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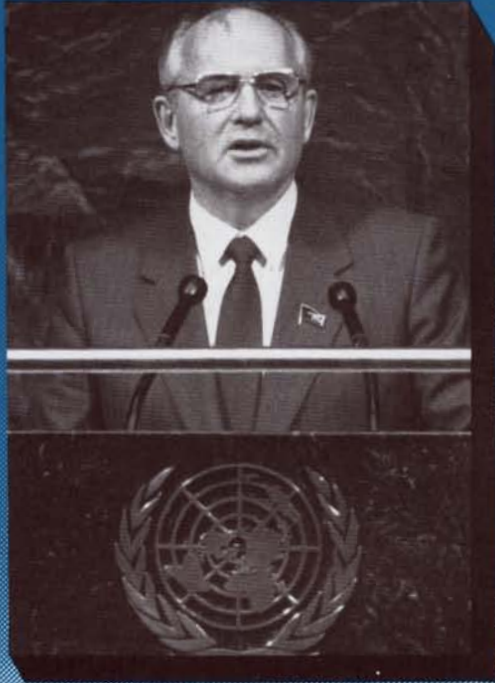
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NEW!

EIR

SPECIAL
REPORT



The 'Greenhouse Effect' Hoax: A World Federalist Plot

In 1983, Soviet academician N.N. Moiseyev announced his "discovery" that a "nuclear winter" would wipe out all life on Earth following a nuclear war. It was later proven to be a hoax, but with collaborators in the West, the "nuclear winter" propaganda created the climate for the unilateral disarmament of the West.

In 1989, the same Moiseyev, with collaborators in the West, has announced his "discovery" that a "greenhouse effect" caused by "industrial emissions" is threatening the biosphere. This, too, is a hoax, but it is now creating a climate for the destruction of the West's industry and agriculture.

Here, *EIR* reports the scientific truth, and the political truth behind the "greenhouse effect" hoax: Kremlin leaders and their Trilateral Commission friends are using "ecological emergency" as the pretext to destroy the sovereignty of nations and establish one-world rule.

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From the Editor

In the foreword to a draft of his campaign platform declaration for the office of U.S. Congressman from Virginia's 10th C.D., Lyndon LaRouche reports, "Coming generations will remember President George Bush for the worst crises to have struck these United States since more than a hundred years. One among these earth-shaking crises will be the deepest, worldwide financial collapse of this century. According to leading European authorities—and I agree—this next crash will hit the United States during the second half of 1989."

But we must dare to hope: "For Mr. George Bush, hope ought to mean that his gift of reason can show him the way to that wisdom and courage which is required to reverse every leading policy-trend of his first five months in office. For each of us, hope means that we, too, discover such wisdom and courage as each of us requires for meeting his or her part of the responsibility," LaRouche continues.

LaRouche has proposed a Moon-Mars colonization project as the national mission for the United States upon which genuine economic recovery can be based. The *Feature* offers a historical perspective on this, as we celebrate the 20th anniversary of the Apollo moonshot.

At the "Bastille Day" economic summit, France put forward emergency proposals for confronting the debt crisis and its tragic economic consequences in the Third World, proposals which echo in many respects those LaRouche has presented over the years (p. 4). Yet the United States, Britain, and Germany blocked discussion of those proposals. Likewise, Mr. Bush's recent actions in Eastern Europe (p. 30) parallel the shocking U.S. policy of support for the Deng regime in Beijing. Our Chinese coverage this week is headed by the first installment of an interview with Gen. T'eng Chieh, author of *Turning Defeat into Victory: A Total War Strategy Against Peking* (p. 37).

Another example of the failures of the Bush administration during its first five months in office is the rush into ill-conceived "disarmament proposals." On July 13, the United States unveiled plans for conventional forces cutbacks in Vienna, two months ahead of schedule, even as our correspondents report the alarming way appeasement has cut into NATO readiness in Europe, seen in the "Central Enterprise" exercises (p. 32).

Nora Hamerman

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24 Celebrate Apollo moonshot by colonizing space

What the U.S. needs isn't nostalgia, but a long-term commitment to build the industrial infrastructure for a sustained Moon/Mars colonization program. It's the best prescription for reviving our moribund economy, and the nation's spirits, as well. Marsha Freeman reports.

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Economics of debt forced on Group of Seven agenda

by Chris White

The question of world economic policy was forced onto the agenda of the Group of Seven heads of state summit, which opened in Paris on July 14—and in a way which most of the summiteers found not at all to their liking. The question was forced by leaders of some of the Third World's most populous and potentially powerful economies, with assistance from France's President François Mitterrand, who, alone among the other participants from the top seven capitalist countries, had concrete proposals of his own to put forward.

This is actually the first time since the G-7 annual summit series began, at Rambouillet, France in 1974, that economic policy has been forced onto the agenda. Called "economic summits," the proceedings generally discuss the technicalities—interest rate policy, exchange rate policy, fiscal policy—by means of which the usurious grasp of speculative paper over the economy is maintained, and genocidal conditionalities enforced. It was the Rambouillet summit, under Henry Kissinger and George Shultz, then serving with the Nixon administration, which adopted the International Monetary Fund (IMF) conditionalities policies. Given the chance, for the first time, to have a real economic summit, the participants turned down the opportunity.

Interventions by India's Prime Minister Rajiv Gandhi, Gabon's Omar Bongo, Brazil's José Sarney, along with President Hosni Mubarak of Egypt, Abdou Diouf of Senegal, Carlos Andrés Pérez of Venezuela, and representatives of Poland's Solidarity union, were what made the economic policy matter concrete. Pointing to the fact that the summit was convened amidst France's bicentennial celebrations, Gandhi stated, "The leaders of the rich countries ought to reflect upon what set off the French Revolution—famine—and apply that to the situation today." Sarney, in a letter to Mitterrand, called for quick action on the debt question,

failing which, "the world will be surprised by the torrent of violence which could be unleashed in Latin America." Bongo warned that the economic policies of the World Bank and IMF could push Third World countries into revolution. The Solidarity representatives laid out a program for a \$10 billion investment fund to reinvigorate Poland's flattened economy. If too little aid is received, spokesman Witold Trzeciakowski warned, "social eruptions can hardly be avoided."

The Third World leaders were among the 30 such who had been invited to Paris by Mitterrand. Others included Benazir Bhutto of Pakistan, Corazon Aquino of the Philippines, Félix Houphouët-Boigny of the Ivory Coast, and Sese Seko Mobutu of Zaire.

From the Third World participants came a call on the advanced sector nations to join a world economic summit on North-South relations. Issued July 13, on the eve of the summit, the appeal was signed by Rajiv Gandhi, Hosni Mubarak, Abdou Diouf, and Carlos Andrés Pérez, representatives of all the continents involved. Mitterrand responded favorably, announcing that he would bring the proposal before the summit as a whole. At an informal conference held with the Third World leaders, Mitterrand unveiled a solution to the world debt crisis through a series of Great Projects for infrastructure development. Among the projects are a plan for water control along the Ganges-Brahmaputra river system between India and Bangladesh, and a plan for the "greening of the Sahara," to be achieved by irrigating the Sahel Desert. Feasibility studies for both have been completed.

U.S., Britain reject proposals

The Third World proposals were immediately rejected by spokesmen for the U.S. and British governments. Mitterrand himself came under attack, to which attacks he replied: "For

eight years I have been battling with the debt problem. It will be at the top of the agenda at the Paris summit. For me, the problems of the Third World are graver for humanity than the thermonuclear bomb.”

U.S. Treasury Secretary Nicholas Brady formally rejected the proposals on the morning of July 15. “You don’t get solutions to problems by bunching them up together and calling them North and South, and addressing them that way. The way to do it is the way we’ve been doing it. Each country is different, each country has different economic conditions, each has different levels of debt.” Brady was backed up by White House Chief of Staff John Sununu. “There is no need for a conference,” he said, “It would complicate matters. It is better to deal with global matters in one direction at a time.” The British put forward a “senior spokesman” in support: “We remain to be convinced that there is a need for a further conference. We believe we ought to continue to operate through international financial institutions and the Paris Club.”

The formal rejections were accompanied by the pettiest kind of complaints. The charge went around that “Mitterrand had sprung a trap” on the Group of Seven, by inviting Third World representatives to Paris. Strange, since it has been more than six weeks since the French President had issued the invitation to the Third World leaders to be present, and since he had made his own intentions in issuing the invitations absolutely clear. Gripes were also heard about the seating arrangements at the banquet held for all the heads of state. The U.S. delegation, along with others from the advanced sector, were outraged that their heads of state were expected to sit with the leaders of the Third World. The French organizers were pressured to impose segregation in the seating arrangements to keep the delegations separate.

For several weeks now, representatives of European political and financial interests have been expressing shock at the complacency that exists in and around Washington, D.C. over the depth of the economic crisis. They report that the complacency is accompanied by the euphoric belief that the United States can continue to muddle through on the combination of political muscle backed up by Japanese funds. They report further that there is no room for the contrary reality in this outlook. These same circles, typified by Germany’s former Chancellor Helmut Schmidt, have, since March of this year, been telling their international collaborators, that the present U.S. administration has until the Paris summit to demonstrate that it is capable of taking effective action. They demand that the U.S. budget deficit be slashed dramatically, as a *bona fide* of continued creditworthiness.

Brady and Sununu’s summit performance will therefore send shock waves around the world. To insist that “the way we’ve been doing it is the way to do it,” is to assert that the delusions on which U.S. policy has been based will continue, no matter what anyone else has to say.

For proponents of this view, it is irrelevant that what the Third World leaders presented to the Group of Seven, and

what President Mitterrand had to say, happen to be truthful. But such truthfulness does not correspond with the way those whom Brady represents insist the world functions. For them, as Tanzania’s former President Julius Nyerere reported in an open letter sent to advanced sector summitters a week earlier, all that matters is maintaining the balance sheets of the advanced sector country’s banks.

Gandhi is right. Famine is loose in the developing sector. Africa has been condemned to die. Others of black, brown, and yellow skin are being treated the same. As the summit convened, commodity markets were beginning to react to the emergence of shortages of basic foodstuffs—soya, sugar, coffee, and cocoa. Bongo and Sarney are also right. The continuation of the genocidal conditionalities policies will lead to revolution. Venezuela, where massive riots erupted after the imposition of an IMF restructuring package earlier this year, stands as an example. Argentina is imminently threatened with going the way of Venezuela.

And Mitterrand is also right, for the problems of the Third World “are graver for humanity than nuclear war.” The explosion of AIDS in sub-Saharan Africa is testimony to this, for the HIV virus, in its many forms, is 100% fatal. The conditionalities policies which have helped create the conditions in which the virus thrives, and obstruct every effort to fund the level and kind of research which could develop a cure, threaten, for the first time in history, the entirety of the human race.

Further, the debt problem is also related directly to the danger of war. Mikhail Gorbachov’s Russian Empire is not so far behind the same kind of conditions that the Third World’s leaders warned of, creating the danger of a desperate Russian military adventure.

LaRouche’s essential role

The solutions which Mitterrand and the Third World leaders want to be discussed have been worked out, in detail, over many years, by the jailed U.S. political leader Lyndon H. LaRouche, Jr. LaRouche has been politically persecuted precisely because he was the one who assumed responsibility for developing solutions to the crises which the backers of Brady insist do not exist. His “Operation Juárez” monetary and economic reorganization proposals of 1982 were then rejected as a solution to the debt crisis of Ibero-America, and notably of Mexico, by the circles of Henry Kissinger—the same who organized the railroad of LaRouche.

The debt solution the Third World leaders demand was developed by LaRouche. The infrastructure development projects put forward by Mitterrand reflect aspects of LaRouche’s recovery program for the world. Yet as long as the man who can lead the political effort to implement such solutions remains in jail, those solutions are not going to be effected. And the arrogance of Baker and Sununu will shortly lead to the further explosions warned of by the leaders of the Third World.

Collapse in auto sales is not a 'blip'

by Matthew Moriarty

The specter of a prolonged slump in the U.S. auto industry is looming large, according to all but the most slow-witted forecasters in the field. Sales of domestically produced cars and trucks plunged 19% in late June, according to industry figures, and July production is expected to drop to an annual rate of some five million cars, down from the rate of 6.5 million produced in June. The July production rate is in fact the lowest monthly rate since November 1982, according to the usually ebullient *Ward's Automotive Reports*.

Despite the protestations of post-industrialist soothsayers, the auto sector, with \$240 billion annual sales, remains the linchpin of the U.S. economy, and directly or indirectly involves 58% of all non-defense capital spending in the United States.

David Healy, an analyst for the Drexel Burnham Lambert investment firm, told *Barron's* in a May 22 interview that he predicts plunging profits for auto next year, especially for General Motors. This, despite the effects of GM's so-called Action Plan, whereby some 40,000 salaried workers have been eliminated along with some "financially costly" plant sites. Healy projects per share profits for GM to plunge from their current \$6.80 per share, to \$1 per share in 1990. Similarly, he expects Ford's per share profit to drop from \$10.96 currently to \$3.50 in 1990, while Chrysler's will plunge to \$1 in the same time period, down from \$5.00. Overall, Healy projects 1990 sales will be in excess of 12.8 million units, compared to the expected 14.7 million for all of 1989 and 15.8 million in 1988.

Incentive schemes fall flat

The dismal state of affairs for the U.S. auto industry follows on the heels of GM's record \$11 billion profit in 1988—one of the best years ever, even discounting the estimated \$2 billion profit that is due to a change in GM accounting procedures. But the sales nightmare facing auto this year has received at best partially true explanations. The conventional wisdom among many auto analysts is that Americans have simply "overbought" in the auto market and have imprudently over-borrowed with extended 48-month or longer financing terms. As a result, they say, increasingly fewer potential buyers have enough equity in their existing cars to be able to afford financing a new one—incentives or no incentives.

The highly publicized incentive programs are indeed dismal failures, in terms of meeting industry sales targets, and are forcing increasing numbers of new car dealers into Chap-

ter 11 status. "People are catching on," chided one irate dealer. "It used to be we couldn't sell a \$14,000 car. But given a \$15,000 car and a \$1,000 rebate, we could sell it every time." That's over, complained the dealer. "Incentives are like drugs," quipped another dealer. "You start out light, with marijuana. You go to cocaine. You switch to heroin. Finally, you die."

Another ominous influence on the darkening auto picture is the increased competition from imports and so-called transplants (foreign-badged cars) which are built here in the United States. Together these items are expected to garner 40% of the U.S. market share by 1992. Transplants accounted for some 700,000 units in 1988, and are expected to be 1.1 million this year and 2.8 million by 1992. That projection, of course, assumes no disastrous collapse in demand, which is now occurring.

Despite the continuance of incentive plans, overall sales of GM vehicles since January have fallen about 8% below last year's levels, and the company has cut production temporarily at roughly half of its U.S. car plants. Ford has said that it is canceling production at two plants in Atlanta and Chicago for a week in August, because Ford and Lincoln-Mercury dealers were reluctant to order more 1989 model cars. Approximately 4,500 hourly workers will be affected by the shutdown.

Environmentalists drive production abroad

Tighter government fuel economy standards are aggravating industry problems in maintaining market share and profitability. The federal Corporate Average Fuel Economy (CAFE) standard is scheduled to be raised from the current standard of 26.5 miles per gallon (mpg) to 27.5 mpg in 1990. The CAFE rules, in effect since 1975, dictate the average minimum mileage for all new cars an automaker sells in a year. Failure to meet these standards can result in stiff penalties.

The necessity to meet this new standard has caused, in the case of Ford, a stampede to transfer abroad the production of certain of its models unable to meet the 27.5 mpg standard. Already, Ford has announced transferring its Crown Victoria and Grand Marquis from the domestic to the import column by reducing the amount of U.S.-built parts from the current 90% to less than 75%.

Under CAFE rules, domestic cars—those with at least 75% U.S. parts—are counted separately from imports. The Crown Victoria and Grand Marquis get an average of 20 mpg. Shifting those cars from domestic to imports would help the company improve the CAFE ratings of its domestic fleets by nearly one mile per gallon, while reducing the rating of the import fleet by the same amount, but keeping safely within the 27.5 mpg limit.

In a similar manner, GM is threatening to convert some of its big American cars to import status in order to meet CAFE standards.

Electricity shortages will cripple industry in the Midwest

by Marsha Freeman

A study released on July 6 by the U.S. Council for Energy Awareness sounds the alarm on upcoming electricity shortages in the industrial Midwest. The study, which examines the generating capacity planned to be added in Illinois, Indiana, and Ohio between now and the year 2000 compared to expected growth rates, indicates severe shortages as early as the mid 1990s.

Unfortunately, this is not a unique situation, but rather a national danger. As we brace for another hot summer, voltage reductions or brownouts have already been instituted in a number of regions, during the month of June. In the Washington, D.C. area, 5% voltage reductions had to be implemented twice last month, as Potomac Electric Power announced that demand outstripped available supply. In the power-strapped New York and New England regions, utilities began warning customers there could be service interruptions before the summer even started.

The industrial heartland has been in somewhat better shape, due to the 1970s and early 1980s economic slowdown, and an aggressive nuclear power construction program by Commonwealth Edison in Illinois. But last summer, parts of the Midwest saw increases in electricity consumption 10% higher than 1987, and "excess" capacity has become a thing of the past.

The new report is entitled "Economic Growth and the Requirements for Electric Power during the 1990s in Illinois, Indiana, and Ohio," and was done by the Washington-based Management Information Services, Inc. and the Management Analysis Company of San Diego, California. Their conclusion is that billions of dollars of manufacturing business will be lost by the year 2000, along with over 1 million jobs, if an aggressive power plant building program is not implemented.

Disappearing reliability

At the current time, utilities in the three states examined, plan to build less than 5,000 MW (megawatts) of new capacity between now and the turn of the century (Figure 1). According to a report released by the Utility Data Institute, Inc. (UDI) on June 28, this slowdown in bringing capacity on line is a national phenomenon (Figure 2).

The UDI figures indicate that whereas utilities had been adding an average of 20,000 MW per year to the grid in the

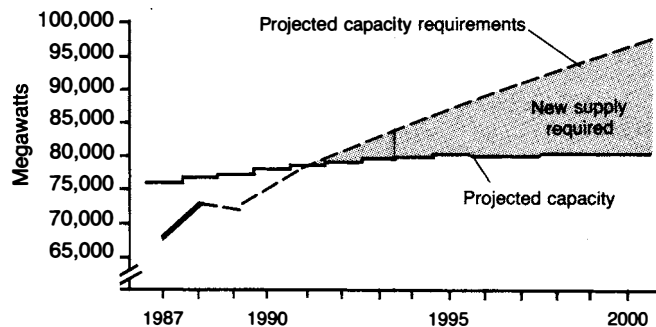
late 1960s, this year only 6,500 MW of new capacity are planned. Current UDI projections are that through 1995, less than 5,000 MW per year will be added nationwide.

In the Midwest, the "Economic Growth Requirements" report estimates that even at modest electric growth rates of 2.9% per year, there will be a shortfall of 15,000 MW in the three industrial states by the end of the century. Their report was completed before President George Bush had announced his proposed amendments to the Clean Air Act, which could force the shutdown of an additional 10,000 MW, made up of aging coal capacity in the industrial heartland.

The report estimates that this gap of 15,000 MW of capacity will result in capacity margins falling near to a dangerous 10% by 1995, to near zero in Ohio and Illinois. A minimally safe reserve margin is considered to be 17%. No utility or region would allow capacity margins to actually reach zero. Before that point, scheduled brownouts and rolling blackouts would be implemented, to preserve the integrity of the system as a whole.

This disappearance of reliable electric power will have devastating economic consequences in what's left of the U.S. industrial region. It is estimated that Illinois could suffer the loss of \$38 billion in gross state product and 700,000 jobs. For Indiana, the figures are \$11 billion, and 220,000 jobs;

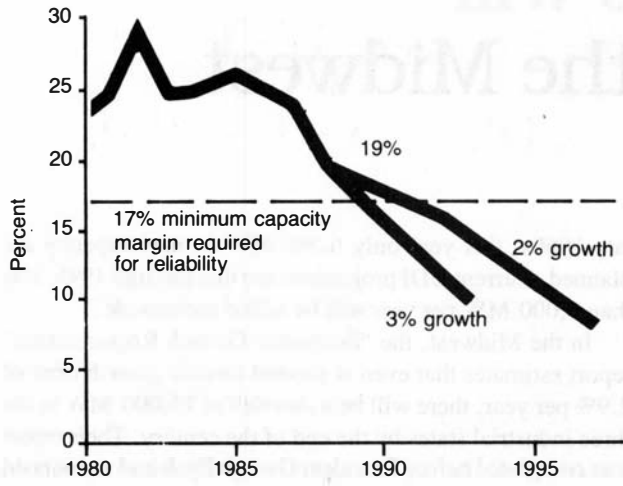
FIGURE 1
Illinois, Indiana, Ohio electricity demand and supply comparison



Source: Management Analysis Company, 1988.

FIGURE 2

Decline in national capacity margin



and for Ohio, \$35 billion and 650,000 jobs.

Another effect of this shortfall will be more global, since this region is now a net power exporter. Surrounding regions, such as the PJM (Pennsylvania, New Jersey, Maryland) power pool, which are critically short of power right now, will not be able to count on the Midwest for exports.

These dire predictions are actually based on some assumptions which can be considered quite *optimistic*. The authors assume that the financial conditions facing utilities interested in building new capacity will improve; that vol-



The slowdown in nuclear energy production in the United States has aggravated the dangerous shortage of electrical power. Shown here: the Point Beach nuclear plant in Two Creeks, Wisconsin.

Wisconsin Electric Power Co.

untary conservation measures promoted by utilities (read: austerity) will be implemented by consumers; and that growth in electricity demand will be declining throughout the 1990s. As mentioned above, their estimate of the gap between demand and capacity does not include the forced shutdowns of currently operating coal-burning plants.

Not only will there be no possibility for real economic growth in this region if a large-scale power plant construction program is not begun, there will be little hope of continuing to deliver reliable electric power to the people, businesses, and industries that already live in these states.

The national picture is even somewhat worse than the Midwest. The U.S. Council for Energy Awareness (formerly the Atomic Industrial Forum) released a brief report in June, demonstrating that the *national* picture for capacity margins is also declining below the safety point.

The report points out that, because reserve margins have fallen to "critical levels" on the East Coast, economic impacts have already been felt. Last summer, according to the Greater Boston Chamber of Commerce, \$86.8 million of industry revenues were lost due to power supply problems. For those who think no one would let the situation get so bad that Americans would not have electricity, it is time to think again.

Approaching Third World levels

For a foretaste of what the United States will look like if we do not start building power plants, an editorial commentary by Robert M. Bleiberg in the Feb. 27 issue of *Barron's* magazine is instructive. Titled "Cry for Argentina," it excerpts a report by David Rusk of Public Service of New Mexico, from an on-the-scene account in Buenos Aires.

Rusk describes how a modern industrial city and population is turned back to a more primitive condition, because the electric utility in the city has had to institute rolling blackouts since mid-December. For at least six hours a day, sections of this city of 8 million have no electric power. Rusk states an estimated \$42 million a day is lost in industrial production and commercial activity.

How do people live under these conditions? While Rusk was in Buenos Aires, "the city settled into three-hour blackouts twice a day. . . . The elevators stop working. The infirm and elderly are pinned down in their apartments, waiting to go out on errands when the elevators are running.

"Household appliances are off. Electric clocks are useless. . . . Washing and vacuuming must be rescheduled to fit the blackout schedule.

"Refrigerators defrost, and food can spoil. . . . No more shopping for a week's groceries. Buy only for the day. Sales of dairy products and fish plummet in stores and restaurants."

Americans suffering from the "it can't happen here" syndrome, who have been accustomed to turning on the light switch and having electricity, are in for a rude awakening in the dark—if not this summer, in the very near future.

Kemp turns HUD into Gestapo for wiping out low-income housing

by Steve Parsons

Jack Kemp, the Secretary of Housing and Urban Development, is on a crusade. "I'm gonna clean house," said Kemp on a nationally televised program in June. "I'm going to be the secretary that cleans up the programs and the policies across the board in HUD. There's got to be reform and overhaul of . . . HUD. The auditing that is being done . . . is going to be handed over to the Attorney General. My moral outrage is that there was so much political influence in the program. It is unseemly that people who attacked big government and said they would fight corruption, take funds for themselves and were greedy, rather than helping the needy."

Has Jack Kemp suddenly turned into a liberal advocate of the downtrodden, out-performing the histrionics of Jesse Jackson? Hardly.

As he has done all his life, ex-quarterback Kemp is just executing plays designed by his coaches—in this case, vicious orders from his Establishment masters. Kemp, who is the oligarchical Mont Pelerin Society's former congressional member, has been told to dismantle federal housing programs and turn HUD into a Gestapo-style police arm of the FBI and Attorney General Richard Thornburgh's renegade Justice Department.

The rigged scandal

Almost every day for the past month, the news media have carried major stories of the burgeoning scandal at HUD. The common denominator is that unscrupulous real estate swindlers have fraudulently exploited various federal loan and mortgage guarantee programs at HUD, with the aid and abetment of former Reagan administration influence peddlers and Reagan's HUD secretary Samuel Pierce. The result has been the loss of hundreds of millions, if not billions of dollars by the federal government on defaulted but federally guaranteed mortgages.

While no doubt there are indeed substantial shady dealings around HUD programs, the proliferation of such shenanigans was virtually ensured up by just such free-enterprise ideologues as Jack Kemp.

These brilliant free-marketeers, under the banner of reducing big government, undertook an overhaul of bureaucracies at HUD and other federal departments, aiming to

"streamline" and "privatize" as many of their functions as possible by utilizing companies in the free market.

Take just one HUD program featured in the media attacks, the "Co-insurance Program," as a paradigm.

Up until 1983, HUD provided full mortgage insurance for construction and renovation of multi-family housing projects, did its own real estate appraisals, and supervised loan repayment. Now, private mortgage lenders make the appraisals and loans, with the government providing insurance—the co-insurance program—for up to 80% of the mortgage costs. The private lenders can also get fees up to 4% of the mortgage amount for the renovation loans—on top of the mortgage earnings. HUD staff was laid off in the process, and that eliminated any effective monitoring and assessment capability.

This arrangement was a virtual legal *carte blanche* for clever free-market ripoffs by such enterprising businessmen as mortgage lenders, bankers, and political influence peddlers. The obvious happened, in at least some cases: Some lenders inflated the reported property values in order to get bigger mortgages from mortgage companies, which would yield bigger 4% fees. And it was almost all insured by the federal government, regardless of whether people actually lived on the property or paid rent.

More than any other government department, HUD's budget was "successfully" cut to ribbons. Its staff was reduced by one-third, from 16,000 to 11,000. Subsidized housing outlays were slashed 70%, from \$26 billion to less than \$8 billion, forcing intense competition and influence peddling to grab what little money was left. The administration refused to fill top-level positions and even refused to permit Pierce to name his own deputy.

As early as 1981, Charles L. Dempsey, a former HUD inspector general, warned about the lack of internal controls in the department. "How can you correct poor accounting systems, poor cash flow, when you're cutting your staff?" Dempsey said. "There was a hell of a brain drain at HUD."

"The whole system just collapsed," said Gerald McMurray, staff member and expert with the House Banking, Finance, and Urban Affairs Committee. The depleted staff was told to concentrate on selling properties the department

controlled, under a quota system, and could not audit what was going on, so that escrow agents like the infamous Marilyn Harrell, who stole over \$5 million, could get away with murder.

Kemp has already suspended or terminated three HUD programs. These include:

- The Retirement Service Center Program, which provides housing and support services to elderly persons over age 70. Kemp said the program has cost HUD \$119 million in payments to banks to cover defaulted loans by private developers, who generally did not build the housing for low-income people, but for those in the middle- and upper-income brackets. Some \$600 million in mortgages are guaranteed under this program alone, and many more defaults are expected. Implicated is Reagan's HUD secretary Samuel Pierce, who approved one project that converted a factory in North Carolina into 151 apartments for the elderly. The project was lobbied for by longtime cronies of Pierce.

- The Moderate Rehabilitation Program, which provides rent subsidies for developers who renovate rental properties which would qualify for low-income tax credits and government-backed loans.

- The Title X land development program, which allowed developers to purchase land that often ended up as high-income housing.

HUD Undersecretary Alfred DelliBovi announced that the department will intensively examine 28 of HUD's 48 programs for fraud; the other 20 are either very small or have been effectively terminated already. All will be, at the least, sharply cut back.

The scale of the programs is enormous and affects probably millions of poor and elderly Americans. "HUD manages a trillion dollars worth of assets every year," said DelliBovi. "If HUD was a corporation on the Fortune 500 list, it would be number one."

"Think of this as management triage," DelliBovi told the *New York Times*.

Even Rep. Tom Lantos (D-Calif.), chairman of the House Government Operations Subcommittee on Employment and Housing which has been working with Kemp to blow the scandal, admits the actual intent behind the exposes. Lantos acknowledged that the scandals could "be used as an avenue for not meeting the needs that these programs were originally designed to [meet] . . . [and] to discontinue them."

Indeed, HUD is slashing even its basic housing subsidy programs for low-income tenants. To take just one example, 25 low-income families in a Hagerstown, Maryland apartment complex are facing astronomical rent increases of more than 2,200%! With no notice, HUD refused to renew the five-year subsidy agreement it had with the landlord, resulting in rent hikes from the current rate of \$21 to \$489 by September. These families will have to move, but have nowhere to go. The waiting list in their area for subsidized housing is 300 names long.

Other horrors attend the HUD rationalization process. Kemp announced two of them in an interview with the *Washington Post* on July 7. First is tenant "co-participation" management of housing projects, whereby tenants will themselves proudly "manage" their projects under a regime of dwindling HUD allocations and maintenance budgets. Second, tenants themselves will increasingly assume vigilante-style police functions through policing the drug scourge in the projects, with shrinking budgets for the projects. Third, and most important, HUD will increase their effort toward creating Hong Kong-style, cheap-labor free enterprise zones in help impoverished areas.

HUD's own Gestapo

Kemp has created an "Asset Recovery Strike Force" that will function as a virtual Gestapo empowered to conduct wild unconstitutional witchhunts and seizures. In a June 28 letter to Attorney General Thornburgh, Kemp said the force would "identify assets of persons who embezzled, misappropriated, or withheld HUD funds," freeze those funds, initiate recovery suits, and begin suspension and debarment actions against those found guilty. Kemp noted that the Justice Department is now investigating 630 cases, which Kemp requests be moved "to priority status."

But these cases are just the tip of the iceberg. When Kemp took office, there were 849 internal audit reports with 3,589 recommendations; decisions have been made on only half of these recommendations, and of these no action has yet been carried out. Representatives of HUD's inspector general have scheduled appointments with all 94 U.S. attorneys and local FBI officials to review both criminal and civil cases involving housing programs.

This strike force complements the war Thornburgh is conducting against independent savings and loan institutions. During the week of July 4, Thornburgh demanded that Congress double the \$50 million provided in the pending S&L legislation, so that he could hire twice the number of FBI agents and federal prosecutors going after so-called S&L fraud.

The HUD strike force police measures will likely be extended throughout the government bureaucracy. Office of Management and Budget Director Richard Darman has directed all 14 cabinet departments, as well as the National Aeronautics and Space Administration and the Environmental Protection Agency, to review all operations to determine those "vulnerable to fraud and waste." As in the HUD scandal, enemies of the Bush clique, old Reagan administration "influence peddlers," and department programs and budgets that actually do some good, will all be targeted. Underscoring this "hit list" policy, on July 6 Kemp for the first time publicly criticized Reagan's HUD secretary Samuel Pierce for his poor management of HUD, amid increasing media revelations of Pierce's personal involvement in influence peddling and sweetheart deals during his tenure.

The bailout of the savings and loans: feet first into fascism

by Kathleen Klenetsky

The Financial Institutions Reform, Recovery, and Enforcement Act, or FIRREA, as the Bush administration's "rescue" legislation for the savings and loan institutions is known, poses a dangerous threat not only to the survival of U.S. thrift institutions, but to constitutional law as well. Currently under consideration by a House-Senate conference committee, which is expected to hammer out a final version for President Bush's signature by early August, FIRREA establishes a whole new range of banking offenses, with draconian penalties that include fines of \$1 million per day and more for officials of the savings institutions.

These provisions of the legislation are obviously designed to frighten the remaining S&Ls into selling out to the big-money banks and other speculators, which are now hungrily circling the thrifts like vultures. But they have an additional purpose: to set legal precedents that can then be employed against other so-called "special interest groups" which represent an obstacle to the Bush administration's plans for a fascist reorganization of the U.S. economy.

This goes along with the warning of former Washington, D.C., U.S. Attorney Joseph DiGenova, interviewed on ABC News's "Nightline" on April 12, that the "criminals"—those who owned and operated the S&Ls—would be apprehended and convicted.

The legal witchhunt which President Bush and the Congress propose to wage against the S&Ls, is part of the same pattern of unconstitutional judicial assaults which have already been deployed against the defense industry through the Justice Department's "Operation Ill Wind"; against anti-abortion protestors, who have been convicted under the RICO statutes that were supposed to be used against organized crime kingpins; and against independent political movements, most notably, that of *EIR* founder Lyndon H. LaRouche, Jr.

While U.S. Attorney General Richard Thornburgh has been touring the country urging FIRREA's enactment on the grounds that it will give him an additional \$50 million to prosecute S&L "fraud," the specifics of its enforcement provisions have been kept out of the public eye.

For this reason, we publish below excerpts of an analysis of FIRREA's enforcement measures presented to a recent conference of the U.S. League of Savings Institutions by

John Villa, an attorney with the Washington firm of Williams and Connolly.

Villa warns that FIRREA's "far-reaching changes" will result in "uniformly more punitive sanctions, and at the same time allow unfettered discretion in their use." Although some details of the enforcement provisions may be altered in the House-Senate conference, there is no indication that they will be softened significantly.

New enforcement provisions

"FIRREA would expand the range of civil enforcement measures available under the Federal Deposit Insurance Act," Villa declared. "It also would extend the reach of certain existing enforcement measures to new (and in some instances less precisely defined) conduct. Finally, it would dramatically increase the civil and criminal penalties under the FDIA and the other federal banking statutes codified in Title 12 of the U.S. Code. The cumulative result of these far-reaching changes would be to make available to the federal banking regulators and law enforcement authorities uniformly more punitive sanctions, and at the same time allow unfettered discretion in their use. . . ."

Increased civil money penalties

"FIRREA will increase sharply the size of the civil money penalties that may be imposed on a financial institution and its insiders. In addition, both the procedure and standards for imposition of civil money penalties will be substantially revised. Under existing law, civil money penalties may generally be imposed only upon a finding by the appropriate regulatory agency that the institution or the insider has violated a cease and desist order, a temporary cease and desist order, or an order to comply with the reporting and record-keeping requirements of the Bank Secrecy Act. One of the most important changes in both the Senate and House versions of the Act is that the regulatory agencies will now be able to proceed *directly* to the assessment of civil money penalties for the violation" of laws, regulations, etc.

"Both versions also permit the assessment of civil money penalties for breach of such vague standards as 'any fiduciary duty' or any 'unsafe or unsound practice' which has resulted in loss to the institution or financial gain to the individual.

The chief effect of this change is to take a two-step process, which gave individuals ample warning of the possibility that civil money penalties might be imposed, and compress it into a single step in which any violation could conceivably be the basis for civil money penalties.

"The maximum size of the civil money penalties has also been dramatically increased. Under existing law, the maximum civil penalty is generally \$1,000 for each day during which such violation continues. Both Senate and House versions would permit a two-tiered penalty structure.

