during the postwar period to date, either a President who is strong in the sense of a clear comprehension of each of these crises, or a presidency based on a suitable array of leading advisers immediately proximate to the President."

At a press conference on Sept. 12, Republican presidential nominee George Bush had announced that he is taking on Kissinger and Zbigniew Brzezinski as co-chairmen of his new advisory panel on strategic issues.

In the Sept. 19 issue of *Newsweek*, Kissinger addressed a memorandum to the next President, warning of the crises to come. Many Western leaders, he said, "paint an idyllic picture in which change will occur thanks to a new breed of communist leader," to the effect that, "If the democracies persist in relying upon only the most optimistic assumptions about the future, the present tranquility will be just the calm before the storm."

While LaRouche reports that he would concur with the gist of Kissinger's warnings about Mikhail Gorbachov's so-called *glasnost*, and some of his arguments concerning the challenge facing NATO, that is where the similarity between his views and Kissinger's ends.

"My historical standpoint for U.S. foreign policy today," LaRouche writes, "is the conception of 'community of principle among sovereign nation-state republics,' as argued by U.S. Secretary of State John Quincy Adams, respecting both the U.S. rejection of Canning's proposed treaty and the adop-

tion, and future prospects for implementation of the 1823 Monroe Doctrine, instead. I see Argentine minister Drago's Corollary to that Doctrine as a correct reading of the intent of the combined U.S. Declaration of Independence and Federal Constitution, and the 'Roosevelt Corollary' as a tragic error.

"Dr. Kissinger has adopted the contrary view, that of Lord Castlereagh and Prince Metternich, and has practiced that view in his public life since the issuance of his *A World Restored*.

"Those differences characterized Dr. Kissinger's implementation of Pugwash Conference themes of Soviet conciliation during the past. In that connection, I have often been perplexed, how much of Dr. Kissinger's detente and arms-control policies he owed to Winston Churchill's outlook, or Bertrand Russell's. Today, it appears, his standpoint is a Churchillian reflex. Hence, today, just as many of us became anti-Nazi allies of Churchill during the period of the last world war, to that degree Dr. Kissinger's and my own present views, on some leading dangers in the current Soviet relations, tend to converge to at least a significant degree."

LaRouche explains that the West's policy-shaping establishments are presently divided among three principal tendencies.

"There are those who wish a 'New Yalta' form of global power-sharing with Moscow to go forward at, at least, the pace it has moved forward during the second Reagan administration. Opposite, are those traditional nationalists of Western nations, whose standpoint I share, who oppose 'New Yalta' arrangements, and who desire to restore our commitments to our allies in Europe and Asia, and our allies and other friends among developing nations generally. In between these two, there is the large establishment current within which Dr. Kissinger is situated, those who wish to

strike a balance between global power-sharing with Moscow and the maintenance of a credible Western deterrent.

"It were probable that if Mr. Dukakis were the next President, an all-out 'New Yalta' accommodation would prevail over the coming four years. If Mr. Bush, the policy-shaping combination would reflect a combination of the traditional nationalists and Mr. Kissinger's allies within the 'deterrence' faction. The latter outcome seems presently the more likely, if uncertain one. If Mr. Bush were elected, the issues of party are transcended by bipartisanship in shaping of foreign and strategic policies. Hence, the importance to our future of the policy-debate, now ongoing on both sides of the Atlantic, between the traditionalists and the deterrence currents."

'Community of principle'

Key to the difference between the approaches of LaRouche and Kissinger, is Kissinger's Metternichean notion of the "balance of power." It was this concept that defined Kissinger's role in creating the era of "détente," with the included SALT and ABM treaties. It further determined Kissinger's on-again-off-again attitude toward the Strategic Defense Initiative (SDI), which he views as a bargaining chip in the game of crisis management, in arms control negotiations with Moscow.

LaRouche, on the contrary, insists upon John Quincy Adams's doctrine of the "community of principle" among nations. "The principal challenge," he writes, "which will determine whether the next Presidency is a successful one, or a tragic failure, is the way in which the U.S. government acts respecting matters which determine the stability, strength, and mutual security within an array of sovereign nation-states treated as the kind of community of principle which Adams foresaw for the independent republics of this hemisphere.

"Dr. Kissinger appears not to understand what is signified by such a community of principle. . . .

"Insofar as Dr. Kissinger attaches the quality of rightness to the philosophical standpoint of Metternich and Castlereagh, his axiomatic attachment to that sort of 'central European' viewpoint, prevents him from grasping the underlying intent of the founding of our republic. . . .

"To the degree he recognizes views such as those of Franklin and John Quincy Adams to exist, he must tend to regard those as plain errors of opinion and practice, which he must hope we have outgrown. So, he stated in his May 1982 address to London's Chatham House, in defending the wartime views of Winston Churchill, against the traditionally American attitudes toward the postwar developing sector expressed by President Franklin Roosevelt.

"I acquired my own present view of the foreign-policy implications of our Constitution in the China-Burma-India theater, during the last world war. I witnessed the conditions of the peoples of Asia with disgust: not merely terrible privation, but witnessed also a horrifying want of respect for the sacredness of individual human life, especially the lives of

the illiterate poor. In that setting, I saw, first hand, the role of international communism, and hated it.

"It appeared plain to me then, that the future security of the United States, and this planet as a whole, required that the United States put its weight in world affairs behind the rights of all peoples to aspire to and attain the same goals as our republic's founders, and to enjoy access to the kinds of benefits of scientific and technological progress which Washington's U.S. Treasury Secretary Alexander Hamilton named 'the American System of political-economy.' Dr. Kissinger has repeatedly, consistently expressed a contrary view.

"There lies the axiomatic root of the differences which have existed between Dr. Kissinger and me up to this point. In respect to the importance of the policy-shaping debates now ongoing, it is important, that even if he can not be won over to my point of view in this matter, he and his friends must understand our differences in these terms of reference, and that that characteristic of the differences between his numerous co-thinkers and the traditionalists be made known to the process of shaping the policies of the next President."

What Kissinger ignores

The fate of the next presidency, and perhaps of our republic, too, LaRouche writes, will depend on whether the next President attacks the crises facing us by changing the basic assumptions that have shaped U.S. policy during the 30 years or so since the 1958 Pugwash Conferences, or whether he adopts band-aid measures that leave the causes for the crises untouched. If the faulty assumptions which Kissinger insists upon in global strategy, economic policy, and cultural trends are not abandoned, we are facing the loss of much more than the relative strategic economic strength of the United States as such; the planet will be plunged into a New Dark Age.

In particular, Kissinger's discussion fails to consider the most immediate crisis to confront the next President: global financial collapse. A sweeping reorganization of the international monetary system will be required, akin to the successful reorganization of a manufacturing firm in Chapter 11. This implies the transformation of present central banking arrangements, to create national banking of the sort projected by George Washington's administration.

"Under conditions of acute financial crisis," LaRouche writes, "the next President has at his disposal a popular desperation to such effect that sweeping institutional reforms of this sort become feasible ones. He must be prepared to act to such effect at the moment this state of perceived crisis exists." The reorganization will provide the basis for ensuring an adequate defense, and for dealing with the most deadly feature of the economic crisis, the global food shortage.

"No Presidency of the postwar period has faced a complex of crises as profound and ominous as those before us now," LaRouche concludes. "Let us shape the choice and composition of the next presidency accordingly."

Strauss reveals fascist agenda

by William Jones

Robert Strauss, co-chairman of the National Economic Commission, might have inadvertently damaged the plot to introduce fascist austerity into the United States, at a press conference held at a conference on global economic issues in Washington on Sept. 20. The commission, comprising such luminaries as Lazard Frères banker "Mad" Felix Rohatyn, the butcher of New York City, Sen. Daniel Moynihan (D-N.Y.), and Chrysler wage-gouger Lee Iacocca, was established by the Congress and the White House to work out a program for eliminating the budget deficit in the next administration. From the beginning, it was obvious that the commission would have the primary task of marketing a package of cuts in Social Security, Medicare, and defense, to an unsuspecting public and to a not-so-malleable Congress.

The 'stealth' principle

Since the commission was bipartisan in nature, its members thought that they would have a say in the economic policy of the next administration, regardless of whether it was a Bush or a Dukakis administration. The idea was to operate as much as possible behind the scenes until the election in November, after which a major media hype would be conducted to push the austerity program. It was obvious to all involved that if this program were brought up during the election, none of the candidates would be able to express support for it, regardless of their inclinations, as it would be tantamount to political suicide. "Stealth" was the key to success.

Now, it seems as if Bob Strauss, former chairman of the Democratic National Committee, whatever his reasons, has exposed a little too much of the nature of the operation, an exposure which could send the whole thing down the tubes. He announced quite openly at the press conference which areas would have to be gutted in a deficit-reduction plan. "We have to go to Social Security; we have to go to Medicare—entitlements generally—and we have to go to defense," because those programs are "where the money is." He said that he had developed \$68.5 billion in proposed spending cuts, primarily in those areas, for inclusion in a plan to eliminate the federal budget deficit in the next four years. He indicated that the commission would be meeting steadily, with open hearings, from Nov. 9 until the end of the year. "I think we're going to make it," said Strauss. "I believe we'll sell it."

The reaction to Strauss's comments, however, indicates that his program might be more difficult to sell than he thinks.

The day after Strauss's press conference, the *Wall Street Journal*, which earlier this month had characterized the commission as a tool of the "Washington elites," carried an editorial entitled, "Bob Strauss's Coup d'Etat." The editorial called the commission "a body established by Congress and the rest of Washington's elite to depose, under the rubric of 'deficit cutting,' a newly elected President even before he's inaugurated." The editorial described how the commission avoided violating the "Sunshine Act" (which requires all meetings of presidential commissions to be open to the public), by getting together in smaller groups to discuss the issues rather than in a larger group that could technically be characterized as a "meeting." Stealth was necessary during the election campaign. "The voters might object," comments the *Journal*, "the politicians would have to object, and before you know it democracy might make Bob Strauss and the National Economic Commission irrelevant."

Strauss commented at the press conference that he believed that George Bush, although claiming that he would never accept the recommendations of the commission if they called for raising taxes, would nevertheless accept the program of the commission. "I know George Bush," said Strauss, "and I think he knows better. . . . I hope after Nov. 8 he will take a calmer look at it. Certainly Jim Baker knows you have to do something about the deficit."

Said the *Journal*, "We don't know what Mr. Bush thinks of all this, but we do recall that Machiavelli advised that princes aren't likely to reign successfully if they let courtiers plot coups with impunity. Perhaps Mr. Bush should remind Mr. Strauss whose lips the voters are supposed to read."

Thus, Strauss's clever move seemed to backfire almost immediately. Both candidates distanced themselves from the Strauss proposals. Stephen Hart, press secretary for Vice President Bush, commented, "The Social Security fund is sacrosanct," adding that Bush had "laid out a workable plan for reducing the deficit without touching the Social Security fund or raising taxes." The Dukakis campaign, which had earlier indicated that they would take the recommendations of the commission into serious consideration, issued a statement saying that if the commission recommends cuts in Social Security, "they won't get to first base in a Dukakis-Bentsen administration."

Even commission members started to get nervous. Lane Kirkland, president of the AFL-CIO and a commission member, said he would "strenuously oppose any such misguided and self-defeating approach to the problem." Even commission member Moynihan vowed to fight any Social Security reduction as "wrong-headed and totally unacceptable."

Strauss could prove to have done serious damage by alerting the citizenry to the mad schemes of the Eastern Establishment. The election campaign could become a referendum to stop them.

Soviet-tied dopers run dirty tricks against Bush for Dukakis

by Joseph Brewda and Herbert Quinde

Now that the first phase of a successful Soviet intelligence operation smearing the Bush campaign as "Nazi-linked" has been completed, U.S. intelligence professionals and political activists would do well to draw the appropriate conclusions. Within a week of the Sept. 8 *Washington Jewish Week* article launching the attack, at least eight slandered Bush ethnic organizers were ousted, including campaign vice chairman Fred Malik.

Spurred on by the Bush campaign strategists' inept cowardice, the KGB will soon launch a second phase of its operation, with Bush campaign co-chairman Gov. John Sununu (R-N.H.) being one of its top targets, according to reliable sources.

High-level Bush spokesmen have publicly stated that the campaign will do nothing about the slanders, hoping that they will go away. Betrayed ethnic organizations, on the other hand, have simply shut down their Bush campaign organizations, with potentially significant implications for the election. As one analyst states, "The Captive Nations community is the Joe six-pack, blue collar, Reagan Democrat vote. The race will be close and Bush needs these votes in key states like New Jersey, Ohio, Illinois, and California." In these four states, the ethnic vote is decisive. The overconfident Bush campaign will also soon be whacked in California in a related, Soviet-linked "October surprise" centered on the Vice President's well-known Contra connection.

Years ago, the overt interference of Soviet intelligence officials in a U.S. election, in this case on behalf of Michael Dukakis, would be viewed as a virtual *casus belli*. Today, the Romanian embassy publicly admits assisting the Dukakis campaign on "exposing fascists" working for Bush. This is a hell of a way to run a railroad.

Investigation by this newsservice has shown that while the slander campaign is Soviet-directed, it also utilizes a vast U.S.-based capability which is more properly identified as that section of the U.S. establishment and intelligence community that is Soviet-aligned. The origin of this network is to be found in what was referred to in the 1920s as "The Trust," and which is today linked to such Soviet operatives as Occidental Petroleum chairman Armand Hammer. It is

this network which is the topic of this report.