"Under the House version, the lower tier . . . civil money penalty is a fine of up to \$15,000 *per day*," and up to \$25,000 per day in the Senate version. For more serious offenses, such as "any violation of any law, regulation, or any breach of a fiduciary duty or any unsafe or unsound practice, if performed with knowledge or reckless disregard of the fact that the Act may result in substantial loss to the institution or significant pecuniary gain to the person," the penalties are higher.

"In the House version . . . the penalty can reach \$1 million per day for individuals; for institutions, serious violations carry maximum daily fines of \$1 million or 1% of the total assets of the institution. In the Senate version, the maximum is \$1 million per day.

"Both the lower- and upper-tier penalties are applicable to the financial institution, and to all 'institution-related parties' (Senate version) or 'persons participating in the conduct of the affairs of the financial institution' (House version).

"One significant change wrought by both the Senate and House versions of FIRREA is making the enforcement provisions (i.e., civil money penalties, removal, etc.) applicable to *all* financial institution insiders. . . . There is no doubt that the version of this provision that survives in the final legislation will expand the scope of the enforcement provisions beyond directors, officers, and employees, to reach significant shareholders, and independent contractors, such as accountants, appraisers, consultants and attorneys. . . ."

Informants and 'whistleblowers'

"The House version of FIRREA would provide incentives to informants or 'whistleblowers' to provide information to regulatory agencies or the Department of Justice regarding possible violations of federal laws or regulations relating to financial institutions. It would authorize federal banking agencies to pay rewards of up to \$100,000 to persons who provide original information leading to the recovery of criminal fines, restitution of civil penalties, or to forfeitures. . . ."

The Right to Financial Privacy Act

Both Senate and House versions "make the Right to Financial Privacy Act (RFPA) inapplicable to (i) the examination by or disclosure to any supervisory agency of customer records in certain situations including receivership or con-

servatorship proceedings; (ii) the examination by or disclosure to the Federal Reserve System of customer records if they are obtained in connection with the Federal Reserve's authority to extend credit; and (iii) the examination by or disclosure to the Resolution Trust Company of customer records in the exercise of its conservatorship, receivership or liquidation functions."

Both versions include a "proposed amendment to the RFPA's grand jury exception which would preclude financial institutions from notifying their customers of the service of grand jury subpoenas for the customers' records if the crime under investigation is against any financial institution. The House goes even further. It provides that the prohibition against disclosure reaches crimes against supervisory agencies, *and* it further extends the prohibition to 'any target of a grand jury investigation.' In addition, the House version makes violation of this provision the basis for administrative enforcement penalties (including civil money penalties) under Section 8 of the FDIC.

"Furthermore, both the House and Senate versions of the bill add a new offense to Title 18. Under the Senate version of this 'notification' offense, it would be a crime, punishable by up to five years in prison and a fine, for a banker to notify a customer that his financial records are being sought by a grand jury for purposes of an investigation of a possible violation of various sections of 18 U.S.C."

Increased penalties

Both the House and Senate versions would "increase the penalties for the principal criminal statutes which affect federally insured institutions. . . . The Senate would increase the maximum term of imprisonment from two years or five years to *fifteen* years. The House would increase the terms to *twenty* years. The maximum criminal fine under the Senate bill would also be increased to \$1 million or more."

Both bills would provide for a "parallel *civil* cause of action for each of the federal criminal banking statutes, which could be brought by the Attorney General in U.S. District Court. The government's burden of proof in such suits would be the civil standard of preponderance of evidence rather than the criminal standard of beyond a reasonable doubt. Under the Senate version, the maximum civil penalties would be the *greater* of \$1 million for each day that the violations continues, or \$5 million."

Banking offenses as RICO acts

"The Senate version of FIRREA would make *all* the federal banking criminal statutes predicate offenses for RICO, 18 U.S.C. 1961 *et seq.* This goes beyond what the administration's original bill sought. The House version does not make banking crimes into RICO predicates. If included in the final bill, this will have the unfortunate effect of vastly increasing the number of civil RICO actions against financial institutions and their officers and directors."

Dry weather endangers Midwest crops

A time bomb is ticking in the U.S. farm community, but USDA officials are choosing to ignore it.

A recent crop condition survey conducted by *EIR* indicates that U.S. grain crops and soybeans again face a disaster due to poor weather. For thousands of farmers, "This may be the last season forever," after two weather disasters in a row, in the words of one exasperated farmer.

Iowa, the nation's largest corn producer, has experienced the seventh driest January-June period on record. The corn crop is now entering the pollination period there, which lasts about 10-15 days. This is the most critical time, during which pollen falls from the tassel to fertilize the moist silk threads which start to appear on the ear. If the soil is dry and hot winds occur during this period, the silks will dehydrate and will not be fertilized by the falling pollen, thus leaving only a corn stalk with no kernels developing on the cob.

Reports from both northwestern and southeastern Iowa indicate that subsoil moisture is non-existent. The period from about July 4 through July 11 saw temperatures consistently over 100°F, with hot dry winds causing the corn to dry up. If rain doesn't fall within five to ten days after this baking spell, farmers in the area warn, "Kiss the corn crop good-bye."

They have had good reason to worry. The 30-day July forecast called for drier and warmer than normal weather. Then the National Weather Service released a new report July 10 predicting cooler temperatures and rain.

State agricultural officials in North Dakota—the spring wheat region—

said the state will have a \$541 million crop loss in 1989, even if rain begins in mid-July. Carl Fanning, Extension Service agronomist for North Dakota State University, says that North Dakota "will lose 34% of its spring wheat crop and 24% of its durum wheat crop.

On top of this, there is an estimated \$80 million loss in hay and pasture. North Dakota used to be called the "breadbasket of the world" in terms of corn, the average corn height in the state by this time of year is 41 inches. But in many places the corn is only 5-10 inches tall.

In South Dakota, 95% of the topsoil moisture is short to critically short, and 58% of the subsoil moisture is critically short. Many farmers are cutting small grains for hay, fearing that it will not make it to maturity.

Grasshoppers have become a plague under the perfect 1988-89 dry-weather breeding conditions. Minnesota and North Dakota farmers have already been forced to spray many times for grasshoppers which have been devouring entire fields of hay and grain. Here the blame can be laid directly on the world's worst destroyers of the environment, i.e., the environmentalists themselves. Namely, the set-aside acres placed in the ten-year Conservation Reserve Program have become breeding grounds for hoppers and other pests, as the dry weather has allowed billions of bug eggs to mature and now hatch.

Meanwhile, in the Southern states, the problem is too much water. "Everyone I've talked to says the crop conditions here are the worst they've

ever seen," due to excess moisture, a Mississippi soybean farmer told *EIR* "It's rained 22 days in June and every day except today in July," he said. Over 500,000 acres of planted crops are under 5-7 feet of water in the Mississippi Delta region. About 85% of the soybeans are planted in this region, but 50% are drowned out, and it has been too wet to put up any hay.

Eastern Seaboard and Ohio Valley farm regions have also been deluged with water, rains running about 20% above normal. The crops that serve the dairy farms of Pennsylvania—hay, barley, and corn—are all in trouble. Hay has been left uncut. Corn has been planted very late, or not at all. "Coming on top of last year, in which there were cash flow problems . . . it's going to impact on farm families everywhere," is the view of Jan Carson, news director for the Pennsylvania Farmers' Association.

Meanwhile, the USDA wants the public to believe everything is great. The headline on the July 6, issue of *Agri News*, a Minnesota newspaper, declares, "Farm Economy Rebound to Continue," and claims that "The nation's farm economy is in its third year of recovery, and an Agriculture Department analyst says no serious downturn is likely in the next few years."

The July 1989 issue of the USDA publication *Agricultural Outlook* projects 1989 farm equity to increase by \$35-45 billion over 1988. But on closer evaluation, one finds that of all the assets evaluated (real estate, livestock, machinery, stored crops, and financial assets) the only asset that is projected to increase in value is *farmland*. In other words, the great "farm recovery" is based on inflated land values due to another round of land speculation, and certainly not to real physical wealth production.

Barco hands Colombia to its creditors

Even Colombia is imposing the austerity demanded by the IMF, to the benefit of the narco-terrorists.

Despite the official propaganda that Colombia does not share the foreign debt problems of its Ibero-American neighbors and that the economy is in excellent condition, President Virgilio Barco's administration is hastening to take drastic economic measures which could cause revolts like those have which erupted in Venezuela, Argentina, and Brazil, as well as economic paralysis and the gutting of national security.

After a year and a half of pilgrimages by Finance Minister Luis Fernando Alarcón Mantilla, sitting in the waiting rooms of foreign bankers' offices, Colombia has received only \$1.65 billion in credits, at an interest rate of 1.5% above the London Interbank Overnight Rate. Also, these loans are conditional upon the country's complying with the conditionalities set by the World Bank and the International Monetary Fund (IMF).

Also, although Colombia did everything it could to attack Panama and its Defense Forces commander Gen. Manuel Antonio Noriega, just as the United States asked, the colossus of the North refused to prolong the International Coffee Pact, which caused the prices of Colombia's main legal export product to fall sharply, with a consequent reduction to be expected in its export earnings.

As if that were not enough, the pro-Castro National Liberation Army (ELN) terrorist group has sabotaged petroleum production, causing Colombia to lose 20% of its oil exports, and the dollar revenues it brings in.

In the face of that situation, the

government is already studying the "adjustments" it will make to the economy: brutal cutbacks in central government and state sector enterprise investment programs.

It plans to suspend construction of an oil pipeline, a gas pipeline, and the Bogotá subway. The state petroleum company Ecopetrol, and telecommunications company Telecom will have their investments cut. The funds saved will go to the central bank's Fund for the Service of the Foreign Debt, FODEX, which will use the money to make on-time payments to foreign creditors.

The government will create new taxes and increase others to finish financing the construction of the Medellín subway. This project was left half-finished because the creditor banks threatened not to participate in the \$1.65 billion jumbo loan if the nation did not give its full guarantee to the debt already contracted by the city of Medellín. The government has already increased fuel prices 10% and will increase them even more to gain the revenues needed to comply with IMF conditionalities.

The government also will freeze the number of state employees and will reduce their real wages.

This program will provoke widespread discontent which could benefit Moscow-run terrorist groups. At the same time, the "adjustment" will dramatically reduce military budgets. The defense budget was called "unsustainable" in a document published by the National Economic and Social Policy Council, chaired by President Barco

himself. The plan would limit arms purchases abroad, just when the terrorists have full logistical and financial backing from the cocaine mafias at their disposal. The Armed Forces will only have \$200 million in 1989 and \$180 million in 1990.

The country is already in an economic recession as a result of the monetarist measures taken by the Finance Ministry. A study by the National Merchants' Federation (FENALCO) shows that retail sales fell 6% in the first half, due mostly to government-imposed restrictions on credit card sales.

A study by the National Industrialists' Association (ANDI) suggests an end to industrial growth. Businessmen blame high interest rates, after the government ended controls on them. Imports of machinery fell 11%, after having increased 28% last year. Many factories have gone from three to two shifts. Total electrical consumption rose only 6.2%, compared to 6.8% last year.

The only legal sector which has grown is food production, up 40% this year, thanks to higher parity prices and better credit policies.

Such development credits will be drastically curtailed and interest rates on them elevated under the new conditions imposed by the World Bank. Colombia's economic restructuring also calls for ending all restrictions on imports, thus eliminating all protection of national industries.

The alternatives are quite clear: Either Colombia continues with the demonstrably successful agricultural policies set by Agriculture Minister Gabriel Rosas Vega in accord with farm organizations; or it follows IMF-World Bank monetarist orthodoxy, despite overwhelming evidence that this brings economic disaster. Barco's administration has chosen the latter path.

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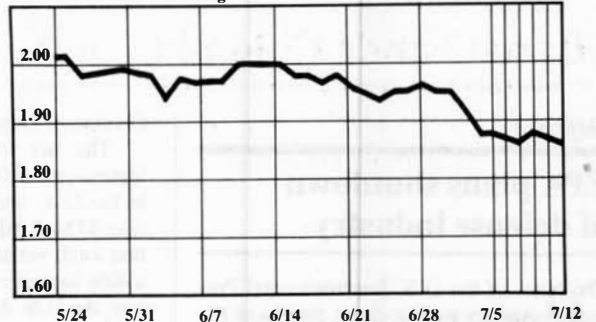
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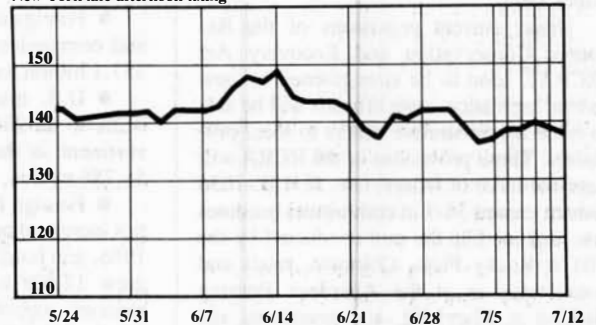
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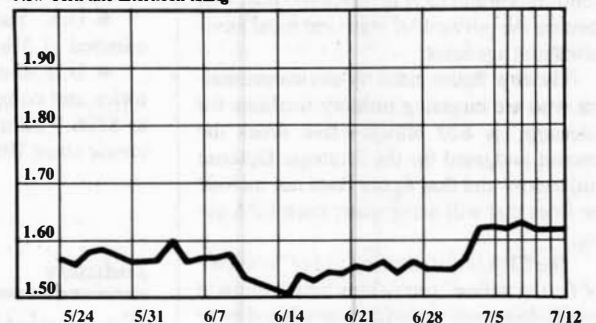
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Business Briefs

Defense

EPA plans shutdown of defense industry

The plans of the U.S. Environmental Protection Agency to shut down chunks of the defense industry were highlighted in the July issue of the *National Journal*, a Washington publication.

Under current provisions of the Resource Conservation and Recovery Act (RCRA), soon to be strengthened by new federal legislation, state officials will be able to issue administrative orders to local producers. These provisions of the RCRA will have the force of federal law. If H.R. 1056 (which passed 38-5 in committee) becomes law, actions like the raid conducted by the FBI at Rocky Flats, Colorado, trials and convictions as at the Aberdeen Proving Ground in Maryland, and gratuitous and heavy fines of military installations which have been levied by the Nuclear Regulatory Commission and EPA in recent months, will become the purview of state and local environmental agencies.

The low figure cited by environmentalists who are targeting military facilities for "cleanup" is \$20 billion—five times the amount budgeted for the Strategic Defense Initiative—and that figure does not include the fines that will accompany each EPA action.

The EPA is also making use of "contractor listing action" provisions which allow it to shut down any manufacturer alleged to be in violation of some standards—without due process. EPA contractor listing official Alex Varella told the journal that such actions are now being taken against defense contractors, without the Defense Department being notified.

Investment

Foreign holdings in U.S. reach new record

The U.S. foreign investment deficit in 1988 climbed at a record rate to a record high, the

Commerce Department reported June 28.

The net foreign debt of the United States—the difference between investment in the U.S. and U.S. investment abroad—rose \$154.2 billion in 1988, to \$532.5 billion total, versus \$378.3 billion for 1987—a 40% increase in one year. By 1992 at this rate, the U.S. deficit will exceed \$1 trillion, with the nation paying foreigners \$40-50 billion in interest and dividends. The report outlined:

- Foreign direct investment in factories and companies in the U.S. rose a record \$57.1 billion, or 21%, to \$328.9 billion.

- U.S. investment abroad grew only 7.2% to \$1.254 trillion, while foreign investment in the U.S. increased 15.4% to \$1.786 trillion, more than twice as fast.

- Foreign holdings of Treasury securities increased nearly 19% to \$96.6 billion in 1988, and holdings of other U.S. securities grew 12.6% to \$393.6 billion—in large measure supporting the budget deficit and substantial off-balance-sheet financing. In contrast, U.S. holdings of foreign securities went up only 6.4% to \$156.8 billion.

- U.S. bank liabilities to foreigners climbed 11.3% to \$609.5 billion.

- U.S. direct investment in foreign factories and companies increased only 6.1% to \$326.9 billion in 1988, the smallest increase since 1984.

Industry

Ecologists seek to ban asbestos

U.S. Environmental Protection Agency chairman William Reilly, in a move that will eliminate an entire industry, announced plans July 6 to ban virtually all uses of asbestos by 1997. The plan is expected to result in thousands of unnecessary deaths.

The ban will prohibit the importation, manufacture, and processing of asbestos, a fibrous, heat-resistant mineral used extensively in construction and industry, in fire-resistant clothing, and in friction-bearing surfaces such as brake linings. The nation now uses about 94,000 tons of asbestos each

year, down from the 700,000 tons annually used in the 1970s. The EPA says it causes cancer.

EPA estimates that the asbestos ban will cost consumers about \$460 million over the next 13 years, mostly in the form of higher prices for substitute materials, and will save 200 lives in the same period. That works out to about \$2.3 million per life saved, the EPA noted.

Robert Pigg, president of the Asbestos Information Association trade group, questioned the logic of that equation. "When you look at 50,000 automobile deaths and 140,000 lung cancer deaths from smoking each year, this gives you a perspective on the minimal risk from current uses of asbestos," he said. Furthermore, thousands of people whose lives would have been saved from fires and severe burns by asbestos clothing and insulation, will die as a result of inefficient replacements.

Health

Soviet medical care nonexistent

"In the last couple of months, because of the terrible economic crisis, medical assistance practically doesn't exist any more in the Soviet Union," stated Yelena Bonner, wife of Andrei Sakharov, in a statement to a university audience in Venice, Italy, July 3. "Not infrequently, surgeons prefer to let patients die than to operate on them, knowing they won't have medication afterwards. In two hospitals out of three, running water is lacking. AIDS cases are multiplying among newborn infants, because the second world power in arms production is not familiar with the use of disposable syringes."

The West German July edition of *Readers' Digest* ran an article with the headline, "If Soviet Citizens Become Sick," reporting the work of Dr. Champlin, of the University of California at Los Angeles Medical Center, and Mark G. Field and Murray Feshbach, of Georgetown University in Washington, D.C. The shocking details of this report include:

Briefly

- Official death statistics show a dramatic increase—from 1.58 million annually in 1964 to 2.71 million in 1986.

- The average life expectancy of a Soviet male has decreased from 66 years in 1965, to 65 years in 1986.

- Infant mortality has increased from 1971 to 1986 by 30-50%.

- The mortality rate of all age groups has increased during the last 20 years, something "unique among industrialized countries," *Readers' Digest* comments.

- Spending for the health care budget has decreased from 6.6% of the total budget in 1965, to 4% in 1987.

- There is a six-tier medical treatment system in the Soviet Union, where there are no doctors in the countryside but only medical assistants capable of administering first aid and prescribing medicinal herbs.

- There is not enough insulin for every diabetic, and even basic medicines like vitamin pills or pain killers are lacking. There is also a dramatic shortage of syringes, sterile bandages, and gauze. One hospital with 950 beds gets an average of 400 syringes for the whole year.

- One example is cited where a surgeon performed operations for three months without glove protection because there were none.

- The shortage of anesthetic drugs has led to their use only in rare cases.

- The hospital linens are being changed on the average after 10 patients.

Finance

Corporate debt in jeopardy, OECD warns

The Organization for Economic Cooperation and Development warned of the danger inherent in the structure of U.S. corporate finance in its annual "Economic Outlook" report.

The OECD expresses "concern" that in U.S. corporations in recent years, a "considerable part of the sharp growth in debt has involved LBOs [leveraged buy-outs], which increase a company's debt servicing

obligations without expanding its capacity to produce through new investment. Much of the financing of these new investments has involved high-yield 'junk' bonds. Second, these developments may have increased the exposure of financial intermediaries," such as life insurance and pension funds, as well as Wall Street firms dealing in the junk bonds—"to corporate liquidity or solvency problems, particularly in event of a recession."

The report warns that financial deregulation and recent changes in corporate tax laws have distorted incentives and "may be contributing to more fragile corporate structures." The U.S. debt-to-equity ratios for corporations have increased by 50% since 1982, according to the Paris-based economic agency.

Organized Crime

Mafia controls Italy's finances, panel says

A report presented by Italian Interior Minister Gava to the Anti-Mafia Commission charges that "the mafia is among the big financiers of Italian public debt," according to Italian press accounts July 7.

Drug money proceeds are laundered through American and European banks, especially in Spain, Luxembourg, and Switzerland, and used to purchase Italian treasury bonds and certificates of credit, denominated in liras and in European Currency Units. These state bonds, according to Gava, are the third "front of the attack by organized crime," along with the financial fronts and the stock exchange. By investing dirty money through foreign banks, Gava says, the mafia is not only lending money to the state, but also helping Italy's balance of payments and supporting the lira.

Treasury officials are playing down the significance of the report, and ridiculing the idea that treasury bonds should be made transparent. The ABI, Italy's banking association, said calmly, "The mafia is behaving like millions of other investors, choosing the most remunerative investment."

- **THE UMW STRIKE** against Pittston Coal was validated by the U.S. National Labor Relations Board July 5. The ruling said that the company had carried out unfair labor practices.

- **GENITAL HERPES** virus may infect about 16% of all Americans 15 and older, according to a Centers for Disease Control study released July 5. The virus is associated with a high risk of AIDS, according to Wendy Wertheimer, deputy executive director of the American Social Health Association.

- **BANK TELLERS** have a high illiteracy rate, according to a survey by the American Bankers Association. Over 80% of U.S. banks reported some employees lack such basic skills as math, reading, speaking, and writing, and test scores on basic literacy have fallen over the last three years.

- **MONEY LAUNDERING** reporting rules that would permit the U.S. Treasury Department to temporarily order banks in specific "hot-money" geographic areas to file reports on currency transactions of less than \$10,000, are being protested by U.S. banks which cite cost and complexity.

- **REFRIGERATORS** should not be built in Third World nations, according to Environmental Protection Agency head William Reilly. "A proposal for 300 million new refrigerators, possibly based on CFCs, makes very clear that we must engage them in this process and bring them to participate in the science," he said.

- **ENVIRONMENTALISTS** are ravaging the Amazon rain forest which Conservation International acquired in a 1987 debt-for-nature swap with Bolivia, according to the *Christian Science Monitor* July 10. No trees have been planted, mahogany forests are being logged out of existence, and native Indian protests are ignored.

The nervous system may be the real target of HIV

Away from the publicity glare of the June 4-9 conference on AIDS in Montreal, startling evidence was presented at a conference of specialists in neurological science. Garance Upham Phau reports.

What if millions of HIV-infected people are fast on their way to profound neurological impairment, including dementia, before developing any evidence of acquired immunodeficiency syndrome (AIDS)? What are the implications of a mass epidemic of brain disease for the continued existence of entire towns, cities, or even countries? What if we don't know how human immunodeficiency virus (HIV) enters the brain, what it does when it gets there, or even how it causes disease? While this may sound like a very bad dream, it accurately describes the situation facing scientists, physicians, and national governments today. In the week prior to the June 4-9 Fifth International Conference on AIDS in Montreal, "The Neurological Manifestations of HIV" was the topic of a gathering of neurological sciences specialists in Quebec City May 31-June 3.

In Quebec City, there were no homosexuals conducting sit-ins and parades, weaving quilts, and aggressively showing off their distinctive intelligence decked out in earrings, lipstick, and miniskirts. In Quebec City, there were no media on the lookout for the "hot stuff" or smut movies and champagne.

In fact, this conference bore the significant title "The Neurological and Neuropsychological Complications of HIV" and purposefully avoided speaking of "AIDS" to emphasize that those neurological manifestations may occur *without the concomitant presence of an immunodeficiency syndrome, e.g., AIDS*.

The conference was the scene of heated polemics. On one side were groups such as the Multicenter AIDS Cohort study group and the U.S. Air Force which claim, along with the World Health Organization, that HIV-infected asymptomatic individuals or patients with AIDS-related complex

(ARC) show no signs of increased neurological impairment. On the other side are many neurologists, and some among the most brilliant AIDS researchers, such as Jay Levy of California, who conclusively demonstrate in study after study the neurological effects of the HIV virus, not only in the terminal phases of the AIDS disease, but also among a great many asymptomatic patients who show no immune deficiency.

"New Study Is Easing Fears on AIDS and Mental Illness" wrote Lawrence Altman in the *New York Times* on June 2, from Quebec City. Since there were only three journalists at the conference, it is to be feared that Altman's report will go unchallenged. The WHO's lying claim that, as of March 1988, there was "no evidence for an increase in clinically significant neurological or neuropsychological abnormalities in CDC [Atlanta Centers for Disease Control] groups II or III [HIV-infected individuals]" was retailed by Dr. J. MacArthur, from Johns Hopkins University, who, the *New York Times* gloats, said that neurological disease "affects less than 1% of HIV carriers."

In fact, the list of neurological diseases that have been found to be associated with HIV infection in a number of patients is impressive: Guillain-Barré syndrome, mononeuritis multiplex, sensory neuropathy, autonomic nerve dysfunction, myopathies, progressive multifocal leukoencephalopathy, white matter subcortical brain lesions, and spinal cord diseases such as vacuolar myelopathies.

African studies

All of these various nervous system pathologies can also be found on the African continent, where individuals suffer as much from neurological manifestations of the HIV infec-

tion as from its better-known immunological consequences. For example, a study conducted on 235 HIV seropositive individuals in the Kampala clinic in Rwanda, showed: Parasthesia, or abnormal sensation, was present in 212 cases (88%); dementia was present in 60 persons (26%); neuropathy (nerve damage) was seen in 47 persons (20%). Five individuals in the group suffered strokes and four of them were paraplegic. Detection of additional findings in patients who had already died was hampered by limited *post mortem* analysis.

"The problem of diagnosis in Africa is acute," said Dr. Katabira of Uganda. "There is inadequate diagnostic equipment and material, poor financial support for research, no standard approach to diagnosis, [and] acute manpower shortages." There are "not enough doctors," he continued. "For example, there are two neurologists in Uganda, and ten psychiatrists."

Robert Levy, neurosurgeon and AIDS researcher at Northwestern University Medical School in Illinois, reported: "Signs or symptoms of neurologic illness were observed in 482, or 37%, of the patients in San Francisco, and 58, or 28%, in Chicago. . . . There were slightly more neurologic complications reported in San Francisco, most probably because patients there were evaluated initially by a neurologist, while in Chicago, a general medical doctor performed the examination," he said. Levy is co-author of the text *AIDS and the Nervous System*. In Quebec City, and later in Montreal, Dr. Levy advocated the practice of stereotaxic brain biopsies as the only definitive diagnostic procedure, which brought him into disagreement with the radiologists, who contend that magnetic resonance imaging (MRI) is adequate for diagnosis.

Dr. L.G. Epstein, of Newark, New Jersey, documented his findings in children with encephalopathies. He emphasized that we don't know how the fetal brain becomes infected or how early in the fetal development. Already, in 1985, HIV-1 was recovered from the brain tissue of a 20-week-old fetus. The identification of HIV in the brain is accomplished by a technique known as *in situ* hybridization, in which a DNA probe binds to complementary virus DNA in the brain.

The following findings were present in 87 children with progressive encephalopathies:

Impaired brain growth	93%
Secondary microcephaly	82%
Cerebral atrophy on CT scan	66%
Loss or plateau of developmental milestones	76%
Seizures	22%

Dr. Epstein commented that "we can't understand this by just looking at molecules."

Three crucial questions

Jay Levy of the University of California at San Francisco, who warned he was going to play the role of "maverick,"

brilliantly presented the problems and especially the questions facing research into the neuropathology of HIV. Levy's method was to raise such fundamental questions as to whether HIV has a direct effect on neural cells. Does the virus affect the permeability of neural cells? For example, putting the virus surface molecule GP120 in the presence of nerve cells in culture prevents the growth of the cells. In conclusion, he listed the three main questions scientists should debate about and work on today:

1) How does the brain get infected?

Do white blood cells, such as macrophages or T-lymphocytes bring HIV to the brain? Or is the virus transmitted by the cells which line the blood vessels, known as endothelial cells, or by the glial cells, which support and nourish the brain? Or does the free virus enter the brain directly?

2) What is the normal traffic of white blood cells to the brain?

Do white blood cells only go into the brain when the brain is infected? If so, how could the lymphocytes be the first to bring virus to the brain? The virus would have to be there beforehand. Do the cells known as microglia originate from the blood or the brain?

3) How does HIV cause neurological disease?

By direct cell toxicity or by disturbing the blood/brain barrier (endothelial or astrocytes), or by an effect of some virus protein?

During the lively discussion period, one person pointed out that "There is no reason the macrophage would come into the brain unless infection was already there," which brought up a subject first touched upon at last year's international AIDS conference in Stockholm: Are the macrophages in the brain actually removing virus from already-infected neural cells? If the virus enters the brain early, according to Jay Levy, the question becomes "Can free virus cross the blood/brain barrier?"

At this point, Dr. R.N. Boswell, of the U.S. Air Force Wilford Hall Medical Center, intervened to attack Levy, saying that the U.S. Air Force had found no signs of neurological disease in the early stages of HIV infection. In the back of the room, my neighbor chuckled derisively at Boswell's assertion that the Air Force failed to detect neurological impairment in 5,000 patients followed so far. "They obviously don't know how to conduct neurological tests," he concluded.

Even researcher Robert Janssen from the Atlanta Centers for Disease Control, who attempted to stay aloof from the main debate, commented that 14% of people with encephalitis had T-cells greater than 400 per cubic millimeter, that is, did not suffer from AIDS immune depression. At present, the CDC is reserving judgment on the issue of early nervous system involvement in asymptomatic carriers of HIV.

The massive infection of the cells known as oligodendrocytes would imply that the neurons become infected, commented Jay Levy. The evidence is there to indicate that there is "HIV-induced neurological disease even without im-

munological disease.”

Jay Levy then discussed the potential reservoirs of the virus. He described experiments in which virus was transferred between T-lymphocytes from the bloodstream and connective tissue cells, known as fibroblasts, which do not possess the so-called CD-4 surface molecule. This is also true of a number of other cells which can be infected by HIV as proven experimentally, including brain tumor cells, such as gliomas and neuroblastomas, osteosarcoma (bone cancer), renal epithelium, and gut epithelium. This shows the existence of other receptors for the virus and indicates that the use of synthetic CD-4 molecules to block infection, as advocated by Dr. Robert Gallo and others, may not prevent infection. The remark was made that there appear to be *no* cells which could *not* be infected with the virus!

One major problem facing researchers is that the virus evolves differently within the same individual, and that some strains are characteristically associated with neurological impairments, while others are more clearly associated with immune dysfunction.

HIV encephalopathy in the U.S.

Robert Janssen presented the CDC survey of HIV encephalopathy in the United States. An HIV encephalopathy case was defined as “a person who was HIV seropositive with disabling cognitive and/or motor dysfunction in the absence of a condition other than HIV infection that could explain the findings. Cases were reported to the CDC from Sept. 1, 1987 when encephalopathy was added to the AIDS case definition, to Dec. 31, 1988.”

Over this 16-month period, 1,153 (3%) of the 38,666 adults and 22 (3.3%) of the 666 children (13 years old) were reported to have HIV encephalopathy as their *only* early manifestation of AIDS. Overall, 6.5% of adults and 11.5% of children have HIV. Peaks are among children under 5 and adults over 70 years of age.

Cephalic sensory impairment in neurologically asymptomatic HIV positive patients was presented in posters by Jefferson Katims and DN Taylor, from New York's Cabrini Medical Center, who had the merit of seeking to detect neurological problems in asymptomatic individuals. On the basis of their study, they saw the need for tests to evaluate perception in people with professions in which there was a risk, from pilots and bus drivers, to all operators of heavy machinery. They reported “39 HIV positive individuals (17 asymptomatic, 12 ARC, and 10 AIDS) free of sensory symptoms were tested. . . . Sine wave transcutaneous electrical nerve stimulation was applied biauricularly to evaluate frequency-dependent noncutaneous perceptions. In addition cutaneous current perception thresholds were obtained from the trigeminal nerve in a painless forced choice procedure of 5 minutes duration. Eighty-two percent of all subjects had measures that differed ($p < 0.0001$) from normal. Inability to maintain noncutaneous perception was only observed in the ARC (30%) and AIDS (60%) subgroups.”

Summary

What has been known for some time can be summed up as follows:

1) HIV is recovered from the spinal fluid of most patients. HIV strains recovered from spinal fluid and peripheral blood lymphocytes may differ in the same individuals.

2) Ninety percent of AIDS victims suffer neurological damage.

3) Neurological dysfunction increases in severity as the individual progresses from the primary infection to asymptomatic seropositive, to AIDS-related complex, to AIDS; it progresses with immunological dysfunction.

4) Pathologies involve the central nervous system as well as the spinal cord and peripheral nerves.

5) These findings are most significant in children, where HIV encephalopathy is more often the first sign of AIDS than in adults.

6) Neurological manifestations of HIV are as common in Africa as they are in the Western industrialized nations.

7) HIV-2 is especially associated with neurological findings.

8) Autoimmune phenomena may be part of the problem.

9) The nature of the relationship between neurological dysfunction and immune dysfunction is as yet unknown.

This should be enough to warrant that fundamental research focus on the neurological pathological effects of HIV, free from homosexual pressure groups trying to pretend that people with severe encephalopathies are “just having normal depressed response to news of HIV infection,” or the request that any findings should be correlated with studies on “a blue-eyed homosexual drug addict control cohort,” as Dr. Trotot of Pasteur Institute sarcastically commented.

But why are the U.S. Air Force, Dr. MacArthur of Johns Hopkins (whose other colleagues at Johns Hopkins have argued that neurological signs could affect 90% of HIV positives), WHO officials, and the *New York Times* bent on pretending the problem doesn't exist?

As with other aspects of infection by the so-called human immunodeficiency virus, the answer centers around the public health issue of mass testing to detect persons infected with the virus, without which the parameters of the disease—and ability to treat it—cannot possibly be known. In a nutshell, the problem is that if neurological impairment can occur early in the course of infection and can affect psychological and motor performance, then it is essential to know if certain people are affected. Stated more plainly, would you be concerned if the airplane you were on, or the B-1 bomber overhead, was being piloted by someone who was flying with less than a full deck?

If the implications of early nervous system impairment are widely understood, then there is the potential for a groundswell of public pressure which would sweep away the protected status accorded to the virus in the name of “civil rights.” It is this which disturbs the cost-conscious bureaucrats at WHO and the *New York Times*.

Changes are subtle in early HIV stages

Garance Upham Phau interviewed Dr. Renée Malouf, a neurologist at Harlem Hospital in New York City, during the Fifth International AIDS Conference in Montreal. The interview is reprinted courtesy of the Paris-based journal on AIDS research, SIDA—Médecine Sentinelle.

Q: Tell me about your neurological findings and the dispute around the neurological aspects of HIV infection.

Malouf: I am involved in two aspects of the HIV research project; one involves pediatric cases, the other adult cases. Pediatric cases come from the neonatal group, up to at least 10 years of age, some are HIV positive from the beginning, 2 out of 120 have seroreverted to HIV negative, the main group is HIV positive. Approximately 75% are HIV positive in the pediatric group. The neurologic findings we see are developmental delays, and in some cases there is a complex of complicating positive neurologic findings, in addition to congenital syphilis involving the mother. There are multiple factors complicating the neurological findings in HIV positive children. Most studies report at least a 45-60% incidence of neurological findings in children.

There is one series reported from New York City, I believe from the Bronx, where they find no neurological findings at present. We are not certain this is correct.