Old KGB slanders

While *Washington Jewish Week* is commonly depicted as the source of the line that Bush is soft on Nazis, the actual origin of the paper's formulations is found in a recently released pamphlet written by United Auto Workers and Democratic National Committee research department consultant Russ Bellant, and published by former *High Times* correspondent and "fascist researcher" Chip Berlet. The booklet's ponderous title is, "Old Nazis, the New Right, and the Reagan Administration: The Role of Domestic Fascist Networks in the Republican Party and Their Effect on U.S. Cold War Policies." Every one of the ousted Bush officials later targeted by *Washington Jewish Week* was first cited by Bellant within the first few pages of this smear.

The pamphlet is a compendium of slanders originally authored by East German Stasi disinformation operative Dr. Julius Mader and KGB official Ernst Henry in the 1950s, and since elaborated by U.S.-East German Friendship Society operative Charles R. Allen, Jr., and the Anti-Defamation League. The ADL has specialized in protecting Soviet intelligence operatives by claiming that anti-communism is anti-Semitism. The only surprise in the pamphlet is that it frankly cites Allen and the ADL as its sources, as well as *Searchlight*, the British Communist Party magazine tied to Mader and Henry.

That the pamphlet which triggered the media flap peddles a Soviet line, should be apparent to any intelligence official. In one wild section, Bellant argues that favoring a strong defense is evidence of Nazi sympathies, going so far as to claim that the rather staid American Security Council has as its goal to "finish a job originally started by German National Socialism, militarily eliminating the U.S.S.R." Retailing Mader and Allen's tired slanders, Bellant wails about Nazis being all over the "military-industrial complex." Similarly, *Izvestia* describes the Pershing missile and SDI as "Nazi weapons," designed by "Nazis."

Naturally, the pamphlet violently defends the U.S. Justice Department's Office of Special Investigations (OSI), the



Gov. Michael Dukakis flanked by 'High Times' stringers Russ Bellant (left) and Chip Berlet (right).

"Nazi-hunting unit" which relies almost exclusively on Soviet "evidence." Notable OSI targets have included Dr. Arthur Rudolph, also smeared in the pamphlet, who was deported from the United States in 1985 while leading a key SDI research team. Every OSI/Soviet witness against Rudolph was later proven to be a liar by a West German prosecutor.

The curious 'Chip' Berlet

Although DNC consultant Russ Bellant is cited as the pamphlet's author, internal evidence indicates that it was largely drafted by its publisher, Chip Berlet, "researcher" for the Political Research Associates of Cambridge, Massachusetts. Reviewing Berlet's history, and his patrons, is of great counterintelligence value to anyone investigating Soviet penetration of U.S. intelligence agencies.

The son of a U.S. Army colonel, John Foster "Chip" Berlet was named in honor of former Secretary of State Dulles, whom he now decries. Curiously, Colonel Berlet was associated with the Israeli Discount Bank of New York, an Israeli intelligence proprietary unrelated to the ADL and Soviet propaganda operations targeting "Nazis."

Berlet drifted into radical causes in college, particularly those favoring narcotics legalization, homosexuality, and Fidel Castro. By 1975, Berlet had been recruited to the National Students Association (NSA), which had earlier been exposed as a CIA front managed by Tom Braden and Cord Meyer, and by the time of Berlet's tenure, had been shopped out to left-wing intelligence networks directed by Hubert Humphrey and Walter Mondale. Berlet was reportedly recruited to the proprietary by former NSA president David Ifshin, later Mondale's 1984 campaign counsel.

At NSA national headquarters, Berlet continued to organize for homosexual causes, and also became the Washington correspondent for *High Times*, the pro-drug publication. Berlet became the NSA's top fundraiser, and its liaison to its foundation supporters, the Field Foundation and the

Carnegie Endowment, both of which are no strangers to intelligence operations. NSA activists at the time describe Berlet as a permanent, non-ideological staffer, almost apolitical.

It may have been in this period that Berlet first hooked up with John Rees, then a Vietnam war resistance activist who later surfaced as an FBI-linked official in the John Birch Society. Rees's operations are funded by Richard Mellon Scaife, the Mellon heir known for his support of the Hoover Institution and right-wing Social Democrat Roy Godson. Godson's operations are what intelligence specialists would term "classic Trust." According to a June 5 article in the *Baltimore Sun* magazine by Doug Birch, "right-winger" Rees recently introduced "left-winger" Berlet to Scaife at a party devoted to funding anti-LaRouche causes.

Following a several-year stint in Chicago, Berlet moved to Boston in 1987 to cover the LaRouche trial, taking his group, Mid West Research, with him. It is Mid West Research, now named Political Research Associates, that published the Bellant pamphlet triggering the Bush-Nazi hoax. While in Chicago, Berlet also edited the National Lawyers Guild magazine *Public Eye*, and, according to some reports, was an activist in the Chicago Area Friends of Albania, a front for the Communist Party U.S.A.-Marxist-Leninist. Berlet's Chicago operations were funded by the Better Government Association (BGA), directed by former Justice Department official J. Terence Brunner, and controlled by some of the city's most powerful law firms. Berlet is believed to have operated under the direction of former Carter administration commerce secretary and ADL official, Philip Klutznik, a likely ringleader in the current Nazi smear.

While Berlet was hooking up with the NSA, Bellant was then leading CARD, an anti-military, anti-draft organization at Wayne State University. By the end of the 1970s, Bellant was already employed by the UAW to do research on its opponents, and had come under the control of Richard Loebenthal, the Detroit director of the ADL. Under Loebenthal's

direction, Bellant began attending meetings of the Michigan KKK organizations, and related Nazi parties, where he is believed to have acted as a classic provocateur. By 1986, Bellant was hired as a consultant to the research department of the Democratic National Committee, then run by Israeli national Leah Kedar, to do research on “neo-fascists,” meaning Lyndon LaRouche, whose political movement had just won two state democratic primary races. It was during this period that Bellant began devoting increasing energy to preparing his recently released report.

Closely affiliated with Bellant and Berlet in this DNC research project, was Lynne Wells, then head of the Atlanta-based Center for Democratic Renewal, an anti-fascist research collective controlled by Atlanta ADL operative Charles Wittenstein. A former activist of the Maoist October League, Wells has since been replaced by Lenny Ziskind, formerly of Missouri, who has worked under the control of ADL Fact-Finding director Irwin Suall, the former aide to the Socialist Party’s Norman Thomas.

The grain cartel connection

While Bellant’s pamphlet denouncing “Nazis aligned with Bush” is dependent on Soviet sources, the funding for its production was laundered through a group of self-described “fat kittens,” grouped around George Pillsbury of the Minneapolis-based flour company fortune. Interestingly enough, it was the Pillsburys, and the closely associated Moore family of Nabisco fame, which created and first funded the ADL, and also sponsored the ADL-tied Humphrey-Mondale machine. As any student of Russian history knows, the international grain cartel was central to directing the Russian revolution, and the “Trust.” Not accidently, the Pillsbury company is the miller for the Cargill grain cartel, and one of the main U. S. firms pushing the sell-off of the U. S. harvest to Moscow.