Among the adults, those that are HIV positive and asymptomatic are all being studied for subtle cognitive findings. Among the IVDU [intravenous drug-using] HIV positive asymptomatic individuals, we are finding a number of neurological cognitive deficits. The incidence of neurological findings is less in the HIV positive asymptomatic homosexuals. We don't know if this is related to the drug use, of material which provides antigenic stimulus, or just to IV drug use with overdoses complicating the clinical picture.

In the current Psychiatric Institute findings, in the project funded by the federal government, we see a lot of drug users who have significant trauma that may be complicating the incidence of neurological findings.

Q: Do you find also those neurological findings among non-drug-using asymptomatic HIV positive individuals?

Malouf: Not as prevalent. We find them more among IVDU. The prevalence among non-drug users is 40-50%, in contrast to 80-90% among IVDU.

Q: And does it correlate with a deficit in lymphocyte count, or is it before that?

Malouf: It is before the T-cell ratio is lowered.

Q: This is crucial, because Luc Montagnier and Michael Asher proposed this new theory about the pathogenesis of AIDS, by stimulation of the immune system, but it completely left out the neurological findings.

Malouf: There is a subtlety to the viral attack which we have not fully appreciated.

Q: From the World Health Organization, we are told that there are no neurological symptoms until the person is into category III or IV. Yet, most neurologists I have come across agree with your findings and don't understand why there is such resistance against the experimentally verified notion of neurological symptoms before immunological deficit.

Malouf: Category III or IV really is a slightly more advanced staging by Walter Reed classification. Igor Grant from California has definitively demonstrated that when you do an intensive battery of testing, you bring out subtleties that are significant clinically, and we are seeing this in our prospective series at Harlem Hospital and even at the Psychiatric Institute in New York City.

Q: What about neurological findings at the first and second stages?

Malouf: There too, we see, in the early stages, subtleties that come through when the examination is properly performed by a strict protocol, such as we are using at Columbia Presbyterian Medical Center, in the Psychiatric Institute protocol. It takes anywhere from 30 to 45 minutes to an hour in the detailed examination, and we see in the early stages, in stage II Walter Reed classification, definite signs of cognitive changes, including mild brainstem findings that can be elicited, and by ataxia and cerebellar functions where you see unsustained rhythmic movements of the eyes signifying either drug effect or brainstem dysfunction. These are early findings in brainstem dysfunction and we see it almost regularly among these so-called asymptomatic patients. We see that at least one-third of AIDS patients present with neurologic symptoms as their initial manifestation. This is documented again and again. The opportunistic infection, the immunologic defenses that are destroyed, are relatively fewer in comparison. We know the virus has a neurotropic tendency, that it attacks the brain very, very early. There are different aspects of the HIV encephalopathy.

What we generally see is the well patient developing a headache syndrome, a little malaise, they feel they are not concentrating well. They do well for maybe six months to a year, and then they begin to slow down intellectually, cognitively, and they notice this. This we see in drug users as well as in gay individuals, when you get a good history from them, and they are willing to talk. I would say that neurological signs are very early signs.

The politics in scientific research is fatally infecting the AIDS issue

Dr. John Grauerholz interviewed Canadian dental researcher Dr. Drasko Pekovic at the June 2-3 First International Symposium on Oral AIDS, in Montreal, Quebec. The conference was organized by Dr. Pekovic.

EIR: Did you run into any problems organizing this symposium, since the topic was somewhat controversial?

Pekovic: Many problems. I think that's routine in the organization of any scientific meeting.

EIR: I heard that some people who had planned to participate were encouraged not to.

Pekovic: Well, there is a very strong polarization of scientists throughout the world. It is a very delicate situation, which is, at the same time, very complex. I would say this is part of an actual crisis in the scientific community. Such polarization is present even within university departments, and there is nothing really special. We have to cope with such problems. You have heard about the fifth [international AIDS] conference. A lot of people are saying we are not going to the sixth conference.

EIR: That's interesting. Is that primarily the scientific people, who are saying this?

Pekovic: Yes, and they said this on the TV, and in the newspapers. There is a lot of politics now involved in the organization of scientific conferences, and we are losing time, and legitimate researchers are becoming frustrated. It's a very complex situation, nobody is able to control it, and WHO is giving sponsorship for these "scientific" spectacles. I know that a lot of my colleagues, whom I met here in Montreal, told me that they are not going to go to San Francisco, and I'm not going, either. Many scientists suggested that I stage my next symposium with the possibility for presentation of general papers by calling it the Second International Symposium on Oral AIDS and Related Health Problems, just to have an alternative for the sixth conference. I don't think that I will do it, since I'll try to preserve the purity of the subject, and I think that oral AIDS is extremely intriguing and very specific, and I'm not going to involve everybody. I'm more interested in having groups working hard on

that subject, and people who can help us to better understand this very complex phenomenon.

EIR: Was there polarization around the issue of an oral AIDS conference?

Pekovic: I would say yes and no, because I had the majority of scientists working in the area of oral AIDS at my conference. I had 50 speakers. The fifth conference had only six speakers and a few posters on oral AIDS. So if anyone disagreed with attending the symposium for any reason, they are in the minority of people working on oral AIDS. I would say that I had the majority, if not all, of the people working on oral AIDS, who were able to come. I missed some people from China, because of the political situation there, and from underdeveloped countries who were unable to find financial support to attend the symposium. Next year they will probably have a better chance to attend and participate.

And you are working for which journal, you said? Why is a medical doctor working for such a journal?

EIR: For *Executive Intelligence Review*. Because there are matters in medicine which are important to our readership.

Pekovic: Oh, I see. Why are you not attacking this crazy political situation in the scientific community? We have people trying to rule everybody in the world. I think that it's not AIDS from which we are suffering. We are suffering from AIDS of AIDS, this politics which is infecting the scientific community, and it's a serious problem. We have practically lost our autonomy and our freedom of expression, because we are ruled by big groups. In fact, I had a letter which came from, let's say, a big group in oral AIDS. I produced a second announcement of my conference, just before the fourth conference in Stockholm, and I went to Stockholm with 5,000 second announcements. And Deborah Greenspan of San Francisco took the liberty of writing the signatures of five doctors, working in her group, to a statement that they were withdrawing from the list of committees and that they would not allow me to distribute the second announcement. I went to Stockholm, and I found one of them, and he said, "That's not my signature; at the time when this letter was sent to you, I was already in Stockholm," and I noticed that all the other

signatures did not appear authentic. So I found the lady in Stockholm and we had a nice discussion, but she is already known to be trying to rule everybody. But I think that we have such people in almost any field, because such people are trying now to control the scientific community.

EIR: That's very true, and that's precisely what I'm interested in, because I've seen it in many areas.

Pekovic: Yes, you know I was called from three groups in the U.S., and they told me that they would like to attend the symposium, and to communicate their results, but they are unable because the group of Greenspan would not give them permission to come and to release their own results. And I also communicated with two Canadian groups and I received the same answer. This is the way such international organizations are destroying scientific freedom. These big political groups are asking for concentration of all results, and not releasing results without their permission, and that's very bad. The real scientist who is working hard in his laboratory is dependent on these agencies and groups for funding. In AIDS you have a few individuals and groups which control most of the available money, and they use this control to enforce their policies on the scientists who are too busy doing research to play these political games.

EIR: That is precisely the issue that our journal is interested in, because it obviously has impact on health and many other things if you have scientific decisions made on a political basis.

Pekovic: But, you have to attack everybody. You have to attack the World Health Organization. That's the biggest mafia of the scientific community. That's the origin of all problems, you know. I had sponsorship. Jonathan Mann was with the symposium at the beginning, and Dr. Pindberg, who is in charge of AIDS dental research at the WHO, and both of them changed their minds later on, and they were accepted by the fifth conference. But somehow I think that's the usual thing. Nothing is surprising in this world of very political movements in the scientific community.

We will not have any success in AIDS just because of these politics. I don't know if you are aware of two articles just after the New Year in *Science*. Somebody attacked the theory that HIV is the etiologic agent of AIDS, on one-half page, and Dr. Gallo answered that attack on six pages, and he was unable to defend or to prove that HIV is the AIDS virus. You know also this fight between Gallo's group and Dr. Luc Montagnier's group [at the Pasteur Institute in France]. In fact I heard that Dr. Gallo did not discover the virus at all, that Montagnier sent him pictures of the virus, and Gallo published Montagnier's pictures.

EIR: He did, and he also grew Montagnier's virus.

Pekovic: Now, somebody called me over the phone, and he told me that, in the *Gazette* here in Montreal, they have even

criticized Montagnier because he has not given any credit to Dr. Barre-Sinoussi, who actually found it. So you have politicians who get all the glory from what somebody else is working on. Now, we are pushing CD-4 and we already know that CD-4 has nothing to do really with infection.

EIR: Well, I think it has to do with some of the receptor molecules, but not all of them.

Pekovic: Not at all, and in fact we have presented a paper at the fifth conference showing very little reaction with CD-4 and patients' serum. Initially it was suggested that the attaching protein of HIV is a mirror image of the CD-4 receptor, and that antibodies against the attaching protein, are also directed against CD-4. In our studies, and we have developed specific and precise techniques to study this reaction by a double immunoelectronmicroscopy labelling, we are not convinced at all. Of course CD-4 is probably involved at a certain level, but it's not a significant level. I don't think that there is any future in dealing with CD-4 as a blocking element in the infection of target cells, but we will see in the next two years what will happen. But when big scientific companies are not investing money in the subject, that means it's not solid scientific truth.

I think the best place to attack this problem is probably in *Paris-Match*, or *New York Times*, or big journals, but still, your journal is quite good to initiate criticism. Unfortunately, journalists are not able to criticize scientists, and scientific politics, and unfortunately we don't have any single scientific journal which is specifically oriented against scientific politics, especially monetary scientific politics. I think that if anybody organizes such a journal, it will have a great number of readers, and great future, because we scientists are unable to criticize our politicians. If we criticize our granting agencies, we are dead; that's suicide. We will never have a single penny.

If you look at the organizing committee of the fifth conference, and you check in *Index Medicus*, you will realize that just a few of them have published anything on AIDS. Yet they have gained visibility and credibility among the world scientific community as organizers of the fifth conference. That's frustrating for simple scientists, seeing somebody on an organizing committee without adequate credentials, and without publishing anything. It's incredible really, and nobody's attacking this, nobody, and medical journalists are saying that the First International Symposium on Oral AIDS has provided much more valuable scientific information than the fifth conference.

So, I look forward to following the increase of interest of scientists in a second symposium, and I am very encouraged. We know very little about this problem and everybody is trying to block discussion of oral AIDS. I think that the scientific and medical community and then the general public, has to know everything about oral health problems in AIDS patients.

Celebrate Apollo moonshot by colonizing space

by Marsha Freeman

During the third week of July, millions of Americans, and people all over the world, will celebrate the twentieth anniversary of the first manned landing on the Moon. Events are being held to honor the men who laid their lives on the line and put years of hard work into missions which pushed mankind beyond the boundaries of Earth, and into a new era of exploration.

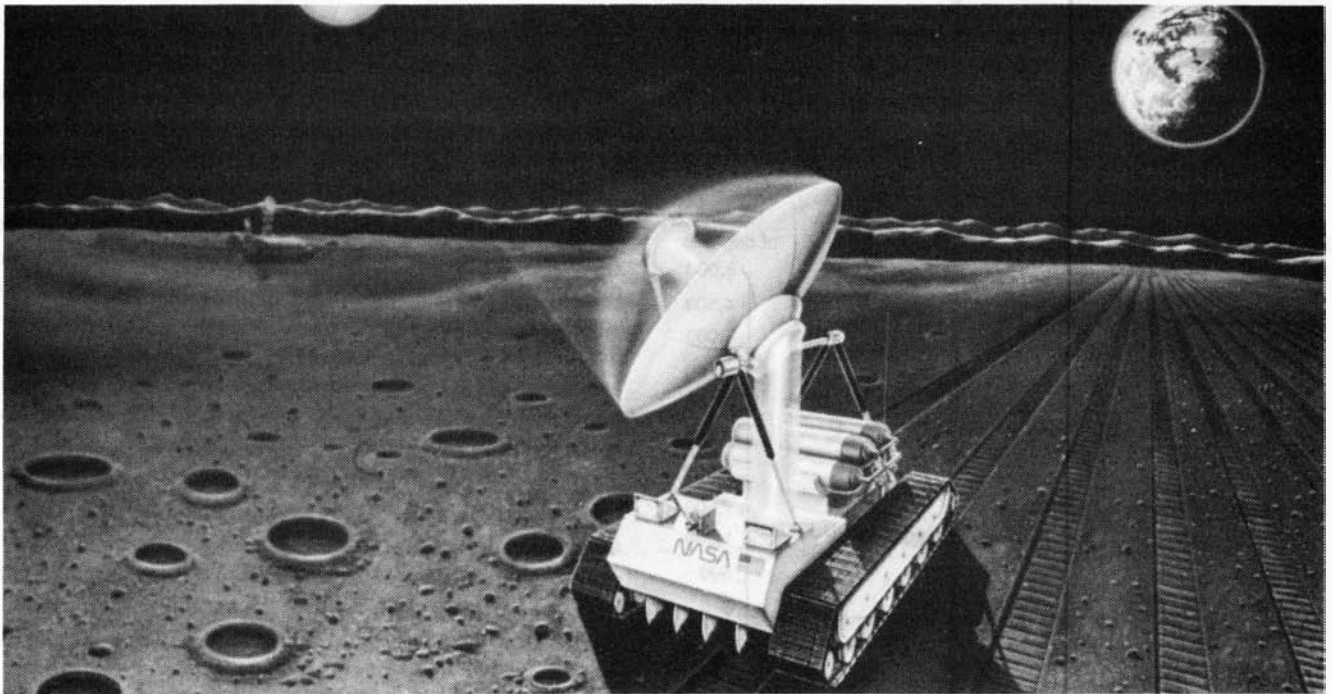
But this joyous occasion should also remind us of the days in the past when this nation saw as its goal a preeminent position in virtually all fields of science and technology. This Apollo anniversary should be the point of inflection, where the years of defining what we could do in space by how much money we could spend, ends; and the goals for the space program become defined by what is *necessary*.

“The present state of our economy is disturbing,” a President of the United States has said. “We take office in the wake of seven months of recession, three and one-half years of slack, seven years of diminished growth, and nine years of falling farm income.

“Business bankruptcies have reached their highest level since the Great Depression,” he continued. “Since 1951, farm income has been squeezed down by 25%. . . . Of some 5.5 million Americans who are without jobs, more than 1 million have been searching for work for more than four months. And during each month, some 150,000 workers are exhausting their already meager jobless benefit rights. . . .

“Our cities have been engulfed in squalor. . . . [W]e still have 25 million Americans living in substandard homes. . . .

“Our classrooms contain 2 million more children than they can properly have room for, taught by 90,000 teachers not properly qualified to teach. One-third of our most promising high school graduates are financially unable to continue the development of their talents. . . . We lack the scientists, the engineers, and the teachers our world obligations require. We have neglected oceanography, saline



University of Wisconsin

Mining the rare isotope helium-3 on the surface of the Moon should be one of the main economic activities during the first stage of lunar industrial development. In this artist's conception, an unmanned robotic miner is using solar energy during the two-week lunar day, to process this valuable resource.

water conversion, and the basic research that lies at the root of all progress,” the President went on.

“Medical research has achieved new wonders, but these wonders are too often beyond the reach of too many people, owing to a lack of income (particularly among the aged), a lack of hospital beds, a lack of nursing homes and a lack of doctors and dentists. . . .

“But all these problems pale when placed beside those which confront us around the world. . . . The first great obstacle is still our relations with the Soviet Union and Communist China. We must never be lulled into believing that either power has yielded its ambitions for world domination.”

A speech which our current President could give today? It was delivered by John F. Kennedy on Jan. 26, 1961. Anyone who believes the Apollo program was started because there were no economic or political problems to contend with at the time, is not familiar with history. The Apollo program was the *solution* to these problems, posed by President Kennedy.

One look at the data in **Figure 1** answers the question as to why we need an Apollo-style commitment to space exploration today. Unlike recent years, in the 1960s the nation mobilized the best talents of its young people to accomplish great things. The graduation of doctorates in the sciences over the past 20 years has followed the same general curve as the spending on the space program, with an expected five-year lag between the time money is spent, and degrees are earned.

Four months after his State of the Union address, quoted above, Kennedy announced a program to be the means toward the end of restoring America, and his presidency, to greatness. In his talk before a joint session of Congress on May 25, 1961, Kennedy made absolutely clear that what became called the “Apollo program” was not just a budgetary line-item for the National Aeronautical and Space Administration, but the pathway to the future.

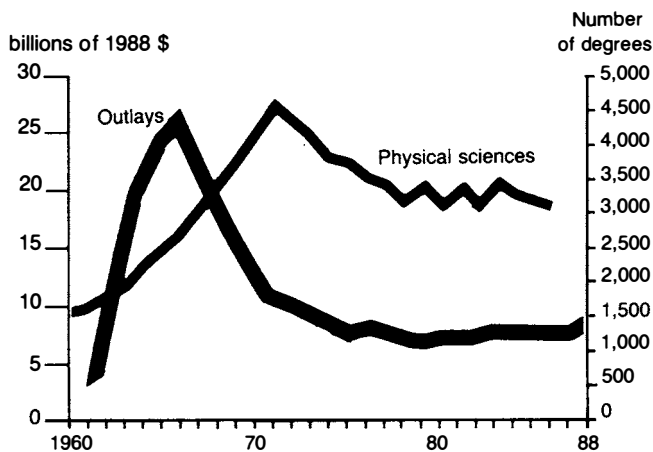
Who will lead?

Only the President of the United States can commit the nation to a long-range program in space. But the Congress, by holding the purse strings, can prevent such an effort from succeeding. When Kennedy asked the nation through its elected representatives to make the commitment to “land a man on the Moon and return him safely to Earth” before the end of the decade of the 1960s, he knew that *even if he served two full terms in the White House*, he would not be president when the landing occurred.

Therefore he laid his cards on the table, and told the Congress what the project would require, and that if they would not see it through to the finish, it would not be worth doing at all.

In his “Special Message to the Congress on Urgent National Needs” on May 25, after outlining the broad array of programs he was proposing, Kennedy stated, “Let it be clear—and this is a judgment which the members of Congress must finally make—let it be clear that I am asking the Congress

FIGURE 1
NASA budget versus doctorates granted in the U.S.



Source: NASA Office of Exploration.

As the NASA budget peaked in 1966, the number of students graduating with doctorate degrees in the sciences took off. The curves have been similar ever since.

and the country to accept a firm commitment to a new course of action, a course which will last for many years and carry very heavy costs of \$531 million in fiscal 1962, an estimated \$7 billion to \$9 billion over the next five years. If we are to go only half way, or reduce our sights in the face of difficulty, in my judgment it would be better not to go at all. . . .

"I believe we should go to the Moon," Kennedy continued. "But I think every citizen as well as the members of Congress should consider the matter carefully in making their judgment, to which we have given attention over many weeks and months, because it is a heavy burden, and there is no sense in agreeing or desiring that the United States take an affirmative position in outer space, unless we are prepared to do the work and bear the burdens to make it successful. If we are not, we should decide today."

History might have taken a different turn, had President Reagan announced the new Strategic Defense Initiative program on March 23, 1983 with the same admonition to the Congress.

At the time of the Apollo announcement, the head of NASA, James Webb, estimated that the United States had only a 50-50 chance of beating the Russians to the Moon. Kennedy's science adviser, Jerome Wiesner, was dead-set against the program, and out of the entire cabinet, only Vice President Lyndon Johnson was an enthusiastic supporter.

No one familiar with the history of the turbulent first year of the Kennedy presidency, can make the claim that the

aggressive goals he set for space emerged from a "consensus" of opinions of his advisors. The President has to lead.

The Apollo 11 mission to land the first men on the Moon was carried out and accomplished with five months to spare. But the other, even more long range projects in Kennedy's "Apollo" speech, such as developing nuclear propulsion to go further than the Moon, were sabotaged beginning in the Johnson administration, as the "left-wing" New Agers were determined to substitute the use of drugs to discover "inner space," for the exploration of "outer space." In later Republican administrations, "right-wing" and "small is beautiful" austerity ideologues stole the dreams of a generation of young people who had believed, along with Kennedy, that the sky is *not* the limit to what they and this nation can accomplish.

Today, the Bush administration and the nation are once again faced with a series of crippling economic, financial, and national security crises. Therefore, formulating long-range goals in space is once again on the agenda. We still have the technical skill, some of the basic industrial capability, and the people around with the experience to put the country on a "pathway to the planets."

But we will not have these resources forever. What is needed is the will to do what may be unpopular on Capitol Hill and at the budget office, but is absolutely necessary for the continued existence of this country as we know it. It is also true that a Moon/Mars mission for space will also win the support, and even the affection, of the great majority of the American people.

This time, build the infrastructure

The precursor to space travel was the rocket, and the precursor to the movement of human civilization throughout the Solar System will be the space station. In a recent publication by NASA on Space Station Freedom, it is reported that "serious space station thinking came to the United States in 1945," when Wernher von Braun "and other visionaries such as Krafft Ehrlicke left Germany at the war's end to work for the United States." The first technically serious design of an Earth-orbiting space station was published by Professor Herman Oberth in Germany in 1923.

In 1960, just two years after the establishment of NASA, a Manned Space Station Symposium was held in Los Angeles, bringing together space station advocates. After men proved they could survive at least a brief bout with space travel, planners assumed the next logical step would be a station so men could live and work in Earth orbit.

President Kennedy chose the goal of landing a man on the Moon to challenge the Russians, and guide Americans to do something very difficult, but obtainable. Though space visionary von Braun and others knew that the long-term colonization of space would require a base of operations, or station, in Earth orbit, there was not enough time to build that infrastructure and still meet Kennedy's deadline for the lunar landing.

The only reason a permanently manned space station was not built soon after the lunar landing was accomplished, was that the "leadership" of the country convinced itself the U.S. could not "afford" an aggressive space program. During President Nixon's second term, all long-range goals for space were canceled, except the reusable Space Shuttle. As a result, since the late 1970s, we have had a shrinking base of scientists and engineers, dropping productivity, overall economic decline, moral indifference, and technological obsolescence in industry, agriculture, and defense.

Neil Armstrong's "giant leap" for mankind was the event for which President Kennedy, and likely the entire twentieth century, will rightfully be remembered. But decades before Apollo, American rocket pioneer Robert Goddard pointed out that, "Real progress is not a leap in the dark, but a succession of logical steps," and this has a great deal of truth to it.

Most Americans do not realize that today the United States currently has no way to transport astronauts to the Moon, even if we decided to do so. We will have to go back and build the infrastructure we did not build in the 1960s, in order for people to be able to live in space.

NASA's current plan is to start assembling Space Station



President Kennedy inspects a full-scale mock-up of the Nuclear Engine for Rocket Vehicle Application, or NERVA engine. The development of NERVA, which was canceled in 1972, was central to Kennedy's plan to prepare the space program for the steps beyond Apollo.

Freedom in the first quarter of 1995. The most important aspect of this facility is not that it will be "finished" after 20 Shuttle flights bring up all the pieces, but that it has been designed and will be built so that it is *never* "finished," but can evolve. As the overall activity of the space program changes, so will Freedom.

Initially, the eight-man international crew will perform activities on the station which have been tested for short periods of time on the Shuttle, and Skylab before it. These include materials processing experiments, biomedical research, and astronomy.

But the station is being built with electronic and mechanical interfaces so that it can be expanded. Two vertical spines could be added to the original horizontal truss structure for additional laboratories and modules to accommodate a larger crew (**Figure 2**).

More unmanned attached payloads could be added to this additional framework, as well, accommodating telescopes and astronomy experiments, and studies of the effects of the space environment. More advanced solar energy systems are planned, to add 50 kilowatts (kW) of electrical power to the original 75 kW, as is a servicing bay for large payloads such as the Hubble Space Telescope and other Great Observatories telescopes.

In the next century, Freedom could include a quarantine facility for samples brought back from Mars, greenhouses to grow food before it is grown on the Moon, a variable gravity facility to prepare people to live on planets with less gravity than the Earth, and a depot to assemble, check out, and service large vehicles on their way to the Moon and Mars. The depot would become a "Kennedy Space Center" in orbit.

New propulsion systems could be tested at the station, along with technologies such as laser communications, and exceedingly complex robotic and automation equipment. As these requirements develop, Freedom will change its shape and capabilities, the same way a laboratory adds on new buildings and test stands, and updates equipment.

We will finally have the research, development, and testing facility for space technology, *in situ*.

'Pathway to the planets'

On May 31 the space agency presented a briefing with the above title, as a status report on the long-range plans being developed by the Office of Exploration. This office was established in August 1987, following the publication of the report of the National Commission on Space, and a study by former astronaut Dr. Sally Ride.

Both reports recommend a return to settle the Moon, preceding a series of manned missions to establish a settlement on Mars. Both reports also stress the need to build the infrastructure to enable these forays through the Solar System to lead to a permanent presence.

However, there has been political pressure on the space agency from space quack Carl Sagan, the Russians, and

others, to propose goals which can be accomplished “without spending so much money,” or quickly so people (read: Congressmen) do not “lose interest” in funding the effort.

The Office of Exploration, therefore, has spent its first two years studying a variety of options for the twenty-first century in space. At the Pathway to the Planets conference, NASA Administrator designate and former astronaut Adm. Richard Truly stated, “I believe we’re destined to become a multi-planet species, with both the Moon and Mars in our future.”

Dr. Mark Albrecht, the director of the newly reconstituted National Space Council under Vice President Quayle, observed correctly, “Human exploration doesn’t emerge from the bottom up, as a solution to some particular problem; it will never be a cost-beneficial solution.”

Exploration Office head Dr. Franklin Martin reviewed the various scenarios which have been proposed to NASA and considered by his office, indicating that only developing a permanent human presence beyond Earth, not just visits, should be the goal for the future.

One such proposal has been for a trip to the Martian moon, Phobos, which supposedly would be easier than a manned mission to Mars, because such a small body, about the size of Manhattan Island, has very little gravity. This means it requires less energy to land there. The manned mission to Phobos would get humans near Mars at the earliest possible date, with a targeted year 2003 landing. The four-man crew would go there using an expendable launch vehicle, as there would not be enough time to develop new reusable ones.

But as Martin pointed out, “it’s like taking your kids to Orlando [Florida] and not going to Disney World—Mars is the real target.”

A second scenario considered was an “Apollo mission to Mars.” It would entail three expeditions at the earliest possible date, which could be the year 2007. No permanent infrastructure would be built on the planet, but the American flag would be planted and samples of Martian soil and rocks brought back to Earth.

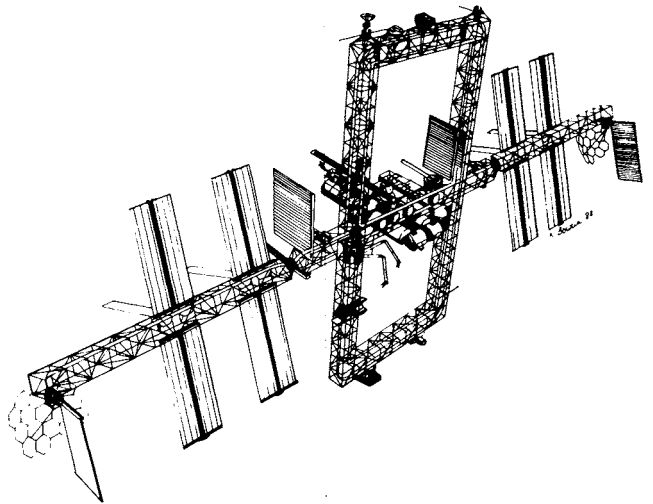
Martin reported that preliminary engineering studies indicated that having to take all you need with you because no mid-way facilities have been built before you go, would require placing millions and millions of pounds of payload in Earth orbit, which is “too massive from a common sense standpoint.”

Martin stated that people propose “taking the Apollo program to Mars,” because they have “oldtimers’ disease,” and think we should do things “like we did them before.” A more aggressive approach should be taken, he remarked.

He reported also that his sense from a press conference held recently by the Apollo 11 crew was that, “these gentlemen would have built a space station and stayed on the Moon,” if they had had their choice. “The next time around,” Martin said, we need a “longer-term commitment.”

FIGURE 2

The future expanded space station Freedom



Source: NASA.

The basic Freedom space station, which will be completed before the turn of the century, is centered along the horizontal truss structure seen here. This drawing represents an evolved design, where two vertical trusses have been added completing a rectangular central portion of the station.

A third scenario examined involved the goal of placing an observatory on the Moon. This “lunar outpost” would be man-tended, without people living there all the time. The first flight would be in the year 2004 with a crew of four. The minimum human support infrastructure would be built.

Though Martin stated that this would be “attractive,” he said he didn’t see how to “sell” this lunar program “on astronomy alone.” More ambitious goals are needed.

The fourth and clearly only sensible long-term goal is to go to the Moon, “live off the land,” to develop technologies for self-sufficiency, and use it as “a staging area, in the second decade of the 21st century, to go off to Mars.”

The scenario for “evolutionary expansion” would be a “step-by-step program to open the inner solar system for exploration, space science research, *in situ* resource development, and permanent human presence.”

Deployment to the Moon would begin in the year 2004 with a crew of eight. Assembly of vehicles would take place at Freedom, and both expendable and reusable systems would be used. A new electric cargo vehicle would be developed, but today’s chemical propulsion technology would be used.

Viking and Apollo were “missions,” Martin explained. Now we have “operational capabilities, like the Shuttle.” A long-range plan should be based on the use of all of the infrastructure of the space program. He summarized the stud-

ies so far by stating that he personally is not happy with any of the scenarios, yet.

What the Office of Exploration has learned from all of the studies conducted, Martin reported, is that a heavy lift launch vehicle is needed for the future, and if possible, by the mid-1990s. This kind of rocket could deliver up to 200,000 pounds to Earth orbit. One design is the Shuttle-C, with the "C" standing for cargo (**Figure 3**).

The basic Shuttle solid rocket boosters and liquid fuel tank would be used, but instead of an orbiter to ferry people to orbit, an unmanned cargo carrier would be attached to the external tank and it would only carry payload. This class of vehicle would be the enabling technology for settling the Moon, but in Martin's estimation, an even larger vehicle would be needed to bring freight to Earth orbit for the trips to Mars.

The engines on the Shuttle-C would be used first, three or four times on manned flights, and then transferred to the unmanned vehicle. With two engines, Shuttle-C could carry 100,000 pounds into orbit, and with three engines, about 150,000 pounds. High-energy Centaur upper stages on the Shuttle-C could send unmanned robotic probes off to the planets, giving them a higher-energy boost, and therefore shorter trip time, than is available now with expendable rockets.

A more advanced Shuttle-Z is being examined, which could transport up to 500,000 pounds to Earth orbit, by using

more advanced solid rocket boosters and Shuttle main engines, with the ability to attach up to seven solid boosters around the fuel tank and main engines. This approach is similar to the one used by the Russians, who add more boosters to mass-produced rockets in order to increase their payload capability.

Martin confirmed that from the standpoint of long-range planning, Space Station Freedom "is compatible with both lunar and Mars" missions. "The design of an airport is not driven by the destination of the planes, and neither is the station," he remarked.

What will it take to go from planning to doing? "We need a 'get ready to go' decision from the President," Martin explained, then a "go" decision, and then a "launch" decision. At the current level of planning activity, the Office of Exploration will have a program to present to President Bush in the early 1990s. But, Martin stressed, the decision is purely political, and they have to be ready to come forward with recommendations at any time.

A group described by Martin as The Lunar Energy Enterprise Case Studies is examining the possible commercial opportunities of a Moon-Mars mission. Chaired by a member of the Edison Electric Institute and including participation from former astronaut and former Senator Harrison Schmitt (R-N.M.), the group is looking into the potential of mining the rare isotope helium-3 on the surface of the Moon, to fuel fusion power plants there, and on Earth.

Martin stressed that any and all options require "an Apollo-type commitment." The Office of Exploration will be doing a study to estimate the manpower requirements for such an initiative. He reminded the participants that at the peak of the Apollo program, NASA had over 36,000 employees, but is now down to just over 23,000. "If they'd fund programs the way they used to, NASA could do it," Martin stressed.

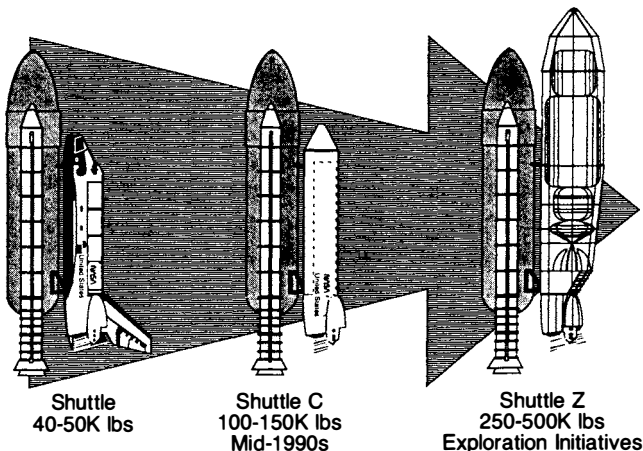
During this year, NASA is focusing studies on the role of artificial gravity on future manned missions, the scientific and unmanned precursor missions all of the scenarios require, the assembly and check-out of large vehicles at Freedom using the minimum crew, and the extraterrestrial resource processing and other technologies needed on any other planetary body.

When could the decision be made? "There are a number of initiative points," Martin stated. If a President needed an excuse, there's the Apollo anniversary in July; the thirtieth anniversary of the announcement of the Apollo program in May, 1991; the 500th anniversary of Columbus's discovery of America in 1992, etc. In other words, there is no lack of occasions that could be used to announce a decision to get on the "pathway to the planets." It's a purely political decision.

Actually, since things will only get worse as we delay the decision, there's no better time than the present.

The author is an associate editor of 21st Century Science & Technology magazine.

FIGURE 3
Shuttle cargo vehicle evolution



Source: NASA Office of Exploration.

Any manned planetary exploration will require the evolution of new cargo vehicles, greater than the 40-50,000 pound capacity of today's Space Shuttle. The Shuttle-C simply replaces the orbiter with a cargo carrier. The larger Shuttle-Z would take capacity up to a half-million pounds.

Bush appeasement sets up Poland for China treatment

by Konstantin George

The July 10-12 visit by President George Bush to Poland and Hungary confirmed that his policy is to betray both these countries, delivering their opposition patriotic forces to the same fate met by the Chinese pro-democracy movement in Tiananmen Square. The only hope for real stability, based on economic development and the abandonment of the murderous austerity policies of Moscow's quisling regimes in Warsaw and Budapest, was snuffed out when Bush:

1) rejected outright any significant aid for Poland and Hungary, thus sealing the fate for any future governments with large non-Communist participation;

2) endorsed the very prescription of "sacrifices," "hard work," and "hard times not yet at an end," that Poles have been hearing and suffering to near the breaking point since last year, from the Communist regime of Prime Minister Mieczyslaw Rakowski.

The Bush administration's insults didn't end there. White House Chief of Staff John Sununu, in a July 10 interview with Radio Warsaw, declared that "giving too much money" to Poland "might create the problem of a young person in a candy store. . . . You can create the problem that there is so much there that they don't know which direction to take and don't have the self-discipline to take the right steps."

This, to a hungry people who have seen no meat in the shops since mid-June, who lack soap, detergent, medicine, and rudimentary health care.

Walesa: 'I am sitting on a powder keg'

The West cannot claim that it wasn't warned about the catastrophe looming in Poland and Eastern Europe. Polish opposition leader Lech Walesa, the head of Solidarity, told President Bush in Gdansk on July 11, in a desperate appeal for a large-scale (\$10 billion) aid package:

"We don't want this place to be like China. Events there have warned us that a lack of balance between economic reforms and political change leads to Tiananmen Square. . . . The streets of Gdansk may become like Tiananmen Square. We don't want this to happen. . . . The U.S. and Europe are capable of influencing our reforms through economic aid. I hope you leave here convinced that we need your help."

Walesa pleaded with Bush "to avoid the destabilization of this part of the world. . . . It would be dangerous for Poland as well as for other countries, a disaster for democracy."

A July 10 interview with Walesa on Polish TV had carried the same urgent warnings:

"Poland is a powder keg. We cannot wait any longer. The situation is very complicated. We are more and more afraid that the reforms will fail. I am sitting on a powder keg."

Walesa's appeals fell on deaf ears. Bush's response left the union leader "visibly exasperated," as the July 11 issue of the Paris daily *Le Figaro* noted.

The Kissinger 'New Yalta' plan

Instead, what Bush presented was:

- "aid" for Poland amounting to a piddling sum of \$115 million, and \$25 million for Hungary;
- the same calls for "sacrifices," "hard work," demanded by the quisling Communist regimes.
- the demand, at a July 11 luncheon with Polish party and Solidarity leaders, that a coalition government be formed, in the full knowledge that the economic breakdown and austerity ensures the ignominious demise of any such government, the end of Solidarity, and an inevitable imposition of the Tiananmen Square nightmare that Walesa fears.

As soon as that luncheon ended, the leader of a minority pro-coalition faction of Solidarity, Adam Michnik, closely tied to the U.S. "Project Democracy" network and an admirer of Gorbachov, left for Moscow. Michnik will attend a seminar co-sponsored by the Soviet Foreign Ministry's International Relations Institute. He will return bearing a Soviet ultimatum that Solidarity humiliate itself by joining an austerity coalition government—or else. With that ultimatum will come a Gorbachov invitation for Walesa to visit Moscow.

The manner in which Bush treated Walesa and Solidarity, throwing them to the Russians, was chillingly reminiscent of the way in which, during World War II, the Anglo-American leaders wrote off Poland's legal government, the London-based Polish Government in Exile, and told its leaders, "Go to Moscow and try to negotiate the best terms you can with Stalin." (To this day, the Government in Exile remains the legal government of Poland, pending truly free elections there.)

Bush's visit, in short, reaffirmed his commitment to implementing the "Kissinger Plan" for Europe, to neutralize West Germany, while ensuring that Moscow retains solid control through brutal repression over its Eastern European satellites.

Next stop: Hungary

As Bush arrived in Hungary July 11, the Hungarian government newspaper *Magyar Hirlap* published an interview with Prime Minister Miklos Nemeth, who stressed that Hungary requires \$1.5 billion in foreign capital, mostly investments, because the last thing Hungary could afford, with its \$19 billion in foreign debt—the highest per capita by far in the East bloc—are more credits given with the kind of austerity conditions demanded by the International Monetary Fund. Nemeth emphasized that no aid package, and/or a policy of continuing with the vicious IMF-imposed cycle of more credit=more debt=more austerity, would ensure a "political explosion."

"All consequences arising from economic stagnation and the debt burden cannot be thrust upon the population without a transition, because this would create a political explosion that would sweep away the economic and political reforms desired by most people. What we need is foreign capital, mostly working capital."

The Hungarian opposition issued the same warnings on Bush's arrival that Walesa had given: real economic help, an end to austerity, and all linked to genuine political freedom—or else the China model of barbarous suppression will surely come to Hungary.

This was expressed eloquently by Miklos Haraszti, a leader of the largest opposition group, the Hungarian Democratic Forum:

"Eastern Europe's nightmare is that Gorbymania in the West and the saving of Gorbachov could become an excuse

for pardoning rights violations," with Haraszti citing the examples Armenia and Georgia, where Gorbachov ordered the massacre of innocent demonstrators.

Haraszti, expressing the view of the great majority of Hungarians, demanded that Bush apologize for past betrayals of Hungary by the U.S.-Soviet condominium, and pledge no future betrayals. He referred to the Hungarian uprising against Russian occupation in 1956, when the West did nothing while Hungarian freedom fighters were massacred:

"Most people here still remember that the West let us down in 1956. I think that now might be a good time for Bush to express his regret."

Preparing the military option

Moscow's goal toward Poland and Hungary is to crush the opposition, mass repression and killing, and to impose martial law regimes. For the short term, the Soviet Union would prefer to postpone explosions through another round of the "expectations game." For Poland, that would mean manipulating the country through the expectation of change through a coalition government. For Hungary, the same policy around the expectations of "free elections" pledged for 1990. The extreme economic crisis and popular desperation in both countries ensure the ultimate failure, sooner or later, within the next 3-12 months, of any such expectation games.

Anticipating this failure, Moscow is preparing the ultimate solution, along the lines of what has transpired in China. The military-political preparations for a crackdown are already in full swing.

On July 5, the commander-in-chief of the Soviet Navy, Admiral of the Fleet Vladimir Chernavin, arrived in Warsaw for a four-day visit that had nothing to do with the navy of either country. On July 6, he was followed by Gen. Lt. Viktor Dubinin, the new Soviet commander of the Northern Group of Forces, as the Soviet troops based in Poland are called. Up until 1987, Dubinin had been first deputy commander of the NGF, and now came after a two-year stint at the Soviet General Staff.

On July 8, one day before Bush arrived, Radio Warsaw revealed the true agenda of the Chernavin visit, declaring that the admiral and his Polish military hosts, led by Polish Defense Minister Florian Siwicki, had discussed "the current political situation in both countries and questions in connection with the cooperation between the Polish Party and the Communist Party of the Soviet Union, as well as questions of Polish-Soviet cooperation in various spheres."

With Bush's sellout, the die has been cast for ugly repeats of Tiananmen Square murder and barbarism in the streets of Eastern Europe. Moscow and its Warsaw Pact military stooges are readying their troops for the occasion, when the game of "buying time" has, inevitably played itself out. It is still not too late to reverse this almost inevitable course of events, but, to do so, requires nothing less than a political revolution in the West, beginning in Washington.

'Central Enterprise' proves crucial function of NATO's air defense

by Michael Liebig and Dean Andromidas

On June 7-14, NATO held its annual air force exercise, Central Enterprise '89, in Central Europe, for NATO's Central Region participants. The exercise included the air forces of the Federal Republic of Germany, the Netherlands, Belgium, Denmark, and the West Germany-based air forces of the United States and United Kingdom. The French air force also participated, although France is not a part of the NATO integrated military command. With over 800 sorties flown, the main purpose of Central Enterprise '89 was the exercise of the interoperability of NATO's national tactical air forces on the Central Front.

This year's exercise took place within days of President Bush's proposals for a 15% cut in American troops and NATO aircraft, whose implementation could devastate Western European defense. The shadow of "Gorbymania" that has darkened the West was accentuated when the NATO-organized press tour that *EIR* joined had to be inexplicably rerouted from one air base to another. To our surprise, we read in the newspaper the following day that the purpose of our little detour was to facilitate the arrival of Gen. B. V. Snetkov, the Commander of the Group of Soviet Forces in the West, to land at Heidelberg Military Airfield for a surprise meeting with Gen. Crosbie E. Saint, Commander of U.S. Army-Europe based in Heidelberg, the first such meeting held in 12 years. The Soviet general was met with the kind of pomp usually reserved for returning heroes or movie stars, complete with brass bands and little girls throwing bouquets of flowers.

Central Enterprise is this year's first large-scale NATO exercise and could very well be the only one, now that President Bush has called off the Autumn Reforger exercise as well as the large American corps-level exercises. *EIR* had the opportunity to join a press tour organized by the press office of NATO's Second and Fourth Allied Tactical Air Forces. Our observation of this year's Central Enterprise forced us to take a closer look at the implications of President Bush's proposals for a 15% cut in NATO aircraft for the defense of Europe's Central Region. The proposals promise to accomplish what many military policymakers had feared, that is, applying the "bean count" methodology of strategic missile talks to theater and tactical forces. According to *Aviation Week and Space Technology*, the proposals would envision a 15% cut in NATO's current levels of aircraft and would cut

Warsaw Pact forces to the reduced level of NATO's. In other words, the Warsaw Pact would have to cut 3,400 more aircraft and 3,200 more helicopters. While one might see these figures as a bargain, the proposal has been made with utter disregard of such key factors as NATO's strategy, geographical considerations, and the psychological and political impact of American withdrawals on the European political world.

Bean counts or military doctrine

The more alarming aspect of Bush's proposals is that they serve as a smokescreen for real and contemplated withdrawals from Europe, dictated by the administration's commitment to disengage from Western Europe irrespective of the outcome of the conventional arms control talks taking place in Vienna.

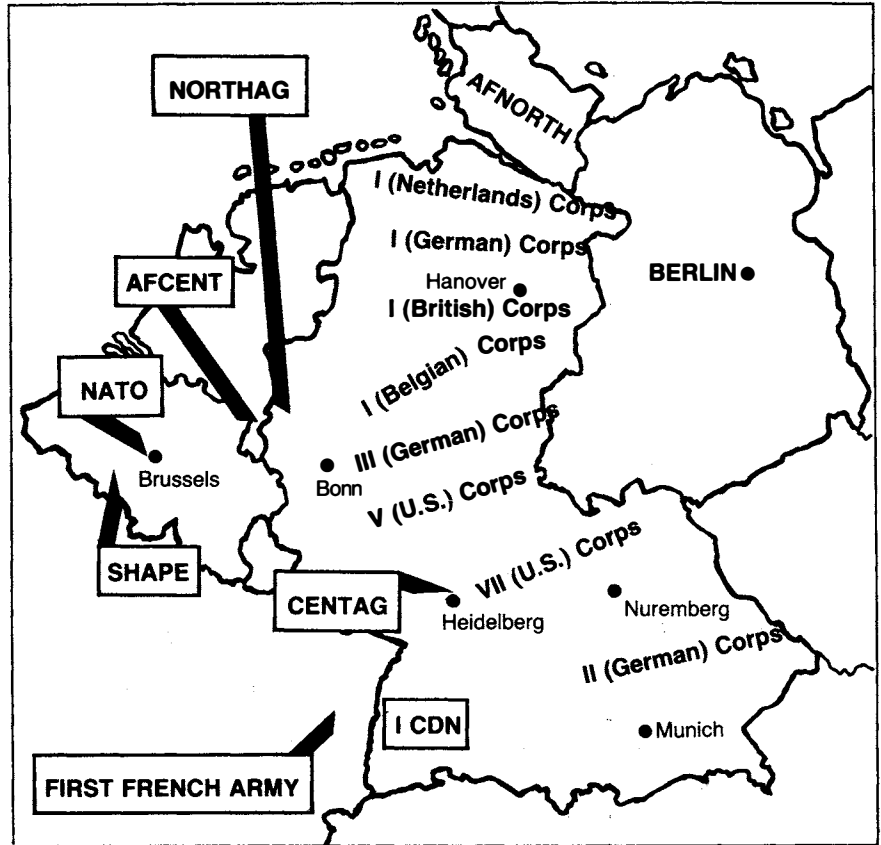
According to rumors circulating in the June 5 issue of *Aviation Week and Space Technology*, much of the 15% cut in U.S. forces will occur, regardless of arms control talks, when the fiscal 1990 defense budget is implemented. Defense Secretary Richard Cheney has already slashed the F-15E project, which was aimed at upgrading the American F-15 Eagle into a dual-capable fighter for both air defense and tactical bombing. It had been a project undertaken especially for the needs of the European theater. It is already mooted that the 72 F-16s scheduled to be withdrawn from Spain will, in fact, be brought back to the United States rather than being relocated to Italy as planned.

Cheney's proposals have set the stage for other budget-cutting tendencies in Western Europe as well. The Federal Republic of Germany has canceled proposed upgrades of existing aircraft, such as its F4-G Phantom interceptors and ground attack Alpha jets, and the crucial European Fighter Aircraft project, a joint program by the British, West Germans, Italians, and Spanish to develop a new fighter interceptor, is also being put into doubt.

A press conference given by U.S. Air Force Maj. Gen. R. Olsen, Chief of Staff of NATO's Fourth Allied Tactical Air Force, gave little reassurance on the issue of American cuts. Replying to a question on President Bush's proposals, he said that "No changes in deployments have been put forward yet," but later admitted that he "would suspect there would be some cuts" as a result of reductions in the 1990 defense budget.

MAP 1

NATO forces in Central Europe



This point is reinforced by the complete absence of discussion on how such reductions would affect military strategy and doctrine. For instance, one criterion put forth as a basis for determining reductions is age of aircraft. Retired chairman of the Joint Chiefs of Staff Gen. David C. Jones (USAF), predicted that the first candidates would be the aging American A-10 Thunderbolts and the West German F-4 Phantoms. The problem with this is that the elimination of the A-10 would leave American ground forces in West Germany with no close air support, and the elimination of Germany's F-4s would leave West German forces without any air defense! It should be remembered that General Jones headed the Joint Chiefs of Staff under President Jimmy Carter and advocates American disengagement from Western Europe, which is the real purpose that lies behind such proposals.

By contrast, the Soviet arms control initiatives are clearly conceived and well coordinated with their changing military doctrine and strategic goals. The Soviet cuts in troop strength and equipment allow them to rationalize their armed forces structure coherently with a new evolving Soviet military doctrine. Their much-touted "defensive military doctrine" is, in fact, a war-winning strategy based on a "leaner, meaner"

force structure that allows for an extremely rapid mobilization capability.

This new doctrine will have a strong impact on air war. While implementing their new doctrine, the Soviets would be more than prepared to shed many hundreds of aging MiG-21s and other, less effective aircraft they have kept in their inventory. In fact, the Soviets have been deploying new aircraft that go a long way toward closing the technology gap. Highly capable aircraft, such as the MiG-29, have been widely deployed among Soviet forces based in the Western Strategic Theater facing NATO and are now being deployed into the air forces of East Germany and Czechoslovakia as well. Also, greater numbers of the highly capable SU-27 Flanker fighter-bomber and the SU-25 Frogfoot ground support fighter have been deployed. The Soviets also maintain a large inventory of Backfire bombers, capable of long-range strike missions.

Furthermore the Soviets are developing far greater air defense capabilities, including the deployment of the IL-76, their version of the Boeing 707 A WACS airborne early warning system, and far denser surface-to-air missile defense systems, aimed at freeing their air defense aircraft for supporting offensive air operations. In this regard, it should be noted

that the Soviets have refused to include aircraft of their Air Defense Forces in the conventional arms control talks in Vienna. These are among the most advanced aircraft in the Soviet inventory, such as the MiG-31. These aircraft, like the rest of the Soviet forces in Russia, can be very easily concentrated against NATO, whose German-German border lies only 650 kilometers away, compared to over 6,000 kilometers separating the United States from continental Europe.

The Soviet arms control proposals are aimed at undermining NATO's unity, resolve, and technological edge. The Intermediate-range Nuclear Forces treaty which eliminated the extremely effective Pershing II and cruise missiles while signaling American disengagement from Western Europe, was a case in point.

Conventional arms control talks are moving in the same direction. Now that Bush has stated his intention to negotiate a reduction of both troop strengths and aircraft, he has crossed the line the Soviets have been demanding. Unlike the Americans, the Soviets will not negotiate agreements based simply on numbers or age of aircraft, but on capabilities, including NATO's reinforcement and tactical capabilities, particularly the penetration and interdiction capabilities of NATO's air forces.

With the help of their friends in the West, the Soviets are working to create the political climate for these reductions. For over a year, the peace movement and left and liberal press have conducted a campaign against low-level training flights by NATO's air forces. Although low-level training overflights are often disturbing to a normally peaceful countryside, they are essential to NATO tactical doctrine for air defense and for the penetration of Soviet air defense capabilities that would be part of an offensive operation against NATO. It is such training that has made NATO's pilots better than Warsaw Pact pilots, factors that Soviet military planners have grown to appreciate. The climate against low-level flight training has been reinforced by several air disasters, especially the crash of three Italian Air Force stunt pilots at the American-sponsored air show last August at Ramstein Air Base in West Germany and 125 NATO aircraft crashes in the past 18 months.

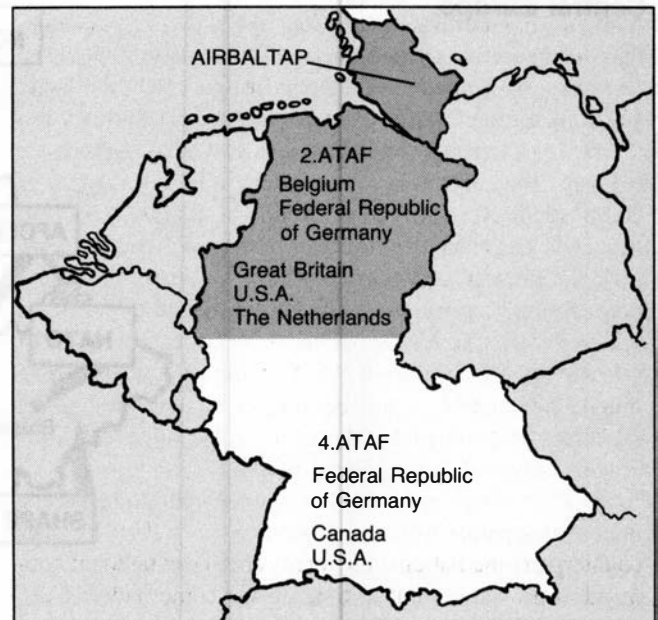
EIR's own investigations, in cooperation with leading experts in the field, have brought forward evidence pointing to Soviet-inspired sabotage, either by means of sophisticated electromagnetic capabilities or more conventional sabotage techniques.

Since the conventional arms control talks began, the Soviets have consistently called for the reduction and withdrawal of NATO's fighter-bomber forces, whose backbone is the fleet of 650 Tornado fighter-bombers of the British, West German, and Italian air forces and the dual-capable Mirage jets of France. These aircraft happen to be the most modern in NATO.

One Soviet proposal called for all such aircraft to be stationed 600 kilometers from the German-German border,

MAP 2

NATO air forces



- Allied Air Forces Baltic Approaches (AIRBALTAP)—German Element. The Air Force air defense units in this area are under the command of 2nd ATAF
- 2nd Allied Tactical Air Force (ATAF)
Allied Air Force Central Europe (AAFCE) region
- 4th Allied Tactical Air Force (ATAF)

in effect forcing NATO to withdraw its aircraft to a point somewhere in the North Sea, and sending American aircraft back to the United States. Although supporters of such proposals assert that aircraft can be easily flown back, both Soviet and Western military planners know nearby airfields and logistical support are required to support modern military aircraft, and, more importantly, NATO needs to have pilots and ground personnel trained to fight in the European theater, where conditions are far different than in the United States.

The Soviets have been chipping away at NATO's integrated defensive structure to try to drive the numbers of NATO aircraft even lower, knowing that once these numbers drop below a certain point, NATO's air defense will no longer be effective.

What are NATO capabilities?

While these far-reaching proposals were in the air, our observation of this year's Central Enterprise gave us further insight into NATO's strengths and weaknesses. At the core

of NATO doctrine is multinational cooperation and interoperability, and nowhere else is this more apparent than in NATO's air forces. In time of peace, all NATO armed forces are under members' national command. NATO's ground forces are organized along the Central Front in such a manner that the respective ground forces of the Federal Republic of Germany, the United States, Great Britain, the Netherlands, and Belgium are assigned a territorial responsibility along the German-German and West German-Czech borders (see **Map 1**). The corps areas in the northern half of the F.R.G. comprise the Northern Army Group (NORTHAG) based in Mönchen-Gladbach, while those in the southern half comprise the Central Army Group (CENTAG) based in Heidelberg. Both army groups are under the overall command of Allied Forces Central Europe based in Brunsum, the Netherlands. All are designated NATO commands with multinational commanders, deputy commanders, and staffs, and all fall under the command of the Supreme Headquarters Allied Powers Europe based in Mons, Belgium.

The air forces of NATO are organized along parallel lines, but separate from the ground forces. Like their army counterparts the national air forces are under national command in peacetime, but in time of war come under NATO command. The Central Front, comprising the territories of the Federal Republic of Germany, the Netherlands, Belgium, and France, is divided into two zones with the 2nd Allied Tactical Air Force in the north and the 4th Allied Tactical Air Force in the south, both under the command of Allied Air Forces Central Europe based in Ramstein, West Germany (see **Map 2**). NATO's air forces represent a limited resource, and are deployed on the basis of decisions made by NATO multinational commands, rather than being tightly linked to the ground forces of their respective countries.

Defending NATO air space: a 24-hour job

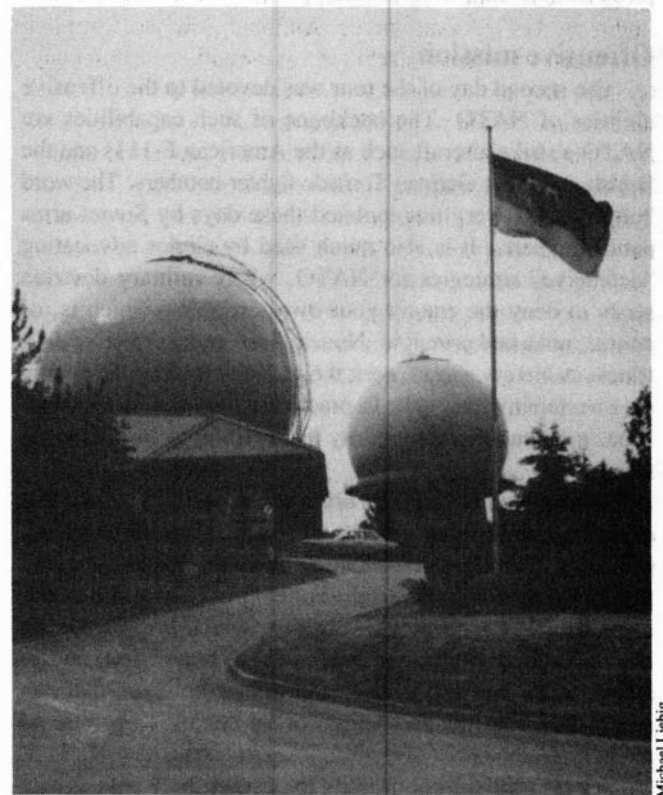
Our press tour was organized in two parts: The first day concentrated on the "defense" and the second on the "offense."

Unlike NATO's army establishments, which are mostly involved in training and readiness, NATO's air forces have a 24-hour, 7-day-a-week peacetime task of guarding NATO's air space. Running north to south along the Central Front is an air defense belt comprised of low- and high-altitude radars, tactical radar systems, and the Boeing 707 AWACS system that can "see" deep into Warsaw Pact territory. The AWACS, the only operational system manned by multinational crews and operated by NATO's Supreme Headquarters, is a prime example of NATO integrated structure. These radars feed information for target acquisition to the weapons systems—including a variety of surface-to-air missiles, ranging from the American-made Patriot system now being deployed by the forces of West Germany and the Netherlands against high-altitude threats, down to the Hawk system for the medium- to low-altitude threat, and other systems for

point defense. Finally, the most important are NATO's specialized air defense aircraft, which are heavily armed with radar-guided air-to-air missiles and other munitions.

We had the opportunity to visit a medium- to high-level radar station at Brekendorf in Schleswig-Holstein. The station, operated by the West German Air Force with the ability to scan a radius of over 200 kilometers, is one of several throughout the Central Front up and down the German-German border and along the North Sea coast of the Netherlands and Belgium. Although during our visit the airmen at the radar screens were actively part of the Central Enterprise, their day was not much different than any other. Stations such as this pick up any aircraft approaching the Central Front and track and target them if it is determined they are hostile. When Warsaw Pact planes are seen approaching the border, air defense aircraft are immediately ordered into the air, to meet and determine whether the aircraft are hostile. As a legacy of the postwar treaties that divided Germany, West Germany does not have peacetime military jurisdiction over its own air space. Therefore only American F-15s or British F-4 Phantom IIs are allowed to meet the potential threat, and only an American or a British commander can make a decision to fire upon a threat.

One radar operator, while giving us a thorough briefing on the operation of the radar and his responsibilities, ex-



The West German Air Force operates this radar installation at Brekendorf, Schleswig-Holstein.

plained that a common Soviet tactic is to deploy four aircraft at high speed in the direction of the German-German border, forcing a “scramble” of F-15s or F-4s, only to turn away from the border at the last seconds. *Glasnost*—or more likely *maskirovka* (deception)—has led to fewer such incidents this year.

In addition to air defense aircraft, the radar would also task high-, medium-, and low-altitude surface-to-air missile systems as required to meet a threat. We had the opportunity to observe the German Air Force demonstrate their “point defense” capabilities using the case of an air base. At the center of this operation was the new Roland medium- to low-altitude weapons system. This rather impressive system is a joint Franco-German project, equipped with a radar that can track over 130 targets simultaneously. Despite its sophistication, it is vulnerable to electronic warfare, and it therefore has a manual override, including optical sighting systems. The Roland was only one aspect of a layered point defense system that included the hand-held Stinger surface-to-air anti-aircraft missile and very accurate 20 millimeter automatic anti-aircraft guns. The Stinger is an American design which has been produced in West Germany under license. It made a good showing in the hands of Afghan rebels in downing Soviet helicopter gunships and other aircraft. Our tour confirmed for us the necessity for the work of the Strategic Defense Initiative and the absolute need for a Tactical Defense Initiative for Western Europe.

Offensive mission

The second day of the tour was devoted to the offensive abilities of NATO. The backbone of such capabilities are NATO’s strike aircraft such as the American F-111s and the British and West German Tomado fighter bombers. The word “offensive” is very manipulated these days by Soviet arms control experts. It is also much used by circles advocating “defensive” strategies for NATO, where military doctrine seeks to deny the enemy your own territory—which is, of course, not a bad principle. Nonetheless, more effective doctrines, as history shows, seek the capacity to deny the enemy *his own* territory as well. In practicing only the former doctrine, a potential enemy really has nothing to lose if he attacks.

The mission of NATO’s offensive capacity is to deny the enemy use of his own territory as a safe haven for mounting offensive operations. Negotiating away this capacity, given the evolving Soviet doctrine, is being militarily obscured. Even neutral countries like Sweden, which has one of the largest air forces in Europe, relative to its population, retains a mix of air defense aircraft and fighter-bombers that can strike deep into the full length of an enemy’s operational territory.

We also had the opportunity to observe the West German Air Force’s 34th Fighter-Bomber Wing based at Memmingen, in southern Bavaria. Equipped with Panavia Torna-

does, it is one of the most powerful bomber wings on NATO’s Central Front. The Tornado is another example of NATO cooperation, being a joint venture of the aerospace industries of the United Kingdom, West Germany, and Italy. The craft is at the peak of its capabilities and lifespan. Its primary mission is “interdiction,” and its potential effectiveness has made it a prime target of Soviet arms control negotiators. The West German Air Force has over 200 of these aircraft organized into five wings throughout West Germany. The West German Navy has an additional 112 for the maritime strike role. Great Britain’s Royal Air Force has another 229 of these aircraft.

At Memmingen our press group was taken into the squadron briefing room for an explanation of how the 34th would conduct any given mission. The key mission of the 34th is battlefield interdiction, which could be the targeting of an enemy air base, a column of enemy armor, or any other target crucial to defeating a Warsaw Pact offensive operation.

The day’s hypothetical mission was an enemy airfield over 300 kilometers north of Memmingen. Our briefing demonstrated that, with NATO’s limited resources, such operations require a maximum of organization and flexibility, and nowhere else is this demonstrated more than in NATO’s multinational force structure. This particular mission, as are all of the 34th’s missions, was defined by the Allied Tactical Operations Center (ATOC) of NATO’s 4th Allied Tactical Air Force, of which the 34th is a member. Based in Heidelberg, the ATOC collects intelligence through such sources as NATO’s 18 E3A AWACS and air reconnaissance units under its subordinate commands. After evaluation and choice of target, the ATOC assigns the mission to one or more of NATO’s air forces. Many missions, including this one, are what is called a Composite Air Operation, composed of the air forces of more than one nation. While the 34th would perform the actual bombing in this exercise, it would be supported by elements drawn from other national air forces, which is necessary in order to penetrate the formidable defenses of any Warsaw Pact air base, which could include heavy anti-aircraft missile defense and interceptor aircraft. These resources in support of the 34th’s operations would include electronic warfare aircraft for jamming the enemy radar and radio communications. In some cases, “Wild Weasel” hunter killer teams capable of electronically tracking enemy radars and knocking them out with anti-radiation missiles would be brought to bear. Also air defense interceptor aircraft would shepherd the bombers, if enemy interceptors were expected.

Our hosts took us, step by step, through what appeared to be a tremendous amount of detail and procedures in a process that they would carry out in less than one hour from the time they received the initial mission until they were airborne. One hopes that the high degree of motivation, determination, and *esprit de corps* demonstrated in these exercises can be appreciated by our policymakers.

How we can overthrow the mainland China dictatorship



This interview—Part I in a series—was conducted by C.M. Lao, publisher of the Chinese Flag Monthly, in Taipei, June 14, 1989. General T'eng is an elder statesman of the Kuomintang party in the Republic of China on Taiwan. He was a close adviser to Chiang Kai-shek, and is today Taiwan's leading military strategist.

Lao: The democracy movement in mainland China since April 15 first saw some university students in Beijing in mourning for Hu Yaobang. One month later came the Tiananmen massacre of June 4. Now, Communist Chinese government officials are issuing warrants for a deathhunt against the democracy movement people, and it seems that they want to wipe them out. This terrible slaughter has shaken the entire world with terror, and this is one of the great events of universal history. Every Chinese is sad and concerned about this question.

In Taiwan, our bastion of Chinese national recovery, there have been three top leaders who have made public statements. . . . First, President Lee T'eng-hui; then, Gen. Hau Bo-chun, the chief of the General Staff; and third, Prime Minister Lee Huan. All of them represent the government's policy, a policy concerned with our future direction. We saw President Lee's statement of June 8 in all the major newspapers. He said that the situation in mainland China is in flux, and that we should pay careful attention to the development of this situation, while keeping a high level of alert. We have to respond according to the Chinese proverb: "counter-motion by no motion" [an English approximation might be: "to assume a low-profile defensive position while waiting for the right moment to go over to the offensive"—ed.], continue to give the mainland movement for democracy all necessary support, and fulfill its potential. . . .

General Hau gave an interview to Chinese Television (CTV) in a program called "90 Minutes" on June 9. This included many important things, but the most important is that he said that we will never give Communist China any excuse to take military action. That means that we are taking a military position based on the doctrine of strategic defense.

On June 13 in the morning, Prime Minister Lee made his first report to the Legislative Yuan. The basic point of our mainland policy, he said, is anti-Communism, opposition to the Communist system, and resistance to the Communist regime. Therefore, what we are talking about is not mainland China policy. What we are talking about is the implementa-

tion of our mainland China policy. Prime Minister Lee pointed out that our program for the mainland has four points. First, we should be active and preemptive, and not merely respond to the Communist united front initiatives. Second, we should prevent the infiltration of Taiwan by the Communists, in order to preserve our national security. Third, we should carefully plan to increase the active part of our mainland China program. Fourth, we should help give mainland China democracy, economic freedom, social equality, and a free press.

This means that Prime Minister Lee is separating our mainland China policy from our mainland China activities. The so-called mainland China policy is our continuous, anti-Communist government policy. Then, the mainland China activities can include many programs. But no matter how, we have to follow the above-mentioned four principles.

Since you are the leading ideologist of the revolution, and have been the teacher of our top-ranking military leaders, can you tell us what you think the meaning of these three speeches is?

General T'eng: These three statements are all on the level of grand strategy, and they are quite correct.

Lao: But some people think that what President Lee said about "counter-motion by no motion" is too negative. Why do you say that he is correct?

General T'eng: Basically, our anti-Communist policy is active, and aggressive. But the anti-Communist war is a total war, guided by politics, and assisted by military factors. In total war, each sector has different questions and different situations to be faced. So that will create different centers of war according to the changing situation. In regard to the changes in mainland China, we have been put into a no-motion position. Therefore, to face this changed situation, we have to figure out a correct policy. "Counter-motion by no motion" is suitable to deal with the present moment in our mainland China work.

Lao: When General Hau made his statement, some people asked whether he was talking about defense only, and not attack. After the massacre at Tiananmen, lots of people made public interventions to demand that the government consider sending troops to mainland China to recover it. Especially in Hong Kong, there was a very strong reaction. What are your views on this?

General T'eng: I have already said that the total war against the Communists at the present moment is guided primarily by politics and secondarily by military factors. In other words, political warfare and not military action is our main tool for solving problems. To prevent bloodshed, we try to use all political methods to solve the problem, since this is most in consonance with the hopes of the people. Therefore, we should not permit the enemy to focus on military warfare or on attacking us. Besides, defense is the precondition of attack. We need to have a very strong military defense, for then we can free our hands for political attack. In this political attack situation, military defense is not limited to traditional military defense. Therefore, what General Hau said is completely correct.

Lao: What do you think about Prime Minister Lee's statement?

General T'eng: What Prime Minister Lee says is not only 100% correct, but also very clear and detailed. Mainland policy is anti-Communist. But how can we oppose the Communists? The question is, how to carry out this task. The task has myriad facets. Our work must be reasonable and effectively developed. But when we carry out our task, we must hold on to our principles. Prime Minister Lee established four principles, including attack, defense, the strategic timetable, and target selection. Generally speaking, what the three top leaders have said is quite correct. If we carry out the task accordingly, that will be the most effective method. Now everybody in the world has already shown an anti-Communist attitude, so for us it is much easier than before. If we can unite the people and follow our principles, then we can achieve success.

Lao: Now the Chinese people have courageously shown their determined anti-Communist attitude. This is absolutely the first time in the history of anti-Communism that this has happened. What is the result?

General T'eng: Everybody knows that the Communists confiscated the property of all the people and made them into slaves. The people who were victimized were totally opposed to this. Because of the secret police security and very cruel control measures, the mainland Chinese for a very long period did not dare to manifest their anti-Communism in public.

In the first decades, each person was under Communist control in their thinking, job, and daily life. That means that everything was controlled by the Communists. But the most powerful method is food control. If you get food, then you can eat your meals. If people can't eat, then how can you expect them to rebel?

The second powerful method is control over transportation and communications. At the very beginning, the Communists limited the ability of people to travel and move their residence. Even to go from one village to another, people needed a travel permit. It is like needing a passport to travel overseas. Therefore, the people could not move around free-

ly, and they were isolated. So how could you expect one isolated person to rise up in an anti-Communist rebellion? Owing to these two powerful methods of control, the people lost the possibility of anti-Communist action.

But now the objective situation has changed. The Communist closed-door policy cannot be applied. They are forced to open up to foreign countries. After the opening to the outside world, the people can no longer be controlled by food supply and the limits on transportation and communication. Therefore, the people can now join together in rebellion against the Communists and show in action what is in their hearts. So the simple demands for democracy by the students became the demands of the entire population. Demands for democracy are anti-Communist in essence. But they do not explicitly express an anti-Communist thrust.

Lao: Yes, your explanation is very much to the point. All people can show an anti-Communist attitude because the food controls are no longer functioning. In the free world, the average person cannot understand why the food control is so powerful. . . . Recently in the newspapers lots of people were pointing out that the student movement for democracy in mainland China is due to contact with the free world and envy of the standard of living of the democratic countries. But they missed something else which is very important.