Pillsbury’s Funding Exchange/National Community Funds, whose offices are housed at 666 Broadway in New York, bankrolled both the pamphlet smearing Bush, and related operations against Lyndon LaRouche, who is also condemned in the booklet. Founded in 1971 by George Pillsbury, the Funding Exchange contributed \$5 million in grants to “alternative charities” in 1986, including such oddities as the “Asian Lesbians of the East Coast,” and “Children of the Green Earth.”

Pillsbury is the central public figure in the foundation. The brains behind the operation, however, is David R. Hunter, the controller of the Eastern Establishment’s main funders of radical causes—the Stern family fund and the Ottinger Foundation. Pillsbury refers to Hunter as the “godfather of progressive philanthropy.”

Pillsbury, Hunter, and perhaps some KGB psychiatrist, have succeeded in recruiting a number of other heirs of prominent U. S. fortunes to Soviet causes. In addition to several of Pillsbury’s own family, these include: Annie Hoffman, a

Kodak heiress; Obie Benz, of the Sunbeam bread fortune; Cary Ridder, heir to the Knight-Ridder newspaper chain; Ellen Malcolm, granddaughter of a founder of IBM; Bob Friedman of the Levi-Strauss fortune; and Paul Haible of the du Pont family. It is not known whether William Weld, or his wife Susan Roosevelt Weld, are tied to Pillsbury. The former Justice Department criminal division director, Weld was a funder of the radical Boston *Real Paper*, while his wife, Teddy’s great-granddaughter, is a Maoist enthusiast.

Pillsbury reports that his first political donation was to the Black Panther Party in 1972, while studying at Yale. Following his radicalization, he established an informal therapy group for “the troubled rich” to advise them on how and where to donate their money in an ethical manner. The Haymarket Foundation, named after the 1800s Chicago anarchist riots, is one of the member organizations in Pillsbury’s Funding Exchange which sponsors closed-door recruitment sessions. Attendees, who are usually rich-kid graduates of the radical 1960s, are given a chance to discuss their guilt about their high social position “in an imbalanced class structure,” while their pockets are emptied.

How these confused heirs are transformed into funders of Soviet intelligence operations is described by George Pillsbury’s first cousin, David Pillsbury Becker, who credits the Haymarket Foundation with giving him a personal identity. The recruitment process is identical to what Moscow used in forming the Kim Philby spy network out of the 1930s Cambridge “Apostles.” Interviewed by *New Republic*, Becker states, “It was important to me on a strictly coming-out level. . . I was gay and I was guilty of having money. I came out with my money at the same time that I came out sexually. Haymarket helped me get my life on track.” One Washington-based fundraiser who works the “fat kittens” cynically reports, “Most of these rich brats are so ‘coked up’ that they need someone to manage their money.”

Back to the KGB

The campaign to libel George Bush as a virtual Hitler-lover was funded by the U. S. families tied to the “Trust” and the Dukakis campaign. The formulations used are pure KGB. The key Western-based organization used to conduit these slanders, and even cited as a Bellant source, is *Searchlight* magazine of London. As recently as Sept. 6, *Searchlight* was praised in the pages of the Soviet publication *Sovetskaya Latvija* for “documenting” that there are thousands of Latvian SS members hiding out in Britain. U. S. *Searchlight* reporter Lindsay Charlton’s charges of Nazis under the bed are based on Soviet archives, *Sovetskaya Latvija* reports.

Founded by the now deceased Communist Party operative Maurice Ludmer, *Searchlight*’s chief editor is Gerry Gable, a former Communist Party candidate for Parliament. Callers to the Soviet embassy in London in need of information on “fascist groups” are duly referred to *Searchlight* and Gable. At least until recently, the embassy liaison to the

magazine was maintained through press attaché Gennadi Shabanikov.

Gable maintains close ties to the Soviet embassy, and to such U.S. associates of Berlet as the ADL-linked Ken Lawrence. Reportedly, he has also been active in the 62 Group, an organization formed of former members of the Irgun, the Zionist terrorist organization. Gable is also in regular contact with the Paris office of the ADL in running "anti-Nazi" operations.

Curiously, Gable also works closely with the Special Branch, the British political police, and also MI5 and MI6, the domestic and foreign intelligence agencies, respectively, as well as the Israeli Foreign Office. The particular conjunction of institutions strongly suggests the combination of "Trust" interests which sponsored the Russian revolution.

The primary controller of *Searchlight's* literary product is the VVN, the German acronym for "The Society of Those Persecuted by the Nazi Regime—League of Anti-Fascists." The VVN was created in the Soviet-occupied zone in 1945, and, in turn, functions under the control of the KGB's Coordinating Committee of International Veterans' Organizations, also a key link to the U.S. Department of Justice's OSI. Until his recent retirement, perhaps, the VVN was covertly directed by Stasi intelligence chief and KGB officer Markus Wolff. The entire network works under the direction of Ernst Henry and Julian Semyonov.

A reputed KGB colonel, Semyonov is often in the United States and Western Europe, where he maintains contact with senior Western intelligence officials such as the Center for Strategic and International Studies' Walter Laqueur and Prof. Stephen Cohen of Princeton University, the latter an editorial adviser to the left-wing weekly, *The Nation*. A "spy novelist," Semyonov is also a correspondent for *Literaturnaya Gazeta*, the KGB's semi-official organ which frequently praises *Searchlight* and the OSI.

Ernst Henry, a.k.a. Semyonov Rostovsky, now in his 80s, has been identified as the "spymaster of the Philby circle," and a patron of the *Searchlight* network. According to some reports, Henry had recruited MI6 agent Donald Maclean to Soviet intelligence, and played an important role in the Philby network. Henry has also specialized in slandering U.S. intelligence as full of Nazis, including aiding the OSI in its attack on SDI scientist Dr. Arthur Rudolph.

A typical example of Soviet praise for *Searchlight* is found in the April 8, 1986 issue of *Izvestia*, where A. Krivopalov expounds on the "neo-fascist" link to the British Conservative Party. Krivopalov writes, "Of this unsavory alliance we are once again reminded by the magazine *Searchlight*, which for 20 years of its existence has gained great popularity in exposing ultra-right ideals in the political life of the 'establishment.'" The *Izvestia* article, and the *Searchlight* attack on a supposed neo-fascist/Conservative Party alliance, serve as a model for the recent attack on the Bush campaign.



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Will Canadians scuttle Free Trade Pact?

Spurred by British Prime Minister Margaret Thatcher's outcry against the proposed "Europe 1992" economic integration, forces in the Canadian parliament may be giving the U.S.-Canada Free Trade Pact some serious second thoughts.

The U.S. Congress ratified the pact Sept. 20, and President Reagan telephoned Canadian Prime Minister Brian Mulroney to present the news. When I asked White House spokesman Marlin Fitzwater what Mulroney had to report to Reagan about progress toward ratification in his country, Fitzwater glossed over the issue, saying only, "He's optimistic."