During the Maoist period, food control was very, very tight. Each individual home had a household record book. Food was distributed by the government according to this household record book. You had to go to a specific food supply station with this record book. The record book indicated the ration of food that each person could get in a month. For example, adults could buy 25 catties of rice [a catty is about 20.8 ounces—ed.] at their local food supply station, and not one gram more, and not at any other food supply station. The only exception was that if you did not buy a certain quantity of food, you could exchange that quantity of food for a food coupon. But this kind of food coupon only circulated in a limited area. If you wanted to get a food coupon that could circulate in an entire province, or even nationwide, you had to get a very special migrant worker permit. That means that the food coupon system limited the free activities of the people. When you eat at a restaurant, you have to present the food coupon first, before you can order anything. For example, for one bowl of fried rice, you had to hand in a food coupon worth one-half catty to get it, and then you had to pay the bill with money as well.

With this kind of high security food control, what will happen? The Communist Party can order the people around and nobody can disobey. If anyone dares to do so, the government will switch their household residence to a poor farming village, or even to a wilderness province near the border. If they refuse to go, they go on a blacklist of those persons who receive no food rations. Even though they may have money, they cannot buy food. Their relatives and their friends cannot help them, because the food that they receive is not

even enough for themselves. . . .

Because of this, Mao quite often decided according to his whim to move millions of people to the peasant villages or the wilderness border provinces when he was in power. After the Cultural Revolution, he was able to send millions of Red Guards to the wilderness border provinces, thanks to this same food control system. This system is a thousand times more powerful than military forces. Military power can only control a limited number of persons, but not all the people. Military power can control people only temporarily, and not over the long term. But by using food control tactics, with the military forces as the backup, Mao was able to control China for a long time.

Ever since Deng Xiaoping seized power, he has used the economic policy of the open door. This has brought a progressive loosening of the food control system. Today in mainland China, there are 800 million farmers. Today, after the Communists abolished the communes [Mao's collective farms—ed.], almost all of these 800 million self-employed farmers have received some farmland. Because of their hard work, normally they can reach self-sufficiency and have extra farm products to sell on the free market. So in those small farming villages, a large number of individual family economic units have been springing up like bamboo shoots.

According to the calculations of a professor from the Chinese University in Hong Kong, there are approximately 17 million individual family economic units. This figure means that, compared with the level of the 1950s, the number of private enterprises has doubled. Those so-called individual family economic units have made a great contribution to the Chinese economy, and they have been encouraged by Deng Xiaoping. Some people say that after the massacre at Tiananmen, there is a large possibility that mainland China will return to the Mao period. But in my own view, that is impossible, because the Communists will not be able to take back the farmland from those 800 million farmers, and there is no way to wipe out those individual family economic units.

Compare this with the 1950s, when Mao Zedong was able to use his dirty tricks to exploit the people's illusions about the Communist Party that made them want to contribute and sacrifice themselves. Then, the farmers automatically gave up their land to form the communes, and the private companies were willing to be subordinated to joint ventures with the government. But today, the whole situation is entirely different. Since we have 800 million farmers and 17 million individual family economic units, the Communists cannot use their food control system any more.

And, under these circumstances, it is impossible for Communist China to reestablish control over the communication and transportation of the population. Therefore, even though the Communists are using these horrible massacre methods, they can only stop the democracy movement temporarily. Even though they use a Big Lie propaganda campaign to cover up, this can fool only a few people. Effective control won't exist for very much longer.—*To be continued.*

London insiders say Thatcher won't last

by Mark Burdman

Highest-level London sources have informed *EIR* that the prevailing factions in the British and American establishments have made a decision to wreck the British government of Prime Minister Margaret Thatcher as rapidly as possible.

The sources stress that Thatcher does not fit into the particular form of "Anglo-American special relationship" desired both by the Bush administration and by leading City of London and Foreign Office influentials, typified by Midland Bank's Sir Michael Palliser, a former senior official at the British Foreign Office and a close associate of Henry Kissinger. Whatever confusion there may be in Thatcher's own personal views on the future of the NATO military alliance, she is most uneasy about prospects for large-scale American troop withdrawals from the continent, and is inclined to intervene, in her own way, to prevent these withdrawals.

In the eyes of the Bush administration and its counterparts in Britain, her reluctance has cast her in the role of a major stumbling block for American disengagement from continental Europe and for realizing the Kissinger-Bush "New Yalta" concept of reordering European affairs.

EIR's sources report that an array of scandals are beginning to erupt, and will continue to erupt, initially targeting Mrs. Thatcher's immediate family and perhaps members of her cabinet, as a step toward going after the prime minister herself later.

The first of these, is a peculiar story involving ties between Attwoods, a private firm whose deputy chairman is Denis Thatcher, Mrs. Thatcher's husband, and a U.S. company called National Waste Disposal, which is allegedly tied to the mafia. While many of the allegations in this case are approximately three years old, in early July Britain's Channel 4 suddenly decided to broadcast a show about the mooted Attwoods mafia connections. The Channel 4 account was then summarized in a news feature in the London *Financial Times*.

On July 9, the *Observer*, the weekly Sunday newspaper owned by the disreputable Tiny Rowland's Lonrho Corporation, ran a story labeled "Exclusive," presenting ostensible

evidence of National Waste Disposal's "organized crime" links. Beyond this, it claimed that two months ago, Attwoods agreed to pay at least \$20 million for National Waste Disposal. The paper commented on Mrs. Thatcher's husband: "Denis Thatcher has been a director of Attwoods since 1983. [Attwoods chairman Ken] Foreman describes the prime minister's husband as 'very much involved in the day-to-day running of the company' and 'fully aware of everything that goes on in our company.' "

Rowland's *Observer* and other publications are also expected to retread old scandals concerning the involvement of Mrs. Thatcher's son Mark in shady, behind-the-scenes business arrangements leading to the 1984 purchase of the House of Fraser Harrods interests by Egypt's al-Fayed family. Rowland's propaganda apparatus insists that it was only illicit intervention by the Thatcher government that prevented Rowland himself from taking over the House of Fraser.

'Summer of discontent'

All of this would not hurt so much, were it not for the fact that Mrs. Thatcher is facing growing domestic political woes, clearly indicated in the July 7-9 Gallup Poll giving the opposition Labour Party a 13-point lead among voters.

This Labour Party resurgence is obviously not unrelated to the resurgence of activism by Britain's trade unions. The

country is entering what is widely being called Britain's "summer of discontent." Beginning the weekend of July 8, Britain entered its worst period of industrial strife in 10 years.

At midnight July 9, the train drivers' union ASLEF began a total ban on overtime work, seriously affecting commuters nationally. During the night of July 10, an indefinite dock strike began, affecting approximately 48 of Britain's 60 ports, and threatening vital imports and exports. On July 11, more than 500,000 municipal workers began a 48-hour strike which affected critical services in towns and cities across the United Kingdom. On July 12, workers for British Rail and the London Underground held a one-day work stoppage, for the fourth consecutive week. Also during the week of July 10, engineering unions took a vote among workers at dozens of the nation's biggest exporters, to see if they favor strike action. Strikes are anticipated in other sectors as well.

As the *Times* of London noted July 10, Britain's last great episode of labor unrest, the miners' strike, may have been more bitter, but the current disputes have a more direct impact on millions of people.

According to July 9 British Sunday papers, Mrs. Thatcher has taken command over a new Cabinet strategy group to deal with the strike wave. However, the very resurgence of union activism has badly undermined her credibility, since she has boasted for the past few years that her political strength is based on her having definitively broken the back of Britain's unions.

Xenophobic campaign flops

Discontent is also growing within Conservative Party circles about Thatcher, who is seen as having made crucial political mistakes in the recent period that have only made matters worse. This discontent is rife not only among those known in Britain as "wets"—i.e., soft on the Russians and liberal-Fabian on domestic social issues—but also among individuals and factions usually sympathetic to Mrs. Thatcher. They regard her recent campaigns against the global-fascist "Europe 1992" plan for restructuring Western Europe to have been an unmitigated disaster—not because they disagree in substance with her polemic against the "socialist, corporatist, and supranationalist" mafia running the European Community bureaucracy in Brussels, but because she allowed the campaign to degenerate into crude "us against Europe" xenophobia. Worse, this xenophobia campaign, in part aimed at playing up to chauvinistic sentiments in sectors of Britain's population, has massively backfired. In the mid-June elections for the European Parliament, the Tories suffered catastrophic losses.

Unhappy Tories point out that Thatcher's boasts about having resolved many of Britain's economic problems are groundless. Unemployment is still high, and Britain is now plagued with the extraordinary and debilitating combination of interest rates hovering in the 14-15% range and inflation running at about 8.5%.

The story of those who paved the way for the American Revolution, long before the Declaration of Independence: Massachusetts Puritan Cotton Mather, Virginia's Governor Alexander Spotswood, British satirist Jonathan Swift. . . .

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Hong Kong: the next world strategic flashpoint?

by Mary McCourt Burdman

The British Crown Colony of Hong Kong, a city of 6 million people which the British government agreed to cede to the People's Republic of China in 1997, is becoming a world strategic flashpoint, just as the divided city of Berlin was in the 1950s and 1960s, highest-level European intelligence sources are now warning. The desperation of the murderous Beijing clique to control Hong Kong with an iron grip, under the terms of the rotten Chinese-British deal over Hong Kong, at a time when the Hong Kong population completely rejects this control, creates an incendiary mix for the 1990s.

The "new Munich" trip of British Foreign Secretary Sir Geoffrey Howe to the colony the week of July 3, has only made matters worse. Howe made very clear to Beijing that the British Foreign Office's only policy is appeasement of the Beijing regime. But this appeasement will only encourage Beijing's aggressive attitude. Only international support to guarantee that the population of Hong Kong is able to determine its own future—currently, most cannot even vote to elect the colony's governing board—and do whatever they choose, as Chinese, to shape the future of the nation of China, will prevent future massacres.

Right now, a whole section of the Chinese population of Hong Kong is openly defying both Beijing and the filthy Anglo-American deal with Beijing. More than that, organizations such as the Hong Kong Alliance in Support of Patriotic Democratic Movements in China, are appealing for international support. Jettisoning the deal over Hong Kong could do much to allow the Deng Xiaoping regime to collapse of its own rottenness over the next one to two years.

Hong Kong itself has been transformed by the development of the democracy movement in China. One overseas Chinese who visited the city during a several-week trip to the People's Republic during May, told *EIR* that Hong Kong is politicized as it has never been in its 150-year history. In the last days of May, up to 1 million people at a time marched in support of the demonstrators in Tiananmen Square—once during a typhoon. Hong Kong was notorious before, he said, as a place where people cared only about gambling and money, but all they wanted to do now was to talk about politics. During the weeks between May 22 and June 4, it seemed that no one in Hong Kong slept at all—people sat up all night watching the reports from China, journalists manned their desks day and night, millions mobilized to raise money for

the demonstrators—more than \$1.7 million was raised in a few weeks—and to get the news of the events in Beijing into southern China.

The politicization of Hong Kong did not end with the June 4 massacre of thousands in Tiananmen Square. There is tremendous fear in the colony and, over the last month, applications for emigration to Canada, Australia, the Republic of China, and the United States have risen to the thousands. Despite continued threats from Beijing, a powerful resistance movement has expanded its operations in Hong Kong, motivated by the view, as one spokesman for the Hong Kong Alliance in Support of Patriotic Democratic Movements in China, Lee Wing-tat, said to *EIR*, "we are Chinese, and we will stay in Hong Kong to fight for democracy for Hong Kong and for China" (see interview, page 43).

Support for Hong Kong has also come from the Republic of China on Taiwan. One legislator, Jaw Shau-kong of the ruling Kuomintang Party, urged the government to ask Britain to cede the colony to Taipei rather than Beijing in 1997, the Taipei *China Post* reported June 28. If necessary, he said, the colony should hold a plebiscite to decide if they want to be ruled by the "free and prosperous" Republic of China government, Jaw said. If ceding Hong Kong to Taipei is not feasible, Jaw said, then it should be put under U.N. trusteeship for 20 years starting in 1997, pending a final decision.

But the government in Beijing, presiding as it is over economic chaos which has worsened severely since June 4, wants Hong Kong desperately. China's foreign debt is already close to \$40 billion, and the country is facing a repayment crisis in late 1991-early 1992. Its foreign exchange losses just in the weeks since the massacre must be frightening to China's leadership. Hong Kong is China's biggest trading partner by far, at close to \$30 billion, while trade with Japan, China's second largest partner, is \$19 billion. Hong Kong is China's largest source of desperately needed foreign exchange, and buys 37% of China's exports. Hong Kong now serves as China's intermediary to world trade: it re-exports some \$5 billion worth of Chinese goods to the United States, and is the middleman for almost all of Taiwan's trade with the People's Republic, which rose to over \$2.7 billion last year.

Reports from military sources on Taiwan in June are therefore not surprising. They reported both People's Liber-

ation Army troop concentrations in Fukien province opposite Taiwan, and some troop movements and weapons flowing into Guangdong province, on whose border Hong Kong sits. The limp-wristed attempts by Britain's Foreign Secretary, Sir Geoffrey Howe, and the Hong Kong leaders who have made their deal with the devil in Beijing on the concession arrangements for 1997, to get Beijing to "promise" not to station People's Liberation Army troops in Hong Kong, are worse than pathetic. The man who is willing to see the slaughter of 1 million Chinese to break the current unrest, Deng Xiaoping, has called it China's "sacred right" to station troops in Hong Kong, the British daily *Independent* reported July 12.

Hong Kong could set off world crises at any point in the coming months. It was the collapse of the Hong Kong stock exchange which finally triggered "Black Monday," Oct. 19, 1987. Now, the Hang Seng, the "blue chip" Hong Kong stock exchange index, has already dropped by nearly one-third during May and June, the Taipei daily *China Post* reported June 28. Property values, the underpinning of all the major companies in Hong Kong, have already fallen by 20% since June 4.

Sino-British deal

On July 8, the Chinese Foreign Ministry reasserted that it is committed to the 1997 agreement with Great Britain on Hong Kong, in the wake of Sir Geoffrey Howe's trip to the colony. The Chinese Foreign Ministry's statement underlined that China could "appreciate" that there was "misunderstanding" about what had to be done to deal with the situation in Beijing (i.e., the massacre).

The ministry statement was only one of a series from the highest levels of Chinese authorities, showing that China is confident that the British Foreign Office, at least, will not offend them. Banker David Li, a member of the Hong Kong committee for drafting the Basic Law, which is to be Hong Kong's constitution after 1997, said that during meetings with the head of the Communist Party Jiang Zemin, and other top P.R.C. officials July 8-9, "they made it very clear to us they don't want Hong Kong to be used as a base for subversive activity against China," the London *Times* reported July 12.

The official P.R.C. news agency Xinhua quoted Jiang Zemin July 12 telling the Hong Kong delegates, "We practice our socialism and you may practice your capitalism. We will not practice socialism in Hong Kong, Macao, and Taiwan, but you should not transplant capitalism onto the country's mainland."

Howe told Beijing clearly in his speech to a meeting with local Hong Kong leaders June 3 that the full deal was on. "The plain fact is that there is simply no way" that Britain can grant the right to abode in Britain to several million people from Hong Kong, Sir Geoffrey said, the issue being the numbers who might seek abode there. It is now up to the

People's Republic "to demonstrate they mean what they say" in the joint agreement, Sir Geoffrey said. Howe insisted that the Chinese attitude toward Hong Kong is "not affected by recent events" on the mainland, and that the Chinese will "have to demonstrate by their actions that they mean what they say." He added that those who denounce the 1984 British-China accord over Hong Kong as "disgraceful," have "disqualified themselves from participating in the debate" over Hong Kong's future.

Response in the colony was swift and nasty. Anti-British feeling is so high that Hong Kong authorities let it be known recently that "top royals" Prince Charles and Princess Diana should forego their scheduled November visit, because their safety could not be guaranteed.

Over 10,000 demonstrated against Sir Geoffrey on the last day of his visit. Earlier, a number of local officials disrupted his speech at a July 3 meeting of 250 "hand-picked" community officials. Eight officials unfurled a banner they had smuggled into the meeting, that read, "Shame of the Thatcher government. Irresponsible and hypocritical government." One activist, Lee Wing-Tat, shouted to Howe, "This bullshit speech is insulting the intelligence of the Hong Kong Chinese. . . . You say you cannot give permission for 3.25 million Hong Kong people to go live in the U.K., but can you hand these people over to the bloody and suppressing government that killed university students and workers in Tiananmen Square?" The protestors cried "Shame!" as they walked out, while the invited officials politely applauded Sir Geoffrey.

The Chinese had other, more subtle, ways of conveying their feelings. The next day, Sir Geoffrey and Lady Howe were given two birds' nests, a Chinese delicacy, by a Hong Kong shop-owner during their "walkabout" in the city. Some Chinese, the British daily *Guardian* reported June 4, later said they appreciated the "irony of the gift." The birds' nests, which Lady Howe attempted to eat raw, are formed from swallows' congealed spit.

More seriously, an underground railway has been operating through Hong Kong that has smuggled at least three leaders of the Tiananmen demonstrations to safety. The "railway" has been operating "with the help of disaffected members of the Public Security Bureau," the London *Sunday Times* reported July 3, and was set up in the aftermath of the June 4 massacre.

On July 11, the Hong Kong Alliance sent HK \$1.2 million to help finance the Paris-based pro-democracy organization just set up by the escaped leaders. This is part of the amount collected in Hong Kong during May and June to support the pro-democracy movement. Other funds have been used to help the "wanted" leaders escape. "I don't care if they are angry or not," Alliance secretary-general Cheung Man-kwong said, the *Financial Times* reported July 12. "We are supporting our own people to fight for freedom and democracy."

'Britain's China policy is evil'

Mr. Lee Wing-tat, a spokesman for the Hong Kong Alliance in Support of Patriotic Democratic Movements of China, an umbrella group of about 200 organizations which organized massive demonstrations in support of the students in Tiananmen Square, gave the following interview to EIR on July 7 by telephone from Hong Kong.

EIR: Mr. Lee, I have read the accounts in the British daily newspapers of your denunciation of British Foreign Secretary Sir Geoffrey Howe's speech on July 3 to a group of Hong Kong citizens as "bullshit" and an "insult to the intelligence of Hong Kong Chinese."

Could you tell us what you think about British policy toward Hong Kong?

Lee: The Thatcher government is out for its own interests. China is still a very big market. For the past 10 years, whenever there has been a conflict between Hong Kong and China, the British have sided with [Communist] China. For example, they sided with the Chinese in 1986 on the issue of the nuclear plant the Chinese wanted to build across the border from Hong Kong.

Now, after the June 4 massacre in Beijing, there is great anxiety in Hong Kong. People want political assurance. The British government could grant the right of abode [in Britain after 1997] to the population of Hong Kong, but they have refused to do this many times. Yet people from Hong Kong would be a big help to the British economy!

This government is very evil, it is hypocritical.

EIR: Why are the British so interested in the Chinese market, when the Chinese economy is such a disaster?

Lee: The Beijing government is going to continue the "open door policy" after six months or a year. The British government is afraid that they will be cut out of China if they do not do what the Chinese want now.

EIR: Why was there conflict over a nuclear plant near Hong Kong?

Lee: Management is very bad in China. This is why the Hong Kong authorities objected, because they know this. They can not even run hotels, much less a nuclear plant. In Beijing, the hotels are well built, but within six months, the

toilets don't work, the hotels are filthy, and there is no service, because no one in China can run anything. If a nuclear plant were left to be run by the mainland Chinese, this could create a disaster for Hong Kong. However, British companies supplied electrical equipment for the plant, despite protests from Hong Kong.

EIR: Is your alliance going to mount an international campaign to prevent Hong Kong from being turned over to Beijing?

Lee: There is no hope that anything will result from asking the government of British Prime Minister Thatcher for the right to abode for the Hong Kong population.

We are Chinese, and we will stay in Hong Kong to fight for democracy for Hong Kong and for China. Some people here want to persuade the U.K. Parliament to grant the right of abode, but that is not the goal of the alliance. Young people in Hong Kong, because of the student movement for democracy in China and because of the Tiananmen massacre, know that their future depends on whether China has democracy. This is the only assurance for the future of China. If China is still controlled by a few old men, Hong Kong's security and prosperity is only superficial, like a tower built on sand. There is widespread fear in Hong Kong about personal futures, but the concern of most people is to support democracy for China.

EIR: What is the Hong Kong Alliance?

Lee: The Hong Kong Alliance in Support of Patriotic Democratic Movements of China is an umbrella group of about 200 organizations, labor unions, student unions, religious groups, service organizations, and many others. There are many similar groups in the world, but this one is the biggest. It represents about 100,000 people, and was the organization that brought up to 1 million people out into demonstrations in Hong Kong in support of the Tiananmen Square demonstrators. The Alliance now wants to contact other organizations that want to promote democracy in China. We want to take collective action.

EIR: Here in Europe, there are many reports that the Beijing government is running harassment and intimidation campaigns against Chinese nationals living here. Are there any reports of such operations in Hong Kong?

Lee: There is no Chinese embassy here in Hong Kong. The only official representation of Beijing is the Xinhua News Agency, and right now it is actually keeping a very low profile. The director, Xu Jia Tun, has not appeared publicly for two months, nor has the deputy director. It is not known at this point where the top Xinhua officials are. The director of Xinhua in Hong Kong is directly answerable to the Communist Party in Beijing. It is a difficult situation here for such officials, and if they try to do something, it would arouse trouble in Hong Kong.

Will Kissinger face prosecution for China trade conflict of interest?

by Scott Thompson

When Red Chinese army tanks smashed into the “Goddess of Democracy” statue in Tiananmen Square, while troops killed thousands of unarmed students, former Secretary of State Henry A. Kissinger went on a propaganda offensive to defend Deng Xiaoping, the “Butcher of Beijing,” and to ensure that President George Bush would waffle on imposing tough economic sanctions on the Communist Chinese government. At the end of June, well-informed sources report, Henry Kissinger attended the bi-monthly meeting of the President’s Foreign Intelligence Advisory Board (PFIAB, the so-called “quality overseer” of U.S. intelligence and counter-intelligence), where a major topic was developments in China.

Kissinger’s public condemnation of the students as a “chaotic element” and praise of their cold-blooded murderer Deng as “courageous,” “the symbol as well as engine of China’s reform,” and so forth, has shown that a “river of blood” now separates Henry Kissinger from the moral principles upon which this republic had been founded. Of course, Kissinger’s right to say these things is protected by the First Amendment of the Constitution which he so clearly despises. But, by giving the same advice at PFIAB, Kissinger has violated a major provision of the 1978 Ethics in Government Act, under which he could be prosecuted and sentenced to two years in prison. Namely, clients of Henry Kissinger’s global influence-peddling firm, Kissinger Associates, Inc., had hundreds of millions of dollars worth of investment at risk if the Bush administration did not follow Kissinger’s advice to maintain relations with the Communist regime, despite its butchery of tens of thousands of democratic republican leaders in that country.

Kissinger plans Beijing visit

This conflict of interest is even greater: Kissinger’s office confirmed to *EIR* investigators on July 12 that he still plans to visit China in September, where he may participate in a Red Chinese government-sponsored event to increase investment—an event that is even more critical for the murderous regime in light of the de facto boycott of new investment in China by major banks in Western Europe, Japan, and the United States ever since the Tiananmen Square massacre.

An aide to Kissinger employed by Kissinger’s America-China Society stated that by the fall, the tide against new investment in China may have turned.

A similar view was presented to *EIR* investigators by other members of Kissinger’s America-China Society, which, sources report, has had tremendous influence upon the immoral policy of “caution” adopted by President Bush. The two co-chairmen of the ACS are Kissinger and former Secretary of State Cyrus Vance. The honorary chairmen are Presidents Gerald Ford, Jimmy Carter, and Richard Nixon; the last will travel to China this fall on a trip that parallels Kissinger’s. The vice chairmen are former National Security Advisers McGeorge Bundy, Robert McFarlane, and Zbigniew Brzezinski, along with former Secretaries of State Dean Rusk, Edmund Muskie, Alexander Haig, and William P. Rogers.

While Haig denied to *EIR* investigators that the ACS has any “commercial” side, an aide to Kissinger reported that its July 1988 meeting was held in mainland China, and that the topic was investment opportunities. Clearly, these high-powered unofficial advisers to the Bush administration see that apart from Kissinger’s China card hoax, the “vital interests” of the United States in mainland China include business opportunities. Former Secretary of State Rogers told an *EIR* reporter that President Bush was “just about right. He condemned the violence, got our people out, didn’t break diplomatic relations, maintained some arms sales, and imposed only minimal economic sanctions.” And Haig added, “I am very supportive of the position of President Bush so far.”

Hundreds of millions at risk

EIR investigators have discovered that Kissinger was the “Pied Piper” of investment in mainland China, and that now his clients have hundreds of millions of dollars at risk. Those clients include:

- **Chase Manhattan Bank.** In May 1984, Chase’s international advisory board led by chairman David Rockefeller and his deputy Henry Kissinger met as a group in Beijing, where Rockefeller and Kissinger talked at length with Deng Xiaoping. After that meeting, Kissinger said that China has

“better prospects of success” in its economic reform than the U.S.S.R., an oft-repeated piece of disinformation. Chairman Rocky said of Chairman Deng that “his leadership is an extraordinarily impressive performance. . . . My feeling is that he is certainly one of the great men of this century.”

Chase has hundreds of millions invested in China. It gives leases for the purchase of modern aircraft by the Civil Aviation Administration of China. It is the major financier of the Yueyang Power Plant in Hunan province. And it has invested \$270 million, according to Chase sources, in the Daya Bay Nuclear Power Plant, which is an integral part of building Red China’s nuclear weapons capabilities. Chase also handles banking for major grain sales to China.

Chase sources report that the two key advisers on these investments are Kissinger and Sir Y.K. Pao. The latter, who had been vice chairman of the Hongkong and Shanghai Banking Group, has been identified by *EIR*’s book *Dope, Inc.* as one of the main overseas Chinese involved in financing opium and heroin production in the “Golden Triangle” of China, Burma, Laos, and Thailand, and in related drug money laundering. Pao had been brought onto the international advisory board by Henry Kissinger.

● **Midland Bank PLC.** Kissinger Associates vice chairman T.J. Cunningham is on the board of this client, which is 14.9% owned by the same Hongkong and Shanghai Banking Group, a bank which since its founding in the 19th century by City of London banks, has been the principal financier of opium and heroin production in mainland China and the largest drug money launderer in the region. Midland and the “HongShang” have rationalized their offices, with Midland taking over HongShang facilities in such major drug money laundering centers as London, Amsterdam, and Switzerland. Midland was caught red-handed in drug money-laundering, when, in 1985, its subsidiary Crocker National Bank of San Francisco was indicted for laundering \$3.98 billion between 1980 and 1984, of which \$3.43 billion had come from six Hong Kong banks, including the HongShang. The Treasury Department at the time of the indictment explicitly cited Hong Kong as the main money-laundering spa for “Golden Triangle” opium/heroin proceeds.

Although the HongShang is widely viewed as an international bank operating from the Crown Colony, it has multiple ties with Red China, which is symptomatic of its role as the main financier of dope production. Despite the lie perpetrated by Henry Kissinger since the early 1970s over objections of another faction of the U.S. intelligence community and narcotics enforcement agencies, Red China remains the foremost opium producer, and has been so ever since Mao introduced the policy in 1928. Throughout the Korean War and the Cultural Revolution, the HongShang retained an active staff in Shanghai through affiliation with the Bank of East Asia. Moreover, in 1980 HongShang vice chairman Sir Y.K. Pao, now a member of the international advisory board at Chase, was the first overseas Chinese leader to meet Kis-

singer’s hero, Deng Xiaoping.

● **S.G. Warburg.** Kissinger Associates board member Lord Roll of Ipsden (a.k.a. Eric Roll, created Life Peer 1977) is chairman of this major London-based bank. An affiliate of S.G. Warburg is the Bank of East Asia, whose international advisory board overlaps through the person of Sir Y.K. Kan, who is also a board member with Lord Roll of Kissinger Associates. Although it was formally chartered in Hong Kong in 1918, the BEA has maintained operations in Shanghai since 1920, including during the Korean War and the Cultural Revolution.

In 1982, BEA formed a joint venture merchant bank with S.G. Warburg, East Asia Warburg, based in Hong Kong. In that same year, BEA established the first electronic teller system with the Bank of China, a curious hybrid owned two-thirds by the Red Chinese government and one-third by unknown Western financial interests, that U.S. Bureau of Narcotics and Dangerous Drugs chief Henry Anslinger had identified as early as 1953 as one of the financial linchpins of Red Chinese opiates production. In 1986, BEA formed a Grand Cayman Island branch, that is located in one of the main offshore drug money-laundering spas. Simultaneously, it entered into a joint venture with the Bank of China’s Shenzhen branch and other firms to form Red China’s first finance company, China International Finance Company, based in Shenzhen, which spearheaded development of the Shenzhen Special Economic Zone, a “treaty port” similar to those of the “Opium Wars” period. Clearly, the question is raised whether much of the joint venture investment in China is financed by the opium trade of the Chinese Communists, which Kissinger covered up when he opened the door to China in 1971-72, even as Red Chinese intelligence was dragging U.S. troops in Vietnam.

● **American Express.** Board member Henry Kissinger has toured with Amex chairman James Robinson through China under the auspices of Everbright Industrial Holdings, a Chinese government investment firm. Currently, Amex and Shearson Lehman Hutton have \$138 million invested in a 13-year loan to build an office complex in Beijing, while Amex also handles many tourist facilities in mainland China. Not surprisingly, given the pattern of Kissinger’s other clients involved in Red China investment, it is suggestive that Amex offices in the United States have been raided on three separate occasions for suspected drug money laundering.

● **American International Group.** International advisory board member Henry Kissinger has helped establish a joint venture with the People’s Insurance Company of China called China America Insurance Co., which is capitalized with \$25 million and handles insurance and re-insurance on mainland China business.

● **Atlantic Richfield.** This Kissinger Associates client will invest up to \$170 million as part of its 34% share in a 30-year joint venture to develop the South China Sea natural gas field and to run a pipeline to Hainan Island.

Kissinger hawks Mexican model of debt peonage for the South

by Mark Sonnenblick

Henry A. Kissinger was dispatched as a leg-breaker for the international banks to several debt-strapped countries in Ibero-America in July, to offer “friendly advice” and “assistance” about how to keep paying their debts to David Rockefeller. That was the public façade. Behind the scenes, Kissinger was demanding that they implement the Mexican economic model—the brutal reduction of consumption levels which has cut the purchasing power of the average Mexican by 46% in the past seven years.

Kissinger was particularly concerned to stick his nose into Argentina, which was inaugurating a new President, Carlos Menem—a Peronist, which means an heir to the nationalist tradition of Gen. Juan Domingo Perón, whose very name sends shivers down the spines of the Wall Street crowd (see article, page 48). Kissinger attended Menem’s inauguration as an official representative of President George Bush. In a meeting with Kissinger on July 7, Menem, according to a spokesman, rebuffed the shuttle diplomat’s offers to “co-operate as far as possible” in helping the penniless republic resume payments on its foreign debt.

During his tour, Kissinger also provided “friendly free advice” to the Presidents of Venezuela and Brazil on how they should follow Mexico’s path to “debt reduction.”

Mexico, the “model debtor” so praised by Kissinger, is the only major debtor making on-time interest payments. “In proportional terms, Mexico allocates three times as much to pay the foreign debt as Germany paid in reparations to its former enemies after the First World War,” the West German business daily *Handelsblatt* calculated in June. Germany paid 2.5% of its Gross National Product; Mexico is paying 6%. The government is using 66% of all spending on debt service. Almost 70% of Mexican families are in extreme poverty, the Catholic Church reported June 27. Medical service and food subsidies have been eliminated from the budget since 1983. According to UNICEF, as a result of malnutrition, preventable diseases, and those curable at low cost, 1,110,000 children have died in Mexico during the past five years.

Kissinger’s advice boils down to using Ibero-America’s unpayable debt as a weapon against the national sovereignty of both debtors and their creditors, especially the United

States, whose taxpayers are expected to bail out the banks.

Kissinger highlighted this in a press conference he gave in Caracas, Venezuela on July 6. Asked about reports that he would “help” Venezuela pressure the Wall Street banks for more moderate debt terms, Kissinger replied, “We cannot say that the governments have done enough; the governments have to do more.” Kissinger stressed an enhanced taxpayer role three times, while evading newsmen’s questions. He insisted that the sacrifices to the debt crisis must be “tripartite”—by the debtors, the banks, and the countries where the international banks happen to have their headquarters.

Kissinger didn’t leave home without his Amex card, in the form of American Express Bank President James Robinson. Robinson explained and Kissinger blessed a “Robinson Plan,” under which countries that followed his dictates would get token debt relief. The plan calls for an entity, capitalized at \$15 billion, to buy from bank creditors up to \$300 billion of Ibero-American debt at a discount, giving them long-term bonds at high interest rates in return. “Misbehaving” debtors would lose all credit.

Praise for Salinas and Pérez

In his Caracas press conference, Kissinger praised Mexican President Carlos Salinas and Venezuelan President Carlos Andrés Pérez for their singular willingness to impose bloody austerity and open their countries to looting by his clients. “I think that Mexico and Venezuela have developed some very constructive measures this year and deserve our support,” he declared.

Harvard-trained Salinas and former Socialist International Vice-President Pérez have done that. To enforce the “economic reforms” loved by Kissinger, Pérez sent the Army into the streets of Caracas Feb. 27 to quell rioting, which left at least 1,000 people dead. These are the ugly “democratic Presidents” Kissinger is wielding against recalcitrant forces in Ibero-America.

Their enthusiastic backing for Kissinger’s plan was reported by the Caracas daily *El Nuevo País* on July 11, under the headline: “Salinas and Pérez Subscribe to Robinson-Kissinger Plan—The Foreign Debt Must Be Shared Between

Lenders and Debtors.” It quotes from the final document signed July 10 at the end of the Mexican President’s visit to Venezuela. The two rulers stress, “The developed countries must also take up their share of the burden of adjustment of the world economy.” The debt problem must be solved “based on the responsibility shared by debtor and creditor countries, commercial banks, and international financial agencies, to permit a substantial reduction of said debt.”

From Venezuela, Salinas flew to Colombia, and from there to Paris for the summit conference organized by French President François Mitterrand. The Bogotá, Colombia daily *El Tiempo* greeted him with an editorial July 10: “There Is No One Like Salinas.” It exalts, “Then the miracle took place which makes him today one of the continent’s most distinguished people. Perhaps, with foresight proper to the Aztec race, he saw the abyss his country was nearing and acted.”

Mexico’s supposed “success” was also hailed by former U.S. Federal Reserve chairman Paul Volcker, who, in Mexico City on July 8, praised its “structural changes” and asserted, “all other interested countries must collaborate with this model.” Volcker, of course, did not admit that his 21% interest rates during the Carter administration had triggered the debt crisis.

In Lima, Peru, July 6, Manuel Ulloa, the former prime minister and former branch manager for David Rockefeller’s Chase Manhattan Bank, demanded that his country adopt the kind of “Economic Social Pact” that Mexico used to get unions peacefully to accept 50% reductions in real wages over the past seven years. Ulloa proposed a plan to reduce nominal foreign debts by 50%.

In 1985, Ulloa lost a lawsuit against the Peruvian publishers of *EIR*’s book *Narcotráfico, S.A. (Dope, Inc.)*. That book documented how the “free-market” policies Ulloa implemented as prime minister in the early 1980s aided and abetted cocaine traffickers and narco-terrorists to over-run Peru.

Another target of that book, Venezuelan billionaire Gustavo Cisneros, surfaced to host Kissinger during the latter’s current junket. In 1985, Cisneros arranged for *Narcotráfico, S.A.* to be banned in Venezuela and for *EIR*’s reporters in Caracas to be jailed and then expelled. Cisneros offered a 100-person gala dinner in homage to Henry, who described Cisneros as “my friend for the past 15 years.”

The Henry-Gustavo love-fest sparked reactions from *El Diario de Caracas*, owned by Cisneros’s rivals. It described Kissinger as “a charismatic figure in jet set magazines” who “expects to charge Venezuela \$4 million a year for his nice and phony advice.” It concluded its story on Kissinger’s press conference at the central bank in Caracas by reporting July 7: “Former presidential candidate Alejandro Peña, follower of Lyndon LaRouche, took the opportunity to distribute right there a declaration against the Cisneros-Rockefeller-Kissinger liaisons. ‘He intends to exchange debt for equity,’ Peña said.”

Grabbing for the debtors’ assets

With Brazil’s June 30 “temporary suspension” of debt repayment, only Mexico, Chile, Colombia, and Uruguay, out of Ibero-America’s two dozen nations, are still servicing their debts on time. After eight years of destroying their workforces and economies to pay usurious interest rates, every country is less able to pay now than when the Reagan administration let Kissinger dictate its debt strategy in 1982.

At that time, the Kissinger faction defeated economist Lyndon LaRouche’s fight to have the United States help Ibero-American nations to “grow their way out” of bankruptcy. For the last two years, Kissinger, Secretary of State James Baker, and Treasury Secretary Nicholas Brady have been talking about “growth” and “reducing the debt burden,” but they have failed to do anything concrete for a single country.

Even Mexico’s Salinas pointed out in a speech at a meeting of the the Latin American Economic System in Caracas on June 10, “Between 1983 and 1988 alone, the Latin American and Caribbean nations transferred abroad as debt service approximately \$200 billion—nearly half the regional debt total—while the amount owed increased by \$100 billion.”

Mexican journalist José Luis Mejías assessed July 8, “Latin American countries must be subjected to terrible pressures and threats, to have imposed on all of them disunion, overwhelmingly damaging terms of trade, and interest payments that decapitalize so much they bring hunger and subversion. Nothing else can explain why every government in Latin America, regardless of ideology, is made to submit to IMF orders, privatize almost all state companies, open borders (while those of industrialized countries are closed), make big budget cuts, and make punctual payment of decapitalizing interest on debt.”

Journalist Francisco Gómez, in *El Financiero*, concluded, “The Mexican government has conceded the most: It has continued paying debt service, at the level of \$14 billion a year; it has practically dismantled trade protection; it has liberalized its financial system.”

The world’s financial pages are full of deceptive headlines claiming that Mexico is close to being rewarded with huge debt reductions. No such deal will be concluded for months or more. In the meantime, Mexico is running out of cash. Foreign reserves, which were \$16 billion a year ago, have been wasted away to less than \$6 billion.

The remaining difference between Mexico and its bankers is not over whether a token amount of debt will be reduced by 35% or 40%, but over banker insistence that it amortize at least \$3 billion of unpayable debt principal a year in the form of choice Mexican equities and properties, until the country’s \$110 billion debt is repaid. London’s Libra Bank Vice President Roger Freeman threatened in Mexico July 10, “If the authorities don’t permit debt to be changed for investment, the banks are going to keep their level of exposure frozen.”

Argentines pin hopes on their new President, as crisis deepens

by Peter Rush

Carlos Saúl Menem took the oath of office as Argentina's new President on July 8, succeeding Raúl Alfonsín. With a mandate to repudiate the destructive austerity policies of the International Monetary Fund, Menem was elected in a landslide victory on May 14. But he has inherited from his predecessor the worst economic and social disaster in Argentina's history, brought on by those very IMF policies. Now, the Argentine people are looking to the new President to reverse the hyperinflationary debacle left behind by Alfonsín, which has reduced this once-wealthy nation to penury. Menem has very little time to show results, since the country is now a powderkeg, with sporadic rioting having already resumed after a brief intermission, and an imminent danger of social explosions so large even the Army couldn't control them.

The international banking community and its local allies intend to make sure Menem does not succeed. Fearing that the Peronist Menem would revive the nationalist policies of his party's founder, Gen. Juan Domingo Perón, these factions maneuvered quickly following the elections to prevent anti-IMF forces in the armed forces and the labor movement from having a role in shaping policy for the future President. Monetarist businessmen and other "experts" have told Menem that if Peronism is going to be "respected" and accepted internationally, it must not contemplate declaration of a debt moratorium or talk of a debtors' cartel, but follow more pragmatic policies. Bankers have warned Menem that the nationalism that has characterized Argentine politics since the 1940s cannot be tolerated any longer.

Evidence of the pressure on Menem was the presence of none other than Henry Kissinger as a member of the official U.S. delegation to Menem's inauguration (see article, page 46). Kissinger is known for his racist assertion that "nothing good" can ever come out of the Southern Hemisphere. His trip to Buenos Aires had one purpose only: to make clear to Menem that the condition for receiving funds from foreign banks is not just a tough austerity program; he must be prepared to smash the still-influential nationalist forces, particularly those within the military.

After being feted by some of Rockefeller's Argentine friends, among them "roving ambassador" millionaire Amalia de Fortabat and arch-monetarist Alvaro Alsogaray, Kissinger met with Menem on July 8. Publicly, he offered

his "good offices" to mediate between Argentina and the banks concerning Argentina's \$60 billion foreign debt, on which Argentina is now more than \$4 billion in arrears. According to Buenos Aires radio reports, Menem did not respond to the "offer."

'Sacrifice, austerity, hard work'

Menem's inaugural speech to the Argentine Congress July 8 reflected pressures to which he has been subjected since his election. His call to rebuild the country from scratch was well received, although he gave no details of how he intends to accomplish this, emphasizing the need for "sacrifice, work, and hope." "We're going to be pragmatic," he said, although adding, "we're not going to make pragmatism our ideology."

On the crucial question of the country's \$60 billion foreign debt, Menem described repayment as a "commitment of honor," explaining that as soon as the government deficit can be ended, public finance straightened out, and an export surplus generated, payments on the foreign debt would resume. Nowhere in his speech did he mention the IMF, or identify that it was precisely paying usurious debt service on the foreign debt that most damaged the economy under his predecessor.

In mentioning the question of Ibero-American integration, Menem did give Argentina's enemies cause for concern. "To be sovereign," he said, "is to generously open ourselves to our brothers of our extended fatherland. . . . We want national unity at home, and Latin American unity encompassing the continent." In a press conference July 10, following a meeting with the Ibero-American heads of state who had attended the inauguration, Menem was asked if the Presidents had discussed a debtors' cartel, to which he answered that they had "discussed integration," adding that a debtors' cartel is a "consequence of integration."

Menem's cabinet appointments and his announced economic program, however, are intended to reassure nervous creditors who feared that a Peronist electoral victory would mean a return to intransigent nationalism. Menem selected known monetarist Javier González Fraga to head the central bank, and Alvaro Alsogaray, follower of Austrian monetarist Friedrich von Hayek, to be his personal adviser on the debt

question. Alsogaray was the man responsible for Argentina's first agreement with the IMF in 1957, when he served as finance minister.

To the all-important post of finance minister, Menem appointed Miguel Roig, a longtime executive of the Bunge and Born grain cartel. Alsogaray's daughter María Julia Alsogaray, a monetarist in her own right, and Octavio Frigerio, have been appointed to head two of the largest public sector companies, the ENTEL telephone company and the national oil company YPF. Nationalists suspect that Frigerio's close ties to multinational oil interests are related to plans to privatize YPF.

Economic program a grab bag

Finance Minister Roig announced the first round of economic "adjustment" measures on July 9. The package had all the appearances of being hastily thrown together and Buenos Aires' financial daily *Ambito Financiero* remarked that it "was very improvised and changes were being made in it until the last moment before it was announced." Lacking coherence as an overall economic plan, the measures were intended to spur exports, increase revenue collection by the central government, lower interest rates, and provide some relief to the hardest hit sections of the population.

Measures included a 53% devaluation of the austral against the U.S. dollar, going from 300 australs to 650 per dollar, a move intended to convince agricultural exporters to resume exporting grain, the country's primary export earner, and in the process to pay the hefty export taxes the government badly needs. Also intended to replenish empty government coffers were increases in gasoline and fuel oil of over 600%, electricity rates by 200% for consumers and 600% for businesses, and transportation rates by 200%. Most government subsidies to business were suspended, and tax laws are to be simplified, and tax collection enforced.

To deal directly with hyperinflation, prices for most goods are to be rolled back to their levels of July 3, prior to dizzying price increases of 100-200% taken the following week for many items. (Already there are reports that merchants are not only disregarding this, but in many cases continuing to raise prices.) All wage earners are to receive a one-time bonus of 8,000 australs (about \$13 at the new exchange rate) to help them cover the increased utility rates. Not mentioned in his speech, but announced later, is a wage increase of 130-150% for government employees, with similar increases urged for private sector workers, later in July, intended to cover this month's inflation. Roig said he anticipates inflation declining from 150-200% in July to 15% in August.

Other measures include privatizing all public enterprises engaged in direct production of goods except those related to defense and national security, lowering interest rates to 15%, and decreeing a state of economic emergency, and granting the central bank greater autonomy from the central government, such that it will no longer be empowered to finance

government deficits.

While Roig stressed that his plan "will basically strive to strengthen the purchasing power of wages," he presented no supporting evidence to show at what level purchasing power would be after price and wage increases take effect, nor by how much, if at all, real wages will increase from their present untenable lows, a point noted by the head of the Argentine Agrarian Federation, who said that it is too soon to evaluate the program. In Roig's speech, he said, "there weren't enough figures." Specifically, Roig failed to indicate how the inflationary effect of the enormous devaluation would be absorbed, or how business was expected to absorb large wage increases without again raising prices.

More broadly, the plan calls for temporarily suspending virtually all public sector investment—which is precisely what needs to be immediately increased, to provide jobs, income, and infrastructure desperately needed for growth, starting in the electricity sector (see *EIR*, June 30, 1989, "The Alfonsín Era: IMF Policies Wrecked Argentina's Economy"). The program focuses primarily on ending the public sector deficit and leaving the economy to the private sector.

Kissinger wants the nationalists crushed

However, Kissinger and his friends want more than mere economic measures; they demand the elimination of military nationalists, headed by Col. Mohamed Ali Seineldín. *EIR* has learned that on June 28-29, with full support from the Alfonsín government, top anti-nationalist Army generals met secretly to map out a strategy to discredit Seineldín and officers loyal to him, portraying them as "subversives" who were out to destroy the Army.

Proceeding along the lines of Henry Kissinger's 1984 warning that "fundamentalists" in the Argentine Army, led by "a new Qaddafi," could take over that institution, the generals agreed to carry out a "psychological action" against the nationalists. Seineldín and some of his supporters staged a military action in December 1988 at the Villa Martelli military base, which ended in an agreement to raise military wages and make other reforms. Key to the generals' plans was a repudiation of this agreement, and a denial that any agreement was ever made. The generals also planned to compile a list of Seineldín's associates, in order to arrest them at a later time.

The situation in the armed forces has yet to be resolved. Menem has appointed Gen. Isidro Cáceres as the new head of the Army, which means that 12 senior generals, including several who are the most hostile to Seineldín, will be forced into retirement. Cáceres is reported to be acceptable to the Seineldín group. A campaign to force the issue was launched with a false rumor to the effect that Menem wanted Seineldín to resign. Menem immediately tried to scotch the story, saying that the matter was strictly an internal Army affair, and that the military crisis "seems to be of more concern abroad than it is here."

Debt payments halted . . . for elections

Sarney is suspending interest payments to calm pre-election waters, but some military circles want a break with the IMF.

On June 30, the government of Brazilian President José Sarney decreed a series of monetary measures which suspended payments abroad, including interest payments due on the foreign debt. Similar measures were taken on two previous occasions: in 1983, when the monetary reserves fell to zero, and in 1987, when a moratorium on foreign debt interest payments was declared.

The latest measures are designed to protect the country's international reserves, currently estimated at some \$6 billion, and to avoid an exchange crisis that could destabilize the presidential elections scheduled for November of this year. Without this stabilization effort, the Brazilian economy—already on the verge of hyperinflation—could spin wildly out of control à la Argentina, making the elections a pipe-dream.

Up until now, Brazil has not paid the Club of Paris some \$800 million worth of interest on the debt. The government's position is that payments will only be made to the extent that capital comes into the country from abroad, hopefully through an agreement with the International Monetary Fund (IMF). However, that possibility is rather remote at the present time, as Brazil's own economic authorities admit. "An agreement with the IMF will be for the next government," said Planning Minister João Batista de Abreu on July 6.

Finance Minister Máilson da Nóbrega asserted that such an agreement "is difficult, very difficult, in a situation in which the 1989 fiscal deficit is

worse than that of 1988."

Between now and November, Brazil must pay to its combined creditors \$6.7 billion. The technical moratorium will actually occur in September, two months before the elections, when the banks must be paid \$3.4 billion. The moratorium will most certainly be extended through March 1990, when the new President is to take power.

Brazil's record exports of \$35 billion between May of 1988 and May of 1989—achieved at the cost of brutal wage-gouging—have not appeared to help. Of the \$35 billion, only \$12 billion actually entered the country's reserves. The world economic depression has left Brazil without resources and with its industrial plant and equipment in dramatic decline, with the lowest investment rate in a decade.

Although Citibank's "man in Rio," former minister Mario Henrique Simonsen, has called it an "educated" (read: well-behaved) moratorium, it may not turn out that way. In fact, Brazil's ambassador to the United Nations Paulo Nogueira Batista has launched a virtual confrontation with the international financial system, in which the moratorium could serve as an opening salvo. Nogueira Batista is a former director of the company Nuclebrás, and is known for having promoted the great Brazil-Germany nuclear deal during the government of Gen. Ernesto Geisel.

In an explosive speech in Geneva, Switzerland on July 7 before the Economic and Social Council (ECOSOC), Nogueira Batista declared:

"The multilateral economic system is in total disorder, it is in ruins," and not only the United Nations system—FAO, ECOSOC—"but also the Monetary Fund and World Bank." He emphasized that the IMF and World Bank are controlled by the creditors and that their purpose today is "limited to overseeing the world flow of money." Finally, he accused the United States of being responsible for this world disorder by "increasing interest rates, which are the cause of the rapid rise in developing nations' debt."

Pressure for the country to maintain even minimal protection for its reserves came primarily from the Brazilian Armed Forces. President José Sarney himself, in meetings with the defense sector, was forced to address the problem of the foreign debt: "The country has allocated more resources for payment of the debt than for social investments," he said June 13 to a group of students and professors from the Superior War College.

Military discontent with the decline of the state sector, lack of resources for point technology projects, and above all the deterioration of their own wages, was reflected in an editorial in the newspaper *Ombro a Ombro (Shoulder to Shoulder)*, edited by a group of retired military officers with great influence both among the military and political elites. In its June edition, *Ombro a Ombro* cites a 1983 article from *EIR* which warned that agreements with the IMF would only lead to the disintegration of the economy, of Brazil's great industrial projects, and of the state companies.

"We are Brazilians and we are under siege," it read. "We must respond. There can be no reaction without unity. Unity is of the people. Either we break the siege and battle the adversary, or—in short—we will awaken under a foreign flag."

Mexico becomes a 'banana democracy' in wake of state elections

by Miguel Hidalgo

The U.S. mass news media these days are generally jumping with joy over the "victory" of the National Action Party (PAN) in the July 2 gubernatorial elections in the state of Baja California Norte, known by its neighbors to the North simply as "Baja." The hullabaloo is not just over an opposition party winning, but that this is the first time since the ruling Institutional Revolutionary Party (PRI) was founded in 1929, that a party other than the PRI has won—and the government has recognized the victory, a state governorship.

That sounds really good—too good, in fact, to be true. The truth is that enormous fraud took place before, during, and immediately after the Baja elections. It might appear strange that the PAN's victory was proclaimed first not by the PAN, but by the national president of the PRI, Luis Donaldo Colosio, on July 4, shortly after having received orders to do that from none other than President Carlos Salinas de Gortari. Perhaps as a special Fourth of July message, Colosio stated at his press conference that even though the official returns were not yet in, the "general tendency" in the Baja gubernatorial elections "favored" the PAN candidate, Ernesto Ruffo Appel. Colosio then fell apart in an outpouring of meaningless verbiage, in order to put an end to a *sui generis* press conference in which he accepted not a single question. On orders of the presidential press office, which controls almost all Mexican mass media, the official television network interrupted its normal programming to transmit the PRI chief's message.

Colosio did not bother to give any concrete vote count on which to base his giving victory to the PAN. Those who attended the press conference were asking themselves, "Is Colosio president of the PRI, or of the PAN?" It was quite clear that Colosio's intention was to shift the balance in favor of the PAN while the votes were still being counted.

Arrangements with Washington

A story that Salinas himself would announce a PAN victory in the Baja elections had been making the rounds for several weeks preceding the elections. It was said that Joseph Marie Córdova Montoya—Salinas's presidential coordinator and most influential adviser—was arguing that the best

thing for Salinas's personal prestige would be to hand the Baja governorship over to the PAN, in order to win the support both of those business and Catholic Church sectors which support the PAN, and of the government of the United States.

Córdova's thesis is summed up in the slogan: "Win by losing." His electoral strategy was simple: Barter the PAN's "triumph" with the U.S. government, in return for advances in Mexico's agonizing debt renegotiations.

It is no accident that Córdova was the man Salinas put in charge of supervising the negotiations. His enormous power inside the government has created considerable discontent, due to the enigmatic manner with which he acts and also to his foreign origins. Córdova is a French-Spaniard who only obtained Mexican citizenship in 1981, thanks to Salinas's requests to President Miguel de la Madrid. Previously, Córdova had worked closely in France with Socialist leader Jacques Attali, ex-minister of the French government.

A clear demonstration that it was Salinas's personal decision to recognize the PAN's victory, is found in a July 6 *Los Angeles Times* analysis by U.S. political scientist Wayne Cornelius. "There is no doubt," he wrote, "that the decision to yield power to the PAN in Baja California was made at the highest levels"—i.e., the presidency.

Cornelius's perception is well-informed: He has been tied to Salinas for almost a decade, particularly since he and Susan Kauffman Purcell were directors of the Woodrow Wilson Center for International Affairs' "Mexico Project." At present, Cornelius is assistant director of the Center for Mexico-United States Studies at the University of California, San Diego.

Discontent in PRI ranks

This "give-away" of the governorship provoked profound discontent among PRI activists in Baja California. They have protested what they term "treason" by their leaders. In a number of public rallies, local PRI leaders openly attacked national PRI chairman Luis Donaldo Colosio and the PRI officials sent from Mexico City to run the election campaign. The state president of the PRI, Eduardo Martínez Palomera,

was pursued July 7 by furious PRI members and was smacked around by several of them.

On July 5, Martínez Palomera and a group of local PRI leaders gave a press conference at which they affirmed, "Neither the PRI leadership nor its active members recognized at any time and for any reason the supposed triumph of the PAN." Martínez Palomera argued that until "election officials release the vote count results, and until the electoral colleges certify the elections' legality, there is no reason for us to concede anything at all." After he was finished, groups of PRI members shouted, "Death to Colosio!" On June 7, the PRI candidate for the state's governorship, Margarita Ortega, declared, "I am not going to concede, nor will any of the PRI candidates."

The discontent of the Baja California PRI members was suffocated, however, when their leaders were called to Mexico City to be disciplined.

Michoacán: Stalin-style elections

In sharp contrast with Baja California, the international media have paid little attention to the Michoacán elections of the state assembly, now politically dominated by ex-presidential candidate Cuauhtémoc Cárdenas. Born in Michoacán and a popular governor of that state, Cárdenas was the victim of an enormous electoral fraud on July 6, 1988, which stole the national presidency from him.

There were 18 state assembly seats up for grabs in the Michoacán elections. The Salinas administration's dilemma was that if Cárdenas's Party of the Democratic Revolution (PRD) won the majority of the seats, for the first time an entire state legislature would be under the control of the opposition. That would permit the opposition to have a certain amount of leverage in the daily management of the state. But it could become critical the next time a governor is elected, since the election is also likely to be contentious; and, in Mexico, the legislature has the last word on who wins an election.

These elections were more important for Salinas than those of Baja California. Salinas took pains to send two former cabinet members, a former governor, and hundreds of "special envoys" to Michoacán to shore up the PRI's campaign. And Colosio, the national PRI leader, made four tours through Michoacán during June. The federal government lubricated things by investing millions of dollars in bribes, propaganda, control over press, radio and TV, hotels, and typical PRI pre-election squandering. The objective was at all costs to prevent Cárdenas from winning. They even brought in an extraordinary concentration of troops from neighboring states to guarantee the achievement of this objective.

Every conceivable dirty trick was tried. The state government—whose current governor was appointed, not elected—illegally delayed the distribution of voter registration lists. The law requires that such lists be provided to local election

officials 15 days before the elections; the regime distributed them two days before. The political police carefully selected poll workers in order to guarantee their loyalty to the PRI. And, on election day, shameless fraud took place: Unregistered voters cast ballots, polls turned up in places not previously stipulated, armed bands robbed ballot boxes, boxes were stuffed, and poll-watchers from other parties were expelled.

The Salinas regime reached its peak of brazenness on election eve, when the police arrested and briefly detained PRD federal congressman Leonel Godoy, who was chasing a group of PRI youth who were painting offensive comments on PRD posters. Later, Godoy, accompanied by Mexican and foreign newsmen, found another group of youths who confessed that each was paid \$7 for his defacing work and that they belonged to a leftist terrorist group called Peasant Torch. Peasant Torch formally asked to join the PRI shortly after Salinas was imposed as its presidential nominee in October 1987, over the opposition of the PRI's peasant wing, the National Peasant Federation. Peasant Torch is financed by Salinas's brother, Raúl Salinas de Gortari.

The government illegally used every means at its disposal to intercept phone calls and to keep key PRD leaders and other Cárdenas supporters under 24-hour surveillance. The state's most important newspaper, *La Voz de Michoacán*, was one of their victims. The daily deployed 300 reporters to the vote-counting centers in every corner of the state to obtain rapid information on the returns. However, on election day, July 2, every one of its telephone, telex, and fax lines was cut for three hours. The paper's publisher, Rogelio Guzmán, said the experts he brought in found the wires were cut "intentionally" by persons familiar with the installations.

With things so arranged, the state PRI announced its supposed victory in 11 of the 18 electoral districts—that is, it gave itself the majority. For its part, the PRD announced with tally sheets in hand that it had won 15 of the 18 districts. It challenged the PRI to compare tally sheets, one by one, in public. But the PRI refused, claiming that "we will not fall into petty wars over numbers."

Salinist 'democracy' at work

Salinist democracy is selective. It elected to hand over Baja California because it is on the United States border, which guarantees it a big "publicity impact" on the United States government, whose policy, at least since 1982 has been to support and finance the PAN opposition.

On the other hand, it determined to smash Cárdenas because he represents the overwhelming majority of citizens who oppose Salinas's policy of handing over the Mexican economy to the country's creditors and making Mexico a cheap-labor sweatshop and secure petroleum source inside a North American Common Market. To demoralize that majority, the regime determined that Cárdenas had to be prevented from winning elections.

El Salvador: CIA works with terrorists

by Gretchen Small

The June 30 assassination of the president of El Salvador's Institute of International Relations, Edgar Chacón, has provoked renewed charges that the U.S. Central Intelligence Agency is actively collaborating with Soviet-allied terrorists in El Salvador. That collaboration extends to the elimination of any and all opposition to the Bush administration's decision that the terrorists are to be handed a share of power there.

Chacón's murder puts the lie to the line retailed by the CIA and U.S. State Department, that Washington's fevered push for a global condominium with Moscow has weakened Soviet narco-terrorist armies in the Americas, and has somehow "forced" them to the negotiating table. In fact, it is nationalists of the Americas, *not* the narco-terrorists, who are being sacrificed on the altar of the condominium.

Chacón was an outspoken opponent of Washington's efforts to establish a global condominium with Moscow. On June 30, "unidentified gunmen" shot him as his car was stopped at a stoplight in San Salvador. His wife, Helen, driving the car, escaped unhurt. Speaking to the press the next day, Mrs. Chacón accused the Soviet-allied Farabundo Martí Liberation Front (FMLN) terrorists of responsibility for the murder of her husband.

Asked who else besides the FMLN could be interested in his death, Mrs. Chacón replied: "The CIA, naturally, because the CIA helps the guerrillas. Even though [U.S.] Ambassador [William] Walker denies it, we all know that this is so."

Guillermo Ungo, the president of the Revolutionary Democratic Front (FDR) who ran as the FMLN's frontman for President in the last elections, was "called to Washington" by the CIA to "negotiate," she charged. When former FMLN Commander Miguel Castellanos identified Ungo's partner in the FDR, Ruben Zamora, as a CIA agent, he "was killed a week after making that statement. Do you think his grandmother killed him?" she asked, and then answered herself, "No, gentlemen."

"President [Alfredo] Cristiani and the Salvadoran people will react. The FMLN have made a mistake. . . . They do not know whom they have hit and the reactions they will provoke," Mrs. Chacón warned.

Dialogue, condominium style

Chacón was the third figure associated with the Cristiani government to be assassinated since he assumed the presi-

dency on June 1. José Antonio Rodríguez Porth, a prominent conservative politician who had been named Secretary to the Presidency, was gunned down on June 9. The murder of National Fire Department Director, Col. Roberto Armando Rivera, followed on June 27.

Nor has there been any letup since. On July 3, terrorists wounded the head of the Supreme Court, Mauricio Gutiérrez Castro. Power lines and transportation routes are systematically bombarded. Defense Minister Gen. Rafael Humberto Laríos warned the National Assembly on July 11 to brace for more assassinations, "both selective and indiscriminate," as well as a step-up in sabotage against economic installations, over the next few weeks.

The principal advantage which the FMLN enjoys at this time is not overwhelming military power, but the support they have received from the U.S. government. In a February visit to El Salvador, Vice President Dan Quayle warned that the Bush administration is prepared to end U.S. aid to El Salvador, if the military does not limit its fighting to levels which do not compromise Washington's "regional crisis" talks with Moscow. Shooting is not ruled out, but defeating the enemy certainly is.

Quayle returned to El Salvador in June. This time he went one step further, and met personally with the FMLN's political leaders, Ungo and Zamora.

It was this genocidal strategy of cabinet warfare combined with negotiations which Chacón adamantly opposed. He and others at the International Relations Institute were campaigning for the Cristiani government to adopt a military and economic strategy aimed at winning peace through victory. Chacón argued that such a strategy requires breaking with the austerity policies dictated by the State Department's Agency for International Development, which have only driven desperate people into the hands of the terrorists.

Chacón had no doubt that El Salvador's battle for sovereignty is the same as that facing all the Americas. As *EIR* reported in January 1989, Chacón named the Eastern Establishment's Inter-American Dialogue as the center of a plot to destroy Ibero-America's militaries on behalf of the "international usurers' " deal with Moscow.

On Feb. 7, 1989, he had escalated: "Salvadorans must have a clear idea that they face a conspiracy which seeks to force them to submit to a totalitarian socialist regime which implies an understanding between the great powers of East and West," he told El Salvador's *El Diario de Hoy*.

Henry Kissinger, the Trilateral Commission, and the "red millionaires" David Rockefeller and Armand Hammer are at the forefront of this conspiracy, Chacón said. "In the end, what the conspirators seek, is to establish a vast socialist world system, and in this order of things, El Salvador's Armed Forces . . . are to be sacrificed along with El Salvador, just as was done in Vietnam, Cuba, and Nicaragua, to name only a few of the most recent cases of treason by U.S. politicians."

U.S. attempts to provoke war

With other Ibero-American nations refusing to destroy Panama, the U.S. is heading straight into a new Vietnam war there.

Gen. Marc Cisneros, the commander of U.S. Army South in Panama, said July 8 that the United States should use military force to oust the commander of Panama's Defense Forces (PDF), Gen. Manuel Noriega.

Cisneros dismissed efforts by the Organization of American States to mediate the crisis. The OAS, he said, will not act "firmly" in carrying out U.S. demands to dislodge Noriega. "Speaking for myself," Cisneros told the press, "I believe this is the moment for military intervention in Panama."

Desperate to provoke a confrontation, the U.S. general has ordered his troops to invade Panamanian towns. On July 1, a U.S. infantry company took over the Panamanian township of Gamboa, on the banks of the canal, with a display of Chinook helicopters, armored personnel carriers, and other heavy weaponry, and occupied the town for 24 hours. On July 2, U.S. troops, supported by Black Hawk helicopters and tanks, invaded the town of Chilibre and took over Madden Dam and the water purification plant that supplies Panama City and Colon, the nation's second largest city.

Two days later, U.S. helicopters buzzed PDF headquarters in Panama City and conducted low-altitude flights all over the city. On July 8, two dozen U.S. tanks surrounded the area where General Noriega's command post is located in Fort Amador, because a spent bullet had allegedly been found in the home of a U.S. colonel, which purportedly had come from an AK-47 rifle "apparently fired from a nearby

PDF building."

So far the PDF has refused to take the bait. But the U.S. war games in Panama could degenerate into an all-out confrontation, "of grave consequences for the civilian population and the country's peace," warned Panama's Foreign Ministry.

General Cisneros, when asked how he would go about an attack, said he would issue an ultimatum to the PDF saying that they had 30 minutes to surrender. "I believe most of the officers of the PDF will accept" the ultimatum, he said.

But if there is anything that both the friends and detractors of the PDF and General Noriega agree on, it is the fact that despite more than two years of enormous pressures, they have stood up to repeated U.S. demands that they surrender Panama's sovereignty. Not only will the PDF fight, but they are likely to be joined by large portions of the civilian population, particularly those organized in the popular militias, the Dignity Battalions.

This was made clear in a letter delivered to Cisneros by the commander of the Battalions, Benjamin Colamarco, who led a contingent of 200 militiamen on a peaceful march to the American general's headquarters on the 4th of July. The people of Panama "are willing to make a sacrifice of love and to offer their own lives to continue to deserve the honor, dignity, and privilege of being Panamanians," said the letter. It praised the U.S. War of Independence for being "an exemplary page in the history of mankind." But since then, it said, U.S. soldiers

"have been separated from the noble purposes that encouraged their military ancestors in their struggle against the British colonialist army."

The shift to the military to rescue the administration's insane Panama policy is fueled by the realization that the OAS is no longer in the mood to do the bidding of the U.S., particularly since June 18-19, when the hemisphere's legislators declared their support for Panama at the Conference of Latin American Parliamentarians for Panama.

Diego Cordovez, Ecuador's foreign minister and chief OAS negotiator on the Panama question, rejected outright the idea that the OAS will do the U.S. administration's dirty work. The OAS, he said on July 7, "cannot go there and make statements as if it were an electoral tribunal and dismiss officials, as has been suggested."

Hoping to salvage the diplomatic option before the OAS meets on July 19, the Bush administration has called on Venezuelan President Carlos Andrés Pérez, to try once more to convince Noriega to leave. Pérez sent a diplomatic mission by private plane to Communist Cuba July 9 to enlist the support of dictator Fidel Castro, on the assumption that "he can exercise more influence on the Panamanian strongman," reported the Venezuelan daily *El Nacional* July 12.

But Pérez's meddling was dismissed by Panama's President Manuel Solís Palma. "Pérez seems to have an obsession with Noriega," he said, and he "is showing total compliance toward Bush's demands." As for Noriega leaving, Solís Palma said: "If Panama signaled to the United States that we are prepared to reach an understanding on this, I assure you that in a matter of weeks, the U.S. would say that Noriega has nothing to do with drug trafficking and that our government is the best in the world."

African resistance on the chopping bloc

by Jeffrey Steinberg

The anti-Communist resistance movements in Angola and Mozambique appear to be the latest sacrificial lambs in President George Bush's condominium arrangement with Soviet leader Mikhail Gorbachov. After years of waging a valiant battlefield effort to overthrow repressive Marxist regimes propped up by heavy Soviet, Cuban, and East German military and secret police presence, the National Union for Total Independence of Angola (UNITA) and the Mozambique National Resistance (RENAMO) now find themselves being coughed up as "bargaining chips" in a global power-sharing arrangement.

In mid-June, an American and Soviet-initiated meeting was held between UNITA leader Dr. Jonas Savimbi and Angola's nominal President Jose Eduardo dos Santos. As the result of that first face-to-face negotiation, a two-year "internal solution" to the Angola civil war is now reportedly in the offing. The key elements are: an immediate ceasefire, elections two years from now, and Dr. Savimbi's interim "exile" from Angola under the pretext of his assuming a government diplomatic post in New York City. If these reports are proven accurate, Savimbi's departure would lay the basis for a betrayal of the anti-Communist resistance struggle in Angola. Dr. Savimbi knows this. What, then, is really going on?

Chemical warfare

The full answer to that question is not known at this time. However, key pieces of information have been received from sources in South West Africa/Namibia that shed considerable light on the Angola component of the southern African "peace process." According to generally reliable sources in the Namibia capital of Windhoek, the Popular Movement for the Liberation of Angola (MPLA), over the past month, since the beginning of the dry season, has been using chemical warfare against both UNITA troops and civilian populations in the southeastern Angola. Whereas in the past, South Africa was able to maintain solid on-the-ground intelligence on the state of the civil war in Angola, the Brazzaville Accords have shut that window almost completely; and the United Nations Transitional Assistance Group (UNTAG) overseeing the Namibia-Angola treaty has been involved in a massive coverup of the Angolan chemical attacks.

News of the chemical warfare came out at a point when

over 1,000 Angolan refugees were streaming across the border into northern Namibia seeking asylum. Chemical warfare experts reportedly have established that the Angolans were using mustard gas similar to that used by the Soviets in Afghanistan.

The UNTAG-administered press blackout has been reportedly complemented by the United Nations Refugee Commission's refusal to grant refugee status to the Angolans entering Namibia.

While these events were unfolding inside Angola, the international news media were heralding the "breakthrough" in the Savimbi-dos Santos talks, while the Bush White House was quietly briefing reporters "on background" that it was Washington and Moscow that put the muscle behind the meeting and the pending internal solution.

Ceasefire in Mozambique

One day after the Savimbi-dos Santos meeting, the Front for the Liberation of Mozambique (FRELIMO) regime in Mozambique was publicly issuing a draft proposal for a ceasefire and settlement of the civil war in that southeast African nation. RENAMO, the anti-Communist liberation movement, which controls and governs major sections of the country, has been recently cut off—as part of the Washington-Moscow regional "peace process"—from all military and other assistance from South Africa. The United States has always refused to recognize even the existence of RENAMO, while the British have gone one step further by providing military and counterinsurgency training and equipment to FRELIMO.

According to one U.S. defense industry source, in the past month, military delegations from Mozambique (FRELIMO), Tanzania, and Uganda have been parading around the United States with lists of military hardware they wish to begin purchasing from U.S. manufacturers. All their heavy military equipment is currently provided by the Soviet bloc. In each case, the delegations have told the same story: The Soviets are cutting off all future military supplies and are urging their "ex"-clients to "buy American."