The United States is clearly the dominant producer of all the key commodities that both nations export. That means that with the ratification of the free trade pact, the Canadians will sign away their ability to protect domestic producers of agricultural and manufactured goods from becoming the victims of price manipulations by the mega-cartels based in the United States.

The effect of this on the wages of Canadian industrial workers and farmers has begun to awaken genuine political ferment against the deal, and there is no guarantee of smooth passage through the parliament now.

Some opponents of the pact in Ottawa have used the water issue to stop ratification. They've been led to be-

lieve that the pact will open the door for U.S. exploitation of the enormous Canadian resource of fresh water.

Despite assurances from Mulroney that the pact does not permit such exploitation, these forces have been led to underscore their point with the introduction the "Canadian Water Preservation Act," which would make it a federal crime, punishable by three years in prison, for any Canadian to export a substantial amount of water to the United States. These forces have sought to capitalize on the renewed interest in Canadian water that this year's drought has created.

Especially with the emergence of dire warnings that the drought is a harbinger of a new long-term trend, there is new interest in Washington in looking to long-term solutions.

This is why the revival of the so-called North American Water and Power Alliance (NAWAPA) concept, developed by the Ralph Parsons Company of California in the early 1960s, has gotten significant attention. It is a carefully mapped-out plan to divert over 150 million acre-feet of fresh water from the northern-flowing rivers of Canada and Alaska southward to the Canadian plains states, the lower 48 U.S. states, and northern Mexico.

The plan is enormous in scale and yield, and would totally transform the growth potential of the water-short regions of the continent. It was gaining widespread support in the U.S. Senate in the mid-1960s, led by Frank Moss (D-Utah), when the anti-growth forces of so-called environmentalism seized the political agenda to kill it.

Thus, some forces opposing the U.S.-Canada free trade bill have been persuaded to use the prospect of renewed interest in NAWAPA to try to frighten Canadians into believing the United States is coveting the idea of stealing surplus Canadian water.

NAWAPA: alternative to free trade

In reality, it is the U.S. cartels, the architects of the free trade pact, which originally killed NAWAPA and are desperate to see that nothing like it ever gets built in North America, or anywhere else in the world for that matter. Wiser opponents of the free trade rip-off see in NAWAPA a strategy for strengthening Canadian political and economic sovereignty.

The concept is simple. Unlike the free trade pact, with NAWAPA, Canada is not the victim of U.S.-based producer cartels which can manipulate prices below the level of parity—cost of production plus a reasonable margin for profit and reinvestment—for the Canadian producer.

Think about it: The Canadians have the water, if they develop NAWAPA, and the United States does not.

Thus, with NAWAPA, the relations between Canada and the United States will be more like those between OPEC and the United States. One nation has the precious commodity that the other nation desperately needs.

If this year's drought is, in fact, the beginning of a trend, then water will soon become a more valuable commodity than oil.

Water is the one commodity that the international cartels do not control, except through strategies to make it unavailable. Just as they have thwarted NAWAPA, so have they used the International Monetary Fund and World Bank to mitigate against large-scale projects for irrigation and flood control that could have ended famine decades ago in Africa and Asia.

These cartels now worry that once provoked against their free trade pact, Canadians will also begin to see through their schemes to hold back the water.

Wright spills secrets to burn Contra aid

The White House was furious at House Speaker Jim Wright (D-Tex.) for revealing information they said might have been based on secret briefings to congressional intelligence committees. On Sept. 20, Wright accused the CIA of having whipped up public unrest in Nicaragua, and of having improperly provoked the Sandinista regime into cracking down on opposition groups through a covert program aimed at sparking anti-government riots. "We have received clear testimony from CIA people that they have deliberately done things to provoke an overreaction on the part of the government in Nicaragua," said Wright.

The disclosure by Wright may violate House rules that prohibit public discussion of secret testimony, according to several congressional officials. The CIA and the NSC regard the leak as "very serious" and plan to pursue the disclosure with the House Intelligence Committee and the House Ethics Committee, which is responsible for enforcing House rules.

One House intelligence source described Wright's comments as a "highly irresponsible leak" of intelligence information that appeared timed to undermine efforts to gain congressional approval of renewed U.S. aid to the resistance. Wright, already under scrutiny by the House Ethics Committee, for his "assistance" to some Texas thrifts, has a reputation for conducting his own foreign policy initiatives, independent of the Executive branch.

In this case, he has perhaps undermined the security of the United States. House Minority Leader Rep. Robert Michel (R-Ill.) and GOP Conference chairman Rep. Richard Cheney (R-

Wyo.) sent letters to the two House committees seeking investigations of the Speaker's statements. "I sure as hell want to know who that testimony is from and under what circumstances he got it," said Rep. Henry Hyde (R-Ill.), senior Republican member of the Intelligence Committee.

Dannemeyer fights for strong AIDS legislation

Rep. William Dannemeyer (R-Calif.), who recently has been attacked for his proposal in California to institute measures against AIDS similar to the original LaRouche proposal, Proposition 64, brought up the AIDS issue on the floor of the House, on the eve of the discussion of the AIDS Policy Act in the U.S. House of Representatives.

Dannemeyer made a major attack on U.S. public health officials and the policy of the CDC. "That we have seen public health officials, that I mentioned previously, treat this as a civil rights issue rather than a public health issue, is a tragedy for all of us to observe. What is even more tragic is that we have distinguished members of the media, of the public health profession, the insurance industry, in this country who are today attempting to argue and defend the rationality of exempting persons who are HIV-positive from any accountability to the public health care system at all.

"I have no idea how much longer this country can continue such a course if it has an intention to survive as a citadel in this world," continued Dannemeyer. "The citizens of the world are witnessing the virtual annihilation of certain countries in Africa today, because the incidence of the virus is

creeping up to 20 or 30 or 40% of the populations of some of these countries. If we do not take steps in this country to control the transferability of this virus to other persons, we Americans risk a similar fate in our society."

The AIDS Policy Act, the first major piece of national legislation on the deadly epidemic, is grossly inadequate to meet the tremendous threat posed by this killer disease, and is a dangerous compromise with the "civil rights" arguments of the gay lobby. Dannemeyer indicated this in his comments on the bill. "It will establish for the first time that I have been able to figure out or find out in the history of medicine . . . that before the doctor can test the patient's blood for the virus for AIDS, the doctor must get written consent from the patient to test for the virus, or rather to test the blood for the presence of the virus."

Dannemeyer had offered an amendment in the committee to eliminate that requirement for written consent, but the committee decided not to bring the amendment to the floor.

The bill provides a mere \$200 million a year for state AIDS testing and counseling programs. States receiving funds under the bill must test all persons convicted of prostitution, drug abuse, or a crime related to sexual assault; offer routine testing for those who receive treatment for drug abuse, venereal disease, tuberculosis, or attend family planning clinics; and make it a crime for a person to knowingly spread the AIDS virus.