Failure of the 'Reagan Doctrine'

It was the Reagan Doctrine which opened up the floodgates for the current round of strategic betrayals, by overthrowing pro-American regimes in the non-Communist world, while backing contaminated "sure loser" projects like the Nicaraguan Contras. But, in fact, Western backing of legitimate and well-established anti-Communist liberation movements in the developing world—like UNITA and RENAMO—is of vital importance. The reports coming out of southern Africa, particularly the discrepancies between the glowing international reports of pending "political settlements" and the on-the-ground reports of genocide and betrayals, would indicate that the months of July and August are crucial ones for the future of Africa.

New China policy emerges in Germany

Leading circles here are debating a change in their approach to Communist China, and a reorientation toward Taiwan.

“Nothing will be like it was before, in China,” declared a lead editorial July 12 in the *Frankfurter Allgemeine Zeitung* signaling a change in West Germany’s approach on the China issue.

The Tiananmen massacre, the daily wrote, has shattered all the illusions built up over the years concerning Red China. Businessmen had been dreaming about a giant Red Chinese market of 1.2 billion consumers, and rushed into Beijing—but only found minuscule contracts. “In doing so, they overlooked that there is a real market in Taiwan, which is powerful.

“The Chinese themselves,” it continued, “never believed in their party dictatorship. Now, after the massacre, the people openly detest the party and state leadership.

“People are, for the time being, bowing down under the totalitarian terror regime, seeking ways of surviving in this world of lying propaganda and denunciation. But the seeds of a future, perhaps even violent revolution are already there. The terror regime has lost its legitimacy. The tradition of China knows the right to resistance against a regime which was falsely believed to have the ‘mandate.’ But the current regime has definitely lost this *mandate from heaven*.”

The so-called “China card” policy, the editors reasoned, proved to be flawed, a new China policy is now required.

The editorial reflects the combined impact of currents among the overseas Chinese, of the LaRouche-

inspired campaign for a fundamental change in the Western approach on the Chinese issue, and of considerations among conservative politicians in West Germany to re-emphasize relations with Taiwan. No decision has yet been made, the debate has only just begun, but a change is undoubtedly under way.

This was also reflected in a discussion I had in Bonn recently with Hans Stercken, chairman of the foreign relations committee of the Bundestag, the West German parliament. Stercken, a Christian Democrat, already in his June 15 speech in a parliamentary debate on China, declared categorically that he will not “sit again at the same table with those blood-curdling murderers” from Beijing, and consequently called off a meeting with Red Chinese parliamentarians members set for July 4.

In that June 15 speech, Stercken warned of temptations in Beijing to strike for military adventures abroad, in a potential replay of China’s *punitive expedition* into Vietnam in 1979.

Stercken strongly reiterated to me his commitment not to meet with any of “those who are responsible for the [Tiananmen] massacre,” and emphasized that any alleged “return to normalcy” of the political situation in Red China, such as a decrease in the number of public executions, would not be read as an improvement of conditions. A key indicator of a change—but unlikely to occur under the current Red Chinese regime—would be the liberation of the judicial system from control by the party apparatus, a fair trial

for every Chinese citizen, and the right to defense in court.

In response to a question about his view of Taiwan, Stercken said: “For years, I and others have tried to get more official relations established between Bonn and Taipei—consular, air traffic, for example. . . . This has been recommended by the government there and the opposition alike.”

But the question of relations with Taiwan, Stercken said, “has always been rated low, because it was standing in the way—or at least it was thought it would stand in the way—of relations with Beijing.” He would not go further than that in criticizing the Bonn government’s current China card policy, but the message Stercken gave was clear enough.

What about the future of Hong Kong? By and large, Stercken declared, the British have met their legal obligations from their rule over Hong Kong and the respective agreements with the Red Chinese for the year 1997, but “these agreements make sense only on the basis of specific conditions, and if these conditions are no longer met by the government in Beijing, if the [Communist] Chinese assurances about Hong Kong’s future are threatened, then we’ll have to tell our British friends that there must be a thorough review of all these agreements, naturally. It won’t work any other way.”

Not openly advocating, but not ruling out economic sanctions against the Red Chinese regime either, Stercken emphasized that “humanitarian and food aid will not be affected; this has always been our policy irrespective of the political conditions.” For the time being, a political embargo against Red China on the government level should be kept, “until we see there are new discussion partners in Beijing to deal with.”

Pressing India on non-proliferation

Australia's Robert Hawke is riding shotgun for the Nuclear Non-Proliferation Treaty in South Asia.

What Australian Prime Minister Robert Hawke says rarely catches the attention of anyone in India. But Hawke's June 28 announcement in Washington that he told the U.S. administration that Australia "will and must try to press" India and Pakistan to sign the Nuclear Non-Proliferation Treaty will certainly raise a few eyebrows in New Delhi.

Hawke also told the press conference that the Indian prime minister, "my friend Rajiv Gandhi," had told him that India's improved relations with Pakistan and with China might enable it to reduce its military spending. Hawke did not explain how this revelation relates to his decision to press India on non-proliferation.

Hawke is obviously unaware that India's decision not to be a signatory goes back a long time before his "friend Rajiv Gandhi" came to power. He has also chosen to ignore the fact that the decision was reached through careful evaluation of the content of the treaty, and not because, as Hawke implied to the Washington media, insufficient pressure had been exerted on India.

India has not only refused to sign the treaty, but has openly and repeatedly condemned it as a discriminatory document designed to hurt the non-nuclear nations. India had no difficulty in recognizing the glaring fact that the treaty is nothing more than cartel of the nuclear weapons states to help them monopolize nuclear technology.

According to the treaty, the nuclear powers undertake not to transfer nuclear weapons or any special nuclear

materials that would enable a country to build nuclear weapons to the non-nuclear weapons states. But the treaty left enough loopholes for the nuclear "haves" to reserve the option to transfer both to countries of their choice, and they can also rely on nuclear-war doctrines for their security, train their troops in the use of nuclear weapons, and take part in nuclear scenario exercises.

The treaty also does not prevent a nuclear power, while formally retaining the ownership of weapons, from physically transferring their possession. While the treaty is nominally strict in preventing non-nuclear powers from getting the equipment and special nuclear materials (prevention of horizontal proliferation), the nuclear powers, at the same time, can pile up their nuclear arsenals indefinitely (vertical proliferation).

Moreover, the barrage of criticism and outright censure India received when it exploded a peaceful nuclear device in 1974 has left a sharp memory, while the United States and the Soviet Union—being certified nuclear superpowers—explode such devices when they please.

Even where the treaty was non-discriminatory, the nuclear powers have moved to make it discriminatory. Article IV of the treaty contains a "promise" to permit transfer of peaceful nuclear technology. But the London Club of nuclear suppliers, which consists of the nuclear powers and what Henry Kissinger calls the "industrial democracies," drew up a "trigger list"

of nuclear materials which will not be supplied to non-nuclear weapons states unless they accept the full "safeguards." In this context, the United States' recent attempt to raise the bogey of reactor-grade plutonium being used in India to make nuclear weapons has not gone unnoticed here.

There is more to it. As a result of the 1962 Sino-Indian war and the Chinese detonation of the first atomic device in October 1964, a nuclear debate began in India. Although India shifted from its earlier stance of "no bomb" formulated by the late Prime Minister Jawaharlal Nehru, to "no bomb now" under his successor, the late Lal Bahadur Shastri, India took notice of the nuclearization of China's military. Its subsequent development of short- and medium-range, and intercontinental missiles has added no comfort to India's security.

The latest available information indicates that China has shifted from its doctrine of "People's War," where a million rifle-wielding Chinese prepare to defend their country, to "People's War under modern conditions"—a vague enough name for the nuclear war doctrine. Several notable exercises have been held by the Chinese Navy, including a June 1988 naval exercise under nuclear conditions with the scenario of an aircraft-based nuclear attack at a port with submarine chasers and escort vessels.

This is not to suggest that India must build nuclear weapons. But with the proliferation of nuclear weapons in China and the re-emergence of the old, ruthless Chinese leadership following the Tiananmen massacre—incidentally, that made the Australian prime minister weep for the second time in public—no one, including Mr. Hawke, should be surprised that India does not want to trade away its freedom to build its own defense according to its needs.

International Intelligence

Thai police chief orders drug crackdown

Police Director General Pow Sarasin has ordered a nationwide crackdown on narcotics trafficking, in the face of an expected record Golden Triangle opium crop of about 2,000 tons, according to the July 9 *Bangkok Post*.

General Pow recently instructed police in the north to suppress drug smuggling from Burma. This year opium output from the Golden Triangle is expected to be 1,500-2,000 tons, against the 1,000-1,200 tons predicted earlier. Thai and Western diplomatic sources attributed the large increase in Burmese production to the country's political turmoil during the past year. Production of opium in Thailand this year is expected to be 30 tons.

General Pow said that more heroin refineries were likely to open at the Thai-Burmese border this year. Thai sources said that a new brand of heroin, bearing the trademark of an eagle over a globe with three Ks underneath, has already entered the market, and that heroin produced in Laos is of lower quality due to the lack of experienced chemists.

Soviets threaten new Afghanistan moves

Soviet Deputy Foreign Minister Yuli Vorontsov warned the West in a *Washington Post* interview July 8 that Moscow is prepared to give the Soviet-backed Kabul regime some of its most advanced warplanes, including MiG-29 fighters and "a new type of Sukhoi" ground attack jet, to counter alleged U.S. upgrading of arms supplies to the Afghan rebels.

Vorontsov said that Moscow has already sent extra Air Force planes to its bases just north of the Afghan border, and had placed them "on a very high state of alert" to respond to any direct U.S. or Pakistani intervention in the fighting. He accused U.S. military officers of taking part in detailed planning of an offensive by the mujahideen

guerrillas against the southern city of Kandahar, and warned against the use of any Pakistani artillery in the assault.

Japan calls for manned presence in space

The Japanese Space Activities Commission, in a major revision of its space policy, called on June 29 for the development of a Japanese manned presence in space.

The revised 10-year plan of the commission stated Japan's aim of developing an unmanned orbital vehicle and starting basic research for a manned shuttle. It also invited a role in space for private firms, a Science and Technology Agency official said.

The commission also stated an intention to develop an unmanned orbital craft known as *Hope*, which could shuttle supplies to the space station. The vertical take-off vehicle would be launched by Japan's H-2 rocket now under development, and would land on a runway. *Hope* will cost at least \$2 billion, the official said. No fixed timetables accompanied the commission's proposals.

Appeasement of China hit as the 'new Munich'

Two recent commentaries in European newspapers have attacked the appeasement of China by the United States and other Western nations as a replay of Neville Chamberlain's appeasement of Hitler at Munich.

Taking aim at former President Richard Nixon, who is going to China in the fall, two prominent Jewish commentators, Messrs. Hertzog and Henri-Levy, wrote in the Paris daily *Libération* July 8, "Mr. Nixon is a brilliant Hegelian. . . . When Mr. Nixon, flying in the face of reason, tells us that firmness would be an error for which the Chinese would have to pick up the tab, one gets that *déjà vu* feeling of that bad old movie of the West pulling out, as the previous generation also did. In 1935, we didn't want to impose sanctions on Italy, to avoid throwing it into Hitler's arms—by 1937, there it

was, signing the Iron Pact; in 1938, we didn't want to irritate Mr. Hitler, so we threw him Czechoslovakia and Danzig—one year later, war. 1945: We wanted to be nice to 'Uncle Joe,' so that the Churchillians and other advocates of containment would not 'bring to power the hardliners in the Politburo'. . . . Mr. Nixon is doing the same thing today, and we can only ask ourselves, what price we will have to pay. . . . for the Munich of our times."

"Shame of Turning Hong Kong into Another Munich," was the lead editorial of the London *Sunday Mail* July 2. The people of Hong Kong are "in mortal danger" because the Beijing regime is "one of the most murderous on Earth." The *Mail* cites the Tibetans and the Chinese who tell of whole families disappearing, of political prisoners, of secret prison camps, and "great men" driven insane inside them. "And then there is Tiananmen! Can anyone be sure this is not the fate that awaits Hong Kong?"

Schiller Institute musical tuning issue hits Venezuela

"Today's Musical Tuning Must Be Rejected as Arbitrary," was the headline of the lead article of the cultural section of the Venezuelan newspaper *El Diario de Caracas* on July 4, covering the campaign of the international Schiller Institute for scientific musical tuning based on a middle C of 256 Hertz. "Jonathan Tennenbaum advocates a return to rationality," the article reported. "The German-born U.S. physicist is in Caracas thanks to the Schiller Institute, to explain a theory which confronts musicians and orchestra directors."

The article, by Efrain Corona, reports on "the veritable civil war in Europe and the United States" on C = 256. It calls a Schiller Institute conference in Milan "a veritable revolution," and reports on a talk given by Tennenbaum July 3 in Caracas, in which he said that those who think they can raise pitch to any level "think of musical tones as if they were paper money, whose value can be inflated or deflated at the whim of whoever is in power."

French minister rejects role in arms talks

French Defense Minister Jean-Pierre Chevènement on July 6 gave a clear-cut "non" to Soviet requests that France join nuclear arms control talks.

Meeting in Paris with Deputy Soviet Defense Minister Mikhail Moiseyev, Chevènement said that France cannot possibly respond positively to the Soviet proposal that the Central European arms reduction zone be extended in accord with the four western Red Army districts, and the French nuclear capability be considered part of Central European armaments. Chevènement told his guest from Moscow that France cannot be considered a part of Central Europe, and her defense is a sovereign, purely French affair.

Chevènement is rumored to have informed Moiseyev that the term "common European home" that Mikhail Gorbachov is constantly repeating originated with France's General Charles de Gaulle, "in the 1960s, but with a different meaning, naturally."

Cocaine ship capture aims at Panama invasion

The U.S. capture of the largest cocaine cache this year on board a Panamanian-registry freighter on July 7, based on "permission" for the operation granted by the deposed and exiled former President of Panama, Eric Delvalle, has been handled by the State Department in a way to set the stage for military invasion of Panama.

The Panamanian government, and the Panama Defense Forces, have been cooperative with U.S. authorities in all anti-drug operations, even in the present nadir of U.S.-Panama relations, according to officials of the U.S. Drug Enforcement Administration. The decision to "ask" Delvalle's permission in this case, rather than dealing with the government of President Manuel Solís Palma, observers note, is a move to establish the precedent for the United States to

soon "ask" Delvalle's permission for military action against Panama.

Sandinistas expell Project Democracy agents

The Sandinista government of Nicaragua has expelled operatives of the U.S. Project Democracy who had traveled to that country to monitor upcoming elections.

During the week of July 3 the government expelled Antonio Ibarra, a Freedom House operative whom the Bush administration had sent to Nicaragua to monitor the Feb. 25 election. The Sandinista newspaper *Barricada*, reported that Freedom House is "known in the United States as a front for the Central Intelligence Agency."

On July 4 Mark Fierstein and Leti Martinez of the National Endowment for Democracy's National Democratic Institute for International Affairs, were briefly detained on their way to a conference with Nicaraguan opposition parties. The Sandinista paper *Nuevo Diario* labeled the National Endowment for Democracy a "CIA front."

Korean opposition figures indicted

Leaders of Kim Dae-Jung's Party for Peace and Democracy (PPD) in South Korea have been recently arrested and/or indicted.

PPD legislator Moon Dong-hwan was indicted July 3 for helping to finance his brother's, Rev. Moon Ik-hwan, illegal visit to North Korea. Moon Dong-hwan is the former vice president of Kim Dae-Jung's party.

PPD Assemblyman Suh Kyung-won was arrested June 27 for making a secret visit to the North, and it was hinted that he had also engaged in espionage. South Korea said that a North Korean agent operating in Europe had given the assemblyman \$10,000.

The Agency for National Security Planning arrested one of Suh's closest aides, Pang Yang-gun, July 2 on charges of receiving the money from the agent in Frankfurt and delivering it to Suh.

Briefly

● **FRANZ SCHÖNHUBER**, the chairman of the neutralist German Republikaner Party, is facing charges of financial fraud. Schönhuber allegedly failed to deposit a DM 1.3 million election refund received after the October 1986 Bavarian state elections into party bank accounts, but put it into his own.

● **CORAZON AQUINO** will be destroyed by the collapse of the Philippine economy, says Teodoro Beningmo, who resigned last May as President Aquino's press secretary. Mrs. Aquino is aware of the dangers but "is still unable to rise to the occasion" to meet the crisis which he expects will peak in August.

● **MIGUEL ROIG**, the Argentine finance minister, died of a heart attack on July 14, five days after taking office. He was a former executive of the Bunge and Born grain cartel.

● **'JAPAN OVERSEAS** Intelligence,' a new Japanese-language magazine produced in collaboration between *EIR* and a group of overseas Japanese, was released on June 29. Editors Minoru Shii and Uwe Parpart will travel to Japan in July to promote the publication.

● **MIKHAIL GORBACHOV** took home from his visit to France the pistols with which Aleksandr Pushkin was murdered in 1837. Pushkin was the poet who fought to civilize Russia with the ideas of Friedrich Schiller and to make the Russian language capable of expressing universal, beautiful ideas.

● **MARIO PORTA**, Italy's General Chief of Staff of Defense, warned, "Perhaps the most insidious" challenge of Gorbachov's peace offensive "derives from disinformation and the activity of psychological warfare, which constitutes . . . a weak point of ours and of the entire alliance."

Scandals rock Washington, target Bush's opponents

by Herbert Quinde

"Homosexual Prostitution Probe Ensnarers Officials of Bush, Reagan; Call-Boys Took Midnight Tour of White House," was the blaring headline splashed across the June 29 edition of the *Washington Times*, the ostensible conservative competition to the liberal *Washington Post*. Written in a style that would even make a supermarket tabloid editor blush, the *Times* reports the story of a homosexual blackmail ring that has compromised "key officials of the Reagan and Bush administrations, military officers, congressional aides, and U.S. and foreign businessmen with close social ties to Washington's elite."

But after two weeks of daily front-page coverage, the *Times* has revealed no big names. What has occurred is a general terrorizing of Washington's political establishment, as a "Salem witch trial" by press smear campaign has seized the nation's capital.

It is not just Republican homosexuals cowering in their closets, waiting to be identified in the next day's morning newspaper. But the new "ethics" craze, fueled by a Jacobin-style populist self-righteousness on the part of the accusers, has every political animal—whether White House "insider," congressional influential, or just plain bureaucratic small-fry—waiting to be fingered next.

Since President Bush's inauguration, there has been an increasing number of scandals dominating the front page of the news, including the scandal over the Department of Housing and Urban Development (HUD), allegations of fraud in the savings and loan institutions, the Pentagon procurement scandal, and the most recent "Tailgate" scandal, as some have dubbed the homosexual flap. One gets the impression that the "Bushmen" took over the White House, kicked over a rock, and found maggots squirming underneath.

Some political observers say that the scandalmongering is an outgrowth of partisan political gang warfare initiated with the malicious attack on Republican Sen. John Tower, and the "pay-back" of Democratic Speaker of the House Jim Wright's forced retirement under threat of criminal prosecution. But when the question is asked, "*Cui bono?*"—"Who benefits?"—the answer is simple: President Bush. Even though much of the alleged wrongdoing and corruption happened on Bush's watch while he was vice president, the affable President seems to have inherited his predecessor's reputation as the "Teflon President."

It could have been predicted that a U.S. administration ruled by a former CIA director would tend to resort to scandal and related weapons in the "intelligence community" arsenal, when faced with opposition to its domestic policy of no-growth economic austerity and Neville Chamberlain-style appeasement toward both the Soviet Union and Red China. Consequently, informed sources say they are not surprised to see the Bush administration using press smears, malicious prosecutions, and blackmail to get their way.

One former Reagan administration cabinet-level source has suggested that all the scandals have the included intent of wiping out any Reaganite holdovers in the federal government who, while not perhaps of outstanding moral calibre, are nevertheless unwilling to carry out the extremist cost-cutting measures demanded by the new regime. The same source reports that the consensus among the Reaganite "old boys" is that President Bush is willing to sacrifice not only them, but even Reagan himself, to protect the White House and his CIA buddies, should the Iran-Contra scandal refuse to go away.

A look at both the HUD and "Tailgate" scandals seems

to bear out the hypothesis that the Bush administration is reaping the benefits.

Trouble at HUD

Speaking before the House Operations Subcommittee on Housing on July 11, Housing and Urban Development Secretary Jack Kemp claimed that fraud and mismanagement carried out in his department under the Reagan administration cost the government \$2 billion. Kemp, without any evidence, singled out Reagan administration former HUD chief Samuel Pierce for "poor management" and vowed to clean up HUD programs and fire any employees that were tainted. The day following Kemp's allegations, the *Wall Street Journal* carried a front-page feature depicting Pierce as the "Nero of HUD," who fiddled "while the agency burned." Revelations about Pierce's alleged role in the scandal have already led to speculation that he will be the first Reagan cabinet member to do time in prison (see article, page 9).

The HUD scandal had been kicked off several weeks before, when former Reagan Interior Secretary James Watt and several other officials were the target of Bush administration press leaks, accused of having "ripped off" the government of millions of dollars, through illegally obtained housing consultant posts. One main target of the scandal is Deborah Gore Dean, the highest ranking staffer at HUD and a member of the most influential Republican family in Maryland.

To make sure that these Reagan "holdovers," and businessmen associated with housing construction, get the message, Kemp announced the formation of an "Asset Recovery Strike Force," in a public letter to Attorney General Richard Thornburgh on June 28. The strike force would "identify assets of persons who embezzled, misappropriated, or withheld HUD funds," preparatory for indictment. Using the unconstitutional powers of the Racketeer Influenced Corrupt Organizations Act (RICO), the strike force would freeze those allegedly illegally gained funds. HUD representatives have already scheduled meetings with all 94 U.S. Attorneys and with local FBI officials, to review both criminal and civil cases involving housing programs.

The strike force complements the *blitzkrieg* that Thornburgh is conducting against savings and loan executives who are ludicrously being blamed for the failure of the U.S. economy—the real cause for the bankruptcy of S&Ls. At the end of June, Thornburgh demanded that Congress double the \$50 million provided in pending S&L legislation, so that he could double the number of FBI agents and federal prosecutors going after so-called S&L fraud.

Blackmail ring

The story of the homosexual blackmail ring which penetrated the Reagan White House, exposed in the *Washington Times*, is still rocking the nation's capital. According to some sources, it has put the U.S. national security apparatus on alert to establish whether Communist-controlled espionage

agents have exploited the homosexual ring's access to the corridors of power. But others say that the espionage angle in the story is only there to justify the scandal. The existence of a large number of homosexuals in prominent positions of the "Reagan Revolution" and the Republican Party has been common knowledge in Washington for many years. The Feb. 27, 1987 issue of *EIR*, for example, reported on the dominant role of homosexual, libertarian Republican fundraisers, such as convicted criminal Carl "Spitz" Channell, Ollie North's fundraiser and right-hand man in the Iran-Contra affair.

The *Times* report is based on the preliminary results of an investigation by federal and Washington, D.C. law enforcement officials into a far-flung homosexual prostitution ring, linked to drug trafficking and interstate transport of minors for sexual exploitation, which went under the name "Professional Services." According to the *Times*, the ring has among its clients top Reaganites and reports that at least one highly placed Bush administration official, and a wealthy businessman who procured homosexual prostitutes from the ring, are cooperating with the investigation.

Although the *Times* promised to reveal big names, it has not. Clients of the ring identified by the *Times* include Charles K. Dutcher, former associate director of presidential personnel in the Reagan administration, and Paul R. Balach, Labor Secretary Elizabeth Dole's political personnel liaison to the White House. Balach used to serve as an aide to Dan Quayle, while Quayle was in Congress. Balach was forced to resign two days after the story broke.

Also named are Stanley Mark Tapscott, who was an assistant managing editor of the *Washington Times* and, before that, an official in the Office of Personnel Management in the Reagan administration, and Craig Spence, a "conservative" Washington socialite, political fixer, and international trade consultant, who arranged a nocturnal tour of the White House for a group that included two male prostitutes. One of the chief operators of "Professional Services," Henry Vinson, used to work for the clerk of the House of Representatives.

Spence was reportedly a CIA contract "sting" operative. He regularly threw orgies for major figures in the Reagan and Bush administration, which were covertly filmed and bugged. Spence has "disappeared," along with his blackmail video and audio tapes, and is being sought by the Secret Service.

The *Times*, in its reportage on the scandal, has claimed that it will bring down foreign governments. It is interesting to note in this regard, that one of Spence's targets was Japanese politician Motoo Shiina and the circles around him. These are the people who established Japan's relationship with the Reagan Strategic Defense Initiative, and who put together the U.S.-Japanese deal to develop the FSX fighter jet. They also happen to be opponents of those Japanese interests who support Rev. Sun Myung Moon—whose associate Bo Hi Pak occupies the office next door to that of Editor-in-Chief Arnaud de Borchgrave at the *Washington Times*.

The government packs 150 lies into its appeal brief in LaRouche case

The following report was released from Alexandria, Virginia on July 7. It discusses the federal government's reply to the appeal filed by Lyndon LaRouche and six associates, before the U.S. Court of Appeals for the Fourth Circuit in Richmond, Virginia. The seven were convicted on Dec. 16, 1988, after a hastily conducted political frameup trial, on charges of fraud and conspiracy. Mr. LaRouche was sentenced to 15 years in prison; sentences for his associates ranged from 3 to 5 years. All were denied bond pending appeal, and were imprisoned on Jan. 27. On July 11, the seven defendants filed a motion pro se to present the Appeals Court with a "Table of Misstatements of Facts" documenting the government lies in its response brief.

Careful analysis of the government's opposition brief filed last week in the LaRouche case shows over 150 lies and misstatements packed into a 70-page memorandum.

Observers characterized the government brief as a transparent effort by the prosecution team to sow so much filth and prejudice that the appeals court will ignore the compelling constitutional arguments made in the LaRouche appeal.

This is a familiar prosecution tactic, adapted with a vengeance to the special circumstances of the LaRouche case. Prosecutors frequently try to inflame appellate courts with gory descriptions and details of a crime, as if to say: "This guy is guilty as sin. So what if we cut a few corners in getting a conviction—he deserved it." Following the lead of the U.S. Supreme Court, courts often buy this dirty game with the so-called "harmless error" doctrine. "Harmless error" means that the evidence of guilt was so "overwhelming" that errors in the trial are deemed "harmless"—the defendant would have been convicted anyway. (It is also well-known that appeals court judges often don't bother reading the appellate briefs; they just rely on their instinct and emotions and commission their clerks to write an opinion, usually repeating the government's "facts")

In the LaRouche case, of course, there was no overwhelming evidence of guilt; in fact, there was no evidence of guilt whatsoever. The prosecution's case was a melange of lies and distortions, admitted into evidence by a tyrannical

and vindictive judge, and ratified by a crooked jury. Now, the prosecutors are trying to turn their witnesses' lies and prosecutors' manufactured theory into court-approved "facts."

Some of the most egregious lies, simply made up without any evidence at all, are the following:

- [LaRouche] "was in every sense the mastermind of the fraud scheme which defrauded thousands and corrupted, among others, his codefendants."

- "Ten of them [lenders] testified at trial and were given a rather consistent, fraudulent story."

- Lenders "were never told of the organization's financial difficulties," and, the defendants "never communicated expected attacks to their lenders."

All in all, a detailed examination of the government's response brief has turned up 152 lies and false statements. These involve:

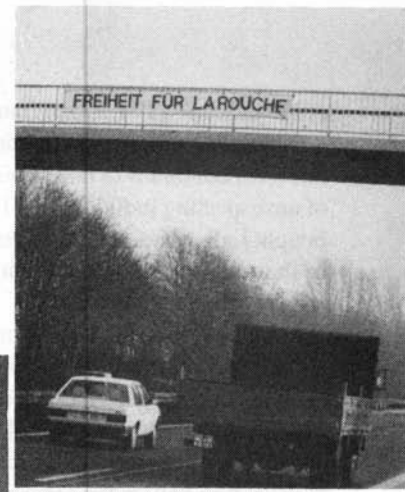
- 1) 39 outright lies, simply made up without any support whatsoever from the record of the case.

- 2) 73 lies based on perjured and false testimony, which was contradicted and disproven at trial by other evidence.

- 3) 40 lies based on a perjured and false testimony, which the defendants were prevented from rebutting due to the lack of a fair trial.

There were two principal reasons why defendants could

Prosecutorial mendacity	
Lying in court: the government brief	
Category of lie	Number of lies
Outright lie—no evidence at all	39
Lie based on false testimony, contradicted or rebutted by other testimony or evidence.	73
Lie based on false testimony, un rebutted because of court orders limiting evidence, and preparation for trial, and cross-examination.	40
Total	152



Philip Ulanowsky

Lyndon LaRouche (right) and his lawyer, Odin Anderson. Defendants have now filed, in their own behalf, the document on which this article was based, pointing out that the document had to be filed pro se, since "the unrelenting rush to trial" forced by the judge left many defense attorneys insufficiently familiar with the facts of the case. Shown above are expressions of the worldwide outcry against LaRouche's incarceration: on the right, a banner on the Autobahn in Dortmund, West Germany ("Freedom for LaRouche!"), and on the left, a parade in Paris ("Free LaRouche!")

not disprove many of the government witnesses at trial. First was the rush to trial, in five weeks from arraignment to the trial, which left defense attorneys woefully unprepared to cross-examine government witnesses or present their own witnesses. After pre-trial motions were filed and argued, the defense had only 10 days to interview dozens of witnesses, read thousands of pages of grand jury testimony, and attempt to review relevant portions of 2 million pages of documents seized in the October 1986 raid by the government.

Second, Judge Albert V. Bryan excluded whole areas of the defense case from the trial, thus preventing the defendants from presenting the case to the jury. The defendants were barred from presenting evidence of FBI harassment and financial warfare, and were not even allowed to tell the jury that it was the government which initiated the bankruptcy

seizure and shutdown of the three businesses which actually owed the loans at issue in the indictment.

And finally, during trial, the judge prevented the defense from effectively cross-examining government witnesses, for example, from showing that the core group of government witnesses were themselves an organized conspiracy, dedicated to putting LaRouche in jail by any means possible.

The '\$30 million' fraud

Although headlines screamed about a "\$30 million fraud scheme" which LaRouche and his associates were supposed to have perpetrated, and "thousands" of lenders which were supposed to have been defrauded, the government proved no such thing at trial. In fact, even hanging Judge Bryan was compelled to make a formal finding that the government had

only “proved” \$294,000 in fraud, involving 10 lenders.

Nevertheless, the government’s brief (as well as its press releases) continues to talk about \$30 million and “thousands of unsuspecting individuals.” They claim that the defendants bought LaRouche a “million-dollar estate” and paid hundreds of thousands of dollars to fix it up and run it—all out of the alleged fraudulent proceeds!

The government also claims that the lenders were never repaid, and that “when lenders asked for the timely repayments of their loans, they were told there was no money.” Yet, the actual evidence at trial was quite different: it showed that during 1985, most of the lenders were repaid on a regular basis. It was only in the spring and summer of 1986 that loan repayments came to a near halt, under the barrage of media attacks and financial harassment that followed the victory of two LaRouche associates in the March 1986 Democratic primaries in Illinois.

Fair trial issues

The appeal brief filed on May 25 by attorneys for the “LaRouche Seven” is a powerful indictment of Judge Bryan for denying the defendants their constitutional right to a fair trial. The brief demonstrates that

1) The defendants were rushed to trial without time to prepare their defense.

2) The court unconstitutionally excluded major portions of evidence from the trial, and also denied the defendants their right to obtain exculpatory evidence in the possession of the government.

3) The defendants were denied a fair and impartial jury, by a jury selection that was completed in less than two hours.

Under these conditions, observers note, any “facts” submitted by the government as “proven” at trial are worthless. A trial is supposed to be a truth-seeking process, yet in the LaRouche trial, truth was barred at the door. The prosecution knowingly put perjured witnesses on the stand; now the prosecution wants the appeals court to certify these lies as “facts proven at trial.”

The government clearly hopes that the Appeals Court will be so prejudiced by the “facts” as presented that they won’t bother to look at the legal and constitutional issues. But, just in case, the prosecutors also lie about the fair trial issues.

For example, the government brief claims that the defendants “sought to create a mind-boggling conflict” by asking for a continuance (delay) of the trial date, when it was the government who rammed the indictment and trial through in October and November, even though defendants LaRouche and Spannaus were scheduled to be re-tried in the Boston case in January. The government lies that “nearly all” of the defendants and lawyers were involved in other matters which made them “exceptionally well-versed” in the charges. The government also says that at every point during the trial where the defense sought a continuance “it was granted”—even though the record shows Judge Bryan warning defense attor-

neys not to expect even a “one day delay.”

In the section dealing with the court’s exclusion of evidence, the government begins by saying:

The trial court in this case was faced with a defense team which paid little heed to the allegations of the indictment and instead . . . sought to drag the trial into irrelevant, prejudicial and at times bizarre disputes.

The government also defends the court’s denial of discovery requests by saying that the defense had presented “bizarre conspiracy theories” and “nonsensical discovery requests.” But nonetheless, say the prosecutors, the court “identified the few relevant arguments among the defendants’ barrage, and allowed them to be fully developed.” Despite the thoroughly documented LaRouche appeal brief, the government lies that no relevant evidence was excluded.

On the jury selection, the government brief would be laughable—if this were a laughing matter. Even though Judge Bryan denied *all* defense motions regarding jury selection, the government has the temerity to say: “the court did all that was asked of it by the defense.” After giving its version of the questioning of potential jurors, the government concludes that the jury panel “had shown itself to be extremely open and responsive”—even though 8 of the 12 final jurors never opened their mouths once to answer a single question asked by the court.

That the prosecution should attempt to divert the appeals court’s attention from the legal issues of the appeal is not surprising. The LaRouche appeal has attracted widespread national and international attention and support. The appeals court has already accepted five European and two U.S. “friend of the court” (*amicus curiae*) briefs. Pending before the court are motions to accept two more *amicus* briefs, one of which is already signed by 144 lawyers with more signatures coming in daily.

The LaRouche appeal team is headed by former U.S. Attorney General Ramsey Clark. On June 29, Clark issued a statement charging that the U.S. government “has engaged in flagrant constitutional violations to convict and confine Lyndon H. LaRouche, Jr.” Clark said the case is “an outgrowth of a many-year program of a national multi-agency ‘Get LaRouche’ task force.”

A legal brief replying to the government’s lies was filed by the LaRouche legal team on July 11, with the U.S. Court of Appeals for the Fourth Circuit in Richmond, Va. LaRouche and five of his fellow political prisoners have been held in the local Alexandria, Va. jail since Jan. 27, under a court order allowing them to remain in Alexandria until all appeal briefs are filed. It is anticipated that the six will soon be split up and transferred to various federal prisons. The seventh codefendant, Joyce Rubinstein, is already at the Alderson Federal Prison for women at Alderson, West Virginia.

U.S. Supreme Court denies motions by LaRouche, NDPC

The same Supreme Court which has just ruled that American flag-burnings and dial-a-porn telephone calls are constitutionally protected free speech, proceeded to ignore the political rights of Lyndon LaRouche and those who support his ideas. In two separate actions, the Court refused to end the six-month-old political frameup jailing of LaRouche and six associates, and, in the person of Justice William Brennan, okayed an economic death penalty leveled against the political action committee of the LaRouche Democrats, the National Democratic Policy Committee (NDPC).