Several amendments will, however, be offered, and, if passed, could help to forge the bill into an initial baby step in trying to cope with this species-threatening disease. Representative Dannemeyer and Rep. Ralph Hall (D-Texas) will introduce an

amendment to require states to report to public health officials all positive AIDS test results, along with information that is "sufficient to locate" the individual who tests positive.

An amendment by Rep. Bill McCollum (R-Fla.) will require states with a seroprevalence rate of 0.1% or greater to institute mandatory testing of applicants for marriage licenses. Two other amendments will also be considered: one which will require states to routinely test hospital employees, and another which would require states to test all prisoners when they enter prison and within 30 days of their release. In addition, Danne-meyer will offer an amendment requiring states receiving funds under the bill to test all prisoners as they enter and leave prison.

U.S.-Canada trade bill approved by Senate

On Sept. 19, the Senate voted 83 to 9 to approve the free-trade agreement with Canada. The bill would phase out by 1999 all tariffs and other trade barriers on the \$131 billion worth of goods that cross the northern U.S. border each year. The House approved identical legislation on Aug. 9 by a vote of 366 to 40. The pact was signed by President Reagan and Prime Minister Brian Mulroney on Jan. 2 of this year.

The only other country with which the United States has such an agreement is Israel, although the volume of trade is much smaller than that between Canada and the United States. The two countries will continue to have separate sets of tariffs and quotas on imports from third countries.

The agreement met heavy opposition from some senators, who main-

tained that despite the concessions of the Reagan administration, their state's industries were not adequately protected against subsidized Canadian competition. The Canadian Senate, controlled by the opposition Liberal Party, has refused to approve the agreement and has demanded that Mulroney call a general election. If the Liberals win the election, the Liberal Party leader, John Turner, has said that he will tear up the trade agreement.

Defense bill to cripple initial SDI deployment?

Certain formulations in the Senate Defense Appropriations bill could seriously impede the initial phase of an anti-ballistic missile system by transferring funding jurisdiction over the anti-tactical ballistic missile (ATBM) program from the SDI office to the Army. The bill calls for the Army to study and report back to Congress that the ATBM and similar programs are on track.

Supporters of ATBM contend that such a study could take between one and two years and that no funds for the program could be expended in the meantime.

A conference committee will attempt to reconcile the Senate measure with one passed by the House that does not call for the Army study. As one SDI supporter expressed it, "Having failed to kill the program, its enemies are out to cripple it by moving the most worthwhile things in it out of SDIO."

It is believed that such a move would be vigorously opposed by Israel, since it would tend to threaten Israel's own ATBM program, the Ar-

row, which is being developed with 80% U.S. funding under the SDI program. "The move is geared to hurt Israel, hurt the SDI program, and create tension between the Army and the SDIO. It's very mischievous," said one opponent of the Senate version.

Report claims Iraq used poison gas against Kurds

A staff report issued on Sept. 21 by the Senate Foreign Relations Committee says there is "overwhelming evidence" that Iraq used chemical weapons against Kurdish guerrillas and civilians in Iraq. The report claims are based on several hundred interviews with Kurdish refugees and other witnesses to events in Iraq.

"At least 15 of the refugees we interviewed exhibited symptoms characteristic of mustard gas poisoning," said the report, prepared by two members of the Committee staff, Peter W. Galbraith and Christopher Van Hollen, Jr.

Both the Turkish government, which is receiving a great number of Kurdish refugees, and the International Red Cross have said that they have found no evidence indicating that poison might have been used against the Kurds.

The Senate report is likely to influence Congress as it continues to debate sanctions against Iraq on account of the poison gas issue. On Sept. 8, the Senate approved economic sanctions. The bill, now pending in the House of Representatives, would prohibit the United States from providing Iraq with military equipment, loans, or loan guarantees. In addition, Iraqi oil products could not be imported into the United States.

Four 'LaRouche' firms appeal draconian fines

Twenty million dollars worth of contempt fines were called a "death knell" in legal briefs filed Sept. 19 with the First Circuit Court of Appeals on behalf of four entities identified with independent Democratic presidential candidate Lyndon LaRouche.

The National Democratic Policy Committee (an FEC-registered political action committee), Campaigner Publications, the Fusion Energy Foundation, and Caucus Distributors are appealing Boston Judge A. David Mazzone's February 1987 order which fined each of these organizations \$5 million for being in contempt of then-U.S. Attorney William Weld's grand jury witchhunt against LaRouche's 1984 campaign. The fines were initially imposed at \$10,000 per day in March 1985.

Three central arguments raised in the briefs are 1) whether fines of this magnitude can be summarily imposed without even holding a hearing, 2) that the fines were in fact punitive rather than coercive, and 3) whether the court lacked the authority to continue to impose fines after the grand jury had expired.

The appeal had been noticed in the spring of 1987, but before it could go forward the government filed an unprecedented involuntary bankruptcy petition against three of the four entities, thus staying the appeal. It was the \$5 million fine against each entity, which was the predicate for the bankruptcy action. "The filing of the bankruptcy petition also showed the accuracy of trial counsel's earlier prediction that the effect of enforcing the contempt decree would be 'the death knell of every one of these organizations,'" one brief argued.

Civil contempt fines are designed to coerce compliance with court orders, rather than to punish the alleged contemnor, the brief observes. Since the record clearly demonstrates that certain documents at issue in the proceeding were already in the possession of the government, there is no "coercive" result in imposing fines. Under these conditions, the Mazzone decision is nothing more than the unbridled exercise of arbitrary

power without any constitutional restraint. The contemnors were literally fined out of existence without recourse to a trial by jury, an opportunity to cross-examine their accusers, and other due process rights, the briefs state.

Sessions disciplines secret FBI unit

A "clandestine" cell of agents inside the Federal Bureau of Investigation was disciplined in mid-September by FBI Director William Sessions for mishandling the investigation of the left-wing Committee in Solidarity with the People of El Salvador (CISPES).

The unit had set up an "off-line" chain of command, according to a recent affidavit prepared by former FBI employee Frank Varelli. In that affidavit, which was reported in the *Boston Globe*, Varelli, who helped coordinate the FBI investigation into CISPES, alleged that the investigation was "secret and outside of regular [FBI] channels." The chain of command, as outlined, was from Varelli to his Dallas case agent Daniel Flanagan, to Ronald Davenport, director of the Washington-based counterterrorism unit, and then directly to Oliver "Buck" Revell.

CISPES was a known target of the dirty-tricks operations of Col. Oliver North's various interagency task forces involved in the Iran-Contra fiasco. FBI number-two Oliver Revell is known to have worked with North in operations against opponents of the administration's Contra policy, including CISPES and Lyndon H. LaRouche, Jr. But the FBI, in announcing the disciplining, made no mention of Revell or this "political" side of the clandestine unit.

The unit did include at least one senior FBI official who worked on a "Get LaRouche" task force, assembled at the request of Henry Kissinger. Stanley Klein, former chief of the FBI's terrorism section and now special agent in charge of the FBI's Connecticut office, figures prominently, along with Revell, in numerous internal FBI

memoranda obtained by attorneys for LaRouche and associates, in coordinating an "investigation" into LaRouche.

Temple Mount behind 'rapture' prophecy

The prediction that the world would be "raptured" in September, which gained wide credence among U.S. protestant fundamentalists, originated with the Christian-Jewish fundamentalist alliance that is behind a scheme to rebuild Solomon's Temple where the Dome of the Rock Islamic holy site is located, on Temple Mount in Jerusalem.

Since last spring, more than 1 million copies of "88 Reasons Why the Rapture Will Happen in 1988" have been given away by the World Bible Society of Nashville, Tenn., owned by Norvell Olive. The pamphlet, written by Edgar Whisenant of Little Rock, Ark., predicts that Jesus will "rapture the church"—i.e., raise all believers—during the Jewish New Year, that is, mid-September.

Some U.S. intelligence sources believe that the booklet was intended to aid the Dukakis campaign, by disorienting and depoliticizing a large audience that would tend to vote Republican. Dukakis is on record favoring recognition of Jerusalem as Israel's capital.

Author Whisenant is a convert from Judaism, who has been a life-long friend of Rabbi Meir Kahane, founder of the terrorist Jewish Defense League in the United States and the Kach movement in Israel, key elements in the Temple Mount plot. Contributions obtained from the free distribution of the booklet have gone into real estate ventures.

Drug scandal hits Calif. nuclear plant

Alleged drug-use at the San Onofre Nuclear Generating Station near San Diego has become the subject of anti-nuclear press scan-

dal-mongering there. The plant is operated jointly by Southern California Edison and San Diego Gas and Electric Co.

The *Oceanside Blade Tribune* Sept. 15 broke a story on its front page under the headline, "Drug use at nuke plant 'unpunished,' doctor claims." A fired plant physician now claims, almost a year later, that he was fired in November 1987 due to his efforts to enforce the company's anti-drug policy. The doctor has filed suit against the company.

Sources who know the situation at the plant report that the company actually has an effective anti-drug policy at the plant, but rumors abound that drug-sniffing dogs have been brought in after a rash of discoveries of drugs inside the plant.

Aviation Week admits electronic warfare threat

The cover story of the Sept. 19 issue of *Aviation Week & Space Technology* is the first of a two-part feature on electronic warfare, purporting to expose the "expansion of the Soviet threat in quantity, capability and frequency spectra" in this domain. The report quotes Brig. Gen. Noah E. Loy, the U.S. Air Force director for Electronic Combat and Avionics, saying that the Russian "threat is still exploding. Everytime I attend an intelligence briefing, there is a new threat. And it is not just an RF [radio frequency] threat. Probably the most critical area is in infrared." General Loy reports that the Russians are close to developing a "multi-spectral threat."

To prepare for Soviet "frequency-agile" and "spread-spectrum threats," the magazine reports, the Air Force has decided to form a new Air Force Electronic Combat Office (AFECO) under the command of Col. Ralph Graham at Wright-Patterson AFB in Ohio. AFECO is to coordinate national efforts in three areas: defense suppression weapons, C³ [command, control, and communications] countermeasures, and electronic warfare systems. The Air Force and Navy also maintain a Joint Electronic War-

fare Center (JEWIC) in San Antonio, Texas, to evaluate all reports of electronic warfare and jamming worldwide.

Executive Intelligence Review was the first internationally circulated publication to warn of the Soviet push to develop electromagnetic-effects weapons, and has sponsored a series of seminars on this subject in Western Europe, as well as publishing a *Special Report* on it. Lyndon LaRouche's first article on electronic warfare was a centerfold in the June 5, 1987 issue of *EIR* under the headline, "The next Soviet 'Sputnik': strategic radio frequency assault weapons." So far, *Aviation Week's* reportage has fallen far short of telling the real story as it has been covered in *EIR*.

Impeachers of Mecham defeated at polls

The Republican leaders of the Arizona legislature who led the attack to impeach former Gov. Evan Mecham, over criminal charges of which he was later acquitted, were nearly all defeated in the September primary election, in what the *Wall Street Journal* called "stunning upsets."

Mecham, who launched a strong war on drugs immediately upon taking office, was impeached in 1986, after a broad campaign of press slander and trumped up ethics charges believed to have been directed by the Jacobs brothers and other organized crime circles heavily involved in the gambling interests of the state.

Seven of eight GOP leaders who ran the point for the "Get Mecham" campaign have now been defeated in their primary races. The lone survivor won by only one vote!

The *Journal* attributes the defeats to the arrogance of an old boy political network in the state out of touch with the voters. "They threw out an elected governor before a scheduled recall election could take place in which the voters themselves would have decided Mr. Mecham's fate. . . . This week's incumbent wipe-out in Arizona should serve as a reminder to political elites everywhere that voters are quite capable of deciding which issues matter and which do not."

● **THE HEAT WAVE** that afflicted the nation this summer led to damage of part of the power grid in Southern California, a power company engineer told *EIR*. Whereas normal nighttime drop-offs in consumption permit transformers to cool down, the heat wave caused far higher nighttime power consumption than normal. Damage to transformers resulted, many of them in the Orange County area "burning up." "There was just not enough power [capacity]," said the engineer.

● **LYNDON LAROUCHE** campaign spokesmen have announced that their candidate, running as an independent Democrat for President on the ballot in 10 states, two half-hour national television broadcast slots, one on ABC on Saturday, Oct. 1 at 10:30 p.m. EDT, and another on CBS on Monday, Oct. 3 at 11:30 p.m. EDT.

● **AMERICANS** are against legalization of illegal drugs, according to an ABC News poll reported in the Sept. 15 *New York Times*. About 70% of those polled said they wanted the federal government to increase spending to prevent drug abuse. The majority of those polled also said the legalization of drugs would lead to an increase in crime.

● **KITTY DUKAKIS** belongs to Peace Links, an organization denounced on the floor of the U.S. Congress several years ago as an East German front.

● **'NO SMOKING GUN'** has turned up in the Pentagon procurement case, following a review of subpoenaed documents, a *Washington Post* article of Sept. 20 admits. The case is so flimsy that no indictments are expected until the end of the year.

Our future in space

How President Reagan will be remembered remains to be seen. If the Strategic Defense Initiative program gets back on track, and if the launch of the space shuttle Discovery is the successful beginning of a newly revitalized space program, then history may look kindly on him, despite other glaring shortcomings of his administration.

Between March of 1983, when he established the Strategic Defense Initiative as national policy, and the tragic Challenger accident of January 1986, the United States appeared to be on a positively vectored course, despite the weaknesses of Reaganomics. The kind of economic spinoffs which would have come from a vigorous development of the SDI and an ongoing space program, would have guaranteed a sufficient level of productivity to the economy to cushion the effects of otherwise bad economic policies.