Habeas corpus petition rejected

The Court denied a *habeas corpus* petition filed on June 2 by Philadelphia attorney Charles Bowser, requesting the justices to order the immediate release of LaRouche and six of his associates, on the grounds that the government had unlawfully assaulted the LaRouche movement with multiple political prosecutions over a period of more than a decade. The justices rejected without a word of comment the Bowser petition's arguments that "the acts for which petitioners have been investigated and prosecuted . . . were acts in the exercise of [their] rights of political association and political expression."

Their imprisonment is in violation of the First Amendment to the Constitution, the petition argues, and also of the due process clause of the Fifth Amendment. Furthermore, the imprisonment of the "LaRouche Seven" violates the United Nations Charter, and the principle of freedom of political expression found in international law.

Since, according to experienced Supreme Court watchers, the Court has a policy of rejecting out of hand all *habeas corpus* motions (literally, motions to "produce the body") made directly to the Court without going "up the chain" through the lower courts first, the decision in this case, although offensive in its blatant disregard for the Constitution, was not unusual.

To counter the Court's objection to such motions, the Bowser petition had argued nine different "exceptional circumstances," showing why it would be futile to bring the

petition in front of the U.S. District Court or the Fourth Circuit Court of Appeals. One such circumstance is that Judge Albert Bryan, who tried the case in Alexandria, Virginia, had already prejudged the issues represented in the petition, when he made the comment before the court that it is "arrant nonsense" to claim that the LaRouche case was a "politically motivated prosecution." Further, the petition notes that Bryan, by granting the government's motion *in limine* forbidding the defendants to introduce evidence of government harassment against them, "viewed evidence of the magnitude of government activities directed against the finances and political activities of petitioners . . . to be separate and distinct from the issues raised in the indictment."

Death penalty for NDPC

Far more shocking to legal observers than the *habeas corpus* ruling was Justice William Brennan's denial of an application by the National Democratic Policy Committee to stay the execution of multi-million-dollar fines levied upon the political action committee of the LaRouche wing of the Democratic Party. The fines for "contempt of court" were imposed by Judge A. David Mazzone of Boston in 1986, on the basis of the unsupported affidavit of FBI agent Richard Egan, who has since been exposed in numerous court proceedings as having repeatedly lied under oath. The NDPC has never been allowed to challenge the fines in a court hearing on the facts of the case.

Warren J. Hamerman, the chairman of the NDPC, denounced Justice Brennan's action as "Tiananmen Square Justice. Without even so much as an evidentiary hearing at any level of the judicial process, and despite repeated sworn statements by me that the NDPC was never in contempt and my requests for hearings to every judge who has reviewed this matter, now the Supreme Court is saying that a purely political organization can be given an economic death penalty through the collection of artificially created gargantuan civil contempt fines.

"The NDPC is not in contempt of the law," Hamerman stressed. "Justice Brennan now stands along with the notorious Judge Mazzone and the genocidalist First Circuit Appeals Judge Coffin and the 'Get LaRouche Task Force' in open contempt of the First Amendment of our Constitution, which asserts that *no* law in this nation can abridge the very nature of political action—the freedom of speech, or of the press, or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances."

Following Justice Brennan's decision, the U.S. Attorney's office immediately applied to Judge Mazzone to calculate the amount of the fines at \$2.7 million and begin collection proceedings.

Hamerman said the NDPC intends to file motions of its own, challenging the recalculation of the fine, in which it will again attempt to gain an evidentiary hearing on the matter.

German TV exposes Bush's Irangate role

by Thierry Lalevée

On July 5, Lt. Col. Oliver North was sentenced for his role in the "Irangate" affair to a \$150,000 fine, 1200 hours of community service, and a suspended two-year sentence—hence, no time in jail. But despite this token sentence, the Irangate scandal is unlikely to die so easily.

One signal was the West German TV program shown on July 2, "The Hostage Deal that Brought Reagan to Power." This dramatic exposé reported that the 1980 Reagan-Bush campaign conspired with Iran's Ayatollah Khomeini to prevent then-President Jimmy Carter from securing the last-minute release of the American hostages held in Iran, giving the incumbent Carter a badly needed "October surprise" to present to American voters prior to election day. The broadcast identifies the crucial role in the negotiations played by Henry A. Kissinger.

Although the story has been much researched and speculated upon, the German TV program is the first time that it has been played through a major Western news media outlet.

The broadcast alleged that operatives of the Reagan-Bush campaign held negotiations with Iranian officials between Oct. 20 and Oct. 22, 1980, in Paris and Luxembourg, aimed at sealing a deal that would delay the release of the hostages. Obviously, the Reagan-Bush team offered Khomeini a better deal than the Carter administration. A few hours after President Reagan was inaugurated on Jan. 20, 1981, he triumphantly announced that the hostages were coming home.

The most startling revelation made in the German TV documentary was that President Bush sealed a deal with a terrorist regime back in 1980 which prolonged the suffering of American citizens.

Among those interviewed were figures who, at various points, had been associated with the deal, like **Barbara Ho-negger**, a former Reagan-Bush campaign activist, and two former CIA contractors, **Richard Brenneke** and **Heinrich Rupp**. Rupp was the pilot of a plane going to Paris, and he reports that Bush and Brenneke were participants there in negotiations which also involved campaign officials **William Casey** and **Richard Allen**. A star witness was one **Aharon Moshel**, a.k.a. **Horst Andel**, who, presenting himself as a former official of the Israeli Mossad, testified that he personally had seen Bush in Luxembourg on Oct. 22, 1980.

A former officer of the French intelligence service SDECE asserted that it was **Henry Kissinger**, during repeated meetings in Paris with then SDECE director Alexandre de Marenches, who had the idea for the negotiations and paved the way for them. A former Germany-based CIA agent testified on how NATO military depots in West Germany were depleted of weapons being sent unofficially to Israel, and then to Iran.

International blackout

Prepared over a six-month period, the broadcast was nearly killed before seeing the light of day. Producers report that there was tremendous opposition to it being shown at all. As a compromise, it was decided to show it at 11:00 p.m., just before the traditional "summer lull." To undermine its impact, it was shown without advertisement or announcement in the weekly TV schedules, but only a short note in some daily newspapers with 24 hours' notice. The video was shown on a Sunday, and was originally supposed to be complemented by the publication on the following day of a related cover story in the weekly *Der Spiegel*. The cover story, for unknown reasons, never appeared. Similarly, the documentary was denied any publicity after its broadcast; not a single line of review in any German daily, not a single comment by any news service, nothing in the U.S. press.

This is not the first time that such methods have been used. Early in June, an American amateur movie titled "Cover-up: Behind the Iran and Contra Affair," won a prize at a film festival in a suburb of Paris. Made in June 1988, the film focuses on the role of George Bush in the Contra affair. It met with a wall of silence in the United States. All the major TV networks refused to broadcast it, unless those parts related to Bush were cut out. French TV apparently adopted the same policy. The documentary is now being shown privately by various political groups, notably those associated with the European clubs of the Democratic Party.

While the Bush administration has enough political muscle to silence the media, it has used other methods, too. On orders from the administration, investigators have been fed with a flow of seemingly precise but actually false information, which is then used to discredit them. The administration has even been using American Jews on the payroll of the CIA, portraying themselves as "Mossad agents." Washington started to use this technique when it realized that *bona fide* Israeli officials had started digging deeper into Bush's activities, and were leaking crucial information. Indeed, for many Israelis, the sudden death of Amiram Nir, the Israeli alter ego of Oliver North, last December in Mexico, cannot be chalked up to a plane accident, but to outright murder.

Hence, what amounts to a full-fledged intelligence war is on among the Bush administration, some opposing American political forces, leading elements within Israel, and others. It would seem to guarantee that Bush's hopes of burying the Iran-Contra scandals will be bitterly disappointed.

Heritage Foundation plots attack on NRA

by Leo F. Scanlon

An article in the summer edition of *Policy Review*, the Heritage Foundation quarterly, threatens the National Rifle Association with political ostracism unless it abandons its commitment to the defense of the Bill of Rights and the Constitution. Patrick McGuigan of the Free Congress Foundation, a Heritage front group, charges that “the NRA has refused to play coalition politics with . . . the conservative movement” (McGuigan, Paul Weyrich, and their clique at Heritage) and adds that “a go-it-alone approach and a refusal to compromise on less than critical issues is jeopardizing the NRA’s effectiveness in winning political support.”

McGuigan devotes the first portion of his polemic to arguing that the spate of anti-gun legislation erupting in local legislatures and the Congress is the result of the NRA’s policy of intransigent opposition to legislative and judicial action which undermine basic constitutional rights. In this, he is deliberately trying to obscure the fact that this legislation is being supported by the Bush administration, specifically the White House staff and the Office of Drug Abuse Policy.

In the weeks before the appearance of the Heritage piece, the Bush administration dropped its “conservative” mask and banned a broad array of foreign-made semi-automatic weapons. While the news media, the administration, and highly visible police bureaucrats hyped the idea that this ban was imposed on “assault weapons,” it is actually aimed at semi-automatic weapons, a class which includes most hunting rifles and many pistols.

The scheme was hatched among gun control advocates infesting the staff of William Bennett (such as his long time crony Chuck Wexler, former top aide to police bureaucrat Robert DeGrazia—the “Robert McNamara of police reform”) who proposed the ban and secured White House support for it as soon as they took office. The NRA’s response, McGuigan complains, was swift and sure; it sat out the election for Dan Quayle’s vacated Senate seat, contributing to an embarrassing defeat for the Republican Party.

Burning the Constitution

The electoral capabilities of the NRA are feared by the Bush administration martinets, who see constituency-based movements as threats which must be dismantled. While many friends of the NRA might criticize one or another tactical blunder made by the massive organization, NRA’s strength proceeds from a principled interpretation of the Constitution,

and a refusal to alter its strategy to appease its opponents. This quality guarantees its continued independent electoral influence which frightens the White House and the Republican National Committee.

This is seen in McGuigan’s attack on the NRA’s role in the fight over the nomination of Robert Bork to the Supreme Court. McGuigan asserts that the NRA saw that Bork’s positivist approach to law would make him amenable to support of unconstitutional law enforcement actions which are increasingly typical of federal agencies. In spite of the fact that Bork had ruled in favor of the NRA in several specific instances, his defective legal reasoning gave the NRA pause, and they stayed out of the empty ideological brawl which ensued.

McGuigan supports his criticism of the NRA with a revealing argument: “Most conservatives who are fighting ACLU absolutism on issues like pornography, school discipline, and school prayer are troubled by assertions from the NRA that *any* new regulation of citizen access to firearms would violate a fundamental constitutional right.” The problem is not pornography, or encroachments on religious freedom, but the “absolutist” approach of the American Civil Liberties Union—whatever that means. Just so with the constitution and the NRA; McGuigan and his pragmatic cohort—including the National Right To Life office—demand that the NRA join political coalitions in support of candidates to whom they are principally opposed, to thus gain admission to Paul Weyrich’s political brothel.

McGuigan’s warning to the NRA is simple: the NRA has “weakened the party [Republican] that has been most sympathetic to the NRA overall, and showed a spitefulness toward the Bush administration, with which it probably should be cooperating not fighting.” Behind this warning is McGuigan’s boss, Paul Weyrich, head of the Free Congress Foundation and related “Coalitions for America”—sponsored and housed by the Heritage Foundation. White House Counsel C. Boyden Gray told the media that Weyrich is his plenipotentiary to the conservative populists, and demonstrated the power of the position, by designating Weyrich to torpedo John Tower’s nomination.

Weyrich’s gossipy testimony to the Senate Armed Services Committee launched a smear campaign characterized by KGB-style circulation of rumors and lies by the FBI. But the ability to turn a blind eye to tyranny is a cultivated quality in Weyrich and his ilk. When tens of thousands of anti-abortion protestors were beaten and jailed for exercising First Amendment rights, Weyrich and his captive National Right To Life Committee took every opportunity to publicly attack the activists. When the Justice Department tore up the Constitution in its vendetta against Lyndon LaRouche, Weyrich repeatedly joined the *Washington Post* and the Democratic National Committee in support of this judicial tyranny.

Weyrich’s, and Bush’s, plan for the NRA is written in this record of treachery and deceit.

Bush S&L plan comes under scrutiny

As the Congress reconvened after the July 4th holiday, the House and Senate conferees agreed to eliminate special interest provisions from the savings and loan bailout legislation, but have not yet agreed on how to do it. The House has removed most of the special interest provisions from its version of the bill, and the Senate is under pressure to do the same.

Secretary of the Treasury Nicholas Brady said at a press conference on July 10, that he expected the bill to be brought out of conference before the scheduled August congressional recess. Brady expressed concern that the House proposal would place the cost of the S&L bailout directly on the shoulders of the Treasury. If Bush were not to renege on his pledge not to raise taxes, this would lead to an increase in the budget deficit by some \$50 billion, overriding the budget parameters set by the Gramm-Rudman legislation. If Gramm-Rudman were not to be violated, the provisions would require a waiver for the S&L bailout funds.

Brady feared that such a violation would cause a reaction in the markets because it would be interpreted as the government trying to wriggle out from under the thumb of Gramm-Rudman. Brady was undoubtedly even more concerned that a Gramm-Rudman waiver would cause a reaction among the international banking elite who are demanding even more drastic budget cuts from the Bush administration.

Congressional conferees gave their support to most of the police-state measures in the legislation directed against S&L executives, allowing the government to impose fines of as much as \$1 million a day in criminal and civil penalties for bank fraud, and pro-

viding \$75 million in additional funds to the Justice Department to prosecute fraud.

Foley warns Bush: no pay, no play

President Bush's proposal to raise the wages of federal judges and top executive branch officials has run into some flak from Congress. House Speaker Thomas Foley warned the President on July 10 that the Congress will not approve the President's proposals for a federal pay raise without a link to higher pay for members of Congress.

Speaking at a luncheon with executives and reporters of the Associated Press, Foley said that even though the previous pay raise proposals had been supported by two Republican Presidents, the Congress had been politically mauled by Republican campaign operatives, using it as a tool against their Democratic colleagues. "I don't want to get into something where the President says yes, and the congressional campaign committee says no," said Foley.

Bush has said he will work with Congress toward a pay raise but has not submitted a plan for boosting lawmakers' salaries.

NASA budget cut by \$1 billion

Expectations of an announcement by President Bush for a lunar mission on the anniversary of the Apollo moonshot on July 20, were dampened somewhat by a \$1 billion cut in the 1990 NASA budget by a House Appropriations subcommittee July 11.

The National Space Council, headed by Vice President Dan Quayle,

met July 13 to discuss various options available under the new budgetary constraints. The administration has been examining NASA proposals for establishing a lunar base and mounting a manned mission to Mars by the year 2010, using the planned space station as the platform.

Reports have been circulating that Quayle and the space council staff are urging the President to announce such an initiative. But David Beckwith, a spokesman for the vice president, tried to tone down expectations, saying that he "doubts there will be a dramatic announcement" by Bush next week. Mark Albrecht, director of the space council, said that he didn't want to commit to anything that didn't have a "plausible plan for implementation."

NASA Administrator Adm. Richard Truly said in a press conference July 12 that "our commitments must match our resources." He said that NASA was not scaling down its plans for a space station, although it is studying alternative options because of the threat of further cuts the NASA budget. Truly said he had made his intentions to continue with the space station known to the White House and said he believes he "will get the help from the White House that I need."

Abrahamson: first SDI weapon on the pad

Gen. James Abrahamson, former head of the Strategic Defense Initiative Organization, in remarks to congressional interns on June 30, said that "sitting on the pad today is the first particle beam to be launched in space."

Abrahamson said that sometime in August there will be a space test of a particle beam below weapon size. He furthermore said that they have oper-

ated brief tests with the largest laser the U.S. possesses. He noted that the mirror for a practical laser system exists today, and added that the "Brilliant Pebbles" concept was the most fruitful working concept at the present moment with all the parts of the system already in existence.

In response to *EIR*, he said that the recent SDI cuts made by the House Armed Services Committee would seriously hamper the program, adding that "no program has suffered from budget cuts as much as the SDI."

Prof. Lowell Wood, appearing with Abrahamson, said that all of the pieces in the "Brilliant Pebbles" program had shown themselves to be functional in an SDI system, and that the next step over the next two years is to put the parts together. If this is successful then the government could begin taking a decision on whether to test shooting down a missile in flight—a move which would violate the ABM Treaty.

"Brilliant Pebbles" consists of several thousand small interceptor space satellites, floating separately in several different orbits. Each interceptor would have its own "eyes" to be able to track the rocket plume of a ballistic missile, and when activated would head for the nearest missile and ram it at high speed, destroying it with the simple force of impact.

In response to a question from *EIR*, Wood admitted that the directed energy system is far preferable to brilliant pebbles and would be the "weapon of choice" if it were feasible today. Wood said that ballistic missile technology will not advance much further than it has in the last 50 years, but that data processing and computer systems are doubling their performance every 18 months, indicating the advantages for the defensive kinetic and directed

beam systems will increase with time over ballistic missile offense.

Senate votes to allow Chinese students to remain

The U.S. Senate on July 11 voted 97-0 to allow Chinese students in the U.S. to remain in the country for three years with the right to work.

The amendment, offered by Sen. George Mitchell (D-Me.) and Sen. Robert Dole (R-Kan.) to the Immigration Act of 1989, would allow the approximately 40,000 Chinese students in the U.S. to stay here until June 5, 1992 or until their residency status has been changed.

Mitchell, who had met with Chinese students the day before, told the Senate the administration's one-year departure deferment had caused concern among students because it required them to indicate they were unwilling to return home. This would brand them as traitors in the eyes of the Beijing government. In other legislation, the regulations for granting permanent residence status were liberalized in order to cover certain non-immigrant nationals of the People's Republic of China.

Congress moves to pull troops out of Korea

Legislation recently introduced by Sen. Dale Bumpers (D-Ark.) would require pulling 10,000 troops out of Korea over three years. Sen. Carl Levin (D-Mich.), a member of the Armed Services Committee, has urged that all but 3,000 troops be withdrawn from Korea.

Secretary of Defense Richard Cheney maintains that there are "no

current plans" to reduce American forces in Korea. But, he noted recently, that with respect to President Bush's proposed withdrawal of 30,000 troops from Europe, it might be possible that "such a proposal would be ultimately be developed in connection with Korea." The Pentagon is in fact working on ways to reduce U.S. commitments in Asia.

Dems try to bypass flag-burning amendment

Old Glory has become the center of major political jockeying with an eye on the 1990 elections.

Since President Bush proposed to introduce a constitutional amendment to ban flag-burning, Republican congressmen have been painting Democratic opponents as unpatriotic for not supporting such an amendment. Opponents of a constitutional amendment fear that implementing the rather complicated amendment process could pave the way for all sorts of minor issues, thus transforming the Constitution from a fundamental law of the land into a grab-bag for all sorts of special interest legislation.

Troops in Europe about to be slashed

Cuts of as much as 15,000 in the U.S. troop presence in Europe have been approved by the House Armed Services Committee. Funding has also been cut for a U.S. base in Italy.

The committee acted with no discussion. "We cut 15,000 troops and there is not a peep of protest from the committee," Rep. Patricia Schroeder (D-Colo.) commented gleefully. "We cut \$230 million off the base in Italy and there is not a peep."

National News

U.S. denies visa to Chinese student leaders

The U.S. State Department has refused to extend visas to two leaders of the Chinese freedom movement, according to reports from several U.S.-based Chinese student leaders. Wu'er Kaixi, a student, and Yan Jiaqi, the former director of the Beijing Academy of Social Sciences, had hoped to travel to the United States at the end of July to convene a Chinese student conference in opposition to the Deng Xiaoping regime. The two escaped from the People's Republic of China after the Tiananmen Square massacre of June 3-4.

The State Department told student leaders that to have granted Wu'er and Yan visas would be "provocational" to the Deng regime. The Bush administration has bent over backwards to avoid antagonizing the Butcher of Beijing.

There are some 70,000 P.R.C. students in the United States.

Bush treating LaRouche as 'his man in prison'

Congressional candidate Lyndon LaRouche said he has "received reports, corroborated reports to the effect that the Bush State Department and other U.S. government channels, are placing the highest imaginable pressure, unprecedented pressure on governments and related agencies around the world, as part of a campaign to ensure that there is no pressure which might contribute to getting me out of prison." His statement was issued July 8 from the Alexandria, Virginia jail where he has been held a political prisoner since Jan. 27.

"So far, I don't know if George Bush personally is guilty of this, but someone at a very high level is collaborating with Henry Kissinger in doing this. In effect, George Bush is responsible. The President of the United States in effect, whether he knows it or not, is treating me as his man in prison, his Man in the Iron Mask. Now, George

better clean his skirts of this stuff, and better get the pressure off, and stop this pressure on foreign governments, and I mean foreign governments and others at the highest level. Or else George is going to go down in the history books as personally accountable for a personal vendetta against me, for using the office of President to keep a competitor, a political competitor in prison."

Two Bush cabinet nominations withdrawn

Two nominees proposed by Bush cabinet officials withdrew their names the week of July 3.

Manhattan attorney Robert B. Fiske, Attorney General Richard Thornburgh's nominee for Deputy Attorney General, withdrew suddenly, citing opposition from conservative groups who opposed his role on the American Bar Association judicial selection committee, often cited for its bias against religious nominees.

New Jersey Commissioner of Human Services Drew E. Altman, nominated by Health and Human Services Secretary Louis Sullivan to run the Medicare agency, similarly withdrew his name. Altman was said to be opposed by conservatives who were angered at his support for proposals which would require all employers to provide health insurance plans.

Informed sources report that various senators are unhappy that they approved Thornburgh and are resisting his nominees. "This is the most political I've ever seen the Department of Justice," one said. "They are looking for anything and everything to throw at him, primarily through the House," since Senate Judiciary Committee chairman Joseph Biden (D-Del.) "won't do anything."

A widespread view holds that Thornburgh is behind the renewed press coverage of the Chappaquiddick story, because Sen. Ted Kennedy (D-Mass.) is resisting his dismantling of the Organized Crime Strike Forces.

Washington columnist Carl Rowan recently quoted a former black aide of Thornburgh, and others, saying that Thornburgh directed the leak against Rep. Bill Gray (D-

Pa.) and is so vindictive he will keep the FBI investigating Gray until they find something.

European court scores U.S. judicial barbarity

"Death Row Breaches Convention," is the headline of the British paper *The Independent's* July 11 account of the July 7 decision by the European Court of Human Rights, in the *Soering v. United Kingdom* case, to reject the Commonwealth of Virginia's demand that accused killer Jens Soering be extradited to Virginia.

"The extradition of an EC [European Community] national to the United States to face murder charges which could result in the death sentence and consequent exposure to eight years of severely stressful conditions on death row amounted to inhuman and degrading treatment or punishment," the article read. [Emphasis in original].

"The European Court of Human Rights unanimously held that the United Kingdom would be in breach of article 3 of the European Convention of Human Rights if the U.K. extradited Soering, a German national who has been detained in the U.K., to the United States.

"Article 3 provides: 'No one shall be subject to torture or to inhuman or degrading treatment or punishment.'

"The U.S. sought the extradition of Mr. Soering in connection with charges that he, when aged 18, murdered his girlfriend's parents in Virginia. . . .

"The American prosecutor gave an undertaking that if Mr. Soering were convicted, a representation would be made to the judge that it was the U.K.'s wish that the death penalty should not be imposed. However the prosecutor intended to seek the death penalty. . . .

"The European Court of Human Rights said that the convention did not govern the actions of states not parties to it or purport to impose convention standards on other states. However, the absolute prohibition in article 3 enshrined one of the fundamental values of the democratic societies making

up the Council of Europe. . . .

"The court found that there were substantial grounds for believing that Mr. Soering, if returned to Virginia, would run a real risk of a death sentence and consequently of exposure to the death-row phenomenon, the source of the alleged inhuman and degrading treatment or punishment. . . . [The court] submitted that the death-row phenomenon cumulatively constituted such serious treatment that his extradition would be contrary to article 3."

Abrams slammed for dirty fundraising

New York State Attorney General Robert Abrams has been put on the hot seat for questionable fundraising tactics by the New York State Commission on Government Integrity, which issued a report entitled "The Midas Touch: Campaign Finance Practices of Statewide Officeholders," released June 7.

Abrams is presiding over New York's "Get LaRouche" case, which charges associates of Lyndon LaRouche with conspiracy and scheme to defraud in connection with political fundraising.

The commission has found that Abrams has improperly raised funds for his own election campaigns by—among other things—soliciting large contributions from people who had matters of law before him.

Examples cited in the commission report include Donald Trump, who donated \$7,500 to Abrams's campaign in April 1986, at a time when five co-op conversion plans in which Trump was interested, with a total price tag of \$60 million, were before Abrams's Law Department. When Trump breakfasted with Abrams in January 1985, Trump had three such plans pending. When Trump pledged Abrams \$15,000 in February 1985, he had four such plans pending. And when developer Arthur Cohen met Abrams at the Harmonie Club in October 1986 and pledged \$15,000, he had an interest in plans worth over \$150 million that were before Abrams.

In May 1986, Abrams phoned New York attorney Ira Millstein to ask for a donation.

On Sept. 15 of that year, Abrams presided over a meeting at the Law Department in which Millstein sought relief from the Attorney General's office on behalf of a client. Shortly after that meeting, Abrams hopped on the phone with Millstein, again trying to solicit a \$10,000 contribution for his campaign.

The report also accuses Abrams of having compiled, at state expense, a political mailing list known to the Abrams team as the MML, or "Major Mailing List." Department of Law staff maintained the list under Abrams's direction, and the Law Department computer was used to store it.

Good education ruled a constitutional right

The Supreme Court of the State of Kentucky has ruled that the school system of the state is unconstitutional, and must be reformed, because it is failing to educate the population, according to press accounts July 8.

The court stated its opinion that the "General Assembly of the Commonwealth has failed to establish an efficient system of common schools throughout the Commonwealth. . . . [T]he premise for the existence of common schools is that all children in Kentucky have a constitutional right to an adequate education."

The matter arose from a fight over the inequities in funding for school districts, which varies enormously in rural states, since schools are funded from property taxes, an issue which the 1973 U.S. Supreme Court did not find was a constitutional problem.

Rising above the tax and finance issues, which usually bog down clear thinking, the Kentucky court ruled that the schools were obligated under the constitution to provide "sufficient knowledge of economic, social, and political systems to enable the student to make informed choices . . . sufficient grounding in the arts to enable each student to appreciate his or her cultural and historical heritage . . . [and] sufficient levels of academic or vocational skills to compete favorably with their counterparts in surrounding states."

Briefly

● **MARIO CUOMO**, governor of New York, announced his availability to become the Democratic Party's next presidential nominee, telling a radio broadcasters convention on July 10 that he's "open to the possibility" for 1992.

● **WILLIAM CLEMENTS** introduced Senate Bill 803, which increases the penalties for child abuse during Satanic ritual activity, into a special session of the Texas legislature July 11. It immediately passed the Senate and will now go before the House.

● **PAUL MANAFORT**, campaign strategist for George Bush who runs the consulting firm Manafort, Black, told Richard Collins, executive director of the Savannah, Ga. housing authority, according to Collins, that the authority would receive a federal housing subsidy if it supported a project of the CFM development corporation. Manafort owns 30% of CFM.

● **LEE ATWATER**, chairman of the Republican National Committee, approved the release of the memo entitled "Tom Foley, Out of the Liberal Closet," linking the Speaker of the House to the homosexual Rep. Barney Frank (D-Mass.), according to the *Washington Post* July 3. Atwater had denied approving the document, and fired its author, Mark Goodin.

● **DANNY LEE McDONALD**, the chairman of the Federal Elections Commission, headed an FEC delegation visit to the Soviet Union from June 5-14, according to the July official newsletter of the FEC the *Record*. "We have many common concerns which have been advanced by our meetings," he said.

● **JOHN LEHMAN**, the former Secretary of the Navy, has been mysteriously protected throughout the "Ill Wind" investigation of defense contracting practices despite violations of ethics rules.

Editorial

Boycott Communist China

Since June 4, when the Chinese Communist regime began its butchery of thousands upon thousands of its own citizens, the government has successively dropped every pretext of democratization and bared its true dictatorial brutality. Under these conditions, it is intolerable for any Western government to continue a business-as-usual policy with the Beijing government.

President Bush, following the advice of Henry Kissinger, is pursuing exactly the opposite policy. Kissinger's policy is to divide the world into spheres of influence; he would be willing to allow the Chinese a junior partner status in the deal he is attempting to cut with the Soviets.

He would bridge the river of blood which should divide the world into two camps: on the one side the heroic Chinese students and all other advocates of the cause of human rights and dignity; and on the other, the supporters of the butcher Deng Xiaoping. Between these two, there can be no legitimate middle ground.

Kissinger contends that not to normalize trade with the People's Republic of China would be to penalize the Chinese people. While he feigns horror at the massacre, he maintains that the relationship with the Deng regime must be preserved at all costs, because it is strategically vital.

This is nonsense, because the P.R.C. leadership will violate any alliance with them, as they become more and more openly repressive toward their own people. They are already blaming the United States for the student uprising.

Ironically enough, the apparent strategic importance of China has been enhanced because the United States followed Kissinger's policies in the Middle East, which resulted in the destabilization of the friendly government of the Shah of Iran and brought the treacherous Khomeini regime to power. Sensitive American "listening posts" were then transferred to the P.R.C.

There should be an international boycott of the People's Republic of China as far as financial and commercial dealings go. Only food and medical supplies should be exempt.

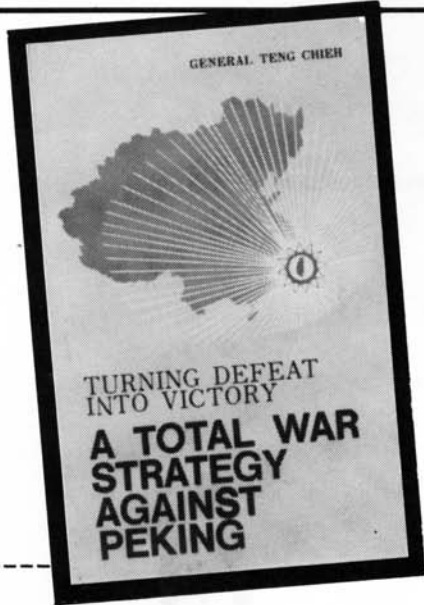
It is essential that international sanctions be taken now, because the government of Communist China has not stopped on the road of repression. If we do not move quickly, millions of Chinese are doomed to slaughter in a replay, even more horrible this time, of the Cultural Revolution and the Chinese-supported genocide policies of Pol Pot in Cambodia.

If we do move, then there is every chance that within the next several years, a democratic movement in China can defeat the present dictatorship. All of us who watched the heroic students could not but be moved at the Goddess of Democracy, symbol of freedom and justice in the United States as well. Over the years, the switch in the U.S. policy from an alliance with the Republic of China on Taiwan, in favor of Kissinger's "China card" realignment of the United States and the P.R.C., has been stupid as well as evil.

What governments have done since the massacre began, starting with the United States, is in actuality full support for Deng's extermination campaign. With the hopes of China's fighters for liberty and democracy, the principles from which our own Western freedoms are derived, are also being betrayed.

The following U.S. banks and enterprises should be enjoined from maintaining relations with the Deng government: Chase Manhattan Bank, American Express, the American International Group, Atlantic Richfield Corp., Caltex, Occidental Petroleum, Fluor Corp., Coca Cola Corp., and Brown and Root International. A similar list in the other countries of the Western alliance should be compiled and acted upon.

We urge our readers to make their voices heard in the parliaments of the world, and especially in the Congress of the United States, where the influence of Henry Kissinger is greatest. Let us put an end once and for all to the kind of "practical" politics which makes us bedfellows of the devil. Such practicality can only end in the destruction of our own civilization as well as the betrayal of all those, like the Chinese students, who look to the West for support in their fight against tyranny.



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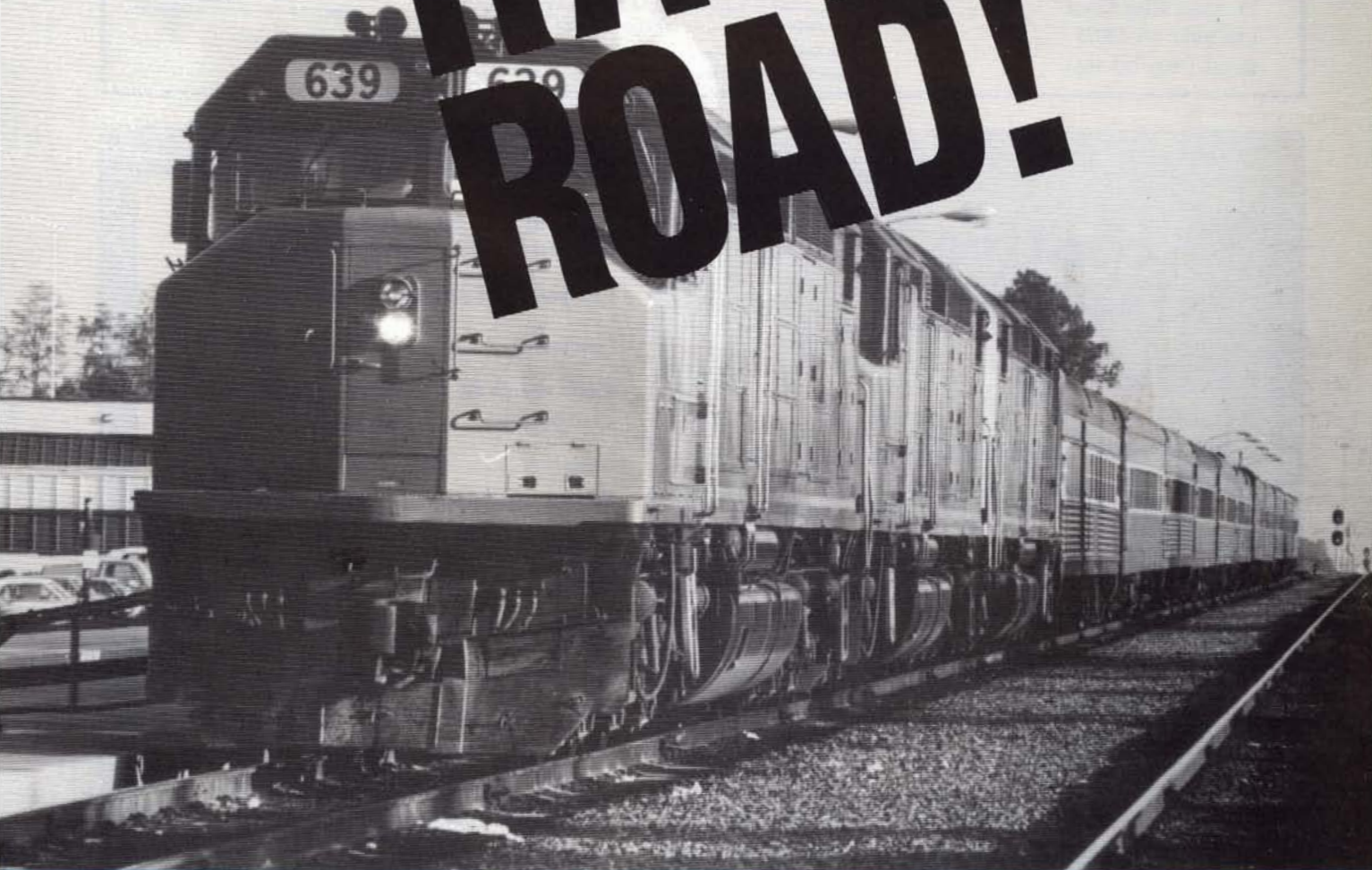
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