Also not to be overlooked, the mood of the nation would have continued to be one of optimism. January 1986 was a turning point. It was followed by a catastrophic shift in foreign policy which began the next September with the Reykjavik summit, and a policy of appeasement to the Soviets. Now at the close of his eight years in office, Ronald Reagan has chosen to reiterate the best goals of his administration, in a speech before the workers at the Johnson Space Center. With the Vice President and the five astronauts who will fly Discovery, he has reasserted his, and implicitly Vice President Bush's, commitment to America's future in the space frontier, and coupled this with a renewed commitment to the SDI.

Calling the space frontier the United States' manifest destiny, he said: "In the next century, leadership on Earth will come to the nation that shows the greatest leadership in space. It is mankind's manifest destiny to bring our humanity into space, to colonize this galaxy. I say that America must lead. The nation that has achieved the greatest human freedom on Earth must be the nation to create a humane future for mankind in space, and it can be none other."

The theme was reiterated at a later point in the speech, where he referred to the aftermath of the Challenger disaster. "Our early settlers knew great risks,"

he said, "and made great sacrifices and moved the frontier forward to build a great nation."

The two policies of space colonization and the SDI, were both policies uniquely associated with Lyndon H. LaRouche, Jr.

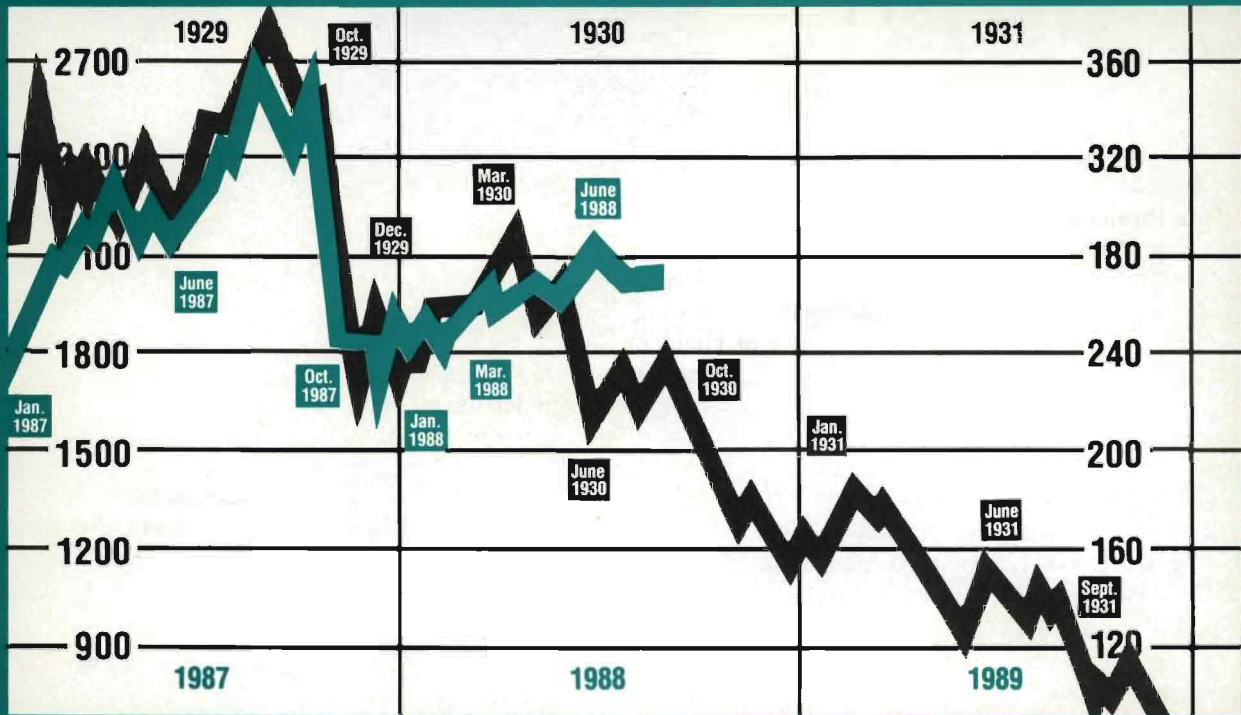
While many scientists such as Dr. Edward Teller understood the need for what we now call the Strategic Defense Initiative, and like LaRouche believed that such this would best be accomplished by utilizing advanced physical principles such as the x-ray laser and other directed energy devices, it was LaRouche alone who understood the economic implications of the program.

He predicted that a crash development of the SDI, particularly if it were coupled with a vigorous development of the space program, would pay for itself ten times over by the increase in productivity in the U.S. economy which would spin off from the new technologies being developed. This was the lesson of the Apollo program. In contrast, LaRouche predicted, the Soviet civilian economy by its very nature, would be unable to incorporate new technologies at a sufficiently rapid pace to prevent SDI and kindred military development from becoming a heavy tax on its economy. This, of course, is the problem which the Soviets are faced with today.

The next administration will face some exceedingly ugly problems, both on the economic and the military side. The only hope for the West is if the LaRouche policies which were extremely influential in the early Reagan years are heeded once again. The Reagan speech is a very hopeful sign in that direction, particularly because he so closely paraphrased the closing lines LaRouche's March 3, 1988 national TV broadcast, "The Woman on Mars" in his closing remarks.

Reagan said: "Somewhere in America there is alive today a small child who one day may be the first man or woman ever to set foot on the planet Mars or inhabit a permanent base on the Moon." LaRouche's words were: "Already, the woman who will speak to you from Mars [broadcasting the news that a colony has just been established], has just recently been born somewhere in the United States."

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What Michael Dukakis's personal physician did not report . . .



Dukakis's mental health: an objective assessment

EIR's 16-page supplement begins with Lyndon LaRouche's article, "I never claimed Dukakis had been cured." It includes: a profile of the historical parallel between Dukakis and Mussolini; the leaflet that started the controversy, and the full documentation to substantiate it; the case of Stelian Dukakis; and the story of Dukakis's official witch, Laurie Cabot.

You can read for \$2!

Pablo Escobar, the kingpin of the "Medellín Cartel," world's biggest cocaine trafficking ring, sent Dukakis a letter last spring praising his "very realistic" stand on drug control, according to the Colombian weekly *Semana*.

Daniel Ortega, the Sandinista President of Nicaragua, thinks "the victory of the Democratic candidate for the White House, Michael Dukakis, would improve the situation in Central America," according to the Italian Communist Party newspaper, Aug. 16, 1988.

Dukakis is "a very efficient governor, very active, with a healthy economic management, and big popularity in the state of Massachusetts," says **Radomir Georgevich Bogdanov**, vice-director of the U.S.A.-Canada Institute in Moscow, in an interview with Italy's *La Repubblica* newspaper on Aug. 15, which predicts that Dukakis will beat Bush in November.

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